



CITY OF LONDON GROUP PLC

("COLG" or "the Company")

Capital Raise and Restructure of the Group

23rd August 2021

The Board of COLG (AIM:CIN) is pleased to announce today a capital raise of £11.4 million through a share subscription and a raise of up to £6.9 million through an open offer of new Ordinary Shares of COLG ("Ordinary Shares").

These changes are an important part of the Company's approach to establishing a new UK SME bank, Recognise Bank Limited ("Recognise"), a subsidiary of the Company.

The Company expects that the capital raise will lead to the removal of deposit restrictions and the full authorisation of Recognise Bank by the Prudential Regulation Authority ("PRA"). This in turn will enable Recognise to offer retail savings products to both personal and business customers.

The development of Recognise is central to COLG's strategy and in part addresses the funding gap experienced by underserved UK SMEs. As announced in November 2020, Recognise was granted Authorisation with Restrictions ("AwR") by the PRA, one of the first banks to be authorised post pandemic.

As previously reported, the Company has been in the process of disposing of its interest in Milton Homes Limited. It anticipates this disposal exchanging contracts within the next few days.

Since November 2020, Recognise has launched four lending products and received over £750 million of lending enquiries, through commercial brokers, other intermediaries and directly from its relationship managers; and is executing against its goal of lending c£1.3 billion over five years.

Michael Goldstein, CEO of COLG, commented:

"We are very pleased to have completed the final step for the PRA to lift the deposit restrictions for Recognise, a major milestone for both COLG and Recognise. Becoming a fully authorised bank has been our primary objective for some time, and will enable us to deliver against our key strategic goals and growth targets. Since the launch of Recognise, the business has grown the employee base to 60 high calibre members and secured a strong executive team, led by Jason Oakley as CEO, who between them, have over 200 years banking experience.

"This latest capital raise and expected sale of Milton Homes will enable us to realise our strategic ambitions for Recognise Bank, namely increasing the size of the loan book with access to funding from depositors through our business and personal saving products. This has been our goal for three years, and the sale of Milton Homes will enable the group to streamline its focus on the next stage of Recognise's growth.

"The latest fundraise demonstrates the support that we enjoy from shareholders for our ultimate strategic goal, to build the UK's leading SME Bank, supporting the needs of local businesses."

Summary

- Conditional capital raise of £11.4 million through a share subscription and a raise of up to £6.9 million through an open offer:

- Two of the Company's major shareholders, Parasol V27 Limited ("PV27") and Max Barney Investments Limited ("MBIL") (together the "Subscribers"), have agreed to subscribe for 18.9 million new Ordinary Shares at a subscription price of 60 pence per new Ordinary Share in cash for aggregate gross proceeds to the Company of £11.4 million (the "Subscription"). In addition, the Subscribers will receive warrants to subscribe for 9.4 million shares at an exercise price of 69 pence per new Ordinary Share over the next three years.
- In addition, a proposed open offer to qualifying shareholders on the same pricing terms as the Subscription will be launched following completion of the Subscription to raise gross proceeds of up to £6.9 million (the "Open Offer"). Shareholders who subscribe for shares in the Open Offer will also receive warrants on the same terms as the Subscribers.
- The capital raise is conditional upon, amongst other things, shareholder approval to grant the directors sufficient authority to allot the shares.
- The Company will convene a general meeting in relation to the capital raise. The Company has received irrevocable undertakings from four shareholders, PV27, MBIL, DV4 Limited ("DV4") and Jason Oakley, to vote in favour of the resolutions to be proposed at the general meeting. These four shareholders hold in aggregate 81.87% of the current issued capital of the Company.
- The Company intends to issue 5,152,794 shares to the trustee of its employee benefit trust ("EBT") to enable share awards to be made under the Company's share incentive schemes.
- The Company's subsidiary, Recognise Bank Limited ("Recognise"), is well advanced towards meeting mobilisation conditions that will lead to the removal of the deposit restrictions currently in place. This follows the receipt of AwR from the PRA, as announced on 11 November 2020.
- The proceeds of the capital raise will be used to meet capital requirements and lift deposit restrictions.

Details of the Proposed Capital Raise

The capital raise has two components, the Subscription and the Open Offer.

The Subscription

The Company has entered into agreements with the Subscribers to raise £11.4 million through a direct share subscription. PV27, an existing shareholder and an investment company which is an affiliate and under the management of RG Advisors, the private family office of Ms Ruth Parasol, will invest £10.4 million, subscribing for 17,250,000 new shares in the Company at a price of 60 pence per share. MBIL, an existing shareholder, will invest £1 million by way of a subscription for 1,666,667 shares at the same price of 60 pence per share.

As part of these agreements PV27 and MBIL will receive warrants over 8,625,000 and 833,333 new Ordinary Shares respectively (one share warrant for every two shares subscribed under the Subscription). These warrants will allow the holder to subscribe for an agreed number of shares at 69 pence per share exercisable over a three-year period from completion of the Subscription ("the Warrants"). The Subscription is expected to complete in September 2021, which would mean that the Warrants will be exercisable until September 2024.



PV27's shareholding in the Company following the Subscription, Open Offer and the issue of shares to the EBT will depend on how many shares are issued under the Open Offer. If there is no take-up in the Open Offer, PV27's shareholding will be 46.3%. If PV27 exercises its Warrants in full and MBIL does not and there are no further share issues, then PV27's resulting shareholding will be a maximum of 49.998%.

In order to execute PV27's subscription, the Company has also successfully applied, on behalf of PV27, to the Panel on Takeovers and Mergers (the "Panel") for a dispensation from the requirement to make a general offer under Rule 9 of the City Code on Takeovers and Mergers (the "Code") which would otherwise have arisen as a result of the exercise of Warrants issued and the issue of new Ordinary Shares to PV27 pursuant to the subscription. This dispensation was granted pursuant to Note 5(c) on the Notes on Dispensations from Rule 9.

As announced by the Company on 10 September 2020, PV27 has entered into a relationship agreement with the Company which will impose certain restrictions on PV27 to ensure that the Company can operate its business independently of PV27. With effect from completion of the Subscription, PV27 will enter into a similar relationship agreement with Recognise. Subject to the prior approval of the PRA, which the Company will use all reasonable endeavours to obtain, for so long as the PV27 holds 10% or more of the Ordinary Shares of COLG, PV27 shall have the right to nominate one director (and observer) to the board of Recognise. In addition, for so long as PV27 holds more than 30% of the Ordinary Shares of COLG, COLG shall, at the request of a director nominated by PV27, convene a general meeting at which certain reserved matters shall be proposed for consideration.

PV27 has agreed that its shares will be subject to a 12-month lock up period (subject to customary exceptions) following the Subscription.

CAML Preference Share Purchase

Related to the Subscription by MBIL, COLG has entered into an agreement to purchase £1 million of accumulated preference dividend in Credit Asset Management Limited ("CAML Prefs"), a subsidiary of the Group, from HPB Pension Trust ("HPB") on completion of the Subscription. HPB is connected to MBIL. The original preference share agreement was announced in 2015.

The Open Offer

In addition to the Subscription, the Company intends to undertake an Open Offer to Qualifying Shareholders to raise up to £6.9 million. The Open Offer will give Qualifying Shareholders the opportunity to invest in new Ordinary Shares at the same price as PV27 and MBIL under the Subscription. Subscribers in the Open Offer will also receive Warrants on the same basis as PV27 and MBIL (one Warrant for every two Open Offer shares subscribed).

PV27 has undertaken that it will not subscribe for shares in the Open Offer, so that other shareholders will have the opportunity to apply to subscribe for shares over and above their pro-rata entitlement.

It is expected that the Open Offer will be launched after the conditions required by the Subscription have been met. A further announcement on this will be made in due course.

Further share issuances



The Company intends to issue a total of 5,152,794 new Ordinary Shares to the trustees of the Company's EBT to satisfy future share awards to COLG employees. This represents 6.4% of the Company's current shares outstanding or 6.0% of the shares outstanding immediately after this issue but excluding any of the share issuances related to the Subscription, Open Offer or Warrants.

Approvals in connection with the Subscription and Open Offer

Completion of the Subscription, the Open Offer and the issue of the Warrants is conditional, inter alia, upon the passing of certain ordinary and special resolutions by the Company's shareholders at a general meeting to give the directors sufficient authority to allot and issue the relevant shares.

A resolution is also being proposed to amend the articles of association of the Company so that further issues of shares by the Company may not be made at a price of less than 60 pence per share except with the approval of 85% of the Company's shareholders, or if an 80% or greater majority of the Directors of the Company including all of the independent non-executive directors resolve that a fundraising at a price below 60 pence per share is the only reasonable prospect for a regulated subsidiary of the Company either (i) to avoid insolvency or a breach of the applicable capital adequacy rules or (ii) wind down the operations of such company in an orderly manner.

The Company will publish a shareholder circular including a notice of general meeting with details of these resolutions in due course.

The Company intends to apply for admission to trading of the new Ordinary Shares issued pursuant to the Subscription and, if applicable, the Open Offer, on the AIM Market of the London Stock Exchange. Further announcements regarding the progress of the Subscription and Open Offer will be made by the Company in due course.

Related Party Transaction

PV27 and MBIL are both deemed to be related parties of COLG under the AIM Rules for Companies, as they each hold in excess of 10% of the total voting rights of the Company. As such, their respective subscriptions for new Ordinary Shares pursuant to the Capital Raising, constitute related party transactions under Rule 13 of the AIM Rules for Companies. Additionally, due to HPB being a connected to MBIL, the CAML Preference Share Repurchase also represents a related party transaction (together the "Related Party Transactions").

The independent directors of the Company, having consulted with Peel Hunt LLP in its capacity as the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the Related Party Transactions to be fair and reasonable insofar as the Company's shareholders are concerned.

Board Changes

Andy Crossley, who joined the COLG Board in 2015 as a non-executive director, will be stepping down from his position at the General Meeting. The Board would like to thank Andy for his contribution over the last six years and wish him well in his future endeavours.

Rule 9 of the Code and the accelerated whitewash procedure

PV27's shareholding in the Company following the Subscription, Open Offer and the issue of shares to the EBT will depend on how many shares are issued under the Open Offer. If there is no take-up in the Open Offer, PV27's shareholding will be 46.3%. If PV27 exercises its Warrants in full and MBIL does



not and there are no further share issues, then PV27's resulting shareholding will be a maximum of 49.998%.

The subscription by PV27 gives rise to certain considerations under the Code. Brief details of the Panel, the Code and the protections they afford are described below. The Code is issued and administered by the Panel. The Code applies to all takeover and merger transactions, however effected, where the offeree company, inter alia, has its registered office in the United Kingdom and any of its securities are admitted to trading on a UK regulated market or UK multilateral trading facility. The Code applies to the Company, and as such its shareholders are entitled to the protections afforded by the Code. The Code and the Panel operate to ensure fair and equal treatment of shareholders in relation to takeovers, and also provide an orderly framework within which takeovers are conducted.

Under Rule 9 of the Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with them are interested) carry 30% or more of the voting rights of a company that is subject to the Code, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the Code also provides that, among other things, where any person, together with persons acting in concert with them, is interested in shares which in aggregate carry not less than 30% of the voting rights of a company that is subject to the Code, but does not hold shares carrying more than 50% of the voting rights of that company and such person, or any person acting in concert with them acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which they are interested, such person will normally be required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 must be in cash (or with a cash alternative) and must be at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with them.

Dispensation from Rule 9 of the Code

Under Note 1 on the Notes on Dispensations from Rule 9, the Panel will normally waive the requirement for a general offer to be made in accordance with Rule 9 if, inter alia, those shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with them and do not have any interest in the transaction which may compromise their independence (the "Independent Shareholders") pass an ordinary resolution on a poll at a general meeting (a "Whitewash Resolution") approving such a waiver.

Under Note 5(c) on the Notes on Dispensations from Rule 9, the Panel may waive the requirement for a Whitewash Resolution to be considered at a general meeting (and for a circular to be prepared in accordance with Section 4 of Appendix 1 to the Code) if Independent Shareholders holding more than 50% of a company's shares capable of being voted on such a resolution confirm to the Panel in writing that they approve such a waiver and would vote in favour of a Whitewash Resolution were one to be put to the shareholders of the company at a general meeting.



In accordance with Note 5(c) on the Notes on Dispensations from Rule 9, Independent Shareholders holding shares carrying more than 50% of the voting rights of the Company which would be capable of being cast on a Whitewash Resolution have confirmed in writing to the Panel that they approve the proposed waiver and would vote in favour of any resolution to that effect at a general meeting. Accordingly, PV27 has been granted a dispensation by the Panel from making a mandatory offer under Rule 9 of the Code in relation to its subscription.

Following the Subscription, Open Offer and exercise of PV27's warrants, PV27 will have an interest in shares in the Company of not less than 30% of the voting rights of the Company but will not hold shares carrying more than 50% of such voting rights, as set out above. Under Rule 9 of the Code, if PV27, or any person acting in concert with PV27 acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which it is interested, it will normally be required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of the Company to acquire the balance of their interests in the Company.

Market Abuse Regulation

This announcement is released by the Company and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (as transposed into the laws of the United Kingdom) ("MAR") and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055 (as transposed into the laws of the United Kingdom), the person responsible for arranging the release of this announcement on behalf of the Company is Michael Goldstein, Chief Executive Officer.

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Peel Hunt LLP ("**Peel Hunt**") is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Peel Hunt is acting solely as nominated adviser, under the AIM Rules, for the Company and no one else in connection with the contents of this announcement and will not regard any other person (whether or not a recipient of this announcement) as its client in relation to the contents of this announcement nor will it be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this announcement.