

24 August 2021

## CITY OF LONDON GROUP PLC

**("COLG" or "the Company") THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action to be taken you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA if you are in the United Kingdom or, if not, another appropriately authorised independent adviser.**

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected as soon as possible for onward transmission to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares you should retain these documents.

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The Directors, whose names are set out on page 4 of this document, and the Company, collectively and individually, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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# CITY OF LONDON GROUP PLC

*(Incorporated and registered in England and Wales  
with registered number 01539241)*

**CONDITIONAL SUBSCRIPTION OF 18,916,667 NEW ORDINARY SHARES AT 60 PENCE PER SHARE  
GRANT OF 9,458,333 WARRANTS TO SUBSCRIBE FOR NEW ORDINARY SHARES  
AMENDMENT TO ARTICLES OF ASSOCIATION  
AND  
NOTICE OF GENERAL MEETING**

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This document contains no offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the FCA or any other competent authority.

You should read the whole of this document. Your attention is drawn to the letter from the Chairman of City of London Group plc, which is set out on pages 8 to 13 of this document (which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below).

Notice of a General Meeting of the Company to be held at the offices of the Company at 10:00 a.m. on 8 September 2021 is set out at Part III of this document.

Shareholders will not receive a hard copy form of proxy for use in connection with the Resolutions to be proposed at the General Meeting. Instead, Shareholders will be able to vote electronically using the link [www.signalshares.com](http://www.signalshares.com). To do so, Shareholders will need to log into their Signal Shares account or register (if not previously done so). To register, Shareholders will need their Investor Code, which is detailed on their share certificates or available from the Registrar, Link Group. Voting by proxy prior to the General Meeting does not affect Shareholders' right to attend the General Meeting and vote in person should they so wish. To be valid, proxy votes must be received as soon as possible but in any event no later than 10:00 a.m. on 6 September 2021.

If you hold your Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of General Meeting set out at Part III of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 10:00 a.m. on 6 September 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

Peel Hunt LLP, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company as nominated adviser and broker and no-one else in connection with the matters described in this document. It will not regard any other person (whether or not a recipient of this document) as a client in relation to any matter described in this document and

will not be responsible to anyone other than the Company for providing the protections offered to clients of Peel Hunt LLP for any transaction or arrangement referred to in this document.

Peel Hunt LLP's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company, any Director or to any other person. No representation, express or implied, is made by Peel Hunt LLP as to, and no liability whatsoever is accepted by Peel Hunt in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).



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## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	Philip Jenks	<i>Independent Non-executive Chairman</i>
	Michael Goldstein	<i>Chief Executive Officer</i>
	Nyreen Llamas	<i>Non-executive Director</i>
	Ruth Parasol	<i>Non-executive Director</i>
	Andy Crossley	<i>Independent Non-executive Director</i>
	Paul Milner	<i>Non-executive Director</i>
	Louise McCarthy	<i>Independent Non-executive Director</i>
	Moorad Choudhry	<i>Independent Non-executive Director</i>
	Richard Gabbertas	<i>Independent Non-executive Director</i>
	Simon Wainwright	<i>Independent Non-executive Director</i>

**Company Secretary** Mr Ben Harber

**Registered Office** 6<sup>th</sup> Floor  
60 Gracechurch Street  
London  
EC3V 0HR

**Nominated Adviser and Broker** **Peel Hunt LLP**  
100 Liverpool Street  
London  
EC2M 2AT

**Auditors** **BDO LLP**  
55 Baker Street  
Marylebone  
London  
W1U 7EU



**Solicitors**

**Taylor Wessing LLP**

5 New Street Square

London

EC4A 3TW

**Registrars**

**Link Group**

10th Floor  
Central Square  
29 Wellington  
Street

Leeds

LS1 4DL

**Company Website**

[www.cityoflondongroup.com](http://www.cityoflondongroup.com)

## PART I

### DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>"Act"</b>	the Companies Act 2006, as amended
<b>"Admission"</b>	the admission of the Subscription Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>"AIM"</b>	the market of that name operated by the London Stock Exchange
<b>"AIM Rules"</b>	the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as applicable
<b>"AIM Rules for Companies"</b>	the rules which set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time
<b>"AIM Rules for Nominated Advisers"</b>	the rules which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by the London Stock Exchange from time to time
<b>"Board" or "Directors"</b>	the directors of the Company
<b>"Business Day"</b>	a day other than a Saturday, Sunday or public holiday on which banks are open for commercial business in the City of London
<b>"Circular"</b>	this document
<b>"Company" or "COLG"</b>	City of London Group plc, a company registered in England and Wales with registered number 01539241
<b>"Completion"</b>	Completion of the Disposal in accordance with the terms of the Sale Agreement
<b>"CREST"</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as also defined in the CREST Regulations)
<b>"CREST Manual"</b>	the rules governing the operation of CREST as published by Euroclear
<b>"CREST Regulations"</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
<b>"Disposal"</b>	the proposed disposal by the Company of the entire issued share capital of Milton Homes
<b>"EBT"</b>	the Company's employee benefit trust
<b>"Enlarged Ordinary Share Capital"</b>	the enlarged share capital of the Company following Admission, comprising the Existing Ordinary Share Capital and the Subscription Shares
<b>"Euroclear"</b>	Euroclear UK & Ireland Limited, the operator of CREST



<b>"Existing Ordinary Shares"</b>	the Ordinary Shares in issue as at the date of this document
<b>"Existing Ordinary Share Capital"</b>	the 80,727,119 Existing Ordinary Shares
<b>"FCA"</b>	the United Kingdom Financial Conduct Authority
<b>"FSMA"</b>	the Financial Services and Markets Act 2000 of the United Kingdom, as amended
<b>"General Meeting"</b>	the general meeting of the Company, convened for 10:00 a.m. on 8 September 2021, and any adjournment of that meeting, notice of which is set out at Part III of this document
<b>"Independent Shareholders"</b>	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
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"MBIL"</b>	Max Barney Investments Limited, a company registered in England and Wales with registered number 10890765
<b>"Milton Homes"</b>	Milton Homes Limited, a company registered in England and Wales with registered number 06037454
<b>"Notice of General Meeting"</b>	the notice of General Meeting set out at Part III of this document
<b>"Official List"</b>	the official list of the UKLA
<b>"Open Offer"</b>	the proposed offer for subscription (on the basis of one share for every two Ordinary Shares held as at a date to be determined) of new Ordinary Shares to Qualifying Shareholders to raise approximately £6,900,000, as described in paragraph 3 of Part II
<b>"Open Offer Warrants"</b>	warrants to subscribe for new Ordinary Shares at a price of 69p with a 3 year exercise period, to be issued to shareholders participating in the Open Offer on the basis of one Open Offer Warrant for every two new Ordinary Shares subscribed under the Open Offer as described in paragraph 3 of Part II
<b>"Ordinary Shares"</b>	ordinary shares of £0.02 each in the share capital of the Company
<b>"Panel"</b>	the UK Panel on Takeovers and Mergers
<b>"Peel Hunt"</b>	Peel Hunt LLP, the Company's nominated adviser and broker
<b>"Prospectus Rules"</b>	the prospectus rules of the UKLA made in accordance with section 73A of FSMA as amended from time to time pursuant to the Prospectus Regulation 2017 (EU 2017/1129) (which forms part of UK domestic law pursuant to the European Union (Withdrawal) Act 2018)
<b>"PV27"</b>	Parasol V27 Limited, a company registered in Gibraltar with registered number 120048



<b>"Qualifying Shareholders"</b>	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date
<b>"Recognise"</b>	Recognise Bank Limited, a company registered in England and Wales with registered number 10603119
<b>"Registrar"</b>	Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL
<b>"Resolutions"</b>	the resolutions to be proposed at the General Meeting, details of which are set out in the Notice of General Meeting
<b>"Shareholders"</b>	the persons who are registered as holders of the Ordinary Shares
<b>"Sterling" or "£"</b>	the legal currency of the UK
<b>"Subscriptions"</b>	the proposed conditional subscriptions for the Subscription Shares at the Subscription Price pursuant to the terms of the Subscription Agreements
<b>"Subscription Agreements"</b>	the conditional agreements between the Company and each of PV27 and MBIL further details of which are set out in paragraph 4 of Part II of this document
<b>"Subscription Price"</b>	£0.60 per Subscription Share
<b>"Subscription Shares"</b>	18,916,667 new Ordinary Shares to be allotted and issued by the Company pursuant to the Subscriptions
<b>"Subscription Warrants"</b>	warrants to subscribe for new Ordinary Shares at a price of 69 pence per share with a 3-year exercise period, issued to PV27 and MBIL on the basis of one Subscription Warrant for every two Subscription Shares subscribed
<b>"Takeover Code" or "Code"</b>	the UK City Code on Takeovers and Mergers
<b>"Trustees"</b>	the trustees of the EBT
<b>"UK" or "United Kingdom"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"UKLA"</b>	the United Kingdom Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>"uncertificated" or recorded "in uncertificated form"</b>	the description of a share or other security which is on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST





## PART II

### LETTER FROM THE CHAIRMAN CITY OF LONDON GROUP PLC

*(Incorporated in England and Wales with registered number 01539241)*

*Directors:*

Philip Jenks  
Michael Goldstein  
Nyreen Llamas  
Ruth Parasol  
Andy Crossley  
Paul Milner  
Louise McCarthy  
Moorad Choudhry  
Richard Gabbertas  
Simon Wainwright

*Registered Office:*

6th Floor  
60 Gracechurch Street  
London EC3V 0HR

23 August 2021

*To: Shareholders (and, for information only, the holders of awards and options over Ordinary Shares)*

Dear Shareholder,

#### 1. INTRODUCTION

The Company announced on 23 August 2021 a capital raise of £11.4 million through a share subscription and a raise of up to £6.9 million through an open offer, to take place at a later date.

Additionally, the Company has been in the process of disposing of its interest in Milton Homes. The Company anticipates the Disposal exchanging contracts within the next few days.

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

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

A general meeting is therefore being convened at Royal Exchange, First Floor, 1 Royal Exchange Steps, London EC3V 3DG, for 10:00 a.m. on 8 September 2021. The Notice convening the General Meeting is set out in Part III of this document.

**The purpose of this document is to provide you with background information and to set out the Non-Executive Directors' reasons for considering the Subscriptions and the Disposal to be in the best interests of Company and its Shareholders as a whole. In addition, this document contains the required Notice of General Meeting.**



## 2. DETAILS OF THE PROPOSED CAPITAL RAISE

### ***The Subscription***

The Company has entered into agreements with the Subscribers to raise £11.4m 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 £10.4m, subscribing for 17,250,000 new shares in the Company at a price of 60 pence per share. MBIL, an existing shareholder, will invest £1m 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 issue of new Ordinary Shares and Warrants 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 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 repurchase £1 million of accumulated preference dividend in Credit Asset Management Limited, a subsidiary of the Group, from HPB Pension Trust ("HBP") by 30 September 2021. HBP 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 a shareholder resolution passed by a majority of 85%, 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 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 HBP being



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.

### ***Takeover Code***

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 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.**

### **3. SALE OF MILTON HOMES**

Within the next few days following circulation of this letter, the Company anticipates entering into an agreement to sell the entire issued share capital of Milton Homes and its wholly owned subsidiaries.

The proceeds and the capital from the Disposal are intended to contribute to regulatory capital, to support loan book growth in Recognise and lift deposit restrictions.

This sale is in line with the Company's approach to develop a new UK SME bank.

The Disposal would be conditional on receiving regulatory approval from the Financial Conduct Authority of the change in control of Milton.

### **4. GENERAL MEETING**

A notice convening the General Meeting to be held at Royal Exchange, First Floor, 1 Royal Exchange Steps, London EC3V 3DG at 10:00 a.m. on 8 September 2021 is set out at Part III of this document. At the General Meeting five resolutions will be proposed as follows:

#### *Resolution 1*



The first resolution is an ordinary resolution to grant authority to the Directors to allot: (i) the Subscription Shares on the terms of the Subscription Agreements; and (ii) new Ordinary Shares pursuant to the grant of the Subscription Warrants.

#### *Resolution 2*

The second resolution is an ordinary resolution to grant authority to the Directors to allot: (i) new Ordinary Shares pursuant to the proposed Open Offer; and (ii) new Ordinary Shares pursuant to the grant of Open Offer Warrants.

#### *Resolution 3*

The third resolution is a special resolution conditional on the passing of resolution 1, which approves the disapplication of pre-emption rights in relation to the allotment of the Subscription Shares and the Subscription Warrants.

#### *Resolution 4*

The fourth resolution is a special resolution conditional on the passing of resolution 2, which approves the disapplication of pre-emption rights in relation to the allotment of new Ordinary Shares under the proposed Open Offer and in respect of the Open Offer Warrants.

#### *Resolution 5*

The fifth resolution is a special resolution to amend the existing articles of association of the Company (the "Articles") by the addition of certain wording in article 3.2 and the insertion of new articles 3.15 and 3.16, pursuant to which the Company will be prevented from issuing or allotting new Ordinary Shares at a price per share of less than 60 pence, unless such issue is:

- (a) to an employee benefit trust;
- (b) during a period in which Recognise Bank Limited (for so long as it remains a subsidiary of the Company) or any other subsidiary of the Company which is regulated as a bank by the PRA is "Distressed" (as defined therein); or
- (c) with the approval of a resolution of the members in general meeting on which not less than 85% of the votes cast by those members attending and voting on the resolution are in favour.

## **5. ACTION TO BE TAKEN**

You will not receive a hard copy form of proxy for the General Meeting in the post. Instead, you will be able to vote electronically using the link [www.signalshares.com](http://www.signalshares.com). You will need to log into your Signal Shares account, or register if you have not previously done so, to register you will need your Investor Code, this is detailed on your share certificate or available from our Registrar.

Voting by proxy prior to the General Meeting does not affect your right to attend the General Meeting and vote in person should you so wish. Proxy votes must be received no later than 10:00 a.m. on 6 September 2021.

You may request a hard copy form of proxy directly from the Registrar on tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.



Alternatively, you can request a hard copy proxy card by emailing [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)

For further details, please see the notes to the Notice of General Meeting set out in Part III.

#### 6. RECOMMENDATION

**The Board is of the opinion that Resolutions 1 to 5 (inclusive) are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommend that Shareholders vote in favour of each of Resolutions 1 to 5 (inclusive) as the members of the Board intend to do in respect of their own beneficial shareholdings.**

Yours sincerely

**Chairman**



## PART III

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting of the members of the Company will be held at the office of the Company at Royal Exchange, First Floor, 1 Royal Exchange Steps, London EC3V 3DG at 10:00 a.m. on 8 September 2021.

Words and expressions used or defined in the Circular dated 23 August 2021 and despatched to the shareholders of the Company, of which this notice forms part, shall have the same meaning in this notice.

**We are keen to welcome shareholders in person to our General Meeting this year, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. At present, it is possible under guidelines to allow shareholders to attend the General Meeting and therefore we are proposing to welcome shareholders to attend the General Meeting within safety constraints and in accordance with government guidelines.**

Shareholders who cannot attend the General Meeting should email any questions they have, or would normally raise during the course of the General Meeting to the Company Secretary. We will endeavour to respond to all questions received by 10 a.m. on 6 September 2021.

Given the constantly evolving nature of the COVID-19 situation, should circumstances change before the time of the General Meeting, we want to ensure that we are able to adapt arrangements, within safety constraints and in accordance with government guidelines. Should we have to change arrangements, we will issue a further communication via a Regulatory Information Service. As such, we strongly recommend shareholders monitor such communications, which can also be found on our website at: [www.cityoflondongroup.com](http://www.cityoflondongroup.com).

#### Proxy Voting

Instructions on voting are attached to the Notice of General Meeting sent out to shareholders and also available on the Company's website.

Shareholders wishing to appoint a proxy are recommended to appoint the Chairman of the Meeting to do so. Proxy votes must be received by no later than 10 a.m. on 6 September 2021.

The general meeting will be held for the purpose of considering and, if thought fit, passing, the following resolutions (the "**Resolutions**") of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolutions 3 to 5 will be proposed as special resolutions:

#### ORDINARY RESOLUTIONS

##### 1. Resolution 1

That the directors be authorised for the purposes of section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any





security into shares in the Company up to an aggregate nominal amount of £378,333.34 in respect of the 18,916,667 Subscription Shares to be allotted and issued pursuant to the Subscription and 9,458,333 new Ordinary Shares that may be allotted pursuant to the grant and exercise of the Subscription Warrants; such authority to expire (unless previously revoked, varied or renewed) on the earlier of the conclusion of the next annual general meeting of the Company and the close of business on the date falling 15 months after the date of the passing of the resolution (save that the Company may before the expiry of such periods make offers or agreements which would or might require shares to be allotted or rights to be granted after the expiry of these authorities and the directors may allot shares or grant rights in pursuance of any such offer or agreement to subscribe for or convert any security into shares notwithstanding the authority conferred has expired).

## **2. Resolution 2**

That the directors be authorised for the purposes of section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £233,333.34 in respect of up to 11,666,667 new Ordinary Shares to be allotted pursuant to the proposed Open Offer and up to 5,833,333 new Ordinary Shares to be allotted pursuant to the proposed grant and exercise of the Open Offer Warrants; such authority to expire (unless previously revoked, varied or renewed) on the earlier of the conclusion of the next annual general meeting of the Company and the close of business on the date falling 15 months after the date of the passing of the resolution (save that the Company may before the expiry of such periods make offers or agreements which would or might require shares to be allotted or rights to be granted after the expiry of these authorities and the directors may allot shares or grant rights in pursuance of any such offer or agreement to subscribe for or convert any security into shares notwithstanding the authority conferred has expired).

## **SPECIAL RESOLUTIONS**

### **3. Resolution 3**

That conditional on the passing of resolution 1, the directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities described in resolution 1 above as if section 561 of the Act did not apply to any such allotment, such power to be limited to the allotment of equity securities up to a total nominal value of £378,333.34 including the Subscription Shares and new Ordinary Shares allotted pursuant to the Subscription Warrants; and provided that such authority shall expire (unless previously revoked, varied or renewed) on the earlier of the conclusion of the next annual general meeting of the Company and the close of business on the date falling 15 months after the date of the passing of this resolution (save that the Company may before the expiry of such periods make offers or agreements which would or might require equity securities to be allotted or granted after the expiry of these authorities and the Directors may allot equity securities in pursuance of any such offer or agreement as if the authority had not expired).

### **4. Resolution 4**

That conditional on the passing of resolution 2, the directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities described in resolution 2 above as if section 561 of the Act did not apply to any such allotment, such power to be limited to the allotment of equity securities up to a total nominal value of £233,333.34 including the new Ordinary Shares allotted pursuant to the proposed Open Offer and new Ordinary Shares allotted pursuant to the proposed grant and exercise of the Open Offer Warrants; and provided that such authority shall expire (unless previously revoked, varied or renewed) on the earlier of the conclusion of the next annual general meeting of the Company and the close of business on the date falling 15 months after the date of the passing of this resolution

(save that the Company may before the expiry of such periods make offers or agreements which would or might require equity securities to be allotted or granted after the expiry of these authorities and the Directors may allot equity securities in pursuance of any such offer or agreement as if the authority had not expired).

## 5. Resolution 5

That the articles of association of the Company be amended as follows:

(a) by the addition of the words "and to the provisions of Article 3.15" in Article 3.2 after the words "Subject to the provisions of the Statutes and to any relevant authority of the Company in general meeting required by the Act".

(b) by the insertion of the following additional articles 3.15 and 3.16:

"3.15.1 Notwithstanding anything to the contrary contained in these Articles, the Company shall not issue or allot new Ordinary Shares or any other shares in the Company ranking pari passu with or in priority to the Ordinary Shares (in any such case whether for cash or non-cash consideration) at a price (or, in the event of an issue for non-cash consideration, value) per share of less than 60 pence (the "**Floor Price**") other than:

3.15.1.1 to an employee benefit trust; or

3.15.1.2 during a period in which Recognise Bank Limited (for so long as it remains a subsidiary of the Company) or any other subsidiary of the Company which is regulated as a bank by the Prudential Regulation Authority (or any successor regulatory authority) (a "**Relevant Company**") is Distressed (as defined below); or

3.15.1.3 with the approval of a resolution of the members in general meeting on which not less than 85% of the votes cast by those members attending and voting on the resolution are in favour.

3.15.2 For the purposes of this Article 3.15 "**Distressed**" means having taking appropriate professional advice, the Board of the Company considers and resolves by a majority of not less than 80% of the directors constituting the Board, including all of the independent non-executive directors, that a fundraising at a price below the Floor Price is the only reasonable prospect for the Relevant Company either (i) to avoid insolvency or a breach of the total capital requirements for the Relevant Company as set out in the most recent total capital requirements letter (and including the



capital conservation buffer and any PRA buffer) or (ii) wind down the operations of such company in an orderly manner.

- 3.16 In the event of any issue of shares of whatever class or other security of the Company to shareholders by way of capitalisation of reserves or profits (other than a capitalisation issue in lieu of a cash dividend where the value of the Ordinary Shares issued in lieu of the cash dividend is equal to the amount of the dividend foregone) or any sub-division or consolidation or reduction of the ordinary share capital of the Company, the Floor Price shall be adjusted to such extent (if any) as the auditors for the time being of the Company certify in writing to the Company to be in their opinion fair and reasonable in consequence of such event provided that no adjustment to the Floor Price shall be made which would reduce the Floor Price to a price per Ordinary Share below the nominal value of each Ordinary Share."



## BY ORDER OF THE BOARD

Ben Harber  
Company Secretary  
23 August 2021

Registered Office:  
6<sup>th</sup> Floor  
60 Gracechurch Street  
London  
EC3V 0HR

## NOTES

1. If you are a Shareholder entitled to attend and vote at the meeting, you may vote electronically using the link [www.signalshares.com](http://www.signalshares.com) or appoint one or more proxies to attend, speak and vote on your behalf. Voting by proxy prior to the General Meeting does not affect your right to attend the General Meeting and vote in person should you so wish. A proxy need not be a member of the Company.
2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the General Meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
3. If your shares are held in joint names, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
4. Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member, on its behalf, provided that not more than one corporate representative may exercise powers over the same shares.
5. You can vote either:
  - by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
6. In order for a proxy appointment to be valid a form of proxy must be completed. You may request a hard copy form of proxy directly from the Registrar on tel: 0371 664 0300. Alternatively, you can request a hard copy proxy card by emailing [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk). In each case the form of proxy must be received by Link Group at 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours (excluding non-working days) before the time of the General Meeting.
7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.



If you have been sent a copy of this notice because you have been nominated to have information rights under the Act by a nominee shareholder who holds shares on your behalf (and therefore your shares are not held in your own name) then you do not have the right to appoint a proxy directly. However, you may have a right under an agreement with the registered shareholder to appoint someone else or to be appointed yourself as a proxy for this meeting. If you do not have this right, or if you do not wish to exercise it, you may have a right under such agreement to give instructions to the shareholder as to how they should vote in respect of the shares they hold on your behalf. You should contact the registered shareholder to find out more about any such arrangements.

Under Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), you must be on the register of members by the close of business two days before the General Meeting in order to have the right to attend or vote at the meeting. The number of shares you hold at that time is the number over which you may exercise voting rights at the meeting. Changes to entries on the register of members after that time will be disregarded in determining your right to attend or to vote (and the number of votes you may cast) at the General Meeting or any adjournment of that meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. If you are a CREST personal member or other CREST sponsored member, and/or a CREST member who has appointed a voting service provider(s), you should refer to your CREST sponsor or voting service provider(s), who will be able to take appropriate action on your behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specification and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if you are a CREST personal member or sponsored member or you have appointed a voting service provider(s), to ensure that your sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.
9. You may not use any electronic address provided either in this notice or any related documents to communicate for any purposes other than those expressly stated.



10. As at the date of publication of this document the Company's issued share capital consisted of 80,727,119 Ordinary Shares of 2 pence each, carrying one vote each. There are no shares currently held in treasury. Therefore, the total number of voting rights in the Company at that date was 80,727,119.