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**CITY OF LONDON GROUP PLC**  
**(“COLG” or the “Company”)**

15 March 2019

**Announcement of capital raising**

COLG is pleased to announce that it has received firm commitments to raise £15.2 million in new funds to support the development of its lending business.

**Business update**

The Company’s subsidiary Recognise Financial Services Limited (“**Recognise**”) has continued to progress its UK banking licence application. It is investing in its future by strengthening its team with a series of key appointments, while developing and refining its operating model. This will enable Recognise to be well-placed to focus its business offering in the UK SME market.

**Capital raising**

The capital raising is being effected through a combination of the issue to certain new and existing shareholders of, in aggregate, 10,520,000 new ordinary shares of £0.02 each in the Company (“**Shares**”) at an issue price of 125 pence per Share to raise gross subscription proceeds of £13,150,000, and the issue of £2,050,000 of unlisted unsecured convertible loan notes (“**CLNs**”). The aggregate gross subscription proceeds of the issue of the Shares and the CLNs (together, the “**Capital Raising**”) is £15,200,000.

The CLNs carry a coupon of 6% interest per annum, payable by COLG twice yearly for the preceding six months. The CLNs, and at the holder’s option, any accrued interest, are convertible into new Shares in the Company at any time by the holders at a conversion rate of one new Share per £1.43 in outstanding CLN principal and interest (to the extent the CLN holders have not elected to take interest in cash). To the extent that holders of the CLNs have not already converted their CLNs, the CLNs will be mandatorily converted by the Company into new Shares if and when Recognise agrees its Individual Capital Guidance with the Prudential Regulatory Authority, as part of its application for a UK banking licence. Mandatory conversion by COLG in these circumstances will occur at the same price, that is at a conversion rate of one new Share per £1.43 in outstanding CLN principal amount and will therefore require the issuance of, in aggregate, approximately 1.4 million new Shares (assuming that no CLNs have been converted before this time and that all accrued interest on the CLNs to date has been paid in cash by COLG). If Recognise does not obtain a banking licence by 31 March 2021, the CLNs will be redeemed by COLG shortly thereafter for the then outstanding principal amount and any accrued interest.

**Takeover Code**

Max Barney Investments Limited and parties acting in concert with it (together, the “**MBIL Concert Party**”) and DV4 Limited (“**DV4**”), all of whom are existing shareholders in the Company, have each provided firm commitments to subscribe for, in aggregate, 4 million new Shares as part of the Capital Raising.

The Company is subject to the City Code on Takeovers and Mergers (the “**Takeover Code**”) which is administered by the Panel on Takeovers and Mergers (the “**Takeover Panel**”). Under Rule 9 of the

Takeover Code, any person who acquires an interest (as defined in the Takeover Code) in shares which, taken together with shares in which they are already interested and in which persons acting in concert with them are interested, carry between 30 per cent. and 50 per cent. of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

As a result, the proposed participation of the MBIL Concert Party in the Capital Raising would ordinarily trigger an obligation on their part to make a general offer for the entire issued share capital of the Company in accordance with Rule 9 of the Takeover Code. No such obligation would arise on DV4 under Rule 9 of the Takeover Code and, therefore, no waiver of Rule 9 of the Takeover Code is required in respect of DV4's subscription for new Shares.

Accordingly, the Company has applied to the Takeover Panel for a waiver of Rule 9 of the Takeover Code in order to permit the Capital Raising to proceed with the participation of the MBIL Concert Party without such a general offer needing to be made. The Company will convene a general meeting for the independent shareholders of the Company (being in this case, all existing shareholders of the Company other than the members of the MBIL Concert Party) to vote on a resolution regarding such a waiver (the "**Whitewash Resolution**").

Accordingly, the Company has determined that the issue and allotment of the new Shares pursuant to the Capital Raising will be conditional upon the approval of the Whitewash Resolution and the Takeover Panel agreeing to waive the obligation to make an offer for the entire issued share capital of the Company that would otherwise arise. The Company expects to shortly despatch a circular to its shareholders which will contain a notice of general meeting at which the Whitewash Resolution will be proposed (the "**General Meeting**").

### **Timing**

The issue of the CLNs is not conditional upon the Whitewash Resolution, and, accordingly, the Company is expecting to issue the CLNs shortly, which will result in gross proceeds of £2,050,000 million to the Company.

If the Whitewash Resolution is passed at the General Meeting, the Company expects to issue a total of 10,520,000 new Shares shortly after the General Meeting which will result in gross proceeds of £13,150,000 million to the Company. The Company will apply for admission to trading of the new Shares on the AIM Market of the London Stock Exchange. The CLNs will be unlisted.

### **Related party transactions**

The MBIL Concert Party and DV4 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 Shares pursuant to the Capital Raising each constitutes a related party transaction under Rule 13 of the AIM Rules for Companies (the "**Related Party Transactions**").

The independent directors of the Company (being, for this purpose, Andrew Crossley and Lorraine Young), 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.

### **Michael Goldstein, CEO of City of London Group, commented on the Capital Raising:**

*"We are delighted with the support shown by existing and new shareholders for our strategy. Today's announcement and the commitments to raise in excess of £15 million reflects confidence in the team and the strategy that we have laid down for creating an organisation that is positioned to meet the needs of the SME market. We continue to see a clear path for generating shareholder value."*

### **Market Abuse Regulation**

This announcement is released by the Company and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the

Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of the Company was Michael Goldstein, Chief Executive.

#### Enquiries

<b>City of London Group plc</b> Michael Goldstein	+44 (0) 7831 483 365
<b>Peel Hunt LLP (nominated adviser and broker)</b> James Britton, Rishi Shah	+44 (0)207 418 8900
<b>Lansons (media inquiries)</b> David Masters	+44 (0)7825 427514 <a href="mailto:colg@lansons.com">colg@lansons.com</a>

#### Notes to Editors

City of London Group is a forward-thinking organisation focused on serving the UK SME market. It is primed for the future, but grounded with traditional values and a strength and depth of expertise.

The Group's expertise covers finance for the SME sector, equity release and secured lending. The Group has experience with commercial banking and mortgages, as well as good access to funding arrangements such as commercial, SME, bridging and development finance, home reversion plans, and asset and loan finance.

The Group ensures its services are always delivered with a personal touch, so clients know that they are more than a customer and have a partner that will work with them as they look towards the future.

#### IMPORTANT NOTICES:

This announcement has been issued by and is the sole responsibility of the Company. This announcement and the information contained in it are for information purposes only. No reliance may or should be placed by any person for any purpose whatsoever on the information contained in this announcement or on its accuracy or completeness. The information in this announcement is subject to change.

The distribution of this announcement into jurisdictions other than the United Kingdom may be restricted by law, and, therefore, persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction. This announcement does not constitute a recommendation concerning any securities in the Company.

This announcement is not an offer of securities for sale in the United States or anywhere else. The Shares have not been and will not be registered under the Securities Act of 1933 (the "**Securities Act**") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Shares in the United States or elsewhere.

Peel Hunt LLP ("**Peel Hunt**") is authorised and regulated by the Financial Conduct Authority in the United Kingdom and is acting exclusively for the Company and no one else in connection with the Capital Raising and will not regard any other person (whether or not a recipient of this announcement) as a client in relation to the Capital Raising and will not be responsible to anyone other than the

Company for providing the protections afforded to its clients nor for giving advice in relation to the Capital Raising or any transaction or arrangement referred to in this announcement.

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