

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000 (as amended) (the “FSMA”) or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

This document comprises a prospectus relating to METRO BANK HOLDINGS PLC (“**MB Holdings**” or the “**Company**”) prepared in accordance with the Prospectus Regulation Rules of the UK Financial Conduct Authority (the “**FCA**”) made under section 73A of the FSMA. This document has been approved by the FCA (as the competent authority under the UK Prospectus Regulation) and will be made available to the public and has been filed in accordance with the Prospectus Regulation Rules. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation, and such approval should not be considered as an endorsement of the Company or the quality of the New MB Shares. Investors should make their own assessment as to the suitability of investing in the securities. This document together with the documents incorporated into it by reference (as set out in Part XVI (*Information Incorporated by Reference*)) will be made available to the public in accordance with Prospectus Regulation Rule 3.2.1 by the same being made available, free of charge, at [www.metrobankonline.co.uk](http://www.metrobankonline.co.uk) and at the Company’s registered office at One Southampton Row, London WC1B 5HA, United Kingdom.

This Prospectus is not an offer or invitation to the public to subscribe for or purchase fully paid ordinary shares in the capital of the Company (the “**New MB Shares**”). This Prospectus has been prepared in connection with a scheme of arrangement pursuant to Part 26 of the Companies Act undertaken by Metro Bank plc (“**Metro Bank**”) to introduce the Company as a new holding company, above Metro Bank and its subsidiaries (the “**Scheme**”), and is issued solely in connection with the admission of New MB Shares to the premium listing segment of the Official List of the FCA and to the London Stock Exchange’s main market for listed securities (the “**Admission**”). This Prospectus has been prepared on the assumption that the Scheme will be approved and will become effective as proposed. This Prospectus is issued solely in connection with the Admission. This Prospectus does not constitute or form part of an offer or invitation to sell or issue, or any solicitation of an offer to purchase or subscribe for, any securities by any person. No offer of New MB Shares is being made in any jurisdiction.

The Company and the Directors, whose names appear on page 61, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

This Prospectus should be read in its entirety. In particular, recipients of this Prospectus should take account of the section entitled “*Risk Factors*” which contains a discussion of certain risks relating to the business of the Company. Investors should not solely rely on the information summarised in the section entitled “*Summary*”.



## METRO BANK HOLDINGS PLC

*(incorporated and registered in England and Wales with registered number 14387040)*

Introduction to the premium listing segment of the Official List and admission to trading on the main market of the London Stock Exchange

*Sponsor*

**RBC Capital Markets**

**Ordinary share capital immediately following Admission**

Issued and fully paid New MB Shares

<b>Number</b>	<b>Nominal value</b>
Up to 172,565,309 New MB Shares	£0.000001

**Your attention is drawn to the section entitled “*Risk Factors*” at the beginning of this document, which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Admission.**

RBC Europe Limited (trading as RBC Capital Markets) (“**RBC**” or the “**Sponsor**”) is authorised by the FCA. The Sponsor is acting exclusively for the Company and for no one else in connection with the Admission. It will not regard any other person (whether or not a recipient of this document) as a client in relation to the Admission, and will not be responsible to anyone other than the Company for providing the protections afforded to its respective clients, or for providing advice, in relation to the Admission or any other transaction or arrangement referred to herein.

The Sponsor does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New MB Shares or the Admission. The Sponsor accordingly disclaims, to the fullest extent permitted

by applicable law, all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this document or any such statement. No representation or warranty, express or implied, is made by the Sponsor or any of its affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document, and nothing in this document will be relied upon as a promise or representation in this respect, whether or not to the past or future, provided that nothing in this paragraph shall seek to exclude or limit any responsibilities or liabilities which may arise under the FSMA or the regulatory regime established thereunder.

#### **Notice to investors and Shareholders in the United States**

**THE NEW MB SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR ANY OTHER US OR NON-US GOVERNMENTAL OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH OTHER GOVERNMENTAL OR REGULATORY AUTHORITY HAS CONFIRMED OR PASSED UPON THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The New MB Shares to be issued under the Scheme will not be registered under the U.S. Securities Act of 1933 (the “U.S. Securities Act”), or the securities laws of any state of the United States. Such securities will be issued in reliance upon the exemption from registration provided by section 3(a)(10) of the U.S. Securities Act on the basis of the approval of the Court (as defined below), which will consider, among other things, the fairness of the Scheme to the persons affected.

#### **Notice to all Investors**

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the New MB Shares is prohibited. By accepting delivery of this document, each recipient of this Prospectus agrees to the foregoing.

The release, publication or distribution of this Prospectus (in whole or in part) in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions in relation to the New MB Shares or this Prospectus. Except in the United Kingdom, no action has been taken or will be taken in any jurisdiction that would permit possession or distribution of this Prospectus in any country or jurisdiction where action for that purpose is required. Accordingly, this Prospectus may not be distributed or published in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration. Failure to comply with these restrictions may constitute a violation of the securities laws or regulations of such jurisdictions.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Sponsor or any other person involved in the preparation of this Prospectus. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and PR 3.4.1 of the Prospectus Regulation Rules, neither the publication of this Prospectus nor any distribution of New MB Shares shall, under any circumstances, create any implication that there has been no change in the business or affairs of the New Group taken as a whole since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.

Without limitation, the contents of the New Group’s websites do not form part of this Prospectus.

Capitalised terms have the meanings ascribed to them in Part XVII (*Definitions*).

This document is dated 22 March 2023.

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**PART I**  
**SUMMARY**

**Section A – Introduction and warnings**

<b>Sub-section</b>	<b>Disclosure requirement</b>
<b>Details of the issuer</b>	<p>The issuer is METRO BANK HOLDINGS PLC (“<b>MB Holdings</b>” or the “<b>Company</b>”), a public limited company incorporated in England and Wales with registered number 14387040.</p> <p>The Company’s registered office is at One Southampton Row, London WC1B 5HA. Its telephone number is +44 (0)345 08 08 500 and the legal entity identifier of the Company is 984500CDDEAD6C2EDQ64.</p>
<b>Details of the securities</b>	<p>On Admission, the New MB Shares will be registered with an ISIN of GB00BMX3W479 and SEDOL of BMX3W47. It is expected that the New MB Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol “MTRO”.</p>
<b>Details of the FCA</b>	<p>This Prospectus has been approved by the FCA, as competent authority under the UK Prospectus Regulation. The head office of the FCA is at 12 Endeavour Square, London E20 1JN. The telephone number of the FCA is +44 (0)20 7066 1000.</p>
<b>Date of approval of the Prospectus</b>	<p>This Prospectus was approved by the FCA on 22 March 2023.</p>
<b>Warning</b>	<p>This summary should be read as an introduction to this Prospectus.</p> <p>Any decision to invest in the New MB Shares should be based on a consideration of this Prospectus as a whole by the investor. Any investor could lose all or part of their invested capital.</p> <p>This Prospectus should be read in its entirety. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid in considering whether to invest in the New MB Shares.</p>

**Section B – Key information on the issuer**

<b>Sub-section</b>	<b>Disclosure requirement</b>
<b>Who is the issuer of the securities?</b>	<p>The Company was incorporated in England and Wales on 29 September 2022 as METRO BANK HOLDINGS PLC, a public company limited by shares in the United Kingdom with registered number 14387040. The legal entity identifier of the Company is 984500CDDEAD6C2EDQ64. The principal law and legislation under which the Company operates is the Companies Act and regulations made thereunder.</p> <p><b>Principal activity</b></p> <p>The principal activity of the Company is to act as the ultimate holding company of the New Group. The New Group is a deposit-taking and lending institution with a focus on retail and small and medium-size commercial customers in the United Kingdom.</p>

### Major Shareholders

As at the Latest Practicable Date, the Company has no shareholders other than Robert Sharpe and Daniel Frumkin, who each hold one (1) Ordinary Subscriber Share of £1.00 each, fully paid, and twenty-five thousand (25,000) part paid Redeemable Preference Subscriber Shares of £1.00 each, each paid up as to twenty-five (25) pence of their nominal value.

As at 17 March 2023 (being the Latest Practicable Date), and insofar as is known to the Company by virtue of the notifications made to Metro Bank pursuant to the Companies Act, the MAR and/or the Disclosure Guidance and Transparency Rules, the names of the persons who, directly or indirectly, have an interest in three per cent. (3%) or more of Metro Bank's issued share capital, and their respective interests, are as follows:

Name	Shares	
	No.	%
Spaldy Investments Limited .....	15,549,496	9.02
Spruce House Partnership .....	15,500,000	8.99
Davis Selected Advisors .....	9,191,516	5.33
683 Capital Management .....	8,977,587	5.21
Ruane, Cunniff and Goldfarb .....	5,020,755	5.15
Kernow Asset Management Limited .....	5,522,224	3.20

### Key Managing Directors

The key managing Directors of the Company are:

Director	Position
Robert Sharpe .....	Chair
Daniel Frumkin .....	Chief Executive Officer
James Hopkinson .....	Chief Financial Officer

### Statutory auditor

The auditor of the Metro Bank Group from December 2010 is PricewaterhouseCoopers LLP, chartered accountants, whose address is at 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is registered to carry out audit work in England and Wales by the Institute of Chartered Accountants in England and Wales and has no material interest in the New Group.

**What is the key financial information regarding the issuer?**

### Selected historical key financial information

The Company has neither traded since its incorporation nor entered into any obligations other than in connection with the Scheme and, as such, there is no historical key financial information in respect of the Company.

The tables below set out selected key financial information for the Metro Bank Group as of and for the financial years ended 31 December 2020, 2021 and 2022.

The financial information set out in the tables below has been extracted without material adjustment from the Historical Financial Information.

*Summary Consolidated Income Statement*

	<b>Year ended 31 December</b>		
	<b>£million</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net interest income.....	404.1	295.3	249.7
Net fee and commission income.....	81.8	69.6	59.9
Other income.....	37.6	53.6	123.0
Total operating expenses.....	(523.5)	(641.2)	(617.3)
Expected credit loss expense.....	(39.9)	(22.4)	(126.7)
Loss before taxation.....	(70.7)	(245.1)	(311.4)
Taxation.....	(2.0)	(3.1)	9.7
Loss after taxation.....	(72.7)	(248.2)	(301.7)

*Summary Consolidated Balance Sheet*

	<b>As at 31 December</b>		
	<b>£million</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total assets.....	22,119	22,587	22,579
Debt securities.....	571	588	600
Loans and receivables from customers (net).....	13,102	12,290	12,090
Deposits from customers.....	16,014	16,448	16,072
Total equity.....	956	1,035	1,289

There has been no significant change in the financial position or financial performance of the New Group in the period since 31 December 2022 to the date of this Prospectus.

**What are the key risks that are specific to the issuer?**

- The New Group's business is subject to inherent risks arising from macroeconomic conditions in, and which affect, the UK, both generally and as they specifically affect financial institutions, including in relation to interest rate levels and volatility.
- The New Group faces risks relating to volatility in UK real estate.
- Claims, investigations and litigation could adversely affect the New Group's brand, reputation and earnings.
- The New Group relies on the success of its brands, and it is subject to reputational harm that could damage its brands.
- The New Group faces risks associated with the implementation of its strategy.
- The New Group's business is subject to risks relating to the cost and availability of liquidity and funding.
- A downgrade of the New Group's credit rating could adversely affect its operations, financial condition and prospects.
- The New Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years.
- The New Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (individual basis) and at the level of the Company (group basis)).

	<ul style="list-style-type: none"> <li>• The New Group is subject to rules relating to recovery and resolution planning and may be subject to regulatory action that may be taken in the event that the Company is failing or is likely to fail, or before that in the form of early intervention measures. While Metro Bank meets its minimum regulatory capital requirements and MREL requirements, the Combined Buffer Requirement is not met in full by the CET1 resources that Metro Bank currently holds that are not used, along with other qualifying capital resources, to meet its MREL requirement; Metro Bank is therefore currently subject to discretionary regulatory restrictions on dividends and cash payments on coupons or as bonus payments. It is expected that from 5 July 2023, the MDA rules will apply (being mandatory restrictions as opposed to discretionary restrictions).</li> <li>• Implementation of the Scheme is subject to regulatory approvals and is within the discretion of the Court.</li> </ul>
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### Section C – Key information on the securities

Sub-section	Disclosure requirement
<p><b>What are the main features of the securities?</b></p>	<p><b>Type, class and ISIN of the securities</b></p> <p>The New MB Shares will be fully paid ordinary shares traded on the main market for listed securities of the London Stock Exchange under the ticker symbol “MTRO”.</p> <p>On Admission, the New MB Shares will be registered with an ISIN of GB00BMX3W479 and a SEDOL of BMX3W47.</p> <p>The New MB Shares will have a nominal value of £0.000001 each.</p> <p><b>Currency of the securities</b></p> <p>The New MB Shares are, and on Admission will be, denominated in pounds Sterling.</p> <p><b>Number of issued and fully paid securities</b></p> <p>On Admission, the number of New MB Shares in issue will be equal to the number of Old MB Shares in issue at the Scheme Record Time. The New MB Shares will have a nominal value of £0.000001 each and will be fully paid.</p> <p>As at 17 March 2023 (being the Latest Practicable Date), there were 172,565,309 Old MB Shares in issue.</p> <p><b>Rights attaching to the securities</b></p> <p>All New MB Shares will rank <i>pari passu</i> in all respects, there being no conversion or exchange rights attaching thereto, and all Shareholders will have equal rights to participate in capital, dividend and profit distributions by the Company.</p> <p>On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote, and on a poll every Shareholder present in person or by proxy shall have one vote per New MB Share.</p> <p>Until they are redeemed, which is expected to take place following the Scheme Effective Date (subject to the Company having sufficient distributable reserves to do so), the Redeemable Preference Subscriber Shares will rank in preference to the New MB Shares in a distribution of capital (including on a winding-up) and in relation to any profits available for distribution and resolved to be distributed in the amount of £0.01 on each such share per annum for each full calendar year for which it is in issue.</p> <p>Until they are cancelled, which is expected to take place following the Scheme Effective Date as part of the Company Reduction of Capital, the Special Subscriber Shares will rank in preference to the New MB Shares, but subordinate to the Redeemable Preference Subscriber Shares, in a distribution of capital (on a winding-up) and in relation to any profits available for distribution and resolved to be</p>



	<p>distributed in the amount of £0.01 on each such share per annum for each full calendar year for which it is in issue.</p> <p><b>Description of restrictions on free transferability of the securities</b></p> <p>The New MB Shares are freely transferable and there are no restrictions on transfer of the New MB Shares in the UK.</p> <p><b>Rank of securities in the Company’s capital structure in the event of insolvency</b></p> <p>The New MB Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those that exist as a matter of law, i.e. after all prior claims have been paid, the New MB Shares (as ordinary shares) will share <i>pari passu</i> in the net proceeds.</p> <p><b>Rank of securities in the Company’s capital structure in the event of resolution</b></p> <p>As a UK Resolution Entity, the Bank of England may use certain tools in the event that the Company is failing or is likely to fail to satisfy the threshold conditions defined in section 55B of the FSMA and certain policy objectives are met. In such circumstances, particularly given the bail-in resolution strategy applicable to Metro Bank, the value of the New MB Shares may be reduced to zero for the purposes of stabilisation and loss absorption, and the exercise of the resolution tools and powers may limit the Company’s ability to satisfy liabilities or obligations (including repayment obligations). The bail-in order of the New MB Shares is consistent with their insolvency ranking (i.e. they would be written down first).</p> <p>The terms of New MB Shares could also be altered and payments could be suspended for a certain period. Moreover, trading behaviour in relation to New MB Shares, including market prices and volatility, may be affected by the use or any suggestion of the use of these powers.</p> <p><b>Dividend policy</b></p> <p>The Company has not traded since its incorporation and so has not declared, made nor paid any dividend, other distribution or other return of capital since its incorporation.</p> <p>The Company does not have a dividend policy and the Directors do not anticipate paying a dividend in the near future.</p>
<p><b>Where will the securities be traded?</b></p>	<p>Application will be made to the FCA and to the London Stock Exchange for all New MB Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities, respectively. No application has been made or is currently intended to be made for New MB Shares to be admitted to listing or trading on any other exchange.</p>
<p><b>What are the key risks that are specific to the securities?</b></p>	<ul style="list-style-type: none"> <li>● The value of New MB Shares may fluctuate.</li> <li>● On the Scheme Effective Date, the Company will have no distributable profits or reserves to enable it to pay dividends to Shareholders. Shareholders may therefore not receive a return on their investment or may receive a negative return and lose some or all of their capital.</li> <li>● Any future issue of New MB Shares, including in connection with an offering, the conversion of Additional Tier 1 Securities issued by the Company, any future acquisitions, any share incentive or share option plan or otherwise will further dilute the holdings of the then current Shareholders and could adversely affect the market price of New MB Shares.</li> </ul>

**Section D – Key information on the admission to trading on a regulated market**

<b>Sub-section</b>	<b>Disclosure requirement</b>
<b>Why is this Prospectus being produced?</b>	<p>This Prospectus has been prepared in connection with the Scheme to be undertaken by Metro Bank to introduce the Company as a new holding company, above Metro Bank and its subsidiaries, and is issued solely in connection with Admission. This Prospectus has been prepared on the assumption that the Scheme will be approved and will become effective as proposed.</p> <p>There are no material conflicts of interest pertaining to Admission.</p>

## PART II

### RISK FACTORS

*The risks and uncertainties relating to the New MB Shares, the New Group's business and the industry in which it operates, described below, together with all other information contained in this Prospectus, should be carefully considered in light of Admission.*

*The risks and uncertainties relating to the New MB Shares, the New Group's business and the industry in which it operates summarised in the section of this Prospectus entitled "Summary" are the risks that the Directors believe to be the most essential to an assessment of the New MB Shares. However, as the risks which the New Group faces relate to events and depend on circumstances that may or may not occur in the future, you should consider not only the information on the key risks summarised in the section of this Prospectus entitled "Summary" but also, among other things, the risks and uncertainties described below.*

*The risks and uncertainties described below represent those the Directors consider to be material as at the date of this Prospectus. However, these risks and uncertainties are not the only ones facing the New Group. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may individually or cumulatively also materially and adversely affect the business, results of operations, financial condition and/or prospects of the New Group. If any or a combination of these risks actually occurs, the business, results of operations, financial condition and/or prospects of the New Group could be materially and adversely affected. In such case, the market price of the New MB Shares could decline. You should carefully consider the information in this Prospectus in light of your personal circumstances.*

#### **Risks relating to the Macroeconomic Environment in which the Issuer Operates**

***The New Group's business is subject to inherent risks arising from macroeconomic conditions in, and which affect, the UK, both generally and as they specifically affect financial institutions***

As the Metro Bank Group's revenue is derived almost entirely from customers based in the UK and its business operates only in the UK, the New Group will be particularly exposed to the condition of the UK economy. In addition, as a "high street" bank, demand for the New Group's products and services will be influenced in particular by the economic condition of its customers. As a result of a variety of factors, including the war in Ukraine and its consequent impact on energy prices, as well as the unwinding of monetary support measures implemented by governments during the COVID-19 pandemic, the UK economy is currently experiencing a period of high inflation and economic stagnation, which is driving cost of living challenges. In part to address these issues, the Bank of England began to reverse its historically low interest rates by increasing the base rate from 0.10 per cent. to 0.25 per cent. on 16 December 2021, which was followed by further interest rate increases throughout 2022 and the beginning of 2023, with the current base rate now being 4.00 per cent., and the UK Government announced on 26 September 2022 a "mini-budget". The "mini-budget" resulted in unexpected market turbulence. Sterling fell to all-time lows against the dollar while swap rates surged. Market volatility was triggered by investor unease at the prospect of large unfunded tax cuts that would weaken UK public finances, and resulted in a significant increase in gilt supply at a time when the Bank of England was raising its base rate to bring down inflation as well as preparing to start reducing the size of its balance sheet by selling government bonds. Such volatility was exacerbated by the emergence of financial strains at some UK pension funds, which was triggered by the sharp increase in gilt yields. In an attempt to stabilise the impact of the foregoing measures on the UK economy, the UK Government announced on 28 September 2022 its intention to undertake a further £65 billion in long-dated gilt purchases over the ensuing 2.5 week period. Market conditions appeared to improve in mid-October 2022, as the fiscal stimulus was pared back, and in reaction to the foregoing, among other things, Fitch Ratings and Standard & Poor Global Ratings changed their outlooks on the UK from stable to negative. However, market turbulence could re-emerge as the scope for policy errors is large and the political backdrop remains uncertain. The UK has a large current account deficit which has to be funded by attracting capital inflows, leaving the UK vulnerable to shifts in sentiment. Investors may continue to attach risk premia to UK assets as a result of recent events and ongoing uncertainty.

These factors have had an adverse impact on corporate profits and personal incomes and have adversely affected business and consumer confidence, as well as demand for the New Group's products and services. In addition, a recession in the UK could lead to an increase in unemployment, which has historically resulted in a decrease in new mortgage borrowing and reduced or deferred levels of spending, as well as an increase in arrears, impairment provisions and defaults, which could have a material adverse effect on the New Group's business, financial condition and results of operations.

Deterioration in economic conditions in the Eurozone and globally, including instability in financial markets, also pose a risk to the New Group's business, despite the fact that the New Group has no direct financial exposure outside of the UK and only minimal credit risk exposure outside of the UK. For example, as a result of the impact of the war in Ukraine on energy prices in the UK, the New Group's costs to operate its stores have increased. The UK financial markets, as well as the UK housing market, could be negatively impacted, as they have been in the past, by a number of global macroeconomic events, including ongoing concerns surrounding, for example, a weakening of the Chinese economy and rising inflation levels and commodity prices. The effects of these events have been felt in the UK economy and by UK financial institutions in particular, and have placed strains on funding markets at times when many financial institutions have had material funding needs. Furthermore, given the interdependence between financial institutions, the Metro Bank Group is, and the New Group will continue to be, subject to the risk of deterioration or perceived deterioration of the commercial and financial soundness of other financial services institutions, both in the UK and beyond. Within the financial services industry, the default of any institution could lead to defaults, liquidity problems and losses by other institutions, including the New Group, which could have a material adverse effect on the New Group's business, financial condition and results of operations.

#### ***The New Group faces risks relating to volatility in UK real estate***

A significant portion of the Metro Bank Group's revenue is derived from interest and fees paid on its mortgage portfolio. As at 31 December 2022, £7,649 million, or 58 per cent. (31 December 2021, £6,723 million or 54 per cent.; 31 December 2020, £6,892 million or 56 per cent.), of the Metro Bank Group's loans and advances to customers were retail mortgages. Downturns in the UK economy have in the past had a negative effect on the UK housing market, and any future downturn could have a similar effect. Generally, a decline in house prices in the UK could lead to a reduction in the recovery value of real estate assets held as collateral in the event of a customer default, and could lead to higher impairment provisions, which could reduce the New Group's capital and its ability to engage in lending and other income-generating activities, and therefore its profitability. Conversely, a significant increase in house prices over a short period of time could also have a negative impact on the New Group by reducing the affordability of homes for buyers, which could lead to a reduction in demand for new mortgages. Sustained volatility in house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the New Group's ability to grow its mortgage portfolio.

While Metro Bank's mortgage portfolio has some protection due to its loan to value mix, the Metro Bank Group's mortgage portfolio, like its customer base, is concentrated in London and the South East. As at 31 December 2022, 65 per cent. and 73 per cent. of the Metro Bank Group's retail mortgage portfolio and commercial lending, respectively, was concentrated in Greater London and South East England. In addition, the buy-to-let market in the UK, which is predominantly dependent on yields from rental income to support mortgage interest payments, has also slowed (28 per cent. of the Metro Bank Group's retail mortgage portfolio was retail buy-to-let as at 31 December 2022). Falling or flat rental rates and decreasing capital values, whether coupled with higher mortgage interest rates or not, could reduce the potential returns from buy-to-let properties.

In addition, any new governmental rules could decrease demand for buy-to-let property investments, and any new stamp duty or other taxes payable on residential properties (including a reversal of the stamp duty tax reduction that was announced by the UK Government in September 2022) could also decrease mortgage demand.

These factors may negatively affect mortgage supply and demand. The future impact of these initiatives on the UK housing market and other regulatory changes or UK Government programmes is difficult to predict. Volatility in the UK housing market occurring as a result of these changes, or for any other reason, could have a material adverse effect on the New Group's business, financial condition and results of operations.

#### ***The New Group is subject to risks resulting from the UK's withdrawal from the EU ("Brexit")***

The UK left the EU on 31 January 2020, and the transition period ended on 31 December 2020. As a result, the Treaty on the European Union and the Treaty on the Functioning of the European Union have ceased to apply to the UK. The UK is also no longer part of the EEA.

The European Union (Withdrawal) Act 2018 and secondary legislation made under powers provided in that legislation ensured that there was a functioning statute book in the UK. However, the UK is in the process of recasting onshored EU legislation into PRA and FCA rules and intends to complete UK implementation of the remaining Basel III reforms. The regulatory regimes for EU and UK financial services may therefore

change further and temporary permissions and equivalence decisions may expire and not be replaced, which would result in further adjustments to the UK regulatory landscape. This could materially change the legal and regulatory framework applicable to the New Group's operations, including in relation to its regulatory capital requirements. A Financial Services and Markets Bill (the "Bill") was introduced to Parliament on 20 July 2022, which reflects the outcome of a number of HM Treasury initiatives, primarily its Future Regulatory Framework Review, which was intended to determine what adaptations to UK financial services regulation would be necessary following Brexit. The Bill contemplates the revocation of retained EU law relating to financial services (from dates to be specified) and enables HM Treasury and financial services regulators to replace retained EU law with rules designed specifically for UK markets. On 9 December 2022, the UK Government released a package of proposed reforms to financial services regulation referred to as the "Edinburgh Reforms". The proposed reforms are wide ranging, featuring thirty separate announcements and including (without limitation) proposed amendments to the ring-fencing and non-performing exposure regimes. HM Treasury has also proposed to use post-Brexit legislative flexibility to modernise UK financial services legislation by relaxing certain EU-derived provisions of prudential regulation. Further details of the reforms and the proposed timing of their implementation are not known. Depending on the specific nature of any new rules that are put in place and how they are enforced, these or any other Brexit-related factors could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Similar macro-economic or political changes could also impact the commercial real estate market, which could in turn have an adverse impact on Metro Bank's commercial loan book.

#### ***The New Group faces risks associated with interest rate levels and volatility***

Interest rates, which are impacted by factors outside of the New Group's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, will affect the New Group's results, profitability and return on capital in three principal areas: cost and availability of funding, margins and revenues, and impairment levels.

In response to rising inflation and other macroeconomic factors, the Bank of England began to reverse its historically low interest rates by increasing the base rate from 0.10 per cent. to 0.25 per cent. on 16 December 2021, which was followed by further interest rate increases throughout 2022 and the beginning of 2023, with the current base rate now being 4.00 per cent. As at 31 December 2022, 49 per cent. (31 December 2021, 44 per cent.; 31 December 2020, 39 per cent.) of the Metro Bank Group's deposits from customers were demand current accounts, and in an increasing interest rate environment, the New Group may be required to pay higher interest rates to customers on their deposits, leaving it more exposed to the re-pricing of its liabilities than competitors with higher levels of term deposits. In the event of sudden large or frequent increases in interest rates, such as were seen in the third and fourth quarters of 2022 and the first quarter of 2023, the New Group also may not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which, in turn, can negatively affect its NIM (as defined herein) and revenue. Rising interest rates also affect the New Group's cost and availability of wholesale financing, as it will be required to pay higher interest rates on any borrowings or other indebtedness. For further details on how interest rates affect the New Group's cost and availability of funding, see "*Risks relating to the Operation of the New Group's Business – The New Group's business is subject to risks relating to the cost and availability of liquidity and funding*".

Changes in interest rates could also impact the New Group's loan impairment levels and customer affordability. As at 31 December 2022, 25 per cent. (31 December 2021, 27 per cent.; 31 December 2020, 24 per cent.) of the Metro Bank Group's loans and advances to customers were variable rate. The rise in interest rates, without sufficient improvement in customer earnings or employment levels, could, for example, lead to an increase in default rates among customers with variable rate loans who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the New Group. A high interest rate environment could also reduce demand for loan products generally, as individuals are less likely or less able to borrow when interest rates are high, and thereby reduce the New Group's revenue. In addition, given that a considerable proportion of the Metro Bank Group's loans and advances to customers are variable rate and repayable without penalty, there is a risk that a sudden rise in interest rates, or an expectation thereof, could encourage significant demand for fixed rate products. High levels of movement between products in a concentrated time period could put pressure on the New Group's business and operational capability, and the New Group may not be willing or able to price its fixed rate products as competitively as others in the market. This could lead to customer attrition and, consequently, adversely affect the New Group's capacity to lend and therefore its profitability.



Any of the foregoing could have a material adverse effect on the New Group's business, financial condition and results of operations.

### **Risks relating to the Operation of the New Group's Business**

#### ***Claims, investigations and litigation could adversely affect the New Group's brand, reputation and earnings***

The New Group is subject to the risk of claims, litigation and regulatory proceedings in the course of its business. These risks may arise for a number of reasons, including that: (i) the New Group's business may not be, or the Metro Bank Group's business may not have been, conducted in accordance with applicable laws or regulations; (ii) contractual obligations may either not be enforceable as intended or may be enforced in a way that is adverse to the New Group; or (iii) liability for damages may be incurred to third parties harmed by the conduct of the New Group's business. There can be no assurance that the New Group will prevail in any future litigation or regulatory proceedings.

In December 2022, a fine of £10,002,300 was imposed on Metro Bank by the FCA for contravention of Listing Rule 1.3.3R in relation to a disclosure regarding its RWAs in October 2018, prior to Metro Bank's adjustment of its RWAs in the amount of approximately £900 million (the "**RWA Matter**"), which was announced in January 2019. In December 2021, the PRA fined Metro Bank £5,376,000 for rule breaches associated with the RWA Matter. While the regulatory investigations into Metro Bank relating to the RWA Matter have now concluded, the RWA Matter may further negatively impact the New Group's brand, reputation and share price, as well as the secondary market pricing of its listed debt securities, and could lead to further adverse consequences, including civil litigation, which could be material.

The Metro Bank Group is also subject to other ongoing claims, investigations and litigation (including enquiries from the FCA regarding its financial crime systems and controls as well as civil litigation with Arkeyo LLC). For further details, please see the section entitled "*Additional Information – Litigation and Arbitration Proceedings*".

Any litigation, claims, investigations (including the Arkeyo claim) or other proceedings, whether or not determined in the Metro Bank Group's favour or settled by the New Group, could be costly and may divert the efforts and attention of the New Group's management and other personnel from normal business operations. In addition, any related proceedings could adversely affect the New Group's reputation and the market's perception of the New Group and the products and services that it offers, as well as customer demand for those products and services, any of which could have a material adverse effect on the New Group's business, financial condition and results of operations.

#### ***The New Group relies on the success of its brands, and it is subject to reputational harm that could damage its brands***

The New Group's success relies significantly on the strength of the Metro Bank brand and, to a lesser extent, on the RateSetter brand, which it acquired as part of its acquisition of Retail Money Market Limited. There can be no assurance that the New Group will be able to continue to successfully develop the Metro Bank brand's reach to grow market share. This is particularly the case as the Metro Bank Group's strategy has been, and the New Group's strategy is expected to continue to be, reliant on its direct distribution channels in the communities it serves (comprising its highly visible stores, mobile and internet offerings, and local contact centres, together with its unique customer service proposition) to increase its brand's awareness and foster deposit growth, rather than the more conventional (and costly) approach of media advertising and sponsorships adopted by other market participants.

In addition, the Metro Bank Group believes that its brands are closely associated with its values, which emphasise customer service. The New Group's values could be compromised due to competitive pressures, and its brands could be damaged by reputational harm, which could arise by failing to address, or appearing to fail to address, a variety of issues, such as:

- poor customer service;
- technology failures;
- cybersecurity breaches and fraud;
- breaching, or facing allegations of having breached, legal and regulatory requirements;
- committing, or facing allegations of having committed, or being associated with those who have or are accused of committing, unethical practices;
- litigation claims;

- failing to maintain appropriate standards of customer privacy and record keeping;
- failing to maintain appropriate standards of corporate governance;
- the failure of intermediaries and other third parties on whom the New Group relies, such as clearing banks, third party mortgage servicing agents or partners, to provide necessary services;
- related party transactions; and
- poor business performance.

As a result, damage to its brands or reputation could cause the New Group to lose existing customers or fail to gain new customers, which could result in rapid and material negative operational and financial effects, including the loss of significant amounts of customer deposits.

Although the Metro Bank Group has acquired the trade mark “Metrobank” in the UK, the “Metro” name is widely used by a variety of businesses in the UK, including other FCA-authorised businesses, and in the rest of Europe. Consequently, there is a risk that the Metro Bank Group’s trade mark registration for the word “Metrobank” and the wider use of the “Metro Bank” name (for which the Metro Bank Group does not hold a trade mark) might be challenged by the owner of another similar trade mark. In the event that a challenge were to be successful, the New Group could be forced to re-brand under a new name at considerable cost and disruption to the business. In addition, the use of the “Metrobank” name by a bank which is not part of the New Group outside of the UK may confuse customers, and any damage to the reputation of banks operating with similar trade names could also be detrimental to the New Group.

An inability to manage risks relating to its brands for any reason could have a material adverse effect on the New Group’s business, financial condition and results of operations.

***The New Group faces risks associated with the implementation of its strategy***

The Metro Bank Group has experienced an increasingly competitive environment that has put pressure on its profitability and constrained its NIM. This pressure can be attributed largely to trapped liquidity of UK competitors subject to ring-fencing, macroeconomic uncertainty, increasing regulatory requirements (such as minimum requirement for own funds and eligible liabilities (“MREL”) requirements) and accounting changes (such as IFRS 16). Metro Bank Group’s strategy is based on the following five key pillars: (i) investing in operational infrastructure to support safe growth; (ii) improving cost efficiencies; (iii) expanding its range of services to create new sources of income; (iv) rebalancing its lending mix to optimise capital allocation and returns; and (v) external and internal communication.

The implementation of the strategy is subject to a number of risks, including operational, financial, macroeconomic, market, pricing and technological challenges, and there can be no guarantee that the New Group will be able to achieve these goals, or that these goals will have their desired operational effect. The Metro Bank Group had 76 stores as at the date of this Prospectus. The New Group remains committed to the opening of a further 11 stores in the North of England, the operational costs post-launch of which will be funded in part by the Metro Bank Group’s grant from the C&I Fund (as defined herein). The Metro Bank Group has committed to the BCR (as defined herein) to open these stores by 2025 at the latest. The New Group may also consider modifying its store layout, design and size to better fit future community and customer requirements. However, there can be no assurance that the New Group’s store strategy will result in its existing stores increasing their contribution to the New Group’s profitability, and the New Group could further reduce its current expansion plans in light of operational, macroeconomic or other factors post having concluded the C&I Fund investments and commitments.

The success of the New Group’s strategy will depend on it significantly increasing the number of new customer accounts, either through new customer acquisition or existing customers opening new accounts. The New Group’s strategy envisages growing deposits over the medium term, with an emphasis on relationship current accounts and variable deposit accounts. However, there can be no guarantee that the New Group will be successful in gaining the number or type of deposit accounts that it seeks, which could limit its funding base and its profitability.

In relation to its lending business, the New Group will seek to shift the mix of its loan portfolio to maximise risk adjusted returns on regulatory capital and reducing the proportion of loans relating to commercial property. However, implementing this strategy will require management to make complex judgements, including identifying suitable borrowers for the expansion of its residential mortgage book, and structuring and pricing its products competitively. In addition, the New Group intends to grow its unsecured lending for both personal and business customers as well as auto finance, which will increase its exposure

to a higher risk asset class, albeit at higher yield and lower RWAs than commercial real estate. In connection with this, the Metro Bank Group acquired Retail Money Market Limited in 2020, and the acquisition of its back book increased the Metro Bank Group's unsecured personal loan exposure. Consumer unsecured lending was 11 per cent. of the Metro Bank Group's total gross lending as at 31 December 2022.

The New Group also intends to expand income through new value-added services, particularly for small and medium-sized enterprises ("SMEs"). For example, it may broaden its online business account offerings and expand its payments and cash management offerings for SMEs. In addition, the Metro Bank Group has recently begun offering pet insurance and SME insurance products via a third-party provider. However, there can be no assurance that the New Group will be able to price competitively, design or implement these offerings, or that its customers will take up these new services as targeted.

The New Group's strategy also depends on its ability to increase cost efficiencies across its business. To achieve this, the New Group will need to reduce expenditures for both its back and front office functions, as well as on its stores. There can be no guarantee that any of the New Group's cost-saving initiatives, such as digitisation and automation programmes, will be implemented in a timely manner, or that they will produce the targeted efficiencies.

While the New Group does not currently intend to make further acquisitions, it may from time to time acquire other businesses. For instance, in 2020, the Metro Bank Group acquired Retail Money Market Limited and its RateSetter brand. However, there can be no assurance that the New Group will be able to successfully complete these acquisitions, or that it will be able to realise the intended benefits of these acquisitions or that it will not face unanticipated costs or other difficulties in connection with these acquisitions.

The New Group will also need to maintain a strong capital position to support its strategic goals. To support optimisation of the New Group's balance sheet, the New Group may from time to time raise further own funds and other MREL-eligible debt. Following the Scheme Effective Date, Metro Bank will be subject (on a solo basis) and the Company will be subject (on a consolidated basis) to own funds and other MREL requirements. The Company, which will be the single point of entry resolution entity is expected to be the entity which will be used going forward to issue any own funds and other external MREL to the market at a future time on a structurally subordinated basis. There can be no guarantee, however, that the New Group will be able to raise own funds and other MREL-eligible debt in wholesale funding markets on attractive market terms, when planned or at all. If the New Group were not able to raise own funds and other MREL-eligible debt on attractive market terms, its cost of funding may increase, and as such its profitability could be adversely affected. The Metro Bank Group has met its end-state MREL requirement and had an MREL ratio of 17.7 per cent on 31 December 2022, and the New Group, following the Scheme Effective Date, expects to meet its end-state MREL requirement as well. For further details of the New Group's MREL position and the related risks, see the section entitled "*Risk Factors – Regulatory Risks – The New Group is subject to rules relating to recovery and resolution planning and may be subject to regulatory action that may be taken in the event that the Company is failing or is likely to fail, or before that in the form of early intervention measures*" and "*Risk Factors – Regulatory Risks – The New Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (individual basis) and at the level of the Company (group basis))*".

The New Group may also seek to undertake securitisation transactions or loan portfolio sales. However, there can be no assurance that the New Group will be able to undertake these transactions on favourable terms or at all.

The inability of the New Group to implement its strategy for any of the reasons noted above would require it to re-evaluate its strategic plans, which could have a material adverse effect on its business, financial condition and results of operations.

#### ***The New Group's business is subject to risks relating to the cost and availability of liquidity and funding***

The availability of retail, small business and commercial deposits, the Metro Bank Group's primary source of funding, may be impacted by increased competition from other deposit-takers, regulatory or reputational concerns, or factors that constrain the volume of liquidity in the market.

In addition, the Metro Bank Group has in the past drawn funding from the Bank of England's Term Funding Scheme ("TFS"), which provided wholesale funding at the bank rate. In 2021, £3,250 million of the Metro Bank Group's TFS drawings were refinanced into the Bank of England's Term Funding for Small and Medium Enterprises ("TFSME"). The total amount drawn down under TFSME was £3,800 million as at 31 December 2021. TFSME was closed to further drawdowns in October 2021. The Metro Bank Group's



outstanding drawdowns will mature in 2024, 2025 and 2027 in the amounts of £550 million, £1,860 million and £1,390 million, respectively, and, while the New Group prepares for the repayment of these drawdowns, it will have to replace those funds from other sources at what may be a higher cost.

The New Group's ability to access retail, small business and commercial deposit sources on satisfactory economic terms is also subject to a variety of factors, a number of which are outside its control, including interest rates (as further discussed in the section entitled "*Risk Factors – Risks relating to the Macroeconomic Environment in which the Issuer Operates – The New Group faces risks associated with interest rate levels and volatility*"), liquidity constraints, general market conditions, increased competition, regulatory requirements and a loss of confidence in the UK banking system, as well as specific concerns regarding the New Group's financial condition.

Despite Metro Bank's LCR of 213 per cent. at 31 December 2022, liquidity constraints may impair the New Group's ability to meet regulatory liquidity requirements or financial and lending commitments. A failure to manage these or any other risks relating to the cost and availability of liquidity and funding may have a material adverse effect on the New Group's continued ability to grow and on its business, financial condition and results of operations.

***A downgrade of the New Group's credit rating could adversely affect its operations, financial condition and prospects***

The Metro Bank Group is currently rated short- and long-term B, with an outlook of stable by Fitch Ratings. Credit ratings affect the cost and other terms upon which the New Group is able to obtain funding. Credit ratings of the New Group and its issued debt are based on a number of factors, including the New Group's financial strength, the strength of the UK economy and conditions affecting the financial services industry generally.

Any downgrade in the external credit ratings assigned to the New Group could have an adverse impact on the New Group. In particular, a downgrade in the New Group's credit ratings could increase its borrowing costs and could require it to post additional collateral or take other actions under some of its derivatives, loan facilities or other financial contracts, and could limit its access to capital markets and have a material adverse effect on its financial condition and results of operations. For example, a credit rating downgrade could have a material adverse effect on the New Group's ability to sell or market certain of its products, engage in certain longer-term or derivatives transactions and retain its customers or investors, particularly those who need a minimum rating threshold in order to transact or invest.

Any of these results of a credit rating downgrade could, in turn, result in outflows and reduce the New Group's liquidity and have an adverse effect on the New Group, including its business, financial condition and results of operations. However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, whether any downgrade precipitates changes to the way that the financial institutions sector is rated, and assumptions about the ratings of other financial institutions and the potential behaviours of various customers, investors and counterparties. Actual outflows will also depend upon certain other factors, including any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from a loss of unsecured funding (such as from money market funds) or loss of secured funding capacity.

There can be no assurance that the New Group's current credit ratings or outlooks will not change. A failure to maintain favourable credit ratings or outlooks could increase the New Group's cost of funding, adversely affect the New Group's interest margins, and reduce its ability to secure both long-term and short-term funding. The occurrence of any of these events could have a material adverse effect on the New Group's business, financial condition and results of operations.

***The New Group faces risks from competition***

The market for financial services in the UK is highly competitive, and competition may intensify in response to consumer demand, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. The financial services markets in which the New Group operates are mature, and growth by any bank typically requires obtaining market share from competitors. Competition has placed pressure on the Metro Bank Group's NIM in recent years. While other UK banks have faced similar NIM pressures, larger UK banks have generally been relatively more insulated from these declines compared to smaller banks such as the Metro Bank Group, and while the Metro Bank Group's

NIM levels have recovered in recent periods, there can be no assurance that this recovery will be maintained.

The New Group faces competition from established providers of financial services, including banks and building societies, some of which have substantially greater scale and financial resources, broader product offerings and more extensive distribution networks. In addition, the Metro Bank Group applies the “standardised” approach to credit risk, which can overestimate the capital required for certain lending portfolios, leading to higher RWAs. Certain competitors use the internal ratings-based approach, which allows them to hold less capital against their lending than the standardised approach, thus freeing up additional capital to support additional lending to customers. The Metro Bank Group continues to progress its advanced internal ratings-based approach (“AIRB”) application and is continuing to engage with the PRA on this iterative and detailed project. While the New Group is progressing its AIRB application, there can be no assurance that the Metro Bank Group’s application will result in approval being granted on the expected timetable or, if it is granted, on the expected terms (with respect to risk weighting density or otherwise).

Historically, the Metro Bank Group has not incurred material traditional marketing expenditure on its products and services to raise its profile in the UK banking market. However, there can be no assurance that it will not have to do so in the future to compete more effectively and support expansion into new geographies, which could lead to increased costs associated with acquiring new customers. In addition, due to their scale, many of the New Group’s established competitors are able to cross-subsidise their product offerings more efficiently than the New Group, as profits in certain businesses allow them to absorb losses for longer periods to develop other business lines. For example, more established competitors may have greater resources to devote to expanding their digital offerings than the New Group, which may put the New Group at a competitive disadvantage in attracting or retaining customers. In addition, as a result of their large established deposit and asset base, more mature banks and international banks are often better positioned to offer cash incentives to attract new customers, as well as higher temporary “teaser” interest rates for deposits or lower temporary rates for loans to attract new customers. The Metro Bank Group makes sparing use of such measures as customer acquisition tools, focusing instead on its superior service offering.

The New Group also faces potential competition from new banks in the UK, banking businesses developed by large non-financial companies, other “challenger bank” entrants, and fundamentally new entrants into the UK banking sector, such as peer-to-peer lending platforms, internet-only banks and other financial technology (“FinTech”) entities.

Furthermore, the New Group faces competitive pressure in relation to the payment systems it uses in connection with its debit and credit cards from both established and non-traditional payments processors. The New Group relies on certain competitors to provide important payment clearing services, and these competitors could impose significant fees or restrictions on the New Group to access these systems. In addition, companies that promote disintermediation in payment systems, such as PayPal and Apple Pay, are increasingly used by customers to process merchant transactions, and these companies may capture an increased share of payment transaction revenue that would otherwise be earned by the New Group.

Any failure to manage the competitive dynamics to which the New Group is exposed could have a material adverse effect on its business, financial condition and results of operations.

***The New Group is exposed to risks relating to relationships with intermediaries***

The New Group relies on its network of intermediaries, such as mortgage brokers, to originate a large portion of loans for its mortgage, invoice and asset finance portfolios, and it has limited direct oversight of intermediaries’ interactions with prospective customers. If intermediaries violate applicable regulations or standards when selling the New Group’s products, the New Group’s reputation could be harmed and it could suffer other adverse consequences.

In addition, the New Group may fail to develop products that are attractive to intermediaries or otherwise not succeed in developing relationships with intermediaries. Furthermore, the New Group could lose the services of intermediaries with whom it does business, for example, as a result of market conditions causing their closure or intermediaries switching to the New Group’s competitors due to higher commissions or other incentives. The loss or deterioration of the New Group’s relationships with its intermediaries could have a material adverse effect on the New Group’s business, financial condition and results of operations.

Additionally, if market conditions were to change (for example as a result of: (i) regulatory changes impacting the pricing of mortgage loans originated through intermediaries, the manner in which mortgages

are distributed through intermediaries or the way in which fees are charged; (ii) large banks, medium-sized banks and building societies challenging for market share in more specialist market segments; or (iii) a shift towards entirely automated lending and underwriting decisions and the use of artificial intelligence to provide “robo-advice”) and the New Group is unable to keep pace with such changes, it is possible that the proportion of mortgage loans originated through intermediaries could decrease as borrowers move to favour direct applications to mortgage lenders, resulting in the New Group potentially being at a competitive disadvantage for certain mortgages, which may have a material adverse effect on its financial condition, results of operations and/or prospects.

***The New Group is subject to risks concerning customer and counterparty credit quality***

The Metro Bank Group has exposures to counterparties and obligors whose credit quality can have a significant adverse impact on the New Group’s earnings and the value of assets on the New Group’s balance sheet. As part of the ordinary course of its operations, the Metro Bank Group estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to the Metro Bank Group’s results and financial condition, requires expert judgements, including forecasts of how changing macroeconomic conditions might impair the ability of customers to repay their loans. The New Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors. In respect of the Metro Bank Group’s interest-only mortgage book, these assessments may be incomplete.

Furthermore, there is a risk that customers will be unable to meet their commitments as they fall due as a result of customer-specific circumstances, macroeconomic disruptions or other external factors. The failure of customers to meet their commitments as they fall due may result in higher impairment. Further, the impairment requirements under IFRS 9 “Financial Instruments”, which the Metro Bank Group began to apply from 1 January 2018, increased the complexity of the Metro Bank Group’s impairment modelling and resulted in earlier recognition of credit losses than under previous standards. Such measurements involve increased complexity and judgement and impairment charges may become more volatile and could have a material adverse effect on the New Group’s business, financial condition and results of operations. Similarly, deterioration in customer credit quality and a resulting increase in impairments could have a material adverse effect on the New Group’s business, financial condition and results of operations.

***The Metro Bank Group’s grant from the C&I Fund is subject to a number of conditions***

On 22 February 2019, the Metro Bank Group was awarded a £120 million grant from the Capability and Innovation Fund (the “C&I Fund”), a UK scheme designed as part of measures agreed between the UK Government and the European Commission to encourage competition in the SME banking market in the wake of the 2008 financial crisis. The Metro Bank Group returned £50 million of the grant in February 2020, for a remaining grant amount of £70 million from the C&I Fund. The C&I Fund is managed by the Banking Competition Remedies Limited (the “BCR”), an independent fund administrator to which the Metro Bank Group submitted a contractually binding business plan during its bid for a grant from the C&I Fund. This business plan, which was revised in connection with the updated grant amount of £70 million, included commitments to use the grant from the C&I Fund in specific ways, for example by defining geographies and timelines for 15 new store openings by 2025 (the operational costs post-launch will be partly funded by funds from the C&I Fund) and agreeing the parameters for new digital platforms and services that the Metro Bank Group will launch for SMEs (with these funded by Metro Bank at a 2:1 ratio of its own funds to funds from the C&I Fund). The Metro Bank Group has opened four of these 15 new stores, has launched many of the new digital platforms and services for SMEs within the business plan, and already met its commitment to fund at a 2:1 ratio of its own funds to funds from the C&I Fund.

Grants from the C&I Fund must be used in accordance with the business plan that the Metro Bank Group submitted to the BCR, including any changes to the business plan approved by the BCR since the grant was awarded. Breaches of the Metro Bank Group’s commitments in its business plan could result in the Metro Bank Group needing to repay any grant funds outstanding, in addition to interest in the amount of 8 per cent. above the Bank of England rate (compounded quarterly).

If for any reason the Metro Bank Group is required to repay part of the grant from the C&I Fund for any of the foregoing reasons or otherwise, its reputation, business, financial condition and results of operations could be adversely affected.

***Concentration of credit risk could increase the New Group's potential for losses***

Substantially all of the New Group's business relates to customers in the UK. Those customers are predominantly in London and the South East of England. 65 per cent. and 73 per cent. of the Metro Bank Group's retail mortgage portfolio and commercial lending, respectively, was concentrated in Greater London and the South East of England as at 31 December 2022. If a disruption to the credit markets or an adverse change in economic or political conditions were to have a disproportionate effect on London and the South East of England, the New Group could be exposed to greater potential losses than some of its competitors, which could have a material adverse effect on its business, financial condition and results of operations. In addition to geographic concentration risk, the New Group could be exposed to concentration risk in the event that a specific industry sector was disproportionately impacted by economic or political conditions.

***The New Group's risk management framework and policies may not be effective***

The New Group faces a wide range of risks in its core business activities, including credit risk and liquidity risk, conduct risk and interest rate risk. Effective risk management requires, among other things, access to complete sets of customer data, robust policies, processes and controls for the accurate identification and control of a large number of transactions and events. The New Group's risk management policies, processes and controls have not in the past, and may not always in the future, operate as intended. The Metro Bank Group has a range of tools designed to identify, assess and manage the various risks that it faces, some of which are based on historical market behaviour. These methods may be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historical experience. Other methods that the Metro Bank Group utilises for risk management are based on the evaluation of markets, customers or other information that is publicly known or otherwise available to the Metro Bank Group. This information may not always be correct, updated or correctly evaluated.

It is difficult to predict changes in economic or market conditions and to anticipate the effects that these changes could have on the New Group's financial performance and business operations, particularly in periods of unusual or extreme market conditions. If the New Group's risk management policies, processes and controls are ineffective for any reason, this could have a material adverse effect on its business, financial condition and results of operations.

***The New Group's insurance may not cover all possible losses***

The New Group has taken out insurance against certain losses that it may suffer. However, the insurance coverage of the New Group may not be adequate to cover all possible losses that it could suffer, and its insurance costs may increase. The New Group will seek to maintain comprehensive insurance coverage at commercially reasonable rates. However, insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurance that the New Group's insurance will be sufficient to cover the full extent of all losses or liabilities for which it is insured, and the New Group cannot guarantee that it will be able to renew its current insurance policies, either on favourable terms or at all. If the New Group is unable to obtain and maintain insurance on acceptable terms, its business, financial condition and results of operations could be adversely affected.

***The New Group is exposed to operational risks in the event of a failure of its information technology ("IT") systems, and the New Group relies on third parties for significant elements of its IT and other middle and back office processes***

The New Group's business is dependent on processing a high volume of complex transactions across numerous and diverse products and services accurately and efficiently. The New Group also depends on technology to maintain its reputation for quickly and seamlessly processing customer requests, including account openings, payments and transfers. As a result, any weakness in the New Group's IT systems, online or mobile banking platforms, or operational processes could have an adverse effect on its ability to operate its business and meet customer needs.

While the New Group has disaster recovery and business continuity contingency plans in place, an incident resulting in interruptions, delays, the loss or corruption of data or the cessation of systems can still occur. The Metro Bank Group also periodically upgrades its existing systems, and problems implementing these upgrades may lead to delays or loss of service to the New Group's customers, as well as an interruption to its business, which could expose the New Group to potential liability.

In addition, the New Group outsources significant elements of its IT and network functions and some of its middle and back office processes, such as telephony infrastructure and data centre infrastructure, to third parties. The New Group also relies on certain third party vendors, such as Temenos Group AG ("**Temenos**")



for its core banking engine software, Pepper Group Limited for its mortgage servicing, as well as mortgage servicing software, Microsoft for a variety of operational software and a series of third parties to support the infrastructure for its debit and credit cards. In addition, the New Group relies on third parties for the provision of clearing services. If these third parties were unable to deliver their services to the New Group in a timely manner and in accordance with the New Group's specifications, the New Group's ability to meet its customer service levels could be compromised.

The New Group's systems are also vulnerable to damage or interruption from other factors beyond its control, such as floods, fires, power loss, telecommunications failures and other similar events. In addition, any breach in the security of the New Group's systems could disrupt its business, result in the disclosure of confidential information and create significant financial and legal exposure, as well as damage to the New Group's reputation.

The New Group expects to continue to introduce new IT systems and upgrades, and there can be no guarantee it will be able to implement these changes efficiently or cost effectively, or that its current IT systems will have sufficient scalability to support the New Group's planned controlled growth. Any actual or perceived inadequacies, weaknesses or failures in the New Group's IT systems or processes could have a material adverse effect on its business, financial condition and results of operations. In addition, IT system resilience is likely to be an area of greater regulatory scrutiny following the finalisation of the FCA's rules on operational resilience (see the section entitled "*Risk Factors – Regulatory Risks – The New Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years*").

***The New Group must comply with data protection and privacy laws and may be subject to other data-related risks***

The New Group's operations are subject to a number of laws relating to data privacy and protection, including the General Data Protection Regulation (EU 2016/679) and its transposition into UK laws by virtue of section 3 of the European Union (Withdrawal) Act 2018 and as amended by Schedule 1 to the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (SI 2019/419) (the "**GDPR**"), the UK Data Protection Act 2018 and the European Directive 2002/58/EC. The requirements of these laws affect the New Group's ability to collect, process and use personal, employee and other data, transfer personal data to countries that do not have adequate data protection laws and also to utilise cookies in a way that is of commercial benefit to the New Group. Enforcement of data privacy legislation has become increasingly frequent and could result in the New Group being subjected to claims from its customers that it has infringed their privacy rights, and it could face administrative proceedings (including criminal proceedings) initiated by the Information Commissioner's Office in the UK. In addition, any enquiries made, or proceedings initiated by, individuals or regulators may lead to negative publicity and potential liability for the New Group. The New Group must also comply with the Payment Card Industry Data Security Standards in respect of any data collected, transferred or processed in respect of any customer payments from branded payment cards. Non-compliance with these standards may lead to the New Group facing fines (which, in the case of the GDPR, can be up to the higher of 4 per cent. of annual turnover or £17.5 million for serious breaches or 2 per cent. of annual turnover or £8.7 million for other specified infringements), increased card handling fees or withdrawal of payment processing services in the future.

In addition, the New Group is subject to the risk that the creation, capture, security, privacy, sharing, retention, retrieval, disposal or deletion of data and records does not meet its business, legal or regulatory requirements, due to a lack of operational data management and control capabilities. Failure to ensure the integrity and security of business data, financial reporting and customer information could lead to adverse reputational, regulatory and customer impacts. While the Metro Bank Group has invested in improved data management controls and enhanced regulatory reporting processes, data risk remains a key area of focus.

The secure transmission of confidential information over the internet and the security of the New Group's systems are essential to it maintaining customer confidence and ensuring compliance with data privacy legislation. If the New Group or any of its third party suppliers falls victim to a cyberattack, fails to transmit customer information and payment details online securely, or otherwise fails to protect customer privacy in online transactions, or if third parties obtain and/or reveal the New Group's confidential information, the New Group may lose customers and potential customers may be deterred from using the New Group's products and services, which could expose the New Group to liability and could have a material adverse effect on its business, financial condition and results of operations. In addition, IT system resilience is likely to be an area of greater regulatory scrutiny following the finalisation of the FCA's rules

on operational resilience (see the section entitled “*Risk Factors – Regulatory Risks – the New Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years*”).

Should the New Group fail to manage its data appropriately, its business, financial condition and results of operations could be materially adversely affected.

***The New Group may suffer loss as a result of fraud, theft or cybercrime***

As a financial institution, the New Group is subject to a heightened risk that it will be the target of criminal activity, including fraud, theft or cybercrime. For example, the New Group is exposed to potential losses due to breaches of its terms of business by its customers (e.g. through the use of a false identity to open an account), by customers engaging in fraudulent activities, including the improper use of legitimate customer accounts or as a result of unauthorised access to its information technology infrastructure. In addition, losses arising from staff misconduct may result from, among other things, failure to document transactions properly or to obtain proper internal authorisation in an attempt to defraud the New Group, or from physical theft at the New Group’s stores.

The New Group’s systems and/or those of third party service providers on which it relies may be subject to attack by cybercriminals, including through phishing, malware or denial of service attacks. The Metro Bank Group has been the subject of such cyberattacks periodically and this risk will continue for the New Group. Where an actual or perceived breach of the New Group’s network security occurs or personal data is stolen, it may expose the New Group to adverse regulatory action, the loss of information, litigation and liability under data protection laws. Such a breach could also significantly disrupt the New Group’s operations. The New Group believes that these risks are now elevated following the invasion of Ukraine by Russia and the anticipated retaliatory action by Russia against Western financial institutions following the imposition of sanctions by a number of national and supra-national entities.

Fraud, theft or cybercrime are difficult to prevent or detect, and the New Group’s internal policies to mitigate these risks may be inadequate or ineffective. The New Group may not be able to recover the losses caused by these activities or events, and it could suffer reputational and financial harm (including being required to repay customer losses) as a result. Any of the foregoing actions could have a material adverse effect on its business, financial condition and results of operations.

***The New Group is subject to risks associated with its hedging, treasury operations and investment securities portfolio, including potential negative fair value adjustments***

The New Group faces risks relating to its hedging operations. The New Group benefits from natural offsetting between certain assets and liabilities, which may be based on both contractual and behavioural characteristics of these positions. Where natural hedging is insufficient, the New Group engages in hedging activities to, for example, limit the potential adverse effect of interest rate fluctuations on its results of operations, to the extent that the assets and liabilities it originates do not create a natural offset to one another. However, the New Group does not hedge all of its risk exposure and cannot guarantee that its hedging strategies will be successful due to factors such as behavioural risk, unforeseen volatility in interest rates or decreasing credit quality of hedge counterparties in times of market dislocation. If its hedging strategies are not effective, the New Group may be required to record negative fair value adjustments. Losses from the fair value of financial assets could also have a material adverse effect on the New Group’s capital ratios.

Through its treasury operations, the New Group holds liquid asset portfolios for its own account, exposing the New Group to interest rate risk, basis risk and credit spread risk. Under volatile market conditions, the fair value of the New Group’s liquid asset portfolios could fall and cause the New Group to record mark-to-market losses. In addition, as at 31 December 2022, the Metro Bank Group had investment securities of £5,914 million (31 December 2021, £5,574 million; 31 December 2020, £3,413 million)<sup>1</sup>, comprising investment-grade investments in residential mortgage-backed securities, UK government bonds, covered bonds and bonds issued by corporates and financial institutions. Despite the conservative nature of its investment securities portfolio, there can be no guarantee that the value of the New Group’s investment securities portfolio will not decrease. In a distressed economic or market environment, the fair value of certain of the New Group’s holdings and exposures may be volatile and more difficult to estimate because of market illiquidity. Valuations in future periods, reflecting then prevailing market conditions, may result in significant negative changes in the fair value of the New Group’s exposures and holdings.

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<sup>1</sup> The values provided reflect carrying values according to applicable financial statements.

Interest rate insensitive balances, for example, current accounts, form a significant part of the New Group's funding. The New Group assumes that these balances will have a maturity in excess of five years. However, if customer behaviour were to change significantly, these balances may become more volatile, which could have a material adverse effect on the revenue generated by these balances.

Any inability of the New Group to effectively manage its hedging, treasury operations or investment securities could have a material adverse effect on its business, financial condition and results of operations.

***The New Group could fail to attract or retain senior management or other key colleagues***

The New Group's success depends on the continued service and performance of its key colleagues, particularly its senior management, and its ability to attract, retain and develop high-calibre talent appropriate for the increasing scale and complexity of its business. The New Group may not succeed in attracting and retaining key personnel if they do not identify or engage with the New Group's brand and values, or due to reputational or regulatory issues. In addition, while it may become desirable to augment its senior management team with personnel possessing skills and experience from larger financial institutions, the New Group may be unable to attract qualified candidates. Furthermore, external factors such as macroeconomic conditions, the developing and increasingly rigorous regulatory environment in which the New Group operates, changes to work permit and visa rules, or negative media attention on the financial services industry may adversely impact the New Group's ability to attract and retain staff.

Under the senior managers regime (introduced in the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**")), which came into force on 7 March 2016, individuals carrying out positions of significant influence at banks are individually responsible for defined areas of the business and can be held to account by the PRA and FCA on that basis. The Banking Reform Act also introduced a new criminal offence applicable to senior managers of reckless mismanagement resulting in a bank failure (punishable by a maximum of seven years' imprisonment). These types of legislation, regulation and rules (including the PRA Remuneration Code) may reduce the willingness of potential directors and senior colleagues to provide their services to the New Group.

Any failure to attract and retain appropriately qualified colleagues, including senior management, for the scale and complexity of the New Group's business could have a material adverse effect on the New Group's business, financial condition and results of operations.

***The New Group requires the lease or purchase of suitable premises for its stores and is therefore exposed to risks relating to the continued opening and operating of commercial real estate***

The New Group's business model involves the opening and operating of stores, which are typically operated on long-term leases or through purchasing the freehold of premises in prime locations. As at 31 December 2022, the Metro Bank Group had 76 open stores, of which it owned the freehold or long-leasehold on 29 of them. Property, plant and equipment, primarily in the form of stores and office spaces, constitutes a significant investment for the New Group, with these making up £748 million of the Metro Bank Group's assets as at 31 December 2022.

The New Group's controlled growth plan relies on opening new stores. In some cases, competition for these types of properties can be significant, and the New Group cannot be certain it will be able to secure its premises of choice or necessary planning approvals. The New Group's grant from the C&I Fund requires it to open 11 further stores in the North of England. Any future inability to obtain additional suitable leases or purchases for its properties, including in accordance with its grant from the C&I Fund, could have a material adverse effect on the success of the New Group's controlled growth strategy.

As all of the New Group's current stores are located in the UK, it is exposed to ongoing risks in the UK real estate market, which can be impacted by UK macroeconomic conditions. In addition, the COVID-19 pandemic may have accelerated the transition to online consumption of services, which may result in consumers adjusting their habits away from relying on physical stores. As property values are dependent, among other things, on current market rental values, occupancy levels and market demand for space, there is a risk that a deterioration in the macroeconomic environment or a shift away from physical stores could negatively impact property rentals, leading to the New Group paying above-market rents on its existing stores. The New Group has limited lease breaks on its existing stores and typical lease lengths of 25 years, which limits the ability of the New Group to renegotiate lease terms to reduce its rental commitments, or to negotiate other incentives. As the New Group accounts for its properties using the cost model, the above factors do not impact the valuation of the stores in the New Group's financial statements, although this could mean that the fair value of the New Group's properties differs from their valuation reported.

The length of property commitments also means the New Group risks not being able to accurately respond to consumer trends. Retail locations, where the New Group's stores are typically located, can be subject to rapid and sometimes unpredictable changes in consumer sentiment or preferences, as well as other factors (for example due to the loss of a high-profile retailer) which could see the New Group left with properties in the wrong locations or which have lost their appeal and relevance for modern consumers, thereby limiting these stores' ongoing prospects.

If the New Group decides to close any of its stores, it risks being unable to dispose of these sites, leading to onerous costs relating to these properties. Additionally, the market for real estate investments is relatively illiquid and may result in low disposal prices or an inability to sell certain properties in a timely manner if needed. While the New Group is generally a long-term owner of its properties, there may not be ready buyers with available liquidity or financing or who are willing to pay fair value at the time if the New Group desires to sell a property. In the case of leasehold properties, consents may often be required from owners of the freehold interest to dispose of the property. As such, there can be no assurance that any such property will be sold or that the price obtained from such a sale would cover the book value of the property sold. Any of these circumstances could have an adverse effect on the New Group's business, financial condition and results of operations.

***The New Group does not control certain internet domain names similar to its own***

The New Group owns and uses the domain "www.metrobankonline.co.uk". The Metro Bank Group purchased the registered trade mark "Metrobank" from an individual who also owns the internet domain "www.metrobank.co.uk" (which was not acquired by the Metro Bank Group). When the Metro Bank Group bought the registered trade mark, it entered into an agreement that provided the Metro Bank Group would not attempt to use its rights in the registered trade mark to gain control of the internet domain. As a result, the New Group cannot control who might purchase the domain or the purpose for which it might be used. In addition, the domain "www.metrobank.com" belongs to a third party and is used to provide links to a variety of financial and diverse services and offerings in the Philippines. The New Group's inability to control these domains, or others with similar names to that of its own, could have a material adverse effect on the New Group's reputation, business, financial condition and results of operations.

***External events over which the New Group has no control could have a material adverse effect on the New Group's business, financial condition and results of operations***

Catastrophic events, terrorist acts, acts of war or hostilities, pandemic diseases (including COVID-19), geopolitical, climate-related or other unpredictable events, and responses to those acts or events, could create economic and political uncertainties which could have an adverse effect on economic, political and social conditions in the UK and globally, and could interrupt the New Group's business and result in substantial losses. These acts or events, and any resulting losses, are difficult to predict and could adversely affect borrowers' credit quality, as well as property values, financial assets or the New Group's key employees.

Unforeseen events can also lead to increased operating costs, such as costs to repair the New Group's stores, higher insurance premiums or the need for additional back-up systems. If the New Group's business continuity plans do not address these events or cannot be implemented, either effectively or at all, these costs could increase. Insurance coverage for certain risks may also be unavailable, which would increase the New Group's risk of losses. If the New Group is unable to manage these risks effectively, its business, financial condition and results of operations could be adversely affected.

***The New Group is exposed to risks related to climate change as well as other environmental, social and governance-related risks.***

The physical and transition risks of climate change are becoming ever more apparent and have the potential to pose an increasing threat to the New Group's business. Climate change risks include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon, climate-resilient or environmentally sustainable economy (including policy changes, legislative changes, technological progress and behavioural changes). Both physical risks and transition risks can have significant financial consequences, which can affect financial institutions such as the New Group, for example through increased loan defaults or investment losses, higher insurance settlements or disruptions to operations.

The UK Government has introduced, and is expected to continue to introduce, increasingly stringent rules, regulations and policies designed to achieve targeted outcomes with respect to other environmental, social and governance ("ESG") issues as well. These include the requirement for companies listed on the premium



listing segment of the London Stock Exchange, such as the New Group, to report publicly in accordance with the Task Force on Climate-related Financial Disclosures. These regulations, rules and policies will increase compliance costs for the New Group, and could increase asset impairments and result in regulatory fines, litigation and/or reputational damage if the New Group fails to comply with such requirements and/or is unable to implement required reforms in a timely fashion. A failure to identify and adapt the New Group's business to meet new rules or evolving expectations, or any perception that the New Group is under-performing relative to its peers or that it is failing to meet its ESG objectives, could also result in investors divesting their shares in the New Group or damage the New Group's brand and result in a decline in new customers or a loss of existing customers.

#### ***The New Group is subject to changes in taxation laws***

The New Group's activities are conducted in the UK and, consequently, it is subject to a range of UK taxes and surcharges. Revisions to tax legislation or to its interpretation could result in increased tax rates (including in relation to UK corporation tax rates) or additional taxes. In addition, the New Group is subject to periodic tax audits, which could result in additional tax assessments relating to past periods.

Adverse changes in tax laws, and any other reform amendment to, or changes in the interpretation or enforcement of, applicable tax legislation (including in relation to the recognition of deferred tax assets) that negatively impact the New Group or its customers could have a material adverse effect on the New Group's business, financial condition and results of operations.

#### **Regulatory Risks**

##### ***The New Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years***

The Metro Bank Group, in common with other financial services firms, has in recent years faced increased levels of scrutiny from regulators in respect of the conduct of its business. Following the financial crisis, this scrutiny was supplemented by additional powers intended to protect consumers and ensure redress. The Metro Bank Group's principal regulators are the PRA (which is responsible for prudential regulation) and the FCA (which is responsible for conduct regulation).

The FCA, the Metro Bank Group's conduct regulator, has highlighted priorities such as making payments safe and accessible (including continued access to cash and bank branches), fair treatment for vulnerable customers, improving competition, innovation and operational resilience as key for the retail banking sector in its recent business plan for 2021 and 2022. In addition, the FCA has recently undertaken a series of thematic reviews, including a review launched in April 2017 into retail banking business models. The FCA initiated three strands of work following this review, including: on-going monitoring of retail banking business models; analysis to understand the value chain in new payment services business models; and exploratory work to understand certain aspects of SME banking. In an update (published in January 2022) to this review, the FCA noted there remains significant room for further interventions to increase competition and innovation in retail banking, including sharing consumer data via "Open Banking" or "Open Finance". Any further action that the FCA may take in relation to these, or recommendations it may make in relation to any of its other thematic reviews, could impact the New Group's business.

The FCA has also indicated it is looking to shift towards a more assertive, outcomes-focused regulatory regime for retail customers. The FCA has recently finalised rules on a new consumer duty, which includes a new Consumer Principle that "a firm must act to deliver good outcomes for retail customers" ("**Consumer Duty**"). The FCA has set a start date for this Consumer Principle of 31 July 2023 for new and existing products and 31 July 2024 for closed-book products. The Consumer Duty also consists of cross-cutting rules and four specific outcomes, with new rules and guidance relating to each. Existing products will have to be reviewed against the FCA's four outcomes by the end of April 2023, while new products will require testing before they are launched. Communications (including financial promotions) employed throughout the consumer journey will need to be assessed by firms. The FCA has further made clear in statements (e.g. in its expectations to mortgage lenders) that while the Consumer Duty is not yet in force firms should not wait to apply these requirements. The implementation of the Consumer Duty and any future action that the FCA may take in enforcing this new Consumer Duty could impact the New Group's business.

Since April 2014, the FCA has also been charged with oversight of regulated consumer credit activities, providing it with broad regulatory authority over a wide range of aspects of the Metro Bank Group's lending business, such as the format and content of its customer communications and its terms of business. The FCA is empowered to require firms to operate a consumer redress scheme, under which the firm is required to make redress to customers where it has failed to carry on its activities in accordance with its

legal or regulatory obligations. The FCA also has temporary product intervention powers, which enable it to restrict certain products, product features or their promotion for up to 12 months without consultation. Certain consumer bodies have the power to refer so-called “super-complaints” to the FCA for further investigation as well.

Most banking customers are also entitled to refer complaints to the Financial Ombudsman Service (the “FOS”), and recent years have seen an increase both in the number of cases referred to the FOS and general public awareness regarding the ability to challenge firms. There has also been an increase in sophisticated social engineering frauds across remote channels in circumstances where fraudsters have imitated bank colleagues resulting in customers compromising their security credentials, and authorised push payment (“APP”) frauds where customers are scammed by fraudsters to pay funds over to them.

More recently, the FOS has increasingly found in favour of customers and asked banks to provide refunds irrespective of the circumstances. While the Metro Bank Group is working on a number of initiatives which will help reduce these types of social engineering and APP frauds, there is a risk that, because the FOS’s interpretation of social engineering or APP cases is that they do not constitute gross negligence by customers falling victim to such frauds, higher numbers of customers will challenge the New Group’s determination of liability in such cases, giving rise to potentially increased losses.

The FCA remains focused on the retail mortgage lending market. On 2 August 2022, the FCA, noting the decline in borrowers switching mortgages when they could save money by doing so, released a statement instructing lenders to support customers to switch to a less costly option where that is available. The FCA concluded that the case for further regulatory intervention is not currently justified but that it would continue to monitor the market particularly given the impact on borrowers of increasing mortgage rates and the rising cost of living and consider what further steps it may need to take. Any regulatory intervention to support these, or other regulatory objectives, could impact the New Group’s mortgage lending business.

Regulators have also recently increased their scrutiny of the operational resilience in financial services firms through rules and guidance developed by the FCA, PRA and Bank of England. Under FCA rules which came into force on 31 March 2022, banks (and other firms) must as soon as practicable after 31 March 2022 and by no later than 31 March 2025 have performed mapping and testing to remain with impact tolerances for important business services and made the necessary investments to enable them to operate consistently within their impact tolerance. The FCA and PRA have also set out expectations on how firms should comply with regulatory requirements and expectations relating to outsourcing and third-party risk management, including in relation to critical third-party service providers.

The PRA and FCA can apply a wide range of sanctions to firms such as the Metro Bank Group (and individuals working for these firms) if they are found to be operating in breach of their regulations, or in a manner deemed to pose a significant risk to their statutory obligations, including public or private censure, fines, regulatory proceedings and, in extreme cases, suspension or withdrawal of authorisation to operate particular parts of their business or prosecution. Investigating and dealing with proceedings, making redress, and the cost of any regulatory sanctions may involve significant expense, which could adversely affect the New Group’s ability to undertake other discretionary projects. The use of product intervention powers by the FCA may restrict the New Group’s operations and its ability to offer new products to its customers. Any adverse publicity relating to regulatory action could undermine customer confidence in the New Group and reduce demand for its products and services, which could have a material adverse effect on the New Group’s business, financial condition and results of operations.

***The New Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (individual basis) and at the level of the Company (group basis))***

The prudential regulatory capital and liquidity requirements applicable to banks have increased significantly over the last decade, largely in response to the financial crisis but also as a result of continuing work undertaken by regulatory bodies in the financial sector subject to certain global and national mandates. The prudential requirements are likely to increase further in the short term, not least in connection with the implementation in the UK of the final Basel III reforms contained in the Basel Committee’s December 2017 publication “Basel III – Finalising post-crisis reforms” which aims to reduce the variability in banks’ risk weighted assets calculations by restricting the use of the internal model approaches for certain exposure types, as well as enhancing the sensitivity of the standardised approaches to credit risk and operational risk. One of the key changes is the introduction of an output floor to limit the regulatory capital benefit of using internal models compared to the standardised approaches. On 30 November 2022, the PRA published CP/22 “Implementation of the Basel 3.1 standards”, which sets out the PRA’s proposed rules and expectations with respect to the Basel III standards that remain to be implemented in the UK –referred to as the “Basel 3.1

standards”—including, but not limited to, a revised standardised approach to credit risk, revisions to the internal ratings based approach to credit risk and revisions to the recognition of credit risk mitigation techniques. In addition, the proposals also revised certain areas of the Basel III standards already implemented in the UK and would have consequential impacts on the UK implementation of the leverage ratio (noting that the New Group is not subject to the leverage ratio requirement), and elements of the liquidity and large exposures frameworks. The rules are expected to be implemented from January 2025 with additional phase-in provisions for the output floor.

The prudential regulatory capital and liquidity requirements to which Metro Bank is subject (on a solo basis) and to which the New Group is subject (on a consolidated basis) are primarily set out in CRD, although the PRA has the power to impose additional capital requirements to the extent not inconsistent with CRD.

Although many of the measures in CRD took effect in the UK from 1 January 2014, some of the measures were phased in over a transitional period ending on 31 December 2021, though such phased implementation was in some cases subject to the PRA’s right (which it largely exercised) to apply an expedited timeframe. In particular, the liquidity regime was phased in, though a significant aspect of it, a binding net stable funding ratio (“NSFR”), only came into effect in the UK on 1 January 2022, by way of amendments to the UK CRR, and the addition of a new liquidity chapter in the PRA Rulebook. All liquidity rules have now been restated in the PRA Rulebook. As noted above, however, CP/22 has highlighted that the implementation of the Basel 3.1 standards would impact the liquidity regime. While the Basel 3.1 standards will not make amendments to the liquidity standards, they would, however, where relevant, flow through to the LCR and NSFR, including in relation to risk weights for mortgage loans under the credit risk standardised approach. For more detail on forthcoming changes to the UK and EU bank regulatory regimes and the timings for those changes, see the section entitled “*UK Regulation – Capital adequacy, prudential regulation and the European regulatory landscape*”.

In addition, there may be changes to the way in which the PRA interprets and applies capital and other prudential requirements to UK banks, as well as further changes to those prudential requirements themselves. These changes, either individually or in aggregate, may lead to further unexpected enhanced prudential requirements in relation to the New Group’s capital, leverage, liquidity and funding ratios. It is noted that there are a number of initiatives underway which, if implemented, could also affect prudential capital and liquidity requirements in the future.

The Metro Bank Group sets its internal target amount of capital and liquidity based on the standardised approach (application of the formulaic rules in the UK CRR and the PRA guidance) and following its supervisory review and evaluation process and having carried out an assessment of its risk profile, market expectations and regulatory requirements in relation to both capital and liquidity. The New Group may experience a depletion of its capital resources through increased costs or liabilities incurred, or a recalculation based on adjustments to its credit risk calculations, as a result of the crystallisation of any of the other risks described elsewhere in this Part II (*Risk Factors*). If, for example, market expectations as to capital levels increase, driven by, for example, the capital levels or targets among peer banks, or if new regulatory requirements are introduced, the New Group may experience pressure to increase its capital ratios. For example, on 1 January 2022, the capital treatment of software assets reverted to the previous treatment of being deducted from capital, following changes implemented by the PRA, which has impacted the Metro Bank Group’s capital ratios in 2022. An analogous risk applies in relation to liquidity.

Due to its controlled growth plan, the New Group’s capital requirements are likely to increase. If the New Group fails to meet its minimum regulatory capital or liquidity requirements, it may be subject to administrative actions or sanctions. In addition, a shortage of capital or liquidity could affect the New Group’s ability to pay liabilities as they fall due, pay future dividends and distributions, and could affect the implementation of its business strategy, impacting future growth potential.

Any inability of the New Group to maintain its regulatory capital or liquidity requirements, or any legislative or accounting changes that limit the New Group’s ability to manage its capital effectively may have a material adverse effect on the New Group’s business, financial condition and results of operations as well as the value of its shares.

***The New Group is subject to rules relating to recovery and resolution planning and may be subject to regulatory action that may be taken in the event that the Company is failing or is likely to fail, or before that in the form of early intervention measures***

### **General**

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers are granted to HM Treasury, the Bank of England, the PRA and the FCA<sup>2</sup> (together the “**Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers enable the Authorities to engage with and stabilise, amongst other entities, UK-incorporated institutions subject to the Banking Act (i.e. UK-incorporated institutions authorised to accept deposits and PRA-designated investment firms) (the “**UK Resolution Entities**”) when the resolution conditions are satisfied (including when a UK Resolution Entity is failing, or is likely to fail, to satisfy the threshold conditions defined in section 55B of the FSMA) and certain policy objectives are met. The SRR provides for five resolution tools referred to as “stabilisation options”, that can be used by the Bank of England as the resolution authority in respect of UK Resolution Entities: (i) the “bail-in” tool; (ii) the “transfer to a private sector purchaser” tool; (iii) the “bridge institution” tool; (iv) the transfer to an “asset management vehicle” tool; and (v) the transfer to temporary public ownership tool. These can be used separately or in combination and are complemented by a number of ancillary resolution powers (including early intervention measures).

The SRR also provides the Bank of England as the resolution authority in respect of the UK Resolution Entities with: (i) powers to impose early intervention measures before a UK Resolution Entity is failing or is likely to fail; and (ii) various resolution powers, including the power to: (a) take control of a UK Resolution Entity under resolution and exercise all the rights and powers conferred upon the shareholders, other owners and the management body of the UK Resolution Entity, or remove or replace the management body and senior management of the UK Resolution Entity; (b) transfer all or some of the shares or other instruments of ownership issued by, or some or all of the assets, rights or liabilities of (which may include instruments issued by), a UK Resolution Entity under resolution; (c) reduce, including to zero, the principal amount of or outstanding amount due in respect of eligible liabilities (i.e. not excluded liabilities) of a UK Resolution Entity under resolution, or convert such liabilities into ordinary shares or other instruments of ownership of that UK Resolution Entity; (d) cancel debt instruments issued by a UK Resolution Entity under resolution (other than secured or other excluded liabilities); (e) reduce, including to zero, the nominal amount of shares or other instruments of ownership of a UK Resolution Entity under resolution and cancel such shares or other instruments of ownership; (f) require a UK Resolution Entity under resolution to issue new shares or other instruments of ownership or other capital instruments, including preference shares and contingent convertible instruments; (g) except for secured or other excluded liabilities, amend or alter the maturity of debt instruments and other eligible liabilities issued by a UK Resolution Entity under resolution or amend the amount of interest payable under such instruments and liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and/or (h) close out and terminate financial contracts or derivatives contracts. In addition, as the Bank of England has the power to suspend termination and payment rights under a UK Resolution Entity’s contracts with certain third parties (including financial contracts) for up to two working days.

Further, on a UK Resolution Entity’s entry into resolution, the Bank of England has the power to: (i) remove rights to acquire further shares or other instruments of ownership in the UK Resolution Entity; (ii) discontinue the listing of securities issued by the UK Resolution Entity; (iii) cancel or modify the terms of a contract to which the UK Resolution Entity under resolution is a party or substitute a recipient as a party; and/or (iv) provide for continuity arrangements necessary to ensure that the resolution action is effective and, where relevant, the business transferred may be operated by the recipient.

### **Metro Bank’s bail-in strategy**

There are broadly three resolution strategies (i.e., strategies to implement the resolution tools discussed above): (i) “*modified insolvency process*” under Part 2 of the Banking Act – for those institutions which the Bank of England (as the resolution authority in respect of UK Resolution Entities) considers not to provide services of a scale considered critical and for which it is considered that a pay-out by the Financial Services Compensation Scheme (“**FSCS**”) of covered depositors would meet the Bank of England’s resolution objectives; (ii) “*partial transfer*” – for those institutions which the Bank of England considers to be too large for a modified insolvency process but where there is a realistic prospect that critical parts of the business could be transferred to a purchaser; and (iii) “*bail-in*” – for the largest and most complex institutions, which will be required to maintain sufficient MREL resources to absorb losses and, in the event

<sup>2</sup> The Banking Act has been recently amended to remove FCA-regulated investment firms from its scope.



of their failure, be recapitalised so that they continue to meet the PRA's conditions for authorisation and the institution (or its successor) is able to operate without public support. The Bank of England has confirmed that the preferred resolution strategy for the Metro Bank Group is to be a bail-in strategy with a single point of entry at the parent company level (i.e. at the Company level; however, the level at which bail-in powers would be exercised, could also be exercised at the Metro Bank level).

The bail-in tool involves the Bank of England as the resolution authority in respect of UK Resolution Entities, (for the purpose of stabilisation and loss absorption) recapitalising the Resolution Entity by cancelling all, or a portion of, the principal amount of, or interest on, certain (typically unsecured) liabilities of that UK Resolution Entity, and/or converting such liabilities into another security, including ordinary shares of the surviving entity, if any.

The Bank of England must apply the bail-in tool in accordance with a specified bail-in order provided in the Banking Act (and taking into account the insolvency ranking of eligible liabilities). In particular, the Bank of England must write down or convert liabilities broadly in the following order (and the defined terms refer to those used in the Banking Act by cross-reference to the UK CRR): (i) Common Equity Tier 1 items; (ii) Additional Tier 1 instruments; (iii) Tier 2 instruments; (iv) capital instruments used towards the MREL and other subordinated debt; and (v) other unsubordinated eligible liabilities. However, the Bank of England must not apply the bail-in tool to certain liabilities including: (a) protected deposits (deposits protected by the UK deposit guarantee scheme (up to a specified limit)); (b) secured liabilities which include most liabilities secured against property or rights, or otherwise covered by collateral arrangements; (c) client money/assets; (d) liabilities to credit institutions and certain investment firms with an original maturity of less than seven days; (e) certain liabilities to settlement systems with a remaining maturity of less than seven days; (f) certain liabilities to central counterparties with a remaining maturity of less than seven days; (g) certain liabilities to employees; (h) certain liabilities to pension schemes; (i) certain liabilities to creditors from the provision of critical goods and services; (j) certain liabilities to the scheme manager to the FSCS; and (k) certain liabilities to entities within the same resolution group. In addition, the Bank of England can make discretionary exclusions from bail-in in specific circumstances.

Where the Metro Bank Group has large numbers of depositors entitled to FSCS protection, this means those depositors and the FSCS will get preferential treatment ahead of other unsecured creditors generally. In particular, as described above, deposits subject to FSCS protection are excluded from bail-in and eligible deposits to individuals and SMEs above the FSCS protection are also afforded preferential insolvency treatment (albeit not excluded).

### **Impact of bail-in**

The impact on liabilities or obligations of a UK Resolution Entity in resolution (particularly in respect of bail-in) depends on the nature of the instrument and its rank. The UK has implemented preferential treatment of certain eligible deposits from natural persons and micro, small and medium-sized enterprises above the specified deposit cover, as well as certain amendments relating to the bail-in order of liabilities of financial institutions.

In the event of resolution of the Company, the value of the New MB Shares may be reduced to zero for the purposes of stabilisation and loss absorption, and the exercise of the resolution tools and powers may limit the New Group's ability to satisfy liabilities or obligations (including repayment obligations). The terms of New MB Shares could also be altered and payments could be suspended for a certain period. Rights of set-off could, subject to safeguards, also be affected. The SRR requires the resolution tools and powers to be exercised in accordance with the general principle that no creditor shall incur greater losses than would have been incurred if the UK Resolution Entity had been wound up under normal insolvency proceedings (the "no creditor worse off" principle). This means that, in certain circumstances, a creditor may have a right to compensation if the treatment that the creditor receives as a result of the resolution authority exercising a resolution power or tool is less favourable than the treatment that the creditor would have received under normal insolvency proceedings. Compensation payments, if any, may be considerably later than contractual payment dates (in the same way that there may be a delay in recovering value in the event of insolvency).

Notwithstanding the foregoing, the exercise by the Bank of England, as the resolution authority in respect of UK Resolution Entities, of any of the above resolution powers or tools (including the bail-in tool) could cause Shareholders to lose some or all of their investment in the New MB Shares. Moreover, trading behaviour in relation to the New MB Shares, including market prices and volatility, may be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, New MB Shares are not necessarily expected to follow the trading behaviour associated with other types of securities.

There can be no assurance that the use of any resolution tools or powers by the resolution authority or the manner in which they are exercised will not materially adversely affect the Shareholders as holders of the New MB Shares, the market value of the New MB Shares and/or the Company's ability to satisfy any liabilities or obligations it has to Shareholders.

### **MREL requirement**

UK institutions and/or groups, as the case may be, subject to the Banking Act are required to meet an MREL requirement which consists of own funds eligible liabilities instruments which are capable of being bailed-in and which meet certain eligibility requirements. Following discussions with the Bank of England following the publication of its revised Statement of Policy (published in December 2021 and updating the June 2018 version) (the "**MREL SoP**"), Metro Bank is now subject to its end-state MREL requirement, applicable since 1 January 2023. The MREL requirement is equal to a percentage of total liabilities and own funds set by the Bank of England or, for certain systemic firms, is set at a binding rate. Items eligible for inclusion in MREL include an institution's and/or group's, as the case may be, own funds (including Metro Bank's £250,000,000 5.50 per cent. Fixed Rate Reset Callable Subordinated Notes due in 2028 (the "**2018 Notes**") in respect of which the Bank of England's Resolution Directorate granted a temporary, time-limited, adjustment allowing the Metro Bank Group to count them towards its consolidated MREL resources until 26 June 2025, subject to certain regulatory conditions (as more fully described below)), and more senior 'eligible liabilities instruments' (including Metro Bank's £350,000,000 9.50 per cent. Fixed Rate Reset Senior Non-Preferred Notes due in 2025 (the "**2019 Notes**") provided that the "flipper" clause in the 2019 Notes has been exercised (as more fully described below)) in the form of debt instruments. Pursuant to the MREL SoP, the Bank of England sets MREL for individual institutions and/or groups, as the case may be, by reference to three broad resolution strategies. In the case of Metro Bank, the Bank of England's preferred resolution strategy is "bail-in", as discussed above, and therefore Metro Bank and the New Group will be required to maintain sufficient MREL resources to absorb losses and, in the event of their failure, be recapitalised so that they continue to meet the PRA's conditions for authorisation and the institution and/or group, as the case may be, is able to operate without public support.

From 1 January 2020, Metro Bank (being a non-systemic bank subject to a bail-in strategy for the purposes of the MREL SoP) was required to hold interim MREL equal to 18 per cent. of its RWAs, in line with other non-globally systemic banks, before disclosable regulatory buffers. To contribute towards meeting this interim MREL requirement, Metro Bank issued the 2018 Notes in June 2018 and the 2019 Notes in October 2019. The Bank of England's Resolution Directorate, in line with the MREL SoP, has agreed to provide Metro Bank, following the establishment of the Company (which will be the single point of entry resolution entity and is expected to be the entity which will be used going forwards to issue any external own funds and other MREL to the market at a future time on a structurally subordinated basis), a temporary, time-limited, adjustment for the 2018 Notes allowing the New Group to count them towards its MREL resources until 26 June 2025, subject to certain regulatory conditions including making reasonable efforts to issue external MREL at the level of the Company. The adjustment permits the 2018 Notes to remain eligible to count towards the New Group's consolidated MREL requirement until 26 June 2025, whilst remaining at the level of Metro Bank. As at the date of this Prospectus, Metro Bank does not expect to exercise its one-time call right on 26 June 2023 in respect of the 2018 Notes (unless it would be economically rational to do so at the time and subject to Prudential Regulation Authority approval). The PRA has agreed that, following the establishment of the Company, Metro Bank may count the 2018 Notes towards its solo own funds requirement and the New Group may count the 2018 Notes towards its consolidated own funds requirement. Following the Scheme Effective Date when the Company (a non-operating bank holding company) becomes the ultimate holding company of the Metro Bank Group, the 2018 Notes' eligibility for Tier 2 capital at the level of the New Group is expected to be subject to a haircut and the 2018 Notes' eligibility for Tier 2 capital at the level of both Metro Bank and the New Group is expected to amortise from the call date of the 2018 Notes if not called. The terms and conditions of the 2019 Notes include a "flipper" clause which would allow for Metro Bank, following the establishment of the Company (as a non-operating bank holding company, which will be the single point of entry resolution entity and which is expected to issue any external MREL to the market at a future time on a structurally subordinated basis), to procure that the Company is substituted under the 2019 Notes as new principal debtor in place of Metro Bank, subject to certain formalities pursuant to the terms and conditions of the 2019 Notes and the trust deed constituting the 2019 Notes. Metro Bank expects to be able to exercise the "flipper" clause in the 2019 Notes but, if for any reason that would not be possible, then Metro Bank expects that such debt will cease to count towards the New Group's MREL requirement (unless an adjustment is granted in line with the statement in the Bank of England's MREL SoP). From 1 January 2023, Metro Bank became subject to its binding end-state MREL requirement. For the avoidance of doubt,

Metro Bank is not subject to a binding leverage ratio (LR) requirement (and therefore is not subject to LR-based MREL requirements). Metro Bank's Pillar 2A requirement is a point in time assessment that, in respect of UK firms, is made by the PRA, at least annually, and is expected to vary over time. Metro Bank's Pillar 2A requirement is equivalent to 0.36 per cent. of RWAs. Therefore, Metro Bank's current MREL requirement (excluding buffers) has reduced to 16.72 per cent. of RWAs (resulting in a 20.22 per cent. requirement comprising of MREL and Metro Bank's disclosable regulatory buffers). From the Scheme Effective Date, being the date on which the Company becomes the UK parent financial holding company of the New Group, it will be the resolution entity for the single point of entry bail-in strategy applicable to the New Group and is expected to issue any own funds and other external MREL to the market at a future time on a structurally subordinated basis. From the Scheme Effective Date, the Bank of England's Resolution Directorate has confirmed the eligibility of Metro Bank's 2019 Notes as consolidated MREL, provided that the "flipper" clause is exercised.

Following the Scheme Effective Date when the Company (a non-operating bank holding company) becomes the ultimate holding company of the Metro Bank Group, the solo internal MREL requirement for Metro Bank is expected to be met *inter alia* by the 2018 Notes (for a temporary period) and internal issuances of MREL to the Company, and the consolidated MREL requirement at the level of the New Group is expected to be met by the New MB Shares and by the 2018 Notes (for a temporary period), as well as any external MREL issuances to be made by the Company to the market at a future time alongside the 2019 Notes once the "flipper" clause has been exercised.

The cost of funding for these MREL debt issuances may be higher than the cost of funding which the Metro Bank Group might otherwise have incurred if it were not subject to the relevant MREL requirements, and as such its profitability could be adversely affected.

As at 31 December 2022, Metro Bank's total capital ratio was 13.4 per cent. compared to a Total Capital Requirement (being the requirement under Pillar 1 and Pillar 2A, and excluding all buffers) of 8.5 per cent., meaning that Metro Bank's capital resources are in excess of its Total Capital Requirement.

As at 31 December 2022, Metro Bank's CET1 ratio was 10.3 per cent. As at 31 December 2022, Metro Bank's MREL ratio was 17.7 per cent. This, therefore, exceeds Metro Bank's minimum end-state MREL requirement of 16.72 per cent. of RWAs and MREL requirement as at 31 December 2022 which was 17.0 per cent. of RWAs.

On top of its Total Capital Requirement and MREL requirement, Metro Bank is also subject to the Combined Buffer Requirement, which currently comprises of a conservation buffer of 2.5 per cent. of RWAs and a countercyclical capital buffer of 1 per cent. of RWAs. The Combined Buffer Requirement is not met in full by the CET1 resources that Metro Bank currently holds that are not used, along with other qualifying capital resources, to meet its MREL requirement. Therefore, while Metro Bank meets its Total Capital Requirement and MREL requirement, Metro Bank does not meet its current Combined Buffer Requirement above its MREL requirement and accordingly is operating "within its buffers".

The UK prudential regulatory regime imposes, by means of formulaic provisions set out in the PRA Rulebook, restrictions on any entity which does not meet its Combined Buffer Requirement, which restrict (to a maximum distributable amount ("MDA")) the ability of that entity to make certain payments, including dividends on ordinary shares and coupons on any future Additional Tier 1 instruments as well as other cash/bonus payments. However, such formulaic MDA restrictions in the PRA Rulebook do not currently apply to Metro Bank since Metro Bank's failure to meet the Combined Buffer Requirement arises because Metro Bank does not have sufficient CET1 resources, not used, along with other qualifying capital resources, towards their MREL minimum requirement to meet the Combined Buffer Requirement. There are, however, discretionary powers that may be exercised by the PRA in this situation, including discretionary restrictions to dividends on ordinary shares and cash payments on coupons or as bonus payments.

After the Scheme Effective Date, the New Group will be subject to consolidated MREL requirements at the level of the Company; and it is expected that on a consolidated basis it will also meet its end state consolidated MREL requirement but will also not have sufficient CET1 and other qualifying capital resources not used to meet the MREL requirement to meet the Combined Buffer Requirement above MREL (as is currently the case for Metro Bank as described above).

In addition, the Combined Buffer Requirement is expected to increase if, as currently scheduled for 5 July 2023, the Bank of England increases the countercyclical capital buffer to 2 per cent.. In that case, based on its current position, Metro Bank (on a solo basis) and the Company (on a consolidated basis) may not have sufficient CET1 (being CET1 not used towards their CET1, Tier 1 and/or Total Capital Requirement) to

meet the Combined Buffer Requirement. Accordingly, at that point in time, Metro Bank (on a solo basis) and the Company (on a consolidated basis) would become subject to the formulaic MDA restrictions in the PRA Rulebook mentioned above; and not only (as now) be subject to the PRA's discretionary restrictions on the same.

The relevant executives and the board have developed a long-term capital plan that forecasts the capital position of Metro Bank and the Metro Bank Group for the next 5 years according to which it builds capital organically. The capital plan also shows the capital raises that would be required to implement the capital restoration plan requested by the PRA to bring Metro Bank in full compliance with its Combined Buffer Requirement.

### ***Ring-fencing***

In addition, the Banking Reform Act introduced a ring-fence around retail deposits held by large UK banks, namely those with retail deposits of £25 billion or more, with the aim of separating certain core banking services critical to individuals and SMEs from wholesale investment banking services. See the section entitled "*Supervision and Regulation – UK ring-fencing regime*". Ring-fencing only applies to those deposit-taking banks that have core deposits of at least £25 billion and therefore it does not currently apply to Metro Bank.

The impact of ring-fencing on the New Group may, if the New Group meets the retail deposit threshold in the future, result in increased compliance costs or restrictions in some areas of business, such as in investments made or products offered. For example, the ring-fencing rules have increased competition and margin pressure in the UK residential mortgage market. These and similar consequences could have an adverse impact on the New Group's financial condition and results of operations. If Metro Bank increases the size of its deposit book over time, it may reach the threshold for deposits at which it is required to implement ring-fencing and separate its business on the basis described above. Effecting a reorganisation or introducing new policies and procedures to comply with the ring-fencing requirements is likely to give rise to implementation costs and may have other implications for Metro Bank's business model, as it will become subject to restrictions on its activities and to the other prohibitions outlined above.

### ***The New Group must comply with anti-money laundering, anti-bribery and sanctions regulations***

The New Group is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the New Group, its staff or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules, as well as with financial sanctions programmes, creates a significant financial and operational burden for banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more aggressive, resulting in several landmark fines against UK financial institutions. The FCA, in particular, has highlighted anti-money laundering and the prevention of financial crime as priorities in its business plan. Furthermore, following the entry into force of the EU AML Directive and Transfers of Funds Regulation on 25 June 2015, new regulations came into force in the UK on 26 June 2017 (and were further amended on 10 January 2020), which impacted the scope of the regulatory requirements the New Group must comply with. Moreover, the UK, the EU, United States and numerous other jurisdictions have introduced sweeping sanctions against Russia and Belarus following the invasion of Ukraine, and many of these sanctions involve the banking and financial services sectors.

The Metro Bank Group's only potentially material contingent liability with respect to these matters is the FCA's enquiries regarding the New Group's financial crime systems and controls. The New Group continues to engage and co-operate fully with the FCA on these matters and their enquiries remain at a relatively early stage. The outcome and timing of these matters is inherently uncertain and, based on the facts currently known, it is not possible to predict the outcome or reliably estimate any financial impact. As such, as at 31 December 2022, no provision has been made within the New Group's financial statements.

While the Metro Bank Group monitors its regulatory environment, it is not always possible to predict the nature, scope or effect of future regulatory requirements to which it might be subject and, in particular, the manner in which existing laws might be administered, interpreted or enforced. In particular, the sanctions applicable to individuals and entities in Russia and Belarus continue to be updated frequently and there is no guarantee that sanctions will not be expanded further. Compliance with these requirements is also in part dependent upon the effective operation of the Metro Bank Group's data collection policies, systems and controls, which have not in the past and may not always in the future operate as intended. Although the



Metro Bank Group believes that its current policies, processes and procedures are adequate and designed to support its ability to comply with applicable anti-money laundering, anti-bribery, sanctions and other related rules and regulations, these policies, processes and procedures may not always do so and, therefore, cannot eliminate the risk of actions by third parties or the Metro Bank Group's colleagues that result in money laundering, sanctions breaches, bribery or other activities, as well as violations of applicable regulations, for which the New Group might be held responsible. Any of these events may have severe consequences, including criminal sanctions, fines, restrictions on its business operations and reputational damage, which could have a material adverse effect on the New Group's business, financial condition and results of operations.

***The New Group is subject to rules on deposit guarantee schemes***

In Europe, the EU Deposit Guarantee Scheme Directive ("**EU DGSD**") required Member States to introduce at least one deposit guarantee scheme by 1 July 1995. The EU DGSD was reviewed, and a new legislative proposal was published by the European Commission in July 2010 to recast and replace the EU DGSD. The main aims of the recast EU DGSD were to restrict the definition of "deposit", to exclude deposits made by certain financial institutions and certain public authorities, to reduce time limits for payments of verified claims to depositors and to make provisions on how deposit guarantee schemes should be funded. In addition, the recast EU DGSD allowed for temporary increases in the coverage level in relation to deposits arising from certain events, such as the sale of a private residential property. The rules on depositor protection rules and supervisory statements took effect in the UK from 3 July 2015 in the form of the FSCS protection regime in the PRA Rulebook discussed above and eligible depositors include individuals and corporates of a non-financial nature.

It is possible, as a result of the UK implementation, that future FSCS levies on the New Group may differ from those at present, and such reforms could result in the New Group incurring additional costs and liabilities. In particular, the Metro Bank Group has updated its IT systems to comply with the PRA's system requirements, including requirements on firms to have systems that will allow accounts that do not contain eligible deposits to be frozen at the point of resolution while leaving marked deposits accessible and will be able to separate FSCS-covered and uncovered balances.

**Risks relating to the Scheme**

***Implementation of the Scheme is subject to regulatory approvals and within the discretion of the Court***

Implementation of the Scheme is conditional upon, among other things, receipt of the necessary regulatory approvals from the PRA and the FCA and being sanctioned by the Court. There is a risk that the regulatory approvals may not be provided (or may be provided subject to conditions) and/or the Court will not sanction the Scheme and that, as a result, the Scheme will not be implemented on a timely basis or at all.

In particular, implementation of the Scheme is conditional on:

- (a) the PRA having been notified of, and having approved: (i) the cancellation of the Scheme Shares and (ii) the cancellation of Metro Bank's share premium account, in each case pursuant to Articles 77 and 78(1) of the UK CRR;
- (b) the PRA: (i) having been notified of the issuance of Intra-Group Shares by Metro Bank to the Company; and (ii) having approved the issuance of the New MB Shares by the Company, in each case pursuant to Article 26(3) of the UK CRR;
- (c) the PRA having approved the Company as a parent financial holding company of Metro Bank pursuant to section 192R of the FSMA; and
- (d) in respect of the Company in connection with the acquisition of the Intra-Group Shares under the Scheme, the appropriate regulator (as defined in section 178(2A) of the FSMA) of each UK authorised person (as defined in section 191G of the FSMA) within the New Group: (i) having given notice for the purpose of section 189(4)(a) of the FSMA that it has determined to approve such acquisition of control unconditionally; (ii) having given notice for the purpose of section 189(7) of the FSMA that it has determined to approve such acquisition of control subject to conditions that are acceptable to the Company (acting reasonably); or (iii) being treated, by virtue of section 189(6) of the FSMA, as having approved such acquisition of control.

As at the Latest Practicable Date, the Company has received the following approvals (having made the related notifications):

- (a) under Articles 77 and 78(1) of the UK CRR from the PRA to cancel the Scheme Shares and to cancel Metro Bank's share premium account;
- (b) under Article 26(3) of the UK CRR from the PRA to the issuance of the Intra-Group Shares by Metro Bank to the Company and to the issuance of the New MB Shares by the Company;
- (c) under section 192R of the FSMA from the PRA as a parent financial holding company of Metro Bank; and
- (d) under section 189(4)(a) of the FSMA from: (i) the PRA to acquire control of Metro Bank; and (ii) the FCA to acquire control of Retail Money Market Limited (a subsidiary of Metro Bank), in each case, in connection with the acquisition of the Intra-Group Shares under the Scheme.

There is a risk that, in the event that the Scheme is not implemented on or before the expiry date for the relevant regulatory approvals (where applicable), the PRA and/or FCA may not extend or renew the regulatory approvals with the effect that they expire, resulting in the Scheme not being implemented on a timely basis or at all.

***Implementation of the Scheme is conditional upon approval by the MB Shareholders***

Implementation of the Scheme is conditional upon, among other things, approval by MB Shareholders. If: (i) the resolution to approve the Scheme is not passed by a majority in number of MB Shareholders representing not less than seventy-five per cent. (75%) in value of the voting rights of the Old MB Shares held by those MB Shareholders present and voting, either in person or by proxy, at the MB Court Meeting; or (ii) the resolutions to approve the Scheme and various matters in connection with the Scheme are not passed at the MB General Meeting, then the Scheme will not be implemented on a timely basis or at all.

**Risks relating to the New MB Shares**

***The value of New MB Shares may fluctuate***

Following Admission, the New MB Shares will be publicly traded and, as a result of a number of factors and events their market price may be volatile. Some of these events, for example, market conditions, geopolitical developments or the actions of competitors, will be outside of the control of the New Group.

***On the Scheme Effective Date, the Company will have no distributable profits or reserves to enable it to pay dividends to Shareholders. Shareholders may therefore not receive a return on their investment or may receive a negative return and lose some or all of their capital***

The Company's results of operations and financial condition will be, if the Scheme is implemented, dependent on the trading performance of the members of the New Group. There can be no assurance that the Company will pay dividends in the future. Any decision to declare and pay dividends in the future will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, the Company's and the New Group's financial performance and position (including the availability of distributable profits and reserves and cash available or able to be made available in the hands of the Company for this purpose), regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

On the Scheme Effective Date and pending distributable profits or reserves arising or being generated as outlined below or pursuant to the Company Reduction of Capital, the Company will have no distributable profits or reserves to enable it to pay dividends to Shareholders. As a holding company, other than through the implementation of the corporate actions as described below, the Company's ability to pay dividends will therefore depend on the level of dividends and other distributions received from its operating subsidiaries and companies in which it has an investment. The payment of dividends or return of cash by other means to the Company by its subsidiaries and companies in which it has an investment is, in turn, subject to restrictions, including the existence of sufficient distributable reserves and cash in those subsidiaries and applicable regulatory requirements.

Other corporate actions may be available to the Company in order to create distributable profits or reserves. These include, for example, actions in relation to the nominal value of its issued share capital and to other share capital accounts on its balance sheet, in each case which would have the effect of creating distributable reserves. The implementation of any one or more of these corporate actions may require prior regulatory approvals, Shareholder approvals and/or Court approvals. There is a risk that the New Group would need to spend a significant amount of time, and incur significant costs, in connection with seeking

such approvals. In addition, such approvals may not be forthcoming (or may be provided subject to certain conditions) which could result in the Company not being able to implement the required corporate steps to create or increase its distributable profits or reserves.

If the Company is unable to generate distributable profits or reserves through one or more of the means outlined above, the Company's ability to pay dividends to Shareholders would be adversely affected, which in turn could have a material adverse effect on the market price of the New MB Shares. The Company is currently considering the most appropriate means by which to generate distributable profits or reserves through one or more of the processes outlined above. However, if the Company is unable to implement any of these options and cannot thereby generate distributable profits or reserves, the Company will be unable to pay dividends to Shareholders. There is therefore no guarantee that Shareholders will receive a return on their investment and they may receive a negative return and lose some or all of the capital invested.

***Any future issue of New MB Shares, including in connection with an offering, the conversion of Additional Tier 1 Securities issued by the Company, any future acquisitions, any share incentive or share option plan or otherwise will further dilute the holdings of the then current Shareholders and could adversely affect the market price of New MB Shares***

The Company may issue additional New MB Shares in the future for a number of reasons. Any such future issue will further dilute the holdings of the then current Shareholders and could adversely affect the market price of New MB Shares.

Other than pursuant to the Scheme, the Company has no current plans for an offering of New MB Shares. While it is possible that the Company may decide to offer additional New MB Shares in the future, the Company is of the view that no such additional offer of New MB Shares would be required in respect of the Company's working capital needs during the period covered by the working capital statement (that is, for at least 12 months from the date of this Prospectus). If the then current Shareholders did not take up such an offer, or were not eligible to participate in such offer, their proportionate ownership and voting interests in the Company would be reduced.

The Company may, in the future, issue Additional Tier 1 Securities. Additional Tier 1 Securities issued by a company are subordinated obligations of that company but would rank ahead of that company's shares in any winding-up of that company. Any such securities issued include a provision whereby if the CET1 ratio (the core measure of a bank's financial strength from a regulator's point of view) of that company falls below a specified percentage, distributions accrued and unpaid on the Additional Tier 1 Securities would be cancelled and the Additional Tier 1 Securities would be converted into the company's shares (depending on the terms of the instrument issued). As a result, the Company's then-existing Shareholders could suffer dilution in their percentage ownership upon any conversion of convertible securities, such as Additional Tier 1 Securities or similar securities, issued by the Company into New MB Shares.

The Company may also seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. The Company's then-existing Shareholders would suffer dilution in their percentage ownership if they did not participate, or were not eligible to participate in, any such issues *pro rata* to their existing holdings.

***Admission may not occur when expected***

Application for Admission will be made before the Scheme Effective Date. If the Scheme Effective Date is delayed, the application for Admission will be delayed. Admission is subject to the approval (subject to satisfaction of any conditions that such approval is expressed) of the FCA. There can be no guarantee that any conditions to which Admission is subject will be met or that the FCA will approve Admission.

***Shareholders outside the UK may be disadvantaged by local securities laws and service of process requirements***

The securities laws of certain jurisdictions outside the UK may restrict the participation by, or the Company's ability to allow participation of, certain Shareholders in such jurisdictions in any future issues carried out by the Company of New MB Shares or of other securities. In the case of a future allotment of New MB Shares for cash, the then-existing Shareholders have certain statutory pre-emption rights unless those rights are disapplied by a special resolution of the Shareholders at a general meeting. An issue of New MB Shares not for cash or when pre-emption rights have been disapplied could dilute the interests of the then-existing Shareholders. In addition, it may not be possible for investors outside the United Kingdom to effect service of process against the Company, the New Group or the Directors or to enforce the judgment of a court outside the United Kingdom against the Company, the New Group or the Directors.

***If we are a passive foreign investment company for US federal income tax purposes for any taxable year, US Holders of our shares could be subject to adverse US federal income tax consequences.***

A non-US corporation will be a passive foreign investment company (“PFIC”) in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules”, either: (i) at least seventy-five per cent. (75%) of its gross income is “passive income”; or (ii) at least fifty per cent. (50%) of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For these purposes, “passive income” generally includes interest, dividends, rents, royalties and gains from non-dealer securities transactions. In general, cash is a passive asset for these purposes. However, under certain proposed US Treasury regulations, the gross income derived from the active conduct of certain banking activities is treated as non-passive income. We do not expect to be a PFIC for our current taxable year. This is based on the proposed US Treasury regulations described above, on estimates of our income and assets and expectations of active banking activity. However, because the proposed US Treasury regulations may not be finalised in their current form, the application of the proposed regulations to our circumstances is not entirely clear. Our possible status as a PFIC must be determined annually and, as the composition of our income and assets will vary over time, there can be no assurance that we will not be a PFIC for any year in which a US Holder (as defined in the section entitled “*Taxation – Certain US Federal Income Tax Considerations*”) holds our shares. If we were a PFIC, a US Holder of our shares may be subject to adverse US federal income tax consequences, such as taxation at the highest marginal ordinary income tax rates on gains recognised on certain actual or deemed distributions, interest charge on certain taxes treated as deferred, and additional reporting requirements (see the section entitled “*Taxation – Certain US Federal Income Tax Considerations – Passive Foreign Investment Company Considerations*”).

## PART III

### IMPORTANT INFORMATION

#### Presentation of Financial Information

The audited financial statements of Metro Bank as of and for the financial year ended 31 December 2020 have been prepared in accordance with Post-Brexit IFRS and the audited financial statements of Metro Bank as of and for the financial year ended 31 December 2021 and 31 December 2022 have been prepared in accordance with UK IFRS. The basis of preparation is further explained in Part XI (*Historical Financial Information*). The historical financial information presented in this Prospectus consists of audited consolidated financial information of the Metro Bank Group as of and for the years ended 31 December 2020, 2021 and 2022.

The Company was incorporated on 29 September 2022 and as at the date of this Prospectus has no historical operations of its own. Therefore, this Prospectus does not present any stand alone, unconsolidated financial information for the Company.

#### Non-IFRS financial measures

The Metro Bank Group presents certain key performance measures that are not defined or recognised under IFRS but that it finds useful for decision making and for evaluating the performance of the Metro Bank Group and that it believes are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. These measures include CET1 ratio, LTD Ratio, NIM and total capital ratio (as defined herein), each as defined below.

- “**CET1 ratio**” means share capital, share premium, retained earnings and other reserves and specified regulatory adjustments as a percentage of year-end RWAs.
- “**LTD Ratio**” means loans and advances to customers divided by total customer deposits.
- “**NIM**” means net interest income as a percentage of average interest-earning assets.
- “**total capital ratio**” means the total of Tier 1 and Tier 2 capital as a percentage of year-end RWAs.

Some of the non-IFRS measures noted above are defined by, and calculated in compliance with, applicable banking regulations, which often provides the Metro Bank Group with certain discretion in making its calculations.

Because of the discretion that the Metro Bank Group and other banks have in defining these non-IFRS measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other banks. These measures should not be used as a substitute for evaluating the performance of the Metro Bank Group based on the Historical Financial Information. Prospective investors should not consider the non-IFRS financial measures in isolation.

#### Non-financial information operating data

The non-financial operating data included in this Prospectus has been extracted without material adjustment from the management records of the Metro Bank Group and is unaudited.

#### Market and Industry Information

Market data and certain industry forecasts used in this document has been sourced from third parties. The Company confirms that all third party information contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this Prospectus, the source of such information has been identified.

#### Cautionary Note Regarding Forward-Looking Statements

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “seeks”, “aim”, “may”, “will”, “would”, “could” or “should”



or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the New Group concerning, among other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the New Group and the sectors and markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Directors' or the Company's ability to control or predict. Forward-looking statements are not guarantees or predictions of future performance. The Company's actual operating results, financial condition, dividend policy and the development of the sectors and markets in which it operates may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the operating results, financial condition and dividend policy of the Company, and the development of the sectors and markets in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or the development of such sectors and markets in subsequent periods. Important factors that could cause these differences include, but are not limited to, general political, domestic and global, economic and business conditions, sector and market trends, changes in government, changes in law or regulation, stakeholder perception of the Company and/or the sectors or markets in which it operates and those risks described in the section entitled "*Risk Factors*".

You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the section entitled "*Risk Factors*", for a further discussion of the factors that could affect the Company's future performance and the sectors and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

The forward-looking statements speak only as at the date of this Prospectus.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules and MAR), the Company does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

### **No Incorporation of Websites**

The contents of the New Group's website (<https://www.metrobankonline.co.uk>) and the contents of any website accessible from hyperlinks on such website (other than the information as set out in Part XVI (*Information Incorporated by Reference*) and Section 25 (*Documents Available for Inspection*) of Part XV (*Additional Information*)) do not form part of this Prospectus and no one should rely on them.

### **Currencies**

In this document and the information incorporated by reference into this document, references to "£" or "**pounds Sterling**" are to the lawful currency of the United Kingdom.

### **Rounding**

Percentages and certain amounts in this Prospectus, including financial, statistical and operational information, have been rounded. As a result, the figures shown as totals may not be the precise sum of the figures that precede them.

### **Definitions**

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other terms, are defined and explained in Part XVII (*Definitions*).

### **Enforcement of Civil Liabilities**

The ability of persons who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK (each an "**Overseas Person**") to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England

and Wales. The rights of holders of New MB Shares are governed by English law and by the Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

An Overseas Person may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Person to effect service of process upon the Directors and executive officers within the Overseas Person's country of residence or to enforce against the Directors and executive officers' judgments of courts of the Overseas Person's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Person will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

**PART IV**  
**EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

<b>PRINCIPAL EVENTS<sup>(1)(2)</sup></b>	<b>TIME AND DATE</b>
<b>MB Court Meeting</b> .....	<b>10.30 a.m. on 26 April 2023<sup>(3)</sup></b>
<b>MB General Meeting</b> .....	<b>10.45 a.m. on 26 April 2023<sup>(4)</sup></b>
Court Hearing to sanction the Scheme .....	17 May 2023
Last day of dealings in Old MB Shares .....	19 May 2023
<b>Scheme Record Time</b> .....	<b>6.30 p.m. on 19 May 2023</b>
<b>Scheme Effective Date</b> .....	<b>After 6.30 p.m. on 19 May 2023</b>
<b>Delisting of Old MB Shares, Admission and commencement of dealings in New MB Shares on the London Stock Exchange</b> .....	<b>8.00 a.m. on 22 May 2023</b>
Crediting of New MB Shares to CREST accounts (uncertificated holders only) .....	As soon as practicable after 8.00 a.m. on 22 May 2023
Despatch of definitive share certificates for the New MB Shares in certificated form (where applicable) .....	By no later than 2 June 2023
Issue of Bonus Shares .....	On or around 6 June 2023 <sup>(5)</sup>
Court Hearing to approve the Company Reduction of Capital .....	On or around 6 June 2023 <sup>(6)</sup>
Company Reduction of Capital becomes effective .....	Mid-June 2023

Notes:

- (1) The times and dates set out in the timetable above and referred to throughout this document are indicative only and will depend, among other things, on the on the dates on which the conditions to implementation of the Scheme are satisfied or, where applicable, waived and on the date on which the Court sanctions the Scheme. The times and dates may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.
- (2) References to times in this document are to London time, unless otherwise stated.
- (3) To commence at the time fixed or as soon thereafter as the annual general meeting of Metro Bank has been concluded or been adjourned.
- (4) To commence at the time fixed or as soon thereafter as the MB Court Meeting has been concluded or been adjourned.
- (5) To be issued on the morning of the date of the Court Hearing to approve the Company Reduction of Capital.
- (6) The time and date will be dependent on court availability.

## PART V

### DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

The details of the directors, company secretary, the registered office and the advisers of the Company are set forth below.

<b>Directors</b> .....	Robert Sharpe ( <i>Chair</i> ) Daniel Frumkin ( <i>Chief Executive Officer</i> ) James Hopkinson ( <i>Chief Financial Officer</i> ) Anna (Monique) Melis ( <i>Senior Independent Director</i> ) Catherine Brown ( <i>Independent Non-Executive Director</i> ) Dorita Gilinski ( <i>Shareholder Appointed Non-Executive Director</i> ) Anne Grim ( <i>Independent Non-Executive Director</i> ) Ian Henderson ( <i>Independent Non-Executive Director</i> ) Paul Thandi ( <i>Independent Non-Executive Director</i> ) Michael Torpey ( <i>Independent Non-Executive Director</i> ) Nicholas Winsor ( <i>Independent Non-Executive Director</i> )
<b>Registered Office</b> .....	One Southampton Row London WC1B 5HA United Kingdom
<b>Company Secretary</b> .....	Stephanie Wallace
<b>Sponsor</b> .....	RBC Europe Limited 100 Bishopsgate London EC2N 4AA United Kingdom
<b>Auditor</b> .....	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
<b>Legal advisers to the Company as to English law</b> .....	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom
<b>Registrar</b> .....	Equiniti Limited Aspect House Spencer Road, Lancing West Sussex BN99 6DA United Kingdom

## PART VI

### INFORMATION ABOUT THE SCHEME AND RELATED PROPOSAL

#### 1 Background to and Reasons for the Scheme

The Bank of England develops a resolution plan for each UK bank, building society and certain investment firms, which sets out the actions the Bank of England would take if the firm in question was failing or likely to fail and needed to be resolved taking into account public policy considerations. A single point of entry “bail-in” is the Bank of England’s preferred resolution strategy for the largest banks that provide vital services to the UK economy (as stated in the Bank of England’s “Resolvability assessment of major UK banks”, published on 10 June 2022).

In relation to Metro Bank, on 31 December 2018, the Bank of England confirmed that the preferred resolution strategy for the Metro Bank Group is bail-in with a single point of entry at the parent company level, which is currently Metro Bank. Consistent with its statement of policy, on 18 February 2022, the Bank of England confirmed that it expects Metro Bank to establish a new non-operating bank holding company (clean holding company) as resolution entity (single point of entry) and UK parent financial holding company of the Metro Bank Group by no later than 26 June 2023.

Metro Bank is therefore proposing to establish the Company as a new non-operating bank holding company for the Metro Bank Group to comply with the Bank of England’s requirements for a “clean holding company” in order to facilitate the Metro Bank Group’s “single point of entry” resolution strategy and to ensure structural subordination of MREL. The Company will be the resolution entity and is expected to be the entity which will be used going forwards to issue any external MREL to the market at a future time on a structurally subordinated basis.

Metro Bank has concluded that the Scheme will provide the most efficient, timely and cost-effective manner of meeting the Bank of England’s requirements to establish the new non-operating bank holding company, whilst preserving its shareholders’ current proportionate shareholdings in Metro Bank.

In addition to meeting the Bank of England’s requirements, Metro Bank has concluded that the Scheme provides it with the opportunity to better prepare Metro Bank for its future as a subsidiary of the non-operating bank holding company. Consequently, as part of the Scheme, the Metro Bank intends to effect the MB Share Premium Account Cancellation, pursuant to which all amounts standing to the credit of the Metro Bank’s share premium account will be cancelled. The reserve arising as a result of the cancellation will constitute a realised profit of Metro Bank and (after deducting realised losses which, as at 31 December 2022, were £1,014 million) create distributable reserves of Metro Bank.

Metro Bank currently has no distributable reserves, so this creation of distributable reserves in Metro Bank will provide it with the ability to undertake future issuances of regulatory capital instruments to the Company and to make and pay distributions to the Company in order to support the Company’s regulatory capital issuances (to meet the New Group’s consolidated MREL requirements) and to support the operations of the New Group going forward. Metro Bank considers the MB Share Premium Account Cancellation as a key feature of the Scheme and will represent a key part of the Metro Bank’s (and, following the implementation of the Scheme, the Company’s) ability to meet its ongoing regulatory capital requirements.

The introduction of the Company as a new non-operating bank holding company of Metro Bank and its subsidiaries, and the MB Share Premium Account Cancellation will be effected by means of a scheme of arrangement pursuant to Part 26 of the Companies Act between Metro Bank and MB Shareholders, the principal features and effects of which are set out in Section 2 of this Part VI (*Information about the Scheme and Related Proposal*). The Scheme Document includes full details of the Scheme, together with an explanatory statement and the notices convening the MB Court Meeting and the MB General Meeting. The Scheme Document also contains the expected timetable for the Scheme and specifies the necessary actions to be taken by MB Shareholders. The Scheme Document and the forms of proxy for use in connection with the MB Court Meeting and the MB General Meeting (as applicable) are being made available to all MB Shareholders at no charge to them.

As explained below in Section 6 of this Part VI (*Information about the Scheme and Related Proposal*), the Scheme, including the MB Share Premium Account Cancellation, is not expected to have any adverse impact on MB Shareholders.

The information in this Part VI (*Information about the Scheme and Related Proposal*) also explains related proposals to be implemented by Metro Bank and the Company in connection with the Scheme.



## **2 Principal Features of the Scheme**

The principal steps in relation to the Scheme are as follows:

### **2.1 Cancellation of the Scheme Shares**

All of the Old MB Shares will be cancelled on the Scheme Effective Date.

### **2.2 Issue of Intra-Group Shares by Metro Bank to the Company**

Following the cancellation of the Old MB Shares, the credit arising as a result of that cancellation will be capitalised and applied in paying up in full at par such number of Intra-Group Shares as is equal to the number of Old MB Shares cancelled.

The Intra-Group Shares will be issued, credited as fully paid, to the Company. As a result, the Company will become the new holding company of Metro Bank and of the Metro Bank Group.

### **2.3 Issue of New MB Shares by the Company to MB Shareholders**

In consideration for the cancellation of the Old MB Shares, the MB Shareholders will receive, in respect of any Old MB Shares held as at the Scheme Record Time:

**for each Old MB Share, one (1) New MB Share.**

With effect from the Scheme Effective Date, the rights attaching to the New MB Shares will be substantially the same as those attaching to the Old MB Shares at the Scheme Effective Date. Upon the implementation of the Scheme, a Shareholder will have the same proportionate voting and economic rights in the Company as they currently have as an MB Shareholder.

### **2.4 MB Share Premium Account Cancellation**

The share premium account of Metro Bank, which stood at £1,963,769,713.65 as at 31 December 2022, will be cancelled on the Scheme Effective Date. The reserve arising as a result of the cancellation will constitute a realised profit of Metro Bank and (after deducting realised losses which, as at 31 December 2022, were £1,014 million) create distributable reserves.

### **2.5 Amendments to the Metro Bank Articles in relation to the Scheme**

At the MB General Meeting, MB Shareholders will be asked to approve amendments to the Metro Bank Articles ensuring that: (i) any Old MB Shares which are issued to any person other than the Company or its nominee(s) before the Scheme Record Time are issued subject to the terms of the Scheme and the holders of such shares will be bound by the Scheme accordingly; and (ii) any Old MB Shares which are issued after the Scheme Record Time will be immediately transferred to the Company in exchange for the issue or transfer to the relevant holder of one New MB Share for each Old MB Share transferred. These amendments will avoid any person other than the Company being left holding Old MB Shares after dealings in such shares have ceased on the London Stock Exchange and will ensure that the Company will own the entire issued share capital of Metro Bank.

At the MB General Meeting, MB Shareholders will also be asked to authorise the allotment and issue to the Company of one Special Share and to amend the Metro Bank Articles to include the rights attaching to such Special Share. The Special Share will be subscribed for by the Company for a subscription price of £1.00 payable in cash prior to the Scheme Record Time. This means there will be no requirement under section 593 of the Companies Act for an independent valuation of the Intra-Group Shares to be issued to the Company pursuant to the Scheme.

## **3 Directors' and Other Interests**

As at the Latest Practicable Date, the Metro Bank Board was composed of Robert Sharpe, Daniel Frumkin, James Hopkinson, Anna (Monique) Melis, Catherine Brown, Anne Grim, Ian Henderson, Paul Thandi, Michael Torpey, Nicholas Winsor and Dorita Gilinski.

Details of the current interests of the MB Directors in, and options and awards relating to, the Old MB Shares are set out in Sections 10.2 and 10.3 of Part XV (*Additional Information*). The Old MB Shares held by each of the MB Directors at the Scheme Record Time will be subject to the Scheme.

The effect of the Scheme on options and awards held by certain Directors, in connection with other participation in Existing MB Share Plans, is described in paragraph 6.2 of this Part VI (*Information about the Scheme and Related Proposal*).

Details of the MB Directors' contracts of employment and/or service contracts, and letters of appointment are set out in Section 11 of Part XV (*Additional Information*).

Robert Sharpe and Daniel Frumkin are the Initial Shareholders who together hold the initial share capital of the Company, as more fully described in Section 3 of Part XV (*Additional Information*).

Save as set out or referenced above, the effect of the Scheme on the interests of the MB Directors does not differ from its effect on the like interests of other MB Shareholders.

#### **4 Conditions to the Implementation of the Scheme**

The implementation of the Scheme is conditional upon:

- (a) the approval of the Scheme by a majority in number of MB Shareholders representing not less than seventy-five per cent. (75%) in value of the voting rights of the Old MB Shares held by those MB Shareholders present and voting, either in person or by proxy, at the MB Court Meeting (or at any adjournment of such meeting);
- (b) the passing of the resolution to approve the Scheme and various matters in connection with the Scheme including: (i) the cancellation of the Old MB Shares; (ii) the cancellation of Metro Bank's share premium account, (iii) the de-listing of the Old MB Shares; (iv) the issuance of Intra-Group Shares to the Company; and (v) the amendments to the Metro Bank Articles in relation to the Scheme and the Special Share, as set out in the notice of the MB General Meeting;
- (c) the PRA having been notified of, and having approved: (i) the cancellation of the Scheme Shares; and (ii) the cancellation of Metro Bank's share premium account, in each case pursuant to Articles 77 and 78(1) of the UK CRR;
- (d) the PRA: (i) having been notified of the issuance of Intra-Group Shares by Metro Bank to the Company; and (ii) having approved the issuance of New MB Shares by the Company, in each case pursuant to Article 26(3) of the UK CRR;
- (e) the PRA having approved the Company as a parent financial holding company of Metro Bank pursuant to section 192R of the FSMA;
- (f) in respect of the Company in connection with the acquisition of the Intra-Group Shares under the Scheme, the appropriate regulator (as defined in section 178(2A) of the FSMA) of each UK authorised person (as defined in section 191G of the FSMA) within the New Group: (i) having given notice for the purpose of section 189(4)(a) of the FSMA that it has determined to approve such acquisition of control unconditionally; (ii) having given notice for the purpose of section 189(7) of the FSMA that it has determined to approve such acquisition of control subject to conditions that are acceptable to the Company (acting reasonably); or (iii) being treated, by virtue of section 189(6) of the FSMA, as having approved such acquisition of control, in each case, where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774);
- (g) the sanction of the Scheme by the Court at the Court Hearing;
- (h) a copy of the Court Order (and a copy of the related MB Statement of Capital) having been delivered to the Registrar of Companies;
- (i) permission having been granted by the FCA to de-list the Old MB Shares and to admit (subject to the issuance of Intra-Group Shares in connection with the Scheme and satisfaction of Conditions (a) to (h) above, save to the extent such Conditions are already satisfied) the New MB Shares to the premium listing segment of the Official List; and
- (j) the London Stock Exchange having agreed to admit the New MB Shares to trading on its main market for listed securities and its agreement not being withdrawn prior to the Scheme Effective Date, (together the "**Conditions**").

The MB Directors will not take the necessary steps to implement the Scheme unless the Conditions have been satisfied and, at the relevant time, they consider that it continues to be in the best interests of Metro Bank and MB Shareholders that the Scheme should be implemented.

As at the Latest Practicable Date, the Company has received the following approvals (having made the related notifications):

- (a) under Articles 77 and 78(1) of the UK CRR from the PRA to cancel the Scheme Shares and to cancel Metro Bank's share premium account;
- (b) under Article 26(3) of the UK CRR from the PRA to the issuance of the Intra-Group Shares by Metro Bank to the Company and to the issuance of the New MB Shares by the Company;
- (c) under section 192R of the FSMA from the PRA as a parent financial holding company of Metro Bank; and
- (d) under section 189(4)(a) of the FSMA from: (i) the PRA to acquire control of Metro Bank; and (ii) the FCA to acquire control of Retail Money Market Limited (a subsidiary of Metro Bank), in each case, in connection with the acquisition of the Intra-Group Shares under the Scheme.

## **5 Other Details of the Scheme**

The Scheme is governed by English law and is subject to the jurisdiction of the courts of England and Wales.

The Scheme contains a provision for Metro Bank and the Company jointly to consent, on behalf of all persons concerned, to any modification of or addition to the Scheme, or to any condition that the Court may think fit to approve or impose. Metro Bank has been advised that the Court would be unlikely to approve or impose any modification of or addition to, or impose a condition on, the Scheme which would be material to the interests of MB Shareholders unless MB Shareholders were informed of any such modification, addition or condition and given the opportunity to vote on that basis. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of MB Shareholders should be held in these circumstances.

If the Scheme is sanctioned by the Court and the other Conditions are satisfied, the Scheme is expected to become effective on the first Friday which is a Business Day after the day of the Court Hearing (the date of the Court Hearing is expected to be 17 May 2023). Dealings in New MB Shares on the London Stock Exchange are expected to commence at 8.00 a.m. on the next Business Day (which is expected to be 22 May 2023).

If the Scheme has not become effective by 31 December 2023 (or such later date as Metro Bank and the Company may agree and the Court may allow), it will lapse, in which event the Scheme will not proceed, there will not be a new holding company of Metro Bank, MB Shareholders will remain shareholders of Metro Bank, the Metro Bank's share premium account will not be cancelled and the Old MB Shares will continue to be listed on the Official List and admitted to trading on the London Stock Exchange.

## **6 Effect of the Scheme**

### **6.1 General Effects of the Scheme**

Upon the Scheme becoming effective, the Scheme will be binding on all MB Shareholders, irrespective of whether or not they attended or voted at the MB Court Meeting or the MB General Meeting (and if they attended and voted (whether in person or by proxy), whether or not they voted in favour).

The effect of implementation of the Scheme will be as follows:

- (a) instead of having its ordinary share capital owned by the MB Shareholders, Metro Bank will become a wholly owned subsidiary of the Company with effect from the Scheme Effective Date, as a result of all of the Scheme Shares being cancelled (as described in Section 2.1 of this Part VI (*Information about the Scheme and Related Proposal*)) and the Intra-Group Shares being issued, credited as fully paid, to the Company (as described in Section 2.2 of this Part VI (*Information about the Scheme and Related Proposal*));
- (b) instead of owning Old MB Shares, each MB Shareholder will, from the Scheme Effective Date, own the same number of New MB Shares and will have the same proportionate voting and economic rights in the Company as they currently have as an MB Shareholder, as a result of the Company having issued New MB Shares to holders of Scheme Shares as at the Scheme Record Time (as described in Section 2.3 of this Part VI (*Information about the Scheme and Related Proposal*));

- (c) the Company will be the holding company of the New Group; and
- (d) the share premium account of the Company will be cancelled.

The Directors are the same as the directors of Metro Bank, and the management of the Company will be the same as the management of Metro Bank as at the date of this Prospectus. The Company will replicate any changes to the composition of the Metro Bank Board that occur between the date of this Prospectus and the Scheme Effective Date. The Company will follow Metro Bank in complying with the same principles of the UK Corporate Governance Code, retaining the Metro Bank Group's strong commitment to the high standards of governance and corporate responsibility.

Pursuant to the Scheme, Metro Bank intends to effect a reduction of its capital by way of cancellation of its share premium account. The reserve arising as a result of the cancellation will constitute a realised profit of Metro Bank and (after deducting realised losses) create distributable reserves. This creation of additional distributable reserves in Metro Bank will provide it with the flexibility to undertake future issuances of regulatory capital instrument to the Company and to make and pay distributions to the Company in order to support the Company's regulatory capital issuances to meet the New Group's MREL requirements and to support the operations of the New Group going forward.

The Company will be subject to the same regulatory regime as currently applies to Metro Bank.

## **6.2 Metro Bank Employee Share Plans**

Metro Bank has, since admission of the Old MB Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange on 10 March 2016, operated the Existing MB Share Plans.

The intention is for: (i) participants in the Existing MB Share Plans to have their awards exchanged for equivalent awards over New MB Shares, subject to the rules of the Existing MB Share Plans and, where required, participant consent; and (ii) once exchanged, awards to continue on their same terms (except for the fact that references in the Existing MB Share Plans to Metro Bank operating the Existing MB Share Plans will be construed as being to the Company).

Where consent to exchange is required and not given such awards will either, depending on the terms of the award: (i) become exercisable by the participant for a period ending 20 days after the date on which the Scheme is sanctioned by the Court, following which they will lapse (if not exchanged) or (ii) continue over Old MB Shares subject to their original terms. If and when awards that continue over Old MB Shares are exercised after the Scheme Effective Date, each Old MB Share delivered to satisfy the award will immediately be transferred to the Company in exchange for the issue or transfer to the participant of one New MB Share, in accordance with the amendments to the Metro Bank Articles described at paragraph 2.5 of this Part VI (*Information about the Scheme and Related Proposal*).

## **7 Listing, Delisting and Settlement of the New MB Shares**

The last time for dealing in the Old MB Shares on the London Stock Exchange will be on the Scheme Effective Date (and is expected to be close of business on 19 May 2023), such that no transfers of the Old MB Shares will be registered after 6.30 p.m. on that date.

Prior to the Scheme becoming effective in accordance with its terms, an application will be made by Metro Bank to the London Stock Exchange to cancel trading in the Old MB Shares on its main market for listed securities and to the FCA to cancel the listing of the Old MB Shares from the Official List, in each case to take effect shortly after the Scheme Effective Date.

On the Scheme Effective Date, Metro Bank will become a wholly owned subsidiary of the Company and share certificates in respect of the Old MB Shares will cease to be valid. In addition, entitlements to the Old MB Shares held within the CREST system will be disabled from the Scheme Effective Date and will expire and be removed soon thereafter.

Prior to the Scheme Effective Date, applications will be made to the London Stock Exchange for the New MB Shares to be admitted to trading on its main market for listed securities and to the FCA for the New MB Shares to be admitted to the premium listing segment of the Official List.

The New MB Shares will be admitted to trading on the London Stock Exchange at 8.00 a.m. on the Business Day after the Scheme Effective Date (the Scheme Effective Date is expected to be 19 May 2023) and dealings for normal settlement in the New MB Shares will commence at that time.

With effect from (and including) the Scheme Effective Date, all share certificates representing the Old MB Shares will cease to be valid and binding in respect of such holdings and should be destroyed.

No application has been made, or is currently intended to be made, by the Company for the New MB Shares to be admitted to listing or trading on any other exchange.

## **8 Distributable Profits and Reserves**

Whilst the Company will have no distributable profits or reserves immediately upon the Scheme becoming effective, the Company will have a significant merger reserve.

The merger reserve will be undistributable and cannot be directly reduced or cancelled. However, the Company intends to capitalise the merger reserve shortly after the Scheme Effective Date. This involves using the entirety of the merger reserve arising from the implementation of the Scheme to pay up newly issued shares (“**Bonus Shares**”) by way of a bonus issue to Shareholders in proportion to the number of New MB Shares held by them at that time (the “**Bonus Issue**”).

The Company intends to carry out a reduction of capital by cancelling the Bonus Shares and the Special Subscriber Shares as soon as possible after the Bonus Shares are issued (the “**Company Reduction of Capital**”), subject to the approval of the Court. The cancellation of the Bonus Shares and the Special Subscriber Shares would create a realised profit of the Company which, after the deduction of any realised losses of the Company, would be available for distribution. The Company does not anticipate declaring a dividend in the near future.

The Bonus Shares will rank in preference to the New MB Shares but subordinate to the Redeemable Preference Subscriber Shares and the Special Subscriber Shares, in a distribution of capital on a winding-up and in relation to any profits available for distribution and resolved to be distributed, in the amount of £0.000001 on each such share per annum for each full calendar year for which it is in issue. The Bonus Shares will not carry a right to receive notice, attend or vote at general meetings.

As the Bonus Shares will only exist for a short amount of time, they will not be transferable, no share certificates will be issued in respect of them and they will not be admitted to CREST.

The Bonus Issue and the reduction of capital described in this Section 8 will be conditional on the Scheme taking effect and on receiving the applicable shareholder approvals described in Section 8 of Part XV (*Additional Information*).



## PART VII

### BUSINESS AND MARKET OVERVIEW

#### 1 Overview

The New Group was founded in 2010 as the first full-service, independent, new “high street” bank to open in the UK in more than 100 years. The New Group uses a disruptive, deposit-driven funding model and a superior retail and business-focused customer service experience that emphasises simple banking to turn its customers into “FANS” (customers who recommend someone to bank with the New Group).

The Metro Bank Group has established a strategically located network of 76 stores (not “branches”) in the key conurbations across England and Wales with the Metro Bank Group having, 2.7 million customer accounts, £16,014 million in deposits from customers, and £13,102 million of loans and advances to customers as at 31 December 2022. Driven by and reflective of its customer service-led model and culture, the New Group’s “stores” are open seven days a week, early until late with 24/7 telephony, award-winning digital and mobile banking, all integrated to provide an outstanding customer experience.

The New Group’s success in delivering an outstanding customer experience is best evidenced by the results of the Competition and Markets Authority (“CMA”) Service Quality Surveys, in which the New Group consistently ranks highly for overall services and for service in branches. In the latest results, published in August 2022, 72 per cent. and 64 per cent. of customers were “extremely likely” or “very likely” to recommend the Metro Bank Group’s personal and business services, respectively.

In order to develop and embed this culture, the New Group seeks first to hire “colleagues” (not “staff”) with the right attitude and train them with the appropriate skills to serve its customers. These colleagues attend “Metro Bank University” throughout their careers to learn and develop the skills necessary to provide a customer service experience that matches or exceeds that of best-in-class specialist retailers.

The New Group’s superior customer experience is supported by a scalable, innovative and flexible end-to-end technology infrastructure that equips the New Group’s colleagues to focus on the customer experience. The New Group’s emphasis on delivery at the point-of-sale means that these new-to-bank customers leave a Metro Bank store with a fully functioning current account (including access to telephony, internet and mobile banking, with customers assisted in downloading the Metro Bank mobile application in store at the time of application) and an activated contactless debit card printed in store, for which they set their own PIN, thus requiring no repeat store visits or mailings to complete their account opening process. Furthermore, customers have 24/7 access to UK-based contact centres staffed by Group colleagues that utilise real-time, skill-based routing for customer calls.

The New Group has also continued to invest in its “back office” infrastructure, enhancing operational performance and resilience. In addition, the New Group has robust cybersecurity controls, including web application firewalls to protect its external websites, malware detection tools to protect data, and a 24/7 managed security service to monitor its IT infrastructure.

The New Group is primarily funded by deposits from its customers, drawings from the Bank of England’s TFS and TFSME scheme, debt securities in issue and capital provided by shareholders. As at 31 December 2022, the Metro Bank Group had total assets and liabilities of £22,119 million and £21,163 million, respectively (31 December 2021, £22,588 million and £21,553 million; 31 December 2020, £22,579 million and £21,290 million).

#### 2 Strengths and Strategy

Adopting a growth retailing approach to banking, the New Group creates “FANS” through its unique service-led culture, and the tangible delivery of simple and fair banking products across all channels. The New Group has built a completely new trusted consumer brand since 2010, with the platform and management in place to continue to expand its share of the UK retail and business banking market.

The New Group believes that its key strengths are:

- a growth retailing approach to banking; successfully creating “FANS” through its unique service-led culture;
- a differentiated and integrated customer proposition providing tangible and innovative delivery of retail and business banking services at point-of-sale;

- a clear focus on core retail and business banking activities with simple and fair products and services supported by innovative business partnerships;
- a strategy based on the fundamentals of good banking: strong liquidity, customer relationship based liability leading approach, and capital above the regulatory minima;
- a service-led core deposit base attracted through a differentiated service-led customer proposition that delivers low cost of funding; and
- strong asset quality and focus on risk adjusted returns on regulatory capital.

The New Group's ambition is to become the UK's best community bank. For details on the New Group's strategy to achieve this ambition, see the 2022 Annual Report and Accounts under the headings "*Our purpose and strategy framework*" on pages 3 – 5 and "*Strategic priorities*" on page 19. The 2022 Annual Report and Accounts are incorporated by reference into this Prospectus as set out in Part XVI (*Information Incorporated by Reference*).

### **3 Operations Overview**

A discussion of the New Group's operations and business model is set out in the 2022 Annual Report and Accounts under the heading "*Business model*" on pages 15 – 17. The 2022 Annual Report and Accounts are incorporated by reference into this Prospectus as set out in Part XVI (*Information Incorporated by Reference*).

### **4 Market Overview**

An overview of the market in which the New Group operates is set out in the 2022 Annual Report and Accounts under the heading "*Operating Environment*" on pages 8 and 9. The 2022 Annual Report and Accounts are incorporated by reference into this Prospectus as set out in Part XVI (*Information Incorporated by Reference*).

### **5 Recent Developments**

For the financial year ended 31 December 2022, the New Group has performed well, completing its turnaround with a return to underlying profitability in Q4 2022, the resolution of legacy PRA and FCA investigations into RWA reporting, the closure of the OFAC investigation and the further strengthening of the foundation for future sustainable growth. While material headwinds continue to persist in 2023, including the macro-economic environment and increasing competition for liabilities, the Metro Bank Board remains confident in the underlying business and believes that the New Group is well positioned to transition back into profitable growth, with continued commitment to its customers, communities and colleagues.

## PART VIII

### SUPERVISION AND REGULATION

#### 1 UK Regulatory Bodies

Metro Bank, which is a retail bank operating in the UK, and MB Holdings fall under the ambit of UK banking regulators and regulation.

##### 1.1 The Prudential Regulation Authority, the Financial Conduct Authority and the Financial Policy Committee (the “FPC”)

Under the Financial Services Act 2012 (the “**FSA 2012**”), a range of structural reforms to UK financial regulatory bodies was implemented, with the Financial Services Authority (for the purposes of this Part VIII (*Supervision and Regulation*), the “**FSA**”) being replaced from 1 April 2013 by the following bodies: (i) the PRA; (ii) the FCA; and (iii) the FPC.

The PRA has responsibility for micro-prudential regulation of deposit-takers (including banks, building societies and credit unions), insurers and investment firms that have the potential to present significant risks to the stability of the financial system and that have been designated for supervision by the PRA.

The FCA has responsibility for conduct of business regulation in relation to all authorised firms and the prudential regulation of firms not regulated by the PRA. The FCA has also inherited the majority of the FSA’s market regulatory functions, and it represents the UK’s interests in markets regulation at the European Securities and Markets Authority.

Metro Bank is authorised by the PRA and regulated by the FCA and the PRA. From the Scheme Effective Date, MB Holdings will be a UK financial holding company regulated by the PRA.

The FPC, which is an independent committee within the Bank of England, is tasked with the primary objective of identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC has a secondary objective to support the economic policy of the UK Government, including its objectives for growth and employment.

For the purposes of this Part VIII (*Supervision and Regulation*), the terms “**Relevant Regulator**” and “**Relevant Regulators**” refer, as the context requires, to one or more of the PRA, the FCA and/or the FPC.

##### *The PRA’s general objective*

In discharging its general functions, the PRA’s general objective is promoting the safety and soundness of PRA-authorised firms. The PRA is required to advance this objective primarily by seeking to:

- ensure that the business of PRA-authorised firms is carried on in a way which avoids any adverse effect on the stability of the UK financial system; and
- minimise the adverse effect that the failure of a PRA-authorised firm could be expected to have on the stability of the UK financial system.

Additionally, the Financial Services (Banking Reform) Act 2013 (the “**Banking Reform Act**”) has amended the PRA’s general safety and soundness objective to incorporate certain matters related to ring-fencing requirements and the bodies subject to them.

When discharging its general functions in a way that advances its objectives, the PRA must, so far as is reasonably possible, act in a way which, as a secondary objective, facilitates effective competition in the markets for services provided by PRA-authorised firms carrying on regulated activities.

##### *The FCA’s objectives*

When discharging its general functions of rule-making, preparing and issuing codes under the Financial Services and Markets Act 2000 (the “**FSMA**”), giving general guidance or determining general policy and principles, the FCA must, so far as is reasonably possible, act in a way which is compatible with its strategic objective of ensuring that relevant markets function well, and which advances one or more of its operational objectives of:

- (i) securing an appropriate degree of protection for consumers (the consumer protection objective);

- (ii) promoting effective competition in the interests of consumers in financial markets (the competition objective); and
- (iii) protecting and enhancing the integrity of the UK financial system (the integrity objective).

So far as is compatible with its consumer protection and integrity objectives, the FCA must discharge its general functions in a way which promotes effective competition in the interests of consumers.

## 1.2 The UK Government

The UK Government has no operational responsibility for the activities of the PRA, the FCA or the FPC. However, the PRA, the FCA and the FPC are accountable to Parliament and, in addition to periodic reporting requirements, there are a variety of circumstances when the PRA, the FCA and the FPC will need to report to HM Treasury (as the representative of the UK Government) about certain events. For example, the PRA must report where events have occurred which had or could have had a significant adverse effect on the safety or soundness of one or more persons authorised by the PRA, and the FCA must report where there has been a significant regulatory failure to secure an appropriate degree of protection for consumers.

## 1.3 The Financial Ombudsman Service (the “FOS”)

The FSMA established the FOS, which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licensees and certain other businesses, in respect of activities and transactions under its jurisdiction. The FOS determines complaints on the basis of what, in its opinion, is fair and reasonable in all the circumstances of the case. The maximum level of money awarded by the FOS is £375,000 for complaints received by the FOS on or after 1 April 2022 in regard to acts or omissions by firms on or after 1 January 2019 plus interest and costs. The FOS may also make directions awards which direct the relevant business to take steps which the FOS considers just and appropriate.

## 2 UK Regulation

### 2.1 Overview of UK financial services regulation

#### 2.1.1 Financial Services and Markets Act 2000

The cornerstone of the regulatory regime in the UK is the FSMA, which received Royal Assent on 14 June 2000 and came into force in 2001. However, the framework for supervision and regulation of banking and financial services in the UK has been heavily influenced by European Union legislation.

The FSMA prohibits any person from carrying on a “regulated activity” (as defined in the FSMA) by way of business in the UK, unless that person is authorised or exempt under the FSMA (the “**General Prohibition**”). Regulated activities include deposit-taking, mortgage activities (such as entering into, administering, or advising or arranging in respect of, regulated mortgage contracts), effecting and carrying out contracts of insurance, insurance mediation, consumer credit activities and investment activities (such as dealing in investments as principal or as agent, arranging deals in investments and advising on or managing investments). The FSMA also prohibits the communication of an invitation or inducement to engage in investment activity (a “**financial promotion**”) in the UK, unless the financial promotion is issued or approved by an authorised firm or is exempt from such requirements.

The Relevant Regulators are responsible for the authorisation and supervision of institutions that provide regulated activities in the UK. Metro Bank is authorised by the PRA and regulated by the FCA and the PRA with permission to undertake, among other things, deposit-taking and mortgage activities. Authorised firms must at all times meet certain “threshold conditions” specified by the FSMA, which were modified to reflect the new regulatory structure under the FSA 2012. Dual-regulated firms, such as Metro Bank, need to meet both the PRA’s threshold conditions and the FCA’s threshold conditions. The FCA threshold conditions applicable to PRA-authorised firms are, at a high level, that: (i) the firm is capable of being effectively supervised; (ii) the firm maintains appropriate non-financial resources; (iii) the firm itself is fit and proper, having regard to the FCA’s operational objectives; and (iv) the firm’s strategy for doing business is suitable, having regard to the FCA’s operational objectives. At a high level, the PRA threshold conditions require: (a) a firm’s head office and, in particular, its mind and management to be in the UK if it is incorporated in the UK; (b) a firm’s business to be conducted in a prudent

manner and, in particular, that the firm maintains appropriate financial and non-financial resources; (c) the firm itself to be fit and proper, having regard to the PRA's objectives and appropriately staffed; and (d) the firm to be capable of being effectively supervised. Related to this, the PRA must formally approve persons who intend to become "controllers" of Metro Bank (or who intend to increase their control over Metro Bank in a way which results in them falling into a different threshold of control) and must be kept informed of the persons who are controllers of Metro Bank and closely-linked persons of Metro Bank. A controller of Metro Bank is broadly any person who, whether acting alone or "acting in concert" holds 10 per cent. or more of the shares or voting power in Metro Bank or a parent undertaking of Metro Bank or anyone who holds shares or voting power in Metro Bank or a parent undertaking of Metro Bank as a result of which they are able to exercise significant influence over the management of Metro Bank. From the Scheme Effective Date, the Company will be the holding company of Metro Bank and will be required to meet certain prudential regulatory requirements applicable to the New Group on the basis of the New Group's consolidated situation. The PRA has approved the Company as a controller and holding company of Metro Bank.

In addition, persons holding certain specified functions within Metro Bank (including governance functions) require the prior approval of the PRA or the FCA (depending on the particular function) before they can perform the role. A senior managers regime for individuals who are subject to regulatory approval came into force in March 2016 in the UK. It requires firms to allocate a range of responsibilities to these senior individuals and to regularly assess their fitness and propriety. In addition, a new certification regime was introduced under which relevant firms are required to assess the fitness and propriety of certain employees who could pose a risk of significant harm to the firm or any of its customers.

### 2.1.2 Financial services regulatory source materials

The FSMA (as amended by the FSA 2012) imposes an ongoing system of regulation and control on banks. The detailed rules and guidance made by the FCA under the powers given to it by the FSMA are contained in the "**FCA Handbook**" which is based, to a large degree, on those provisions of the old FSA Handbook relevant for FCA regulated firms amended as necessary. The PRA has moved away from the legacy handbook material it adopted from the FSA and the detailed rules and guidance made by it under the powers given to it by the FSMA (which apply only to PRA authorised firms) are now largely contained in the "**PRA Rulebook**", as well as the supervisory statements and statements of policy which the PRA issues from time to time. Many of these PRA and FCA source materials were shaped by European legislation, though certain directly applicable regulatory aspects of European legislation were also retained after Brexit and so apply in addition to, and must be read with, the FCA and PRA published materials (in particular refer to the prudential regulatory regime under Section 2.2 below).

Once authorised, and in addition to continuing to meet the threshold conditions (the minimum standards for becoming and remaining authorised), firms are obliged to comply with the FCA's Principles and, if a dual-regulated firm, the PRA's Fundamental Rules, which include requirements to: conduct their business with due skill, care and diligence; treat customers fairly; and communicate with customers in a manner that is clear, fair and not misleading. The 11 Principles and eight Fundamental Rules are set out in the FCA Handbook and PRA Rulebook respectively.

In addition, the FCA has published final rules relating to the Consumer Duty which include a 12<sup>th</sup> Consumer Principle, which will require firms to act to deliver good outcomes for retail customers. The Consumer Duty regime also sets "cross-cutting rules", which explain how firms should act to deliver good outcomes and apply to all areas of firm conduct as well as the "four outcomes", which set more detailed expectations for firm conduct in relation to: (i) the governance of products and services; (ii) price and value; (iii) consumer understanding; and (iv) consumer support. The new rules will apply from 31 July 2023 to new and existing products or services (see "*Risk Factors – Regulatory Risks – The New Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years*").

Other parts of the FCA Handbooks and PRA Rulebook and other source materials which are of particular relevance to Metro Bank include the Senior Management Arrangements, Systems and Controls sourcebook, the Consumer Credit sourcebook (or "**CONC**"), the Banking Conduct of Business sourcebook, the Insurance: Conduct of Business sourcebook (or "**ICOB**s"), the



Mortgages and Home Finance: Conduct of Business sourcebook (or “**MCOB**”), the Supervision sourcebook (or “**SUP**”) and the Dispute Resolution: Complaints sourcebook (or “**DISP**”) and those materials which deal with prudential capital, liquidity and the leverage ratio requirements (see Section 2.2 below).

On 20 July 2022, the Financial Services and Markets Bill 2022-23 was introduced to Parliament. The Bill includes provisions which would allow for significant changes to the structure of financial services regulatory source materials, including allowing for the repeal and replacement of retained EU law relating to financial services. The government expects that regulators rules will replace most of the repealed law in their rulebooks, but HM Treasury would have the power to restate parts of retained EU law in primary or secondary legislation with modifications.

### **2.1.3 Supervision**

Each of the PRA and the FCA has wide powers to supervise and, where necessary, intervene in the affairs of an authorised firm. These powers were extended under the FSA 2012.

The nature and extent of a Relevant Regulator’s supervisory relationship with a firm depends on how much of a risk the Relevant Regulator considers that firm could pose to its statutory objectives. The PRA’s supervisory interventions will focus on reducing the likelihood of a firm failing and on ensuring that it is prepared so that if it does fail, it does so in an orderly manner. The PRA has introduced the “Proactive Intervention Framework” to support early identification and response to risks to a firm’s viability (and enable appropriate supervisory actions to be taken to address such risks if necessary) on the basis of information collected.

The Relevant Regulators will undertake a range of supervisory activities and have a range of statutory powers they can exercise in their work to promote the safety and soundness of authorised firms. For instance, they can require authorised firms to provide particular information or documents to them, require the production of a report by a “skilled person” (as defined in the glossary to the FCA Handbook and PRA Rulebook), appointed by either the authorised firm or the Relevant Regulator, or formally investigate an authorised firm. The PRA, where it will advance any of its objectives, and the FCA, where it will advance one or more of its operational objectives, have a broad power of direction over qualifying unregulated parent undertakings.

### **2.1.4 Enforcement**

The Relevant Regulators have the power to take a range of enforcement actions, including the ability to sanction firms and individuals carrying out functions within them. The sanctions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an individual’s approval to perform particular roles within a firm. The Relevant Regulators can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for 12 months (in certain cases, six months), or that fails to meet the threshold conditions.

### **2.1.5 Challenging the PRA/FCA**

If Metro Bank wanted to challenge enforcement or supervisory decisions of the PRA or FCA made in respect of Metro Bank, then in many cases it could make formal representations and also bring a case to the Upper Tribunal (Tax and Chancery Chamber) (the “**Tribunal**”). The UK regulatory structure introduced under FSA 2012 made a number of amendments to the Tribunal’s rules. Although the grounds for making a reference have remained unchanged, the courses of action available to the Tribunal in the event that it disagrees with the PRA or FCA were changed. Under the previous system, the Tribunal had the power to make its own decision in place of one made by a regulator with which it disagreed. That remains the position for a disciplinary reference or a reference in connection with specific third party rights, but the Tribunal no longer has the power to substitute its own decision for that of the regulator in any other case and will instead be required to remit the decision to the Relevant Regulator with a direction to reconsider.

## 2.2 Capital adequacy, prudential regulation and the European regulatory landscape

Capital adequacy is the concept that a bank should have a certain amount of “regulatory capital” which is correlated to the risks associated with the business carried on by it and which provides a buffer of value that can, if necessary, absorb losses. This is generally calculated as minimum ratio of total capital to RWAs and is expressed as a percentage. Broadly, capital adequacy regulation started with the Basel Accord, published by the Basel Committee on Banking Supervision (the “**Basel Committee**”) in 1988. The Basel Accord was substantially rewritten in 2005, with the introduction of Basel II, which first formulated the three pillars of regulatory capital regulation: (i) Pillar I- minimum capital adequacy requirements for credit risk, market risk and operational risk; (ii) Pillar II- supervisory review; and (iii) Pillar 3- market discipline and disclosure. The key Pillar I rule was a requirement to maintain a minimum capital adequacy ratio of 8% RWAs. As the Basel standards have no direct legal force, the BCBS expects its members to implement the standard fully into their national law. Both the UK and EU are BCBS members. The Basel framework was implemented in the EU by way of a number of EU Directives and Regulations which are detailed below. As a result of Brexit, the European prudential regime has been largely replicated in the UK through the onshoring of EU prudential rules, although there are limited areas of divergence where the PRA has chosen to remain in compliance with the underlying Basel standards rather than the EU drafting. Metro Bank is subject to prudential regulation in the UK, where the prudential regulator for banks is the PRA.

### *EU Capital Requirements Regulation and Directive*

By 2006, the European regulatory capital regime (which was largely implementing the revised Basel II Accord) was set out in the recast Banking Consolidation Directive and the Capital Adequacy Directive (together the “**EU Capital Requirements Directive**” or “**EU CRD**”). After the financial crisis of 2007-2008, the Basel Committee undertook a more fundamental and comprehensive review of the prudential capital regime which resulted in the “Basel III” proposals. A number of the Basel III proposals were finalised in 2011. These proposals included: (i) increased quality and quantity requirements for regulatory capital generally with total capital ratio staying at 8%, but higher CET1 requirement and tougher rules on CET1 eligibility; (ii) new capital buffer requirements to increase a bank’s loss absorbing capacity and address systemic and both micro and macroeconomic risks; (iii) increased capital requirements for counterparty credit risk for exposures for derivative and certain other transactions; (iv) the introduction of a new leverage ratio, as a reporting and disclosure requirement; (v) new prudential liquidity rules; and (vi) heightened requirements for global systemically important banks. The leverage ratio is, broadly, a ratio of capital against certain unweighted exposures and is a prudential tool designed to prevent excessive leverage. The liquidity regime introduced a liquidity coverage ratio (“**LCR**”), which addresses short-term liquidity issues by requiring banks to hold a buffer of highly liquid assets to meet cash outflows in a stress period.

These first elements of the Basel III reforms, which were finalised in 2011, were implemented in the EU through the EU Capital Requirements Regulation (“**EU CRR**”) and the EU Capital Requirements Directive IV (“**EU CRD IV**”) which both came into effect on 26 June 2013. However, a number of the other Basel III reforms were not actually finalised by 2011 and therefore not implemented in the EU through EU CRR/CRD IV. These later Basel III reforms included: (i) a new standardised approach for measuring counterparty credit risk and a revised framework for capital requirements for banks’ exposures to central counterparties; (ii) leverage ratio as a Pillar I capital requirement; (iii) a revised framework for large exposures; (iv) revised credit risk rules for exposures to collective investment undertakings; and (v) a binding net stable funding ratio. These further Basel III reforms were implemented in the EU through the Capital Requirements Regulation II (“**EU CRR II**”) and Capital Requirements Directive V (“**EU CRD V**”), together with a number of other EU specific revisions such as the IPU requirement for third country groups, changes to Pillar 2 rules and the capital stack and holding company authorisation requirements. A small number of the provisions of EU CRR II came into effect on 27 June 2019 including provisions relating to TLAC/MREL, with the majority coming into effect from 28 June 2021, while the EU CRD V had to be implemented by Member States by 28 December 2020. The fast-tracked EU CRR II provisions that were in effect prior to the end of the transition period for Brexit form part of retained EU legislation (UK CRR, as referred to below), whereas the EU CRD V was transposed in the UK within the transposition deadline but most of the amendments were subsequently repealed.

The final set of Basel III reforms contained in the Basel Committee’s December 2017 publication, “Finalising Basel III”, include: (i) substantial amendments to the standardised and internal ratings based approach for credit risk as well as operational risk rules; (ii) an output floor to limit the

regulatory capital benefit of banks using internal model approaches compared to the standardised/non model approaches to calculate credit, market and operational risk; and (iii) introduction of the fundamental review of the trading book market risk rules. These various reforms, sometimes referred to as Basel 3.1/Basel IV, are due to be implemented in the EU from 1 January 2025, which is a two-year delay to the Basel Committee's implementation date of 1 January 2023. The European Commission recently published its proposed rules to implement Basel IV by way of a Regulation amending EU CRR II and a Directive amending EU CRD V (known as EU CRR3). As the UK is no longer a member of the EU, the UK will not implement these proposals; and the PRA has separately published its proposed rules implementing the Basel 3.1 standards in the UK on 30 November 2022 (CP16/22 – Implementation of the Basel 3.1 standards). For more information in respect of the UK implementation of Basel 3.1/Basel IV see “*EU CRR/EU CRR II post-Brexit and current UK prudential regulatory regime*”.

### ***EU CRR/EU CRR II post-Brexit and current UK prudential regulatory regime***

The current UK bank prudential framework reflects the EU bank prudential requirements that applied at the point when EU law ceased to apply in the UK at the end of the Brexit transition period, on 31 December 2020, as well as further rules made by the PRA pursuant to their powers under the Financial Services Act 2021, including PRA rules implementing the Basel III reforms contained in CRR II, which came into force on 1 January 2022. Metro Bank is subject to the prudential rules contained in the onshored version of the EU CRR, known as “**UK CRR**”. UK CRR is supplemented by: (i) the onshored EU law versions of the delegated acts and implementing regulations made under EU CRR; and (ii) the PRA Rulebook for CRR firms, as well as PRA guidance in the form of Supervisory Statements. Onshoring refers to the process of amending pre-existing EU regulations which are directly applied in the UK before the end of the transition period for Brexit and making amendments to domestic law in the UK transposing EU directives to ensure that they continue to operate on a UK only basis. EU CRR was onshored through various statutory instruments made under the European Union (Withdrawal Agreement) Act 2018 (and European Union (Withdrawal Agreement) Act 2020).

The UK used its discretion not to implement those EU CRR II rules which applied in the EU from June 2021 (so after the end of the transition period), instead choosing to introduce prudential reforms directly implementing the Basel standards (on which EU CRR II was based), using the powers given to it under the Financial Services Act 2021. Subsequently, HM Treasury was empowered to delete parts of UK CRR from onshored legislation, and the PRA restated those rules (with amendments, where relevant) in the PRA Rulebook. The UK Basel III rules are therefore similar but not identical to the EU CRR II drafting. The Basel III reforms have applied to UK banks from 1 January 2022 through detailed requirements set out in the PRA Rulebook (CRR firms) and other PRA supervisory materials. The prudential requirements for banks are, therefore, set out in a mixture of PRA rules and primary legislation in the form of those provisions of UK CRR that remain in force. The ultimate aim of HM Treasury is to transfer the bulk of the provisions in UK CRR to the PRA Rulebook. This will allow the PRA more flexibility to change or dispense with rules. As regards the implementation in the UK of the final Basel III reforms (i.e. Basel IV), the PRA has confirmed that, similar to the EU, it will delay the implementation date by two years, from 1 January 2023 to 1 January 2025 and separately published its proposed rules implementing the Basel 3.1 standards in the UK on 30 November 2022 (CP16/22 – Implementation of the Basel 3.1 standards).

### ***Regulatory capital and risk weighted assets***

The UK capital framework comprises four parts:

- **Pillar 1** – minimum requirements for credit risk, market risk and operational risk including a CET1 Capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%.
- **Pillar 2A** – requirements imposed by the PRA to reflect the status of risks either not addressed or only partially addressed by the Pillar 1 requirements (e.g. pension risk or group risk)
- **CRD capital buffers** – these comprise: (i) the capital conservation buffer equal to CET1 of 2.5% of a firm's total risk exposure amount; (ii) the counter-cyclical capital buffer of CET1 equal to a firm's total risk exposure amount multiplied by an institution-specific countercyclical capital buffer rating ((i) and (ii) together being the “Combined Buffer Requirement”). The UK's counter cyclical buffer ratio is currently 1%, but it will increase to 2% from 5 July 2023. In addition, there are systemic buffers such as the Global Systemically Important Institutions or

Other Systemically Important Institutions buffer which do not apply to Metro Bank. If the Combined Buffer Requirements are not met, a bank is required to restrict its distributions in accordance with the maximum distributable amount calculation.

- **PRA buffer** – the PRA can require a firm to hold a PRA buffer, which is an amount of capital that firms should hold in addition to their total capital requirement (Pillar 1 and Pillar 2A) to cover risks not covered elsewhere and losses that may arise under stress. The PRA buffer is confidential and non-disclosable.

Pillars 1 and 2A together represent the PRA’s view of the minimum level of regulatory capital a firm should maintain at all times to cover the risks to which it is exposed and to comply with the overall financial adequacy rule.

#### ***Leverage ratio framework***

The PRA’s leverage ratio framework currently applies to the eight largest UK banks and building societies with retail deposits in excess of €50 billion. However, from 1 January 2023, the UK leverage ratio rules were extended to: (i) apply to a wider range of firms including firms, RFB sub-groups and UK CRR consolidation entities with non-UK assets equal to or greater than £10 billion (calculated on an individual, sub-consolidated and consolidated basis respectively); and (ii) to apply the leverage ratio requirement on an individual basis to any firm that is not a UK CRR consolidation entity or a ring-fenced body (“**RFB**”) that is the ultimate parent within an RFB sub-group. The framework comprises a number of key elements:

- A 3.25% leverage ratio minimum requirement, denominated in Tier 1 capital, that must be met with at least 75% CET1 capital.
- An additional leverage ratio buffer to reflect systemic importance and a counter-cyclical leverage ratio buffer. These buffers are scaled at 35% of their risk weighted equivalents and must be met with CET1 capital.

#### ***Liquidity requirements***

Metro Bank is subject to both a binding Pillar 1 NSFR and an LCR. The NSFR requires a bank to hold long term stable funding for its longer term assets and not to rely on short-term wholesale funding. A bank’s NSFR ratio must be at least 100% on an ongoing basis. The LCR is designed to ensure that banks have the necessary liquid assets, easily convertible into cash, to withstanding short-term idiosyncrasies and market-wide liquidity stress. A bank is required to hold an amount of high-quality liquid assets equal to or greater than their net cash outflows over a 30-day period. The liquid asset buffer should enable a firm to withstand a range of severe stress scenarios. Firms may drawdown their liquid assets buffer in times of stress.

For more information on how the capital and liquidity regime applies to the Metro Bank Group see “*Risk Factors – Regulatory Risks – The New Group is subject to prudential regulatory capital and liquidity requirements*”.

## **2.3 Recovery and resolution**

### ***Banking Act 2009 and BRRD***

Following the financial crisis of 2007/2008, the Banking Act 2009 was introduced in the UK to provide a bespoke framework to facilitate the resolution of banks which, broadly, are failing or are likely to fail to meet their regulatory threshold conditions and which cannot be assisted through normal regulatory action or market-based solutions. The legislation conferred significant new powers on HM Treasury, the Bank of England (as the resolution authority in respect of UK Resolution Entities) and, originally, the FSA (now the PRA and FCA) to deal with and stabilise banks suffering financial difficulties by placing them into what is referred to as a resolution pursuant to the special resolution regime (the “**SRR**”). It also established two new insolvency procedures for banks.

Work in a similar vein was also ongoing at the European level and resulted in the Bank Resolution and Recovery Directive 2014/59/EU (the “**BRRD**”). The BRRD rules were largely implemented in the UK with effect from January 2015 (except in relation to certain requirements including the contractual recognitions of bail-in which came into force in January 2016). In summary, bail-in relates to the mandatory write-down or conversion of non-excluded liabilities.



The Banking Act 2009 provides an extended range of stabilisation options under the SRR (including bail-in generally), including the power of the Bank of England (as the resolution authority in respect of UK Resolution Entities) to impose a write-down or conversion of capital instruments in certain circumstances.

BRRD was amended by BRRD II (Directive (EU) 2019/879), which the UK was required to transpose by 28 December 2020. The main reform was to implement the Financial Stability Board's total loss absorbing capacity ("TLAC") standards, as well as amendments to requirements on the contractual recognition of bail-in, and requirements on the contractual recognition of resolution stay powers. BRRD II was implemented in the UK within the transposition deadline above with certain amendments (such as those relating to Article 55 BRRD) being subsequently repealed in the UK.

Institutions subject to BRRD (and in the UK, institutions subject to the Banking Act) are required to maintain a minimum amount of MREL. Such MREL resources can be bailed-in to support a recapitalisation or resolution should a firm fail. MREL must be set in line with the provisions of the Banking Act, the Bank Recovery and Resolution (No 2) Order 2014 and relevant banking-related standards, including the MREL UK Technical Standards. The MREL requirement is equal to a percentage of total liabilities and own funds to be set by the Bank of England (or in certain cases calibrated by reference to the leverage ratio) and for certain systemic firms, it is set at a binding rate. Items eligible for inclusion in MREL include a bank's own funds, along with other, more senior "eligible liabilities". For smaller institutions, MREL requirements are not higher than their regulatory capital requirements.

In June 2018, the Bank of England reaffirmed that it would review the calibration of MREL for each bank and the final compliance date, prior to setting an "end-state" MREL, which is the amount of MREL a bank will need to meet once the transitional period has been concluded. Due to MREL issuance and other challenges faced by mid-tier banks, which currently are in the scope of stabilisation powers and therefore subject to MRELS in excess of their minimum capital requirements (namely the higher of either Pillar 1 and Pillar 2A or any applicable leverage ratio), in December 2020, the Bank of England delayed the end-state compliance for these firms by one year, from 1 January 2022 to 1 January 2023.

The UK resolution regime requires that MREL must not rank *pari passu* with a significant amount of liabilities which are not MREL-eligible (to avoid any no creditor worse off issues). There are three ways to subordinate MREL to other unsecured liabilities: (i) statutorily (which has been achieved in the UK by amendments to the Insolvency Act 1986 to make sure that MREL ranks below non-preferred, non-subordinated unsecured liabilities and above regulatory capital (i.e. Common Equity Tier 1 items, Additional Tier 1 instruments and Tier 2 instruments)); (ii) contractually; or (iii) structurally (by ensuring that MREL is issued by a non-operating, i.e. a "clean" holding company). For bail-in firms/groups with a single point of entry resolution strategy, such as the Metro Bank Group, the Bank of England has requested structural subordination of MREL, i.e. establishing a clean holding company above the operating bank/group that will issue any external MREL to the market. For more information on the application of the UK resolution regime to Metro Bank and the potential impact on New MB Shares in the event of resolution, see "*Risk Factors – Regulatory Risks – The New Group is subject to rules relating to recovery and resolution planning and may be subject to regulatory action that may be taken in the event that the Company is failing or is likely to fail, or before that in the form of early intervention measures*".

## 2.4 Consumer credit regulation

The FCA is responsible for the oversight and regulation of consumer credit. The framework for consumer credit regulation comprises the FSMA and its secondary legislation (consumer credit activities are, therefore, subject to the General Prohibition and the FSMA authorisation regime discussed earlier in this Part VIII (*Supervision and Regulation*), retained provisions in the Consumer Credit Act 1974 and rules and guidance in the FCA Handbook, including the CONC (for the purposes of this section, collectively the "**Consumer Credit Regime**").

Under the Consumer Credit Regime, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 has been amended so that consumer credit activities, including entering into a "regulated credit agreement" as lender, are "regulated activities" for the purposes of the FSMA. A "regulated credit agreement" is any "credit agreement" that is not an "exempt agreement". A "credit agreement" is any agreement between an individual or relevant recipient of credit ("A") and any other person ("B"), under which B provides A with "credit" of any amount. Credit is widely defined and



includes cash loans and any other form of financial accommodation. Exempt agreements include certain agreements predominantly for the purposes of a business, certain agreements secured on land and agreements relating to the purchase of land where a local authority or other specified type of organisation is the lender. Other regulated consumer credit activities include credit broking, debt-related consumer credit activities, entering into a regulated consumer hire agreement as owner, operating an electronic system in relation to lending and providing credit information services and credit references.

Key features of the Consumer Credit Regime include:

- (i) *Authorisation*: To become authorised, firms must meet the threshold conditions (the minimum standards for becoming and remaining authorised) and obtain pre-approval for individuals who will perform key roles in the applicant firm;
- (ii) *Supervision*: Under the Consumer Credit Regime, there is a distinction between higher-risk and lower-risk consumer credit activities and different supervisory approaches for each. There is close supervision of firms engaged in higher-risk consumer credit activities and a less intensive supervision regime for lower-risk firms. Firms are subject to regular reporting requirements in relation to their consumer credit activities and the FCA engage in thematic work in response to systemic issues;
- (iii) *Rules*: The relevant rules are FCA rules (breaches of which can be penalised), guidance and provisions of the Consumer Credit Act. The FSMA financial promotions regime also applies, and the FCA has also imposed financial promotion rules for high cost short-term credit, cold calling and debt management companies;
- (iv) *Enforcement*: The FCA's enforcement powers include the power to: bring criminal, civil and disciplinary proceedings; withdraw authorisations; suspend authorised firms for 12 months; suspend individuals from performing certain roles for two years; and the power to issue unlimited fines. It is also able to use its product intervention powers in the consumer credit market, which can include restrictions on product features and selling practices or product bans; and
- (v) *Complaints and redress*: Consumers have access to the FOS. The FCA also has the power to require authorised firms to reimburse consumers who have suffered loss due to the firm's actions.

## 2.5 Mortgage lending

The FSMA regulates mortgage credit within the definition of "regulated mortgage contract" and also regulates certain other types of home finance. A credit agreement is a regulated mortgage contract if it is entered into on or after 31 October 2004 and, at the time it is entered into: (i) the credit agreement is one under which the lender provides credit to an individual or to trustees; (ii) the contract provides for the repayment obligation of the borrower to be secured by a first legal mortgage on land (other than timeshare accommodation) in the UK; and (iii) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person.

If prohibitions under the FSMA as to authorisation or financial promotions are contravened, then the relevant regulated mortgage contract (and, in the case of financial promotions, certain other credit secured on land) is unenforceable against the borrower without a court order. The MCOB sets out rules in respect of regulated mortgage contracts and certain other types of home finance. Under the MCOB rules, an authorised firm (such as Metro Bank) is subject to strict rules on arrears handling and repossessions and is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed, which can include the extension of the term of the mortgage, product type changes and deferral of interest payments.

In March 2009, the Turner Review, "*A regulatory response to the global banking crisis*", was published and set out a detailed analysis of how the global financial crisis began along with a number of recommendations for future reforms and proposals for consultation. As part of the Turner Review, the FSA published a discussion paper outlining proposals for reform of the mortgage market.

Subsequently, the FSA commenced a wide ranging consultation on mortgage lending: the FSA's Mortgage Market Review ("**MMR**"). The MMR concluded with the publication of final rules by the FSA on 25 October 2012 that amended the existing conduct rules for mortgage lending. The majority of the new rules came into effect on 26 April 2014.

Principal changes are to promote responsible lending and include:

- (i) more thorough verification of borrowers' income (no self-certification of income, mandatory third party evidence of income required);
- (ii) assessment of affordability of interest-only loans on a capital and interest basis unless there is a clearly understood and believable alternative source of capital repayment;
- (iii) application of interest rate stress tests – lenders must consider likely interest rate movements over a minimum period of five years from the start of the mortgage term;
- (iv) when making underwriting assessments, lenders must take account of future changes to income and expenditure that a lender knows of or should have been aware of from information gathered in the application process;
- (v) lenders may base their assessment of customers' income on actual expected retirement age rather than state pension age. Lenders will be expected to assess income into retirement to judge whether the affordability tests can be met;
- (vi) significant changes to mortgage distribution and advice requirements (including a requirement that advice must be given during most interactive sales); and
- (vii) changes in relation to arrears management and requirements on contract variations such as when additional borrowing is requested.

The directive on credit agreements relating to residential property, commonly known as the Mortgage Credit Directive (“**MCD**”) came into effect on 20 March 2014. The MCD was, to some extent, modelled on the Consumer Credit Directive and requires, among other things, standard pre-contractual information to be provided to the borrower, calculation of the annual percentage rate of charge in accordance with a prescribed formula, and the borrower to have a right to make early repayment. In addition, in August 2015, the European Banking Authority (“**EBA**”) published guidelines on mortgage arrears and foreclosure (the majority of which applied from March 2016) and the MCD itself provides for a review after five years.

The MCD entered into force in the UK in March 2016. Changes included amendment of the definition of “regulated mortgage contract” to include second charge lending, bringing the regulation of second charge mortgage lending into line with first charge lending (rather than it being regulated under the FCA’s Consumer Credit Regime), and the establishment of a framework for regulating buy-to-let mortgage lending to consumers. The Mortgage Credit Directive Order 2015 (SI 2015/910), as amended by the Mortgage Credit Directive (Amendment) Order 2015 (SI 2015/1557), implemented the Mortgage Credit Directive into UK law, in part by making changes to FSMA.

On 26 March 2019, the FCA issued a final report on its mortgages market study (MS16/2.3). The final report proposed certain remedies for the mortgage market, with the FCA proposing new lending rules on how lenders assess whether or not a customer can afford to switch to a new loan. The FCA introduced further changes to advice rules and guidance that would reduce barriers to innovation in mortgage distribution on 31 January 2020 (subject to certain transitional provisions deferring application to 30 July 2020).

## **2.6 Payment Services Regulation**

Under the Payment Services Regulations 2017 (the “**PSR**”), the FCA is responsible for regulating payment services in the UK. The PSR establish an authorisation regime, requiring payment service providers (other than authorised credit institutions such as Metro Bank) to either be authorised or registered with the FCA. The PSR also contain certain rules about providing payment services that payment service providers must comply with, including in relation to consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users and liability of payment services providers if things go wrong. In comparison with the previous Payment Services Regulations 2007, the PSR include a requirement to grant (in certain circumstances) certain regulated third parties with access to customer accounts and information and introduce stronger customer authentication requirements and enhanced consumer protection obligations.

The Banking Reform Act required the FCA to establish a body corporate to regulate payment systems (the “**Payment Systems Regulator**”). The Payment Systems Regulator was established on 1 April 2014 and became fully operational in April 2015.

The general functions of the Payment Systems Regulator are:

- (i) giving general directions;
- (ii) giving general guidance; and
- (iii) determining the general policy and principles by reference to which it performs particular functions.

In discharging its general functions, the Payment Systems Regulator must, so far as is reasonably possible, act in a way which advances one or more of its payment systems objectives. The Payment Systems Regulator's payment systems objectives are:

- (i) to promote effective competition in the market for payment systems and the markets for services provided by payment systems;
- (ii) to promote the development of, and innovation in, payment systems in the interests of those who use, or are likely to use, services provided by payment systems, with a view to improving the quality, efficiency and economy of payment systems; and
- (iii) to ensure payment systems are operated and developed in a way that takes account of, and promotes, the interests of those who use, or are likely to use, services provided by payment systems.

The UK payment services regulatory regime originates from European Union law. Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market (the "**Payment Services Directive**") was required to be transposed by Member States before 1 November 2009.

In January 2016, a revised payment services directive ("**PSD II**") came into force. The aim of the directive is to take account of new types of payment services due to technological development and to harmonise the transposition of certain rules set out in the Payment Services Directive that had been transposed or applied by Member States in different ways, leading to regulatory arbitrage and legal uncertainty. A regulation on multilateral interchange fees also came into force on 9 December 2015. Taken together, these new pieces of legislation are designed to: (i) extend the scope of the Payment Services Directive as regards geographical scope, currencies covered and payment services regulated; (ii) limit the scope of available exemptions under the Payment Services Directive; (iii) increase consumer rights and payment security; and (iv) reduce interchange fees for card payments and prohibit surcharging. The deadline for Member States to transpose PSD II into national law was January 2018. PSD II is implemented in the UK by the PSR and parts of the FCA Handbook.

In relation to payment accounts, on 28 August 2014, the text of Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (the "**Payment Accounts Directive**") was published in the Official Journal of the European Union. The Payment Accounts Directive is intended to enable consumers to make informed choices when opening a payment account by improving the transparency and comparability of information on account fees, while eliminating discrimination based on residency, and to enable consumers to switch accounts more easily. The UK implemented the Payment Accounts Directive by means of the Payment Accounts Regulations 2015 (the "**PAR**"). In line with the Payment Accounts Directive, the provisions of the PAR on packaged accounts, switching and basic bank accounts took effect in the UK in September 2016. The provisions on transparency and comparability of fee information came into force on 31 October 2018.

## 2.7 UK ring-fencing regime

On 14 June 2012, HM Treasury issued a white paper entitled "*Banking reform: delivering stability and supporting a sustainable economy*", on how the UK Government intended to implement the measures recommended by Sir John Vickers' Independent Commission on Banking's final report of 12 September 2011. Broadly, the White Paper covered the ring-fencing of vital banking services from international and investment banking services, measures on loss absorbency and depositor preference and proposals for enhancing competition in the banking sector.

On 19 June 2013, the Parliamentary Commission on Banking Standards published its final report, entitled “*Changing banking for good*”. This was followed by the publication of the UK Government’s response on 8 July 2013, accepting the overall conclusions of the report and its principal recommendations.

The UK Government published the Banking Reform Bill in October 2012 but, following the Parliamentary Commission on Banking Standards’ final report published in June 2013, amendments to the Banking Reform Bill were tabled. The Banking Reform Bill received Royal Assent as the Financial Services (Banking Reform) Act 2013 on 18 December 2013. Two statutory instruments – the Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 and the Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014 – were enacted in July 2014 pursuant to HM Treasury’s powers under the Banking Reform Act, and HM Treasury also exercised those powers to enact the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015 in March 2015.

This legislation, taken as a whole, mandates the “ring-fencing” of certain core activities and services relating to the regulated activity of accepting deposits by a UK institution. Entities that meet the threshold for the UK ring-fencing regime (£25 billion of deposits, excluding deposits from financial institutions and certain corporates and high net worth individuals that “opt out”) are required to separate the core activity of accepting deposits, together with the core services associated with that activity, into a separate RFB. The legislation also prohibits an RFB from undertaking certain excluded activities, namely dealing in investments as principal and dealing in commodities. RFBs are also subject to certain prohibitions, which include prohibitions on incurring exposures to certain types of financial institutions, and on having branches or subsidiaries in non-EEA Member States. The excluded activities and prohibitions are subject in each case to limited exceptions.

In addition to the primary and secondary ring-fencing legislation, the PRA published Policy Statement PS20/16 in July 2016 setting out ring-fencing rules that govern the relationship between the RFB and the rest of its group, including entities that carry out excluded activities and activities that the RFB is prohibited from undertaking (such entities being non-ring-fenced bodies, or “**NRFBs**”). These ring-fencing rules address areas such as the legal structure of the RFB sub-group, governance arrangements for RFBs, prudential requirements and requirements for intra-group transactions and distributions. The rules came into effect on 1 January 2019.

In March 2016, the PRA and the FCA issued guidance on the use of ring-fencing transfer schemes under Part VII of the FSMA, which are a form of statutory transfer mechanism to enable banking groups to reorganise their businesses so as to comply with the ring-fencing regime. Also, in March 2016, the FCA published Policy Statement PS16/9 on the disclosures required to be made by NRFBs to individuals that opt to place deposits with such entities.

Banks that fall within the scope of this legislation were required to have implemented all relevant reforms to comply with the ring-fencing regime by 1 January 2019 at the latest (other than in respect of pension arrangements, for which the deadline for implementing changes was 1 January 2026). While Metro Bank is not currently subject to the ring-fencing requirements, on the basis that it does not hold the minimum threshold of deposits to be required to ring-fence its business, the implementation of ring-fencing may affect its ability to transact with RFBs within banking groups that are subject to those requirements.

The ring-fencing rules and the rules on proprietary trading were reviewed in 2021 by an independent panel, appointed by HM Treasury. The focus of the review was on whether the rules have any unintended consequences on competition in UK banking markets and whether they stifle capabilities of UK banks in international markets. The initial report, published in January 2022, found the regime had contributed to a more resilient banking sector in the UK and rejected concerns it had harmed the mortgage market in particular. Some banks had questioned whether the deposit limit should be increased to €40 billion, but the report made no reference to raising the threshold. The main recommendation was that the regime should be simplified.

## **2.8 FSCS**

The FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. There are different compensation limits for different categories of claim. For example, the limits are: (i) for claims against firms that failed on or after 30 January 2017, for deposits, up to £85,000; (ii) for

claims against firms that failed on or after 1 January 2019, for mortgage advice and endowments, up to £85,000; and (iii) for claims against insurance brokers, claims under compulsory insurance are 100 per cent. protected and other types of claim are 90 per cent. protected with no upper limit. The FSCS pays compensation for financial loss and the actual compensation a customer will receive depends on the basis of their claim. Compensation limits are per person, per firm and per type of claim. The FSCS is funded by levies raised on authorised firms.

## **2.9 Culture and diversity and inclusion**

UK regulators have enhanced their focus on the promotion of cultural values as a key area for banks, although they generally view the responsibility for reforming culture as primarily sitting with the industry. For example, in March 2020, the FCA published a discussion paper aimed at highlighting the importance of purposeful cultures. The discussion paper included essays from industry leaders, professional bodies and culture experts exploring the role of purpose in driving a healthy, sustainable culture. In addition, UK regulators have also begun focusing on diversity and inclusion in financial services firms, with the Bank of England, PRA and FCA having published a joint discussion paper on this topic in July 2021. The FCA also published a policy statement on diversity and inclusion in April 2022, which includes measures to improve transparency on the diversity of company boards and their executive management for investors and other market participants.

## **2.10 Competition regulation**

Metro Bank is subject to supervision and oversight by a number of competition regulators, including the CMA and sectoral regulators. The FCA and the Payment Systems Regulator have concurrent powers with the CMA to enforce competition rules in the UK insofar as they relate to the provision of financial services and participation in payment systems, respectively. These regulatory bodies have broad powers to launch market studies or conduct investigations.

Following the CMA's market investigation into retail banking which concluded in 2016, there have been several recent competition related developments in the retail banking space, including the roll-out of Open Banking, new disclosure requirements for current account providers and new rules for banks requiring them to provide early warnings about approaching overdraft limits.

In September 2018, the CMA announced that it was investigating a super-complaint from Citizens Advice about long-term customers overpaying for key services, including mortgages and savings. The CMA has also commissioned research into personalised pricing in online shopping.

In 2018, the FCA published discussion papers on price discrimination in the cash saving market (DP18/6) and on fair pricing in financial services (DP18/9). DP18/9 focused on firms charging different prices to different consumers based purely on consumers' price sensitivity (which the FCA call "price discrimination") and on firms charging existing customers more than new customers (which the FCA calls "loyalty pricing" or "inertia pricing"). The paper explored several possible remedies, including restrictions on product design (such as removal of auto-renewal mechanisms) or restrictions on price (such as price caps or collars). The FCA published a consultation paper in early 2020 on price discrimination in the cash savings market (CP20/1). CP20/1 included proposals around, among other things, new rules to require firms to pay customers single rates for easy access cash savings and individual savings account products no later than 12 months after the account is opened. The FCA subsequently announced on 4 November 2021 that, due to the impact of coronavirus (Covid-19) and the low-interest rate environment, it had decided to cease work on this area. The FCA has stated that it continues to monitor this area and may revisit it if it sees significant harm to consumers in the future.

While the outcome and the scope of any future studies and proposals is inherently uncertain, they may ultimately result in the application of behavioural and/or structural changes and remedies by the regulators.

## **2.11 Other relevant legislation and regulation**

EU member states were required to transpose the Fourth Money Laundering Directive (Directive (EU) 2015/849) ("**4MLD**") by 26 June 2017 and the 4MLD has been transposed into UK law by virtue of the MLRs 2017. The 4MLD made changes to the requirements around customer due diligence and the central register of beneficial ownership, introduced enhanced measures for politically-exposed persons,



removed the automatic exemption from customer due diligence, and the application of group-wide policies and procedures to branches and majority-owned subsidiaries located in countries outside of the EU. The 4MLD also introduced a risk-based approach to customer due diligence.

The Fifth Money Laundering Directive ((EU) 2018/843) (“**5MLD**”) was published in June 2018 and EU member states were required to transpose the 5MLD into national law by 10 January 2020. Although the changes introduced by the 5MLD are not as extensive as those introduced by the 4MLD, the 5MLD contains some notable introductions including extension to virtual currencies and pre-paid cards, improved safeguards for financial transactions to/from high risk third countries, and provisions aimed at ensuring that centralised national bank and payment account registers or central data retrieval systems are accessible in all EU member states. HM Treasury has implemented the 5MLD through amendments to the MLRs 2017.

The UK Money Laundering Regulations 2017 (“**MLRs 2017**”) came into force on 26 June 2017 implementing the 4MLD. The MLRs 2017 were amended on 20 December 2019 to implement the 5MLD, which place a requirement on Metro Bank to (among other things) verify the identity and address of customers opening accounts with it, and to keep records to help prevent money laundering and fraud. In addition, the Proceeds of Crime Act 2002, Terrorism Act 2000, Counter-Terrorism Act 2008, Terrorist Asset-Freezing etc. Act 2010, Wire Transfer Regulation (EU Regulation 1781/2006) and Transfer of Funds (Information on the Payer) Regulations 2017 collectively contain requirements and offences in relation to money laundering and the financing of terrorism that are applicable to the New Group. Guidance in respect of anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group, which is made up of certain UK trade associations in the financial services industry.

The Bribery Act 2010 contains offences relating to bribing another person, being bribed and bribing foreign public officials. It also contains an offence for commercial organisations for failing to prevent bribery. The Ministry of Justice has published guidance about procedures which commercial organisations can put into place to help prevent against persons associated with them engaging in such activity.

With effect from 30 September 2017, the Criminal Finances Act 2017 introduced a new criminal offence for businesses that fail to take adequate steps to prevent their associates (employees, agents or other persons who perform services for or on behalf of the business concerned) from facilitating tax evasion. Only where the business has put in place reasonable prevention procedures to prevent facilitation of tax evasion by their associates will it have a defence. HMRC has published guidance on the types of processes and procedures that may be put in place by businesses to limit the risk of representatives criminally facilitating tax evasion.

The UK Data Protection Act 1998 (the “**DPA**”) regulates the processing of data relating to individual customers. The DPA supplements the GDPR and came into force on 25 May 2018 (superseding the Data Protection Act 1998). It also implements the EU Data Protection Directive (Directive (EU) 2016/680) into UK law. Those responsible for processing and controlling personal data must ensure that their data policies and processes reflect requirements contained in the GDPR and the DPA. The DPA appoints the Information Commissioner as the independent data protection regulator and contains requirements for data controllers to notify the Information Commissioner of breaches of the DPA.

The UK Unfair Terms in Consumer Contracts Regulations 1999 (together with, insofar as applicable, the Unfair Terms in Consumer Contracts Regulations 1994) apply to consumer contracts entered into on or after 1 July 1995 and prior to 1 October 2015. Contracts entered into on or after 1 October 2015 are governed by the Consumer Rights Act 2015. The main effect of these pieces of legislation is that a contract term which is “unfair” will not be enforceable against a consumer. This applies to, among other things, mortgages and related products and services.

The Modern Slavery Act 2015 requires companies supplying goods or services with a total global annual turnover of thirty-six million pounds Sterling (£36 million) or more that are carrying out a business, or part of a business, in the UK to publish a slavery and human trafficking statement each financial year. The total turnover is calculated taking into account the turnover of any subsidiary undertakings.

For the financial services regulatory risks relating to Metro Bank’s business, please see “*Risk Factors – Regulatory Risks*”.

## **PART IX**

### **RISK MANAGEMENT**

A discussion of the New Group's risk management framework and principal risks is set out in the 2022 Annual Report and Accounts under the heading "*Risk report*" on pages 54 – 97. The 2022 Annual Report and Accounts are incorporated by reference into this Prospectus as set out in Part XVI (*Information Incorporated by Reference*).

## PART X

### DIRECTORS, SENIOR MANAGERS, CORPORATE GOVERNANCE AND REMUNERATION

#### 1 Directors

The Directors are listed below.

<b>Name</b>	<b>Position</b>
Robert Sharpe.....	Chair
Daniel Frumkin .....	Chief Executive Officer
James Hopkinson .....	Chief Financial Officer
Anna (Monique) Melis.....	Senior Independent Director
Catherine Brown .....	Independent Non-Executive Director
Dorita Gilinski.....	Shareholder Appointed Non-Executive Director
Anne Grim.....	Independent Non-Executive Director
Ian Henderson .....	Independent Non-Executive Director
Paul Thandi .....	Independent Non-Executive Director
Michael Torpey .....	Independent Non-Executive Director
Nicholas Winsor.....	Independent Non-Executive Director

Each of the Director's business address is One Southampton Row, London WC1B 5HA, and each of the Director's business telephone number is 020 3402 8385 or, when dialling from outside the United Kingdom, +44 20 3402 8385.

#### ***Robert Sharpe – Chair***

Robert has over 45 years' experience in retail banking. He is currently Chair at Hampshire Trust Bank plc, Pollen Street plc and Aspinall Financial Services Limited. He has had an extensive number of appointments both in the UK and the Middle East including Chair of Bank of Ireland (UK) plc, Vaultex Limited and RIAS plc. He has also been a NED at Aldermore Bank plc, George Wimpy plc, Barclays Bank UK Retirement Fund, LSL Properties plc, and several independent NED roles at banks in Qatar, UAE, Oman and Turkey. Robert was previously CEO at West Bromwich Building Society, a role he took to chart and implement its rescue plan. Prior to this, he was CEO at Portman Building Society, Bank of Ireland (UK)'s consumer business in the UK and Bank of America's UK retail banking business.

#### ***Daniel Frumkin – Chief Executive Officer***

Daniel is responsible for leading the Bank with a focus on driving long-term growth by delivering great customer service at the right cost, to create even more FANS. Prior to joining Metro Bank, Daniel worked in America, the UK, Eastern Europe and Bermuda. He has performed business, risk, product and commercial executive level roles throughout his career. Most recently, Daniel was Group Chief Operating Officer at Butterfield Bank, with responsibility for eight jurisdictions across the globe covering a range of business and support areas.

#### ***James Hopkinson – Chief Financial Officer***

James started his career at PricewaterhouseCoopers where he specialised in tax accounting and consultancy and qualified as a Chartered Accountant with the Institute of Chartered Accountants of England and Wales. He worked for Standard Chartered Bank from 2001 to 2019 in a variety of roles ranging from heading up corporate and institutional businesses, to Group Head of Investor Relations and most recently performing the role as Chief Financial Officer for the Group's countries, regions and business segments. James was also the CFO for the Global Retail Banking business and the co-leader of the global finance function. In 2019, James joined ClearBank as CFO and Executive Director.

***Anna (Monique) Melis – Senior Independent Director***

Monique is a Managing Director and the Global Service Line Leader of the Financial Services Compliance and Regulatory practice at KROLL Advisory Ltd. She is also a Director of the KROLL Luxembourg Management Company Board. With extensive financial services and regulatory experience across established and growth markets, her appointments have included Executive Board member at Kinetic Partners and roles at the Cayman Islands Regulator and Stock Exchange, the Financial Services Authority and the Securities and Futures Authority. Monique is also a NED at The Bank of London.

***Catherine Brown – Independent Non-Executive Director***

Catherine holds various NED roles including: NED of FNZ (UK) Limited and NED of QBE Underwriting Limited and QBE UK Limited, and Chair and NED of Additive Flow Limited and The Plastic Economy Limited. Until 31 March 2020, she was a NED at the Cabinet Office. In mid-2019, she joined QBE Underwriting Limited (QBE UK Ltd), one of the world's leading international insurers, as a NED for the UK. She is a Trustee of Cancer Research UK, one of the UK's largest charities. Catherine has extensive experience in organisational transformation in financial services and a wide range of experience in leadership and operations. Her previous appointments include: Group Strategy Director at Lloyds Banking Group, Executive Director of Human Resources at the Bank of England and Chief Operating Officer at Apax Partners.

***Dorita Gilinski – Shareholder Appointed Non-Executive Director***

Dorita is the President of JGB Financial Holding Company and a member of the Board of Directors and the Audit Committee of Banco GNB Paraguay. Dorita co-led the launch of Lulo Bank, the first fully digitalized bank in Columbia. She brings significant experience in banking, including digital banking and marketing, as well as strategic planning and stakeholder engagement to her Non-Executive Director role. Prior to these roles, Dorita founded the Dori Gilinski Gallery and Libros Para Niños, a non-profit organisation that connects UK volunteers with Latin American schools and charities. Dorita is a graduate of the University of Oxford and holds an MBA from Harvard Business School. Dorita is a shareholder-nominated Non-Executive Director, nominated by her father Jaime Gilinski Bacal, a significant shareholder of Metro Bank, through his Spaldy Investments Limited vehicle.

***Anne Grim – Independent Non-Executive Director***

Anne is an experienced executive turned advisor, consultant and Board Director with more than 30 years in senior financial services leadership roles at Barclays, Wells Fargo, American Express, Mastercard and most recently as Chief Customer Officer at Fidelity International, prior to embarking on her Board portfolio career. Her expertise is in customer experience, strategic planning and execution, technology innovation and business transformation. Anne is an independent non-executive Board member for Insight Investment, where she chairs Insight Investment Fund Management Ltd and the Insight Investment Strategic Technology Committee; Plus500 Ltd, where she is Senior Independent Director and chairs the Remuneration Committee; and Openwork Holdings Ltd. where she chairs the Risk and Compliance Committee. Anne holds a Bachelor's degree in Mathematics and Computer Science and a Master's of Business Administration in Strategic Management and Finance, both from the University of Illinois.

***Ian Henderson – Independent Non-Executive Director***

Ian is currently CEO of Kyckr, a RegTech business providing global KYC solutions to banks, payments services providers and other regulated businesses. He joined Kyckr after a 30-year career in retail and business banking and wealth management. Ian is also a Member Trustee of the Chartered Bankers Institute. Since 2012, he has been actively involved in the UK challenger bank sector holding CEO roles at Arbuthnot Latham & Co Limited, Kensington Mortgages, and Shawbrook Bank. Prior to this, he was Chief Operating Officer of the Private Banking Businesses in Barclays Wealth and before that he was with RBS for 21 years. His final role there was as CEO of RBS International. He also held the positions of Chief Operating Officer Retail Banking and Marketing Director RBS & NatWest. Ian holds degrees in Economics and Finance from Scottish and Canadian universities and an MBA.

***Paul Thandi – Independent Non-Executive Director***

Paul is an experienced CEO, Chair and NED with diverse international media and service-led experience with an emphasis on people, innovation, data and culture. Paul is CEO of the NEC Group in Birmingham and has successfully steered the NEC on a journey from public sector ownership to a £307 million management buyout in 2015, and then an acquisition of the NEC Group by Blackstone in 2018. In addition,

Paul sits on the Board of the West Midlands Growth Company Limited, the British Allied Trades Federation, is a patron of Marie Curie and sits on the Advisory Board of Bowel Cancer UK. Paul is Deputy Lieutenant of West Midlands Lieutenancy, representing the Queen in the region, and was awarded a CBE for services to the economy in The Queen’s New Year’s Honours List 2020.

**Michael Torpey – Independent Non-Executive Director**

Michael retired from the position of Chief Executive of the Corporate & Treasury division and Member of the Group Executive Committee at Bank of Ireland in August 2018. He has extensive experience in senior roles across financial services. He is currently a Non-Executive Director of Studio Retail Ltd and Shelbourne Bidco Ltd (Finance Ireland Group). His past appointments include: Head of Banking at the National Treasury Management Agency in Ireland; Group Treasurer at Irish Life and Permanent plc; Senior Treasury Adviser at Irish Financial Regulator; Finance Director at Ulster Bank Group; and Finance Director at First Active plc.

**Nicholas Winsor – Independent Non-Executive Director**

Nick is an independent consultant and NED. He is a NED of Schroder Oriental Income Limited, Chair of its Nomination and Remuneration Committee and a member of its Audit and Management Engagement committees. He is also Senior Independent Director of the States of Jersey Development Company, Chair of its Remuneration and Nomination Committee and a member of the Deal Advisory Panel. Nick has more than 35 years of international banking experience with HSBC Group in a number of markets: Brunei; Channel Islands; Hong Kong; India; Japan; Qatar; Singapore; Taiwan; United Arab Emirates and the United Kingdom. He was Chief Executive Officer of HSBC Group’s businesses in Channel Islands and Taiwan and a Director of HSBC Bank Middle East Limited. Nick is also Chair of Autism Jersey and was awarded an MBE for services to the community in the Queen’s 2020 Birthday Honours List. He holds a Masters in Physics from Oxford University and is a Fellow of the Institute of Directors.

**2 Senior Managers**

The Senior Managers, and their respective positions within the Company, are listed below.

<b>Name</b>	<b>Position</b>
Nikki Birt .....	Money Laundering Reporting Officer
Tina Coates.....	Director, Corporate Affairs
Carol Frost.....	Chief People Officer
Faisal Hussain <sup>3</sup> .....	Chief Information and Chief Transformation Officer
Aisling Kane .....	Chief Operating Officer
Richard Saulet.....	Managing Director, Consumer Finance
Dominic McGuinness.....	Compliance Director
Kirsten McLeod .....	Chief Risk Officer
David Thomasson .....	Managing Director, Banking Products & Digital
Ian Walters .....	Managing Director, Distribution
Chit Ghee Yeoh.....	Chief Internal Auditor

Each of the senior manager’s business address is One Southampton Row, London WC1B 5HA, and each of the senior manager’s business telephone number is 020 3402 8385or, when dialling from outside the United Kingdom, +44 20 3402 8900.

**Nikki Birt – Money Laundering Reporting Officer**

Nikki is the Bank’s Money Laundering Reporting Officer and has accountability for the oversight of the Bank’s Financial Crime systems and controls. Nikki was previously the Bank’s Deputy Money Laundering Reporting Officer and joined the Bank following roles with Santander, EY and the FCA.

<sup>3</sup> Appointment remains subject to regulatory approval.



***Tina Coates – Director, Corporate Affairs***

Tina is responsible for our internal and external communication, public affairs, reputation management and setting our ESG agenda.

***Carol Frost – Chief People Officer***

Carol is responsible for all aspects of our people function, with a focus on developing diverse talent and capability across every level to build on our unique culture.

***Faisal Hussain<sup>4</sup> – Chief Information and Chief Transformation Officer***

Faisal is responsible for running and developing our IT. He is also responsible for developing and delivering our transformation and change agenda.

***Aisling Kane – Chief Operating Officer***

Aisling looks after everything that makes us run smoothly, including our call centres, all banking and lending operations, customer support, financial crime prevention, procurement and property.

***Richard Saulet – Managing Director, Consumer Finance***

Richard is responsible for our unsecured lending to consumers and businesses under both our Metro Bank and RateSetter brands and driving our customer experience agenda.

***Dominic McGuinness – Compliance Director***

Dominic provides oversight of the Metro Bank Group's compliance activities including conduct and regulatory compliance, risk appetite, assurance activities and regulatory engagement. He has extensive experience leading compliance teams both in the specialist lending sector and also challenger bank space, most recently as Compliance Director at Aldermore Bank.

***Kirsten McLeod – Chief Risk Officer***

Kirsten is responsible for management and oversight of our risk and control framework.

***David Thomasson – Managing Director, Banking Products & Digital***

David is responsible for providing current accounts, savings and mortgages products to our customers as well as the channels to interact with us digitally. David also leads our Brand and Marketing and Customer Analytics functions.

***Ian Walters – Managing Director, Distribution***

Ian is responsible for our front-line teams serving retail, business, private and commercial customers. This includes our stores and relationship teams who are focused on delivering great customer service.

***Chit Ghee Yeoh – Chief Internal Auditor***

Chit Ghee is responsible for providing assurance to ensure that we operate in a safe and sustainable way.

### **3 The Board and Corporate Governance**

The New Group recognises the importance of, and is committed to, high standards of corporate governance. The following paragraphs explain how Metro Bank has applied the main and supporting principles set out in the Corporate Governance Code and the Company's intention to adopt the same corporate governance approach as Metro Bank.

#### **3.1 Compliance with Corporate Governance Requirements**

During Metro Bank's financial year ended 31 December 2022, the Company was in compliance with the Corporate Governance Code, with the exception of one instance as set out below, as described on page 101 of the 2022 Annual Report, which is incorporated by reference into this Prospectus as set out in Part XVI (*Information Incorporated by Reference*).

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<sup>4</sup> Appointment remains subject to regulatory approval.

The Corporate Governance Code requires that the pension contribution rates for executive directors be aligned with those available to colleagues. The pension contribution rate for the former Metro Bank chief financial officer (who was an executive director) was 10% of base salary. The former Metro Bank chief financial officer resigned on 15 February 2022. Per Metro Bank's Remuneration Policy, the contribution of the current Metro Bank chief financial officer (who is an executive director) is now aligned with those available to colleagues, which is currently at a rate of 8% of base salary. Accordingly, following the change in the chief financial officer, Metro Bank now fully complies with the Corporate Governance Code.

The Company intends to adopt the same approach as Metro Bank to applying the same principles and complying with the relevant provisions of the Corporate Governance Code in order to be in a position to fully comply with the code's principles and provisions on Admission.

### **3.2 Board Committees**

The Metro Bank Board has established a number of committees, whose terms of reference are documented formally and updated as necessary. If the need should arise, the Metro Bank Board may set up additional committees as appropriate.

#### *(A) Audit Committee*

Information concerning the Audit Committee is set out in the Audit Committee report on pages 124 – 129 of the 2022 Annual Report and Accounts (which is incorporated into this Part X (*Directors, Senior Managers, Corporate Governance and Remuneration*) as set out in Part XVI (*Information Incorporated by Reference*)).

#### *(B) Risk Oversight Committee*

Information concerning the Risk Oversight Committee is set out in the Risk Oversight Committee report on pages 130 – 133 of the 2022 Annual Report and Accounts (which is incorporated into this Part X (*Directors, Senior Managers, Corporate Governance and Remuneration*) as set out in Part XVI (*Information Incorporated by Reference*)).

#### *(C) Nomination Committee*

Information concerning the Nomination Committee is set out in the Nomination Committee report on pages 134 – 137 of the 2022 Annual Report and Accounts (which is incorporated into this Part X (*Directors, Senior Managers, Corporate Governance and Remuneration*) as set out in Part XVI (*Information Incorporated by Reference*)).

#### *(D) People and Remuneration Committee*

On 6 October 2022, the Remuneration Committee approved changes to its Terms of Reference to include additional duties and to change the name of the Remuneration Committee to the People and Remuneration Committee. These changes were approved by the Metro Bank Board on 18 October 2022.

The changes to the remit of the People and Remuneration Committee include a report from the Designated Non-Executive Director for Colleague Engagement to cover feedback received from colleagues on remuneration matters, and reviewing the population of in-scope colleagues under the Senior Managers and Certification Regime for their individual development and succession plans. The People and Remuneration Committee will also have oversight of the Metro Bank Group's diversity and inclusion strategy.

Information concerning the previous Remuneration Committee is set out in the People and Remuneration Committee report, Remuneration at a glance, People and Remuneration Committee governance and Annual Report on remuneration sections on pages 138 – 165 of the 2022 Annual Report and Accounts (which is incorporated into this Part X (*Directors, Senior Managers, Corporate Governance and Remuneration*) as set out in Part XVI (*Information Incorporated by Reference*)).

## **4 Remuneration and Pension Benefits**

Details regarding remuneration of Directors are set out in Section 12 of Part XV (*Additional Information*).

## **PART XI**

### **HISTORICAL FINANCIAL INFORMATION**

The audited consolidated financial statements for the Metro Bank Group for the financial years ended 31 December 2020, 2021 and 2022, prepared in accordance with IFRS, together with the audit reports and notes in respect of each such year, as set out in the 2020 Annual Report and Accounts, the 2021 Annual Report and Accounts and the 2022 Annual Report and Accounts, respectively, are incorporated by reference into this Part XI (*Historical Financial Information*), as described in Part XVI (*Information Incorporated by Reference*).

The consolidated financial statements contained in the 2020 Annual Report and Accounts, the 2021 Annual Report and Accounts and the 2022 Annual Report and Accounts were audited by PricewaterhouseCoopers LLP and the audit report for each such financial year was unqualified. PricewaterhouseCoopers LLP is a firm of chartered accountants registered with the Institute of Chartered Accountants in England and Wales and has no material interest in the Company or the Metro Bank Group.

## PART XII

### OPERATING AND FINANCIAL REVIEW

The following discussion of the New Group's financial condition and results of operations should be read in conjunction with the financial information on the Metro Bank Group and the notes related thereto set out in Part XI (*Historical Financial Information*). The financial information included in this Part XII (*Operating and Financial Review*) has been extracted without material adjustment from the financial information referred to in Part XI (*Historical Financial Information*) which has been incorporated into this Prospectus by reference. The financial information referred to in this Part XII (*Operating and Financial Review*) has been prepared in accordance with IFRS.

The following discussion of the Metro Bank Group's results of operations and financial condition contains forward-looking statements. Metro Bank Group's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly in the sections entitled "*Risk Factors*" and "*Important Information – Cautionary Note Regarding Forward-Looking Statements*".

The tables below set out the sections of the 2022 Annual Report and Accounts, the 2021 Annual Report and Accounts and the 2020 Annual Report and Accounts which contain information in respect of the Metro Bank Group's operating and financial review and which are incorporated by reference into, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for recipients of this Prospectus or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Prospectus. In the event of any inconsistencies between any information incorporated by reference, and the information contained in this Prospectus, the information contained in this Prospectus will take precedence and supersede any information incorporated by reference into this Prospectus.

#### The Metro Bank Group's operating and financial review for the year ended 31 December 2022

<u>Reference document</u>	<u>Information incorporated by reference into this Prospectus</u>	<u>Page number in reference document</u>
<b>2022 Annual Report and Accounts</b> .....	All text and tables under the heading " <i>Key performance indicators</i> "	20-21
	All text and tables under the heading " <i>Operating environment</i> "	8-9
	All text and tables under the heading " <i>Strategic priorities</i> "	19
	All text and tables under the heading " <i>Financial review</i> "	22-27
	All text and tables under the heading " <i>Risk report</i> "	54-97
	All text and tables under the heading " <i>Notes to the financial statements</i> "	185-234

The 2022 Annual Report and Accounts can be accessed at <https://www.metrobankonline.co.uk/investor-relations/>

## Metro Bank Group’s operating and financial review for the year ended 31 December 2021

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
<b>2021 Annual Report and Accounts</b> .....	All text and tables under the heading “ <i>Key performance indicators</i> ”	14–15
	All text and tables under the heading “ <i>External Market Review</i> ”	16–19
	All text and tables under the heading “ <i>Strategic Priorities</i> ”	20–21
	All text and tables under the heading “ <i>Financial Review</i> ”	22–25
	All text and tables under the heading “ <i>Risk Report</i> ”	52–91
	All text and tables under the heading “ <i>Notes to the Financial Statements</i> ”	166–218

The 2021 Annual Report and Accounts can be accessed at <https://www.metrobankonline.co.uk/investor-relations/>

## The Metro Bank Group’s operating and financial review for the year ended 31 December 2020

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
<b>2020 Annual Report and Accounts</b> .....	All text and tables under the heading “ <i>Key performance indicators</i> ”	14–15
	All text and tables under the heading “ <i>Strategic Priorities</i> ”	16–17
	All text and tables under the heading “ <i>External Market Review</i> ”	18–20
	All text and tables under the heading “ <i>Financial Review</i> ”	21–24
	All text and tables under the heading “ <i>Risk Report</i> ”	25–55
	All text and tables under the heading “ <i>Notes to the Financial Statements</i> ”	171–227

The 2020 Annual Report and Accounts can be accessed at <https://www.metrobankonline.co.uk/investor-relations/>



## PART XIII

### CAPITALISATION AND INDEBTEDNESS

The following table sets out the Metro Bank Group's capitalisation as at 31 December 2022.

	<b>As at 31 December 2022</b>
	<i>(audited)</i> <i>(£ million)</i>
Share capital.....	0
Share premium.....	1,964
Legal reserve(s).....	n/a
Other reserves .....	7
<b>Total capitalisation.....</b>	<b>1,971</b>

The capitalisation information has been extracted without adjustment from the Metro Bank Group's financial information included in Part XI (*Historical Financial Information*) as at 31 December 2022. There has been no material change in the Metro Bank Group's capitalisation since 31 December 2022.

The following table sets out the Metro Bank Group's indebtedness as at 31 December 2022.

	<b>As at 31 December 2022</b>
	<i>(audited)</i> <i>(£ million)</i>
<b>Current financial debt (including current portion of non-current debt)</b> .....	<b>260</b>
Guaranteed .....	n/a
Secured .....	238
Unguaranteed and unsecured (including financial leases) .....	23
<b>Non-current financial debt (excluding current portion of non-current debt)</b> .....	<b>4,597</b>
Guaranteed .....	n/a
Secured .....	3,800
Unguaranteed and unsecured (including financial leases) .....	797
<b>Net financial indebtedness</b>	
A. Cash .....	1,956
B. Cash equivalents .....	n/a
C. Other current financial assets .....	5,914
<b>D. Liquidity (A+B+C)</b> .....	<b>7,870</b>
<b>E. Current portion of financial receivables</b>	
F. Current bank debt .....	n/a
G. Current portion of non-current debt .....	n/a
H. Current other financial debt .....	260
<b>I. Current financial debt (F+G+H)</b> .....	<b>260</b>
<b>J. Net current financial debt (I-E-D)</b> .....	<b>(7,610)</b>
K. Non-current bank debt .....	n/a
L. Bonds issued .....	571
M. Non-current other financial debt .....	4,025
<b>N. Non-current financial debt (K+L+M)</b> .....	<b>4,596</b>
<b>O. Net financial debt excluding impact of debt derivatives qualifying as hedges (J+N)</b> .....	<b>(3,013)</b>
P. Debt derivatives qualifying as hedges and other derivatives .....	18
<b>Q. Net financial debt including impact of debt derivatives qualifying as hedges (O+P)</b> .....	<b>(2,996)</b>

## PART XIV

### TAXATION

#### 1 UK Taxation

The comments set out below are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs published practice (which may not be binding on HM Revenue & Customs), in each case as at the Latest Practicable Date before the date of this Prospectus, and both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to holders of Old MB Shares and of New MB Shares resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold shares in the Company as an investment and who are, or are treated as, the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the shares. Certain categories of shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefiting from certain reliefs or exemptions, those connected with the Company or Group and those for whom the shares are employment-related securities may be subject to special rules and this summary does not apply to such shareholders.

Holders or prospective holders of Old MB Shares or New MB Shares who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately. In particular, holders of Old MB Shares and New MB Shares should be aware that the tax legislation of any jurisdiction where such holder is resident or otherwise subject to taxation may have an impact on the tax consequences of an investment in Old MB Shares or New MB Shares including in respect of any income received from those shares.

#### *UK Taxation Consequences of the Cancellation of Old MB Shares and the Issue of the New MB Shares*

For the purposes of UK capital gains tax and corporation tax on chargeable gains, the cancellation of the Old MB Shares and the issue of New MB Shares should be treated as a reorganisation of share capital. UK resident MB Shareholders who do not hold (either alone or together with connected persons) more than five per cent. (5%) of, or of any class of, shares in or debentures of Metro Bank should not be treated as making a disposal, for the purposes of UK tax on chargeable gains, as a result of the cancellation of their Old MB Shares and the issue to them of the New MB Shares. Instead, the New MB Shares issued to an MB Shareholder should be treated as the same asset, and as having been acquired at the same time and for the same consideration, as their Old MB Shares from which they are derived.

#### *Taxation of Dividends on New MB Shares*

The Company will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend (whether the payment is made to a UK resident or a non-UK resident holder of New MB Shares).

#### *Individual Shareholders*

Dividends received by a United Kingdom resident individual holder of New MB Shares from the Company will generally be subject to tax as dividend income.

The first £2,000 (the “**Dividend Allowance**”) of the total amount of dividend income (including any dividends received from the Company) received by such a holder of New MB Shares in a tax year will be taxed at a nil rate (and so no income tax will be payable in respect of such amounts).

If the total dividend income for a tax year of a United Kingdom resident individual holder of New MB Shares exceeds the Dividend Allowance (such excess being referred to as the “**Taxable Excess**”), then the Taxable Excess will be subject to tax depending on the tax rate band or bands it falls within. The relevant tax rate band is determined by reference to the shareholder’s total income charged to income tax (including the dividend income charged at a nil rate by virtue of the Dividend Allowance) less relevant reliefs and allowances (including the shareholder’s personal allowance). The Taxable Excess is, in effect, treated as the top slice of any resulting taxable income and:

- to the extent that the Taxable Excess falls below the basic rate limit, the shareholder will be subject to tax on it at the dividend basic rate of 8.75%;

- to the extent that the Taxable Excess falls above the basic rate limit but below the higher rate limit, the shareholder will be subject to tax on it at the dividend upper rate of 33.75%; and
- to the extent that the Taxable Excess falls above the higher rate limit, the shareholder will be subject to tax on it at the dividend additional rate of 39.35%.

#### *Corporate Shareholders*

Holders of New MB Shares who are within the charge to corporation tax will be subject to corporation tax on dividends paid by the Company, unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. The position of each holder of New MB Shares will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class.

#### *Non-UK Shareholders*

A holder of New MB Shares resident or otherwise subject to tax outside the United Kingdom (whether an individual or a body corporate) may be subject to foreign taxation on dividend income under local law. Holders of New MB Shares to whom this may apply should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

#### *Taxation of Capital Gains in respect of New MB Shares*

Holders of New MB Shares who are resident in the United Kingdom, or, in the case of individuals, who cease to be resident in the United Kingdom for a period of five years or less, may, depending on their circumstances (including the availability of exemptions or reliefs), be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of New MB Shares.

#### *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

*The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position. They apply to all holders of New MB Shares, including holders who are not resident or domiciled in the UK. Special rules apply to certain transactions such as transfers of shares to a company connected with the transferor and those rules are not described below. Investors should also note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.*

#### *Stamp duty and SDRT consequences of the Scheme*

No stamp duty or SDRT should be payable by MB Shareholders as a result of the cancellation of Old MB Shares pursuant to the Scheme.

No stamp duty or SDRT will arise on the issue of New MB Shares in registered form by the Company.

Special rules apply where shares in the Company are issued or transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, (including in each case within CREST to a CREST account of such a person). In such circumstances, stamp duty or SDRT may be payable at the higher rate of 1.5% of the amount or value of the consideration given or, in certain circumstances, the value of the shares. Following EU and United Kingdom case law, HMRC accepted that the 1.5% charge was in breach of EU law so far as it applied to new issues of shares or transfers that were an integral part of a capital raising, and confirmed that it will not seek to collect the 1.5% charge in these circumstances. The effect of this EU case law will continue to be recognised and followed in the United Kingdom pursuant to the provisions of the European Union (Withdrawal) Act 2018, even though the United Kingdom is no longer part of EU, and HMRC’s published practice remains that the 1.5% charge will remain disappplied in such cases.

#### *Subsequent dealings in New MB Shares*

##### *Transfers outside of Depositary Receipt Systems and Clearance Services*

An agreement to transfer New MB Shares will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

Transfers of New MB Shares will generally be subject to stamp duty at the rate of 0.5% of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty.

If a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT already paid is generally repayable, normally with interest, and any SDRT charge yet to be paid is cancelled.

#### *Transfers within CREST*

Paperless transfers of New MB Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

#### *Depository Receipt Systems and Clearance Services*

As discussed above, special rules apply where shares in the Company are issued or transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depository receipts. Following EU and United Kingdom case law, HMRC accepted that the 1.5% charge was in breach of EU law so far as it applied to new issues of shares or transfers that were an integral part of a capital raising, and confirmed that it will not seek to collect the 1.5% charge in these circumstances. As noted above, the effect of this EU case law will continue to be recognised and followed in the United Kingdom pursuant to the provisions of the European Union (Withdrawal) Act 2018, even though the United Kingdom is no longer part of the EU, and HMRC's published practice remains that the 1.5% charge will remain disappplied in such cases. However, HMRC's published view is that the 1.5% SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depository receipt system, although there are circumstances in which this may not reflect the legal position. **In view of the continuing uncertainty, specific professional advice should be sought before incurring a 1.5% stamp duty or SDRT charge in any circumstances.**

No stamp duty or SDRT is payable in respect of paperless transfers and agreements to transfer shares within clearance services or in respect of agreements to transfer interests in depository receipts, save, in the case of a clearance service, where the clearance service has made an election under section 97A(1) of the Finance Act 1986 as described below.

There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HM Revenue & Customs. In these circumstances, SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer will arise on any transfer of shares in the Company into such an account and on subsequent agreements to transfer such shares within such account.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depository receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depository receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depository receipt system.

## **2 Certain US Federal Income Tax Considerations**

The following is a summary of certain US federal income tax consequences to a US Holder (as defined below) of the Scheme as well as the ownership and disposition of New MB Shares received in the Scheme. This summary only addresses US Holders that hold their Scheme Shares prior to the Scheme, and their New MB Shares after the Scheme, as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, a US Holder that participates in the Scheme (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-US or other tax laws.

This summary also does not address tax considerations applicable to US Holders that own (directly, indirectly or by attribution) five per cent. (5%) or more of either the total voting power or the total value of the stock of: (i) Metro Bank, prior to the Scheme; or (ii) the Company, following the Scheme, nor does this



summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws, such as:

- financial institutions;
- insurance companies;
- individual retirement accounts and other tax-deferred accounts;
- tax-exempt organisations;
- dealers in securities or currencies;
- investors that hold Scheme Shares or New MB Shares, as applicable, as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes;
- persons that have ceased to be US citizens or lawful permanent residents of the United States;
- investors that hold Scheme Shares or New MB Shares, as applicable, in connection with a trade or business conducted outside of the United States;
- US citizens or lawful permanent residents living abroad; or
- investors whose functional currency is not the US dollar.

As used herein, the term “**US Holder**” means a beneficial owner of Scheme Shares or New MB Shares, as applicable, that is, for US federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Scheme Shares or New MB Shares, as applicable, will depend on the status of the partner and the activities of the partnership. Participants in the Scheme that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and their partners of the Scheme and the ownership and disposition of New MB Shares by the partnership.

Except as otherwise noted, the summary assumes that Metro Bank should not be treated as, and the Company does not expect to become following the Scheme, a passive foreign investment company (a “**PFIC**”) for US federal income tax purposes, but the Company’s possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL US HOLDERS OF SCHEME SHARES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE SCHEME, AND ALL US HOLDERS OF NEW MB SHARES ACQUIRED PURSUANT TO THE SCHEME SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING AND DISPOSING OF NEW MB SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

## **2.1 *Certain US Federal Income Tax Considerations of the Scheme***

For US federal income tax purposes, the Scheme is expected to qualify as a transaction described in Section 351(a) of the Internal Revenue Code (the “**Code**”). In addition, the Scheme may also qualify as a reorganisation within the meaning of Section 368(a) of the Code. However, no opinion of counsel has been obtained, and neither MB Bank nor the Company intends to seek a ruling from the Internal Revenue Service (the “**IRS**”) regarding the characterisation of the transaction for US federal income tax purposes. There can be no assurance that the IRS will not disagree with or challenge the intended

characterisation of the transaction for US federal income tax purposes. The remainder of this discussion assumes that the Scheme qualifies as a transaction described in Section 351(a) of the Code. US Holders should consult their tax advisers regarding the characterisation of the Scheme for US federal income tax purposes.

In general, a US Holder of Scheme Shares should not recognise gain or loss upon the exchange of Scheme Shares for New MB Shares pursuant to the Scheme. However, any US Holder that will own (directly, indirectly or constructively) five per cent. (5%) or more of the stock (by vote or value) of the Company immediately following the Scheme may need to enter into a gain recognition agreement in accordance with applicable US Treasury regulations in order to avoid recognising any gain realised on the exchange. US Holders that will own five per cent. (5%) or more of the stock of the Company immediately following the Scheme should consult their tax advisers regarding such requirements.

The basis of the New MB Shares received in the Scheme should be equal to the basis of the Scheme Shares exchanged therefor. The holding period of the New MB Shares received in the Scheme should include the holding period of the Scheme Shares exchanged therefor. US Holders that acquired different blocks of Scheme Shares at different times or different prices should consult their tax advisers as to the determination of their particular bases and holding periods of the New MB Shares received in the Scheme.

## **2.2 Certain US Federal Income Tax Considerations Relating to the Ownership and Disposition of New MB Shares Received in the Scheme**

### **2.2.1 Distributions**

This section is subject to further discussion under the section entitled “*Passive Foreign Investment Company Considerations*” below.

The US dollar value of distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) generally will be taxable to a US Holder as non-US source dividend income, and will not be eligible for the dividends received deduction allowed to corporations with respect to certain dividends. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder’s basis in the New MB Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to the New MB Shares will be reported as ordinary dividend income. US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company, including how to account for any distribution that is not paid in US dollars.

Dividends paid by the Company generally will be taxable to a non-corporate US Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the income tax treaty between the United States and the United Kingdom (the “**Treaty**”) and certain other requirements are met. The Company currently expects to be eligible for the benefits of the Treaty, but no assurances can be made in this regard because, among other things, such eligibility will depend on the amount of trading in the New MB Shares on the London Stock Exchange in the future, which the Company is not able to predict. A US Holder will not be able to claim the reduced rate on dividends received from the Company if the Company is treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year.

### **2.2.2 Sale or other Disposition**

This section is subject to further discussion under the section entitled “*Passive Foreign Investment Company Considerations*” below.

Upon a sale or other disposition of the New MB Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder’s adjusted tax basis in the New MB Shares, in each case as determined in US dollars. US Holders should consult their own tax advisers about how to account for proceeds received on a sale or other disposition of

the New MB Shares that are not paid in US dollars. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the New MB Shares exceeds one year. Any gain or loss generally will be US source.

### 2.2.3 Passive Foreign Investment Company Considerations

A non-US corporation will be a passive foreign investment company ("PFIC") in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either: (i) at least 75 per cent. (75%) of its gross income is "passive income"; or (ii) at least 50 per cent. (50%) of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For these purposes, "passive income" generally includes interest, dividends, rents, royalties and gains from non-dealer securities transactions. In general, cash is a passive asset for these purposes. However, under certain proposed US Treasury regulations, the gross income derived from the active conduct of certain banking activities is treated as non-passive income.

We do not expect to be a PFIC for our current taxable year. This is based on the proposed US Treasury regulations described above, on estimates of our income and assets and expectations of active banking activity. However, because the proposed US Treasury regulations may not be finalised in their current form, the application of the proposed regulations to our circumstances is not entirely clear. Our possible status as a PFIC must be determined annually and, as the composition of our income and assets will vary over time, there can be no assurance that we will not be a PFIC for any year in which a US Holder holds New MB Shares.

If we are a PFIC in any year during which a US Holder holds New MB Shares, the US Holder will generally be subject to special rules (regardless of whether we continue to be a PFIC) with respect to: (i) any "excess distribution" (generally, any distribution during a taxable year in which distributions received by the US Holder on New MB Shares are greater than 125 per cent. (125%) of the average annual distributions received by the US Holder in the three preceding taxable years or, if shorter, the US Holder's holding period for the New MB Shares); and (ii) any gain realised on the sale or other disposition of the New MB Shares. Under these rules (a) the excess distribution or gain will be allocated rateably over the US Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. If we are a PFIC for any taxable year during which a US Holder holds New MB Shares, we would generally continue to be treated as a PFIC with respect to such US Holder for all succeeding years during which such holder owns such New MB Shares, even if we cease to meet the threshold requirements for PFIC status.

If we are a PFIC in a taxable year and the New MB Shares are treated as "marketable stock" in such year, a US Holder may make a mark-to-market election with respect to its New MB Shares. A US Holder that makes such election will not be subject to the PFIC rules described above. Instead, in general, such US Holder will include as ordinary income each year the excess, if any, of the fair market value of the New MB Shares at the end of the taxable year over the US Holder's adjusted basis in the New MB Shares. Such US Holder will also be allowed to take an ordinary loss in respect of the excess, if any, of such holder's adjusted basis in the New MB Shares over the fair market value of such New MB Shares at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The US Holder's basis in the New MB Shares will be adjusted to reflect any such income or loss amounts. Any gain that is recognised on the sale or other taxable disposition of New MB Shares would be ordinary income and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss. Because a mark-to-market election cannot be made for equity interests in any of our lower-tier PFICs, a US Holder would continue to be subject to the excess distribution rules (and corresponding basis adjustments, as discussed above) with respect to any of our subsidiaries that are PFICs, any distributions received by us from a subsidiary that is a PFIC, and any gain recognised by us upon a sale of New MB Shares of a subsidiary that is a PFIC, even if a mark-to-market election has been made by the US Holder

with respect to its New MB Shares. The interaction of the mark-to-market rules and the rules governing lower-tier PFICs is complex and uncertain, and US Holders should therefore consult their own tax advisers regarding the application of such rules to their ownership of the New MB Shares.

In some cases, a shareholder of a PFIC may be subject to alternative treatment by making a qualified electing fund (“**QEF**”) election to be taxed currently on its share of the PFIC’s undistributed income. To make a QEF election, we must provide US Holders with certain information compiled according to US federal income tax principles. We currently do not intend to provide such information for US Holders, and therefore it is expected that this election will be unavailable.

A US Holder who owns, or who is treated as owning, PFIC stock during any taxable year in which we are classified as a PFIC may be required to file IRS Form 8621. Prospective purchasers should consult their tax advisers regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

#### **2.2.4 Backup Withholding and Information Reporting**

Payments of dividends on, and proceeds from the sale or other taxable disposition of, the New MB Shares by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of the New MB Shares, including requirements related to the holding of certain “specified foreign financial assets”.

#### **2.2.5 FATCA Withholding**

Pursuant to certain provisions of US Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**Foreign Passthru Payments**”) to persons that fail to meet certain certification, reporting or related requirements. We are a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the New MB Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the New MB Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the New MB Shares, under proposed US Treasury regulations, such withholding would not apply prior to the date that is two years after the date on which final regulations defining Foreign Passthru Payments are published in the US Federal Register. In the preamble to the proposed regulations, the US Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the New MB Shares. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on New MB Shares, no person will be required to pay additional amounts as a result of the withholding.

## PART XV

### ADDITIONAL INFORMATION

#### 1 Responsibility

The Company and the Directors, whose names are set out in Part X (*Directors, Senior Managers, Corporate Governance and Remuneration*), accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

#### 2 Incorporation and Registered Office

- 2.1 The Company was incorporated and registered in England and Wales under the Companies Act on 29 September 2022, with the registered number 14387040, as a public limited company under the name MB GROUP TOPCO PLC and changed its name to METRO BANK HOLDINGS PLC on 12 December 2022. The legal entity identifier of the Company is 984500CDDEAD6C2EDQ64. The principal law and legislation under which the Company operates is the Companies Act and regulations made thereunder.
- 2.2 The Company's registered office and principal place of business is at One Southampton Row, London WC1B 5HA, United Kingdom (telephone number: +44 (0)345 08 08 500).
- 2.3 The Company was approved by the PRA as a holding company of the Metro Bank Group on 28 February 2023.

#### 3 Share Capital History of the Company

##### 3.1 *Share Capital on Incorporation*

On incorporation, the issued share capital of the Company was fifty thousand and two pounds Sterling (£50,002).

As at the Latest Practicable Date, the Company has no shareholders other than Robert Sharpe and Daniel Frumkin, who each hold one (1) Ordinary Subscriber Share of £1.00 each, fully paid, and twenty-five thousand (25,000) part-paid Redeemable Preference Subscriber Shares of £1.00 each, each paid up as to twenty-five (25) pence of their nominal value.

##### 3.2 *Ordinary Subscriber Shares and Redeemable Preference Subscriber Shares*

The Ordinary Subscriber Shares are ordinary shares with a nominal value of £1.00 each which have attached to them full voting, dividend and capital distribution rights, including on a winding up, without any right of redemption.

The Redeemable Preference Subscriber Shares are redeemable preference shares with a nominal value of £1.00 each which do not carry a right to receive notice, attend or vote at general meetings other than in certain limited circumstances and are redeemable by the Company at any time specified by the holders of such shares or by the Directors. The Redeemable Preference Subscriber Shares carry the right to be paid out of the profits of the Company available for distribution and resolved to be distributed, in priority to any payment of dividend to the holders of any other class of shares, the amount of £0.0001 on each such share per annum for each full calendar year for which it is in issue. If there is a return of capital on winding-up or otherwise, the assets of the Company available for distribution among the members shall be applied first in repaying in full to the holders of the Redeemable Preference Subscriber Shares the amount paid up on such share. Otherwise, the Redeemable Preference Subscriber Shares have the same rights attaching to them as the other ordinary shares in the capital of the Company. It is proposed that the Redeemable Preference Subscriber Shares will be fully paid up by the Initial Shareholders and then redeemed and cancelled by the Company following the Scheme Effective Date.

##### 3.3 *Special Subscriber Shares*

To ensure that the number of New MB Shares allotted to each MB Shareholder matches the number of Old MB Shares held by each MB Shareholder immediately prior to the Scheme Effective Date, the Initial Shareholders and/or the Directors are expected to pass, prior to the MB Court Meeting, certain resolutions in order to, among other matters, authorise the Company to carry out the actions required of it in relation to the Scheme and the related proposals, including:



- (a) upon the Scheme Effective Date, the Ordinary Subscriber Shares be converted into and redesignated as special shares of £1.00 each (the “**Special Subscriber Shares**”); and
- (b) conditional on the Scheme taking effect, the Company be authorised to reduce its share capital by cancellation of the Special Subscriber Shares (subject to Court approval).

With effect from the Scheme Effective Date, the Ordinary Subscriber Shares will become Special Subscriber Shares and:

- (a) the holders of the Special Subscriber Shares shall be entitled out of the profits available for distribution and resolved to be distributed, in priority to any payment of any dividend to the holders of the ordinary shares but subordinate to the payment of any dividend to the holders of any other class of shares, to the amount of £0.01 per Special Subscriber Share per annum for each full calendar year for which such Special Subscriber Share is in issue;
- (b) if there is a return of capital on winding-up or otherwise, the holders of the Special Subscriber Shares shall be entitled in priority to the holders of the ordinary shares but subordinate to the holders of any other class of shares, to repayment of the amount paid up or credited as paid up on the Special Subscriber Shares; and
- (c) the holders of the Special Subscriber Shares shall not be entitled to receive notice of or attend and vote at any general meeting of the Company unless a resolution is to be proposed which varies, modifies, alters or abrogates any of the rights attaching to the Special Subscriber Shares.

It is proposed that the Special Subscriber Shares will be cancelled as part of the Company Reduction of Capital for their nominal value.

### **3.4 No New MB Shares in Treasury**

As at 17 March 2023 (being the Latest Practicable Date), the Company did not hold any New MB Shares in treasury. As at the Latest Practicable Date, the Company did not have any options or awards outstanding.

## **4 Information About the New MB Shares**

### **4.1 Description and Type of Securities**

The New MB Shares will be fully paid ordinary shares with a nominal value of £0.000001 each. On Admission, the New MB Shares will be registered with an ISIN of GB00BMX3W479, and SEDOL of BMX3W47. It is expected that the New MB Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol “MTRO”.

The New MB Shares have been issued under the Companies Act.

On Admission, the number of New MB Shares in issue will be equal to the number of Old MB Shares in issue at the Scheme Record Time. The New MB Shares will be freely transferable and there will be no restrictions on the transfer of New MB Shares in the United Kingdom.

All New MB Shares will rank *pari passu* in all respects, there being no conversion or exchange rights attaching to them, and all Shareholders will have equal rights to participate in capital, dividend and profit distributions by the Company, including to participate in any surplus in the event of the liquidation of the Company. On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New MB Share.

The New MB Shares will not carry any rights with respect to capital to participate in a distribution (including a winding-up) other than those that exist as a matter of law.

### **4.2 Form and Currency of the New MB Shares**

The New MB Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The registrar of the Company is Equiniti.

The New MB Shares are, and on Admission will be, denominated in pounds Sterling.

Title to the certificated New MB Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New MB Shares will be evidenced by entry in the operator register maintained by Equiniti (which will form part of the register of members of the Company).

No share certificates will be issued in respect of New MB Shares in uncertificated form. No temporary documents of title have been or will be issued in respect of the New MB Shares.

It is currently anticipated that the New MB Shares will be eligible to join CREST, the computerised, paperless system for settlement of sales and purchases of shares in the London securities market, with effect immediately upon Admission and the commencement of dealings on the London Stock Exchange.

## **5 Dividends**

The Company has not declared or paid a dividend for the financial year ended 31 December 2022. The Company does not currently have a dividend policy and does not anticipate paying a dividend in the near future. Under the terms of the Articles of Association, if the Company pays a dividend and such dividend (or any part of it) is unclaimed by any Shareholder(s), the entitlement of such Shareholder(s) to receive the dividend will lapse after 12 years from the date on which it is declared or becomes due for payment.

## **6 Articles of Association**

The Articles have been adopted with effect from the incorporation of the Company and contain, among others, provisions to the following effect:

### **6.1 Objects**

The Company's objects are not restricted by its Articles. Accordingly, pursuant to section 31 of the Companies Act, the Company's objects are unrestricted.

### **6.2 Shares**

#### **6.2.1 Share rights**

The Company may issue shares with such rights or restrictions as determined by either the Company by ordinary resolution or, if authorised by the Company, the Directors. The Company may issue redeemable shares with such terms and conditions as the Directors may determine.

#### **6.2.2 Voting rights**

Where there is a vote on a show of hands, a Shareholder present at a meeting in person or by proxy has one vote. Where there is a poll, a Shareholder present in person or by proxy has one vote for every Share which they hold or represent. This is subject to any special rights or restrictions which are given to a class of shares and to the Articles. Unless the Directors resolve otherwise, no member shall be entitled to vote either in person or by proxy, or exercise any other right in relation to general meetings, if any call of other sum due from him to the Company in respect of that Share remains unpaid.

#### **6.2.3 Variation of rights**

Subject to the provisions of the Companies Act, all or any of the rights attached to any class of New MB Shares may from time to time be varied either with the consent in writing of the holders of not less than seventy-five per cent. (75%) in nominal value of New MB Shares of that class (excluding New MB Shares held as treasury shares) or by special resolution of the holders of those Shares.

#### **6.2.4 Transfer of New MB Shares**

The New MB Shares shall be freely transferable. Transfers of certificated shares must be effected in writing and signed by or on behalf of the transferor. The Directors may decline to register any transfer of a certificated Share, unless the conditions set out in the Articles are complied with. Transfers of uncertificated shares may be effected by means of a relevant system (i.e. CREST) unless the CREST Regulations provide otherwise.

#### **6.2.5 Restrictions where notice not complied with**

Where the Company sends out a statutory notice under section 793 of the Companies Act requiring information about interests in New MB Shares and the recipient of the notice fails to supply the information within the time specified in it, the Directors may take steps set out in the Articles, including, among others, preventing the recipient from attending or voting at a Shareholders' meeting.

### **6.2.6 *Conditions governing the manner in which annual general meetings and general meetings are called***

An annual general meeting shall be held in the six-month period following the Company's accounting reference date, at such place or places, date and time as may be decided by the Directors. The Directors may, whenever they think fit, call a general meeting.

Notice of general meetings shall include all information required by the Companies Act and shall be given to all members entitled to receive such notices under the provisions of the Articles. The Board can specify in the notice of meeting a time by which a person must be entered on the Company's share register in order to have the right to attend or vote at the meeting. The time specified must not be more than 48 hours before the time fixed for the meeting.

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Two members present in person or by proxy shall constitute a quorum.

The Directors may decide that a general meeting shall be held at two or more locations to facilitate the administration of such meeting or may require attendees to submit to searches or put in place such arrangements or restrictions as they think fit to ensure the safety and security of attendees at a general meeting.

## **6.3 *Directors***

### **6.3.1 *General powers***

The Directors shall manage the business and affairs of the Company and may exercise all powers of the Company other than those that are required by the Companies Act or by the Articles to be exercised by the Company at a general meeting.

### **6.3.2 *Number of Directors***

The Directors shall not be less than two or more than 15 in number save that the Company may, by ordinary resolution, from time to time vary the minimum number and/or maximum number of Directors.

### **6.3.3 *Share qualification***

The Directors shall not be required to hold any shares of the Company by way of qualification.

### **6.3.4 *Directors' fees***

Directors' fees are determined by the Directors from time to time except that they may not exceed £3 million per annum in aggregate or such higher amount as may from time to time be determined by ordinary resolution of the Shareholders. Directors who hold any executive office, or who serve on any committee of the Directors, or who otherwise perform services which in the opinion of the Directors are beyond the scope of the ordinary duties of a Director, may be paid extra remuneration as the Directors may determine.

### **6.3.5 *Directors' retirement***

Each Director shall retire at the annual general meeting held in the third calendar year following the year in which the Director was elected or last re-elected by the Company, or at such earlier annual general meeting as the Directors may resolve. Any Director who retires at an annual general meeting may offer themselves for re-appointment by the Shareholders. In accordance with the Corporate Governance Code, each Director will be subject to annual re-election by Shareholders.

### **6.3.6 *Removal of a Director by resolution of Company***

The Shareholders may, by ordinary resolution of which special notice is given, remove any Director before the expiration of his period of office in accordance with the Companies Act, and elect another person in place of a Director so removed from office.

### **6.3.7 *Proceedings of the Board***

The Board can decide when and where to have meetings and how they will be conducted. If no other quorum is fixed by the Board, two Directors constitute a quorum. A Board meeting at which a quorum is present can exercise all the powers and discretions of the Board. The Board

can appoint and remove any Director as chairman or as deputy chairman. Matters will be decided by a majority vote. If votes are equal, the chairman of the meeting shall be entitled to a casting vote.

The Directors may delegate any of their powers or discretions, including those involving the payment of remuneration or the conferring of any other benefit to the Directors, to such person or committee and in such manner as they think fit.

#### **6.3.8 *Directors' interests***

In accordance with the Companies Act, the Directors have the power to authorise matters giving rise to a breach of each Director's duty to avoid a situation in which the Director has an interest that conflicts (or might conflict) with the interests of the Company. The Articles set out the process through which this authorisation can be granted, as well as an exhaustive list of generally permissible interests for which specific authorisation is not required.

The Articles also provide that Directors have no voting rights in relation to matters in which they are interested and cannot count in the quorum at a meeting to consider a resolution on such a matter. There are limited exceptions such as where the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest.

#### **6.3.9 *Restrictions on voting***

Subject to certain exceptions set out in the Articles, a Director cannot vote on, or be counted in a quorum in relation to, any resolution of the Board on any matter in which that Director has an interest and, if that Director does vote, his vote will not be counted. Subject to the Companies Act, the Shareholders may by ordinary resolution suspend or relax to any extent the provisions relating to Directors' interests or restrictions on voting.

#### **6.3.10 *Confidential information***

If a Director obtains (otherwise than through his position as a Director) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence.

#### **6.3.11 *Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money, mortgage or charge all or any part or parts of its undertaking, property and uncalled capital, and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### **6.3.12 *Directors' liabilities***

As far as the Companies Act allows this, the Company can indemnify any Director or former Director of the Company or of any associated company against any liability and can purchase and maintain insurance against any liability for any Director or former Director of the Company or of any associated company.

### **6.4 *Dividends***

The Company may, by ordinary resolution, declare final dividends to be paid to the Shareholders. However, no dividend shall be declared unless it has been recommended by the Directors and does not exceed the amount recommended by the Directors. The Directors may also pay interim dividends in amounts and on dates and periods as they think fit.

## **7 *Mandatory Takeover Bids, Squeeze Out and Sell Out Rules***

### **7.1 *Mandatory Takeover Bids***

The UK Takeover Code applies to the Company. Under the UK Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying thirty per cent. (30%) or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it would be required (except with the consent of the UK Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his or her concert parties during the previous 12 months. A similar obligation to

make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with any persons acting in concert) an interest in shares carrying between thirty per cent. (30%) and fifty per cent. (50%) of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

## **7.2 Squeeze-Out Rules**

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the New MB Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than ninety per cent. (90%) in value of the shares to which the offer relates (the "Offer Shares") and not less than ninety per cent. (90%) of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

## **7.3 Sell-Out Rules**

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Shares, and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than ninety per cent. (90%) of the New MB Shares to which the offer relates, any holder of New MB Shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Shares. The offeror is required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those New MB Shares on the terms of the offer or on such other terms as may be agreed.

## **7.4 Takeover Bids**

No public takeover bid has been made in relation to the Company during the current financial year or the last financial year.

## **7.5 Controller Provisions of the FSMA**

7.5.1 The controller provisions in the FSMA impose obligations on persons who are either proposing to become, or are already, controllers of a UK authorised firm (such as Metro Bank or any other UK authorised firm within the Metro Bank Group) to obtain PRA or FCA approval prior to acquiring or increasing control. A "controller", broadly, is any person who:

- (i) holds ten per cent. (10%) or more of the shares or voting power in the authorised firm or any parent undertaking of that authorised firm; and/or
- (ii) holds shares or voting power in the authorised firm or any parent undertaking of that authorised firm as a result of which the person is able to exercise significant influence over the management of the authorised firm.

This definition of "controller" is broad and refers to terms which themselves are subject to detailed definitions (including "voting power" and "parent undertaking").

7.5.2 Potential investors should also be aware that, for the purposes of calculating the level of holding they have in determining whether or not they will be a "controller" of Metro Bank or any other UK authorised firm within the Metro Bank Group, their shareholding in Metro Bank will be aggregated with any shares or voting power held by any person with whom they are deemed to be "acting in concert". Guidance issued by the previous three Level 3 Committees of European Financial Supervisors (the Committee of European Banking Supervisors, the Committee of European Insurance and Occupational Pensions Supervisors and the Committee of European Securities Regulators, which have now been replaced by EBA, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority respectively)



in relation to the EU Acquisitions Directive provides that persons are “acting in concert” when each of them decides to exercise his rights linked to the shares he intends to acquire in accordance with an implicit or explicit agreement made between them. Certain holdings may be disregarded under detailed provisions contained in the FSMA.

## 8 Resolutions and Authorities

### 8.1 Existing Resolutions and Authorities

Prior to the Scheme Effective Date, the Initial Shareholders and the Board will pass resolutions in order to, among other matters, authorise the Company to carry out the actions required of it in relation to the Scheme, including the approval of:

- (a) the share plan of the Company;
- (b) the Directors’ Remuneration Policy of the Company;
- (c) the appointment of auditors of the Company;
- (d) the authority for the Company’s Audit Committee to determine the auditors’ remuneration;
- (e) the authority to apply a ratio in relation to the fixed and variable components of remuneration for individuals whose remuneration is regulated by the PRA’s Remuneration Code, such that the variable component of total remuneration for such an individual does not exceed two hundred per cent. (200%) of the fixed component of the total remuneration for that individual;
- (f) the authority for the Directors to allot New MB Shares generally, up to a specified limit;
- (g) the authority for the Directors to allot New MB Shares in connection with an offer by way of a rights issue, up to a specified limit;
- (h) the authority for the Directors to disapply pre-emption rights generally, up to a specified limit;
- (i) the authority for the Directors to disapply pre-emption rights in relation to acquisitions or specified capital instruments, up to a specified limit;
- (j) the ability for the Company to call general meetings (other than annual general meetings) on not less than 14 clear days’ notice;
- (k) upon the Scheme Effective Date, the Ordinary Subscriber Shares be converted into and redesignated as special shares of £1.00 each (the “**Special Subscriber Shares**”) having the rights and being subject to the conditions described in Section 3.3 above; and
- (l) the Bonus Issue (conditional on the Scheme becoming effective) and of the Company Reduction of Capital (conditional on the Bonus Issue).

## 9 Interests of Major Shareholders

Insofar as the Metro Bank had been notified under the Disclosure Guidance and Transparency Rules, the names of the persons who, directly or indirectly, have an interest in three per cent. or more of the Metro Bank’s issued share capital, and their respective interests, as at 17 March 2023 (being the Latest Practicable Date) are as follows:

Name	Shares	
	(No.)	(%)
Spaldy Investments Limited .....	15,549,496	9.02
Spruce House Partnership .....	15,500,000	8.99
Davis Selected Advisors .....	9,191,516	5.33
683 Capital Management .....	8,977,587	5.21
Ruane, Cunniff and Goldfarb .....	5,020,755	5.15
Kernow Asset Management Limited .....	5,522,224	3.20

So far as the Metro Bank is aware, Metro Bank is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

So far as the Company is aware, immediately following Admission, the interests of those persons set out above with an interest in three per cent. or more of the Company's issued share capital (assuming that no options under the Company's Share Schemes are exercised between the date of this Prospectus and Admission becoming effective) will be as follows:

Name	Shares	
	(No.)	(%)
Spaldy Investments Limited .....	15,549,496	9.02
Spruce House Partnership .....	15,500,000	8.99
Davis Selected Advisors .....	9,191,516	5.33
683 Capital Management .....	8,977,587	5.21
Ruane, Cunniff and Goldfarb .....	5,020,755	5.15
Kernow Asset Management .....	5,522,224	3.20

## 10 Directors' and Senior Managers' Interests

### 10.1 Issued Share Capital of the Company

As at the date of this Prospectus, the Directors and Senior Managers have no interest in the share capital of the Company, other than:

- (i) Robert Sharpe (one (1) fully paid ordinary share of £1.00 and twenty-five thousand (25,000) part paid redeemable preference shares of £1.00 each paid up as to twenty-five (25) pence of their nominal value); and
- (ii) Daniel Frumkin (one (1) fully paid ordinary share of £1.00 and twenty-five thousand (25,000) part paid redeemable preference shares of £1.00 each paid up as to twenty-five (25) pence of their nominal value).

Following Admission, the interests of the Directors and Senior Managers in the share capital of the Company will be based on the number of Old MB Shares owned and the number of Old MB Shares subject to awards that will be unvested at that time, which, as at the Latest Practicable Date, is expected to be as follows.

## 10.2 Issued Metro Bank Share Capital

Set out below are the interests (all of which are beneficial) as at the Latest Practicable Date of the Directors and the Senior Managers in the share capital of Metro Bank. Upon the Scheme becoming effective, each Director and Senior Manager will receive one New MB Share for each Old MB Share held at the Scheme Effective Date.

<b>Metro Bank Directors and Senior Managers</b>	<b>Number of Old MB Shares</b>	<b>Percentage holding of Old MB Shares</b>
Robert Sharpe .....	46,000	0.03%
Daniel Frumkin .....	2,350,000	1.36%
James Hopkinson .....	168,498	0.10%
Anna (Monique) Melis .....	1,690	0.00%
Catherine Brown .....	100	0.00%
Anne Grim .....	22,500	0.01%
Ian Henderson .....	15,000	0.01%
Michael Torpey .....	20,000	0.01%
Paul Thandi .....	30,000	0.02%
Nicholas Winsor .....	150,000	0.09%
Dorita Gilinski .....	0	0.00%
Aisling Kane .....	46,218	0.03%
Carol Frost .....	0	0.00%
Chit Ghee Yeoh .....	0	0.00%
David Thomasson .....	26,707	0.02%
Ian Walters .....	6,144	0.00%
Tina Coates .....	0	0.00%
Nikki Birt .....	0	0.00%
Dominic McGuinness .....	0	0.00%
Kirsten McLeod .....	0	0.00%
Richard Saulet .....	2,479	0.00%
Faisal Hussain .....	6,262	0.00%

Note:

Assuming no options under Metro Bank's Existing MB Share Plans are exercised between the date of this Prospectus and the Scheme Effective Date. Includes Old MB Shares held under the ShareBuy Plan.

Appointment of Faisal Hussain as the Chief Information and Chief Transformation Officer remains subject to regulatory approval.

### 10.3 Awards over Old MB Shares

The following table sets out details of the options and awards over Old MB Shares held by the Directors and Senior Managers as at the Latest Practicable Date which, subject to participant consent where required, will be rolled over into, or released and exchanged for, equivalent awards of New MB Shares at the Scheme Effective Date.

Name	Number of Old MB Shares subject to awards <sup>(1)(2)</sup>
<b>Metro Bank Directors</b>	
Robert Sharpe .....	0
Daniel Frumkin.....	2,786,654
James Hopkinson.....	0
Anna (Monique) Melis.....	0
Catherine Brown.....	0
Anne Grim.....	0
Ian Henderson.....	0
Michael Torpey.....	0
Paul Thandi.....	0
Nicholas Winsor .....	0
Dorita Gilinski.....	0
<b>Metro Bank Senior Management</b>	
Aisling Kane.....	977,615
Carol Frost.....	414,476
Chit Ghee Yeoh.....	291,436
David Thomasson.....	429,589
Ian Walters.....	696,161
Tina Coates.....	254,761
Nikki Birt.....	47,017
Dominic McGuinness.....	29,395
Kirsten McLeod.....	69,639
Richard Saulet .....	55,536
Faisal Hussain.....	0

Note:

- (1) The awards include both vested and unvested awards, and the vesting of some awards is subject to meeting performance conditions.
- (2) Metro Bank froze the vesting of Share options and awards for the Executive Directors and the Executive Committee for awards granted for the 2018 and 2019 performance years, pending further analysis and the ongoing external investigations into the RWA adjustment announced on 23 January 2019. The Remuneration Committee of Metro Bank determined in January 2023 that awards for some colleagues not implicated in the regulators' conclusions no longer needed to be frozen. However, awards for one former executive director remain frozen for the time being pending the completion of other proceedings.
- (3) Appointment of Faisal Hussain as the Chief Information and Chief Transformation Officer remains subject to regulatory approval.

Save as set out above, no Director or Senior Manager has any interests in the share capital or any other securities of the Company or the New Group.

### 10.4 Save as disclosed herein, as at the date of this Prospectus, none of the Directors or the Senior Managers has at any time within the past five years:

- 10.4.1 save as disclosed in this Section 10, been a director or partner of any companies or partnerships;
- 10.4.2 had any convictions in relation to fraudulent offences (whether spent or unspent);
- 10.4.3 been adjudged bankrupt or entered into any individual voluntary arrangements;
- 10.4.4 been a director of any company at the time of or within a 12-month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company;

- 10.4.5 been partner of any partnership at the time of or within a 12-month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- 10.4.6 had his assets the subject of any receivership;
- 10.4.7 been partner of any partnership at the time of or within a 12-month period preceding any assets thereof being the subject of a receivership;
- 10.4.8 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- 10.4.9 ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.
- 10.5** Save for their capacities as persons legally and beneficially interested in Shares and save as disclosed in paragraph 10.6 below, there are:
- 10.5.1 no potential conflicts of interest between any duties to the Company of the Directors or the Senior Managers and their private interests and/or other duties; and
- 10.5.2 no arrangements or understandings with major Shareholders, members, suppliers or others, pursuant to which any Director or the Senior Managers was selected.
- 10.6** Dorita Gilinski is a shareholder-nominated Non-Executive Director, nominated by her father Jaime Gilinski Bacal, a significant shareholder of Metro Bank, through his Spaldy Investments Limited vehicle.
- 10.7** Set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this Prospectus.

<b>Name</b>	<b>Current directorships/partnerships</b>	<b>Past directorships/partnerships</b>
Robert Sharpe .....	Hampshire Trust Bank plc Pollen Street PLC	Aspinall Financial Services Limited <sup>(1)</sup> Bank of Ireland (UK) plc Honeycomb Investment Trust plc Al Rayan Bank plc
Daniel Frumkin .....	RDM Factors Limited SME Asset Finance Limited SME Invoice Finance Limited	N/A
James Hopkinson .....	N/A	Clearbank Limited
Anna (Monique) Melis	90 TBR Management Limited Fifth Avenue Participations Sarl Kiesoffice Sarl Elchfield Sarl KROLL Advisory Ltd KROLL (Luxembourg) Management Company Sarl The Bank of London	N/A
Catherine Brown .....	FNZ (UK) Ltd FNZ TA Services Limited FNZ AMI Ltd FNZ Securities Ltd QBE Underwriting Limited QBE UK Limited Additive Flow Ltd The Plastic Economy Ltd Cancer Research UK	Blue Cross
Anne Grim .....	Insight Investment Funds Management Limited Insight Investment International	Opportunity International United Kingdom FIL Holdings (UK) Limited



Name	Current directorships/partnerships	Past directorships/partnerships
	Limited Insight Investment Management (Global) Limited Insight Investment Management Limited CXpertin Ltd Openwork Holdings Limited <sup>(2)</sup> Openwork Limited <sup>(3)</sup> Plus500	
Ian Henderson.....	Kyckr UK Limited Kyckr Ireland Limited IAH (NED) Ltd GB Bank Limited	N/A
Michael Torpey.....	Studio Retail Limited Studio Retail Group plc Shelbourne Bidco Limited BIAM Holdings Unlimited Company Howth Yacht Club clg	N/A
Paul Thandi.....	West Midlands Growth Company Limited Bowel Cancer UK True North Associates Ltd British Allied Trades Federation NEC Group Ltd NEC Property (Number One) Ltd Lhtca Bidco Limited Lhtca Midco Limited Nevada Topco Limited Nevada Midco Limited Nevada Bidco Limited National Exhibition Centre Limited Multi Purpose Underscore Limited The Student Energy Group Ltd WMGC Enterprises Limited	N/A
Nicholas Winsor.....	Jersey Development Company Schroder Oriental Income Limited Y L Equity Pte Ltd Autism Jersey	N/A
Dorita Gilinski.....	JGB Financial Holding Banco GNB Paraguay	N/A
Richard Saulet.....	N/A	RDM Factors Limited SME Asset Finance Limited SME Invoice Finance Limited

(1) Robert Sharpe was previously a director of Aspinall Financial Services Limited, which was placed into creditors' voluntary liquidation in September 2022.

(2) Anne Grim's resignation from Openwork Holdings Limited will take effect on 1 April 2023.

(3) Anne Grim's resignation from Openwork Limited will take effect on 1 April 2023.

## 11 Directors' Service Agreements and Letters of Appointment

Information about the Executive Directors' contracts of employment with the Company, including the terms of those contracts and benefits upon termination of employment, and the terms of employment for Non-Executive Directors in relation to the year ended 2022 is set out on pages 147 and 159 of the 2022 Annual Report and Accounts, which is incorporated into this document by reference.

Save as mentioned above, there are no service agreements between any Director and any member of the Metro Bank Group.

Key details of the contracts of employment and/or service contracts of each Director are set out below:

<b>Director</b>	<b>Date of appointment</b>	<b>Notice period</b>
Daniel Frumkin .....	1 January 2020	12 months
Robert Sharpe.....	1 November 2020	One month
James Hopkinson.....	5 September 2022	12 months
Catherine Brown .....	1 October 2018	Three months
Anna (Monique) Melis.....	20 June 2017	Three months
Paul Thandi .....	1 January 2019	Three months
Anne Grim.....	20 April 2020	Three months
Ian Henderson .....	20 April 2020	Three months
Michael Torpey.....	1 September 2019	Three months
Nicholas Winsor .....	20 April 2020	Three months
Dorita Gilinski.....	26 September 2022	Three months

Any proposals for the early termination of the service contracts of Executive Directors are considered by the Nomination Committee taking into account contractual terms and the principles of mitigation.

The Non-Executive Directors have letters of appointment reflecting their responsibilities and commitments, pursuant to which they are currently appointed for a three-year term which may be renewed subject to their re-election by shareholders at annual general meetings.

## 12 Directors' and Senior Managers' Remuneration

### 12.1 Directors' Remuneration for 2022<sup>(1)</sup>

Executive Director	Basic salary (£)	Taxable benefits <sup>(2)</sup> (£)	Pension (£)	Other <sup>(3)</sup> (£)	Total fixed remuneration (£)	Annual variable pay rewarded in retained shares <sup>(4)</sup> (£)	Annual variable pay awarded in deferred shares <sup>(5)</sup> (£)	Total variable remuneration <sup>(6)</sup> (£)	Total remuneration (£)
Daniel Frumkin .....	762,200	1,039	60,975	947	825,161	360,800	90,200	451,000	1,276,161
James Hopkinson <sup>(7)</sup> ...	162,879	173	10,000	216	173,268	43,600	10,900	54,500	227,768

Note:

- (1) The information included in this table is reflected in the 2022 Annual Report and Accounts, which provides additional background information regarding the remuneration outcomes.
- (2) Taxable benefits include private medical insurance.
- (3) This is made up of non-taxable benefits provided to the Executive Directors and includes life assurance.
- (4) Delivered in retained shares that vest immediately and are subject to a 12-month retention period.
- (5) Delivered under the Deferred Variable Reward Plan as deferred shares, subject to continued service.
- (6) No cash bonus was awarded for the 2022 performance year.
- (7) James Hopkinson joined Metro Bank on 5 September 2022.
- (8) Daniel Frumkin's and James Hopkinson's salaries as at 15 March 2023 are £769,600 and £500,000.

<b>Director</b>	<b>Total fees (£)</b>
<b>Chair</b>	
Robert Sharpe.....	350,000
<b>Non-Executive Directors</b>	
Catherine Brown .....	96,875
Dorita Gilinski <sup>(1)</sup> .....	—
Anne Grim .....	68,125
Ian Henderson .....	94,375
Anna (Monique) Melis .....	103,125
Paul Thandi .....	73,125
Michael Torpey <sup>(2)</sup> .....	94,375
Nicholas Winsor.....	84,441

Note:

- (1) Dorita Gilinski joined Metro Bank on 26 September 2022. Dorita has waived her entitlement to a fee.

- (2) Michael Torpey was also reimbursed expenses of £4,677 in respect of his NED duties including travelling from overseas to attend Board and committee meetings. Although these expenses are necessary and reasonable, under HMRC rules these are deemed taxable in the UK. Metro Bank therefore paid the tax on these expenses, which amounted to £3,455.

## **12.2 Total Remuneration for the Directors and Senior Managers**

The Non-Executive Directors did not receive any bonus payments or benefits for the year ended 31 December 2022.

In the year ended 31 December 2022, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) by members of the Metro Bank Group to the Directors and the Senior Managers was approximately £3,900,983 and £6,061,744 respectively.

David Arden stepped down from the role of CFO on 15 February 2022. He continued to receive his normal salary and contractual benefits in accordance with his service contract and the Remuneration Policy (£405,000 in monthly instalments in-lieu of his 12-month notice period and £15,575.93 in lieu of accrued but untaken holiday). His termination agreement also included a total annual variable reward of £258,188 in deferred and retained share awards.

No Director received compensation for loss of office. However, David Arden, a former Executive Director, received payments in lieu of notice, in line with his contract of employment. The amount paid in 2022 was £303,750.

## **12.3 Pension Entitlements**

In the year ended 31 December 2022, no amount was set aside or accrued by the Metro Bank Group to provide pension, retirement or similar benefits to the Directors and the Senior Managers.

Non-Executive Directors are not provided retirement benefits by the Metro Bank Group.

## **13 Overview of Remuneration Policy**

On 18 May 2021, Metro Bank obtained approval from its shareholders for its Directors' Remuneration Policy. This replaced the previous remuneration policy approved at the 2020 AGM. As a newly incorporated company listed on the London Stock Exchange, the Company is required to obtain shareholder approval of its directors' remuneration policy under section 439A of the Companies Act at its first annual general meeting following Admission. However, until that time, it is the intention of the Company's Board that it will, when determining the remuneration of the Directors, take into account the Metro Bank directors' Remuneration Policy as last approved by the MB Shareholders, and the Company's Board has adopted a new Directors' Remuneration Policy reflecting this approach.

The key components of the new Directors' Remuneration Policy for the Company are set out below.

### **13.1 Components of Remuneration for Executive Directors**

#### *Base salary*

The purpose of the base salary is to attract and retain the right calibre of employees, with the required level of skills, experience and cultural alignment to the Company.

Base salaries for executive directors are reviewed annually by the Company's Remuneration Committee. Increases for executive directors (in percentage terms) will normally be in line with increases awarded to other employees, but there may be instances where a higher amount is agreed at the discretion of the Company's Remuneration Committee, for example, where there has been a clear increase in the scope of role or change in responsibilities. When determining base salary levels, the Remuneration Committee considers factors including, but not limited to, company performance, individual performance and the external market.

There are no performance measures related specifically to base salary.

#### *Pension*

Executive directors are automatically enrolled into Metro Bank's Group Personal Pension Plan upon joining the Company. The current maximum employer contribution (including cash in lieu) for executive directors is 8% of base salary. Executive directors will have their pension contributions set at a level aligned with or less than that available to the majority of the wider workforce.

The Company does not offer any discretionary pension benefits.

There are no performance measures related specifically to pension contributions.

#### *Benefits*

The Company offers additional core benefits to support the health, wellbeing and security of executive directors, including life assurance of four times their salaries, private medical insurance coverage for the executive director, their partner and children, and health screening checks for executive directors.

Additional benefits may be provided in certain circumstances, including, but not limited to, relocation. Executive directors also have access to additional opt-in benefits which are available to the wider employee population, including participation in the ShareBuy Plan (as set out in further detail in Section 14 below).

There are no performance measures specifically related to benefits.

#### *Annual bonus*

The maximum annual bonus opportunity for executive directors is 100% of base salary for a financial year (50% of maximum for target performance). The amount of annual bonus is determined based on the achievement of performance metrics (balanced corporate scorecard and individual performance targets). The Company's Remuneration Committee uses the scorecard to assess the overall performance of the business and may, on a discretionary basis, make a holistic assessment of the outcome. It has discretion to reduce the annual bonus if it is not supported by underlying financial performance.

The choice of performance measures is reviewed by the Company's Remuneration Committee each financial year, with threshold, target and stretch levels of performance set for each measure. By way of background, the performance measures for the 2022 performance year comprised: (i) financial measures (underlying loss before tax, statutory cost: income ratio, capital including MREL) weighted 60%; (ii) risk and regulatory measures weighted 20% (where the Remuneration Committee will refer to a discretionary assessment of risk management over the performance period based on qualitative and quantitative inputs against a number of risk factors); (iii) customer measures (net promoter scores, expressions of dissatisfaction) weighted 10%; and (iv) colleague measures (engagement, diversity) weighted 10%.

At least 60% of the total variable remuneration (comprising annual bonus and Long Term Incentive Plan grants) will be deferred with a vesting period of at least three years, increasing to up to seven years where required by regulation. As part of this deferral, the annual bonus is deferred in shares under the Deferred Variable Reward Plan. In addition, a holding period of at least 12 months applies to any shares vesting under the Deferred Variable Reward Plan or the Long Term Incentive Plan.

Malus and clawback will apply to awards granted under the Deferred Variable Reward Plan (as set out in further detail in Section 14 below).

#### *Long-term incentive*

Executive directors will be considered for awards under the Long Term Incentive Plan (in the form of shares delivered as nil-cost options or conditional awards). The maximum Long Term Incentive Plan opportunity is 100% of salary for a financial year. Generally, awards will have a three year performance period with performance assessed on the third anniversary of grant. The combined vesting and holding periods will on average, in aggregate be at least five years and longer where required by regulation.

Vesting is measured against the following performance targets: (i) Relative Total Shareholder Return (weighted 40%); (ii) Return on Tangible Equity (weighted 40%); and (iii) risk and regulatory factors (weighted 20%), where the Remuneration Committee will refer to a discretionary assessment of risk management over the performance period based on qualitative and quantitative inputs against a number of risk factors. However, different performance measures and weightings may be set for future awards. Threshold vesting performance is set at 25% of maximum opportunity. Awards can take the form of cash-based awards of equivalent value to share-based awards. Share-based awards may also be settled in cash.

Malus and clawback will apply to awards granted under the Long Term Incentive Plan (as set out in further detail in Section 14 below).

#### *In-employment shareholding requirements*

Executive directors are subject to a minimum shareholding requirement of 200% of salary. They are expected to retain all shares vesting under the Deferred Variable Reward Plan and Long Term Incentive Plan until such time as the shareholding requirement has been met. Build up is expected over a period of five years commencing with the later of 18 May 2021 or the date the executive director joins the Company.

#### *Recruitment policy*

The remuneration package for a new executive director will be aligned with the Remuneration Policy.

#### *Termination policy*

On termination, executive directors will generally be contractually entitled to base salary, pension benefits and contractual benefits for the notice period. If the Company exercises its discretion to make a payment in lieu of notice, such payment would consist of base salary only and be paid out in instalments, subject to reduction if the executive director finds alternative employment. Benefits will continue until the last day of contractual employment and accrued but unused holiday will be paid out.

The default position is that no variable remuneration (annual bonus and Long Term Incentive Plan payments) is payable after termination. Unvested deferred share awards under the Deferred Variable Reward Plan and unvested Long Term Incentive Plan awards will also lapse on termination. In certain good leaver situations, awards under the Deferred Variable Reward Plan and the Long Term Incentive Plan will continue on the same terms and usually vest at the usual vesting dates. For Long Term Incentive Plan awards, the extent of vesting will still depend on the Remuneration Committee's discretions as to performance testing and whether time pro-rating (i.e. a reduction to reflect the portion of the performance period worked) is applied.

Executive directors will be required to maintain the lower of the in-employment shareholding requirement of 200 per cent. of salary or the level achieved at the cessation date for a period of two years post-cessation.

The notice period for termination of employment is 12 months.

### **13.2 Components of Remuneration for Non-Executive Directors**

#### *Fees*

All Non-Executive Directors receive a basic annual fee for their board duties. Additional fees are paid for added responsibilities such as chair and membership of committees, or acting as the Senior Independent Director or Designated Non-Executive Director for Workforce Engagement. Fees for the role of chair of committees are paid in addition to fees for membership. The Non-Executive Chair also receives an annual fee. All fees are paid in cash.

Basic and additional fees are reviewed annually. The review considers external market information for comparable financial services groups and companies. The maximum aggregate annual fees that can be paid to the Non-Executive Chair and Non-Executive Directors are capped at £3 million.

#### *Benefits*

Non-Executive Directors do not participate in any pension, bonus or long-term incentive arrangements or receive any other benefits. The Company will meet the reasonable expenses incurred in the normal course of business (as well as any tax arising on those expenses).

#### *Fees on recruitment*

The fee package for a new Non-Executive Director will be set in a manner consistent with the basic fee structure put in place for existing Non-Executive Directors, with reference to external market data, internal relativity among other executive and Non-Executive Directors, and the requirements of the role.



#### *Letters of appointment*

The appointment letters for the Non-Executive Directors provide for a notice period of three months, during which time they are entitled to be paid their normal fees or payment in lieu without liability for compensation. (The notice period was one month under the Metro Bank Directors' Remuneration Policy). There is no provision for any other early termination compensation and no payment for loss of office.

## **14 Share Schemes and Incentive Plans**

The common terms of the New Long Term Incentive Plan and the New Deferred Variable Reward Plan are set out below, followed by a summary of the principal terms specific to the New MB Share Plans. The new MB Share Plans are on substantially the same terms as the Existing MB Share Plans that they replace, save that:

- (i) The good leaver circumstances under the New Long Term Incentive Plan include retirement and redundancy; and
- (ii) The New ShareBuy Plan has been expanded to provide flexibility to use new issue shares in the future, should the Company decide to do so.

### **14.1 Common Terms of the New Long Term Incentive Plan and the New Deferred Variable Reward Plan**

#### *Eligibility and operation*

Employees of the New Group (including executive directors) are eligible to participate in the New Long Term Incentive Plan and the New Deferred Variable Reward Plan. The New MB Remuneration Committee and/or the Board has discretion to administer both plans.

#### *Limits on newly issued New MB Shares*

In any 10-year period, not more than 10% of the issued ordinary share capital of the Company may be issued or be issuable under the New Long Term Incentive Plan, the New Deferred Variable Reward Plan and all other share plans adopted by the Company.

#### *Malus and clawback*

In certain circumstances, the New MB Remuneration Committee and/or the Board may at any time prior to the later of the: (i) third anniversary of the date on which an award will vest; and (ii) seventh anniversary of the date on which an award was granted (or within ten years of the grant date where an investigation is under way for senior manager function roles), operate malus and clawback provisions on awards or options under the New Deferred Long Term Incentive Plan and the New Deferred Variable Reward Plan. Such circumstances are:

- (i) a material misstatement of the Company's financial results or an error in assessing any applicable performance conditions and that misstatement resulted, either directly or indirectly, in that award vesting to a greater degree (or being granted over more shares) that would otherwise have been the case;
- (ii) the Board forms the view that the participant has participated in or is responsible for conduct that has resulted in significant losses to the Company;
- (iii) the Board is of the view that a participant had failed to meet the appropriate standards of fitness and propriety;
- (iv) there is reasonable evidence of misconduct or serious error by the participant;
- (v) the Company and/or the business unit for which the participant works suffers a material downturn in its business performance;
- (vi) the Company and/or the business unit for which the participant works suffers a significant failure of risk management;
- (vii) the Company has suffered an instance of corporate failure which has resulted in:
  - the conditions for use of the stabilisation powers under the special resolution regime in accordance with Parts 1 to 3 of the Banking Act 2009 being satisfied;

- the Company entering into a compromise or arrangement in accordance with sections 1 to 7 of the Insolvency Act 1986 for the purpose of repayment or restructuring of the Company's debts; or
  - the passing of a resolution or making of an order which is sanctioned by the Court for the appointment of a liquidator or administrator.
- (viii) the Company or any Group Member suffers substantial reputational damage to its business from an event to which the participant made a material contribution as a result of their action or conduct or failure to act;
- (ix) the participant is subject to a regulatory censure in respect of a material failure in control; and
- (x) the level of the award is not, in the opinion of the Board, sustainable when assessing the overall financial viability of the Company or any Group Member.

#### *Settlement*

Awards may be satisfied with newly issued New MB Shares, treasury New MB Shares, "market purchase" New MB Shares or cash.

#### *General*

Awards are not transferable (except to personal representatives on death) and are not pensionable. Any New MB Shares issued following the vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

### **14.2 New Long Term Incentive Plan**

The New Long Term Incentive Plan was adopted by the Board of the Company on 8 March 2023 conditional on Admission. The New Long Term Incentive Plan is a discretionary share plan, under which the New MB Remuneration Committee may grant long-term incentive awards to incentivise and retain eligible employees. The key terms of the New Long Term Incentive Plan are summarised below.

#### *Form of awards*

Share-based awards under the New Long Term Incentive Plan can take the form of conditional share awards or nil-cost options. These are generally subject to performance-related conditions. In exceptional circumstances such as recruitment or retention, awards may be subject only to time and continued service conditions ("**Restricted Share Awards**"). Awards can also take the form of cash-based conditional awards.

An award granted as an option may carry a right to dividend equivalents in cash or in shares.

#### *Timing of awards*

Awards will normally only be granted within 42 days of: (i) the New Long Term Incentive Plan being approved; (ii) the announcement of the Company's results for any period; or (iii) at other times in exceptional circumstances. No awards can be granted more than 10 years after the adoption of the plan.

#### *Plan Limits*

Awards may not be made if that would cause the number of plan shares issued or committed to be issued within the 10 years preceding the award under the New Long Term Incentive Plan or any other employee share plans adopted by the Company, together with the Metro Bank PLC Long Term Incentive Plan, the Metro Bank PLC Long Term Reward Plan and, from 18 May 2021 only, the Metro Bank PLC Deferred Variable Reward Plan, to exceed five per cent of the Company's issued ordinary share capital at that time.

#### *Individual limits*

During a financial year, the aggregate market value of New MB Shares over which awards or options may be granted to an employee must not exceed 100% of their salary.

#### *Vesting of awards*

Awards under the New Long Term Incentive Plan will typically vest on the third anniversary of grant, and in the case of performance shares awards, subject to the achievement of the performance conditions. The New MB Remuneration Committee will determine the extent to which the awards will vest, taking into account the extent that the performance conditions have been satisfied and any other factors the Board considers relevant.

New MB Shares will be issued or transferred to the participant shortly after vesting or exercise in the case of an option. A participant can exercise an option from the time it vests up to 10 years after grant. Un-exercised options will lapse thereafter.

#### *Holding period*

For executive directors and any other individual as determined by the New MB Remuneration Committee, there is a holding period for New MB Shares received on awards vesting or on the exercise of options. The holding period is 12 months from the date of vesting or such later date as required under applicable laws, or any other date as determined by the New MB Remuneration Committee.

#### *Leaving employment*

Unvested awards will normally lapse immediately upon a participant ceasing to be employed by or holding office with the Metro Bank Group.

In certain good leaver circumstances, such as: (i) death; (ii) ill-health, injury or disability; (iii) redundancy; (iv) retirement; (v) the participant's employer ceasing to be a member of the group; and (vi) any other circumstances determined by the New MB Remuneration Committee, unvested awards will not lapse and shall vest on the normal vesting dates or an earlier vesting date determined by the New MB Remuneration Committee. The extent of vesting will depend on the satisfaction of the performance conditions and time pro-rating (i.e. a reduction to reflect the portion of the performance period worked), as determined by the New MB Remuneration Committee. In the case of unvested awards which are options, the options will vest and be exercisable for 12 months from departure. Unexercised options will lapse thereafter.

#### *Corporate events – takeovers and schemes of arrangement*

In the event of a change of control, scheme of arrangement under section 899 of the Companies Act in connection with a change of control, or winding-up of the Company, all awards shall vest on the date of the event. The extent of vesting will depend on the satisfaction of the performance conditions and time pro-rating, as determined by the New MB Remuneration Committee, unless it decides that the application of time pro-rating would be inappropriate. In the case of options that so vest, these will be exercisable for one month. Unexercised options will lapse thereafter.

Alternatively, awards will not vest but be automatically surrendered in consideration for the grant of new awards over the shares in an acquiring company if the New MB Remuneration Committee considers these replacement awards to be equivalent. The New Long Term Incentive Plan rules would apply *mutatis mutandis* to the replacement awards.

#### *Demergers and similar events*

In the event of a demerger, special dividend or other similar event, the New MB Remuneration Committee may in its discretion, decide to notify a participant that, subject to the any earlier lapse due to cessation of employment or holding of office, their awards will vest to the extent not already vested and/or their options may be exercised on certain terms during a set period preceding the event (after which the options will lapse). Alternatively, the New MB Remuneration Committee may adjust the number and/or exercise price of New MB Shares subject to an option or award, and/or the number of and price of New MB Shares to be transferred or allotted after an award vests or an option has been exercised.

#### *Amendments*

The New MB Remuneration Committee can amend the New Long Term Incentive Plan in any way. However, shareholder approval will be required to amend provisions relating to eligibility, individual and plan limits, the rights attaching to awards and shares, the adjustment of awards on variation in the Company's share capital and the amendment powers. Participant approval will be

required to make alterations to the disadvantage of participants. The New MB Remuneration Committee or Board may, without shareholder approval, establish further plans or sub-plans for overseas territories, governed similar rules.

### **14.3 *New Deferred Variable Reward Plan***

The New Deferred Variable Reward Plan is a discretionary share plan that was adopted by the Board of the Company on 8 March 2023, conditional on Admission, to enable employees, after Admission, to continue to defer some or all of their annual variable reward into awards or options over New MB Shares. The key terms of the New Deferred Variable Reward Plan are summarised below.

#### *Invitation to participate*

The Board may select any person to participate in the New Deferred Variable Reward Plan. Participants will receive some or all of their annual variable reward in the form of an award under the New Deferred Variable Reward Plan.

#### *Eligibility – CSOP Options*

To be granted a tax-advantaged CSOP Option under the New Deferred Variable Reward Plan, employees of the New Group must not: (i) be excluded from participation because of paragraphs 9 to 14 of Schedule 4 ITEPA (material interest provisions); or (ii) be a Director who is required to work less than 25 hours a week (excluding meal breaks) for the Company.

#### *Form of awards*

Awards can take the form of:

- rights to receive free New MB Shares on vesting;
- an option (either non-tax advantaged or tax advantaged CSOP Options) to acquire New MB Shares at a price determined by the Board at grant (which may be nil); or
- restricted shares which are issued or transferred to the participant on grant on the basis they must be given back to the extent that the award lapses before vesting.

Shortly after the amount of the participant's annual variable award is determined, the Remuneration Committee will decide the amount or percentage that will be received as an award granted under the New Deferred Variable Reward Plan.

If the award is a share award, it will be over a number of New MB Shares such that the award will have a market value equal to the portion of the bonus to be received as an award. If the award is an option, it will be over a number of New MB Shares such that the option will have a fair value which, in the opinion of the Board, would be broadly equivalent to the portion of the bonus to be received as an award. The balance of the annual variable award will be paid in cash or other forms determined by the Board.

#### *Timing of awards*

Awards will normally only be granted within 42 days of: (i) the Company's annual general meeting; (ii) the day after the announcement of the Company's results for any period; (iii) any other times in exceptional circumstances, as determined by the Board; (iv) any day on which changes to the legislation or regulations affecting share plans are announced, effected or made; or (v) the lifting of dealing restrictions which prevented the granting of awards during the periods specified in (i) to (iv). No awards can be granted more than 10 years after approval by the Company's Shareholders.

#### *Plan Limits*

Awards may not be made if that would cause the number of plan shares issued or committed to be issued within the 10 years preceding the award under the New Deferred Variable Reward Plan or any other employee share plans adopted by the Company, together with the Metro Bank PLC Long Term Incentive Plan, the Metro Bank PLC Long Term Reward Plan and, from 18 May 2021 only, the Metro Bank PLC Deferred Variable Reward Plan, to exceed five per cent of the Company's issued ordinary share capital at that time.

#### *Individual Limits – CSOP Options*

The aggregate market value of New MB Shares which an option holder would acquire on exercising the CSOP Options under the Deferred Variable Reward Plan or any other Schedule 4 ITEPA CSOP scheme established by the Company or any associated company must not exceed the amount permitted under paragraph 6(1) of Schedule 4 ITEPA (which as at 6 April 2023 will be £60,000).

#### *Vesting of awards*

Awards will normally vest, to the extent any performance condition is met, on the vesting dates set by the Board on award. Performance conditions are set by the Board at grant.

New MB Shares will be issued or transferred to the participant within thirty days after the vesting of awards or exercise in the case of an options. An option will become exercisable to the extent it vests and will lapse, at the latest, 10 years after grant.

#### *Holding period*

New MB Shares received on vesting of awards or exercise of the options will be subject to an additional holding period thereafter.

#### *Leaving employment*

An award will normally lapse if the participant leaves employment during the deferral period. In good leaver circumstances such as: (i) death; (ii) ill-health, injury or disability; (iii) redundancy; (iv) retirement; (v) the participant's employer ceasing to be a subsidiary of the Company; and (vi) any other circumstances determined by the New MB Remuneration Committee, awards will not lapse and will continue under the plan. However, the Board may in its discretion, decide that an award will lapse wholly or in part and/or impose further conditions on the vesting or exercise of the awards.

#### *Takeovers and reorganisations*

Awards will generally vest early on a takeover, merger or other corporate reorganisation. Where options vest upon the occurrence of such events, the options will be exercisable for one month or any other period set by the Board. Unexercised options will lapse thereafter.

For CSOP Options that vest early in these circumstances and as a result the New MB Shares subject to the options no longer meet the requirements of Part 4 of Schedule 4 ITEPA, the Board may decide that these options will remain exercisable for 20 days after the relevant event. Unexercised options will lapse thereafter (unless exchanged).

Alternatively to vesting, participants may be allowed or required to exchange their awards for awards over shares in the acquiring company.

CSOP Options may only be exchanged in this manner if the acquiring company:

- (i) obtains control of the Company as a result of making a general offer to acquire the whole issued ordinary share capital of the Company (other than what it or its subsidiary or holding company already owns) made on a condition such that, if satisfied the acquiring company will have control of the Company;
- (ii) obtains control of the Company under a compromise or arrangement sanctioned by the court under section 899 of the Companies Act; or
- (iii) becomes bound or entitled to acquire the New MB Shares pursuant to a "squeeze-out" under sections 979 to 982 of the Companies Act.

CSOP Options must be exchanged in accordance with paragraph 26 of Schedule 4 ITEPA within the period referred to in paragraph 26 of Schedule 4 ITEPA, with the agreement of the acquiring company and the agreement of the CSOP Option holders. CSOP Options not so exchanged, and not subject to early vesting (see above) will continue on their current terms. The replacement award must also be in respect of shares which satisfy the conditions of paragraph 27 of Schedule 4 ITEPA, in a body corporate falling within paragraph 16(b) or (c) of Schedule 4 ITEPA.



#### *Adjustments – variation of share capital*

The number, description, and/or exercise price or vesting price of the New MB Shares subject to an option or award, may be adjusted by the Board in the event of a variation in the share capital of the Company, including (but not limited to) a capitalisation issue, rights issue and demerger or other distribution.

For CSOP Options, adjustments may not be made in the above circumstances unless:

- (i) the total market value of the New MB Shares acquired by the exercise of the CSOP adjustments immediately following the adjustment, is substantially the same as the total market value of such New MB Shares immediately before the adjustment; and
- (ii) the aggregate price payable on the exercise of the CSOP Options immediately following the adjustment is substantially similar to the total price that would have been payable on exercise of the CSOP Options immediately before the adjustment.

#### *Amendments*

The Board can amend the New Deferred Variable Reward Plan in any way. However, shareholder approval will be required to amend provisions relating to eligibility, individual and plan limits, the rights attaching to awards and shares, the adjustment of awards on variation in the Company's share capital and the amendment powers. The Board may, without shareholder approval, establish further plans based on the New Deferred Variable Reward Plan.

#### **14.4 New ShareBuy Plan**

The New ShareBuy Plan was adopted by the Board of the Company on 8 March 2023, the key terms of which are summarised below. The New ShareBuy Plan is a tax-approved Share Incentive Plan (“SIP”) operated in accordance with Schedule 2 ITEPA.

##### *Eligibility and invitation to participate*

Employees of the New Group (including executive directors) are eligible to participate in the New ShareBuy Plan.

Where the Board decides to operate the New ShareBuy Plan, it must invite all employees of the New Group who: (i) are UK resident taxpayers (within the meaning of paragraph 8(2) of Schedule 2 ITEPA); and (ii) have been employed by a qualifying company throughout the qualifying period of service, which must be no more than (A) 18 months ending with the start of contributions (where there is no accumulation period), and (B) six months ending with the start of the accumulation period, where there is an accumulation period. Employees who are non-UK resident taxpayers may also be invited if they meet the qualifying period of service requirements as set out in (ii). The Board must not invite any employee who is participating in another SIP established by the Company or a connected company.

In accordance with paragraph 9 of Schedule 2 ITEPA, every employee who is invited to participate in the New ShareBuy Plan must be invited to participate on the same terms.

Upon invitation to participate, employees must submit the completed application form by the specified deadline in order to participate. The application form must satisfy the requirements of Part 6 of Schedule 2 ITEPA, and will include the notice required under paragraph 48 of Schedule 2 ITEPA.

##### *SIP employee benefit trust*

The shares subject to the New ShareBuy Plan awards are held on behalf of participants in an employee benefit trust (the “SIP Trust”) operated by Equiniti (the “SIP Trustees”).

##### *Form and grant of awards*

Awards can take the form of partnership share awards, where participants are allocated New MB Shares or any other shares in the Company as long as they meet the requirements of Part 4 of Schedule 2 ITEPA (ordinary shares that are fully paid up and are not redeemable), as well as any security which forms part of any new holding on a Company Reconstruction (the “Partnership Shares”). The allocated shares are acquired by the SIP Trust and held on behalf of the participants in the SIP Trust.

Contributions are deducted from a participant's salary for the purpose of acquiring the Partnership Shares awarded and the Board will determine the maximum level of contributions. This should not exceed: (i) the lower of 10 per cent. of the participant's salary for that tax year or £1,800 in any tax year; or (ii) any other percentage or amount set out in paragraph 46 of Schedule 2 ITEPA from time to time. The Board may also set a minimum level of contributions, which must not be more than £10. Contributions will be transferred to and held by the SIP Trust.

#### *Plan Limits*

A Share must not be issued under the Plan if the number of Shares would exceed 10 per cent of the ordinary share capital of the Company in issue, when added to the number of Shares which have been issued, or committed to be issued to satisfy options or awards under the New ShareBuy Plan, together with any other employee share plan operated by the Company in the previous 10 years; and from 4 March 2016, any other employee share plan adopted by Metro Bank PLC.

#### *Timing of awards*

Partnership Share awards may be granted at any time within the 10-year period following the New ShareBuy Plan's approval.

The perpetuity period relating to the New ShareBuy Plan is 125 years. The SIP Trustees may not award shares more than 121 years after the date of the New ShareBuy Plan rules.

#### *Performance conditions*

Awards under the New ShareBuy Plan are not subject to performance conditions.

#### *Limits*

The Board may set a limit on the number of shares which may be acquired as Partnership Shares.

#### *Settlement*

Awards may be satisfied with "market purchase" New MB Shares, newly issued New MB Shares or treasury New MB Shares.

#### *Leaving employment*

If a participant ceases to be employed (whether voluntarily or involuntarily) with the New Group, the Partnership Shares will be transferred by the SIP Trustees to the participant and cease to be subject to the New ShareBuy Plan.

If this departure of the employee is within three years of the shares being allocated to them, they will be liable to pay income tax on the market value of the shares upon withdrawal of the shares from the SIP Trust and the plan. If the employee leaves the New Group within three to five years of the shares being allocated to them, income tax will be payable on the lower of: (i) the amount of contributions used to buy the shares; and (ii) the market value of the shares when they are taken out of the plan. If the employee leaves the New Group five years after the shares were allocated to them, no income tax or national insurance contributions will be payable.

Where the employee leaves the New Group for any of the following good leaver reasons: (i) injury or disability; (ii) redundancy; (iii) a transfer to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 (S.I. 2006/246) applies; (iv) if relevant employment is employment by an associated company, by reason of a change of control or other circumstances ending that company's status as an associated company; (v) retirement; or (vi) death, there will be no income tax or national insurance contributions payable on the withdrawal of shares from the SIP Trust. In these circumstances, the timing of the employee's departure in relation to the date on which the shares were allocated would be irrelevant.

#### *Corporate events – Company Reconstruction*

In the event of a Company Reconstruction as defined under paragraph 86 of Schedule 2 ITEPA (i.e. where an offer for the Company results in a new holding being equated with the original New MB Shares for capital gains tax purposes), a participant may direct the SIP Trustees on the

appropriate action to take in relation to any right relating to the plan shares to receive other shares, securities or rights in relation to the Company Reconstruction. The SIP Trustees may not take any action without such direction.

Where the Company Reconstruction is a rights issue and the SIP Trustees exercise rights under that in respect of a participant's shares, any shares, securities or rights allotted as a result will be treated as if they were identical to the Partnership Shares subject to the New ShareBuy Plan.

Pursuant to paragraph 87 of Schedule 2 ITEPA, following a Company Reconstruction, the SIP Trustees will hold the new shares as subject to the New ShareBuy Plan, as if they were the original New MB Shares.

#### *Amendments*

The Board and the SIP Trustees may amend the New ShareBuy Plan by deed at any time. However, no amendment that would prevent the New ShareBuy Plan from meeting the requirements of Schedule 2 ITEPA may be made. Where amendments have been made, an annual return relating to the New ShareBuy Plan must be submitted to HMRC, including a declaration that the New ShareBuy Plan continues to comply with Schedule 2 ITEPA.

### **14.5 Existing MB Share Plans**

The Board's intention is for participants in the Existing MB Share Plans to receive, in exchange for the release of any award granted under an Existing MB Share Plan that they hold on the Latest Practicable Date (an "**Existing Award**"), an equivalent award over New MB Shares (subject to, where required, participant consent).

The Existing MB Share Plans are summarised below. The only awards over New MB Shares to be granted in connection with the Existing MB Share Plans will be those that are to be granted in respect of the Existing Awards.

#### **(A) Long Term Incentive Plan**

The Long Term Incentive Plan 2021 (the "**Long Term Incentive Plan**") is a discretionary share plan for all Metro Bank Group employees (including executive directors) and is also the primary long-term incentive plan for the members of the Metro Bank Group's Executive Committee. Under the Long Term Incentive Plan, which is on substantially the same terms as the New Long Term Incentive Plan (save that retirement and redundancy are not good leaver circumstances), awards can take the form of conditional share awards or nil-cost options, that may either be subject to performance conditions ("**LTIP Performance Share Awards**") or subject only to time and continued service conditions ("**LTIP Restricted Share Awards**"). The LTIP Restricted Share Awards are only to be granted in exceptional circumstances, such as recruitment, or in the case of eligible employees other than executive directors, retention. Awards are based on a percentage of salary.

Awards under the Long Term Incentive Plan will typically vest on the third anniversary of grant, and in the case of LTIP Performance Shares Awards, subject to the achievement of performance conditions. The Remuneration Committee will determine the extent to which the awards will vest, taking into account the extent that performance conditions have been satisfied and any other factors it considers relevant (such as the overall performance of Metro Bank or the New Group).

Awards granted in the form of options remain exercisable from vesting up to the date ending immediately before the 10th anniversary of the date of grant (or any shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier. There is a 12 month holding period for shares received on the vesting of awards or on the exercise of options. This is with the exception of the first grant of awards made in 2021, which have a four-year vesting period followed by a one-year holding period.

Long Term Incentive Plan awards may be satisfied with newly issued Old MB Shares, treasury Old MB Shares, "market purchase" Old MB Shares or cash.

In certain good leaver circumstances, such as death or ill-health, unvested awards will not lapse and shall vest on the normal vesting dates or an earlier vesting date determined by the Remuneration Committee. The extent of vesting will depend on the satisfaction of the performance conditions and time pro-rating (i.e. a reduction to reflect the portion of the

performance period worked), as determined by the Remuneration Committee. In the case of options that vest in these circumstances, the options will be exercisable for 12 months. Unexercised options will lapse thereafter.

Awards will also generally vest early on a change of control or winding-up of Metro Bank, subject to performance testing and time pro-rating. In the case of options that vest in these circumstances, the options will be exercisable for a month. Unexercised options will lapse thereafter.

Alternatively, where an acquiring company is expected to obtain control of Metro Bank and at least 75 per cent. of the shares in the acquiring company are expected to be held by substantially the same persons who were MB Shareholders (or in any other circumstance where the Remuneration Committee considers appropriate), an award shall not vest, but be automatically surrendered in consideration for the grant of a new award if the Remuneration Committee considers these replacement awards to be equivalent. The Long Term Incentive Plan rules will apply *mutatis mutandis* to the replacement awards.

As at the Latest Practicable Date, no dividends or dividend equivalents are payable on any outstanding share options or unvested share awards.

#### (B) **Deferred Variable Reward Plan**

The Deferred Variable Reward Plan 2016 (the “**Deferred Variable Reward Plan**”), which is on substantially the same terms as the New Deferred Variable Reward Plan and was last approved in 2021, is a discretionary plan under which deferred bonus awards can be granted to Metro Bank Group employees, to enable them to defer some or all of their annual variable reward into awards or options over Old MB Shares. While the plan was originally designed for all colleagues, it is now operated solely for senior managers.

Awards can take the form of:

- rights to receive free Old MB Shares on vesting;
- an option (either non-tax advantaged or tax advantaged CSOP Options) to acquire shares at a price determined by the Metro Bank Board at grant (which may be nil); or
- restricted shares which are issued or transferred to the participant on grant on the basis they must be given back to the extent that the award lapses before vesting.

Under the Deferred Variable Reward Plan, deferred bonus awards have been granted to senior individuals (including the Executive Directors). The awards will normally vest, to the extent any performance conditions are met over the deferral period, on the vesting dates set by the Metro Bank Board on grant (currently, a portion of the award will vest immediately and the remainder will vest over seven years). There are currently no further performance conditions on these awards, other than continued employment within the Metro Bank Group. Awards may be satisfied with newly issued Old MB Shares, treasury Old MB Shares, “market purchase” Old MB Shares or cash.

An award will normally lapse if the participant leaves employment during the deferral period. In certain good leaver circumstances such as death or ill-health, awards will not lapse and will continue under the plan. Awards will also generally vest early on a takeover, merger or other corporate reorganisation. In the case of options that vest in these circumstances, the options will be exercisable for a month after the event or within any other period set by the Board. Unexercised options will lapse thereafter (unless exchanged).

Alternatively to vesting, participants may be allowed or required to exchange their awards for awards over shares in the acquiring company. CSOP Options may only be exchanged in this manner if the acquiring company: (i) obtains control of Metro Bank as a result of making a general offer to acquire the whole issued ordinary share capital of Metro Bank (other than what it or its subsidiary or holding company already owns) made on a condition such that, if satisfied, the acquiring company will have control of Metro Bank; (ii) obtains control of Metro Bank pursuant to a court-sanctioned compromise or arrangement under Section 889 of the Companies Act 2006; or (iii) becomes bound or entitled to acquire the Old MB Shares pursuant to a “squeeze-out” under sections 979 to 982 of the Companies Act. CSOP Options must also be exchanged within the period

referred to in paragraph 26 of Schedule 4 ITEPA, with the agreement of the acquiring company and the CSOP Option holders. CSOP Options not so exchanged, and not subject to early vesting (see above) will continue on their current terms. The replacement award must also be in respect of shares which satisfy the conditions of paragraph 27 of Schedule 4 ITEPA, in a body corporate falling within paragraph 16(b) or (c) of Schedule 4 ITEPA.

As at the Latest Practicable Date, no dividends or dividend equivalents are payable on any outstanding share options or unvested share awards.

No awards of options have been made under the Deferred Variable Reward Plan to Non-Executive Directors since 2015 (relating to the 2014 performance year).

**(C) Long Term Reward Plan**

Prior to Metro Bank's initial public offering in 2016, Metro Bank operated the Long Term Reward Plan 2014 (the "**Long Term Reward Plan**"). The Long Term Reward Plan, which is on substantially the same terms as the Deferred Variable Reward Plan, was replaced by the Deferred Variable Reward Plan on the Initial Public Offering and is no longer in operation. All options under the Long Term Reward Plan have vested. There are 1,488,207 options that remain unexercised which must be exercised within 10 years of grant.

**(D) ShareBuy Plan**

The ShareBuy Plan 2017 (the "**ShareBuy Plan**") is a tax-advantaged SIP which is governed in accordance with Schedule 2 ITEPA for all Metro Bank Group employees (including executive directors). Under the ShareBuy Plan, share-based awards over Old MB Shares can take the form of partnership share awards. The qualifying period of service must not be more than: (i) 18 months ending with the date of the start of contributions, where there is no accumulation period; and (ii) 6 months ending with the date of the start of the accumulation period, where there is an accumulation period.

Awards may only be satisfied with "market purchase" Old MB Shares. Newly issued Old MB Shares or treasury Old MB Shares may only be used for settlement with prior shareholder approval. Partnership share awards are not forfeitable.

The shares subject to the ShareBuy Plan awards are held on behalf of the participants in an employee benefit trust (the "**Existing SIP Trust**") operated by Equiniti Share Plan Trustees Limited (the "**Existing SIP Trustees**").

If a participant ceases to be employed (whether voluntarily or involuntarily) with the Metro Bank Group, the shares will be transferred by the Existing SIP Trustees to the participant and cease to be subject to the ShareBuy Plan.

If this departure of the employee is within three years of the shares being allocated to them, they will be liable to pay income tax on the market value of the shares upon withdrawal of the shares from the Existing SIP Trust and the plan. If the employee leaves the Metro Bank Group within three to five years of the shares being allocated to them, income tax will be payable on the lower of: (i) the amount of contributions used to buy the shares; and (ii) the market value of the shares when they are taken out of the plan. If the employee leaves the Metro Bank Group five years after the shares were allocated to them, no income tax or national insurance contributions will be payable.

Where the employee leaves the Metro Bank Group for any of the following good leaver reasons: (i) injury or disability; (ii) redundancy; (iii) a transfer to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 (S.I. 2006/246) applies; (iv) if relevant employment is employment by an associated company, by reason of a change of control or other circumstances ending that company's status as an associated company; (v) retirement; or (vi) death, there will be no income tax or national insurance contributions payable on the withdrawal of shares from the Existing SIP Trust. In these circumstances, the timing of the employee's departure in relation to the date on which the shares were allocated would be irrelevant.

In the event of a Company Reconstruction as defined under paragraph 86 of Schedule 2 ITEPA (i.e. where an offer for Metro Bank results in a new holding being equated with the original Old MB Shares for capital gains tax purposes), a participant may direct the



Existing SIP Trustees on the appropriate action to take in relation to any right relating to the plan shares to receive other shares, securities or rights in relation to the Company Reconstruction. The Existing SIP Trustees may not take any action without such direction.

Where the Company Reconstruction is a rights issue and the Existing SIP Trustees exercise rights under that in respect of a participant's shares, any shares, securities or rights allotted as a result will be treated as if they were identical to the partnership shares subject to the ShareBuy Plan.

Following a Company Reconstruction, the Existing SIP Trustees will hold the new shares as subject to the New ShareBuy Plan, as if they were the original Old MB Shares.

#### **14.6 Employee Trust Benefits**

Metro Bank currently operates an employee benefit trust to facilitate the operation of the Existing MB Share Plans (and for the ShareBuy Plan, the Existing SIP Trust). Prior to Admission, the Company intends to put in place arrangements with a new employee benefit trust to facilitate the operation of: (i) the New MB Share Plans after the Scheme Effective Date; and (ii) the Existing MB Share Plans from the Scheme Effective Date (whereupon the awards over Old MB Shares under the Existing MB Share Plans will (provided the participant consents, where required) be exchanged for awards over the New MB Shares that will be governed by the Existing MB Share Plans).

### **15 Subsidiaries and Corporate Structure**

From the Scheme Effective Date, the Company will be the holding company of Metro Bank. A list of the direct and indirect subsidiaries of Metro Bank as at the Latest Practical Date are set out at page 233 of the 2022 Annual Report and Accounts, which is incorporated by reference into this document.

### **16 Auditor**

The auditor of the Metro Bank Group from December 2010 is PricewaterhouseCoopers LLP, chartered accountants, whose address is at 1 Embankment Place, London WC2N 6RH.

### **17 Material Contracts**

The following contract(s) (not being contract(s) entered into the ordinary course of business) have been entered into by the Company or the Metro Bank Group: (i) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Metro Bank Group; or (ii) at any time and contain obligations or entitlements which are, or may be, material to the Metro Bank Group at the date of this Prospectus. The Company has not traded since its incorporation and so has not entered into any other material contracts.

#### **17.1 Sponsor's Agreement**

The Company, Metro Bank and the Sponsor entered into the Sponsor's Agreement on 22 March 2023. Pursuant to the terms of the Sponsor's Agreement:

- 17.1.1 the Company appoints RBC Europe Limited as Sponsor in connection with the applications for Admission and the submission of this document and any supplements thereto and the Sponsor accepts such appointment;
- 17.1.2 the Sponsor has been granted all powers, authorities and discretions which are necessary for or incidental to the performance of its responsibilities under the Listing Rules and the Prospectus Regulation Rules;
- 17.1.3 the Company has agreed to deliver certain documents to the Sponsor relating to the applications for Admission and the Sponsor's responsibilities under the Listing Rules and Prospectus Regulation Rules;
- 17.1.4 the Company has given customary representations, warranties, undertakings and indemnities to the Sponsor;

- 17.1.5 Metro Bank has agreed to (i) guarantee to the Sponsor the due and punctual performance and observance by the Company of all of its obligations under the Sponsor's Agreement; and (ii) indemnify the Sponsor against all losses, damages, costs and expenses incurred by the Sponsor arising from any failure by the Company to perform and/or observe any of its obligations under the Sponsor's Agreement; and
- 17.1.6 the Sponsor has the right to terminate the Sponsor's Agreement in certain customary circumstances prior to Admission. These circumstances include (among others): (i) any breach by the Company or Metro Bank of their obligations under the Sponsor's Agreement, other than where failure to comply with such obligations, in the good faith opinion of the Sponsor, is not material in the context of the Scheme or Admission; (ii) any of the warranties given by the Company is, or if repeated at any time prior to Admission would be, untrue, inaccurate or misleading; or (iii) any statement in this document or the Scheme Document has become or is discovered to be untrue, inaccurate or misleading in a manner which is material in the context of the Scheme or Admission.

## **18 Employees**

As at the Latest Practicable Date, the Company had no employees and the Metro Bank Group employed 4,434 people with 4,319 full-time equivalents. The average number of full-time equivalent employees employed by the Metro Bank Group for the three (3) years ended 31 December 2022, 2021 and 2020 was 4,040, 4,184, and 3,850, respectively.

## **19 Related Party Transactions**

- 19.1** The Company has not traded since its incorporation and so has not entered into any related-party transactions.
- 19.2** As at 17 March 2023 (being the Latest Practicable Date), there are no contracts or arrangements subsisting at the date of this Prospectus in which a Director is materially interested and which is significant in relation to the business of the Metro Bank Group.
- 19.3** Other than as disclosed in the financial information incorporated by reference into this document for the years ended 31 December 2020 (see pages 87, 94, 223 and 224 to the 2020 Annual Report and Accounts), 31 December 2021 (see pages 215 and 216 to the 2021 Annual Report and Accounts) and 31 December 2022 (see pages 168 and 232 to the 2022 Annual Report and Accounts), there were no related party transactions entered into by members of the Metro Bank Group during the years ended 31 December 2020, 2021, 2022 and during the period between 1 January 2022 and 17 March 2023 (being the Latest Practicable Date).

## **20 Litigation and Arbitration Proceedings**

- 20.1** Save as disclosed in this Section 20, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Company or the New Group's financial position or profitability.

### **20.2 FCA Financial Crimes Systems and Controls Enquiry**

The FCA is currently undertaking enquiries regarding Metro Bank's financial crime systems and controls. Metro Bank continues to engage and co-operate fully with the FCA in relation to these matters. The outcome and timing of these matters is inherently uncertain and based on the facts currently known, it is not possible to predict the outcome or reliably estimate any financial impact. As such, as at 17 March 2023 (being the Latest Practicable Date) no provision has been made within the financial statements.

### **20.3 PRA and FCA Investigations**

On 26 February 2019, Metro Bank received notification that the PRA and FCA intended to independently investigate the circumstances and events that led to the adjustment to Metro Bank's RWAs announced in the amount of approximately £900 million.

On 22 December 2021, the PRA concluded its investigation and imposed a financial penalty of £5,376,000 for breaching Fundamental Rules 2 and 6 of the PRA Rulebook prior to 23 January 2019. On 12 December 2022, the FCA published a final notice imposing a financial penalty of £10,002,300 for a breach of Listing Rule 1.3.3R in respect of information concerning its RWAs contained in an announcement issued on 24 October 2018. In the time since the matters that were the basis of the regulatory investigations took place, Metro Bank has made significant improvements to its disclosure procedures, addressed and remediated the issues which led to the RWA adjustment and strengthened its broader risk management and governance. Please also see *“Risk Factors – Claims, investigations and litigation could adversely affect the New Group’s brand, reputation and earnings”*.

#### **20.4 Arkeyo**

Arkeyo LLC (“**Arkeyo**”), a software company based in the United States, filed a civil suit against Metro Bank in June 2017 in the United States District Court for the Eastern District of Pennsylvania alleging, among other matters, that Metro Bank misappropriated certain of Arkeyo’s trade secret technology relating to money counting machines (i.e. Metro Bank’s Magic Money Machines). Arkeyo has sought damages in respect of a number of claims and attempted to serve the US proceedings on Metro Bank in the United Kingdom. This claim was decided in favour of Metro Bank on jurisdictional grounds. However, Arkeyo has filed a new claim with a stated value of over £24 million. Metro Bank is vigorously defending the claim.

#### **20.5 Asertis**

On 17 January 2023, Metro Bank received a letter before claim from Asertis Limited (“**Asertis**”), a litigation funding company based in the United Kingdom. In the letter before claim Asertis alleges, among other matters, that Metro Bank breached its Quincecare duty (which requires a bank to refuse to comply with a payment instruction, when the bank is on notice that the instruction may be part of a fraud on the customer, unless and until the bank’s inquiries satisfy it that the instruction is validly authorised by the customer). In its letter before claim Asertis seeks damages of approximately £12.8 million and interest of approximately £4.5 million. Metro Bank and Asertis agreed a 3-month standstill period (ending on 27 April 2023) during which Asertis agreed not to initiate proceedings in respect of the letter before claim. As at the Latest Practicable Date, Asertis has not served a claim form against Metro Bank in relation to this matter. The matter is at preliminary stages, does not appear to have merit (based on initial advice from Metro Bank’s external legal advisers) and Metro Bank intends to defend any claim vigorously.

### **21 Working Capital**

The Company is of the opinion that the New Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this Prospectus.

### **22 No Significant Change**

There has been no significant change in the financial or trading position of the New Group since 31 December 2022, the date on which the New Group’s latest audited consolidated financial information was published.

### **23 Consent**

RBC Europe Limited, which is authorised in the United Kingdom by the FCA and regulated in the United Kingdom by the PRA and the FCA, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the references to its name in the form and context in which they appear.

### **24 Miscellaneous**

**24.1** The total fees, costs and expenses payable by the Company in connection with the Admission are estimated to amount to approximately £2.5 million to £3 million (including VAT) and are being borne by Metro Bank.

**24.2** Where information included in this document has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document, the source of such information has been identified wherever it appears.

**25 Documents Available for Inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 28 days from the date of this Prospectus at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ:

- (a) the Articles of Association;
- (b) the consent letter referred to in Section 23 above;
- (c) the information incorporated by reference into this document, as described in Part XVI (*Information Incorporated by Reference*); and
- (d) this Prospectus.

## PART XVI

### INFORMATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information that is relevant to the Admission:

#### 1 The 2020, 2021 and 2022 Annual Report and Accounts

These contain the audited consolidated financial statements of Metro Bank as of and for the financial years ended 31 December 2020, 2021 and 2022, prepared in accordance with IFRS, together with audit reports in respect of each such year.

#### 2 Other

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this document, so as to provide the information required pursuant to Annex I and Annex III to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New MB Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the New Group and of the rights attaching to the New MB Shares:

Reference document	Information incorporated by reference	Page number(s) in reference document
<b>2022 Annual Report and Accounts</b> .....	Strategic Report	1–97
	Corporate Governance Report	98–170
	Independent auditors’ report to the members of Metro Bank PLC	171–180
	Consolidated statement of comprehensive income	181
	Consolidated balance sheet	182
	Consolidated statement of changes in equity	183
	Consolidated cash flow statements	184
	Notes to the consolidated financial statements	185–234
The 2022 Annual Report and Accounts can be accessed at <a href="https://www.metrobankonline.co.uk/investor-relations/">https://www.metrobankonline.co.uk/investor-relations/</a>		
<b>2021 Annual Report and Accounts</b> .....	Strategic Report	1–91
	Corporate Governance Report	92–151
	Independent auditors’ report to the members of Metro Bank PLC	152–161
	Consolidated statement of comprehensive income	162
	Consolidated balance sheet	163
	Consolidated statement of changes in equity	164
	Consolidated cash flow statements	165
	Notes to the consolidated financial statements	166–218
The 2021 Annual Report and Accounts can be accessed at <a href="https://www.metrobankonline.co.uk/investor-relations/">https://www.metrobankonline.co.uk/investor-relations/</a>		
<b>2020 Annual Report and Accounts</b> .....	Strategic Report	1–75
	Corporate Governance Report	76–151
	Independent auditors’ report to the members of Metro Bank PLC	152–163
	Consolidated statement of comprehensive income	164
	Consolidated balance sheet	165
	Consolidated statement of changes in equity	166
	Consolidated cash flow statements	167
	Notes to the consolidated financial statements	177–228

The 2020 Annual Report and Accounts can be accessed at <https://www.metrobankonline.co.uk/investor-relations/>

Parts of the documents from which the information incorporated by reference have been incorporated are not set out above because they are either not relevant or are covered elsewhere in this document.

Where the information incorporated by reference makes reference to other documents, such other documents are not incorporated into, and do not form part of, this document.



## PART XVII

### DEFINITIONS

<b>2018 Notes</b> .....	Metro Bank's £250,000,000 5.50 per cent. Fixed Rate Reset Callable Subordinated Notes due in 2028
<b>2019 Notes</b> .....	Metro Bank's £350,000,000 9.50 per cent. Fixed Rate Reset Senior Non-Preferred Notes due in 2025
<b>2020 AGM</b> .....	the Annual General Meeting of Metro Bank held on 26 May 2020 at 2.00 p.m.
<b>2020 Annual Report and Accounts.</b>	the annual report and accounts prepared by Metro Bank for the financial year ended 31 December 2020
<b>2021 AGM</b> .....	the Annual General Meeting of Metro Bank held on 18 May 2021 at 2.00 p.m.
<b>2021 Annual Report and Accounts.</b>	the annual report and accounts prepared by Metro Bank for the financial year ended 31 December 2021
<b>2022 Annual Report and Accounts.</b>	the annual report and accounts prepared by Metro Bank for the financial year ended 31 December 2022
<b>Admission</b> .....	admission of the New MB Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange
<b>AIRB</b> .....	the advanced internal ratings-based approach
<b>Arkeyo</b> .....	Arkeyo LLC
<b>Articles or Articles of Association</b> ...	the articles of association of the Company, which are described in Section 6 of Part XV ( <i>Additional Information</i> )
<b>Asertis</b> .....	Asertis Limited
<b>Authorities</b> .....	HM Treasury, the Bank of England, the PRA and the FCA
<b>Banking Act</b> .....	the Banking Act 2009
<b>BCBS</b> .....	the Basel Committee on Banking Supervision
<b>BCR</b> .....	Banking Competition Remedies Limited
<b>Bonus Issue</b> .....	the capitalisation of the Company's merger reserve by issuing the Bonus Shares credited as fully paid up to the Shareholders in proportion to the number of New MB Shares held by them
<b>Bonus Shares</b> .....	special shares of £0.000001 each in the capital of the Company to be issued by way of the Bonus Issue
<b>Brexit</b> .....	the UK's withdrawal from the European Union
<b>BRRD</b> .....	the Banking Recovery and Resolution Directive
<b>Business Day</b> .....	a day (other than a Saturday, Sunday or public holiday in England) on which banks are generally open for business in London other than solely for training and settlement in Euro
<b>C&amp;I Fund</b> .....	the Capability and Innovation fund
<b>CCSS</b> .....	the CREST Courier and Sorting Service established by Euroclear to facilitate, among other things, the deposit and withdrawal of securities
<b>certificated or in certificated form</b> ...	a share or other security which is not in uncertificated form (that is, not in CREST)
<b>CET1 ratio</b> .....	Common Equity Tier 1 ratio
<b>Chair</b> .....	the chair of the Company, Robert Sharpe

<b>CMA</b> .....	the Competition and Markets Authority
<b>Combined Buffer Requirement</b> .....	the sum of: (a) the capital conservation buffer; and (b) the countercyclical capital buffer
<b>Companies Act</b> .....	the UK Companies Act 2006 (as amended)
<b>Company or MB Holdings</b> .....	METRO BANK HOLDINGS PLC, a public limited company incorporated under the laws of England and Wales
<b>Company Reconstruction</b> .....	has the meaning given in paragraph 86 of Schedule 2 ITEPA
<b>Company Reduction of Capital</b> .....	the reduction of capital of the Company by cancelling the Bonus Shares and the Special Subscriber Shares
<b>CONC</b> .....	the Consumer Credit sourcebook
<b>Conditions</b> .....	the conditions to the implementation of the Scheme set out in Section 2 of Part VI ( <i>Information about the Scheme and Related Proposal</i> )
<b>Corporate Governance Code</b> .....	the UK Corporate Governance Code (July 2018 edition) produced by the Financial Reporting Council
<b>Court</b> .....	the High Court of Justice in England and Wales
<b>Court Hearing</b> .....	the hearing by the Court to sanction the Scheme pursuant to section 899 of the Companies Act
<b>Court Order</b> .....	the order of the Court sanctioning the Scheme under section 899 of the Companies Act and confirming under section 648 of the Companies Act the reduction of capital by cancellation of the Scheme Shares and the cancellation of share premium account
<b>CRD</b> .....	Regulation (EU) No 575/2013 as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018, any secondary UK legislation implementing Directive 2013/36/EU, the PRA Rulebook and any other relevant PRA publications
<b>CREST</b> .....	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
<b>CREST Regulations</b> .....	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>CSOP Option</b> .....	tax-advantaged share options governed in accordance with Schedule 4 to ITEPA 2003 that can be granted under the New Deferred Variable Reward Plan, Deferred Variable Reward Plan and the Long Term Reward Plan
<b>Deferred Variable Reward Plan</b> .....	the Deferred Variable Reward Plan 2016 operated by Metro Bank
<b>Directors or Board</b> .....	the Executive Directors and Non-Executive Directors as at the date of this Prospectus
<b>Disclosure Guidance and Transparency Rules</b> .....	the Disclosure Guidance and Transparency Rules of the FCA
<b>Dividend Allowance</b> .....	has the meaning given in Section 1 of Part XIV ( <i>Taxation</i> )
<b>EEA</b> .....	the European Economic Area
<b>EU</b> .....	the European Union
<b>EU Capital Requirements Directive or EU CRD</b> .....	the recast Banking Consolidation Directive and the Capital Adequacy Directive
<b>EU CRD IV</b> .....	Directive 2013/36/EU as amended (the EU Capital Requirements Directive IV)
<b>EU CRD V</b> .....	Directive (EU) 2019/878 (Capital Requirements Directive V)

<b>EU CRR</b> .....	Regulation (EU) No 575/2013 as amended and in force (the EU Capital Requirements Regulation)
<b>EU CRR II</b> .....	the EU Capital Requirements Regulation II
<b>EU DGSD</b> .....	the EU Deposit Guarantee Scheme Directive
<b>EU Member State</b> .....	a member state of the EU
<b>Euroclear</b> .....	Euroclear UK & International Limited, incorporated in England and Wales with registered number 02878738
<b>Executive Directors</b> .....	the executive directors of the Company as at the date of this Prospectus
<b>Existing MB Share Plans</b> .....	Metro Bank’s Long Term Incentive Plan, Deferred Variable Reward Plan, Long Term Reward Plan, Company Share Option Plan annexed to Deferred Variable Reward Plan and ShareBuy Plan
<b>Existing SIP Trust</b> .....	has the meaning given in Section 14.5(D) of Part XV ( <i>Additional Information</i> )
<b>Existing SIP Trustees</b> .....	has the meaning given in Section 14.5(D) of Part XV ( <i>Additional Information</i> )
<b>FATCA</b> .....	the Foreign Account Tax Compliance Act
<b>Financial Conduct Authority or FCA</b> .....	the Financial Conduct Authority acting in its capacity as the competent authority under the UK Prospectus Regulation
<b>FOS</b> .....	the Financial Ombudsman Service
<b>FPC</b> .....	the Financial Policy Committee
<b>FSCS</b> .....	the Financial Services Compensation Scheme
<b>FSMA</b> .....	the Financial Services and Markets Act 2000, as amended
<b>Foreign Passthru Payments</b> .....	has the meaning given in Section 2 of Part XIV ( <i>Taxation</i> )
<b>GDPR</b> .....	the General Data Protection Regulation (EU 2016/679) and its transposition into UK laws by virtue of section 3 of the European Union (Withdrawal) Act 2018 and as amended by Schedule 1 to the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (SI 2019/419)
<b>Historical Financial Information</b> .....	the historical financial information of the Metro Bank Group referred to in Part XI ( <i>Historical Financial Information</i> )
<b>HMRC</b> .....	His Majesty’s Revenue and Customs
<b>IFRS</b> .....	UK IFRS together with Post-Brexit IFRS
<b>IGAs</b> .....	has the meaning given in Section 2 of Part XIV ( <i>Taxation</i> )
<b>Initial Shareholders</b> .....	the shareholders of the Company as at the date of this Prospectus
<b>Intra-Group Shares</b> .....	ordinary shares of £0.000001 each in the capital of Metro Bank to be issued to the Company pursuant to the Scheme
<b>ISIN</b> .....	International Securities Identification Number
<b>ITEPA</b> .....	the Income Tax (Earnings and Pensions) Act 2003
<b>Latest Practicable Date</b> .....	17 March 2023, being the latest practicable date prior to the publication of this Prospectus
<b>LCR</b> .....	the liquidity coverage ratio
<b>Listing Rules</b> .....	the listing rules and regulations made by the FCA pursuant to Part 6 of the FSMA, and contained in the FCA’s publication of the same name
<b>London Stock Exchange</b> .....	London Stock Exchange plc
<b>Long Term Incentive Plan</b> .....	the Long Term Incentive Plan 2021 operated by Metro Bank

<b>Long Term Reward Plan</b> .....	the Long Term Reward Plan 2014 operated by Metro Bank
<b>LTD Ratio</b> .....	the ratio of total loans and advances to customers to deposits from customers
<b>MAR</b> .....	the UK Market Abuse Regulation (Regulation (EU) 596/2014, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018)
<b>MB Court Meeting</b> .....	the meeting of the MB Shareholders to be convened pursuant to an order of the Court under section 899 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme and any adjournment
<b>MB Directors</b> .....	the directors of Metro Bank as at the time of publication of this Prospectus
<b>MB General Meeting</b> .....	the general meeting of MB Shareholders to be convened for the purpose of considering and, if thought fit, passing certain resolutions in connection with the Scheme and any adjournment, postponement or reconvention thereof
<b>MB Shareholders</b> .....	the holders of Old MB Shares from time to time
<b>MB Share Premium Account Cancellation</b> .....	the cancellation of Metro Bank's share premium account pursuant to the Scheme
<b>MB Statement of Capital</b> .....	the statement of capital scheduled to the Court Order and approved by the Court
<b>MCD</b> .....	the Mortgage Credit Directive
<b>MCOB</b> .....	has the meaning given in Section 2.1.2 of Part VIII (Supervision and Regulation) of this Prospectus
<b>Member States</b> .....	the member states of the EU
<b>Metro Bank</b> .....	Metro Bank PLC, a public limited company incorporated under the laws of England and Wales
<b>Metro Bank Articles</b> .....	the articles of association of Metro Bank
<b>Metro Bank Board</b> .....	the directors of Metro Bank as at the date of this Prospectus
<b>Metro Bank Group</b> .....	Metro Bank and its subsidiary undertakings and, where the context requires, its associated undertakings
<b>MMR</b> .....	the Mortgage Market Review
<b>Money Laundering Regulations</b> .....	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692)
<b>MREL</b> .....	the minimum requirement for own funds and eligible liabilities
<b>MREL SoP</b> .....	the Bank of England's revised Statement of Policy (published in December 2021 and updating the June 2018 version)
<b>New Deferred Variable Reward Plan</b> .....	the Company's New Deferred Variable Reward Plan adopted by the Company on 8 March 2023
<b>New Group</b> .....	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings, in each case, as if the Scheme has been implemented in accordance with its terms
<b>New Long Term Incentive Plan</b> .....	the Company's New Long Term Incentive Plan adopted by the Company on 8 March 2023
<b>New MB Remuneration Committee</b>	the remuneration committee of the Company
<b>New MB Share Plans</b> .....	the Company's New Long Term Incentive Plan, New Deferred Variable Reward Plan and New ShareBuy Plan

<b>New MB Shares</b> .....	ordinary shares of £0.000001 each in the capital of the Company proposed to be issued and allotted as fully paid by the Company to the holders of Scheme Shares pursuant to the Scheme
<b>New ShareBuy Plan</b> .....	the Company's New ShareBuy Plan adopted by the Company on 8 March 2023
<b>NIM</b> .....	net interest margin
<b>Non-Executive Directors</b> .....	the non-executive directors of the Company as at the date of this Prospectus
<b>Official List</b> .....	the official list maintained by the FCA pursuant to the FSMA
<b>Old MB Shares</b> .....	ordinary shares in the capital of Metro Bank of £0.000001 each
<b>Ordinary Subscriber Shares</b> .....	ordinary shares in the capital of the Company of £1.00 each in issue as at the date of this Prospectus
<b>Overseas Person</b> .....	a person who has a registered address outside the UK, or who is a citizen of or resident or located in a country other than the UK
<b>Partnership Shares</b> .....	has the meaning given in Section 14.4 of Part XV ( <i>Additional Information</i> )
<b>PFIC</b> .....	has the meaning given in Section 2 of Part XIV ( <i>Taxation</i> )
<b>Post-Brexit IFRS</b> .....	international accounting standards in conformity with the requirements of the Companies Act 2006
<b>PRA</b> .....	the Prudential Regulation Authority (as defined in the FSMA) or its successor from time to time
<b>PRA Rulebook</b> .....	the rulebook containing the rules made and enforced by the PRA under powers conferred by the FSMA
<b>Prospectus or this document</b> .....	this prospectus issued by the Company in respect of the Admission, together with any supplements or amendments thereto
<b>Prospectus Regulation Rules</b> .....	the Prospectus Regulation Rules of the FCA made under section 73A of the FSMA
<b>QEF</b> .....	has the meaning given in Section 2 of Part XIV ( <i>Taxation</i> )
<b>RBC</b> .....	RBC Europe Limited
<b>Redeemable Preference Subscriber Shares</b> .....	redeemable preference shares in the capital of the Company of £1.00 each in issue as at the date of this Prospectus
<b>Registrar</b> .....	Equiniti Limited
<b>Registrar of Companies</b> .....	the Registrar of Companies in England and Wales
<b>Regulatory Information Service</b> .....	a regulatory information service that is approved by the FCA and that is on the list of regulatory information service providers maintained by the FCA
<b>Remuneration Committee</b> .....	the Remuneration Committee of Metro Bank
<b>Remuneration Policy</b> .....	the Directors' remuneration policy of Metro Bank that was approved by the shareholders of Metro Bank at the 2021 AGM
<b>RFB</b> .....	a ring-fenced body
<b>RWAs</b> .....	risk-weighted assets
<b>Scheme</b> .....	the scheme of arrangement pursuant to Part 26 of the Companies Act which is set out in the Scheme Document with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Metro Bank



<b>Scheme Document</b> .....	the document dated 22 March 2023 to be sent by Metro Bank to MB Shareholders setting out, among other things, the details of the Scheme and containing the notices convening the MB Court Meeting and the MB General Meeting
<b>Scheme Effective Date</b> .....	the date on which the Scheme becomes effective in accordance with its terms, expected to be 19 May 2023
<b>Scheme Record Time</b> .....	6.30 p.m. on the first Friday which is a Business Day after the day on which the Court sanctions the Scheme, expected to be 19 May 2023
<b>Scheme Shares</b> .....	(a) the Old MB Shares in issue at the date of the Scheme Document; (b) any Old MB Shares issued after the date of the Scheme Document and before the Scheme Voting Record Time; and (c) any Old MB Shares issued at or after the Scheme Voting Record Time and before the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme, or in respect of which the original or any subsequent holders thereof shall have agreed in writing to be bound by the Scheme,  and in each case (where the context requires) remaining in issue at the Scheme Record Time, but excluding any Old MB Shares held by Metro Bank in treasury at any relevant date or time
<b>Scheme Voting Record Time</b> .....	6.30 p.m. on the Business Day falling two Business Days before the date of the MB Court Meeting or the MB General Meeting or any adjournment thereof (as the case may be)
<b>SDRT</b> .....	Stamp Duty and Stamp Duty Reserve Tax
<b>SEC</b> .....	the United States Securities and Exchange Commission
<b>SEDOL</b> .....	Stock Exchange Daily Official List
<b>Senior Managers</b> .....	the senior managers of the New Group as at the date of this Prospectus
<b>ShareBuy Plan</b> .....	the ShareBuy Plan and Trust Deed 2017 operated by Metro Bank
<b>Shareholders</b> .....	holders of New MB Shares
<b>SIP Trustees</b> .....	has the meaning given in Section 14.4 of Part XV ( <i>Additional Information</i> )
<b>SMEs</b> .....	small- and medium-sized enterprises
<b>Special Share</b> .....	the one non-voting special share of £1.00 in the capital of Metro Bank
<b>Special Subscriber Shares</b> .....	the special shares of £1.00 each in the capital of the Company, following the redesignation of the Ordinary Subscriber Shares
<b>Sponsor's Agreement</b> .....	the sponsor's agreement between the Company, Metro Bank and the Sponsor, a summary of the principal terms of which are set out in Section 17.1 of Part XV ( <i>Additional Information</i> )
<b>SRR</b> .....	the special resolution regime
<b>Taxable Excess</b> .....	has the meaning given in Section 1 of Part XIV ( <i>Taxation</i> )
<b>Temenos</b> .....	Temenos Group AG
<b>TFS</b> .....	the Bank of England's Term Funding Scheme
<b>TFSME</b> .....	the Bank of England's Term Funding Scheme with additional incentives for SMEs
<b>TLAC</b> .....	total loss absorbing capacity
<b>Total Capital Requirement or TCR</b>	the amount and quality of capital a firm must maintain to comply with the Pillar 1 and Pillar 2A capital requirement under UK CRR

<b>UK or United Kingdom</b> .....	the United Kingdom of Great Britain and Northern Ireland
<b>UK CRR</b> .....	Regulation (EU) No 575/2013 as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018
<b>UK IFRS</b> .....	International Financial Reporting Standards adopted by the United Kingdom being the UK International Accounting Standards
<b>UK Prospectus Regulation</b> .....	Regulation (EU) 2017/1129 as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018
<b>UK Resolution Entities</b> .....	UK-incorporated institutions subject to the Banking Act (i.e. UK-incorporated institutions authorised to accept deposits and PRA-designated investment firms)
<b>UK Takeover Code</b> .....	UK City Code on Takeovers and Mergers
<b>US Holder</b> .....	has the meaning given in Section 2 of Part XIV ( <i>Taxation</i> )
<b>uncertificated or in uncertificated form</b> .....	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>United States or US</b> .....	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>VAT</b> .....	value added tax

