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The materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for the securities mentioned in such materials (the "**Notes**") in any jurisdiction. The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), and no Notes may be reoffered or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Further, unless an exemption under the relevant securities law is applicable, the Notes may not be reoffered, resold, delivered or distributed, directly or indirectly, in or into any jurisdiction if to do so would constitute a violation of the relevant laws of, or require registration thereof in, such jurisdiction.

PRIIPs / Prohibition of sales to EEA retail investors

The Notes referred to on the following webpage(s) are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling such Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Basis of access

Access to electronic versions of these materials is being made available on this webpage by Metro Bank in good faith and for information purposes only. Any person seeking access to this webpage represents and warrants to Metro Bank that they are doing so for information purposes only. Making press announcements and other documents available in electronic format does not constitute an offer to sell or the solicitation of an offer to buy securities, including the Notes, in Metro Bank. Further, it does not constitute a recommendation by Metro Bank or any other party to sell or buy securities, including the Notes, in Metro Bank.

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PROSPECTUS DATED 22 JUNE 2018

Metro Bank PLC

(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 6419578)

£250,000,000 5.50 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028

Issue price: 100.00 per cent.

The £250,000,000 5.50 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028 (the "**Notes**") will be issued by Metro Bank PLC ("**Metro Bank**") on or about 26 June 2018 (the "**Issue Date**"). The Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 26 June 2023 (the "**Reset Date**"), at a rate of 5.50 per cent. per annum and thereafter at the Reset Rate of Interest as provided in Condition 5 of the terms and conditions of the Notes (the "**Conditions**"). Interest will be payable on the Notes semi-annually in arrear on each Interest Payment Date (as defined in the Conditions), commencing on 26 December 2018.

Unless previously redeemed or purchased and cancelled, the Notes will mature on 26 June 2028. Holders of the Notes ("**Holders**") will have no right to require Metro Bank to redeem or purchase the Notes at any time. Metro Bank may, in its discretion but subject to the conditions described in Condition 6*(b)*, elect to (a) redeem all (but not some only) of the Notes at their principal amount, together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to (but excluding) the redemption date, (i) on the Reset Date or (ii) at any time if a Tax Event or a Capital Disqualification Event (each as defined in Condition 19) has occurred or (b) repurchase the Notes at any time, in either case subject to compliance with the conditions described in Condition 6*(b)*.

The Notes will constitute direct, unsecured and subordinated obligations of Metro Bank, ranking *pari passu* and without preference amongst themselves, and will, in the event of the Winding-Up of Metro Bank (as defined in Condition 19), be subordinated to the claims of all Senior Creditors (as defined in Condition 19) of Metro Bank but shall rank (i) at least *pari passu* with all other subordinated obligations of Metro Bank which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of Metro Bank or which rank, or are expressed to rank, *pari passu* therewith and (ii) in priority to the claims of holders of all undated or perpetual subordinated obligations of Metro Bank and any other obligations expressed to rank junior to the Notes and to the claims of holders of all classes of share capital of Metro Bank.

Application has been made to the Financial Conduct Authority (the "**FCA**") under Part VI of the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the **"London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Prospectus to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**") of the European Parliament and of the Council on markets in financial instruments.

The Notes will be issued in registered form and available and transferable in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Notes will initially be represented by a global certificate in registered form (the "**Global Certificate**") and will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, SA ("**Clearstream, Luxembourg**" and, together with Euroclear, the "**Clearing Systems**").

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*". The Notes will not be rated on issue.

Joint Lead Managers

BofA Merrill Lynch | **RBC Capital Markets**

Co-lead Managers

Jefferies | **Keefe, Bruyette & Woods, a Stifel Company**

This Prospectus may be used only for the purposes for which it has been published.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to Metro Bank and the Notes which according to the particular nature of Metro Bank and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Metro Bank.

Metro Bank accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of Metro Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information in this Prospectus has been extracted or derived from independent sources. Where this is the case, the source has been identified. Metro Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person is or has been authorised by Metro Bank to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by Metro Bank.

This Prospectus is to be read in conjunction with all documents which are incorporated by reference herein (see "*Documents Incorporated by Reference*").

Neither the Managers (as defined in "*Subscription and Sale*") nor the Trustee have separately verified the information contained in this Prospectus. None of the Managers or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained (or incorporated by reference) in this Prospectus or any other information provided by Metro Bank in connection with the offering of the Notes. None of the Managers or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by Metro Bank in connection with the offering of the Notes or their distribution. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to constitute, and should not be considered as, a recommendation by any of Metro Bank, the Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each potential purchaser should make its own independent investigation of the financial condition and affairs and its own approval of the credit worthiness of Metro Bank. Each potential purchaser of Notes should determine for itself the relevance of information contained in this Prospectus and its purchase of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Managers or the Trustee undertakes to review the financial condition or affairs of Metro Bank during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In the ordinary course of business, the Managers have engaged and may in the future engage in normal banking or investment banking transactions with Metro Bank and its affiliates or any of them.

Neither the delivery of this Prospectus nor the offering, placing, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning Metro Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement; (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Restrictions on marketing and sales

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, the Notes may not be offered or sold within the United States.

Prohibition on marketing and sales of Notes to retail investors

The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Directive 2002/92/EC (as amended) (the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (as amended, "**PRIIPs**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

General

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Metro Bank does not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and it does not assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Metro Bank which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the EEA (including the United Kingdom).

Stabilisation

In connection with the issue of the Notes, Merrill Lynch International as stabilisation manager (the "stabilisation manager") (or persons acting on behalf of the stabilisation manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the stabilisation manager (or persons acting on behalf of the stabilisation manager) in accordance with all applicable laws and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the information set out in the table below as contained in the unaudited Q1 Trading Update 2018 of Metro Bank published by RNS on 25 April 2018 (the "**Q1 Trading Update 2018**"), the annual report and audited financial statements of Metro Bank for the year ended 31 December 2016 (the "**Annual Report and Accounts 2016**") and the annual report and audited financial statements of Metro Bank for the year ended 31 December 2017 (the "**Annual Report and Accounts 2017**") published by Metro Bank, which have been previously published and which have been approved by the FCA or filed with it. Such information in those documents shall be incorporated in and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus. Any documents referred to in the documents incorporated by reference in this Prospectus do not form part of this Prospectus.

Copies of the unaudited 2018 Q1 Trading Update, the Annual Report and Accounts 2017 and the Annual Report and Accounts 2016 published by Metro Bank have been filed with the National Storage Mechanism or announced through a Regulatory Information Service and are available on Metro Bank's corporate website at https://www.metrobankonline.co.uk/ and are available free of charge at the Metro Bank's head office at One Southampton Row, London WC1B 5HA, United Kingdom.

Reference Document	Information incorporated by reference	Page number in the reference document
Q1 Trading Update 2018 of Metro Bank PLC		1-6
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OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview provides an overview of certain of the principal features of the Notes and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms which are defined in "Terms and Conditions of the Notes" have the same respective meanings when used in this overview. References to numbered Conditions are as set out under "Terms and Conditions of the Notes".

Issuer	Metro Bank PLC
Trustee	Citibank N.A., London Branch
Principal Paying Agent	Citibank N.A., London Branch
Registrar and Transfer Agent	Citibank N.A., London Branch
Notes	£250,000,000 5.50 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028.
Risk factors	There are certain factors that may affect Metro Bank's ability to fulfil its obligations under the Notes and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes and certain risks relating to the structure of the Notes. These are set out under "*Risk Factors*".
Status of the Notes	The Notes will constitute direct, unsecured and subordinated obligations of Metro Bank and will rank *pari passu*, without any preference, among themselves.
Rights on a Winding-Up	The rights and claims of Holders in the event of a Winding-Up of Metro Bank are described in Conditions 3 and 4.
Interest	The Notes will bear interest on their principal amount: (a) from (and including) the Issue Date to (but excluding) the Reset Date, at the rate of 5.50 per cent. per annum; and (b) thereafter, at the Reset Rate of Interest (as described in Condition 5*(d)*), in each case payable semi-annually in arrear in equal instalments on 26 June and 26 December in each year (each, an "**Interest Payment Date**"), commencing on 26 December 2018.
Maturity	Unless previously redeemed, purchased, cancelled or substituted, the Notes will mature on 26 June 2028. The Notes may only be redeemed, repurchased or substituted by Metro Bank in the circumstances described below (as more fully described in Condition 6).
Optional redemption	Metro Bank may, in its sole discretion but subject to the conditions set out under "*Conditions to Redemption, Substitution, Variation and Purchase*" below, redeem all (but not some only) of the Notes on the Reset Date at their principal amount together with any interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the relevant redemption date.

Redemption following a Capital Disqualification Event or a Tax Event

Metro Bank may, in its sole discretion but subject to the conditions set out under "*Conditions to Redemption, Substitution, Variation and Purchase*" below, redeem all (but not some only) of the Notes at any time following the occurrence of a Capital Disqualification Event or a Tax Event, in each case at their principal amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the relevant redemption date, subject to, in the case of a redemption occurring prior to the fifth anniversary of the Issue Date and to the extent required under prevailing Regulatory Capital Requirements, Metro Bank demonstrating to the satisfaction of the Competent Authority that (i) in the case of a Tax Event, the relevant change in tax treatment is material and was not reasonably foreseeable as at the Issue Date or (ii) in the case of a Capital Disqualification Event, the relevant change in regulatory classification was not reasonably foreseeable as at the Issue Date.

Substitution and Variation following a Capital Disqualification Event or a Tax Event

Metro Bank may, subject to certain conditions and upon notice to Holders, at any time elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities if, prior to the giving of the relevant notice to Holders, a Tax Event or Capital Disqualification Event has occurred.

Conditions to Redemption, Substitution, Variation and Purchase

Any redemption or purchase of the Notes prior to the Maturity Date or any substitution or variation of the Notes will be subject to obtaining Supervisory Permission and in the case of any redemption or purchase (to the extent required by prevailing Regulatory Capital Requirements) to either:

(a) Metro Bank having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of Metro Bank; or

(b) Metro Bank having demonstrated to the satisfaction of the Competent Authority that the own funds of Metro Bank would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time.

If, at the time of such redemption, purchase, substitution or variation, the prevailing Regulatory Capital Requirements permit the redemption (or purchase, substitution or variation) after compliance with one or more alternative or additional pre-conditions to those set out in paragraphs (a) and (b) above or under "*Redemption following a Capital Disqualification Event or a Tax Event*" above, Metro Bank shall instead comply with such other pre-condition(s).

Purchase of the Notes	Metro Bank may, at its option but subject to the conditions set out under "*Conditions to Redemption, Substitution, Variation and Purchase*" above, purchase (or otherwise acquire) any of the outstanding Notes at any price in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements. All Notes purchased by or on behalf of Metro Bank may be held, reissued, resold or, at the option of Metro Bank, cancelled.
Withholding tax and Additional Amounts	All payments by or on behalf of Metro Bank in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless the withholding or deduction is required by law. In that event, Metro Bank will (subject to certain customary exceptions, as described in Condition 9) pay such additional amounts in relation to interest (but not principal) as may be necessary in order that the net amounts received by the Holders in respect of payments of interest after the withholding or deduction shall equal the amounts which would have been receivable in respect of interest on the Notes in the absence of such withholding or deduction. In no event will Metro Bank be required to pay any Additional Amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to Sections 1471 through 1474 of the US Internal Revenue Code of 1986 and any regulations or agreements thereunder or any official interpretations thereof or any law implementing an intergovernmental approach thereto.
Enforcement	If Metro Bank has not made payment of any amount in respect of the Notes for a period of seven days or more (in the case of principal) or 14 days or more (in the case of interest), in each case after the date on which such payment is due, Metro Bank shall be deemed to be in default under the Trust Deed and the Notes and, unless proceedings for a Winding-Up have already commenced, the Trustee may institute proceedings for a winding-up. The Trustee may prove and/or claim in any Winding-Up of Metro Bank (whether or not instituted by the Trustee) and shall have such claim as is set out in Condition 4*(a)*. The Trustee may, at its discretion and without notice, institute such other proceedings and/or take any other steps or action against Metro Bank as it may think fit to enforce any term or condition binding on Metro Bank under the Trust Deed or the Notes (other than any payment obligation, including any damages) provided that in no event shall Metro Bank, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the

	same would otherwise have been payable by it pursuant to the Conditions or the Trust Deed. No Holder shall be entitled to proceed directly against Metro Bank or to institute proceedings for a winding-up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. See Condition 8 for further information.
Modification	The Trust Deed will contain provisions for convening meetings of Holders to consider any matter affecting their interests, pursuant to which defined majorities of the Holders may consent to the modification or abrogation of any of the Conditions or any of the provisions of the Trust Deed, and any such modification or abrogation shall be binding on all Holders.
Substitution of Metro Bank	The Trustee may, without the consent of the Holders but subject to Supervisory Permission, agree with Metro Bank to the substitution in place of Metro Bank (or of any previous substitute of Metro Bank) as the principal debtor under the Notes and the Trust Deed of certain other entities subject to the Trustee being satisfied that such substitution will not be materially prejudicial to the interests of the Holders and certain other conditions set out in the Trust Deed being complied with. In the case of any substitution of Metro Bank, as provided above, the Trustee may agree, without the consent of Holders, to a change in the law governing the subordination and waiver of set-off provisions in the Conditions and the Trust Deed.
Form	The Notes will be issued in registered form. The Notes will initially be represented by a Global Certificate and will be registered in the name of a nominee of a common depositary for the Clearing Systems.
Denomination	£100,000 and integral multiples of £1,000 in excess thereof.
Clearing systems	Euroclear and Clearstream, Luxembourg.
Rating	The Notes will not be rated.
Listing	Application has been made for the Notes to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market and references to listing shall be construed accordingly.
Governing law	The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Notes or the Trust Deed, will be governed by, and construed in accordance with, English law.
ISIN	XS1844097987
Common Code	184409798

RISK FACTORS

Any investment in the Notes is subject to a number of risks, most of which are contingencies which may or may not occur, and Metro Bank is not in a position to express a view on the likelihood of any such contingency occurring.

Prior to investing in the Notes, prospective investors should carefully consider the risk factors associated with any investment in the Notes, Metro Bank and the financial services industry in the UK in general, together with all the other information contained, and incorporated, in this Prospectus. This section describes the risk factors which are considered by Metro Bank to be material to it and an investment in the Notes. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks and uncertainties which are currently not known to Metro Bank or which it currently does not consider to be material. Should any of the risks described below, or any other risks or uncertainties, occur this could have a material adverse effect on Metro Bank's business, results of operation, financial condition or prospects which in turn would be likely to cause the price of the Notes to decline and, as a result, an investor in the Notes could lose some or all of its investment.

Factors which Metro Bank believes may be material for the purpose of assessing the market risks associated with the Notes are also described below. Any of these factors, individually or in the aggregate, could have an adverse effect on Metro Bank's business, results of operations and financial position. In addition, many of these factors are correlated and may require changes to Metro Bank's capital requirements, and events described therein could therefore have a compounding adverse effect on Metro Bank.

Prospective investors should also read the detailed information set out, and incorporated, elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks relating to the Macroeconomic Environment in which Metro Bank Operates

Metro Bank is subject to risks resulting from the UK's planned withdrawal from the European Union ("Brexit")

A referendum held in the UK on 23 June 2016 was in favour of the UK leaving the European Union. In March 2017, the UK Government triggered the official process for withdrawing from the European Union under Article 50 of the Treaty of the European Union. As a result, the Treaty of the European Union and the Treaty on the Functioning of the European Union will cease to apply in the UK from the date of entry into force of a withdrawal agreement or, failing that, 29 March 2019 (subject to certain exceptions which may extend this period). The result of the referendum and the beginning of a two-year process of negotiation that will determine the future terms of the UK's relationship with the European Union (which may extend beyond the two-year withdrawal period under Article 50) has caused some general uncertainty which has had, and may continue to have, an adverse effect on the UK and, in particular, its economy.

The UK's planned withdrawal from the European Union has also adversely affected the UK's credit rating, with Standard & Poor Global and Fitch downgrading the UK to an AA rating, and Moody's downgrading the UK to Aa2. If UK economic conditions continue to weaken further, or if financial markets continue to exhibit uncertainty or volatility, including as a result of a downgrade in the credit rating of the UK Government or the outlook of the UK banking sector, Metro Bank's ability to continue to grow its business could be adversely impacted.

In particular, worsening economic and market conditions in the UK could result in reduced demand for Metro Bank's products from its customers, a reduction in their deposits with Metro Bank and an increase in arrears, impairment provisions and defaults. In addition, a significant proportion of the legal and regulatory regime applicable to Metro Bank in the UK, as well as anticipated regulatory reform, is derived from EU directives and regulations. The outcome of Brexit negotiations and the way in which such laws and regulations are adopted in the UK could therefore materially change the legal and regulatory framework applicable to Metro Bank's operations, including in relation to its regulatory capital requirements. These or any other Brexit-related factors could have a material adverse effect on Metro Bank's business, financial condition and result of operations.

Metro Bank's business is subject to inherent risks arising from macroeconomic conditions in the UK, the eurozone and globally, both generally and as they specifically affect financial institutions

As Metro Bank's revenue is derived almost entirely from customers based in the UK, Metro Bank is particularly exposed to the condition of the UK economy. In addition, as a High Street bank, Metro Bank's business performance is influenced in particular by the economic condition of its customers. The Centre for Economics and Business Research reported that the UK consumer confidence index stood at 108.2 in January 2018, showing an increase from December 2017 when it stood at 107.1 but below where it stood 12 months earlier at 109.8. The UK economy has also seen flat real wage growth and a rise in inflation, creating an income squeeze that has negatively impacted consumers, and in turn, Metro Bank's customer base. Although unemployment modestly declined in the quarter ended March 2018, weak economic conditions in the UK could lead to an increase, 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.

Deterioration in economic conditions in the eurozone and globally, including instability in financial markets, may pose a risk to Metro Bank's business, despite the fact that Metro Bank has no direct financial exposure outside of the UK and only minimal credit risk exposure outside of the UK. UK financial markets 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 a decline in global commodity prices such as crude oil. 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 had material funding needs. Furthermore, given the interdependence between financial institutions, Metro Bank is and 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 Metro Bank, which could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank faces risks associated with interest rate levels and volatility

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

In recent years, the UK has experienced historically low, sustained interest rates. Low interest rates reduce incentives for consumers to save and, therefore, could reduce Metro Bank's customer deposits, its principal source of funding.

However, the Bank of England has publicly stated its intention to gradually raise interest rates, which could also adversely affect Metro Bank. As of 31 December 2017, 77 per cent. (31 December 2016, 73 per cent.) of Metro Bank's deposits from customers were variable rate and instant access, and in an increasing interest rate environment, Metro Bank may be more exposed to 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, Metro Bank 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 net interest margin ("**NIM**") and revenue.

Changes in interest rates also impact Metro Bank's loan impairment levels and customer affordability. As of 31 December 2017, 34 per cent. (31 December 2016, 40 per cent.) of Metro Bank's loans and advances to customers were variable rate. As a result, a 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 Metro Bank. A high interest rate environment also reduces demand for loan products generally, as individuals are less likely or less able to borrow when interest rates are high, thereby reducing Metro Bank's revenue. In addition, given that the majority of Metro Bank'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 considerable strain on Metro Bank's business and operational capability, and Metro Bank may not be willing or able to price its fixed rate products as competitively as others in the market. This could lead to high levels of customer attrition and, consequently, a negative impact on Metro Bank's profitability.

In addition, changes in interest rates can affect Metro Bank's net interest income and margins. In August 2016, the Bank of England reduced its base rate to 0.25 per cent. from the 0.5 per cent. rate that had prevailed since March 2009. This low interest rate environment has put pressure on NIMs throughout the UK banking industry. The sustained period of low interest rates has resulted in relatively low spreads being realised by Metro Bank between the rate it pays on customer deposits and the rate received on the loans and the structural hedges that Metro Bank enters into with respect to its equity and non-dated, interest rate insensitive liabilities, reducing Metro Bank's net interest income and NIM. Metro Bank's business and financial performance and net interest income and NIM may continue to be adversely affected by a continued low interest rate environment.

The inability of Metro Bank to manage its exposure to interest rate volatility, whether through hedging, product pricing and maintenance of borrower credit quality or other means, could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank faces risks relating to volatility in UK real estate

The value of Metro Bank's mortgage portfolio is influenced by UK house prices, and a significant portion of Metro Bank's revenue is derived from interest and fees paid on its mortgage portfolio. As of 31 March 2018, £7,310 million, or 66 per cent. (31 December 2017, £6,231 million or 65 per cent.; 31 December 2016, £3,605 million or 61 per cent.) of Metro Bank's loans and advances to customers were mortgages. Historically, downturns in the UK economy have had a negative effect on the UK housing market. 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 Metro Bank's capital and its ability to engage in lending and other income-generating activities. Conversely, a significant increase in house prices over a short period of time could also have a negative impact on Metro Bank 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 Metro Bank's ability to grow its mortgage portfolio.

Metro Bank's mortgage portfolio, like its customer base, is concentrated in London and its surrounding areas. While Metro Bank has benefited from the fact that in London, prime residential property has been regarded as a preferred outlet for international capital, and residential property price growth has been largely sustained in recent years, following the June 2016 Brexit referendum, UK house prices, particularly in London and South East England, have in many instances either stagnated or declined. In addition, the buy-to-let market in the UK, which is predominantly dependent upon yields from rental income to support mortgage interest payments and capital gains from capital appreciation, and which has in the past contributed to robust growth in housing prices that is beneficial for Metro Bank's portfolio, has also slowed. 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. Furthermore, the Bank of England introduced new rules in 2017 that have tempered the market for buy-to-lend mortgages, including the gradual removal of tax relief on mortgage interest for buy-to-let landlords by 25 percentage points a year, which may result in lower yields on buy-to-let property investments. The UK government also increased stamp duty payable on second homes and certain buy-to-let homes by 3 per cent. starting in April 2016. These factors have adversely affected the number of homes sold and, consequently, reduced demand for related mortgages.

Furthermore, the UK Government's intervention into the housing market, both directly through buyer assistance schemes and indirectly, until January 2018, through the provision of liquidity to the banking sector under the Bank of England and HM Treasury's Funding for Lending scheme ("**FLS**"), may also contribute to volatility in house prices. The closure of the FLS in January 2018 may impact the future availability of mortgage lending and, consequently, house prices. Similarly, a sudden end to buyer assistance schemes could lead to a decrease in house prices, or conversely, a continuation could lead to inflation in house prices. In addition, the Mortgage Market Review ("**MMR**") came into force in April 2014 and amended certain existing rules on mortgage lending, including increased verification of income, assessment of affordability, interest rate stress tests and assessments of future changes of borrowers' income. 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, such as the implementation of the European Union Mortgage Credit Directive in 2016, 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 Metro Bank's business, financial condition and results of operations.

Risks relating to the Operation of Metro Bank's Business

Metro Bank is reliant on the success of its brand, and it is subject to reputational harm that could damage its brand

Metro Bank's success relies significantly on the strength of its brand. The Metro Bank brand is relatively new, and there can be no assurance that Metro Bank will be able to continue to successfully develop its brand's reach in order to grow its market share. This is particularly the case as Metro Bank's strategy has been, and is expected to continue to be, reliant on its direct distribution channels (comprising its highly visible, high-specification store environments, mobile and internet offerings, and local contact centres, together with its unique customer service proposition) to increase its brand 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 directors of Metro Bank (the "**Directors**") believe that Metro Bank's brand is closely associated with the bank's values, which emphasise customer service, and which Metro Bank could be forced to compromise due to competitive pressures. Metro Bank's brand could also 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;
- breaching, or facing allegations of having breached, legal and regulatory requirements (including money laundering and anti-terrorism financing requirements and capital adequacy requirements);
- committing, or facing allegations of having committed, or being associated with those who have or are accused of committing, unethical practices, including with regard to sales and trading practices;
- failing to maintain appropriate standards of customer privacy and record keeping;
- the failure of intermediaries and other third parties on whom Metro Bank relies, such as clearing banks, third-party mortgage servicing agents or partners, to provide necessary services; and
- poor business performance.

Although Metro Bank has acquired the trademark "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 Metro Bank's trademark registration for the word "Metrobank" and the wider use of the "Metro Bank" name (for which Metro Bank does not hold a trademark) might be challenged by the owner of another similar trademark. In the event that a challenge were to be successful, Metro Bank 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 Metro Bank outside of the UK may confuse customers, and any damage to the reputation of banks operating with similar trade names (such as Metro Bancorp Inc. in the U.S.) could also be detrimental to Metro Bank.

An inability to manage risks relating to its brand for any reason could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank faces risks associated with the implementation of its business strategy

The implementation of Metro Bank's strategy is subject to a number of risks, including operational, financial, macroeconomic, market, pricing and technological challenges. See "*Information on Metro Bank – Strategy*". For example, Metro Bank's business plan involves the expansion of its store network, number of customers, deposit base and loan book. There can be no guarantee that Metro Bank will be able to achieve these goals within the timescale envisaged. In relation to the expansion of its store network, which Metro Bank targets reaching approximately 100 stores by the end of 2020 and 140 to 160 stores across England and Wales by the end of 2023, there is a risk that new stores will not be as profitable as the more established stores. The success of Metro Bank's business model also requires obtaining significant numbers of new customer accounts, either through new customer acquisition or existing customers opening new accounts. Implementing Metro Bank's strategy will also require management to make complex judgements, including anticipating customer trends and needs across a range of financial products, identifying suitable borrowers for the expansion of its loan book, and structuring and pricing its products competitively. In addition, growth may negatively impact the continuity of Metro Bank's corporate culture and its ability to train staff to reflect its values. There also can be no guarantee that Metro Bank's technological infrastructure will be adequate to support its planned growth, or that Metro Bank will be able to successfully augment its systems if required in a timely manner, or at all.

Furthermore, Metro Bank's strategy is based on, among other things, certain financial expectations, including its ability to raise new capital and/or debt, which in turn, could be impeded by macroeconomic factors, including a downturn in the UK, European or global economies, increased competition in the retail banking sector and/or significant or unexpected changes in the regulation of the financial services sector in the UK or Europe. In addition, Metro Bank's current lack of a credit rating may further impede its ability to raise capital and/or debt in the future.

Moreover, in recent years, there has been an increased focus by UK regulators on the appropriateness and sustainability of the business models and growth strategies of regulated firms such as Metro Bank. Regulators no longer focus exclusively on the financial strength of regulated firms but also consider non-financial resources, including governance and infrastructure, available to the firm in assessing the sustainability of the business model and whether it continues to meet regulatory requirements. In addition, certain regulators have the power to restrict regulated firms' ability to develop products or make material acquisitions. If Metro Bank's regulators believe that it does not have a sustainable business model or does not meet any of the regulatory conditions, they could remove or restrict Metro Bank's operating licences and/or the way in which it conducts its business.

The inability of Metro Bank to implement its business strategy for any of these reasons could have a material adverse effect on its business, financial condition and results of operations.

Metro Bank's business is subject to risks relating to the cost and availability of liquidity and funding

The availability of retail and commercial deposits, Metro Bank's primary source of funding, may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. In addition, the Bank of England's Term Funding Scheme ("**TFS**") was as of 28 February 2018 closed to further drawdowns. As TFS funds mature, Metro Bank will have to replace those funds from other sources at what may be a higher cost. Metro Bank's ability to access retail and commercial funding sources on satisfactory economic terms is also subject to a variety of factors, a number of which are outside its control, including interest rates, liquidity constraints, general market conditions, increased competition, regulatory requirements and a loss of confidence in the UK banking system. In addition, because Metro Bank operates a "savings promise" that customers will have access to Metro Bank's "best rate available" for each personal savings account, and that new customers will not receive a more favourable rate than existing customers, the cost of Metro Bank's deposit funding may be higher than that of its competitors. A loss in customer confidence in Metro Bank could also significantly increase deposit withdrawals.

Liquidity constraints may impair Metro Bank's ability to meet regulatory liquidity requirements or financial and lending commitments. 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 Metro Bank's business, financial condition and results of operations.

Metro Bank faces risks from competition

The market for financial services in the UK is 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 Metro Bank operates are mature, and growth by any bank typically requires obtaining market share from competitors.

Metro Bank 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 than Metro Bank. In addition, while Metro Bank utilises the "standardised" approach for assessing credit risk, which tends to overestimate credit risk of lending portfolios, leading to higher risk-weighted assets, certain competitors may utilise the internal ratings-based approach, which allows them to hold less capital against their lending than the standardised approach, thus freeing up additional capital that could be used to lend to customers. Established banks may also be subject to less stringent capital adequacy requirements than Metro Bank.

Historically, Metro Bank 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, which could lead to increased costs associated with acquiring new customers. Also, due to their scale, many of Metro Bank's established competitors are able to cross-subsidise their product offerings more efficiently than Metro Bank, as profits in certain businesses allow them to absorb losses for longer periods to develop other business lines. In addition, as a result of their large established deposit and asset base, established 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.

Metro Bank also faces potential competition from new banks in the UK, banking businesses developed by large non-financial companies, from other "challenger bank" entrants, and fundamentally new entrants into the UK banking sector, such as peer-to-peer lending platforms and internet-only banks.

Furthermore, Metro Bank 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. Metro Bank relies on certain competitors to provide important payment clearing services, and these competitors could impose significant fees or restrictions on Metro Bank 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 payment transaction revenue that would otherwise be earned by Metro Bank.

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

Metro Bank is exposed to risks relating to relationships with intermediaries

Metro Bank relies on its network of intermediaries to originate a portion of loans for its mortgage, invoice and asset finance portfolios. Metro Bank has limited oversight of intermediaries' interactions with prospective customers, and if intermediaries violate applicable regulations or standards when selling Metro Bank's products, Metro Bank's reputation could be harmed (see "*Risk Factors – Risks relating to the Operation of Metro Bank's Business – Metro Bank is reliant on the success of its brand, and it is subject to reputational harm that could damage its brand").* In addition, Metro Bank may fail to develop products that are attractive to intermediaries or otherwise not succeed in developing relationships with intermediaries. Furthermore, Metro Bank 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 Metro Bank's competitors due to higher commissions or other incentives. The loss or deterioration of Metro Bank's relationships with its intermediaries could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank is subject to risks concerning customer and counterparty credit quality

Metro Bank has exposures to counterparties and obligors whose credit quality can have a significant adverse impact on Metro Bank's earnings and the value of assets on Metro Bank's balance sheet. As part of the ordinary course of its operations, Metro Bank estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to Metro Bank'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. Metro Bank may fail adequately to identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors. In respect of Metro Bank's interest-only mortgage book, these assessments may be incomplete. For example, Metro Bank lacks information on customer repayment vehicles for certain of its interest-only mortgage holders. As a result, Metro Bank has reduced visibility of future repayment issues in respect of its interest-only mortgages, which limits Metro Bank's ability to estimate and establish reserves to cover exposures resulting from when customers are unable to repay interest-only loans at their maturity.

Furthermore, there is a risk that, despite Metro Bank's belief that it conducts an accurate assessment of customer credit quality, customers are 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 charges or a negative impact on fair value in Metro Bank's lending portfolio. Further, the impairment requirements under IFRS 9 "Financial Instruments", which Metro Bank began to apply from 1 January 2018, increased the complexity of Metro Bank's impairment modelling and are expected to result in earlier recognition of credit losses than under previous standards. Such measurements will involve increased complexity and judgement and impairment charges will tend to be more volatile and could have a material adverse effect on Metro Bank'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 Metro Bank's business, financial condition and results of operations.

Concentration of credit risk could increase Metro Bank's potential for losses

Substantially all of Metro Bank's business relates to customers in the UK, and more specifically, predominantly those in London and the South East of England. 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, Metro Bank 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.

Metro Bank's risk management policies may not be effective

Metro Bank faces a wide range of risks in its core business activities, including credit risk and liquidity risk, conduct risk and interest rate risk. See "*Risk Management Overview*". Effective risk management requires, among other things, robust policies, processes and controls for the accurate identification and control of a large number of transactions and events, and Metro Bank's risk management policies, processes and controls may not prove to be adequate. Metro Bank has a range of tools designed to identify, assess and manage the various risks which 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 Metro Bank utilises for risk management are based on the evaluation of markets, customers or other information that is publicly known or otherwise available to Metro Bank. 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 Metro Bank's financial performance and business operations, particularly in periods of unusual or extreme market conditions. If Metro Bank'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

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

Metro Bank's business is dependent on processing a high volume of complex transactions across numerous and diverse products and services accurately and efficiently. Metro Bank 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 Metro Bank'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 Metro Bank 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. Metro Bank also periodically upgrades its existing systems, and problems implementing these upgrades may lead to delays or loss of service to Metro Bank's customers, as well as an interruption to its business, which could expose Metro Bank to potential liability.

In addition, Metro Bank 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. Metro Bank 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 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, Metro Bank relies on Barclays PLC as its clearing bank. If these third parties were unable to deliver their services to Metro Bank in a timely manner and in accordance with Metro Bank's specifications, Metro Bank's ability to meet its customer service levels could be compromised.

Metro Bank'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 Metro Bank's systems, for example from sophisticated attacks by cybercrime groups, could disrupt its business, result in the disclosure of confidential information and create significant financial and legal exposure, as well as damage to Metro Bank's reputation.

Metro Bank's operations must be considered in the light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development. Metro Bank expects to continue to introduce new IT systems and upgrades as its business expands, and there can be no guarantee it will be able to efficiently implement these changes efficiently or cost effectively, or that its current IT systems will have sufficient scalability to support Metro Bank's planned growth. Any actual or perceived inadequacies, weaknesses or failures in Metro Bank's IT systems or processes could have a material adverse effect on its business, financial condition and results of operations.

Metro Bank must comply with data protection and privacy laws and may be targeted by cybercriminals

Metro Bank's operations are subject to a number of laws relating to data privacy and protection, including the Data Protection Act 1998, the Privacy and Electronic Communications (EC Directive) Regulations 2003 and, from May 2018, the General Data Protection Regulation (the "**GDPR**"). The requirements of these laws may affect Metro Bank'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 Metro Bank. Enforcement of data privacy legislation has become increasingly frequent and could result in Metro Bank 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 Metro Bank. Metro Bank 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 Metro Bank facing fines (which, in the case of the GDPR, can be up to the higher of 4 per cent. of annual turnover or €20 million for serious breaches or 2 per cent. of annual turnover or €10 million for other specified infringements), increased card handling fees or withdrawal of payment processing services in the future.

The secure transmission of confidential information over the internet and the security of Metro Bank's systems are essential to its maintaining customer confidence and ensuring compliance with data privacy legislation. If Metro Bank or any of its third-party suppliers fails to transmit customer information and payment details online securely, or if they otherwise fail to protect customer privacy in online transactions, or if third parties obtain and/or reveal Metro Bank's confidential information, Metro Bank may lose customers and potential customers may be deterred from using Metro Bank's products and services, which could expose Metro Bank to liability and could have a material adverse effect on its business, financial condition and results of operations.

Metro Bank may suffer loss as a result of fraud, theft or cybercrime

As a financial institution, Metro Bank is subject to a heightened risk that it will be the target of criminal activity, including fraud, theft or cybercrime. For example, Metro Bank 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) or by customers engaging in fraudulent activities, including the improper use of legitimate customer accounts. In addition, losses arising from staff misconduct may result from, among other things, failure to document transactions properly or obtain proper internal authorisation in an attempt to defraud Metro Bank, or from physical theft at Metro Bank's stores.

There also can be no assurance that Metro Bank's systems will not be subject to attack by cybercriminals, including through denial of service attacks, which could significantly disrupt Metro Bank's operations.

Any of these activities may be difficult to prevent or detect, and Metro Bank's internal policies to mitigate these risks may be inadequate or ineffective. Metro Bank may not be able to recover the losses caused by these activities or events, and it could suffer reputational harm as a result of them, either of which could have a material adverse effect on its business, financial condition and results of operations.

Metro Bank is subject to risks associated with its hedging, treasury operations and investment securities portfolio, including potential negative fair value adjustments

Metro Bank faces risks relating to its hedging operations. Metro Bank engages in hedging activities; for example, to limit the potential adverse effect of interest rate fluctuations on its results of operations. However, Metro Bank 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, Metro Bank 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 Metro Bank's capital ratios.

Through its treasury operations, Metro Bank holds liquid asset portfolios for its own account, exposing Metro Bank to interest rate risk, basis risk and credit spread risk. Under volatile market conditions, the fair value of Metro Bank's liquid asset portfolios could fall more than estimated and cause Metro Bank to record mark-to-market losses. In addition, as of 31 December 2017, Metro Bank had investment securities of £3,915 million (31 December 2016, £3,227 million), principally comprising conservative, low-interest paying instruments, such as AAA, AA and A-rated residential mortgage-backed securities, gilts, UK treasury bills, covered bonds and bonds issued by corporates and financial institutions. Metro Bank uses investment securities as a source of liquidity and an outlet to deploy customer deposits which have not been lent to customers. Metro Bank has also pledged £4,358 million in investment securities as collateral to the Bank of England for the £3,801 million it had drawn down from TFS as of 31 March 2018. Despite the conservative nature of its investment securities portfolio, there can be no guarantee that the value of Metro Bank's investment securities portfolio will not decrease. In a distressed economic or market environment, the fair value of certain of Metro Bank'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 Metro Bank's exposures and holdings.

Interest rate insensitive balances, for example current accounts, form a significant part of Metro Bank's funding. Metro Bank 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 Metro Bank 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.

Metro Bank could fail to attract or retain senior management or other key colleagues

Metro Bank'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. Metro Bank may not succeed in attracting and retaining key personnel if they do not identify or engage with Metro Bank's brand and values. In addition, external factors such as macroeconomic conditions, the developing and increasingly rigorous regulatory environment, changes to work permit and visa rules, or negative media attention on the financial services industry may adversely impact attracting and retaining staff.

Furthermore, the successful launch and management of Metro Bank's early stage operations is a significant achievement for Metro Bank's senior management team. This unique experience may make them more attractive to Metro Bank's competitors or other institutions who may seek to hire them, and Metro Bank may be unable to find qualified replacements.

In addition, the Capital Requirements Directive IV (2013/36/EU (as implemented in the UK through applicable regulatory rules which, in relation to, Metro Bank will be set out in the PRA Rulebook and other PRA publications) and the Capital Requirements Regulation (together "**CRD IV**"), requires the UK to impose restrictions on the remuneration of certain bank staff, including a cap on bonuses and a requirement that variable remuneration be subject to risk adjustment and be partially deferred. These restrictions have been implemented through a revised Prudential Regulation Authority ("**PRA**") Remuneration Code. There continues to be political pressure for further regulation of remuneration for individuals working in the financial services sector, including banking executives. Under the new regime for senior managers (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 seven years' imprisonment). These types of legislation, regulation and rules (including the PRA Remuneration Code) may reduce the willingness of potential executive directors and senior colleagues to provide their services to Metro Bank.

Any failure to attract and retain key colleagues, including senior management, could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank's business model requires the lease or purchase of suitable premises for stores

Metro Bank's business strategy depends on securing leases, which are typically long term, or purchasing premises in prime locations for its store network. However, competition for these types of properties is likely to be significant, and Metro Bank cannot be certain it will be able to secure its premises of choice or necessary planning approvals. Any future inability to obtain additional suitable leases or purchases for its properties could have a material adverse effect on the success of Metro Bank's growth strategy and its business, financial condition and results of operations.

Claims and litigation could impact upon Metro Bank's reputation and earnings

Metro Bank is subject to legal and regulatory proceedings in the course of its business. Risks relating to these proceedings may arise for a number of reasons, including (i) Metro Bank's business may not be, or 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 Metro Bank or (iii) liability for damages may be incurred to third parties harmed by the conduct of Metro Bank's business. There can be no assurance that Metro Bank will prevail in any future litigation or regulatory proceedings. Any litigation or other proceedings, whether or not determined in Metro Bank's favour or settled by Metro Bank, could be costly and may divert the efforts and attention of Metro Bank's management and other personnel from normal business operations. In addition, any proceedings could adversely affect Metro Bank's reputation and the market's perception of Metro Bank and the products and services that it offers, as well as customer demand for those products and services, which could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank does not control certain internet domain names similar to its own

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

Metro Bank is subject to changes in taxation laws

Metro Bank's activities are conducted in the UK and, consequently, it is subject to a range of UK taxes. 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. For example, a bank surcharge of 8 per cent. was introduced in the UK from 1 January 2016. In addition, Metro Bank 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 Metro Bank or its customers could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Regulatory Risks

Metro Bank operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years

Metro Bank, 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 has been supplemented by additional powers intended to protect consumers and ensure redress. Metro Bank's principal regulators are the PRA (which is responsible for prudential regulation) and the FCA (which is responsible for conduct regulation). The PRA and FCA can apply a wide range of sanctions to firms (and individuals working for firms) 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.

The FCA, Metro Bank's conduct regulator, has highlighted protecting consumers as a key operational objective in its recent Business Plans for 2017 and 2018. In addition, the FCA is currently undertaking a series of thematic reviews, including a strategic review of retail banking business models. Metro Bank was requested to provide and has provided information disclosure in relation to this FCA review. Any recommendations that the FCA may make in relation to these or any of its other thematic reviews could impact Metro Bank's business, although given the early stages of the reviews, Metro Bank is unable to assess their potential impact, if any, on its 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 Metro Bank'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.

Investigating and dealing with proceedings, making redress and the cost of any regulatory sanctions may involve significant expense. The use of product intervention powers by the FCA may restrict Metro Bank's operations and its ability to offer new products to its customers. In any case, adverse publicity relating to regulator action could undermine customer confidence in Metro Bank and reduce demand for its products and services, which could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank is subject to new legislation on mortgages

The EU Directive on credit agreements relating to residential property, commonly known as the Mortgage Credit Directive ("**MCD**"), entered into force in the UK from 21 March 2016. Changes to the UK's existing mortgage regulation include 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. Implementation of the MCD led to a drop in demand for residential property mortgages in the UK. The European Commission has also indicated that it will be carrying out further work around mortgage foreclosure, default and underwriting requirements and the MCD itself provides for a review after five years. Future changes to the way in which the mortgage market will be regulated in the UK, might adversely impact Metro Bank's mortgage underwriting business and, more generally, have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank is subject to prudential regulatory capital and liquidity requirements

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 ongoing implementation issues as noted further below, and it is possible that further regulatory changes may be implemented in this area in any event.

The prudential regulatory capital and liquidity requirements to which Metro Bank is subject are primarily set out in CRD IV. In addition, Metro Bank is subject to additional requirements imposed by the PRA to the extent not inconsistent with CRD IV.

Although many of the measures in CRD IV took effect in the UK from 1 January 2014, some of the measures are to be phased in over a transitional period ending on 31 December 2018, though such phased implementation is in some cases subject to the PRA's right (which it has largely exercised) to apply an expedited timeframe. In particular, the liquidity regime is being phased in, though a significant part of it, the NSFR is subject to further review and more detailed development.

In addition, CRD IV requirements adopted in the United Kingdom or the way those requirements are interpreted or applied may change, including as a result of binding regulatory or implementing technical standards or guidance to be developed by the European Banking Authority, changes to the way in which the PRA interprets and applies these requirements to UK banks or further changes to CRD IV agreed by EU legislators. Similarly there may be changes to national prudential requirements which apply to banks. These changes, either individually or in aggregate, may lead to further unexpected enhanced prudential requirements in relation to Metro Bank's capital, leverage, liquidity and funding ratios and requirements. 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. For example, the Basel Committee has proposed changes to the market risk framework and is also considering revisions to the calculation of credit risk under the standardised approach and the calculation of interest rate risk in the banking book.

Metro Bank sets its internal target amount of capital and liquidity based on PRA guidance and following an assessment of its risk profile, market expectations and regulatory requirements in relation to both capital and liquidity. Metro Bank may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risks described elsewhere in this "*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, Metro Bank may experience pressure to increase its capital ratios. An analogous risk applies in relation to liquidity.

Due to its growth, Metro Bank's capital requirements are subject to increase. If Metro Bank 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 Metro Bank'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.

As of January 2018, Metro Bank has implemented IFRS 9 "Financial Instruments". IFRS 9 has led to a one-off increase in impairment allowances for certain financial assets in Metro Bank's balance sheet at the time of adoption, such as an increase for the provision for loan losses from £14.4 million as at 31 December 2017 to £36.4 million at 1 January 2018. However, the European Commission has implemented transitional arrangements to mitigate the full impact of IFRS 9 on expected credit losses on regulatory capital over a five year transition period, commencing 1 January 2018. IFRS 9 could, however, lead to a negative impact on Metro Bank's regulatory capital as the transition period expires. Any inability of Metro Bank to maintain its regulatory capital or liquidity requirements, or any legislative changes that limit Metro Bank's ability to manage its capital effectively may have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank is subject to rules relating to regulatory action in the event of a bank failure

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers were granted to HM Treasury, the Bank of England, the PRA and the FCA (together the "**Authorities**") as part of the special resolution regime (the "**SRR**"). These powers enable the Authorities to engage with and stabilise UK-incorporated institutions authorised to accept deposits that are failing or are likely to fail.

The Banking Act was amended to give effect to aspects of the recently adopted EU-wide framework for the recovery and resolution of credit institutions and investment firms, commonly known as the Banking Recovery and Resolution Directive (the "**BRRD**"), including expanding the powers available to the Authorities thereunder. As a result, the SRR now consists of the following five stabilisation options, which could be imposed on any bank, including Metro Bank: (i) transfer of all or part of the business of the relevant bank entity or the shares of the relevant bank entity to a third-party private sector purchaser; (ii) transfer of all or part of the business of the relevant bank entity to a "bridge bank" established and wholly owned by the Bank of England; (iii) transfer of the assets, rights and liabilities of the relevant bank entity to an asset management vehicle created and part owned by the Bank of England or Treasury; (iv) temporary public ownership of the relevant bank entity; and (v) bail-in, which effectively allows the relevant bank entity to be recapitalised through the writing down or conversion of debts and other liabilities to equity, including to zero (the "**bail-in tool**"). In relation to the transfer stabilisation options in (i) to (iv) above, the Authorities also would have the ability to modify or vary certain contractual arrangements of the relevant entity in certain circumstances, including for example the maturity date of securities.

In addition, as a result of the BRRD, the Banking Act was amended to require that loss absorbing capital instruments (such as the Notes) are written down or converted before or at the same time as any of the stabilisation options are implemented (the "**mandatory write-down and conversion power**").

Subject to certain protections for limited liabilities, the bail-in tool and the mandatory write-down and conversion power enable the Authorities to write down or dilute the claims of shareholders of a failing institution, including to zero, and to write-down or convert unsecured creditors and to convert unsecured debt claims to equity of such institution. The bail-in rules were designed to help ensure that the shareholders and unsecured creditors of a failed institution (rather than taxpayers) meet the costs of an institution's failure. In the UK, a bail-in would be effected by the Bank of England as resolution authority with no need for court approval, and a bail-in order cannot be challenged in court (although it is subject to judicial review). The BRRD rules were largely implemented in the UK with effect from January 2015 (except in relation to certain requirements relating to the contractual recognitions of bail-in and MREL referred to below which came into force in January 2016). If Metro Bank were to become subject to bail-in or resolution powers or subject to the mandatory write-down and conversion power, existing shareholders may experience a dilution or cancellation of their holdings and holders of debt securities (such as the Notes) may be subject to write-off or conversion. Some provision is made in the Banking Act for compensation orders to be made in certain specified circumstances but the extent of the compensation will be determined having regard to the particular fact matrix and the principles set out in the Banking Act (including that the "no creditor worse off" safeguard would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised). Subject to the foregoing, these principles essentially require that no shareholder or creditor should be worse off under an SRR process than it would have been under a hypothetical insolvency, which means that it is not certain that compensation would be received in a particular case.

Although the BRRD also makes provisions for public financial support to be provided to an institution on resolution subject to certain conditions, it provides that the financial public support should only be used as a last resort after the Authorities have assessed and exploited, to the maximum extent practicable, all the resolution tools, including the bail-in power. Accordingly, it is unlikely that investors in the Notes will benefit from such support even if it were provided.

Institutions subject to BRRD will also be required to meet a minimum requirement for own funds and eligible liabilities ("**MREL**") capable of being bailed-in. The MREL requirement will be equal to a percentage of total liabilities and own funds to be set by the Bank of England. Items eligible for inclusion in MREL will include an institution's own funds (including the Notes) along with other, more senior 'eligible liabilities' in the form of debt instruments. In November 2016, the Bank of England published its final policy (the "**Final MREL Policy**") for exercising its powers to direct UK banks to maintain MREL. Pursuant to the Final MREL Policy, the Bank of England proposes to set MREL for individual institutions by reference to three broad resolution strategies: (i) 'modified insolvency process' under Part 2 of the Banking Act – for those institutions which the Bank of England 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 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.

Furthermore, the Final MREL Policy also specified indicative thresholds which it would use to determine which resolution strategy would apply to individual institutions: institutions with fewer than 40,000 to 80,000 'transactional accounts' – i.e., those with at least nine withdrawals over the previous three months – would likely be subject to the modified insolvency process; institutions with more than 40,000 to 80,000 transactional accounts would be likely to be subject to a partial transfer strategy; and institutions with assets exceeding a threshold of £15 billion to £25 billion would be likely to be subject to a bail-in strategy. As part of the Final MREL Policy, the Bank of England confirmed that, in most cases, it will make use of the transition period allowed by the BRRD and the final EBA regulatory technical standards on the criteria for determining MREL to require institutions to comply with an interim MREL from 1 January 2020 and an end-state MREL from 1 January 2022 (subject to review by the end of 2020). Until such time as interim MREL applies, the Final MREL Policy also states that an institution's MREL will be equivalent to its minimum regulatory capital requirements. The Final MREL Policy also specified that capital buffers must be met in addition to MREL.

As of the date of this Prospectus, the resolution strategy for Metro Bank set by the Bank of England is the 'partial transfer' strategy. This strategy would see another firm purchasing either the whole of Metro Bank or part of it. Such a purchase would take place either immediately upon resolution or after a short period during which the firm's critical functions would be transferred to a temporary 'bridge bank' controlled by the Bank of England. On a going concern basis, Metro Bank will therefore be required to maintain an MREL requirement in excess of its minimum regulatory capital requirements (i.e., Pillar 1 and Pillar 2A) in order to support such a partial transfer and to meet the overall financial adequacy rule in the Group's Internal Capital Adequacy Assessment under the PRA Rulebook. Further, if there was a change in the resolution strategy – for example, as a result of a change in the Bank of England's policy on MREL or a significant expansion of the Group's operations such that a 'bail-in' strategy was adopted for Metro Bank – it is possible that Metro Bank may have to issue more eligible liabilities than is currently projected to meet those new requirements. During periods of market dislocation, or when there is significant competition for the type of funding that Metro Bank may need, a requirement to increase MREL may prove more difficult and/or costly. The implementation of the MREL requirements may therefore require Metro Bank to raise additional capital or adjust its current capital levels, which could have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Finally, the BRRD requires that certain claims of certain depositors and the FSCS (to the extent it covers claims of depositors in a bank insolvency) are given preferential status in the bank insolvency. Where Metro Bank 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 addition, the Banking Reform Act introduces a ring fence around retail deposits held by UK banks with the aim of separating certain core banking services critical to individuals and SMEs from wholesale investment banking services. The ring-fencing regime is intended to implement the core recommendation of the Independent Commission on Banking that UK banks should ring fence their retail and SME deposit-taking businesses in certain financially independent legal entities which are separate and distinct from certain designated trading and banking activities. Secondary legislation setting out the detail of the ring-fencing regime would exempt from ring-fencing those banks whose "core deposits" (as defined in the draft secondary legislation) do not exceed £25 billion as a rolling average over a three-year period. The impact of ring-fencing on the Group may, in the future, result in increased compliance costs or restrictions in some areas of business – in terms of investments made or products offered – that may have an adverse impact on the Group's financial condition and results of operations.

Metro Bank must comply with anti-money laundering, anti-bribery and sanctions regulations

Metro Bank is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit Metro Bank, 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 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 made financial crime a key topic to be addressed under 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, which will affect the scope of the regulatory requirements Metro Bank must comply with. While Metro Bank 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. Although Metro Bank believes that its current policies, processes and procedures are adequate and effective, and therefore, comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that these policies eliminate the risk of money laundering, sanctions breaches or bribery, including actions by Metro Bank's staff, for which Metro Bank 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 Metro Bank's business, financial condition and results of operations.

Metro Bank 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 are 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 allows 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 new rules on depositor protection rules and supervisory statements took effect in the UK from 3 July 2015.

It is possible, as a result of the new directive and subsequent UK implementation, that future FSCS levies on Metro Bank may differ from those at present, and such reforms could result in Metro Bank incurring additional costs and liabilities. In particular, Metro Bank has updated its IT systems to comply with the PRA's proposals for new 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. These updates have a material adverse effect on Metro Bank's business, financial condition and results of operations.

Metro Bank is subject to regulatory changes in relation to payment services

In July 2013, the European Commission proposed a revised payment services directive ("**PSD II**") to take account of new types of payment services due to technological development and to harmonise the transposition of certain rules set out in 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) that had been transposed or applied by Member States in different ways, leading to regulatory arbitrage and legal uncertainty. The text of the Directive was published in the Official Journal of the EU (OJ) on 23 December 2015 and came into force on 12 January 2016.

The Payment Services Regulations 2017, which implement PSD II in the UK, came into force on 13 January 2018. Among other things, the new rules include a requirement to grant certain regulated third parties with access to customer accounts and information. The regulations also introduce stronger customer authentication requirements and enhanced consumer protection obligations. This creates additional compliance and operational burdens for Metro Bank (including potential consequences for breach), and there is still some uncertainty as to the practical impact of the regulations.

The Banking Reform Act requires the FCA to establish a body corporate to regulate payment systems (the "**Payment Systems Regulator**"). The powers of the new Payment Systems Regulator have recently come into force, following its creation by HM Treasury. Its numerous objectives include the promotion of effective competition in the markets for payment systems and services - between operators, payment service providers and infrastructure providers. There is therefore uncertainty as to the impact the Payment Systems Regulator will have on banks and interbank systems, which could impact on Metro Bank's future operations.

Risks Relating to the Notes

The obligations of Metro Bank in respect of the Notes are unsecured and subordinated

The Notes constitute unsecured and subordinated obligations of Metro Bank.

On a Winding-Up of Metro Bank, all claims in respect of the Notes will rank junior to the claims of all Senior Creditors of Metro Bank. If, on a liquidation of Metro Bank, the assets of Metro Bank are insufficient to enable Metro Bank to repay the claims of more senior-ranking creditors in full, the Holders will lose their entire investment in the Notes. If there are sufficient assets to enable Metro Bank to pay the claims of more senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Notes and all other claims that rank *pari passu* with the Notes in full, Holders will lose some (which may be substantially all) of their investment in the Notes. Following the proposals published by the European Commission of 23 November 2016, a new Directive (EU) 2017/2399 (the "**Creditor Hierarchy Directive**") came into force which amends the BRRD as regards the ranking of unsecured debt instruments in the insolvency hierarchy. The Creditor Hierarchy Directive, when transposed into national law, will introduce a new creditor hierarchy for unsecured debt instruments with the inclusion of a new MREL-eligible debt class within that hierarchy which will rank ahead of Tier 2 Capital, including the Notes. Member States have until 29 December 2018 to transpose the Creditor Hierarchy Directive into national law. See also the risk factor entitled "*The Notes are not 'protected liabilities' for the purposes of any Government compensation scheme*" below.

For the avoidance of doubt, the holders of the Notes shall, in a liquidation of Metro Bank, have no claim in respect of the surplus assets (if any) of Metro Bank remaining in any liquidation following payment of all amounts due in respect of the liabilities of Metro Bank.

Although the Notes may pay a higher rate of interest than securities which are not subordinated, there is a substantial risk that investors in the Notes will lose all or some of the value of their investment should Metro Bank become insolvent or subject to any of the resolution tools or the write-down or conversion powers in the Banking Act.

As of 31 March 2018, Metro Bank had total liabilities of £16,803 million, all of which rank senior to the Notes. Other than the ordinary shares of Metro Bank, as of the date of this Prospectus all existing claims against Metro Bank rank senior to the ranking of the Notes. Therefore, if Metro Bank becomes insolvent or defaults on its obligations, investors investing in such Notes in a worst case scenario could lose their entire investment.

Holders are also subject to the provisions of the Banking Act relating to, *inter alia*, the write down or conversion of capital instruments and the bail-in of liabilities as described under "*Mandatory write-down and conversion of capital instruments may affect the Notes.*"

The remedies available to Holders under the Notes are limited

Holders may not at any time demand repayment or redemption of their Notes, although in a Winding-Up, the Holders will have a claim for an amount equal to the principal amount of the Notes plus any accrued interest.

The sole remedy in the event of any non-payment of principal or interest under the Notes, subject to certain conditions as described in Condition 8, is that the Trustee, on behalf of the Holders may, at its discretion, or shall at the direction of an Extraordinary Resolution of holders or of the holders of at least one quarter of the aggregate principal amount of the outstanding Notes subject to applicable laws, institute proceedings for the winding-up of Metro Bank and/or prove for any payment obligations of Metro Bank arising under the Notes in any winding-up or other insolvency proceedings in respect of such non-payment.

The remedies under the Notes are more limited than those typically available to Metro Bank's unsubordinated creditors. For further details regarding the limited remedies of the Trustee and the Holders, see Condition 8.

There is no limit on the amount or type of further bonds or other indebtedness that Metro Bank may issue, incur or guarantee

There is no restriction on the amount of notes, bonds or other liabilities that Metro Bank may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Notes. The issue or guaranteeing of any such Notes or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders during a winding-up or administration or resolution of Metro Bank and may limit Metro Bank's ability to meet its obligations under the Notes. Metro Bank may also issue, in the future, subordinated liabilities which rank senior to the Notes.

The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to Metro Bank could materially adversely affect the value of any Notes

Under the Banking Act, substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "**Authorities**") as part of a special resolution regime (the "**SRR**"). These powers enable the authorities to deal with, amongst others, a UK bank or building society (each a "**relevant entity**") in circumstances in which the Authorities consider that the resolution conditions are satisfied. The stabilisation options which may be commenced by the Authorities are: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" wholly owned by the Bank of England; (iii) transfer of all or part of the business of the relevant entity to an asset management vehicle owned and controlled by the Bank of England; (iv) temporary public ownership (nationalisation) of all of part of the relevant entity; and (v) a bail-in tool which permits the Bank of England to (a) cancel, modify or convert the form of a liability owed by, amongst others, a relevant entity or provide that a contract under which, amongst others, a relevant entity has a liability is to have effect as if a specified right had been exercised under it or (b) transfer securities issued by, amongst others, a relevant entity to a bail-in administrator. In each case, the Authorities have wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively. See also "*Metro Bank is subject to rules relating to regulatory action in the event of a bank failure*" above.

The paragraphs below set out some of the possible consequences of the SRR and the exercise of those powers under the SRR. The taking of any action under the Banking Act could adversely affect Holders.

The SRR may be triggered prior to insolvency of Metro Bank

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may be exercised if (i) the relevant Authority is satisfied that a relevant entity (such as Metro Bank) is failing, or is likely to fail, (including where the relevant entity is failing or likely to fail to meet the threshold conditions specified in FSMA) (ii) following consultation with the other Authorities, the relevant Authority determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those conditions, (iii) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors) and (iv) the relevant Authority considers that the specific resolution objectives would not be met to the same extent by the winding up of the relevant entity. It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

On 26 May 2015, the European Banking Association ("**EBA**") published guidelines on the circumstances in which an institution shall be deemed as "failing or likely to fail" by supervisors and resolution authorities. The guidelines set out the objective criteria which should apply when supervisors and Authorities make such a determination.

Although the Banking Act provides for conditions to the exercise of any resolution powers and the EBA guidelines set out the objective elements for determining whether an institution is failing or likely to fail, it is uncertain how the Authorities would assess such conditions in any particular situation. The relevant Authorities are also not required to provide any advance notice to Holders of their decision to exercise any resolution power. Therefore, Holders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on Metro Bank or the Notes.

Various actions may be taken in relation to the Notes without the consent of the Holders

If Metro Bank were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) subject to certain protections in respect of Metro Bank. Exercise of these powers could involve taking various actions in relation to any securities issued by Metro Bank (including the Notes) without the consent of the Holders, including (among other things):

- transferring the Notes out of the hands of the holders;
- delisting the Notes;
- writing down (which may be to nil) the Notes or converting the Notes into another form or class of securities such as ordinary shares; and/or
- modifying or disapplying certain terms of the Notes.

The relevant Authorities may exercise the bail-in tool under the Banking Act to recapitalise a relevant entity in resolution by allocating losses to its shareholders and unsecured creditors (which include Holders) in a manner that (i) ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the "no creditor worse off" safeguard). In addition, even in circumstances where a claim for compensation is established under the "no creditor worse off" safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Holders in the resolution and there can be no assurance that Holders would recover such compensation promptly.

The bail-in tool includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant entity under resolution and the power to convert a liability from one form or class to another. The exercise of such powers may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, the Notes into shares or other securities or other obligations of Metro Bank or another person, including by means of a variation to the terms of the Notes.

The taking of any such actions could materially adversely affect the rights of Holders, and such actions (or the perception that the taking of such actions may be imminent) could materially adversely affect the price or value of their investment in the Notes and/or the ability of Metro Bank to satisfy its obligations under the Notes. In such circumstances, Holders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Holders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

Mandatory write-down and conversion of capital instruments may affect the Notes

In addition, the Banking Act requires that the relevant Authorities permanently write-down, or convert into equity, Tier 1 capital instruments and Tier 2 capital instruments (such as the Notes) at the point of non-viability of the relevant entity or group and before, or together with, the exercise of any stabilisation power (except where the bail-in tool is to be utilised for other liabilities, in which case such capital instruments would be written down or converted into equity pursuant to the exercise of the bail-in tool, as described above, rather than the mandatory write-down and conversion power applicable only to the capital instruments of Metro Bank). The

Banking Act further gives the relevant Authorities the power to cancel, reduce or defer the equity liabilities of a bank, which may include equity liabilities into which the Notes have been converted (including divesting shareholders of a bank of their shares) in a resolution scenario.

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the relevant Authority determines that the relevant entity (or, if applicable, its parent or group) meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity or the group will no longer be viable unless the relevant capital instruments are written-down or converted or the relevant entity (or, if applicable, its parent or group) requires extraordinary public support without which, the relevant UK resolution authority determines that, the relevant entity or group would no longer be viable.

Holders may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of such Holders), which may result in such Holders losing some or all of their investment. The "no creditor worse off" safeguard would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised. The exercise of such mandatory write-down and conversion power under the Banking Act or any perceived increased likelihood of such exercise could, therefore, materially adversely affect the rights of holders of Notes, and such exercise (or the perception that such exercise may be imminent) could material adversely affect the price or value of their investment in the Notes and/or the ability of Metro Bank to satisfy its obligations under the Notes.

A partial transfer of Metro Bank's business may result in a deterioration of its creditworthiness

If Metro Bank were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with Metro Bank (which may include the Notes) may result in a deterioration in the creditworthiness of Metro Bank and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Notes and/or eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, Holders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Holders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

As of the date of this Prospectus, the Authorities have not made an instrument or order under the Banking Act in respect of Metro Bank and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Holders will not be adversely affected by any such order or instrument if made.

The Notes are not 'protected liabilities' for the purposes of any Government compensation scheme

The FSCS established under the Financial Services and Markets Act 2000 is the statutory fund of last resort for customers of authorised financial services firms paying compensation to customers if the firm is unable, or likely to be unable, to pay certain claims (including in respect of deposits and insurance policies) made against it (together "**Protected Liabilities**").

The Notes are not, however, Protected Liabilities under the FSCS and, moreover, are not guaranteed or insured by any government, government agency or compensation scheme of the United Kingdom or any other jurisdiction. Further, as part of the reforms required by the BRRD, amendments were made to relevant legislation in the UK (including the UK Insolvency Act 1986) to establish in the insolvency hierarchy a statutory preference (i) firstly, for deposits that are insured under the UK FSCS ("**insured deposits**") to rank with existing preferred claims as 'ordinary' preferred claims and (ii) secondly, for all other deposits of individuals and micro, small and medium sized enterprises held in EEA or non-EEA branches of an EEA bank ("**other preferred deposits**"), to rank as 'secondary' preferred claims only after the 'ordinary' preferred claims. In addition, the UK implementation of the EU Deposit Guarantee Scheme Directive increased, from July 2015, the nature and quantum of insured deposits to cover a wide range of deposits, including corporate deposits (unless the depositor is a public sector body or financial institution) and some temporary high value deposits. The effect of these changes is to increase the size of the class of preferred creditors. All such preferred deposits will rank in the insolvency hierarchy ahead of all other unsecured senior creditors of Metro Bank, including the holders of the Notes, and insured deposits are excluded from the scope of the bail-in tool.

Holders may not require the redemption of the Notes prior to their maturity

The Notes mature on 26 June 2028. Metro Bank is under no obligation to redeem the Notes at any time prior thereto and the Holders have no right to require Metro Bank to redeem or purchase any Notes at any time. Any redemption of the Notes and any purchase of any Notes by Metro Bank will be subject always to the prior approval of the Competent Authority (as defined in the Conditions) and to compliance with prevailing Regulatory Capital Requirements (as defined in the Conditions), and the Holders may not be able to sell their Notes in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Notes. Accordingly, investors in the Notes should be prepared to hold their Notes for a significant period of time.

The Notes are subject to early redemption at the option of Metro Bank and upon the occurrence of certain tax and regulatory events

Subject to the prior approval of the Competent Authority and to compliance with prevailing Regulatory Capital Requirements, Metro Bank may, at its option, redeem all (but not some only) of the Notes at their principal amount plus interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the relevant redemption date on the Reset Date or, upon the occurrence of a Tax Event or a Capital Disqualification Event, at any time.

An optional redemption feature is likely to limit the market value of the Notes. During any period when Metro Bank may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. Further, during periods when there is an increased likelihood, or perceived increased likelihood, that the Notes will be redeemed early, the market value of the Notes may be adversely affected.

If Metro Bank redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which latter case Holders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

It is not possible to predict whether the events referred to above will occur and lead to circumstances in which Metro Bank may elect to redeem the Notes, and if so whether Metro Bank will satisfy the conditions, or elect, to redeem the Notes. Metro Bank may be more likely to exercise its option to redeem the Notes on the Reset Date if Metro Bank's funding costs would be lower than the prevailing interest rate payable in respect of the Notes. If the Notes are so redeemed, there can be no assurance that Holders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

Metro Bank may not be liable to pay certain taxes

All payments by or on behalf of Metro Bank in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount), Metro Bank will (subject to certain customary exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Holders in respect of payments of interest after the withholding or deduction shall equal the amounts which would have been receivable in respect of interest on the Notes in the absence of such withholding or deduction.

Potential investors should be aware that neither Metro Bank nor any other person will be liable for or otherwise obliged to pay, and the Holders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, except as provided for in Condition 9.

In particular, the Notes do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction is imposed on repayments of principal. As such, Metro Bank would not be required to pay any Additional Amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Holders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

The interest rate on the Notes will be reset on the Reset Date, which may affect the market value of the Notes

The Notes will initially accrue interest at a fixed rate of interest to, but excluding, the Reset Date. From, and including, the Reset Date, however, the interest rate will be reset to the Reset Rate of Interest (as described in Condition 5). This reset rate could be less than the initial rate of interest, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes.

Metro Bank may be substituted as principal debtor in respect of the Notes

At any time, the Trustee may (subject to the approval of the Competent Authority) agree to the substitution in place of Metro Bank as the principal debtor under the Notes of certain entities, in each case subject to the Trustee being satisfied that such substitution is not materially prejudicial to the interests of the Holders and to certain other conditions set out in the Trust Deed being complied with. In the event of any such substitution, the Trustee shall be entitled to agree to amendments of the terms of the Notes and the Trust Deed without the consent of the Holders, including amendments to change the law governing the subordination and waiver of set-off provisions set out in the Conditions and the Trust Deed.

The terms of the Notes may be modified, or the Notes may be substituted, by Metro Bank without the consent of the Holders in certain circumstances, subject to certain restrictions

In the event of certain specified events relating to taxation or following the occurrence of a Capital Disqualification Event, Metro Bank may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities (as defined in the Conditions), without the consent of the Holders.

Qualifying Tier 2 Securities must have terms not materially less favourable to holders than the terms of the Notes, as reasonably determined by Metro Bank in consultation with an independent investment bank or financial adviser of international standing. However, there can be no assurance that, due to the particular circumstances of a holder of Notes, such Qualifying Tier 2 Securities will be as favourable to each investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as Metro Bank as to whether the terms of the Qualifying Tier 2 Securities are not materially less favourable to holders than the terms of the Notes.

Because the Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with Metro Bank

The Notes will, upon issue, be represented by a Global Certificate that will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Euroclear and

Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Notes are in global form, the payment obligations of Metro Bank under the Notes will be discharged upon such payments being made by or on behalf of Metro Bank to or to the order of the nominee for the common depositary. A holder of a beneficial interest in a Security must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Notes. Metro Bank does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Notes in integral multiples of less than £100,000 may be illiquid and difficult to trade

The denomination of the Notes will be £100,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Notes may be traded in the clearing systems in amounts in excess of £100,000 that are not integral multiples of £100,000. Should individual certificates be required to be issued, they will be issued in principal amounts of £100,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Holders who hold Notes in the relevant clearing system in amounts that are less than £100,000. Accordingly, any Holder who holds an amount which is less than £100,000 in principal amount of the Notes in his account with the relevant clearing system at the relevant time may not receive an individual certificate (should individual certificates be printed) in respect of such holding. Such a Holder would need to purchase a principal amount of Notes such that its holding amounts to £100,000 in order to receive an individual certificate.

If individual certificates are issued, Holders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

The Conditions contain certain provisions relating to the meetings of Holders and modification of the Conditions

The Conditions of the Notes will contain provisions for calling meetings of Holders and passing resolutions in writing or electronically, each to consider matters affecting the interests of Holders generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and/or vote in relation to the relevant resolution and Holders who voted in a manner contrary to the majority.

In addition, the Trustee may agree, without the consent of the Holders, to make any modification to any of the Conditions or any of the provisions of the Trust Deed or the Agency Agreement that: (i) in the opinion of the Trustee, subject to the provisions of the Trust Deed, is not materially prejudicial to the interests of the Holders; or (ii) in its opinion, is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Holders.

Changes in law may affect investors' rights

The Conditions of the Notes will be governed by the laws of England. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or administrative practice after the date of this Prospectus.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

A Holder's actual yield on the Notes may be reduced from the stated yield by transaction costs

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), Holders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

Risks Relating to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

There can be no assurance about the development or performance of a secondary trading market for the Notes

The Notes represent a new security for which no secondary trading market currently exists and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

If a market for the Notes does develop, the trading price of the Notes may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Notes, such volatility may be increased in an illiquid market including in circumstances where a significant proportion of the Notes are held by a limited number of initial investors. Publicly traded bonds from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. If any market in the Notes does develop, it may become severely restricted, or may disappear, if the financial condition of Metro Bank deteriorates such that there is an actual or perceived increased likelihood of Metro Bank being unable to pay interest on the Notes in full, or of the Notes being subject to loss absorption under an applicable statutory loss absorption regime. In addition, the market price of the Notes may fluctuate significantly in response to a number of factors, some of which are beyond Metro Bank's control.

Any or all of such events could result in material fluctuations in the price of Notes which could lead to investors losing some or all of their investment.

The issue price of the Notes might not be indicative of prices that will prevail in the trading market, and there can be no assurance that an investor would be able to sell its Notes at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

Moreover, although Metro Bank and any subsidiary of Metro Bank can (subject to Supervisory Permission and compliance with prevailing Regulatory Capital Requirements) purchase Notes at any time, they have no obligation to do so. Purchases made by Metro Bank (or on behalf of) Metro Bank could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market.

In addition, Holders should be aware of the prevailing credit market conditions (which continue at the date of this Prospectus), whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Notes or the assets of Metro Bank. Metro Bank cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Although an application has been made to admit the Notes to trading on the Market, the Notes have no established trading market and one may never develop.

There are exchange rate risks and exchange control risks associated with the Notes

Metro Bank will pay principal and interest on the Notes in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or pounds sterling may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal as measured in the Investor's Currency.

There are interest rate risks associated with the Notes

An investment in the Notes, which bear interest at a fixed rate (reset after five years), involves the risk that subsequent changes in market interest rates may adversely affect their value. The rate of interest will be reset after five years, and as such the reset rate is not pre-defined at the date of issue of the Notes; it may be different from the initial rate of interest and may adversely affect the yield of the Notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of financial information and non-financial operating data

Historical financial information

The historical financial information in this Prospectus has been prepared in accordance with the requirements of the Prospectus Directive, the UK Listing Rules and IFRS issued by the International Accounting Standards Board and as adopted for use in the EU. The historical financial information incorporated by reference in this Prospectus consists of audited consolidated financial information of Metro Bank for the years ended 31 December 2016 and 31 December 2017 and unaudited consolidated financial information of Metro Bank for the three months ended 31 March 2018.

Non-IFRS Financial Measures

Metro Bank presents certain key performance measures that are not defined under IFRS but that it finds useful in analysing its results and that it believes are widely used by investors to monitor the results of banks generally. These measures include:

- Common Equity Tier 1 ("**CET1**") ratio, defined as share capital, share premium, retained earnings and other reserves less specified regulatory adjustments as a percentage of year-end risk-weighted assets.
- Debt-to-value ratio ("**DTV Ratio**"), defined as the ratio of the gross outstanding amount to the indexed value of its collateral.
- Loan-to-deposit ratio ("**LTD Ratio**"), defined as the ratio of loans and advances to customers divided by customer deposits.
- Loan Loss Reserve to Non-Performing Loans Ratio, defined as the ratio calculated by dividing Metro Bank's allowance for impairment by its non-performing loans, where the "allowance for impairment" is the numerator and "non-performing loans" is the denominator.
- NIM, calculated as net interest income as a percentage of monthly average interest-earning assets.
- Non-Performing Loans Ratio, defined as the ratio of the gross outstanding amount of loans with more than three instalments unpaid to the total gross outstanding amount.
- Return-on-equity, defined as profit attributable to ordinary shareholders divided by monthly average shareholder's equity as a percentage.
- Total Capital Ratio, defined as the total of Tier 1 and Tier 2 capital as a percentage of year-end risk-weighted assets.
- Deposit growth per store per month, defined as the change in deposits from customers during a period of one calendar month (measured at month end, for stores opened for a minimum of a full calendar month) divided by the number of Metro Bank stores at such time.
- Underlying Loss/Profit Before Tax, which is an adjusted measure, excluding the effect of certain items that are considered to distort year-on-year comparisons, being listing share awards and impairment of property, plant and equipment and intangible assets, (for 2016 only) costs associated with listing and (for 2017 only) costs relating to The Royal Bank of Scotland alternative remedies package application. Where Underlying Loss/Profit Before Tax is reported for a quarter, the Underlying Loss/Profit Before Tax also excludes the impact of the FSCS levy due to the timings of this charge.

Some of these measures are defined by, and calculated in compliance with, applicable banking regulation, which often provides Metro Bank with certain discretion in making its calculations.

Because of the discretion that Metro Bank and other banks have in defining these 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 Metro Bank based on its audited balance sheet and results of operations.

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 Metro Bank and is unaudited.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to "**sterling**", "**pounds sterling**", "**GBP**", "**£**" or "**pence**" are to the lawful currency of the United Kingdom. Metro Bank prepares its financial statements in pounds sterling. All references to the "**Euro**", "**euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "**dollars**", "**$**" or "**U.S.$**" are to the lawful currency of the United States

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pound sterling.

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.

Market, economic and industry data

Certain information in this Prospectus has been sourced from third parties. Metro Bank confirms that all third-party information contained in this Prospectus has been accurately reproduced and, so far as Metro Bank 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.

Information regarding forward-looking statements

Certain information contained in this Prospectus, including any information as to Metro Bank's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "schedule" and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Metro Bank, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- general economic and business conditions in the UK and internationally;
- the finalisation of Brexit-related negotiations between the UK and the European Union;

- inflation, deflation, interest rates and policies of the Bank of England, the European Central Bank and other central banks;
- fluctuations in exchange rates, stock markets and currencies;
- changing demographic developments, including consumer spending, saving and borrowing habits;
- changes in customer preferences;
- lack of historical operational data and growth management;
- adequacy of Metro Bank's internal risk management framework, systems and processes;
- the adequacy of loss reserves and access to liquidity;
- the ability to attract and retain senior management and other staff;
- changes to borrower or counterparty credit quality;
- dependence on IT systems and changing technological requirements;
- changes in laws, regulations, taxation, accounting standards or practices;
- adequacy of Metro Bank's insurance coverage;
- regulatory capital or liquidity requirements and similar contingencies outside Metro Bank's control;
- the policies and actions of governmental or regulatory authorities in the UK, the EU or elsewhere;
- exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, and potential regulatory sanctions or adverse judicial judgments as a result thereof; and
- changes in tax legislation.

See "*Risk Factors*" for more information.

In addition, certain of Metro Bank's 2020 targets assume, *inter alia*, two further 25bps rate rises prior to 2020 and, due to the nature of the 2020 targets and the dependence of their achievement on numerous factors outside of Metro Bank's control, they may not be achieved by 2020 or at all.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as of the date of this Prospectus, reflect Metro Bank's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Metro Bank's operations, results of operations, growth strategy, liquidity, capital and Leverage Ratios and the availability of new funding. Investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements. Specific reference is made to "*Risk Factors*" and "*Information on Metro Bank*".

Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules, or applicable law, Metro Bank explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in Metro Bank's expectations or to reflect events or circumstances after the date of it.

Definitions

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

No incorporation of website information

The contents of Metro Bank's website, any website mentioned in this Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Prospectus, and investors should not rely on such information.

INFORMATION ON METRO BANK

The following discussion of Metro Bank's business contains forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. See "*Risk Factors*" and "*Presentation of Financial and Other Information – Information regarding forward-looking statements*" for a discussion of important factors that could cause Metro Bank's actual results to differ materially from the forward-looking statements contained herein.

Overview

Metro Bank was founded by Vernon W. Hill, II in 2010 as the first full-service, independent, new High Street bank to open in the UK in more than 100 years. Metro Bank uses a disruptive, deposit-driven funding model and a superior retail-focused customer service proposition that emphasises simple, straightforward banking in order to turn its customers into "**FANS**" (customers who recommend someone to bank with Metro Bank).

Metro Bank opened its first store in Holborn, central London, in July 2010, and since that time has established a strategically located network of 56 "stores" (not "branches") across London and the surrounding commuter areas, with over 1.3 million customer accounts, £12,702 million in deposits from customers and £10,974 million of net loans and advances to customers as of 31 March 2018. Driven by and reflective of its customer service-led model and culture, Metro Bank's stores are open seven days a week, early morning until late. Metro Bank also supports 24/7 telephony, digital and mobile banking, and offers simple products and fair and transparent pricing.

Metro Bank's operating model is underpinned by its "AMAZEING" culture:

A ATTEND to every detail

M MAKE every wrong right

A ASK if you're not sure – *Bump it up*!

Z ZEST is contagious – *Share it*!

E EXCEED expectations

I INSPIRE colleagues to create *FANS*!

N NURTURE colleagues so they grow

G GAME CHANGE because this is a Revolution

In order to cultivate this culture, Metro Bank seeks first to hire "colleagues" (not "staff") with the right attitude and train them with the appropriate skills to AMAZE 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.

Metro Bank's superior customer experience is supported by a scalable, innovative and flexible end-to-end technology infrastructure that equips Metro Bank's colleagues to focus on creating an "AMAZEING" customer experience. For example, the speed at which Metro Bank opens accounts is believed to be industry-leading by the Directors: following a robust "Know Your Customer" process (which includes anti-money laundering, anti-fraud and, where appropriate, credit checks), Metro Bank was able to open over 80 per cent. of accounts for new-to-bank customers in its retail segment (the "**Retail Segment**") within 30 minutes in 2017. In addition, Metro Bank'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 number, thus requiring no repeat store visits or mailings to complete their account opening process. Metro Bank launched one of the industry leading current account online opening processes in January 2018, which allows customers to open an account using "selfie" identification and verification ("**ID&V**") in ten minutes. Metro Bank's existing customers are also typically able to open additional savings accounts in no more than six clicks (depending on the product) on Metro Bank's website and instant access savings accounts using the Metro Bank mobile application. Furthermore, customers have 24/7 access to London-based contact centres staffed by Metro Bank colleagues that utilise real-time, skill-based routing for customer calls, removing the need for an interactive voice response ("**IVR**") system, simplifying the call experience and saving time for customers by quickly directing their call to a colleague well qualified to deal with their request.

Metro Bank has also invested heavily in its "back office" infrastructure, enhancing operational performance and resilience, including by implementing straight through processing and single customer view functionalities, leading 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.

As of 31 March 2018, Metro Bank had total assets and liabilities of £17,888 million and £16,803 million, respectively (31 December 2017, £16,355 million and £15,259 million; 31 December 2016, £10,057 million and £9,253 million).

History and development

Metro Bank was founded by Vernon W. Hill, II in 2010. Leveraging his experience as the founder of Commerce Bank in the U.S. (which he founded in 1973 as a one-branch bank in Philadelphia with a staff of nine, and which grew to have approximately 440 branches and U.S.$50 billion in assets by 2007 when Mr. Hill left the bank), Mr. Hill established Metro Bank with the belief that the value of a bank lies in its deposits, that customers in the UK would be willing to accept lower interest rates in exchange for a better banking experience, and that great companies and brands are built by creating "FANS" not simply "customers".

Selected key milestones in Metro Bank's history are set out below:

- 2010: Initial seed capital of £75 million raised through a private placement of shares and the Financial Services Authority grants a full-service banking licence. Launches its first store in Holborn in London. Further capital of £51.8 million raised through a private placement of shares to further accelerate store roll-out.

- 2012: Further private placement of shares of £126.5 million to support growth. Deposit balances grow to £500 million, customer accounts reach 100,000.

- 2013: Deposit balances grow to £1 billion; lending balances grow to £500 million; number of stores grows to 20. £387.5 million private placement of shares (including a £100 million follow-on offer in January 2014) to support further growth in risk assets and store network. Named "Bank of the Year" at the City AM Awards 2013 in London.

- 2014: Deposit balances grow to £2 billion and lending balances grow to £1 billion, customer accounts reach 400,000 and number of stores grows to 30.

- 2015: Purchases a first charge prime residential mortgage loan portfolio for consideration of £344 million. Deposit balances grow to £5 billion; lending balances grow to £3.5 million; and the number of stores grows to 40. Awarded a Microsoft "Visionary" award for innovative use of technology.

- 2016: Completes £400 million private placement and premium listing on the London Stock Exchange. Named "Most Trusted Financial Provider" by Moneywise. Customer accounts exceed 900,000.

- 2017: Opens its one millionth customer account and exceeds 1.2 million accounts by the end of 2017. Completes £277.9 million capital raise, oversubscribed and at full market price. Again named "Most Trusted Financial Provider" by Moneywise.

- 2018: Deposit balance grows to £12.7 billion and lending to £11 billion, supplemented by the acquisition of a seasoned mortgage portfolio. Continues investment in technology with the launch of online current account and opens its 56th store in Watford. Customer accounts exceed 1.3 million in the first quarter.

Strengths

Metro Bank is the UK's first new High Street bank offering a full service transactional platform focused on retail and commercial customers to have opened in the UK in the last 100 years. Adopting a growth retailing approach to banking, Metro Bank creates FANS through the tangible delivery of simple and transparent banking products. Metro Bank has built a completely new trusted consumer brand in the past seven years, with the platform and management in place to continue to expand its share of the UK banking market.

A disruptive growth retailing approach to banking; creating FANS through an "AMAZEING" culture and fanatical execution

Metro Bank's "AMAZEING" culture cultivates the provision of superior customer service, with the goal of transforming customers into long-term FANS. Metro Bank's focus on fanatical execution ensures customer needs are satisfied, and often exceeded, without delay via the channel of the customer's choosing. Metro Bank's culture is clear and pervasive across its colleagues, ensuring they are aligned with Metro Bank's customer-centric strategy. This promotes customer advocacy and brand strength through an association with a differentiated service. Metro Bank's stores, at the core of its multi-channel distribution capabilities, are designed to support its customer-centric culture, promote its brand proposition and drive customer engagement.

Metro Bank's pervasive customer-centric culture enables it to provide a differentiated service and convenience, which the Directors believe is comparable to that of some of the most admired brands in retail. A second colleague must be consulted before saying "no" to a customer (known as the "one to say yes, two to say no" rule), and high levels of engagement are encouraged in order to have a "surprise and delight" impact on customers. This is supported by the provision of services that are simple, with a strong focus on customer convenience. For example, legacy bank rules that restrict or frustrate customers have been replaced by unique policies such as "early until late" store opening hours, 362 days a year. Metro Bank is committed to providing face-to-face execution for almost twice as many hours throughout the year as incumbent banks, with services through its digital channels and contact centre offered 24/7. By championing the needs of customers, Metro Bank seeks to create "FANS for life", building long-term relationships and brand loyalty, having achieved 89 per cent. brand recognition in 2018 across London *(for ABCI demographic, source: YouGov independent survey, February 2018)*, with minimal annual external advertising expenditure.

Metro Bank's customer service is delivered by a highly motivated and engaged team of colleagues. This is reflected in the results of the internal 2017 colleague engagement survey, which evidenced high colleague engagement for the quality of Metro Bank's training, review process, opportunities for promotion and fairness of reward. Metro Bank's customer-centric culture pervades its recruitment and training policies, and Metro Bank is committed to hiring colleagues with the right attitude as a priority and then training for skills. Metro Bank safeguards its culture by enrolling every new colleague on the two-day cultural induction training programme, "Visions". This is followed by three to six weeks of service and skills training and then up to nine months follow-on development and training for most front-line roles, including professional banking qualifications. Promotions follow a '1-in-1-up' approach, with Metro Bank aiming to promote someone internally for every person hired externally into a job above entry level. Through regular "AMAZEING" reviews, based on customer service rather than sales (store colleagues do not have sales targets), internal and professional training qualifications and a share-option scheme, colleagues are trained as custodians of the Metro

Bank culture and business. Accordingly, Metro Bank colleagues are highly motivated to deliver superior customer service.

By successfully transforming customers into FANS, Metro Bank benefits from a powerful organic marketing engine. By fulfilling its promise of distinguished customer service and simple, transparent, value-for-money products, Metro Bank's brand and reputation has grown through recommendations and public recognition from industry, consumer advocacy and other community groups. For example, Metro Bank has been named the 'Most Trusted Financial Provider' by Moneywise for two consecutive years (2016, 2017). Metro Bank has also attracted recognition for its commitment to providing its customers with unparalleled levels of service and convenience, winning the UK Stock Market Awards' Best Customer Focus Award in 2017 and has been given HR Magazine's HR Excellence Award for the most People Focused CEO.

Using its stores as a key part of its tangible gateway to customer engagement, Metro Bank has further enhanced its brand recognition through active engagement with the local community. Metro Bank supported more than 2,500 community events during 2017 and delivered its Money Zone financial education course to 27,000 schoolchildren during the past year, bringing the total since 2010 to over 100,000. It interacts with local business and residents by hosting events in-store, holding over 2,500 in the last year alone. Through engagement with customers in-store and in the local community, Metro Bank has achieved an average Net Promoter Score ("**NPS**") (a recognised market-standard marketing benchmark that gauges customer loyalty) of over 80 per cent. in 2017. With 86 per cent. of customers surveyed in 2017 saying they would recommend Metro Bank's services to a friend, Metro Bank's distinct culture, focus on customer service and growing brand have driven customer accounts growth period-on-period.

Highly differentiated and integrated multi-channel customer proposition providing tangible and innovative delivery of retail and commercial banking services at point-of-sale

Metro Bank provides a differentiated level of tangible convenience for customers through the increasingly seamless interaction between in-store, mobile, online and telephonic banking services. By providing its customers with increasingly seamless access to their banking services across channels, Metro Bank puts control with the customer to use the channel of their choice at a time of their convenience, at any point in the customer journey. Metro Bank's colleagues are able to access a "Single Customer View" for all products and services consumed by a given customer, as well as a customer photograph and real-time history of previous interactions across all channels, without having to use multiple systems. Metro Bank utilises a bank-wide Microsoft Dynamics Customer Relationship Management ("**CRM**") system to ensure that customer tasks move throughout the organisation quickly and seamlessly. As a result, Metro Bank is able to deliver a faster, more informed, and more secure, service to customers without friction across multiple channels and systems.

Store network

Metro Bank provides the tangible delivery of its customer service proposition through its network of strategically located stores. Modelled on contemporary retail outlets, Metro Bank's stores are situated on selected high-street locations to maximise customer convenience and engagement. Metro Bank's stores are typically larger and more spacious than traditional bank "branches", resourced with well-trained, highly engaged customer-focused colleagues, and have distinguishing high ceilings and vibrant, modern interiors. In addition, Metro Bank's stores are open seven days a week with longer hours than competitors (typically 8am to 8pm, with standard hours across the store network to help ensure dependability for customers). Metro Bank has purposefully designed its stores to create a welcoming environment and provide timely customer service at peak times. Metro Bank's innovative straight through and real time processing allows new and existing customers to open an account and receive a new or replacement card and PIN number (and cheque book, if requested) at the point-of-sale with no need for second day follow-up. With free wireless internet in store, Metro Bank's customers are able to set up their mobile and online banking before leaving the store on the day of opening their account.

Digital channels - online and mobile

Online

Metro Bank provides a wide range of innovative online banking services to customers. In 2016 Metro Bank launched a new, commercial banking platform based on advanced technology. This enables commercial clients to manage their day-to-day banking, including authorising payments, bulk payment processing, and transaction searching. In 2018, Metro Bank launched its online current account opening process to new-to-bank retail customers. This enables an account to be open in 10 minutes based on technologically advanced "selfie" ID&V. New-to-bank customers are also able to open instant access and fixed-term savings accounts online. Existing customers can open additional accounts easily online in no more than six clicks (depending on the product), including current accounts, cash accounts, instant access savings accounts, fixed term savings accounts, instant access ISA accounts and overdrafts. The online proposition provides a range of additional value-added services featuring innovative, user friendly functionality that meets customer needs. For example, credit and debit card customers can view pending transactions, cancel a card, order a new card or order a PIN reminder, as well as search transactions by date, category or keyword. Most recently in 2018, Metro Bank built a state-of-the-art Application Programming Interface ("**API**") layer to support the UK Open Banking ("**Open Banking**") initiative and enable direct integration with innovative third-parties.

Mobile

Mobile banking is a key part of Metro Bank's multi-channel distribution capability, with the number of customers that have activated the mobile application increasing to over 65 per cent. All customers can access their account information, check balances, make payments and manage cards through a personalised mobile banking application.

Metro Bank continues to invest and upgrade its mobile proposition as it reacts to changing customer behaviours. For example, in 2014, Metro Bank developed the capability to freeze and unfreeze misplaced cards in real-time. Metro Bank also continues to invest in the integration between its digital platforms. In 2015, Metro Bank began building its new "multi-channel" corporate digital banking platform, aiming to provide consistent design and functionality across desktop, mobile, tablet etc. This was delivered in 2016 and was followed by a new mobile application for retail and small business customers in early 2017. Since its launch, additional functionality has been added to the mobile application, including support for Apple Pay, setting up new payment beneficiaries, and the ability to open a savings account directly in the app. Metro Bank expects to launch a cutting edge artificial intelligence ("**AI**") powered money management tool for customers on its application in the third quarter of 2018.

Contact Centres

Metro Bank's customer network is supported by contact centres with colleagues, rather than IVR functionality, to provide assistance with banking queries and services. Centres are exclusively located on-shore in the UK, above and behind stores. Metro Bank was Highly Commended by Moneywise for Best Current Account Provider for Call Centre Service in both 2016 and 2017. By seamlessly integrating the latest "In-In" technology with its Microsoft Dynamics CRM platform, Metro Bank has established real-time skill-based routing for customer calls. Removing the need for an IVR system, this has enabled automation and optimisation of call allocation, simplifying the experience and saving time for customers.

E-mail and social media customer interaction

Metro Bank actively monitors social media as a channel for customer engagement using Hootsuite Enterprise. For example, Twitter has become the principal channel for some customers to communicate with Metro Bank, and Metro Bank has begun to see an increasing number of regular customers use Twitter. Accordingly, Metro Bank monitors Twitter for both positive remarks on new propositions, such as the reaction to the launch of its current account online platform and new updates to its mobile banking app, as well as customer complaints.

Metro Bank also monitors trends on social media directed at competitors, such as complaints regarding customer service or digital banking applications, to inform Metro Bank's own differentiated customer proposition strategy.

Clear focus on core retail and commercial banking activities with simple and transparent products and services supported by innovative business partnerships

Metro Bank is the only new High Street bank offering a full service transactional platform focused on retail and commercial customers, specifically the underserved small and medium-sized enterprises ("**SME**") market, to have opened in the last 100 years in the UK. As of 31 December 2017, Metro Bank had a balanced exposure to both segments, with Retail Segment customers accounting for 47 per cent. of deposits and 67 per cent. of Metro Bank's loan book (31 December 2016, 50 per cent. and 64 per cent. respectively).

Metro Bank provides simple and transparent products, supported by a differentiated service and convenience-led proposition at point-of-sale across every channel. For example, Metro Bank offers one retail current account product and one cash account product, which can both be opened at point-of-sale end-to-end in-store within thirty minutes. The incumbent high-street banks in the UK offer, on average, five different current account products, which can take days or weeks to open. Retail Segment Customers are offered a "savings promise" on deposits to ensure customers have access to Metro Bank's best available rate for each account, and a uniform pricing policy that ensures new customers do not receive a more favourable rate than existing customers. The Directors believe that Metro Bank's policy of uniform, transparent and consistent pricing extended across all channels has helped Metro Bank build trust and loyalty with its customers, turning them into FANS.

Metro Bank further differentiates its product offering by providing a personalised service to its Retail Segment customers. For example, while all Metro Bank residential mortgage loans are initially assessed by automated underwriting software, each residential mortgage application also currently undergoes an element of manual (i.e., human) underwriting, with a view to providing its customers with the most suitable loan based on an analysis of their personal circumstances. This personalised service model has delivered a dual-benefit to Metro Bank: strong customer relationships that inspire high retention rates and enhanced underwriting outcomes.

Metro Bank's commercial customers benefit from the same simple and tailored approach. Metro Bank delivers a one-day account opening experience that is complemented by tailored product offerings. In Metro Bank's current heartland of London and the South East, 17 per cent. of SME business current account switchers chose Metro Bank in 2017 (source: Charterhouse Research Business Banking Survey, YE Q4 2017). SMEs receive support on request from local business managers and industry credit specialists. Simple cash management products act as a gateway aimed at creating long-term customer relationships that allow Metro Bank to fulfil a customer's banking needs across a full suite of transactional products, including business current accounts, savings accounts, term lending and asset finance. As of 31 March 2018, 53 per cent. (31 December 2017, 53 per cent.; 31 December 2016, 50 per cent.) of Metro Bank's customer deposits were from commercial customers.

Metro Bank strengthens its relationships with SMEs through valuable business partnership agreements. Metro Bank has successfully established partnerships with business service providers such as Xero, to generate a unique platform of services to support the SME ecosystem. Xero provides Metro Bank's customers with the ability to streamline their accounting and banking processes, reconcile their accounts with one click, manage their business data in one place and create smart reports and professional invoices on the move, through a state-of-the-art app. A new partnership with the Forum of Private Business launched in the second quarter of 2018, which gave SME customers access to downloadable guides and templates and a helpline to answer questions about wider business topics such as HR, compliance and health and safety. Additionally, Metro Bank has launched a new "walk out working" payment acceptance terminal pilot, again extending Metro Bank's SME offering. Metro Bank also partners with local-area professionals, such as lawyers and accountants, in order to build relationships within communities and provide banking services meeting local needs. Networking events are held regularly in store to bring together local communities and discuss relevant business topics. The Directors believe that such innovative initiatives differentiate Metro Bank from its peers, helping to build deep customer relationships that will support the growth franchise into the future.

High quality, low cost deposit base attracted through a differentiated service-led customer proposition creates a clear funding, cost and liquidity advantage

Through its growth in customer deposits, Metro Bank has built an efficient and high quality funding profile. As of 31 March 2018, Metro Bank had £12,702 million of customer deposits and served over 1.3 million customer accounts (31 December 2017, £11,669 million and 1.2 million accounts; 31 December 2016, £7,951 million and 915,000 accounts). By employing a deposit-driven funding model, Metro Bank derives a material economic benefit through lower than average funding costs and reduced regulatory liquidity requirements compared to other UK deposit-taking businesses. As Metro Bank has grown its customer base across retail and commercial markets, it has increased the percentage of deposits held in stable current accounts (predominantly non-interest bearing), further enhancing these benefits. Through tangible delivery of superior service and convenience at point-of-sale publicised through customer advocacy, Metro Bank has achieved strong growth in both deposits and current accounts. From 2016 to 2017, deposits grew 47 per cent. from £8.0 billion to £11.7 billion and current accounts grew 61 per cent. from £2.3 billion to £3.7 billion. Congruent with its customer centric proposition, the interest rates offered by Metro Bank are simple, transparent and consistent across channels. Metro Bank has received industry-wide recognition for its current account proposition, having won Best Current Account for Branch Service year after year (Moneywise, 2014-2017), and a 5-star rating for its Standard Current Account (Money Facts, 2018). In 2016, Metro Bank was recognised as Most Trusted Provider of Current Accounts and was Highly Commended in the same category the following year (Moneywise, 2016 and 2017). Metro Bank was also voted Most Trusted Savings & Cash ISA Provider 2016 and 2017 (Money wise) and Online Personal Wealth Award's Best Cash ISA 2017.

Metro Bank's differentiated proposition has enabled it to reach an average cost of deposits of 54 basis points ("**bps**") across its funding book in 2017, down from 79 bps as of 31 December 2016 (also reflecting a 0.25 per cent. interest rate decrease). By the end of 2020, Metro Bank is targeting customer NIM (including fee income) of approximately 3 per cent., assuming two 0.25 per cent. increases in interest rates. The table below sets out Metro Bank's deposits from customers for the years ended 31 December 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017. Metro Bank's cost of deposits for the years ended 31 December 2013, 2014, 2015 and 2016 were 118 bps, 90 bps, 79 bps and 54 bps respectively.

	Year ended 31 December							
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
	(£ million)							
Deposits from Customers	11,669	7,951	5,108	2,867	1,315	567	132	18

The Directors believe that Metro Bank also benefits from a scalable operating platform, allowing it to grow its deposit base as it attracts both new customers and more deposits from existing customers at a decreasing cost per deposit. Average deposit growth per store per month grew to £6.3 million in 2017 (up from £5.7 million in 2016), while comparative store deposit growth (a measure of deposit growth using deposit numbers from stores that have been operating for more than a full year) was 43 per cent. The Directors believe the average per store per month deposit growth will continue to be strong in the short-term driven by additional investment in new stores, increased access to larger commercial, charity and local government deposits, utilisation of alternative delivery channels (such as the launch of online deposit generation), and the increased network effect. The Directors believe that higher competition in the savings market post-TFS and new entrants to the banking sector will lead to long term average deposit growth in the range of £5.5 to 6.5 million per store per month.

Metro Bank also benefits from a stable deposit base. Metro Bank has set its liquidity risk appetite in the context of the bank's stable deposit business model, no "hot money" (i.e., funds controlled by investors actively seeking short-term returns and who frequently move funds in search of higher interest yields), and a conservative long-term target loan-to-deposit ratio of 85 to 90 per cent. (86 per cent. as of 31 March 2018; 82 per cent. as of 31 December 2017 and 74 per cent. as of 31 December 2016). Based on seven years of trading data, Metro Bank has been able to statistically demonstrate the stability of its deposit base through a core deposit stability analysis, dividing cohorts of seasoned deposits into "core" balances (the base level of deposits that has never been breached in a representative sample of accounts) and "non-core" balances. Products that exhibit a high core ratio, such as Metro Bank's retail current account at 97 per cent. as of 30 November 2017, are expected by the Directors to have a high longevity and be stable and sticky in the event of a liquidity stress. Metro Bank's high quality deposit base reduces the opportunity cost of funding its required liquidity reserve, while maintaining a prudent liquidity position.

Long-term growth supported by highly scalable, advanced, IT platform with a "pay-as-you-grow" cost structure

Metro Bank's growth trajectory is underpinned by a service-based approach to IT, utilising a unique "pay-as-you-grow" cost structure model. Metro Bank's approach to utilising a 'Software as a Service' ("**SaaS**") model minimises the fixed capital investment in systems that will eventually become obsolete over time and be written off. This model enables the scalability and efficiency of Metro Bank's expansion.

The SaaS model has increased Metro Bank's flexibility to customise and easily upgrade its systems to benefit from advanced technology solutions from providers including Microsoft, DPR, Back Base, Temenos and IBM, increasing customer convenience at a decreased cost. Metro Bank benefits from outsourcing the significant capital expenditure associated with its technology development, working closely with service providers as part of Microsoft's technology adoption program to customise the latest platform products to Metro Bank's needs, such as supporting its "Single Customer View" functionality across all channels.

Similarly, Metro Bank benefits from reducing the time and number of follow-ups required to open customer accounts. As the first bank in the UK to print contactless cards in store, Metro Bank has successfully established straight-through processing of new customer accounts, which is available seven days a week. Providing the ultimate convenience for the busy modern day customer, Metro Bank provides a new card, a customer-created PIN number (and cheque book, if requested) and the installation of online and mobile banking at the point-of-sale with no need for a second day follow-up for Retail Banking and Business Banking customers. Over 80 per cent. of first time Retail Segment customers have their account set up in less than 30 minutes, while for existing customers, setting up an additional account requires just four to six clicks (depending on the product) online. For SMEs, business current accounts can be opened same-day, representing a significantly distinguished proposition versus peers. Powered by flexible, easily upgradeable IT, Metro Bank has achieved mutually beneficial propositions of differentiated customer service that is both cost-efficient and scalable.

Metro Bank's innovative cross-channel customer propositions have attracted recognition from technology industry experts, enhancing Metro Bank's brand and reputation. It has partnered with 14 FinTech Companies and has gained the attention of the Fintech Finance Awards which, in 2017, gave Metro Bank awards for both having the Best Bank Branch (Gold) and being a 'Game Changer'. Metro Bank has continued to do this and has now been recognised on an international level for having the Best Digital Onboarding Strategy (Global Retail Banking Awards, 2018).

Robust capital and liquidity positions

Metro Bank has maintained a robust capital position with a comfortable buffer to regulatory requirements providing headroom for further asset growth. As of 31 December 2017, Metro Bank had a CET1 ratio of 15.3 per cent. and a leverage ratio of 6.7 per cent (13.6 per cent. and 5.0 per cent. respectively as of 31 March 2018). The high quality of Metro Bank's loan book has minimised the need to make provisions, with only a £14.4

million provision for loan losses as of 31 December 2017 (£36.4 million at 1 January 2018 on transition to IFRS 9). Low cost deposit aggregation coupled with low risk lending has generated strong revenue growth that supports Metro Bank's increasing profitability and organic capital generation. Metro Bank's Underlying Loss/Profit Before Tax for the year ended 31 December 2017 was £20.8 million of profit (31 December 2016, £11.7 million of loss). The table below sets out the quarterly Underlying Loss/Profit Before Tax for each quarterly period in 2016, 2017 and the first quarter of 2018.

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
					(£ million)				
Underlying Loss/Profit Before Tax......................	(9.6)	(3.4)	0.6	1.5	2.0	4.0	7.2	8.3	10.0

Metro Bank has consistently raised capital to pre-fund its growth ambitions which in turn, supports the delivery of its financial targets. As a high growth bank, Metro Bank will require further inorganic capital – both equity and debt – to support its growth and return potential. Historically, a large number of high-quality investors have supported Metro Bank's strategy, with over £1.3bn of capital successfully raised since inception.

Stand-out growth trajectory to date, with a tremendous market opportunity for continued gains in market share through delivery of a differentiated and disruptive model

Delivering Metro Bank's "AMAZEING" culture through its multi-channel network, Metro Bank has benefited from a strong track record of growth of customer accounts, deposits, organically originated residential mortgage loans and of business and commercial accounts and lending, representing a disruptive force in the UK banking market.

As Metro Bank has expanded its multi-channel platform, driven primarily through its 56 stores, it has acquired over 1.3 million customer accounts as of 31 March 2018 (31 December 2017, 1.2 million; 31 December 2016, 915,000). Metro Bank's store expansion, with seven opened in 2017 and twelve expected in 2018, is matched by increasing rates of customer account growth, with 300,000 net customer accounts added during 2017. Metro Bank has also grown account balances; as of 31 December 2014, 2015, 2016 and 2017, the average deposit per Commercial Segment customer was £31,529, £40,407, £38,514 and £43,611, respectively. As of the same dates, the average deposit per Retail Segment customer was £2,939, £3,510, £5,160 and £5,436, respectively. In addition, Metro Bank has experienced an increase of 40,000 accounts to 148,000 Commercial Segment accounts over the same time period. As a result, Metro Bank had £12,702 million in customer deposits as of 31 March 2018 (31 December 2017, £11,669 million; 31 December 2016, £7,951 million), representing 47 per cent. growth year-on-year and a quarterly growth rate of 8 per cent. Metro Bank's net loans to customers and loan to deposit ratio are set out below.

	Year ended 31 December				
	2017	**2016**	**2015**	**2014**	**2013**
Net Loans to Customers (£ million).................	9,620	5,865	3,543	1,590	751
Loan to Deposit Ratio (%)..............................	82	74	69	56	57

As of 31 December 2017, Metro Bank had a total deposit market share of 0.5 per cent. of a total UK deposit base of approximately £2.3 trillion (*source: Positivemoney*). Deposit growth has been matched by increasing geographic diversity, as Metro Bank has extended its physical network coverage through store expansion into further conurbations in the South East. To date, Metro Bank has been geographically focused in London and the surrounding commuter areas: from Peterborough to Brighton and from Swindon to Canterbury. As Metro Bank grows and expands its footprint this year into the South-West, Wales and the Midlands, there is a big opportunity for growth and diversification across the UK banking market. In the SME market Metro Bank has the opportunity to extend its reach, where as of 2016 it had 26 per cent. market coverage through its existing store network (*source: Charterhouse; data set: ONS 2016, Data set ID: UKBAF01, Enterprise by Turnover size band and GB Local Authority Districts (including UK total) 2016*).

Free from the risks associated with volatile interbank wholesale funding, customer deposit growth has funded £9,635 million of gross loans and advances to customers as of 31 December 2017 (31 December 2016, £5,873 million). The Directors believe that Metro Bank had an approximately 0.45 per cent. market share in residential mortgages in the UK as of 31 December 2017. Of Metro Bank's total asset base as of 31 December 2017, 87 per cent. was organically originated through Metro Bank's full service retail and commercial transactional banking platform, with only one acquisition to date (the acquisition of SME Invoice Finance Limited and its subsidiaries, which specialise in invoice discounting and factoring and asset finance ("**SME Invoice Finance**")) and the purchase of three mortgage portfolios. In 2015, Metro Bank bought a first charge prime residential mortgage loan portfolio for consideration of £344 million. In 2017 and 2018, Metro Bank bought first charge prime residential mortgage loan portfolios for a consideration of £592 million and £523 million, respectively.

The Directors believe there remains a significant opportunity for further growth in existing and new markets. Building on an established brand, with 89 per cent. brand recognition in London (*for the ABCI demographic, source: YouGov independent survey, February 2018*) where Metro Bank has the majority of its stores, and a growing network of customers in Greater London, the Directors expect to be able to fund continued asset expansion through Metro Bank's growing share of the deposit market. Metro Bank has continued to develop online customer acquisition capability, launching online savings accounts openings in late 2015 and online current account openings at the start of 2018. With this technologically advanced service, customers can apply using "selfie" ID&V. Supporting the tangible delivery of its multi-channel customer engagement proposition, Metro Bank expects to also continue to further its geographic expansion along commuter lines out of London, to the West and into the North, targeting approximately 100 stores by the end of 2020 and 140-160 stores across England and Wales by the end of 2023.

Stand-out growth track record matched by strong asset quality

Metro Bank's stand-out track record in asset growth has been matched by consistently strong asset quality. Rapid asset accumulation has been achieved while maintaining strict risk thresholds. The average DTV Ratio was 60 per cent. as of 31 December 2017, comprised of 58 per cent. for commercial lending, 60 per cent. for residential lending and 61 per cent. for buy to let. The average DTV Ratio was 57 per cent. as of 31 December 2016, comprised of 57 per cent. for commercial lending, 58 per cent. for residential lending and 59 per cent. for buy-to-let. Metro Bank's Non-Performing Loans Ratio was 0.27 per cent. as of 31 December 2017 (31 December 2016, 0.12 per cent.) and Metro Bank's Loan Loss Reserve to Non-Performing Loans Ratio was 55 per cent. as of 31 December 2017 (31 December 2016, 103 per cent. and 31 December 2015, 128 per cent.). Metro Bank's low average cost of risk to date, 0.11 per cent. at December 2017, has reflected Metro Bank's rigorous credit focus.

Metro Bank's cost of risk has remained low and stable due to high quality, low risk lending. The cost of risk for 2015 through 2017 is set out below.

	Year ended 31 December		
	2015	**2016**	**2017**
Cost of Risk (%)..	0.29	0.10	0.11

The DTV Ratio of residential mortgage lending as of 31 December 2017 is set out in the below table.

	Year ended 31 December 2017							
	DTV Ratio (%)							
	Less than 50	**51-60**	**61-70**	**71-80**	**81-90**	**91-100**	**More than 100**	**Total**
	(£ million)							
Residential Mortgage Lending ..	1,719,635	1,112,838	1,425,195	1,135,959	667,725	115,253	54,810	6,231,415

Leadership and management with a track record of proven success

Metro Bank has assembled a Board of Directors (the "**Board**") and Executive Leadership team with high-quality experience of leadership and operational positions in the banking and retail sectors.

Metro Bank's Chairman and founder, Vernon W. Hill, II, has a proven track record of launching and successfully growing a bank, having founded Commerce Bank in 1973 in the USA. Between 2001 and 2006, Commerce Bank achieved an annual average growth rate of 30 per cent. for deposits and 28 per cent. for loans (net), growing its number of stores from 184 to 428 during this period. Vernon has been recognised in Forbes' elite 20-20-20 club, a list of CEOs who have served for 20 years at the helm of a public company and have delivered at least a 20 per cent. annual return-on-equity for shareholders since their respective companies went public. Commerce Bank was sold to TD Bank Financial in 2007 for $8.5 billion. Based on an economic model of maximising the number of deposits per branch from a fixed central cost base and a customer-centric culture focused on exceeding customer expectations, Commerce Bank established its brand as "America's most convenient bank". Metro Bank's business model is based on the proven model of Commerce Bank, with the same founder on board to deliver success.

Metro Bank's founding Chief Executive Officer ("**CEO**"), Craig Donaldson, has significant experience in the UK banking sector, with previous roles including Managing Director of Retail Products and Direct Channels at RBS, as well as senior roles with Barclays and HBOS. Aided by a deep understanding of the operations of a number of the largest incumbent banks, Craig is committed to providing a differentiated customer proposition and embedding Metro Bank's unique culture.

Metro Bank's Chief Financial Officer ("**CFO**"), David Arden, is a member of the Chartered Institute of Management Accountants with previous roles in the banking industry, including various senior finance and operational roles including CFO of Sainsbury's Bank, as well as Managing Director of RBS/NatWest credit cards and Finance and Risk Director for Tesco Bank.

With a wealth of experience in UK banking, Metro Bank's Executive Directors and senior leaders have complementary experience and a wealth of industry knowledge, making them well equipped to drive Metro Bank's retailing approach to banking.

Strategy

Metro Bank is the only new High Street bank offering a full service transactional platform focused on retail and commercial customers to have opened in the UK in the last 100 years. Metro Bank intends to continue to take a retail approach to banking to create FANS through the tangible delivery of simple and transparent banking products and attract deposits below market interest rates to fund profitable scale expansion.

Tangible delivery of simple, great value products at point-of-sale across all channels

Metro Bank aims to "surprise and delight" customers across every channel they use through superior service and convenience, simple and transparent products and tangible delivery through every channel.

Store strategy: Metro Bank intends to continue providing real-time straight through processing to customers at the point-of-sale via its network of stores. Metro Bank aims to offer the fastest and most convenient account opening experience in the UK market through all channels. Metro Bank aims to be able to "do everything" for customers, both existing customers and new-to-bank customers, in store, and intends to continue expanding the catchment area of its store network through strategic expansion around London, the South East of England and further west and north along the key commuter lines, delivering superior service and convenience to an increasing number of FANS.

Digital strategy: Metro Bank intends to continue to increase its digital capability, in mobile, desktop and tablet services, to achieve a seamless customer journey across channels, and give customers easy access to multiple products, as well as tools that save time and improve transparency, to make customers' lives easier. Metro Bank will leverage its modern, technologically advanced infrastructure to build new and innovative customer experiences. By enhancing mobile capabilities, Metro Bank aims to allow its customers to do banking "on-the-go" by simplifying the customer experience and enriching the functionality for core day-to-day banking needs. In addition, Metro Bank aims to embrace Open Banking by connecting with third parties via APIs to offer customers more integrated experiences including greater choice and new, innovative services. With an active social media presence and an intuitive website, Metro Bank is investing to ensure that the digital engagement proposition is as distinctive and differentiating as the customer service received in stores.

Partnering strategy: Metro Bank is committed to assessing the market environment continually to provide value to customers through innovative partnership agreements. Having already established partnership agreements with a range of financial institutions (including St. James's Place), Metro Bank has extended its asset and deposit base in response to entrepreneurial opportunities. Future opportunities with current partners could enable Metro Bank to exceed its planned growth expectations and generate additional fees, while Metro Bank remains open to entering new partnerships and new asset segments. Simultaneously, increasing competence in the cash management space, allied to planned IT, proposition and process enhancements, could enable Metro Bank to attract more trading Commercial Segment customers and generate additional, capital-light, fee revenue.

Metro Bank also uses business partnership agreements, such as those with Xero, to generate a unique platform of services to support the SME ecosystem. A new partnership with the Forum of Private Business, launched in Q2 2018, gave SME customers access to downloadable guides and templates and a helpline to answer questions about wider business topics such as HR, compliance and health and safety. Metro Bank intends to continue to expand its range of partnership agreements to further differentiate its customer proposition for its SME customers and create profitable long-term relationships with growing businesses of the future.

Mortgage strategy: Metro Bank intends to continue to utilise both direct and intermediary origination channels to grow its residential mortgage portfolio. Metro Bank also aims to maintain an efficient balance between manual underwriting for residential mortgages that account for individual customer circumstances, and automated underwriting that enables greater scalability as the business grows. Metro Bank's launch of an online mortgage renewal platform in 2015 has enhanced retention rates for intermediary and directly originated mortgages by aligning the incentives of customers and intermediaries to retain a mortgage product with Metro Bank.

Foster an "AMAZEING" culture of fanatical execution through colleague engagement

Metro Bank is built around a customer-centric culture with clear strategic ambition to create FANS. Metro Bank is committed to maintain an "over-trained" and motivated team of colleagues to drive customer engagement across all channels to create profitable long-term relationships and grow the Metro Bank brand.

Customer engagement: "Revolutionising" the UK banking landscape, Metro Bank aims to provide a superior customer proposition designed to drive customer engagement and build long-term relationships. Metro Bank intends to drive increased customer engagement through differentiated customer service and convenience, the delivery of increasingly seamless distribution capabilities across all channels and continued offering of simple, fair and transparent products. As Metro Bank continues to expand its presence across all channels, the Directors believe that its brand awareness will continue to improve, from a strong position of 89 per cent. in London (*for the ABCI demographic, source: YouGov independent survey, February 2018*), to support increased customer acquisition.

Recruitment, training and reward: As the tangible point of service delivery, the Directors believe that ensuring colleagues are continuously well trained, motivated and immersed in the Metro Bank culture is central to providing a superior customer service. Accordingly, Metro Bank hires colleagues with the right attitude and trains for skill, ensuring Metro Bank colleagues act professionally and provide levels of service and engagement that match or exceed best-in-class retailers. Metro Bank intends to invest continuously in the development of its workforce, providing ongoing training through "Metro Bank University". Appraisals will continue to be based on the effective delivery of Metro Bank's culture and customer service standards rather than product sales targets, with share options given to every colleague through the variable reward programme. Motivated by meritocratic opportunities and equity ownership, the Directors expect colleagues to continue to deliver fanatical execution of the Metro Bank model.

Transform deep customer relationships into profitable balance sheet growth

Low cost funding model: As a deposit-driven institution, the Directors recognise the importance of acquiring and retaining customers, and their deposits, as a central component of the bank's profitability. Metro Bank intends to continue to deliver a customer service-led proposition for growing FAN numbers and, by association, deposit balances. The Directors expect funding costs to continue to benefit from this strategy as customers place significant value on service and convenience. As a primarily deposit funded institution (except for drawdowns under the TFS), Metro Bank has maintained a conservative loan to deposit ratio over recent years and its long term target range is 85 to 90 per cent. (by 2020).

Established customer base of FANS: By creating FANS through, among other things, what the Directors believe to be an unparalleled account opening experience, Metro Bank seeks to create customer loyalty and inspire customers to fulfil all of their retail and commercial banking needs through Metro Bank. For example, a key driver of growth is the provision of a broad suite of cash management solutions aligned to commercial customer needs. This allows Metro Bank to create an increasing incumbent commercial customer base to whom it can provide additional products upon request, supporting further balance sheet growth. By establishing a current account base of FANS, Metro Bank aims to lock-in the annuity value of its relationships, given the stickiness and transactional nature of the accounts.

Customer-centric underwriting processes: Metro Bank utilises its deep customer relationship to inform its risk assessment. For example, Metro Bank has established "three lines of credit defence" for Commercial Segment lending, comprising a relationship manager, credit partner and credit assurance (audit). Metro Bank's differentiated approach means that credit partners will often meet the borrower in person along with the relationship manager to assess more fully the individual customer circumstances, before deciding whether to recommend the credit for approval. This approach enables a more granular underwriting process, improving the quality of the loan book. As of 31 December 2017, Metro Bank had an immaterial number of non-performing residential mortgages and commercial loans. The in-person contact with the credit partner also provides a personalised service to the customer improving customer satisfaction. Metro Bank intends to continue deploying the "Credit Partner Model" as the business expands.

Full service retail and commercial offering: Metro Bank intends to continue to offer a full service transactional banking platform to its customers. Metro Bank's Commercial Segment customers are a key driver of income growth and are characterised by typically larger deposit balances and more complex requirements. The Retail Segment proposition is core to Metro Bank, in particular for the support it provides to its brand and recognition.

Continued scalable expansion in current and new markets

Scalable IT platform: Metro Bank employs a SaaS model, paying an upfront licensing fee for advanced platforms and technology components with additional payments linked to usage per colleague. This enables Metro Bank to implement its high growth ambitions without having to invest significantly in systems. Metro Bank aims to achieve cost-efficient growth by further leveraging this scalable IT platform.

Geographic expansion: Metro Bank intends to access greater customer numbers through its multi-channel customer engagement capabilities. At the core of its growth strategy is the expansion of the store network, with stores opening the Midlands as well as Bristol in 2018. With 56 stores as of the date of this Prospectus, Metro Bank is targeting approximately 100 stores by the end of 2020 and between 140-160 stores by the end of 2023. Metro Bank intends to expand the network nationwide "one store at a time". This prudent approach ensures Metro Bank invests only in the best sites that fulfil all of its strict internal criteria, being in visible and high traffic locations with sufficient space to install Metro Bank's distinct store design, generating significant growth in customer numbers without needing multiple stores in the same area. Metro Bank also employs an experienced "store delivery" team to ensure the store delivers Metro Bank's high standard of customer service from day one, before handing over the store to the new store management. As of 31 December 2017, the Directors estimate that Metro Bank's share of deposits in the UK was 0.5 per cent. of the total £2.3 trillion deposit base in the UK, highlighting the significant growth opportunity in this market.

Metro Bank's integrated "bricks and clicks" offers customers the choice of channel, so physical store expansion is supplemented through additional channels, including online, mobile and intermediaries, presenting national growth opportunities. Since launching new online customer current account opening for retail customers in the first quarter of 2018, Metro Bank has already acquired over six thousand customers.

New product expansion: Metro Bank, from time to time, assesses growth opportunities beyond those identified in its strategic plan, including among others, expanding into new complementary products. In 2013, Metro Bank acquired an asset and invoice discounting finance business providing important capabilities for its commercial franchise. Metro Bank has identified an opportunity to enter the "Added Value Account" market, developing a differentiated offer to meet the needs of their customers, delivering customer acquisition and fee revenue growth. With a continued focus on building Business and Commercial capabilities, Metro Bank is developing a range of improvements, from recently launching a "walk out working" payment acceptance terminal pilot, to developing specialist Trade Finance services to meet the needs of businesses exporting and trading internationally.

In 2017, Metro Bank invested in one of the market leading **API** layers, designed to create an environment that supports innovation and added-value services for its customers. The API layer allows Metro Bank the flexibility to evolve in the new era of banking where sharing of data and third-party relationships are expecting to become increasingly frequent. Metro Bank is well positioned to take advantage of greater interconnectivity and is actively seeking innovative partnerships and opportunities to invest in areas where there is potential to "surprise and delight" even more FANS across a number of themes: from enhancing Metro Bank's customer services and benefits to streamlining internal processes through partnerships with third parties and FinTech companies.

Delivering low-risk, profitable growth leading to enhanced shareholder returns

Metro Bank aims to continue to achieve market-leading growth in income and deposits with increasing cost efficiency to enhance returns to shareholders. By providing tangible sites of customer engagement in convenient locations, supported by multi-channel capabilities that enable tangible delivery at the point-of-sale, Metro Bank has been able to achieve revenue per square foot in its stores comparable to certain leading retail brands. To maximise the profitability of this model, Metro Bank intends to utilise its scalable IT platform and innovative customer propositions to enable cost-efficient growth across all channels, while maintaining a granular focus on store-level profitability and customer satisfaction.

Metro Bank intends to complement deposit growth through an expanding store network, with increasing acquisition of deposits through the online channel from both existing and new-to-bank customers. Metro Bank's scalable SaaS IT model supports this cost-effective growth by allowing it to service additional customer accounts, with only marginal increases in costs.

By the end of 2020, Metro Bank is targeting a return-on-equity of approximately 14 per cent., and an underlying cost-to-income ratio of approximately 60 per cent. (assuming two 0.25 per cent. increases in base interest rates over the period). Metro Bank has minimised the operating cost per deposit of its store network through innovative customer propositions. In addition, Metro Bank offers safe deposit boxes for annual or monthly fees in all stores, which can be reserved in-store or online. Metro Bank covers a significant proportion of its store operating costs from safe deposit box income (an average of 80 per cent. of rental costs in stores in operation for at least 12 months, prior to any income from lending or account-related activities). The table below sets out Metro Bank's financial targets through to 2023.

	2017 Actual	**2020 Targets**	**2023 Targets**
Deposits (£billion)	11.7	c.27.5	50-55
Stores	55	c.100	140-160
Deposit growth per store per month (£ million)	6.3	5.5-6.5	5.5-6.5
Loan to Deposit ratio (%)	82	85-90	85-90
Customer NIM + Fees (%)	2.69	c.3	c.3
Underlying cost to income ratio (%)	90	c.60	55-58
Cost of Risk (%)	0.11	c.0.20	0.15-0.30
Leverage Ratio (%)	5.5	>4.0	>4.0

Operating structure

Metro Bank is principally a deposit-taking and lending institution, which it services through two customer segments: Retail (the "**Retail Segment**") and Commercial (the "**Commercial Segment**"). Within its Retail Segment, Metro Bank offers products in its personal banking and private banking business lines ("**Personal Banking**" and "**Private Banking**", respectively), and within its Commercial Segment, offers business banking, commercial banking and partnership banking business lines ("**Business Banking**", "**Commercial Banking**" and "**Partnership Banking**", respectively).

Metro Bank provides simple and transparent mass-market deposit and lending products (consciously and strategically avoiding more complicated products and services that would detract from its culture and strengths and hence slow its growth), including current and savings accounts, retail and commercial mortgages, retail and commercial loans, overdrafts and credit cards. Metro Bank also uses its Private Banking business line to provide high net worth customers with the same range of simple banking products supported by a more personalised service model and access to a dedicated private banker. In addition to a strong Retail Segment offering, Metro Bank's Commercial Segment customers are offered a growing range of services to complement a relationship-driven offering, including invoice and asset finance and point-of-sale merchant services.

As of 31 December 2017, Metro Bank had 1,069,000 Retail Segment customer accounts and 148,000 Commercial Segment customer accounts, and deposits from customers of £11.7 billion, of which 47 per cent. and 53 per cent. was attributable to Retail Segment and Commercial Segment customers, respectively. As of the same date, it had loans and advances to customers of £9.6 billion, of which 33 per cent. and 67 per cent. was attributable to Commercial Segment and Retail Segment customers, respectively.

Metro Bank's loans and deposits split by segment are set out below:

	Year ended 31 December 2017
	(£ million)
Demand: current accounts	3,682
Demand: savings accounts	5,303
Fixed term	2,684
Deposits from customers	11,669
Deposits from customers includes:	
Deposits from retail customers	5,476
Deposits from corporate customers	6,193
Gross loans and advances to customers	9,635
Less: allowance for impairment	(15)
Net loans and advances to customers	9,620
Gross loans and advances to customers includes:	
Commercial loans	2,003
Professional buy-to-let	953
Asset & Invoice Finance	229
Commercial loans	3,185
Residential mortgages	4,572
Residential mortgages (buy-to-let)	1,660
Consumer and other loans	217
Residential mortgages	6,449

Culture and colleagues

Metro Bank places significant importance on the strength of its corporate culture, and seeks to attract a diverse colleague base that is aligned with its culture, customer service proposition and "AMAZEING" values. The Directors believe that Metro Bank has been able to attract talent through a combination of its culture, unique business model, compensation system focused on share ownership and by providing an opportunity to be a part of a dynamic and growing business, which provides it with a strong competitive advantage relative to other High Street banks.

The Directors believe that Metro Bank's growth has allowed it to offer its colleagues more career and promotion opportunities than larger competitors. For example, in 2017 Metro Bank promoted 25 per cent. of its eligible colleagues. Metro Bank also provides a wide range of in-house and online training courses through "Metro Bank University", which is designed to help colleagues learn new and enhance existing skills and has 21 classroom instructors. Colleagues completed over 181,000 hours of face-to-face training in 2017.

Metro Bank's approach to reward is also simple. Metro Bank pays base salaries in line with market norms and pays a discretionary variable reward, which is composed of two elements: share options and cash options, which are the focal point of discretionary variable reward to encourage colleagues to focus on the long-term growth and success of Metro Bank and to behave like owners. Eligibility for share options is based on an assessment of behaviours and performance and requires the colleague to have worked for Metro Bank for a minimum of six months at the time of the award. The level of award is also based on behaviours, performance against objectives, role and seniority. Options typically vest over five years after their grant. Colleagues are also allowed to exchange part or all of the cash element of any discretionary variable compensation into their pension or into immediate vesting share options.

Based on an internal survey conducted by Metro Bank in May 2017, the "Voice of the Colleague", 96 per cent. of Metro Bank's colleagues felt that Metro Bank is a good place to work.

Customer engagement and fulfilment

Metro Bank has historically avoided the use (and associated high costs) of traditional bank marketing channels, such as radio, print and television advertising, as these outlets are not aligned with the strategic importance it places on its tangible engagement with the communities in which it is based. Rather, Metro Bank focuses on the use of its direct distribution channels, comprising its highly visible, high-specification store environments, mobile and internet offerings, and local contact centres, together with its unique customer service proposition, to ensure that its customers become FANS of the bank, who then spread the word to their friends, family and business colleagues. Metro Bank also seeks to leverage the strength of its brand and the strategic location of its stores to become part of local communities. For example, through its store network, Metro Bank has worked with an estimated 27,000 children to promote financial education through its UK Key Stage 2 "Money Zone" programme in 2017 alone, with a total of over 100,000 since 2010. In addition, Metro Bank is active in supporting charities, having participated in more than 2,500 charity and community events in 2017. Metro Bank also maintains an active social media presence, and it seeks to provide substantive replies to questions and comments submitted by customers on platforms such as Twitter.

In 2017, Metro Bank's NPS, a recognised market-standard marketing benchmark that gauges customer loyalty, was over 80 per cent., with 86 per cent. of respondents designated as "promoters" of the Metro Bank brand, 9 per cent. as passive toward the brand and only 5 per cent. as "detractors" of the brand. The Directors believe that these scores are industry-leading among UK banking peers.

Stores

Metro Bank's store footprint has been, and continues to be, built organically through the opening of new stores placed in strategically selected prime commuter locations to ensure that Metro Bank's operating model is fully aligned with its customer proposition. Metro Bank seeks to open high-visibility (typically with large glass storefronts and designed in Metro Bank's recognisable red and blue colours), high-specification stores in prime locations where people live, work and play to achieve an interconnected "network effect" (i.e., an effect through which the visibility and brand awareness of each store enhances and complements that of other stores).

Consistent with its emphasis on retail-style customer service and tangible delivery, Metro Bank's stores are open seven days a week with longer hours than competitors (typically 8am to 8pm, with standard hours across the store network to help ensure dependability for customers), which the Directors believe resonates well with busy London commuters and the businesses that serve them. To promote an inviting environment, Metro Bank's stores also feature free coin counting services (through the "Magic Money" machine), pens and sweets, and are pet and child-friendly, with toilets and baby changing facilities.

Metro Bank's first store opened in Holborn, London on 29 July 2010 and, as of the date of this Prospectus, Metro Bank operated 56 stores, with a target to operate approximately 100 stores by the end of 2020 and 140 to 160 by 2023. Store openings are highly publicised, and Metro Bank organises activities, games, prizes and events during store openings to attract customers and familiarise them with the Metro Bank brand and "AMAZEING" values. To maintain cultural and operational continuity, when possible, Metro Bank seeks to staff new stores with a core of existing colleagues relocated from other stores.

Metro Bank's new stores typically make a positive contribution to Metro Bank's net income within 18 months of opening. Metro Bank manages the profitability (i.e., positive contribution before allocation of central overheads) for each store individually, with the store management teams accountable for their profit and loss. This approach provides Metro Bank with a number of benefits. For example, it allows a better understanding of the key drivers of profitability in each store and how these develop over time. In addition, Metro Bank is better equipped to assess market share taken by each store and assess the feasibility of additional growth. The approach also allows Metro Bank to draw lessons from experiences in one store and apply them to other stores. On average, newer stores have grown deposits faster than older stores did during the equivalent period from opening. The Directors believe this is due to the network effect, increasing brand recognition as well as organisational learning.

The positive, negative and net contribution to revenue from Metro Bank's stores over the 2017 fiscal year and for the fourth quarter of 2016 are set out in the table below.

	Fourth Quarter 2016	**First Quarter 2017**	**Second Quarter 2017**	**Third Quarter 2017**	**Fourth Quarter 2017**
Number of stores	48	48	48	50	55
Positive Contribution (£ million)	38.5	41.8	48.7	57.4	63.3
Negative Contribution (£ million)	(1.6)	(1.8)	(1.2)	(0.7)	(1.3)
Net Contribution (£ million)	**36.9**	**40.0**	**47.5**	**56.7**	**62.0**

Metro Bank leases all but twelve of its stores, with typical lease terms at commencement of 25 years. Metro Bank has increased the number of stores in its network from 4 as of 31 December 2010 to 56 as of the date of this Prospectus. The historical growth of Metro Bank store numbers is set out in the table below.

	Year ended 31 December							
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Number of Metro Bank Stores	4	10	15	24	31	40	48	55

Along with the growth in number of stores, Metro Bank's average deposit growth per store per month has also increased as set out in the table below.

	Year ended 31 December				
	2013	**2014**	**2015**	**2016**	**2017**
			(£ million)		
Average deposit growth per store per month	3.4	4.9	5.3	5.7	6.3

Digital channels – online and mobile

Metro Bank enables its customers to access its products and services through a modern web-based and mobile banking interface. Significantly, in 2018, Metro Bank began offering current account applications online, which the Directors believe will position it well for significant customer growth, given the historical customer and deposit growth rates achieved solely through Metro Bank's in-store applications previously.

Metro Bank provides its Retail Segment customers with online banking, which allows customers the ability to open new accounts, make payments and access other account functionality. For Commercial Banking and Business Banking customers, Metro Bank offers both a standard business internet banking function and an enhanced online business support system for more complex needs through its "Commercial Online" and "Business Online Plus" offerings, which allow Commercial Banking and Business Banking customers to set up advanced payment, transfer and account management functions for an additional fee.

In addition, in 2014, Metro Bank launched its mobile banking application to Retail Segment customers and extended its reach to Business Banking customers in 2015. The mobile application was upgraded in early 2017 for iOS and Android offering new and enhanced features. As of 31 December 2017, Metro Bank's online banking and mobile banking experiences over 1 million and 5 million monthly logins respectively. Metro Bank offers free wireless internet connection in all of its stores, thus providing customers with the option to download Metro Bank's mobile application in-store while opening an account. All of Metro Bank's customers benefit from a variety of innovative online and mobile features, such as the ability to customise account names and freeze and unfreeze cards at will, for example after losing debit or credit cards. Metro Bank continues to invest in better service offerings for its customers, for example, Metro Bank expects to launch one of the market leading, AI powered money management tools for customers on its application in the third quarter of 2018.

Telephony

Metro Bank provides a full-service telephone banking capability with five contact centres located around London, operating 24 hours a day and seven days a week to ensure consistency of performance and functionality. Metro Bank upgraded its telephony platform in 2015 to provide enhanced customer responsiveness and usability. For example, Metro Bank's contact centres use real-time, skill-based routing for customer calls, removing the need for an IVR system, simplifying the call experience and saving time for customers by quickly directing their call to a colleague well qualified to deal with their request. Metro Bank contact centre colleagues are also able to view photographs of the customer who has called, as well as their entire account status, recent interactions with Metro Bank and account history through Metro Bank's single customer view functionalities. As of 31 December 2017, Metro Bank's contact centres employed 315 colleagues (with additional call overflow support during particularly busy periods by a third party), who handled over 1.5 million calls in 2017.

The breakdown of activity by distribution channel as of 31 December 2017 is set out in the below table.

	Activity by Distribution Channel 2017
Online	Over 7 million online transactions
On the mobile application	22 log-ins to the mobile application per user per month
In-store	Over 2.7 million Store transactions in 55 stores

	Activity by Distribution Channel 2017
Over the phone	Over 1.5 million calls to AMAZE Direct, of which over 20,000 answered on Bank Holidays

Retail Segment

Metro Bank's Retail Segment includes its Personal Banking and Private Banking business lines. Metro Bank does not target a particular retail customer segment or profile and instead seeks to attract the business of mass market retail customers. Within Personal Banking, Metro Bank seeks to provide a simple, transparent and easy-to-understand product set to its customers, together with excellent customer service. In 2017, Metro Bank opened over 82 per cent. of new-to-bank Personal Banking accounts within 30 minutes, including providing full online account access, contactless debit card functionality (and cheque book, if requested), an offering unmatched by UK bank competitors. In addition, existing customers are typically able to open additional accounts in four to six clicks (depending on the product) through Metro Bank's website.

In addition to traditional retail products such as current and cash (basic) accounts, credit cards, unsecured personal loans, overdrafts, savings accounts and mortgages, Metro Bank also offers customers safe deposit boxes for annual or monthly fees, illustrating its commitment to providing practical products designed to meet a wide range of retail-customer needs. For Private Banking clients, Metro Bank offers a similar range of simplified banking products, tailored to the needs of individual clients and supported by a bespoke service model and access to a dedicated private banker. 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.

Personal Banking

Current accounts

As a deposit-driven bank, Metro Bank views retail current accounts as the heart of its product offering, providing Metro Bank with loyal customers and a source of resilient, low-cost and stable funding (relative to wholesale funding). As of 31 December 2017, Metro Bank held £1,014 million in retail current accounts.

Metro Bank's current accounts are available in GBP for Personal Banking customers, come with contactless MasterCard debit cards standard, are non-interest bearing and offer free cash withdrawals and card transactions in Europe. In addition, they have access to direct debit, standing order and direct payment features and can be supplemented with overdrafts and cheques. Metro Bank's more basic personal banking account, the cash account (typically for those with limited income or without an extensive credit history), offers customers basic banking day-to-day needs, providing contactless MasterCard debit cards and monthly statements. Metro Bank also offers the "Current Account Switch Service" (using the UK current account switch service system) that helps customers switch their current accounts from their existing bank to Metro Bank within seven days, including by transferring all outgoing payments (e.g., direct debits, standing orders, etc.) and redirecting incoming payments (for a period of 36 months), as well as typically matching overdraft limits from customers' previous current accounts. Customers can open current accounts in store or online.

Savings accounts

Many Personal Banking customers seek outlets for their deposits that will provide a higher rate of return than those provided by current accounts. Metro Bank offers a number of GBP-denominated savings account choices to Personal Banking customers to meet their various needs. While many competitor banks offer higher temporary "teaser" interest rates for new customers, cutting existing customers' rates at their expense, Metro Bank offers a "savings promise" that customers will have access to Metro Bank's "best rate available" to ensure that new customers will not receive a more favourable rate than existing customers. Savings accounts typically provide either fixed or variable interest rates (with variable interest rates changing at the discretion of Metro Bank, but often moving in response to changes in the Bank of England base rate) and are classified as either instant access, from which customers can withdraw their deposits at any time, or term deposits, from which customers can only withdraw deposits without penalty at the end of the term. In addition, Metro Bank offers both instant access and fixed rate ISAs, savings accounts that qualify for favourable tax status in the UK. Customers can open savings accounts in store only or online.

Residential mortgages

Metro Bank offers a series of mortgage products to Personal Banking customers. As of 31 December 2017, Metro Bank had total residential mortgage assets of £6.2 billion, and during the year ended 31 December 2017, Metro Bank's gross new residential mortgage lending was £3.2 billion and net repayments were £0.6 billion. As of 31 December 2017, Metro Bank's residential mortgage assets had an average DTV Ratio of 60 per cent. (31 December 2016, 58 per cent.). As of the same date, the average residential mortgage held by Metro Bank was £290,000.

Consistent with its overall customer proposition, Metro Bank places significant emphasis on customer service and transparency throughout its residential mortgage process. For example, Metro Bank offers flexibility to customers through its retention process, allowing customers to move to a new mortgage three months before the expiry of their initial period. In addition, Metro Bank also enables customers to repay up to 20 per cent. of their mortgage each year without any early repayment charge. In addition, Metro Bank utilises both manual (to better account for a customer's personal circumstances) and automated underwriting, with the mix between the two approaches depending on the size of the mortgage and type of borrower. Borrowers are also provided with a single point of contact throughout the mortgage process, and Metro Bank offers mortgage customers current accounts and contactless debit cards at the same time as their mortgage offer.

Metro Bank's residential mortgage portfolio, consistent with its customer base, is concentrated in London and the South East of England, with these areas representing 47 per cent. and 22 per cent., respectively, of the portfolio as of 31 December 2017 (31 December 2016, 53 per cent. and 23 per cent.), with the remainder of mortgages distributed across other areas of the UK. However, with the geographic expansion of Metro Bank's store network, and the recent expansion of Metro Bank's intermediary base across the UK, this geographic distribution has changed, and is expected to continue to change, over time. In addition, Metro Bank has purchased three mortgage portfolios of size; a first charge prime residential mortgage loan portfolio, for consideration of £344 million in 2015, a portfolio of primarily buy-to-let mortgages with a weighted average loan to value of 70 per cent. for consideration of £597 million in 2016 and a further portfolio of primarily buy-to-let mortgages with a weighted average loan to value of 50 per cent. for consideration of £523 million in 2018. The portfolio acquisitions were undertaken to help meet Metro Bank's target loan-to-deposit ratio range of 80 to 90 per cent. and on a blended basis have a similar credit profile to the existing organic book. The mortgage portfolios are administered through the Pepper Group Limited, the mortgage servicer that administers Metro Bank's other mortgages.

Metro Bank's residential mortgage portfolio consists of loans secured on properties by way of a first ranking charge on the property to which the mortgage loan relates on terms which allow for the repossession and sale of the property by Metro Bank if the borrower fails to comply with the terms of the loan. For Personal Banking customers, Metro Bank offers both borrower-occupier mortgage lending (where the borrower is occupier of the mortgaged property), with a maximum LTV Ratio of 90 per cent. and buy-to-let lending (where the borrower purchases with the intention to let the mortgaged property), with a maximum LTV Ratio of 75 per cent. For buy to let loans, borrowers must typically demonstrate rental coverage for the property in the amount of 125 per cent. for Limited Companies or 140 per cent. for private individuals (for professional buy to let) or 140 per cent. (for non-professional buy to let) of the mortgage payment assuming a stressed interest rate of 5.5 per cent. or 200 bps above the pay rate, whichever is higher.

Metro Bank offers both fixed rate and tracker rate residential mortgage loans. Fixed rate mortgage loans have a set rate for an initial period (typically two or five years), after which the rate reverts to Metro Bank's standard variable interest rate, set at Metro Bank's discretion (assuming the borrower does not refinance the loan). Tracker rate mortgage loans allow customers a variable payment structure that follows movements in market interest rates. Tracker rate mortgages charge a fixed percentage above the Bank of England's base rate (primarily determined by the LTV Ratio of the relevant mortgage) for an initial set period, typically two years, after which, as with Metro Bank's fixed rate mortgages, the rate reverts to Metro Bank's standard variable rate.

Metro Bank offers repayment and interest-only residential mortgages. Customers with repayment mortgages pay off both interest and capital, usually through monthly payments, while customers with interest-only mortgages (which are typically limited to loans with a maximum LTV Ratio of 70 per cent.) pay off interest only each month. In common with other residential mortgage lenders in the UK, Metro Bank imposes early repayment charges on certain of its residential mortgage products.

In the periods under review, Metro Bank has had very low levels of arrears in its mortgage portfolio. As of 31 December 2017, Metro Bank had £11 million in impaired (90 days+ past due) mortgages (31 December 2016, £3 million).

The Directors believe that Metro Bank also possesses a market-leading mortgage customer retention proposition. Metro Bank's mortgage retention portal, launched in September 2015, is designed to allow intermediary brokers and dealers to more quickly and easily help renew their customer's mortgage with Metro Bank. Metro Bank allows customers to change mortgage plans up to three months before the expiry of their mortgage without any early repayment charges, and by leveraging its technical capabilities, Metro Bank typically is able to facilitate mortgage renewals in less than 30 minutes by customers on its online portal. The Directors also believe that Metro Bank's mortgage renewal fees are significantly lower than those of most of its competitors.

Mortgage distribution

Metro Bank self-originates a significant proportion of its residential mortgages. The Directors believe that Metro Bank's ability to self-originate a proportion of its residential mortgage portfolio reflects the success of Metro Bank's efforts to develop close relationships with its customers and to provide them with a level of service and responsive product offerings that encourage them to obtain their mortgages through Metro Bank. As Metro Bank grows its direct mortgage network, the Directors believe it will also grow its direct mortgage fulfilment capabilities.

Metro Bank has also grown its residential mortgage portfolio by establishing relationships with a wide range of specialist mortgage intermediaries. This model is designed to meet the needs of its customers and provides Metro Bank with a scalable platform for future growth.

Unsecured lending

Metro Bank offers a range of unsecured lending products to Personal Banking customers, including unsecured loans, credit cards, overdrafts and professional studies loans. Metro Bank is developing a loan application process both online and in-store, and the Directors believe that Metro Bank's customer relationship-focused lending strategy, supported by its automated underwriting credit assessment processes, can help it to significantly grow its unsecured loan portfolio in the short to medium term.

Because of the increased risk of loss for Metro Bank on unsecured lending compared to mortgage lending (due to the fact that Metro Bank holds no security that can be enforced if a customer defaults on the loan), interest rates on Metro Bank's unsecured lending are typically higher than those on mortgage products.

Credit cards: Metro Bank offers Metro Bank-branded contactless MasterCard credit cards for Personal Banking customers that provide free card transactions in Europe and no annual fee. As of 31 December 2017, Metro

Bank had approximately 19,000 open retail credit card accounts, and Metro Bank's retail credit card portfolio had receivables of £8.8 million (31 December 2016, £7.4 million).

Unsecured loans: Metro Bank offers personal unsecured loans to Personal Banking customers that may be used for a variety of reasons such as home improvements, vehicle purchases or consolidating existing debt. Metro Bank endeavours to ensure that its personal unsecured loans are easy to arrange and customers in most cases can receive their money on the same day that they request it. Metro Bank offers these loans directly to customers as well as through its partnership with the UK peer-to-peer loan platform Zopa. As of 31 December 2017, Metro Bank's unsecured retail lending portfolio was £121.7 million (31 December 2016, £107.6 million).

Overdrafts: Metro Bank offers overdrafts to its Personal Banking customers. Overdrafts occur when a customer pays or withdraws money from their current account in excess of their credit balance. As of 31 December 2017, Metro Bank's retail overdraft receivables were £85.8 million (31 December 2016, £66.0 million).

Safe deposit boxes

All of Metro Bank's stores offer safe deposit boxes for a monthly or annual fee, with an average of 2000 boxes available at each store. Safe deposit boxes are offered in a variety of sizes and price ranges and allow customers to store documents or valuables in a secure environment, with unlimited access available during store opening hours seven days a week, 362 days a year. Metro Bank covers a significant proportion of its store operating costs from safe deposit box income (an average of 80 per cent. of rental costs in stores in operation for at least 12 months, prior to any income from lending or account-related activities).

Private Banking

Metro Bank's Private Banking business line offers traditional banking and lending to high net worth clients, providing them with the same range of simple banking products, but supported by a bespoke service model and unlimited access to a dedicated private banker. Because Metro Bank does not offer wealth management or investment advice, it is able to partner with a broad range of investment managers, accountants and advisers who view Metro Bank as a complementary, rather than competitive, service provider, and who are, therefore, a significant source of referrals.

Although Metro Bank does not employ formal criteria in accepting Private Banking clients, customers typically have salaries of at least £500,000 or deposits and/or net wealth in excess of £2 million.

Metro Bank does not provide wealth or investment management services to its Private Banking clients and instead offers them a range of banking products and services, with an emphasis on flexibility and speed of delivery. In particular, Metro Bank provides bespoke lending products to meet the special needs and circumstances of its Private Banking clients. Metro Bank employs sector specialists who provide tailored banking solutions for private clients with significant commercial interests, sports and entertainment figures, entrepreneurs, high net worth families and professionals and senior executives. Metro Bank continues to plan to invest in additional sector teams in the short-term. These sector specialists work to take into account individual factors such as cash flow considerations, professional needs and personal timing constraints to craft individual banking solutions for clients. For example, leveraging Metro Bank's manual underwriting functions, sector specialists are able to analyse and understand the irregular income streams of certain customers, such as sports and entertainment stars, to structure lending solutions responsive to, and appropriate for, their financial situations.

Commercial Banking

Metro Bank's Commercial Banking segment includes its Commercial Banking and Business Banking teams.

Metro Bank's Commercial Banking customers are served through Regional Banking teams providing a local relationship service linked to Metro Bank's stores, and Real Estate, Specialist Sector and Large Commercial teams which operate centrally and regionally. Metro Bank's customers typically fall into one of a number of sectors, including property development & investment, social housing organisations, hotels and leisure companies, primary and secondary healthcare companies, professional firms, financial services, and general trading businesses. Metro Bank offers these customers a wide range of mortgage and commercial lending products, working capital facilities, savings and deposits products, and transactional banking solutions.

Metro Bank's Business Banking customers are varied, but are typically SMEs based in London and the South East of England with a typical turnover of up to £5 million. From business current accounts, overdrafts, card payment solutions and cash management services to expansion funding and lending, Metro Bank aims to help its SME customers at all stages of a business' development, providing them with a Local Business Manager with expertise and familiarity with their business. In addition, Metro Bank has partnered with Acceptcards, the UK's leading independent merchant services broker, to provide customers access to innovative card payment technology.

Similar to its retail offering, Metro Bank emphasises customer care in servicing its Business Banking customers' current account and deposit needs. Metro Bank is typically able to open a current or deposit account for a new-to-bank Business Banking customer the same day (which the Directors believe is significantly faster than that offered by Metro Bank's main competitors), and allocates a Local Business Manager or relationship team (depending on the size of the customer) dedicated to meeting the account holder's broader business needs.

The Directors believe that because of its own entrepreneurial development and corporate culture, Metro Bank is a particularly attractive banking partner for start-up and technology growth companies that seek a professional and trusted bank with a modern, results-oriented approach to service and speedy account opening.

In February 2015, Metro Bank announced a partnership with Xero, an online accounting software specialist. Xero's software provides business customers with the ability to streamline their accounting and banking processes online. Through its partnership, Metro Bank's Business Banking customers using Xero are able to import and categorise their bank statements automatically, saving time by making manual uploads and downloads unnecessary. Metro Bank also announced a partnership with the Forum of Private Business in April 2018. This collaboration allows Metro Bank's Business Banking customers access to the Forum's advice service, equipping them with the resources they need to navigate everything from legal and financial challenges, to the latest HR guidance that accompanies running a successful business. Metro's Business Banking customers also benefit from an agreement with the UK Post Office allowing them to use 11,000 Post Office counters to deposit cash, cheques and acquire change.

Deposit accounts

Commercial Segment customers offer Metro Bank the opportunity to obtain large-scale deposit funding, and the Directors believe that commercial deposit accounts are an underserved segment of the UK banking market, and as a result are a particular area of potential growth for Metro Bank.

Current accounts are available in GBP, Euro and U.S. dollar denominations for commercial customers.

Metro Bank offers a broad range of deposit accounts for Commercial Banking customers, including fixed term and variable savings accounts, as well as a variety of specialised deposit accounts. For example, Metro Bank offers money market accounts, which require a minimum deposit of £50,000 and provide interest that varies daily (and is paid either daily, weekly, monthly, quarterly, yearly or at maturity) for terms between one month and five years. Metro Bank also offers "100 Day Notice" accounts, which require a minimum £5,000 deposit, and which allow Commercial Banking customers to earn higher interest rates by committing their money for 100 or more days.

For Commercial Banking customers holding significant amounts of client monies, Metro Bank offers "flexible client term deposit accounts", fixed term deposits typically used by customers to hold client monies. These accounts, which require a minimum of £500,000 deposit, do not allow partial withdrawal, and offer fixed interest rates for either six-month, nine-month or one-year terms. For more flexible withdrawal needs for client monies, Metro Bank offers premium deposit accounts, which offer a single master holding account with sub-accounts for each customer client.

The table below sets out a breakdown of Metro Bank's Commercial Segment deposits by interest type as of 31 December 2014, 2015, 2016 and 2017.

	As of 31 December			
	2014	**2015**	**2016**	**2017**
		(£ million)		
Variable rate deposits	440	650	1,243	2,083
Fixed rate deposits	398	1,069	1,189	1,442
Current accounts	580	977	1,574	2,667
Total	1,418	2,696	4,006	6,192

Lending

Metro Bank provides a variety of lending options for Commercial Banking customers.

When creating lending solutions for Commercial Banking customers, Metro Bank provides each borrower with a dedicated relationship manager familiar with the customer's business, as well as efficient, manual underwriting of loan applications. Commercial Banking customers have access to Metro Bank's business loans, which can be obtained in amounts greater than £25,000 and are typically repayable in one to 15 years. These business loans, which also can be secured or unsecured, are available with fixed interest rates for periods of up to seven years and with tracker rates for longer terms. Metro Bank utilises its customer-focused "Credit Partner Model" for commercial underwriting, as well as to help ensure that, where possible, both an underwriter and relationship manager have met the applicant prior to the granting of a loan. In addition, Metro Bank provides Commercial Banking lending predominantly on a secured basis, and it is the general policy that personal guarantees are required for commercial loans. Metro Bank also offers overdrafts to Commercial Banking customers, with interest rates set on a customer-by-customer basis. In addition, Commercial Banking customers can access Metro Bank's mortgage products, including its "portfolio buy-to-let" offering, which allows customers to borrow against a portfolio of typically six to 25 properties up to an aggregate LTV Ratio of 75 per cent.

In addition to the business loans typically offered to Commercial Banking customers, Metro Bank offers Business Banking customers "small business loans", which are made in amounts from £2,000 to £25,000, have fixed interest rates, can be either secured or unsecured and are typically offered for a term of one to five years.

In addition, Metro Bank offers Metro Bank-branded business MasterCard contactless credit cards for Business Banking customers. These credit cards carry the same interest rates as those offered to retail customers, and similarly offer fee-free card transactions in Europe and no annual fee.

Asset finance and invoice finance

In 2013, Metro Bank acquired SME Invoice Finance and its subsidiaries, which specialises in invoice discounting and factoring and asset finance. Through the acquisition of this company, which has been rebranded as Metro Bank Invoice and Asset Finance, Metro Bank broadened its offering to Business Banking customers with a focus on the manufacturing, wholesale and transport and distribution markets. Since their acquisition, these portfolios have grown from £53 million to £229 million as of 31 December 2017.

Asset Finance: Through Metro Bank Invoice and Asset Finance, Metro Bank offers financing to fund purchases of certain assets such as plant, machinery and vehicles. Asset finance allows a Business Banking customer to enjoy the immediate use of purchased assets while spreading the cost of the purchase, helping customers improve their working capital and preserve existing lines of credit.

Metro Bank requires its Business Banking customers to make a down payment, typically 10 per cent. of the purchase price of the asset, and provides financing for the remaining cost over a term of up to five years, depending upon the nature of the asset. Metro Bank offers a mix of hire purchase and finance lease products for both new and used assets, taking security interests in the financed asset. Metro Bank typically seeks an independent expert valuation before determining the amount that it will finance. For Business Banking customers that already own unencumbered plant and machinery, Metro Bank offers borrowings of up to 75 per cent. of the asset's value.

Invoice finance: Through Metro Bank Invoice and Asset Finance, Metro Bank offers Business Banking customers the ability to lend against outstanding invoices issued by the borrower to its customer, both through factoring and invoice discounting. Under factoring arrangements, which are typically offered to smaller businesses without a dedicated sales ledger management function, Metro Bank will typically advance up to 85 per cent. of the value of approved invoices, with Metro Bank's credit control team taking responsibility for the collection of the borrower's outstanding invoices. Under invoice discounting arrangements, which are typically offered to larger businesses with an effective accounts management function, Metro Bank will typically advance up to 85 per cent. of the borrower's outstanding sales ledger, and the borrower remains responsible for collecting outstanding debt from its customers.

Invoice and asset financing have well-established broker-led markets in the UK, and Metro Bank works with a wide range of intermediaries in both of these businesses. In the year ended 31 December 2017, intermediaries originated 36 per cent. and 72 per cent. of Metro Bank's business in invoice and asset financing, respectively, with remaining business coming from its own internal channels.

In addition, Metro Bank is considering opportunities to increase cross-sales solutions between asset and invoice finance, as well as private banking solutions.

Partnership Banking

Through its Partnership Banking, Metro Bank offers specialist banking products for the financial services intermediary market, including portfolio lending, partner loans and specialist pension deposit solutions.

Metro Bank accepts specialist cash deposits from pension providers and provides Small Self-Administered Scheme ("**SSAS**") deposit solutions (typically instant access and deposit accounts), as well as customer portfolio lending to various wealth managers. The dedicated pension administration team at Metro Bank comprises experienced banking administrators with expertise in the administration of cash deposits from pension providers and SSAS accounts. The Directors believe that funds held on behalf of pension trustee advisers are characteristically a stable source of funding, and as of 31 December 2017, these funds represented £1,566 million of Metro Bank's deposits.

Metro Bank also works closely with a range of partners who specialise in company formation, providing it with early access to offer these newly-established companies with business current accounts. Metro Bank has also developed a growing niche in client monies holding accounts for solicitors and other professional services organisations.

Capital Management

Overview

The Directors are required to consider all material risks to which Metro Bank is exposed and determine the capital required to ensure that, under both normalised and stressed conditions, Metro Bank has sufficient capital to meet internal and regulatory capital requirements.

Metro Bank must maintain a certain level of capital to meet several requirements, including:

- to meet regulatory capital requirements;
- to ensure that Metro Bank can meet its business objectives, including its growth objectives;
- to ensure that Metro Bank can withstand future uncertainty, such as economic stress; and
- to provide assurance to depositors, customers, shareholders and other third parties.

Management produces regular assessments of the current and forecasted level of capital, as well as the results of stress testing, to the Directors and the Risk Oversight Committee. Metro Bank complied with all regulatory capital requirements throughout the year ended 31 December 2017. Metro Bank has submitted its application to the PRA to apply advanced internal rating-based capital requirements to its residential mortgage portfolio. As of the date of this Prospectus, Metro Bank is awaiting feedback from the PRA on its application.

IFRS 9 was implemented on 1 January 2018. The transitional disclosures on IFRS 9 are set out in note 30 to the audited financial statements of Metro Bank for the year ended 31 December 2017 as set out in the Annual Report and Accounts 2017. As of 31 December 2017, the opening balance sheet adjustment, to be recognised in 2018, is to increase credit impairment provisions by £22.7 million before tax. Separately, there is an increase in asset values of £6.8 million due to changes arising from the revised classification and measurement requirements. After deferred tax adjustments of £3.8 million, this results in a net decrease in equity of £12.1 million. Metro Bank has elected to adopt the transitional arrangements issued by the European Banking Authority, enabling it to reduce the capital impact of the transition in the first five years following adoption. The initial impact of IFRS 9 on its regulatory capital base is therefore immaterial.

Metro Bank's intention is to maintain a minimum Leverage Ratio of 4 per cent., as well as a surplus to regulatory capital requirements for CRD IV CET1 and Total Capital Requirements. As Metro Bank grows its balance sheet, it will require additional qualifying regulatory capital. The issue of the Notes is intended to provide additional capital to support anticipated growth and to diversify the capital base. Following the issue of the Notes, Metro Bank anticipates completing further capital raises, including the potential for further Tier 2 or Additional Tier 1 own funds instruments, to enable continued expansion, meet changing regulatory requirements and further diversify the capital structure. The Group is currently exempt from the UK leverage framework regime, which (unlike the proposed requirements of CRR II described below) only applies to UK credit institutions with retail deposit levels of £50 billion or more.

The transition arrangements for MREL, the new framework outlined by the Bank of England to determine the minimum amount of loss absorbing resources, will apply from 1 January 2020. Metro Bank expects to fully meet the MREL requirements at that point and estimates that it will need to raise approximately £750 million of MREL qualifying debt by then (based on the Final MREL Policy and its plans to grow its balance sheet). See also the risk factor entitled "*Metro Bank is subject to rules relating to regulatory action in the event of a bank failure*". As of the date of the Prospectus, Metro Bank expects to start raising MREL debt (other than via the issue of the Notes) in 2019.

CRD IV

In June 2013, the European Commission published the final regulation and directive (known collectively as CRD IV) to give effect to the Basel III framework. The objective of CRD IV is to improve the banking sector's ability to absorb shocks arising from financial and/or economic stress and, therefore, reduce the risk of spill-over from the financial sector into the rest of the economy. CRD IV was implemented in the UK with effect from 1 January 2014.

The key changes introduced by CRD IV include:

- **Changes to the definition of capital resources—**between 2014 and 2018, there were changes and additions to capital deductions from CET1 and Tier 2 capital;
- **New limits and capital buffers -** changes to minimum ratios for all forms of capital with an increased focus on CET1 and with a requirement to hold capital conservation, countercyclical and systemic risk buffers;
- **Introduction of the Leverage Ratio -** the Basel Committee is testing and considering a minimum Tier 1 Leverage Ratio of between 3.0 and 4.0 per cent.;
- **Counterparty credit risk -** introduction of a credit valuation adjustment to the mid-market valuation on OTC derivatives;
- **Liquidity coverage ratio ("LCR") -** to ensure that banks hold sufficient liquid assets to cover net cash outflows under stressed conditions over a period of 30 days; and
- **Net stable funding ratio ("NSFR") -** to ensure that banks have stable funding in place to support long-term obligations under both normal and stressed conditions over a period of one year.

Proposed amendments to CRD IV

In November 2016, the EU Commission presented its review of CRD IV, in the form of amendments to the Capital Requirements Directive and the Capital Requirements Regulation (known collectively as "**CRD V**" and "**CRR II**"). The amendments proposed contain a new approach for the measurement of counterparty credit risk, the implementation of the NSFR, a changed framework for interest rate risk and changes to the treatment of trading book exposures, in addition to other amendments relating to capital, liquidity, leverage, remuneration and the EU's recovery and resolution framework. CRD V and CRR II are currently under consideration pursuant to the EU's normal legislative procedure. While certain aspects of CRD V have been agreed – such as the implementation of IFRS 9 and the creation of new classes of 'senior preferred' and 'senior non-preferred' creditors under Article 108 of the BRRD – other aspects of CRD V and CRR II remain subject to change. The final package of reforms may not include all elements of the proposals and new or amended elements may be introduced. Most of the provisions of CRD V are expected to be required to be transposed into national law within one year of the entry into force of CRD V, with application immediately thereafter. CRR II is expected to apply two years after it enters into force (subject to certain exemptions, such as those relating to the transitional arrangements for IFRS 9).

Further, the Basel Committee on Banking Supervision issued a consultation paper on revisions to the standardised approach for credit risk in December 2015, amending its original proposals published in December 2014. The Basel Committee decided to preserve the use of external ratings, in a non-mechanistic manner, for exposures to banks and corporates, together with a new capital floor to mitigate the potential model risk arising from ratings-based models. The Basel Committee proposes requiring the assessment of a borrower's ability to pay as a key underwriting criterion. It also proposes to categorise all exposures related to real estate, including specialised lending exposures, under the same asset class, and apply higher risk weights to real estate exposures where repayment is materially dependent on the cash flows generated by the property securing the exposure. These changes, together with other revisions as part of the final Basel III reforms, are subject to final agreement by the Basel Committee on Banking Supervision.

Capitalisation

Metro Bank has levels of capital in excess of the requirements set from time to time by the PRA. As of 31 December 2017:

- Metro Bank's "fully loaded" CRD IV CET1 ratio was 15.3 per cent.;
- Metro Bank's Total Capital Ratio was 15.3 per cent.; and

- Metro Bank's Leverage Ratio was 5.5 per cent. (31 December 2016, 6.5 per cent. and 31 December 2015, 4.9 per cent.)

The table below sets forth Metro Bank's total capital, split by type of capital, as of 31 December 2015, 2016 and 2017.

	As of 31 December		
	2017	2016	2015
	(£ million unless otherwise noted)		
CET1 ratio	15.3%	18.1%	13.1%
Total Regulatory Capital	897	651	300
Total Risk Weighted Assets	5,882	3,590	2,261

The table below sets forth the composition of Metro Bank's CET1 capital, as of 31 December 2016 and 2017.

	As of 31 December	
	2017	2016
	(£ million)	
Share capital	—	—
Share premium	1,304	1,028
Retained earnings	(219)	(230)
less available for-sale and other reserves	12	7
less intangible assets	(148)	(93)
less deferred tax asset	(52)	(61)
Total CET1	**897**	**651**

The below table sets out Metro Bank's Pillar 1 Risk Weighted Assets as of 31 December 2016 and 2017.

	As of 31 December	
	2017	2016
	(£ million, unless otherwise noted)	
Credit Risk	5,646	3,453
Market Risk	2	1
Operational Risk	234	136
Total Risk Weighted Assets[1]	**5,882**	**3,590**
Total Regulatory Capital[1]	**897**	**651**
Total Capital Ratio (%)[1]	**15.25**	**18.16**

Note:

(1) As of 31 March 2018, Metro Bank had £6,524 million of Total Risk Weighted Assets, Total Regulatory Capital of £887 million and a Total Capital Ratio of 13.6 per cent.

Off-Balance Sheet Items

As of 31 December 2017, Metro Bank has not entered into any off-balance sheet transactions, other than those required to manage market risk in the ordinary course of business.

Liquidity

Liquidity is held by Metro Bank in a range of liquid assets, including cash, gilts, treasury bills and a range of high quality investment securities. Metro Bank maintains levels of liquidity that are in excess of those required by the PRA. As of 31 December 2017, Metro Bank had an LCR of 141 per cent. (31 December 2016, 136 per cent.), which was above the regulatory requirement of 90 per cent.

The make-up of Metro Bank's Treasury portfolio as of 31 December 2017 is set out below:

Treasury portfolio	**Holdings**	**Unencumbered liquid assets**	**Average Rating**	**Per cent. of Liquidity Portfolio**
	(£ million)			
Cash at Central Bank	2,070	2,070	AA	70
Deposits at bank	83	83	A	3
UK Gilts	246	121	AA	4
US Treasuries	59	59	AAA	2
UK Covered bonds	315	315	AAA	11
UK RMBS eligible at Bank of England	2,589	294	AAA	10
UK RMBS (other)	414	—	AA	—
Investment grade corporate and financial bonds	267	—	BBB+	—
Total	**6,043**	**2,942**		**100**

As of 31 December 2017, 55 per cent. of the Treasury portfolio was invested in AAA-rated assets, 43 per cent. in AA-rated (UK government) and 2 per cent. in A-rated.

Sources of funding

During the period under review, Metro Bank's funding was principally generated through commercial and retail customer deposits. Metro Bank has also benefitted from Bank of England Funding Schemes (FLS and TFS), which have enabled the bank to grow lending while maintaining a strong investment portfolio. The table below sets out Metro Bank's deposits from customers, including the corresponding term to maturity, as of 31 December 2017. The terms to maturity are categorised by their earliest possible contractual maturity date. Contractual maturity dates differ from behavioural maturity characteristics of the deposit base in both normal and stressed conditions, as the behavioural maturity is expected to be much longer than the contractual maturity.

	Repayable on demand	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No contractual maturity	Total
				(£ million)				
Deposits from Customers...	8,437,216	564,803	389,139	1,128,987	597,995	—	580,986	11,699,066

Risk Management Overview

A core objective for Metro Bank is the effective management of risk to protect its depositors, borrowers and shareholders, and to ensure Metro Bank has adequate capital and liquidity resources.

The risk management framework established by Metro Bank supports decision-making across the bank. Risk appetite, which is set by the Board and managed across the business, is subject to regular monitoring and review. Metro Bank's approach to risk management is supported by a unique culture which places the customer and delivering business objectives "the right way" at the heart of the business. Metro Bank seeks to adopt best practices in risk management and control that are appropriate to the size and complexity of the business. Metro Bank works to optimise risk and return while managing risk at an acceptable level of exposure.

Metro Bank's Chief Risk Officer, Aileen Gillan, (the "**Chief Risk Officer**") is responsible for leading Metro Bank's risk function, which is independent from Metro Bank's operational and commercial functions. The risk function is responsible for ensuring that appropriate risk management processes and controls are in place, and that they are sufficiently robust, thereby ensuring that key risks are identified, assessed, monitored and mitigated.

Through Metro Bank's risk function, the Chief Risk Officer is responsible for providing assurance to the Board that Metro Bank's principal risks are appropriately managed and that it is operating within its risk appetite. Each business line undertakes an assessment of key risks and risk exposures. Each risk exposure is assessed to determine the appropriate controls. In addition, the three lines of defence model is used: firstly, business owners own and manage risks and controls; the second line sets standards and defines tools to be used to manage risk; and the third line provides independent assurance over the other two lines of defence.

The risk management function provides independent reports monthly to the Board and at least quarterly to the Risk Oversight Committee (the "**ROC**") on Metro Bank's risk positions, risk management and performance against the risk appetite statements. The reporting and oversight process is designed to provide assurance to the Board and relevant committees regarding the identification, assessment and management of key risks and, in particular, that there are adequate and effective controls in place to manage these risks.

Metro Bank's risk management framework and infrastructure has developed in line with the growth of its customer base. With bespoke technology and a simple product set, Metro Bank's relationship and service focus help it to drive higher growth and lower risk lending.

Information technology

Metro Bank benefits from a relatively new IT infrastructure comprising industry-standard systems that are configured to meet Metro Bank's requirements, providing Metro Bank with a flexible, reliable and secure platform. The Directors believe that this infrastructure is scalable such that it can expand to support future growth with moderate ongoing investment, and the Directors expect to continue to invest in modern technology.

Metro Bank's IT infrastructure is crucial to the bank's customer proposition, particularly to its ability to open new customer accounts quickly and seamlessly while simultaneously performing necessary background checks on applicants. Metro Bank has an in-house IT team of over 140 colleagues who manage and evolve Metro

Bank's systems. Metro Bank uses Temenos software for core banking services and Microsoft for CRM and Marketing (Dynamics), Management Information (PowerBI) and internal communications (Yammer) and Backbase for its digital facing channels.

Metro Bank's IT systems are hosted in two state-of-the-art data centres that have sufficient capacity to independently run all systems with zero degradation to service levels in the event of a data centre failure. Innovative architectural design principals have guided the build of a highly-available, stable, secure and performant infrastructure that seamlessly scales in-line with business growth. Wherever possible business critical systems run continuously out of both data centres at the same time (live/live) to achieve the lowest possible recover times.

Metro Bank has carefully invested in key strategic technologies to support business growth. In addition, Metro Bank's scalable SaaS IT model supports this cost-effective growth by allowing it to service additional customer accounts, with only marginal increases in costs. Powerful Oracle platforms host critical application databases and enterprise class IBM software enables efficient system integration, as well as Operational Data Store and Data Warehousing capabilities. Metro Bank continues to invest in IT security, customer relationship management, payments, regulatory compliance, risk management and treasury capabilities. In addition, Metro Bank expects to make further investments in its customer-facing digital channels to support the growing use of mobile and tablet devices by consumers.

Metro Bank has recently continued its core technology investment by investing in the Apigee API platform. While initially being used to deliver Payment Services Directive (EU) 2015/2366 (PSD2) compliance, this platform can now be leveraged to offer the ability to quickly and seamlessly integrate with Metro Bank's other technology platforms to augment its product and service offerings to Metro Bank customers.

Intellectual property

The Metro Bank trade name, logo and website are key elements of Metro Bank's brand. Metro Bank has acquired the trademark "Metrobank" and its logo in the UK, but does not hold the trademark for the "Metro Bank" name.

Insurance

The principal risks covered by Metro Bank's insurance policies relate to property damage, business interruption, employers and public liability and certain other claims consistent with customary practice in the banking industry. Metro Bank purchases its insurance through well-known providers and has not had any material insurance claims, nor has it suffered any material loss following any uninsured claim, in the last three years.

Colleagues

As of 31 December 2017, Metro Bank had 3,090 colleagues (31 December 2016, 2,494), approximately 44 per cent. of whom worked in Metro Bank stores and approximately 10 per cent. of whom worked in Metro Bank customer contact centres.

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The names, ages, positions and appointment dates of the Directors, the business address of each of whom, in their capacity as directors of Metro Bank, is One Southampton Row, London, WC1B 5HA are as follows:

Name	Age	Position	Date appointed
Vernon W. Hill, II	72	Chairman	18 August 2008
Craig Donaldson	46	Chief Executive Officer	5 March 2010
David Arden	49	Chief Financial Officer and Company Secretary	29 March 2018
Alastair (Ben) Gunn	67	Senior Independent Director	5 March 2010
Stuart Bernau	66	Non-Executive Director	5 March 2010
Keith Carby	71	Non-Executive Director	5 March 2010
Lord Flight	70	Non-Executive Director	5 March 2010
Eugene Lockhart	68	Non-Executive Director	5 March 2010
Roger Farah	65	Non-Executive Director	1 February 2014
Sir Michael Snyder	67	Non-Executive Director	22 September 2015
Anna Monique Melis	52	Non-Executive Director	20 June 2017

Directors

Vernon W. Hill, II – Chairman

Mr Hill was the founder and Chairman for 34 years (now retired) of Commerce Bancorp, Inc. (NYSE:CBH), which began as a start-up bank in 1973 and in 2007 was sold to The Toronto-Dominion Bank for approximately U.S.$8.5 billion. Commerce Bancorp, Inc. began as a one branch new bank and grew to U.S.$50 billion in assets, with 440 branches by 2007 when Mr. Hill left the bank. Mr Hill is also involved in a number of different banking and non-banking related businesses and voluntary ventures in the U.S. He is a graduate of the Wharton School of the University of Pennsylvania. Mr Hill is Chairman of Republic First Bancorp, inc.

Craig Donaldson – Chief Executive Officer

Mr Donaldson was Managing Director, Retail Products and Direct Channels, of RBS UK with responsibility for all retail and private products, including credit cards, current accounts, savings, investments and loans. He was also Chair of the Retail Asset and Liabilities Committee and Retail Product Board and a member of the Retail Board, Retail Risk Committee and RBS UK Asset & Liabilities Committee. He serves on the Board of Directors at TheCityUK as Chairman of the Audit and Risk Committee.

David Arden – Chief Financial Officer and Company Secretary

Mr. Arden has been Chief Financial Officer, Company Secretary and Director of Metro Bank since March 29, 2018. Mr. Arden was CFO at Sainsbury's Bank (a position he held for six years) and interim Managing Director of Argos Financial Services, following the successful acquisition of Home Retail Group by J Sainsbury Plc in September 2016. He joined Sainsbury's Bank from Shop Direct Financial Services where he was Chief Financial Officer. In his 28 year career, he has held a number of senior positions including Managing Director of RBS/NatWest Credit Cards and Finance and Risk Director for Tesco Bank.

Alastair (Ben) Gunn – Senior Independent Director

Mr Gunn was Chief Executive and, more recently, Chairman of Friends Provident Life and Pensions Ltd and a director of Friends Provident plc, a FTSE 100 company. In his role as Group Executive Director, he was responsible for all aspects of the Friends Provident group's life and pensions activities worldwide, covering some 3,800 of the Friends Provident group's c. 4,300 staff. More recently he was the Senior Independent Director at Aviva UK and chair of the audit committee at Avelo.

Stuart Bernau – Non-Executive Director

Mr Bernau has worked in financial services for over 40 years, including 13 years as a main board director of Nationwide Building Society, during which time he had responsibility for retail operations, commercial lending, treasury and marketing. He served as chair and CEO of Chelsea Building Society and has chaired the Council of Mortgage Lenders and the Financial Services Sector Skills Council. He was appointed as a Special Adviser to the Treasury Select Committee from 2013 to 2015.

He has served on the Metro Bank Board since 2010 and is the chair of the Audit Committee and a member of the Risk Committee.

Keith Carby – Non-Executive Director

Mr Carby was formerly CEO of the Caerus Capital Group Ltd. He is Non-Executive Chairman of both Censeo Ltd and Mill Capital Private Equity (Dubai). He was joint founder and managing director of J. Rothschild Assurance (now St. James's Place). Mr Carby was also joint founder of the Financial Services Forum and was a founding trustee of the 9/11 London Project.

Lord Flight – Non-Executive Director

Lord Flight was Conservative MP for Arundel and South Downs, West Sussex, from 1997 to 2005, during which time he held several Shadow posts, including Shadow Chief Secretary to the Treasury and was a member of the Shadow Cabinet from 2002 to 2004. Lord Flight was appointed to the House of Lords in January 2011. He was joint founder and managing director of Guinness Flight Global Asset Management. He is chairman of Aurora Investment Trust, Downing Four VCT plc and of Flight and Partners, a director of Investec Asset Management, Edge Performance VCT, a Commissioner of the Guernsey Financial Services Commission and Chairman of the EIS Association.

Eugene Lockhart – Non-Executive Director

Mr Lockhart is a special adviser to General Atlantic, a leading global growth investment firm. Mr Lockhart is also chairman and managing general partner of MissionOG LLC, an early stage, growth equity investment firm which specialises in investing in hyper-growth, technology-oriented companies serving the financial services sector. He served as president and CEO of MasterCard Worldwide, where he led its transition to a for-profit enterprise. Subsequently, he worked as president of the Global Retail Bank at Bank of America, leading all of the bank's retail and commercial banking businesses globally until its sale to NationsBank. Prior to those experiences, Mr Lockhart was the CEO of Midland Bank UK and Chairman of First Direct and Thomas Cook. Over the last 15 years, Mr Lockhart has also been a successful private investor and adviser to several private equity firms. Mr Lockhart has served on many public company boards, including First Republic Bank, RJR/Nabisco, Huron Consulting, Cognizant, IMS Health and RadioShack.

Roger Farah – Non-Executive Director

Mr Farah is Chairman of Tiffany & Co. Mr Farah is the former Executive Vice Chairman of Ralph Lauren Corporation, having served in that position from November 2013 to May 2014. He previously served as Ralph Lauren Corporation's president and chief operating officer and as a member of its board of directors from April 2000 to October 2013. From 1994 to 2000, Mr Farah was chairman of the board and CEO of Footlocker Inc. Prior to that, he served as president and chief operating officer of Macy's Inc, chairman and CEO of Federated

Merchandising Services and Chairman and CEO of Rich's Department Stores, and has also held executive positions at Saks Fifth Avenue. Mr Farah is on the board of directors of Aetna, Inc, and the Progressive Corporation.

Sir Michael Snyder – Non-Executive Director

Sir Michael was Senior Partner of Kingston Smith between 1979 and 2016 and is now a consultant to the firm. He has advised Government over many years, including chairing the National Business Angels Network and as a member of the Small Business Council and Small Business Investment Taskforce. He was also founder Co-Chairman of the Government's Professional and Business Services Council and chaired the Association of Practising Accountants. He is Senior Partner of Bramdean Consultants LLP and an elected member of the City of London Corporation, which he led for five years as Chairman of the Policy and Resources Committee.

Anna Monique Melis – Non-Executive Director

Ms Melis is a Managing Director and the Global Head of Regulatory Consulting at Duff & Phelps and is a member of Duff and Phelps' 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 ('CSX'), the Financial Services Authority and the Securities and Futures Authority.

Senior Management Team

Metro Bank's senior management, in addition to the Executive Directors listed above, is as follows:

Name	Age	Position
Aileen Gillan	49	Chief Risk Officer
Aisling Kane	49	Chief Operating Officer
Paul Riseborough	39	Chief Commercial Officer
Danielle Harmer	51	Chief People Officer
Martyn Atkinson	39	Chief Information Officer
Ian Walters	55	MD – Business Banking
Mark Stokes	56	MD – Commercial Banking
Iain Kirkpatrick	45	MD – Retail Banking
Chit Ghee Yeoh	47	Director of Internal Audit

Aileen Gillan – Chief Risk Officer

As Chief Risk Officer, Ms Gillan is responsible for management and oversight of the risk and control framework across the bank. This includes ensuring that Metro Bank fulfils its regulatory obligations, while lending safely and sustainably and continuing to give high levels of customer service. A qualified barrister, Ms Gillan spent the first ten years of her career in a number of advisory roles. Ms Gillan joined Metro Bank from Lloyds Banking Group, where most recently she was Chief Risk Officer for the Asset Finance businesses. Prior to that, she was accountable for the management of risk and compliance across a range of businesses in major financial institutions.

Aisling Kane – Chief Operating Officer

Ms Kane is responsible for everything that makes Metro Bank run smoothly, including its 24/7 call centre, all banking and lending operations, customer service, data management and also facility and property management.

Ms Kane trained as a chartered accountant with KPMG and had various roles with Anglo Irish Bank, most recently as the Director of UK Operations. In December 2009 she became the ninth employee of Metro Bank, joining a team of like-minded people with a shared vision for success and helped build the bank from the ground up**.**

Paul Riseborough – Chief Commercial Officer

Mr Riseborough joined Metro Bank in December 2011 and is responsible for the bank's Product, Digital, and Communication teams along with Corporate Transactions. His role focuses on shaping Metro Bank's commercial plan, ensuring the bank delivers products, services and user experiences that customers value. Prior to joining Metro Bank, Mr Riseborough held various roles at Lloyds Banking Group and HBOS plc, including Head of Strategy and Planning and Head of Channel Planning in the retail banking team and Business Manager to the Chairman. Mr Riseborough started his career in consultancy, working for the global policy and economics consultancy Oxford Analytica and management consultancy PA Consulting Group. He was educated at Nottingham, Oxford and Warwick universities.

Danielle Harmer – Chief People Officer

Ms Harmer is Metro Bank's Chief People Officer and is responsible for Metro Bank's people and enabling its culture and values. Ms Harmer held a variety of banking roles across business leadership and HR prior to joining Metro Bank in 2012. Ms Harmer previously worked at Halifax, HBOS plc, Lloyds Banking Group plc and Barclays – with jobs ranging from New Business Manager and Regional Director to Director of HR Operations and HR Director positions. She holds a degree in Economics and Business Economics from the University of Southampton, is a Chartered Fellow of the CIPD and a founding Court Member of the Guild of HR Professionals.

Martyn Atkinson – Chief Information Officer

Mr Atkinson is Chief Information Officer at Metro Bank, accountable for IT strategy and architecture, IT development, support and operations, operational resilience and risk management, as well as the bank's change and transformation division. Mr Atkinson joined the bank in 2016 as Director of Digital and Change, where he was responsible for executing the bank's diverse change agenda and setting the digital programme of works. He began his career at Accenture working within the Retail Sector, delivering large scale complex IT transformation programmes, before moving to Lloyds Banking Group as Programme Director. He was then appointed Head of Business Change at Friends Life, before moving to Nationwide as Head of Transformation, where he oversaw the £150m change agenda for Mortgage, Savings and Product Originations portfolio.

Iain Kirkpatrick – MD – Retail Banking

Mr Kirkpatrick ensures that the stores deliver an experience attracting FANS, not customers. He is a leading advocate of community banking and aims to ensure that every Metro Bank store is at the heart of its local area. Among his senior roles, Mr Kirkpatrick was the Retail and Mortgage Director for Lloyds TSB Scotland, ran the retail branch networks for Lloyds and Halifax in London and the South East and led UK Private Banking at Lloyds Banking Group. He's also a Fellow of the Chartered Institute of Bankers in Scotland.

Ian Walters – MD – Business and Private Banking

Mr Walters is responsible for growing Metro Bank as a trusted adviser and lender to small and medium-sized enterprises through Regional Business and Commercial Banking. He is also responsible for Cash Management and Transaction Banking, Private Banking and Partnerships. Mr Walters joined Metro Bank in August 2015 with a strong background in business and commercial banking. He was previously Managing Director of Business Banking for RBS and NatWest supporting several thousand relationship managers.

Mark Stokes – MD – Commercial Banking

Mr Stokes joined Metro Bank in January 2016 to lead the rapidly expanding Commercial Banking business which provides cash management & transactional banking, deposit, and lending including asset and invoice finance, to SME and mid-sized commercial businesses, and makes up close to a third of the bank's total lending. Mr Stokes has over 25 years' experience at Lloyds Banking Group where he held a number of senior positions including managing director of commercial banking, and latterly managing director of its mid markets commercial business. Most recently he led Williams and Glyn's commercial and corporate banking business.

Chit Ghee Yeoh – Director of Internal Audit

Ms Yeoh joined Metro Bank as Director of Internal Audit in March 2014. Before that, she led internal audit services for banks and securities houses at Deloitte. In that role, she has acted as interim Head of Audit at various banks, performed External Quality Assurance reviews for numerous financial institutions from global financial institutions to foreign banks operating in the UK, and led the relationships with banks for co-sourced and out-sourced internal audits. In addition to internal audit and other assurance projects, Chit Ghee has led various investigative projects supporting expert witness statements. The nature of this work included analysing documents, following cash and asset trails, working with criminal law enforcers and lawyers and preparing reports suitable for use in courts of law.

Corporate governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. The Board complies with the requirements of the UK Corporate Governance Code. Metro Bank reports to its Shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

As envisaged by the UK Corporate Governance Code, the Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee and, since listing, a Disclosure Committee. In addition, the Board has also established a Risk Oversight Committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. As of the date of this Prospectus, the Board consists of eight Non-Executive Directors. Metro Bank regards each of these eight Non-Executive Directors as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should appoint one of the Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the CEO has failed to resolve or for which such contact is inappropriate. Alastair (Ben) Gunn has been appointed Senior Independent Director.

The UK Corporate Governance Code further recommends that directors should be subject to annual re-election. Metro Bank complies with these recommendations.

Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing Metro Bank's annual, half-year financial and quarterly statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, audit controls, whistleblowing, anti-bribery and fraud systems in place within Metro Bank. The Audit Committee normally meets not less than four times a year.

In compliance with the requirements of the UK Corporate Governance Code, the Audit Committee is made up of at least three members who are each independent Non-Executive Directors and members have recent and relevant financial experience. The Audit Committee is chaired by Stuart Bernau. The other members of the Audit Committee are Keith Carby, Eugene Lockhart and Sir Michael Snyder.

Nomination Committee

The Nomination Committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the Chairman and CEO and other senior executives.

In compliance with the requirements of the UK Corporate Governance Code, the Nomination Committee is made up of a majority of members who are each independent Non-Executive Directors. The Nomination Committee is chaired by Lord Flight, and its other members are Vernon W. Hill, II, Roger Farah and Keith Carby. The Nomination Committee will normally meet not less than twice a year.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on Metro Bank’s policy on executive remuneration, including setting the over-arching principles, parameters and governance framework of Metro Bank’s remuneration policy and determining the individual remuneration and benefits package of each of Metro Bank’s Executive Directors. The Remuneration Committee also ensures compliance with the UK Corporate Governance Code in relation to remuneration.

In compliance with the requirements of the UK Corporate Governance Code, the Nomination Committee is made up of a majority of members who are each independent Non-Executive Directors. The Remuneration Committee is chaired by Lord Flight, and its other members are Roger Farah and Keith Carby. The Remuneration Committee will normally meet not less than twice a year.

Risk Oversight Committee

The Risk Oversight Committee is responsible for providing oversight and advice to the Board in relation to risk management systems, risk appetite, strategy and exposure, reviewing and approving risk policies, assessment processes and reporting within Metro Bank.

The Risk Oversight Committee is made up of five members, all of whom are independent Non-Executive Directors. The Risk Oversight Committee is chaired by Eugene Lockhart, and its other members are Stuart Bernau, Alastair (Ben) Gunn, Sir Michael Snyder and Monique Melis. The Risk Oversight Committee will normally meet not less than four times a year.

Share dealing

Metro Bank has adopted a share dealing policy which is based on, and is at least as rigorous as, the model code published in the Listing Rules. The policy adopted applies to the Directors and all colleagues.

Conflicts of interest

A key component of Metro Bank’s strategy is the use of a distinctive branding concept and reflecting this concept in the design of its stores. Architectural, design and branding services are provided to Metro Bank by InterArch, Inc. (“**InterArch**”), a firm which is owned by Shirley Hill, the wife of Vernon W. Hill, II and which has been tasked by Metro Bank with the creation and implementation of this concept. Metro Bank's stores are designed to be highly visible (typically with large glass storefronts and fitted out in Metro Bank's recognisable red and blue colours).

In order to ensure that the terms of any arrangements between InterArch and Metro Bank are consistent with those that could be obtained from an independent third party, the contractual arrangements with InterArch are subject to regular review by Metro Bank's Audit Committee using annual benchmarking reviews conducted by authoritative independent third parties. This process has been in place since the inception of Metro Bank and Metro Bank discloses its arrangements with InterArch in its annual report and accounts.

The Audit Committee has concluded that the arrangements with InterArch are on terms which are at least as beneficial to Metro Bank as those which could be obtained from an independent third party.

Save as disclosed above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to Metro Bank and their private interests or other duties.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes of the Group, including to support Metro Bank’s growth, and to strengthen further the regulatory capital base of Metro Bank.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and completion, are the terms and conditions of the Notes which will be endorsed on each Certificate in definitive form (if issued).

The issue of the £250,000,000 5.50 per cent. Fixed Rate Reset Callable Subordinated Notes due 2028 (the "**Notes**") of Metro Bank PLC (the "**Issuer**") was authorised by a resolution of the Board of Directors of the Issuer passed on 22 May 2018 and a resolution of a duly authorised executive committee of the Board of Directors of the Issuer passed on 18 June 2018. The Notes are constituted by a trust deed (the "**Trust Deed**") dated 26 June 2018 between the Issuer and Citibank N.A., London Branch (the person or persons for the time being the trustee or trustees under the Trust Deed, the "**Trustee**") as trustee for the Holders (as defined below) of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. Copies of the Trust Deed and of the agency agreement (the "**Agency Agreement**") dated 26 June 2018 relating to the Notes between the Issuer, Citibank N.A., London Branch as the initial principal paying agent (the person for the time being the principal paying agent under the Agency Agreement, the "**Principal Paying Agent**"), Citibank N.A., London Branch as the initial agent bank (the person for the time being the agent bank under the Agency Agreement, the "**Agent Bank**"), Citibank N.A., London Branch as the initial registrar (the person for the time being the registrar under the Agency Agreement, the "**Registrar**"), and the initial transfer agents named therein (the person(s) for the time being the transfer agent(s) under the Agency Agreement, the "**Transfer Agent(s)**"), and the Trustee, are available for inspection during usual business hours at the principal office of the Principal Paying Agent (presently at Citigroup Centre, Canada Square, London E14 5LB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

The Notes are serially numbered in the denominations of £100,000 and integral multiples of £1,000 in excess thereof.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2*(a)*, each Certificate shall represent the entire holding of Notes by the same Holder.

(b) Title

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, "**Noteholder**" or "**Holder**" means the person in whose name a Note is registered.

2 Transfers of Notes

(a) Transfer

A holding of Notes may, subject to Condition 2*(d)*, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries in the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2*(a)* shall be available for delivery within three business days of receipt of a duly completed and executed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate(s) shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2*(b)*, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfer Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6*(c)*, (iii) after the Notes have been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status

The Notes constitute direct and unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of Holders in respect of, or arising under, their Notes (including any damages awarded for breach of obligations in respect thereof) are subordinated as described in Condition 4.

4 Subordination

(a) Winding-Up

If a Winding-Up occurs, the rights and claims of the Holders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Note shall be for (in lieu of any other payment by the

Issuer) an amount equal to the principal amount of the relevant Note, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Note, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Note, provided however that such rights and claims shall be subordinated as provided in this Condition 4*(a)* and in the Trust Deed to the claims of all Senior Creditors but shall rank (i) at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations of the Issuer which rank, or are expressed to rank, *pari passu* therewith and (ii) in priority to the claims of holders of all undated or perpetual subordinated obligations of the Issuer and any other obligations of the Issuer which rank or are expressed to rank junior to the Notes and to the claims of holders of all classes of share capital of the Issuer.

(b) Set-off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes or the Trust Deed and each Holder shall, by virtue of his holding of any Note, be deemed, to the extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

5 Interest Payments

(a) Interest Rate

The Notes bear interest at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments (and in respect of each Interest Period ending prior to the Reset Date, shall amount to £27.50 per Calculation Amount), as provided in this Condition 5.

Where it is necessary to compute an amount of interest in respect of any Note for any period (other than any full Interest Period), the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of (a) two and (b) the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

(b) Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6*(a)*, *(c)*, *(d)* or *(e)* or the date of substitution thereof pursuant to Condition 6*(f)*, as the case may be, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall be equal to the product of the

Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 5*(a)* for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of each Note, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 5.50 per cent. per annum (the "**Initial Fixed Interest Rate**").

(d) Reset Rate of Interest

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 5 on the Reset Date. The Reset Rate of Interest will be determined by the Agent Bank on the Reset Determination Date as the sum of the Reset Reference Rate and the Margin.

(e) Determination of Reset Rate of Interest

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on the Reset Determination Date, subject to receipt from the Issuer of the bid and offered price of the Benchmark Gilt as provided by the Reset Reference Banks (if any), determine the Reset Rate of Interest in respect of the Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) Publication of Reset Rate of Interest

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 5 in respect of the Reset Period to be given to the Trustee, the Principal Paying Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 14, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Notes become due and payable pursuant to Condition 8*(a)*, the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 5 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

(g) Agent Bank and Reset Reference Banks

The Issuer will maintain an Agent Bank until the Reset Rate of Interest has been determined. The name of the initial Agent Bank is set out in the preamble to these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank or financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of the Reset Period as provided in Condition 5*(d)*, the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Determinations of Agent Bank Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agents and all Holders and (in the absence of wilful default or gross negligence) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6 Redemption, Substitution, Variation and Purchase

(a) Final Redemption

Unless previously redeemed or purchased and cancelled or (pursuant to Condition 6(f)) substituted, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on the Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Conditions to Redemption, Substitution, Variation and Purchase

Any redemption or purchase of the Notes or substitution or variation of the terms of the Notes, in each case in accordance with Conditions 6*(c), (d), (e), (f)* or *(g)* is subject to:

(i) the Issuer obtaining prior Supervisory Permission therefor;

(ii) in the case of any redemption or purchase prior to the Maturity Date, if and to the extent then required under prevailing Regulatory Capital Requirements, either: (A) the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time; and

(iii) in the case of any redemption prior to the fifth anniversary of the Issue Date, if and to the extent then required under prevailing Regulatory Capital Requirements (A) in the case of redemption upon a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Issue Date, or (B) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6*(b)*, the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6 (other than redemption pursuant to Condition 6*(c)*), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Qualifying Tier 2 Securities comply with the definition thereof in Condition 19 and (ii) in the case of a redemption pursuant to Condition *6(d)* only, an opinion from a nationally recognised law firm or other tax adviser in the United Kingdom and/or the Relevant Jurisdiction (as applicable) experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (i) to (v) (inclusive) of the definition of "Tax Event" applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it) and the Trustee may accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate and, where applicable, opinion as sufficient evidence of the satisfaction of the relevant conditions precedent in which event it shall be conclusive and binding on the Trustee and the Holders.

(c) Issuer's Call Option

Subject to Condition 6*(b)*, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable), elect to redeem all, but not some only, of the Notes on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(d) Redemption Due to Tax Event

If, prior to the giving of the notice referred to below in this Condition 6*(d)*, a Tax Event has occurred, then the Issuer may, subject to Condition 6*(b)* and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar, the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(e) Redemption Due to Capital Disqualification Event

If, prior to the giving of the notice referred to below in this Condition 6*(e)*, a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 6*(b)* and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(f) Substitution or Variation

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 6*(b)* and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for substitution or, as the case may be, variation of the Notes) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 6*(f)* and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 6*(b)* above and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 6*(f)*, as the case may be. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Qualifying Tier 2 Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed alternative Qualifying Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or reduce its rights or protections. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in Condition 6*(d)* or *(e)*.

In connection with any substitution or variation in accordance with this Condition 6*(f)*, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(g) Purchases

The Issuer may, subject to Condition 6*(b)*, purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 8*(c)*.

(h) Cancellation

All Notes redeemed or substituted by the Issuer pursuant to this Condition 6 will forthwith be cancelled. All Notes purchased by or on behalf of the Issuer may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Registrar. Notes so surrendered, shall be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(i) Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

7 Payments

(a) Method of Payment

(i) Payments of principal shall be made in pounds sterling (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in like manner as is provided for payments of interest in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown in the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in pounds sterling by transfer to an account in pounds sterling maintained by the payee with a bank in London.

(b) Payments Subject to Laws

Save as provided in Condition 9, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or its Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value the due date, or if that date is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Delay in Payment

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day. Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

8 Default

(a) Default

If the Issuer does not make payment in respect of the Notes (in the case of payment of principal) for a period of seven days or more or (in the case of any interest payment) for a period of 14 days or more, in each case after the date on which such payment is due, the Issuer shall be deemed to be in default (a "**Default**") under the Trust Deed and the Notes and the Trustee, in its discretion, may, or if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding shall, in each case subject to the provisions of Condition 8*(c)* and notwithstanding the provisions of Condition 8*(b)*, institute proceedings for the winding-up of the Issuer.

In the event of a Winding-Up of the Issuer (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, or (subject to Condition 8*(c)*) if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding shall, prove and/or claim in such Winding-Up of the Issuer, such claim being as contemplated in Condition 4*(a)*.

(b) Enforcement

Without prejudice to Condition 8*(a)* but subject to Condition 8*(c)*, the Trustee may at its discretion and without notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Notes, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 8*(b)* shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving and/or claiming in any Winding-Up of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in Conditions 4*(a)* and 8*(a)*.

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 8*(a)* or *(b)* above against the Issuer to enforce the terms of the Trust Deed or the Notes or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) Right of Holders

No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or prove or claim in any Winding-Up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall, with respect to the Notes held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes as set out in this Condition 8.

(e) Extent of Holders' Remedy

No remedy against the Issuer, other than as referred to in this Condition 8, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

9 Taxation

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount) the Issuer will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holders of such amounts as would have been received by them in respect of payments of interest had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

(a) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than a mere holding of such Note;

(b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate representing the Note is presented for payment; or

(c) in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Conditions to interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Notwithstanding any other provisions of the Trust Deed, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

10 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Meetings of Holders, Modification, Waiver and Substitution

(a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, by the Trustee at its own discretion or by the Trustee at the direction of Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 3 and 4, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes or varying the method of calculating the Interest Rate) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 6*(f)* in connection with the variation of the terms of the Notes so that they become, alternative Qualifying Tier 2 Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6*(f)*.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Trust Deed provides that (i) a resolution passed, at a meeting duly convened and held, by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding or (iii) if applicable, consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than 75 per cent. in principal amount of the Notes for the time being outstanding, shall, in each case be effective as an Extraordinary Resolution of the Holders. Any resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Holders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. The Trustee may, without the consent of the Holders, determine that any Default should not be treated as such, provided that, in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby.

Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable.

(c) Substitution of the Issuer

(i) Substitution at the discretion of the Trustee

The Trust Deed contains provisions permitting the Trustee to agree, subject to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution but without the consent of the Holders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 3 and 4 of certain other entities (any such entity, a "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Notes.

(ii) Change in law etc

In the case of any substitution pursuant to this Condition 11*(c)* the Trustee may agree, without the consent of the Holders, to a change of the law governing the subordination and waiver of set-off provisions set out in these Conditions and the Trust Deed, provided that such change will not, in the opinion of the Trustee, be materially prejudicial to the interests of the Holders.

In connection with any substitution of the Issuer pursuant to this Condition 11*(c)* or any substitution of the Notes pursuant to Condition 6*(f)*, none of the Issuer or any Substitute Obligor need have any regard to the consequences of any such substitution for individual Holders and no Holder shall be entitled to claim from the Issuer or any Substitute Obligor any indemnification or other payment in respect of any tax or other consequences arising as a result of or from such substitution.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(e) Supervisory Permission

No modification to these Conditions or any other provisions of the Trust Deed and no substitution of the Issuer pursuant to this Condition 11 shall become effective unless (if and to the extent required at the relevant time by the Competent Authority) the Issuer shall have given at least 30 days' prior written notice thereof to, and received Supervisory Permission therefor from, the Competent Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission).

(f) Notices

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 14 as soon as practicable thereafter.

12 Replacement of the Notes

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and, regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Rights of the Trustee

The Trust Deed contains provisions for the indemnification of, and/or the provision of security for and/or prefunding, the Trustee and for its relief from responsibility.

The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise.

Conditions 3 and 4 apply only to amounts payable in respect of the Notes and nothing in Conditions 3, 4 or 8 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

14 Notices

Notices to be given to the Holders pursuant to the Conditions or the Trust Deed shall be mailed to them at their respective addresses in the Register and deemed to have been given on the first weekday (being a day other than a Saturday or Sunday) after the date of mailing. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders, but subject to any Supervisory Permission required, create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

16 Agents

The initial Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and their initial specified offices are listed below. They act solely as agents of the Issuer or the Trustee (as applicable) and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and to appoint replacement agents or other Transfer Agents, provided that it will:

(a) at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent; and

(b) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 14. If any of the Agent Bank, Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, the Registrar or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Agent Bank, the Registrar, the Principal Paying Agent and the Holders.

17 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings. Nothing in this Condition 17 or the Trust Deed shall prevent the Trustee from bringing Proceedings in any competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) to the extent permitted by applicable law.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes by virtue of the Contracts (Rights of Third Parties) Act 1999.

19 Definitions

In these Conditions:

"**Additional Amounts**" has the meaning given to it in Condition 9;

"**Agency Agreement**" has the meaning given to it in the preamble to these Conditions;

"**Agent Bank**" has the meaning given to it in the preamble to these Conditions;

"**Authorised Signatories**" means any two authorised signatories of the Issuer in accordance with the Trust Deed;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London;

"**Calculation Amount**" means £1,000 in principal amount;

"**Capital Disqualification Event**" is deemed to have occurred if there is a change (which has occurred or which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Notes which becomes effective after the Issue Date and that results, or would be likely to result, in some of or the entire principal amount of the Notes ceasing to be included in the Tier 2 Capital of the Issuer and/or (if the Notes have previously been included in the Tier 2 Capital of the Group) the Group and, for the avoidance of doubt, any amortisation of the Notes pursuant to Article 64 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No. 648/2012 (or any equivalent or successor provision) shall not comprise a Capital Disqualification Event;

"**Competent Authority**" means the Prudential Regulation Authority or such other authority having primary supervisory authority with respect to prudential matters concerning the Issuer and/or the Group;

"**Conditions**" means these terms and conditions of the Notes, as amended from time to time;

"**Directors**" means the directors of the Issuer;

"**EEA Regulated Market**" means a regulated market as defined in Article 4.1 (21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (or any equivalent successor provision);

"**Group**" means the Issuer and each entity (if any) which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Regulatory Capital Requirements) of which the Issuer is part from time to time, if any;

"**Holder**" has the meaning given to it in Condition 1;

"**Initial Fixed Interest Rate**" has the meaning given to it in Condition 5*(c)*;

"**Initial Fixed Rate Interest Period**" means the period from (and including) the Issue Date to (but excluding) the Reset Date;

"**Interest Payment Date**" means 26 June and 26 December in each year, commencing on 26 December 2018;

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

"**Issue Date**" means 26 June 2018;

"**Issuer**" means Metro Bank PLC;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**Margin**" means 4.458 per cent.;

"**Market**" means the London Stock Exchange's EEA Regulated Market;

"**Maturity Date**" means 26 June 2028;

"**Noteholder**" has the meaning given to it in Condition 1;

"**Notes**" has the meaning given to it in the preamble to these Conditions;

"**Official List**" means the official list of the UK Listing Authority;

"**pounds sterling**" or "**pence**" means the lawful currency of the United Kingdom;

"**Principal Paying Agent**" has the meaning given to it in the preamble to these Conditions;

"**Qualifying Tier 2 Securities**" means securities issued directly by the Issuer that:

(a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which (1) contain terms which comply with the then current requirements of the Competent Authority in relation to Tier 2 Capital; (2) provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Notes; (3) rank *pari passu* with the ranking of the Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; (6) do not contain terms which provide for interest cancellation or deferral; and (7) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and

(b) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on any other EEA Regulated Market as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed;

"**Record Date"** has the meaning given to it in Condition 7*(a)*;

"**Register**" has the meaning given to it in Condition 1(*b*);

"**Registrar**" has the meaning given to it in the preamble to these Conditions;

"**Regulatory Capital Requirements**" means, at any time, any requirement contained in the laws, regulations, requirements, guidelines and policies of the Competent Authority, the United Kingdom or of the European Parliament and Council then in effect in the United Kingdom relating to capital adequacy and applicable to the Issuer and/or the Group;

"**Relevant Date**" means (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

"**Relevant Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Notes;

“**Reset Date**” means 26 June 2023;

“**Reset Determination Date**” means the day falling two Business Days prior to the Reset Date;

“**Reset Period**” means the period from and including the Reset Date to but excluding the Maturity Date;

“**Reset Rate of Interest**” has the meaning given to it in Condition 5*(d)*;

“**Reset Reference Banks**” means five brokers of gilts and/or gilt-edged market makers selected by the Issuer;

“**Reset Reference Rate**” means in respect of the Reset Period, the gross redemption yield (as calculated by the Agent Bank on the basis set out by the United Kingdom Debt Management Office in the paper “*Formulae for Calculating Gilt Prices from Yields*”, page 5, Section One: Price/Yield Formulae “*Conventional Gilts*”; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date (published 8 June 1998, as amended or updated from time to time) or if such basis is no longer in customary market usage at such time, in accordance with generally accepted market practice at such time, on a semi-annual compounding basis (rounded up (if necessary) to four decimal places) of the Benchmark Gilt, with the price of the Benchmark Gilt for the purpose of determining the gross redemption yield being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 11.00 a.m. (London time) on the Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. Such quotations shall be obtained by or on behalf of the Issuer and provided to the Agent Bank. If at least four quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reset Reference Rate will be 1.042 per cent., where:

> “**Benchmark Gilt**” means, in respect of the Reset Period, such United Kingdom government security customarily used in the pricing of new issues with a similar tenor having a maturity date on or about the Maturity Date as the Agent Bank (on the advice of the Reset Reference Banks or, which failing, the advice of an independent investment bank or independent financial adviser of international repute) may determine to be appropriate following any guidance published by the International Capital Market Association at the relevant time (if any); and
>
> “**dealing day**” means a day on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

“**Senior Creditors**” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer; and (b) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of obligations which constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of Holders in respect of the Notes);

“**Substitute Obligor**” has the meaning given to it in Condition 11;

“**Supervisory Permission**” means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Regulatory Capital Requirements (if any);

“**Tax Event**” is deemed to have occurred if, as a result of a Tax Law Change:

(i) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; or

(ii) the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is reduced; or

(iii) the Notes are, or will be, prevented from being treated as loan relationships for United Kingdom tax purposes; or

(iv) the Issuer is not, or will not be, able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist); or

(v) the Notes or any part thereof are, or will be, treated as a derivative or an embedded derivative for United Kingdom tax purposes,

and, in any such case, the Issuer could not avoid the foregoing by taking measures reasonably available to it;

"**Tax Law Change**" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by a tax authority regarding the anticipated tax treatment of the Notes, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted), on or after the Issue Date;

"**Tier 1 Capital**" has the meaning given to it from time to time by the Competent Authority or the applicable prudential rules;

"**Tier 2 Capital**" has the meaning given to it from time to time by the Competent Authority or the applicable prudential rules;

"**Transfer Agents**" has the meaning given to it in the preamble to these Conditions;

"**Trust Deed**" has the meaning given to it in the preamble to these Conditions;

"**Trustee**" has the meaning given to it in the preamble to these Conditions;

"**UK Listing Authority**" means the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000;

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland; and

"**Winding-Up**" means:

(i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or an Extraordinary Resolution and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);

(ii) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or

(iii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) or (ii) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

The following is a summary of the provisions to be contained in the Trust Deed and in the Global Certificate which will apply to, and in some cases modify the effect of, the Conditions while the Notes are represented by the Global Certificate:

Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Security represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by Metro Bank to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against Metro Bank in respect of payments due on the Security for so long as the Notes are represented by the Global Certificate and such obligations of Metro Bank will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

Exchange of the Global Certificate

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or any Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 2*(a)* may only be made in part:

(i) if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the holder of the Notes represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Notes represented by the Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

Calculation of Interest

For so long as all of the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, interest shall be calculated on the basis of the aggregate principal amount of the Notes represented by the Global Certificate, and not per Calculation Amount as provided in Condition 5.

Payments

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which (notwithstanding Condition 7) shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as all of the Notes are represented by the Global Certificate and it is held by or on behalf of a clearing system, notices to Holders will be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business day following the any on which such notice is sent to the relevant clearing system for delivery to entitled accountholders.

Whilst any of the Notes are represented by the Global Certificate, notices to be given by a Holder will be given by such Holder (where applicable) through Euroclear, Clearstream, Luxembourg or any Alternative Clearing System and otherwise in such manner as the Trustee and the relevant clearing system may approve for this purpose.

Prescription

Claims against Metro Bank in respect of any amounts payable in respect of the Notes represented by the Global Certificate will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the due date.

Meetings

For the purposes of any meeting of the Holders, the holder of the Notes represented by the Global Certificate shall be treated as being entitled to one vote in respect of each £1.00 in principal amount of the Notes.

Written Resolution and Electronic Consent

For so long as the Notes are in the form of a Global Certificate registered in the name of any nominee for one or more of Euroclear and Clearstream, Luxembourg or another clearing system, then, in respect of any resolution proposed by Metro Bank or the Trustee:

(i) where the terms of the proposed resolution have been notified to the Holder through the relevant clearing system(s), each of Metro Bank and the Trustee shall be entitled to rely upon approval of such resolution proposed by Metro Bank or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding ("**Electronic Consent**"). None of Metro Bank or the Trustee shall be liable or responsible to anyone for such reliance; and

(ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, Metro Bank and the Trustee shall be entitled to rely on consent or instructions given in writing directly to Metro Bank and/or the Trustee, as the case may be, by (a) accountholders in the clearing system(s) with entitlements to such Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, Metro Bank and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither Metro Bank nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Euroclear and Clearstream, Luxembourg

References in the Global Certificate and this summary to Euroclear and Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved for the purposes of the Notes by the Trustee and the Registrar.

SUBSCRIPTION AND SALE

Merrill Lynch International, RBC Europe Limited, Jefferies International Limited and Keefe, Bruyette & Woods (acting through Stifel Nicolaus Europe Limited) (together, the "**Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 22 June 2018, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 100.00 per cent. of their principal amount less a combined management and underwriting commission, subject to the provisions of the Subscription Agreement. Metro Bank will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to Metro Bank.

Selling restrictions

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**the FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA would not, if it were not an authorised person, apply to Metro Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition on Marketing and Sales of Notes to Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of MiFID II; or

(b) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General

No action has been taken by Metro Bank or the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Managers have undertaken that they will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TAXATION

GENERAL

The comments below are of a general nature and are not intended to be exhaustive. Any Holders who may be subject to tax in a jurisdiction other than the UK or who are in doubt as to their own tax position should consult their professional advisers.

UNITED KINGDOM

The following is a summary of the Issuer's understanding of current UK law and published HM Revenue and Customs' practice relating only to the UK withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) in respect of the Notes. It does not deal with any other UK taxation implications of acquiring, holding or disposing of the Notes. References to "interest" refer to interest as that term is understood for UK tax purposes. The UK tax treatment of prospective Holders depends on their individual circumstances and may be subject to change in the future.

Interest on the Notes

Interest on the Notes may be paid without withholding or deduction for or on account of UK income tax provided that the Notes are listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the UK Listing Authority and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of UK income tax.

Payments of interest on Notes may be made without deduction of or withholding on account of UK income tax if the Notes are "regulatory capital securities". The Notes will be "regulatory capital securities" if they qualify, or have qualified, as Additional Tier 1 instruments under Article 52 or Tier 2 instruments under Article 63 of Commission Regulation (EU) No 575/2013 and form, or have formed, a component of Additional Tier 1 capital or Tier 2 capital for those purposes. This is subject to there being no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage (as defined in section 1139 of the Corporation Tax Act 2010) for any person as a result of the application of the Taxation of Regulatory Capital Securities Regulations 2013 in respect of the Notes.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a UK source on account of UK income tax at the basic rate (currently 20 per cent.), subject to any other available exemption and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Holder, HMRC can issue a notice to the issuer to pay interest to the Holder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. 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. Metro Bank is 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 the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, 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 Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO METRO BANK, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

GENERAL INFORMATION

Authorisation

Metro Bank has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes. The issue of the Notes was duly authorised by a resolution of the Board of Directors of Metro Bank passed on 22 May 2018 and a resolution of a Committee of the Board of Directors of Metro Bank passed on 18 June 2018.

Listing

Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market.

Metro Bank expects the total expenses in relation to the admission to trading to be approximately £5,250.

Indication of Yield

Based upon a re-offer price of 100.00 per cent. of the principal amount of the Notes, the yield of the Notes for the period from (and including) the Issue Date to (but excluding) the Reset Date, is 5.50 per cent. *per annum* on an annual basis. The yield is calculated at the Issue Date and is not an indication of future yield.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS1844097987 and the Common Code is 184409798.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

There has been no significant change in the financial or trading position of Metro Bank and its subsidiaries, taken as a whole (the "**Group**") and no material adverse change in the financial position or prospects of the Group since 31 December 2017, the date for which the Metro Bank Group last published audited financial information.

Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which Metro Bank is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position, operations or profitability of Metro Bank or the Group.

Auditors

The financial statements of Metro Bank for the financial periods ended 31 December 2016 and 31 December 2017 have been audited in accordance with IFRS and have been reported on without qualification by PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales and is the auditor appointed by Metro Bank for the purposes of auditing its financial statements.

Documents available

Copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of Metro Bank at One Southampton Row, London WC1B 5HA, United Kingdom for so long as the Notes remain outstanding:

(a) the Agency Agreement and the Trust Deed (which includes the form of the Global Certificate);

(b) the Articles of Association of Metro Bank;

(c) the Q1 Trading Update 2018, the Annual Report and Accounts 2017 and the Annual Report and Accounts 2016; and

(d) a copy of this Prospectus together with any Supplement to this Prospectus.

This Prospectus will be published on the website of the Regulator News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html

Conflicts of Interest

The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform, services to Metro Bank and its affiliates in the ordinary course of business. In the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Metro Bank and its affiliates. Where the Managers or their affiliates have a lending relationship with Metro Bank and/or its affiliates they may routinely hedge their credit exposure to those entities consistent with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

DEFINITIONS

Definitions

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

Audit Committee	the audit committee of the Board
Banking Act	the UK Banking Act 2009, as may be amended, modified or re-enacted from time to time
Banking Reform Act	the UK Financial Services (Banking Reform) Act 2013
BCAs	business current accounts
Board of Directors	the board of directors of Metro Bank
BRRD	Directive 2014/59/EU – the Banking Resolution and Recovery Directive
CCA	the Consumer Credit Act 1974
CMA	the UK Competition and Markets Authority
CET1 Capital	share capital, share premium, retained earnings and other reserves less specified regulatory adjustments as a percentage of year-end risk-weighted assets
Companies Act	the Companies Act 2006, as such act may be amended, modified or re-enacted from time to time
CRD IV	the legislative package implementing the Basel III proposals, consisting of: (i) Directive 2013/36/EU on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms; and (ii) Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the European Council of 26 June 2013
Disclosure and Transparency Rules	the disclosure rules and transparency rules produced by the FCA and forming part of the FCA Handbook as, from time to time, amended
DTV Ratio	debt-to-value ratio, calculated as the ratio of the gross outstanding amount of a loan to the indexed value of the collateral
EEA Member States	the states of the European Economic Area
EU	the European Union
European Central Bank	the central bank of the European Union
European Economic Area	the EU, Iceland, Norway and Liechtenstein
Executive Directors	the executive Directors
FCA	the UK Financial Conduct Authority
FLS	HM Treasury's Funding for Lending scheme
FSCS	the Financial Services Compensation Scheme, a UK compensation fund set up under FSMA to provide compensation

	to customers of authorised financial services firms if a firm is unable, or likely to be unable, to pay claims against it
FSMA	the Financial Services and Markets Act 2000, as amended
Group	Metro Bank and its consolidated subsidiaries and subsidiary undertakings from time to time
HMRC	HM Revenue and Customs in the UK
IFRS	the International Financial Reporting Standards, as adopted by the European Union
IPR	intellectual property rights
IRS	the U.S. Internal Revenue Service
Leverage Ratio	leverage ratio is the ratio of total common equity tier 1 resources to total exposures calculated in accordance with the UK Leverage Ratio Framework
LIBOR	London Interbank Offered Rate
Listing Rules	the listing relating to admission to the Official List made under section 73A(2) of FSMA
LTD Ratio	the ratio of total loans and advances to customers to deposits from customers
LTV or LTV Ratio	Loan-to-value ratio
Member States	the member states of the EU
Metro Bank or **Company**	Metro Bank PLC
Nomination Committee	the nomination committee of the Board
Non-Executive Directors	the non-executive Directors
Official List	the Official List of the Financial Conduct Authority
Prospectus Directive	the EU Prospectus Directive (2003/71/EC) (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State and includes any relevant implementing measure in the Relevant Member State, and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU)
Prospectus Rules	the rules for the purposes of Part VI of FSMA in relation to offers of securities to the public and the admission of securities to trading on a regulated market
Registrars	Equiniti Limited
Regulation S	Regulation S under the U.S. Securities Act
Remuneration Committee	the remuneration committee of the Board
Risk Oversight Committee	the risk oversight committee of the Board
Senior Independent Director	Alastair (Ben) Gunn, the senior independent Director
Senior Managers	Aileen Gillan, Aisling Kane, Paul Riseborough, Danielle Harmer, Iain Kirkpatrick, Ian Walters, Martyn Atkinson, Mark Stokes and Chit Ghee Yeoh
SME	Small and Medium Sized Enterprises

Total Capital Ratio	the total of tier 1 and tier 2 capital as a percentage of year-end risk-weighted assets
UK	the United Kingdom of Great Britain and Northern Ireland
UK Corporate Governance Code or **Governance Code**	the UK Corporate Governance Code published by the Financial Reporting Council and dated September 2014, as amended from time to time
UK Government	the Government of the United Kingdom
United States or **U.S.**	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
U.S. Securities Act	United States Securities Act of 1933
VAT	within the EU, such taxation as may be levied in accordance with (but subject to derogation from) the Directive 2006/112/EEC and, outside the EU, any taxation levied by reference to added value of sales

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