

BASE PROSPECTUS DATED 17 SEPTEMBER 2019



Metro Bank PLC

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

£3,000,000,000

Euro Medium Term Note Programme

Any notes (“**Notes**”) issued pursuant to this base prospectus (the “**Base Prospectus**”) under the Euro Medium Term Note Programme (the “**Programme**”) on or after the date of this Base Prospectus are issued subject to the provisions described herein. Under the Programme, Metro Bank PLC (the “**Issuer**” or “**Metro Bank**”, and including its subsidiaries and undertakings and, where the context requires, its associated undertakings, the “**Group**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes. The aggregate principal amount of Notes outstanding under the Programme will not at any time exceed £3,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the “**FCA**”) under Part VI of the Financial Services and Markets Act 2000 (“**FSMA**”) as a base prospectus issued in compliance with Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of 12 months from the date of approval of this Base Prospectus. This Base Prospectus comprises a base prospectus for the purpose of Article 8 of the Prospectus Regulation. Applications have been made for the Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA (the “**Official List**”) and to trading on the regulated market of the London Stock Exchange plc (the “**London Stock Exchange**”). The regulated market of the London Stock Exchange (the “**Market**”) is a regulated market for the purposes of Directive 2014/65/EU, as amended, on markets in financial instruments. References in this Base Prospectus to Notes being “**listed**” (and all related references) shall, unless the context otherwise requires, mean that such Notes have been admitted to the Official List and admitted to trading on the Market.

The Senior Preferred Notes and any Coupons (each as defined herein) relating thereto will constitute “ordinary non-preferential debt” for the purposes of The Banks and Building Societies (Priorities on Insolvency) Order 2018, as may be amended, supplemented or replaced from time to time (the “**Ranking Legislation**”). The Senior Non-Preferred Notes (as defined herein) and any Coupons relating thereto will constitute “secondary non-preferential debt” for the purposes of the Ranking Legislation. The Tier 2 Capital Notes (as defined herein) and any Coupons relating thereto will constitute “tertiary non-preferential debt” for the purposes of the Ranking Legislation.

This Base Prospectus has been approved by the FCA, as competent authority under the Prospectus Regulation. The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuer; or (b) an endorsement of the quality of any Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Base Prospectus is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the “**EEA**”) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “**Benchmark Regulation**”). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms (or, if located outside the European Union (“**EU**”), recognition, endorsement or equivalence). The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws, and may not be offered, sold or delivered within the United States (as defined in Regulation S (“**Regulation S**”)), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

The Notes are not deposit liabilities of the Issuer and are not covered by the United Kingdom Financial Services Compensation Scheme (“**FSCS**”) or insured by the U.S. Federal Deposit Insurance Corporation or any other governmental agency of the United States, the United Kingdom or any other jurisdiction.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under “Risk Factors” herein.

Arranger

BofA Merrill Lynch

Dealers

BofA Merrill Lynch

NatWest Markets

RBC Capital Markets

IMPORTANT NOTICES

Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer, the information contained in this Base Prospectus (or the relevant Final Terms, as the case may be) is in accordance with the facts and this Base Prospectus (or the relevant Final Terms, as the case may be) makes no omission likely to affect the import of such information.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the “**Conditions**”) as completed by a document specific to such Tranche called final terms (the “**Final Terms**”) which will be delivered to the FCA and, where listed, the Market or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described under “*Final Terms and Drawdown Prospectuses*” below.

The Notes

Notes may only be issued under the Programme which have a denomination of at least €100,000 (or its equivalent in any other currency).

Each Tranche of Notes in registered form (“**Registered Notes**”) will be represented by either (a) individual note certificates in registered form (“**Individual Certificates**”); or (b) one or more global note certificates (“**Global Certificates**”).

Each Note represented by a Global Certificate will either be: (a) in the case of a Global Certificate which is not to be held under the new safekeeping structure (“**NSS**”), registered in the name of a common depository (or its nominee) for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and the relevant Global Certificate will be deposited on or about the issue date with the common depository and/or the sub-custodian; or (b) in the case of a Global Certificate to be held under the NSS, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Other relevant information

This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer has confirmed to the Dealers named under “*Subscription and Sale*” below that this Base Prospectus contains all information with regard to it and its subsidiaries which is (in the context of the Programme or the issue, offering and sale of the Notes) material, that such information is true and accurate in all material respects and not misleading and does not omit to state any other fact required (in the context of the Programme or the issue, offering and sale of the Notes) to be stated therein or the omission of which would make any information contained herein misleading in any material respect and all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such information.

To the fullest extent permitted by law, none of the Dealers, the Arranger, The Law Debenture Trust Corporation p.l.c. in its capacity as trustee (the “**Trustee**”), Citibank, N.A., London Branch in its capacity as principal paying agent and transfer agent (the “**Principal Paying Agent**” and “**Transfer Agent**” respectively), the Calculation Agent (as specified from time to time in the Final Terms, the “**Calculation Agent**”), Citibank, N.A., London Branch in its capacity as registrar (the “**Registrar**” and together with the Principal Paying Agent, the Calculation Agent and the Transfer Agent, the “**Agents**”) or PricewaterhouseCoopers LLP in its capacity as auditor of the Issuer accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, the Trustee, the Agents or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger, the Trustee and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. The statements made in this paragraph are without prejudice to the responsibilities of the Issuer under or in connection with the Notes.

References in this Base Prospectus to a “**Holder**” or “**Noteholder**” are to the holder of a Bearer Note (as defined herein) or the person in whose name a Registered Note (as defined herein) is registered, as the case may be.

Unauthorised Information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Arranger, the Trustee, the Agents or any Dealer.

None of the Dealers, the Arranger, or any of their respective affiliates, the Trustee or the Agents has authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers, the Agents and the Trustee

expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Trustee or the Agents. Investors should review, *inter alia*, the most recent published financial statements of the Issuer when evaluating the Notes.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled “*Prohibition of Sales to EEA Retail Investors*”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution 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, as amended (the “**PRIIPs Regulation**”) 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 the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET – The Final Terms in respect of any Notes will include a legend entitled “MiFID II Product Governance/Target Market” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the 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 target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Benchmarks Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of the Benchmarks Regulation. If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

Investors to make own investigations

Neither this Base Prospectus nor any Final Terms nor any of the documents incorporated by reference constitutes an offer or an invitation to subscribe for or purchase any Notes and are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Trustee, the Arranger or any of the Dealers that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes or where the currency for principal or interest payments is different from the currency in which such investor’s financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be 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.

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.

Programme limit

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed £3,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Programme Agreement as defined under “*Subscription and Sale*”). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.

Currency definitions

Unless otherwise indicated, all references in this Base Prospectus to “**sterling**”, “**pounds sterling**”, “**GBP**”, “**£**” or “**pence**” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the “**United Kingdom**” or the “**UK**”). The Issuer 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, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended. All references to “**dollars**”, “**\$**” or “**U.S.\$**” are to the lawful currency of the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia (the “**United States**” or “**U.S.**”).

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

Ratings

As of the date of this Base Prospectus, the issuer credit rating assigned to the Issuer by Fitch Ratings Limited (“**Fitch**”) was BB+. Fitch is established in the EEA and registered under Regulation (EU) No. 1060/2009, as amended (the “**CRA Regulation**”). As such, Fitch is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) applicable to the Issuer or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation; (b) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation; or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Final Terms 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 relevant Tranche of 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 relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Singapore SFA Product Classification

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as modified and amended from time to time, the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

SUPPLEMENTAL BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to the Base Prospectus pursuant to Section 87 of the FSMA, or to give effect to the provisions of Article 16(1) of the Prospectus Regulation, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental base prospectus as required by the FCA and Section 87 of the FSMA.

FORWARD-LOOKING STATEMENTS

This Base Prospectus and the information incorporated by reference into this Base Prospectus include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and the information incorporated by reference into this Base Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Issuer and the sectors and markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Issuer’s ability to control or predict. Forward-looking statements are not guarantees of future performance.

The Issuer's actual operating results, financial condition and the development of the sectors and markets in which it operates may differ materially from the impression created by the forward-looking statements contained in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus. In addition, even if the operating results and financial condition of the Issuer, and the development of the sectors and markets in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this Base Prospectus, those results or developments may not be indicative of results or the development of such sectors and markets in subsequent periods. Important factors that could cause these differences include, but are not limited to, general political, economic and business conditions, sector and market trends, changes in government, changes in law or regulation, stakeholder perception of the Issuer and/or the sectors or markets in which it operates and those risks described in the section of this document headed "*Risk Factors*".

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

Other than in accordance with their legal or regulatory obligations neither the Issuer nor the Dealers undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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INFORMATION INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the information set out in the table below as contained in:

1. the trading announcement of the Issuer for the six months ended 30 June 2019 (https://www.metrobankonline.co.uk/globalassets/documents/investor_documents/trading-announcement-h1-2019.pdf) (the “**H1 Trading Announcement 2019**”);
2. the unaudited condensed consolidated interim financial statements of the Issuer as of and for the six months ended 30 June 2019 (https://www.metrobankonline.co.uk/globalassets/documents/investor_documents/financial-results-h1-2019.pdf) (the “**Unaudited Interim Report 2019**”);
3. the annual report and audited consolidated financial statements of the Issuer for the year ended 31 December 2018 (https://www.metrobankonline.co.uk/globalassets/documents/investor_documents/annual-report-2018.pdf) (the “**Annual Report and Accounts 2018**”); and
4. the annual report and audited consolidated financial statements of the Issuer for the year ended 31 December 2017 (https://www.metrobankonline.co.uk/globalassets/documents/investor_documents/2017-annual-report.pdf) (the “**Annual Report and Accounts 2017**”),

which have been previously published by the Issuer 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 Base 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 Base 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 Base Prospectus. Those parts of the documents incorporated by reference in this Base Prospectus which are not specifically incorporated by reference in this Base Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Base Prospectus. Any documents referred to in the documents incorporated by reference in this Base Prospectus do not form part of this Base Prospectus.

Copies of the documents incorporated by reference in this Base Prospectus may be obtained (without charge) from the Issuer’s website at <https://www.metrobankonline.co.uk/> and the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

Reference Document	Information incorporated by reference	Page number in the reference document
H1 Trading Announcement 2019		1-10
Unaudited Interim Report 2019		
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PRESENTATION OF INFORMATION

Historical financial information

The historical financial information in this Base Prospectus has been prepared in accordance with the requirements of the Prospectus Regulation and the Listing Rules. The historical financial information incorporated by reference in this Base Prospectus consists of audited consolidated financial statements of the Issuer for the years ended 31 December 2017 and 31 December 2018, which have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and as adopted for use in the EU and unaudited condensed consolidated interim financial statements of the Issuer for the six months ended 30 June 2019, which have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34 Interim Financial Reporting.

Non-IFRS financial measures

The Issuer 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 ratio (“**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-to-value ratio (“**LTV Ratio**”), defined as the ratio of the gross outstanding amount to the value of the collateral.
- Loan loss reserve to non-performing loans ratio (“**Loan Loss Reserve to Non-Performing Loans Ratio**”), defined as the ratio calculated by dividing the Issuer’s allowance for impairment by its non-performing loans, where the “allowance for impairment” is the numerator and “non-performing loans” is the denominator.
- Net interest margin (“**NIM**”), calculated as net interest income as a percentage of daily average interest-earning assets.
- Non-performing loans ratio (“**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 (“**RoE**”), defined as profit attributable to ordinary shareholders divided by daily average shareholder’s equity as a percentage.
- Total capital ratio (“**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 the Issuer’s 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, the FSCS levy, impairment of property, plant & equipment and intangible assets, costs relating to the Royal Bank of Scotland (“RBS”) alternative remedies package application and transformation and remediation costs. Where Underlying Loss/Profit Before Tax is reported for a quarter or half year, 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 the Issuer with certain discretion in making its calculations.

Because of the discretion that the Issuer 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 the Issuer based on its audited balance sheet and results of operations.

Non-financial information operating data

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

Rounding

Percentages and certain amounts in this Base 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 Base Prospectus has been sourced from third parties. The Issuer confirms that all third-party information contained in this Base Prospectus has been accurately reproduced and, so far as the Issuer 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 Base Prospectus, the source of such information has been identified.

No incorporation of website information

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

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “**necessary information**” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in this Base Prospectus as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise.

OVERVIEW OF THE PROGRAMME

The following overview is a general description of the Programme, must be read as an introduction to this Base Prospectus, and is qualified in its entirety by the remainder of this Base Prospectus and the information incorporated by reference herein (and, in relation to any Tranche of Notes, the relevant Final Terms). Words and expressions defined in “Forms of the Notes” or “Terms and Conditions of the Notes” below shall have the same meanings in this Overview of the Programme.

*The Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 (the “**Delegated Regulation**”).*

Issuer:	Metro Bank PLC
Issuer Legal Entity Identifier (LEI):	213800X5WU57YL9GPK89
Website of the Issuer:	https://www.metrobankonline.co.uk/
Arranger:	Merrill Lynch International
Dealers:	Merrill Lynch International NatWest Markets Plc RBC Europe Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent, Calculation Agent and Transfer Agent:	Citibank, N.A, London Branch
Registrar:	Citibank, N.A, London Branch
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series (as defined below) of Notes issued under the Programme. See “ <i>Risk Factors</i> ”.
Admission to Listing and Trading:	Applications have been made for Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA and to trading on the Market.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of such Notes, any other clearing system as may be specified in the relevant Final Terms.
Programme Amount:	Up to £3,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Issuance in Series:

Notes will be issued in series (each a “**Series**”). Each Series may comprise one or more tranches (each a “**Tranche**”) issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

Final Terms or Drawdown Prospectus:

Each Tranche of Notes will be issued on the terms set out in the Conditions as completed by the relevant Final Terms or Drawdown Prospectus.

Forms of Notes:

Notes may be issued in bearer form or in registered form.

Bearer Notes

Bearer Notes will be sold outside the United States to persons that are not U.S. persons in “offshore transactions” within the meaning of Regulation S. In respect of each Tranche of Bearer Notes, the Issuer will deliver a Temporary Global Note or (if TEFRA is specified as non-applicable or if the TEFRA C Rules are specified as applicable) a Permanent Global Note.

Each Temporary Global Note will be exchangeable for a Permanent Global Note. Each Permanent Global Note will be exchangeable for Notes in definitive bearer form (“**Definitive Notes**”) in accordance with its terms. Definitive Notes will, if interest-bearing, have interest coupons (“**Coupons**”) attached and, if appropriate, a talon (“**Talon**”) for further Coupons.

Each global note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and each global Note which is not intended to be issued in NGN form (a “**CGN**”), as specified in the relevant Final Terms, will be deposited on or before the relevant issue date therefore with a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg.

Registered Notes

Each Tranche of Registered Notes will be represented by either (a) Individual Certificates; or (b) one or more Global Certificates.

Each Note represented by a Global Certificate will either be: (a) in the case of a Global Certificate which is not to be held under the NSS, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Certificate will be deposited on or about the issue date with the common depository and/or the sub-custodian; or (b) in the case of a Global Certificate to be held under the NSS, registered in

the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Currencies:

Notes may be denominated in pounds sterling, euro, U.S. dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of the Senior Preferred Notes:

The Senior Preferred Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and constitute ordinary non-preferential debt for the purposes of the Ranking Legislation. The Senior Preferred Notes and any Coupons relating thereto rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Senior Preferred Note or any beneficial interest therein, each Holder of a Senior Preferred Note and each Holder of a Coupon relating to a Senior Preferred Note acknowledge and agree that the Senior Preferred Notes and any such Coupons rank *pari passu* with all other outstanding unsecured and unsubordinated deposits with, and loans to, the Issuer, present or future (other than Senior Non-Preferred Notes and other obligations which rank or are expressed to rank junior to the Senior Preferred Notes and other than such deposits, loans or other obligations which are given priority pursuant to applicable statutory provisions), save only where the Ranking Legislation provides otherwise for ordinary non-preferential debt generally, in which case the Senior Preferred Notes and such Coupons will rank as provided in the Ranking Legislation for ordinary non-preferential debt generally.

Status of the Senior Non-Preferred Notes:

The Senior Non-Preferred Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute secondary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and any Coupons relating thereto rank junior to the Senior Preferred Notes and any Coupons relating thereto. The Senior Non-Preferred Notes rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Senior Non-Preferred Note or any beneficial interest therein, each Holder of a Senior Non-Preferred Note and each Holder of a Coupon relating to a Senior Non-Preferred Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the holders of the Coupons (whether or not attached to the relevant Notes) (the “**Couponholders**”) (and the Trustee on their behalf) against the Issuer in respect of, or arising

under, each Senior Non-Preferred Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Senior Non-Preferred Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Senior Non-Preferred Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Senior Non-Preferred Note or any related Coupon, provided however that such rights and claims shall rank in the manner specified in Condition 3(b) (*Senior Non-Preferred Notes*).

Status of the Tier 2 Capital Notes:

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute tertiary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Tier 2 Capital Notes and any Coupons relating thereto rank junior to the Senior Non-Preferred Notes and any Coupons relating thereto. The Tier 2 Capital Notes rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Tier 2 Capital Note or any beneficial interest therein, each Holder of a Tier 2 Capital Note and each Holder of a Coupon relating to a Tier 2 Capital Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the Couponholders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Tier 2 Capital Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Tier 2 Capital Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Tier 2 Capital Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Tier 2 Capital Note or any related Coupon, provided however that such rights and claims shall be subordinated as provided in Condition 3(c) (*Tier 2 Capital Notes*) and in the Trust Deed to all Senior Claims but shall rank in the manner specified in Condition 3(c) (*Tier 2 Capital Notes*).

Issue Price:

Notes may be issued at any price. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealers at the time of issue in accordance with prevailing market conditions.

Specified Denominations:

The Notes may be issued in such denominations as may be specified in the relevant Final Terms, save that no Notes may be issued under the Programme which have a denomination of less

	than €100,000 (or its equivalent in any other currency at the relevant Issue Date).
Maturities:	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Interest:	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate, a resetting rate or a floating rate (or a fixed/floating rate or floating/fixed rate).
Fixed Rate Notes:	Fixed Rate Notes will bear interest at the fixed rate(s) of interest specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
Reset Notes:	Reset Notes will, in respect of an initial period, bear interest at the Initial Rate of Interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-swap rate for the relevant Specified Currency or a benchmark gilt rate, and for a period equal to the relevant reset period, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their principal amount or at a discount to their principal amount and will not bear interest.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or (b) by reference to a reference rate appearing on the agreed screen page of a commercial quotation service, subject to Condition 9 (<i>Benchmark Discontinuation</i>), in any such case as adjusted for any applicable margin specified in the relevant Final Terms. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.
Benchmark Discontinuation (in respect of Floating Rate Notes and Reset Notes):	Notwithstanding the fallback provisions provided for in Condition 5(d) (<i>Fallback – Mid-Swap Rate</i>), Condition 5(e) (<i>Fallback – Benchmark Gilt Rate</i>), Condition 6(c) (<i>Screen Rate Determination – Floating Rate Notes other than CMS-Linked Notes and Floating Rate Notes referencing SONIA</i>), Condition 6(d) (<i>Screen Rate Determination – Floating Rate Notes which are CMS-Linked Notes</i>) or Condition 6(e) (<i>Screen Rate</i>

Determination – Floating Rate Notes Referencing SONIA), if a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the relevant Final Terms, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of the relevant Series of Notes and the application of an adjustment spread (which could be positive or negative or zero)). See Condition 9 (*Benchmark Discontinuation*).

Redemption:

Unless previously redeemed or purchased and cancelled or substituted Notes will be redeemed at their Final Redemption Amount, together with accrued and unpaid interest (as specified in the relevant Final Terms) on the Maturity Date.

Optional Redemption:

Notes may be redeemed before the Maturity Date at the option of the Issuer (as described in Condition 10(b) (*Redemption at the option of the Issuer*)), to the extent (if at all) specified in the relevant Final Terms, subject to obtaining Supervisory Permission for redemption and complying with certain pre-conditions (see Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes and Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*) in the case of Senior Non-Preferred Notes).

To the extent (if at all) specified in the relevant Final Terms, Senior Preferred Notes only may be redeemed before the Maturity Date at the option of the Noteholders (as described in Condition 10(f) (*Redemption at the option of Noteholders*)).

Early Redemption:

Except as described in “*Optional Redemption*” above, early redemption will only be permitted (a) for tax reasons, as described in Condition 10(c) (*Redemption for Tax Event*); (b) in the case of Tier 2 Capital Notes, for regulatory reasons, as described in Condition 10(d) (*Redemption for Capital Disqualification Event*), subject to the Issuer obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*)); and (c), in the case of Senior Non-Preferred Notes (unless otherwise specified in the relevant Final Terms) if the Notes are fully or (if so specified in the relevant Final Terms) partially excluded from the Issuer’s minimum requirements for (i) own funds and eligible liabilities and/or (ii) loss absorbing capacity instruments, as described in Condition 10(e) (*Redemption for Loss Absorption Disqualification Event*), subject to the Issuer

Substitution and Variation of Tier 2 Capital Notes:

obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*)).

Unless otherwise specified in the relevant Final Terms, the Issuer may, upon occurrence of a Tax Event or a Capital Disqualification Event, either substitute all of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities, subject to the Issuer obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(l) (*Pre-condition*)). See Condition 10(o) (*Substitution and Variation of Tier 2 Capital Notes*).

Substitution and Variation of Senior Non-Preferred Notes:

Unless otherwise specified in the relevant Final Terms, the Issuer may, upon occurrence of a Loss Absorption Disqualification Event or a Tax Event, either substitute all of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes, subject to the Issuer obtaining prior Supervisory Permission and complying with certain pre-conditions (see Condition 10(m) (*Pre-condition*)). See Condition 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*).

Negative Pledge:

None

Cross Default:

None

Withholding Tax and Additional Amounts:

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall, (a) in the case of all Senior Preferred Notes and each Series of Senior Non-Preferred Notes unless the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable”, in respect of payments of interest (if any) or principal, or (b) in the case of all Tier 2 Capital Notes and each Series of Senior Non-Preferred Notes for which the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable”, in respect of payments of interest (if any) only and not principal, pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 13 (*Taxation*).

Substitution:

Subject to Condition 18(e) (*Supervisory Permission*), the Trustee may in certain circumstances, without the consent of the Noteholders, agree to the substitution of Issuer, as described in Condition 18(c) (*Substitution*). In the case of any substitution of the Issuer, 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.

Subject to Condition 18(e) (*Supervisory Permission*), the Trustee shall upon the occurrence of a Newco Scheme, without the consent of the Noteholders, agree to the substitution of Issuer, as described in Condition 18(c) (*Substitution*). In the case of any substitution of the Issuer, 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.

Governing Law:

English Law

Ratings:

As of the date of this Base Prospectus, the Issuer Credit Rating assigned to the Issuer by Fitch was BB+. Fitch is established in the EEA and registered under the CRA Regulation.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s), which will not necessarily be the same as the ratings applicable to the Issuer, will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation; (b) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation; or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the EEA, the United Kingdom, Japan, Hong Kong, Singapore, France and Belgium, see “*Subscription and Sale*” below.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Base Prospectus prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the Issuer's or the Group's business, operations, financial condition or prospects and the industry in which they operate which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Issuer and the Group face, many of which relate to events and depend on circumstances that may or may not occur in the future. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

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

Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall have the same meanings in this Risk Factors section.

Risks relating to the Macroeconomic Environment in which the Issuer Operates

Metro Bank faces risks relating to volatility in UK real estate

A significant portion of Metro Bank's revenue is derived from interest and fees paid on its mortgage portfolio. As of 30 June 2019, £10,677 million, or 71 per cent. (31 December 2018, £9,913 million or 69 per cent.; 31 December 2017, £6,448 million or 67 per cent.), of Metro Bank's loans and advances to customers were retail, with 98 per cent.; 97 per cent.; and 97 per cent., respectively, of that being mortgages. In addition, Metro Bank intends to rebalance the mix of its lending to increase the share of mortgages in its portfolio to between approximately 70 per cent. and 75 per cent. by 2023, increasing its dependence on the strength of the UK residential mortgage market. 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. 68 per cent. and 82 per cent. of Metro Bank's retail mortgage portfolio and commercial lending, respectively, was concentrated in Greater London and South East England as of 30 June 2019. Metro Bank has benefited from the fact that in London, prime residential property has been regarded as a preferred outlet for international capital, in part owing to London's status as a political and financial centre. Although residential property price growth has been largely sustained in recent years, following the June 2016 Brexit referendum, UK house prices, particularly in Greater 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 (19 per cent. of Metro Bank's mortgage portfolio was retail buy-to-let as of 30 June 2019). 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 UK Government introduced new rules in 2017 that have tempered the market for buy-to-let 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 demand for 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 may also contribute to volatility in house prices, 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") and until February 2018, the Bank of England's Term Funding Scheme ("TFS"). The closure of the FLS and TFS 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 EU 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.

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

In March 2017, the UK gave notice of its intention to leave the EU under Article 50 of the Treaty on EU, and the United Kingdom is still in the process of determining what form that exit will take.

As of the date of this Base Prospectus, there is no certainty that there will be a ratified withdrawal agreement by 31 October 2019, and it remains the default position that the United Kingdom will leave the EU on this date without an agreement in place, unless a further extension is requested by the United Kingdom government and granted by the EU. If the United Kingdom were to leave without an agreement, this could have a significant and immediate impact on the United Kingdom's day-to-day interactions with Europe, including the flow of funds between the two.

The UK's planned withdrawal from the EU has also adversely affected the UK's credit rating, with S&P Global Ratings Europe Limited and Fitch downgrading the UK to an AA rating, and Moody's Investors Service Limited 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. For example, in the event of a hard Brexit, and in the absence of PRA (as defined herein) relief, the EU Capital Requirements Regulation (the "CRR") could be on-shored into domestic UK regulation, which could have a significant impact on the UK banking industry, including an increase in the risk-weighting which UK banks assign to exposures to EU Member States. 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 GfK SE index reported that UK consumer confidence was -13 in June 2019, having fallen from -9 in June 2018. Although unemployment modestly declined in 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. The UK financial markets, as well as the UK housing market, could be negatively impacted, as they have been in the past, by a number of global macroeconomic events, including ongoing concerns surrounding, for example a weakening of the Chinese economy and 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.

The UK continues to experience interest rates at historically low levels. However, if the Bank of England were to begin to raise interest rates, this could also adversely affect Metro Bank. As of 30 June 2019, 31 per cent. (31 December 2018, 30 per cent.; 31 December 2017, 32 per cent.) of Metro Bank's deposits from customers were demand current accounts, 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 NIM (as defined herein) and revenue.

Changes in interest rates also impact Metro Bank's loan impairment levels and customer affordability. As of 30 June 2019, 31.3 per cent. (31 December 2018, 34.0 per cent.; 31 December 2017, 40.9 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 a considerable proportion 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 capacity to lend and therefore its profitability.

In addition, changes in interest rates can affect Metro Bank's net interest income and margins. In August 2018, the Bank of England raised its base rate to 0.75 per cent. from the 0.50 per cent. rate that had prevailed since November 2017 (which in turn represented an increase from the 0.25 per cent. rate that prevailed until August 2016). 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 investments, 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, particularly if, as a result of Brexit or otherwise, interest rates do not increase or are reduced further.

Any of the foregoing 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

Claims, investigations and litigation, and in particular recent on-going regulatory investigations by the PRA and the FCA into the circumstances surrounding Metro Bank's adjustment of its Risk-Weighted Assets ("RWAs"), could adversely affect Metro Bank's brand, reputation and earnings

Metro Bank is subject to the risk of claims, litigation and regulatory proceedings in the course of its business. These risks may arise for a number of reasons, including that (i) 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.

In particular, in February 2019, Metro Bank received notice that the FCA and the PRA had independently appointed investigators to review the circumstances and events that led to Metro Bank's adjustment of its RWAs in the amount of £900 million (which resulted in a reduction of Metro Bank's Tier 1 capital surplus by £95 million, based on a Tier 1 minimum regulatory capital requirement of 10.6 per cent. of RWAs) (the "**RWA Matter**"), which was announced in January 2019. In August 2019, Metro Bank received a further notice that the FCA was extending the scope of its investigation into the RWA Matter to include certain senior members of management and to cover the period from 1 June 2017 through Metro Bank's Q4 2018 trading update on 26 February 2019. These investigations relate to Metro Bank's regulatory reporting; the systems, controls and governance in place to ensure Metro Bank's compliance with its reporting and disclosure obligations; and the timing and content of announcements related to the RWA Matter and the advanced internal ratings-based ("**AIRB**") approach announced as part of Metro Bank's Q4 2018 trading update in February 2019. Metro Bank

may incur significant expense in connection with the resolution of these matters. Furthermore, the investigations may lead to a public censure, financial penalties or compensation payments, a variation or suspension of Metro Bank's regulatory permissions and possible criminal and/or civil liability for Metro Bank. In addition, these matters could negatively impact Metro Bank's brand, reputation and share price, as well as the secondary market pricing of its listed debt securities (including the Notes), and could lead to further adverse consequences, including civil litigation. At this stage, the timing and outcome of these matters cannot be predicted. Metro Bank is working closely with the FCA and PRA and will update the market on the outcome of the investigations in due course.

The Issuer is also subject to other ongoing claims, investigations and litigation including a civil litigation with Arkeyo LLC, sanction related matters and a putative securities class action. For further details, please see the section entitled "*Information of the Issuer - Litigation and Arbitration Proceedings*".

Any litigation, claims, investigations 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 related 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 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 to grow 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 in the communities it serves (comprising its highly visible stores, mobile and internet offerings, and local contact centres, together with its unique customer service proposition) to increase its brand 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, Metro Bank believes that its brand is closely associated with its values, which emphasise customer service. Metro Bank's values could be compromised due to competitive pressures, and Metro Bank's brand could be damaged by reputational harm, which could arise by failing to address, or appearing to fail to address, a variety of issues, such as:

- poor customer service;
- technology failures;
- cybersecurity breaches and fraud;
- breaching, or facing allegations of having breached, legal and regulatory requirements, including in relation to the RWA Matter;
- 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 by the FCA and PRA;
- litigation claims;
- failing to maintain appropriate standards of customer privacy and record keeping;
- failing to maintain appropriate standards of corporate governance;

- the failure of intermediaries and other third parties on whom Metro Bank relies, such as clearing banks, third party mortgage servicing agents or partners, to provide necessary services;
- related party transactions; and
- poor business performance.

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

Although Metro Bank has acquired the trade mark "Metrobank" in the UK, the "Metro" name is widely used by a variety of businesses in the UK, including other FCA-authorised businesses, and in the rest of Europe. Consequently, there is a risk that Metro Bank's trade mark registration for the word "Metrobank" and the wider use of the "Metro Bank" name (for which Metro Bank does not hold a trade mark) might be challenged by the owner of another similar trade mark. In the event that a challenge were to be successful, 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 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 strategy

Metro Bank has experienced an increasingly competitive environment that put pressure on its profitability and constrained its NIM. This pressure can be attributed largely to trapped liquidity of UK competitors subject to ring-fencing, macroeconomic uncertainty, continued low interest rates, increasing regulatory requirements (such as minimum requirement for own funds and eligible liabilities ("MREL") debt requirements) and accounting changes (such as IFRS 16). Metro Bank intends to use the net proceeds of future issuances of Notes to meet its MREL requirements. The net proceeds of its May 2019 £375 million placing of ordinary shares (the "Placing"), together with future issuances of Notes, will be used to support continued growth in lending and RWAs, while investing in the expansion of stores and new technologies. This evolved growth strategy is based on the following four key pillars: (i) balancing controlled growth, profitability and capital efficiency through an integrated customer experience, (ii) improving cost efficiencies, (iii) expanding its range of services to create new sources of income and (iv) rebalancing its lending mix to optimise capital allocation and returns.

The implementation of the evolved growth strategy is subject to a number of risks, including operational, financial, macroeconomic, market, pricing and technological challenges, and there can be no guarantee that Metro Bank will be able to achieve these goals within the timescale envisaged, or that these goals will have their desired operational effect. For example, Metro Bank had previously targeted opening approximately 100 stores by the end of 2020. Metro Bank had 68 stores as of the date of this Base Prospectus and is targeting the opening of approximately eight stores per year until 2023 (down from a previous target of approximately 20 stores per year from 2020). Metro Bank also intends to open a further 30 stores (two of which are expected to be opened in 2019) in the North of England, the staffing of which will be funded in part by Metro Bank's grant from the C&I Fund (as defined herein). Metro Bank has committed to the BCR (as defined herein) to open these 30 stores by 2025 at the latest, although it is targeting their opening by the end of 2022. Metro Bank may also consider modifying its store layout, design and size to better fit future community and customer requirements. However, there can be no assurance that Metro Bank store strategy will result in its existing stores increasing their contribution to Metro Bank's profitability, and Metro Bank could further reduce its current expansion

plans in light of operational, macroeconomic or other factors post having concluded the C&I investments and commitments.

The success of Metro Bank's strategy is also dependent on it significantly increasing the number of new customer accounts, either through new customer acquisition or existing customers opening new accounts. Metro Bank's strategy envisages growing deposits by approximately 20 per cent. per year over the medium-term, with an emphasis on relationship current accounts and variable deposit accounts. However, there can be no guarantee that Metro Bank will be successful in gaining the number or type of deposit accounts that it seeks, which could limit its funding base and its profitability. For example, while Metro Bank targets maintaining an LTD Ratio of 85 per cent. to 90 per cent., its LTD Ratio was 104 per cent. as of 31 August 2019 (91 per cent. as of 31 December 2018).

In relation to its lending business, Metro Bank will seek to shift the mix of its loan portfolio, increasing the share of lower-risk mortgages and reducing the proportion of 100 per cent. risk weighted loans relating to commercial property. However, implementing this strategy will require management to make complex judgements, including identifying suitable borrowers for the expansion of its residential mortgage book, and structuring and pricing its products competitively. In addition, Metro Bank intends to grow its unsecured lending and credit card business (at approximately 75 per cent. RWAs) for both personal and business customers, which will increase its exposure to a higher risk asset class, albeit at higher yield and lower RWAs than commercial real estate.

Metro Bank also intends to expand income through new value-added services, particularly for small and medium-sized enterprises ("SMEs"). For example, it may broaden its online business account offerings and expand its payments and cash management offerings, including launching digital tax, accounting and other fee-paying services for SMEs. However, there can be no assurance that Metro Bank will be able to price competitively, design or implement these offerings, or that its customers will take up these new services as targeted.

Metro Bank's strategy also depends on its ability to increase cost efficiencies across its business. As part of its updated strategy, Metro Bank is targeting a reduction of its underlying cost-to-income ratio to between 55 per cent. and 60 per cent. by 2023 (compared to levels of approximately 85 per cent. to 92 per cent. in recent periods). To achieve this, Metro Bank will need to reduce expenditures for both its back and front office functions, as well as on its stores. There can be no guarantee that any of Metro Bank's cost-saving initiatives, such as digitisation and automation programmes, will be implemented in a timely manner, or that they will produce the targeted efficiencies.

Metro Bank will also need to maintain a strong capital position to support its strategic goals. In order to meet its transitional MREL by 1 January 2020, Metro Bank intends to issue MREL-eligible debt (including the Notes) in 2019. To support balance sheet growth and to meet its end-state MREL requirement by 1 January 2022, Metro Bank also expects to issue further MREL-eligible debt ahead of 1 January 2022. There can be no guarantee, however, that Metro Bank will be able to raise MREL-eligible debt at economic pricing levels.

In addition to the Placing, Metro Bank may also pursue an additional equity capital raise in the medium-term to support its controlled growth plans. There can be no guarantee, however, that Metro Bank will be able to meet its equity fundraising targets at attractive pricing levels. If it is unable to do so, Metro Bank may be required to significantly curtail its growth plans until such time as it is able to support its growth organically, and/or through the securitisation or sale of certain assets.

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

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, regulatory or reputational concerns, or factors that constrain the volume of liquidity in the market. For example, Metro Bank's average deposit growth per store, per month has fluctuated each quarter between 2016 and 30 June 2019, turning negative for the first time in the first half of 2019. See the Unaudited Interim Report 2019 for more information on relevant deposit outflows and deposit growth.

In addition, the TFS was closed to further drawdowns in February 2018. Metro Bank has TFS drawdowns that will mature in 2020, 2021 and 2022 in the amounts of £543 million, £2,778 million and £480 million, respectively, and 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, as well as specific concerns regarding Metro Bank's financial condition. In addition, because Metro Bank operates a "savings promise" on retail variable products that existing customers will have access to Metro Bank's "best rate available" for each personal variable 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 highly competitive, and competition may intensify in response to consumer demand, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. The financial services markets in which Metro Bank operates are mature, and growth by any bank typically requires obtaining market share from competitors. Competition has placed pressure on Metro Bank's NIM in recent years, particularly in 2018, when residential mortgages spreads tightened significantly, and Metro Bank's NIM decreased by 12 basis points ("**bps**") in 2018. While other UK banks faced similar NIM pressures in 2018, larger UK banks generally were relatively more insulated from these declines compared to smaller banks such as Metro Bank.

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, Metro Bank applies the "standardised" approach to credit risk, which can overestimate the capital required for certain lending portfolios, leading to higher RWAs. Certain competitors use the internal ratings-based approach, which allows them to hold less capital against their lending than the standardised approach, thus freeing up additional capital to support additional lending to customers. Metro Bank continues to progress its AIRB application and is continuing to engage with the PRA on this iterative and detailed project. While Metro Bank previously anticipated the migration to occur in the second half of 2019 with respect to its residential mortgage portfolio, based on the use and experience requirements, Metro Bank believes it is unlikely to receive PRA approval before 2021, at the earliest, and there can be no assurance that Metro Bank's application will result in approval being granted.

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 and support expansion into new geographies, 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. For example, more established competitors may have greater resources to devote to expanding their digital offerings than Metro Bank, which may put Metro Bank at a competitive disadvantage in attracting or retaining customers. In addition, as a result of their large established deposit and asset base, more mature, as well as international banks are often better positioned to offer cash incentives to attract new customers, as well as higher temporary "teaser" interest rates for deposits or lower temporary rates for loans to attract new customers. Metro Bank makes very sparing use of such measures as customer acquisition tools, focusing instead on its superior service offering.

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 an increased share of 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, such as mortgage brokers, to originate a large portion of loans for its mortgage, invoice and asset finance portfolios. If intermediaries violate applicable regulations or standards when selling Metro Bank's products, Metro Bank's reputation could be harmed. 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 customers will be unable to meet their commitments as they fall due as a result of customer-specific circumstances, macroeconomic disruptions or other external factors. The failure of customers to meet their commitments as they fall due may result in higher impairment. Further, the impairment requirements under IFRS 9 "Financial Instruments", which Metro Bank began to apply from 1 January 2018, increased the complexity of Metro Bank's impairment modelling and result in earlier recognition of credit losses than under previous standards. Such measurements involve increased complexity and judgement and impairment charges may become more volatile and could have a material adverse effect on 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.

Metro Bank's grant from the C&I Fund is subject to a number of conditions

On 22 February 2019, Metro Bank was awarded a £120 million grant from the Capability and Innovation Fund (the "C&I Fund"), a UK scheme designed as part of measures agreed between the UK Government and the European Commission to encourage competition in the SME banking market in the wake of the 2008 financial crisis. The C&I Fund is managed by the Banking Competition Remedies Limited (the "BCR"), an independent fund administrator to which Metro Bank submitted a contractually binding business plan during its bid for a C&I grant. This business plan included commitments to use the grant from the C&I Fund in specific ways, for example by defining geographies and timelines for 30 new store openings by 2025 (the staffing of which will be partly funded by C&I funds, with the remaining amounts funded by part of a £234 million co-investment by Metro Bank) and agreeing the parameters for new digital platforms and services that Metro Bank will launch for SMEs. C&I funds must be used in accordance with the business plan that Metro Bank submitted to the BCR, and breaches of Metro Bank's commitments in its bid could result in Metro Bank needing to repay its grant entirely, in addition to interest in the amount of 8 per cent. above the Bank of England rate (compounded quarterly). Furthermore, any changes to Metro Bank's business plan must be approved by the BCR, and if any proposed changes are rejected, Metro Bank could be asked to repay the grant (in full or part), in addition to interest at the Bank of England rate (compounded quarterly). Metro Bank is also obligated to inform the BCR of any changes to its business circumstances generally, and if the information Metro Bank provided to the BCR at the time of its bid is deemed to be inaccurate, incomplete or misleading, Metro Bank could be required to repay its grant from the C&I Fund.

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

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. 68 per cent. and 82 per cent. of Metro Bank's retail mortgage portfolio and commercial lending, respectively, was concentrated in Greater London and South East England as of 30 June 2019. 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 framework and 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. Effective risk management requires, among other things, access to complete

sets of customer data, robust policies, processes and controls for the accurate identification and control of a large number of transactions and events, and Metro Bank's risk management policies, processes and controls have not in the past, and may not always in the future, operate as intended. 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.

In 2018, Metro Bank, supported by a "big four" accounting firm, undertook a review of the classification and risk-weighting of its commercial loan portfolio, which resulted in an adjustment of its RWAs in the amount of £900 million, as announced in January 2019. Following this review, the board of directors of Metro Bank (the "**Board**") instructed a "big four" accounting firm to support Metro Bank's programme of remediation, which is focused on its risk-related internal systems, processes, controls and governance. As part of that work, Metro Bank's commercial loan portfolio is being reviewed by its first, second and third lines of risk management defence (i.e. business areas, risk function and internal audit), based on a policy framework designed with external advisers. This remediation programme is expected to be completed in 2020. Metro Bank also intends to engage another accounting firm to undertake an external assurance review of its RWA calculations on a yearly basis, in the context of its Pillar 3 reporting, beginning with its full year 2019 results. However, there can be no assurance that Metro Bank's remediation programme or future external assurance reviews of its RWAs will be effective or ensure that Metro Bank's risk management framework and policies will identify or prevent future errors in the application of risk-weightings to its loan book.

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 third parties for the provision of clearing services. 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, such as the so-called SS7 attack that exploited a security vulnerability in text messages sent by Metro Bank to its customers in early 2019, 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 controlled 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 2018, the European Directive 2002/58/EC (the "**e-Privacy Directive**"), the Privacy and Electronic Communications (EC Directive) Regulations 2003 and 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. Noncompliance 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 to 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. For example, in late 2018, Metro Bank, along with many other UK banks, was subject to a cyberattack in which criminals penetrated a secondary layer of IT security to obtain codes sent via text messages to customers to verify transactions. The criminals then used these codes to access a small number of customer accounts.

Fraud, theft or cybercrime are 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 benefits from natural offsetting between certain assets and liabilities, which may be based on both contractual and behavioural characteristics of these positions. Where natural hedging is insufficient, Metro Bank engages in hedging activities to, for example, limit the potential adverse effect of interest rate fluctuations on its results of operations, to the extent that the assets and liabilities it originates do not create a natural offset to one another. However, 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 and cause Metro Bank to record mark-to-market losses. In addition, as of 30 June 2019, Metro Bank had investment securities of £2,370 million (31 December 2018, £4,132 million; 31 December 2017, £3,915 million), comprising investment-grade investments in residential mortgage-backed securities, UK government bonds, covered bonds and bonds issued by corporates and financial institutions. Despite the conservative nature of its investment securities portfolio, there can be no guarantee that the value of 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 appropriate for the increasing scale and complexity of its business. 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, or due to reputational or regulatory issues. In addition, while it may become desirable to augment its senior management team with personnel possessing skills and experience from larger financial institutions, Metro Bank may be unable to attract qualified candidates. Furthermore, external factors such as macroeconomic conditions, the developing and increasingly rigorous regulatory environment in which Metro Bank operates, changes to work permit and visa rules, or negative media attention on the financial services industry may adversely impact Metro Bank's ability to attract and retain 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, CRD IV (as defined herein) (as implemented in the UK through applicable regulatory rules which in relation to Metro Bank are, or as they are implemented will be, largely set out in the PRA Rulebook and other PRA publications) and the Capital Requirements Regulation 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 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 senior managers regime (introduced in the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**")), which came into force on 7 March 2016, individuals carrying out positions of significant influence at banks are individually responsible for defined areas of the business and can be held to account by the PRA and FCA on that basis. The Banking Reform Act also introduced a new criminal offence applicable to senior managers of reckless mismanagement resulting in a bank failure (punishable by a maximum 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 appropriately qualified colleagues, including senior management, for the scale and complexity of Metro Bank's business 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. As noted above, Metro Bank's grant from the C&I Fund requires it to open 30 stores in the North of England by 2025 at the latest. Any future inability to obtain additional suitable leases or purchases for its properties, including in accordance with its grant from the C&I Fund, could have a material adverse effect on the success of Metro Bank's growth strategy and its 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 "www.metrobankonline.co.uk". Metro Bank purchased the registered trade mark "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 trade mark, it entered into an agreement that provided Metro Bank would not attempt to use its rights in the registered trade mark 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 “www.metrobank.com” belongs to a third party and is used to provide links to a variety of financial and diverse services and offerings in the Philippines. 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 FCA, Metro Bank’s conduct regulator, has highlighted priorities such as developing payments sector strategy and improving competition in current accounts and cash savings markets as key for the retail banking sector in its recent Business Plan for 2018 and 2019. In addition, the FCA is currently undertaking a series of thematic reviews, and recently published its final report of its strategic review of retail banking business models. Metro Bank provided information disclosure in relation to this FCA review. The FCA intends to initiate three strands of work following this review, including on-going monitoring of retail banking business models; analysis to understand the value chain in new payment services business models; and exploratory work to understand certain aspects of SME banking. Any action that the FCA may take in relation to these, or recommendations it may make in relation to any of its other thematic reviews, could impact Metro Bank’s business (although given the early stages of this process, Metro Bank is currently 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. There has also been an increase in sophisticated social engineering frauds across remote channels in circumstances where fraudsters have imitated bank colleagues resulting in customers compromising their security credentials.

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

The PRA and FCA can apply a wide range of sanctions to firms such as Metro Bank (and individuals working for these firms) if they are found to be operating in breach of their regulations, or in a manner deemed to pose a significant risk to their statutory obligations, including public or private censure, fines, regulatory proceedings and, in extreme cases, suspension or withdrawal of authorisation to operate particular parts of their business or prosecution. Investigating and dealing with proceedings, including those relating to the RWA Matter, 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 regulatory 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 a legislative framework governing 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 included amendment of the definition of “regulated mortgage contract” to include second charge lending, bringing the regulation of second charge mortgage lending into line with first charge lending (rather than it being regulated under the FCA’s Consumer Credit Regime), and the establishment of a framework for regulating buy-to-let mortgage lending to consumers. 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 (as defined herein). 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 were phased in over a transitional period ending on 31 December 2018, though such phased implementation was in some cases subject to the PRA's right (which it largely exercised) to apply an expedited timeframe. In particular, the liquidity regime was phased in, though a significant part of it, a binding net stable funding ratio ("NSFR"), was only introduced via amendments to CRR set out in CRD V (as defined herein). For more detail on forthcoming changes to the UK and EU bank regulatory regimes and the timings for those changes, see the section of this Base Prospectus entitled "*Supervision and Regulation - UK Regulation - Capital adequacy, prudential regulation and the European regulatory landscape*".

In addition, CRD IV requirements adopted in the United Kingdom or the way those requirements are interpreted or applied may change further, including as a result of binding regulatory or implementing technical standards or guidance to be developed by the European Banking Authority (the "EBA"), 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.

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, or a recalculation based on adjustments to its credit risk calculations, as a result of the crystallisation of any of the other risks described elsewhere in this "*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 expected growth, Metro Bank's capital requirements are likely 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 1 January 2018, Metro Bank implemented IFRS 9 "Financial Instruments". IFRS 9 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 million as of 31 December 2017 to £37 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. In addition, as of 1 January 2019, Metro Bank implemented IFRS 16 "Leases", which requires lessees to recognise assets and liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. As a result of these accounting changes, Metro Bank's RWAs have increased by approximately £313 million.

Any inability of Metro Bank to maintain its regulatory capital or liquidity requirements, or any legislative or accounting 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 resolution planning and regulatory action which may be taken 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 (each a “**relevant entity**”) that are failing or are likely to fail. See “*Supervision and Regulation – Recovery and resolution – Banking Act 2009 and BRRD*” for further background and the risk factor entitled “*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 banks or investment firms and certain of their affiliates in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Notes*” below.

Institutions subject to the Banking Recovery and Resolution Directive (“**BRRD**”) are required to meet an MREL of eligible instruments which are capable of being bailed-in. The MREL requirement is equal to a percentage of total liabilities and own funds to be set by the Bank of England. Items eligible for inclusion in MREL include an institution’s own funds (including any Tier 2 Capital Notes and Senior Non-Preferred Notes issued under the Programme) along with other, more senior ‘eligible liabilities’ in the form of debt instruments. Pursuant to its revised Statement of Policy (published in June 2018 and updating a November 2016 version) (the “**MREL SoP**”) for exercising its powers to direct UK banks to maintain MREL, the Bank of England sets 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 MREL SoP also specified indicative thresholds which it would use to determine which resolution strategy would apply to individual institutions. See “*Supervision and Regulation – Recovery and resolution – MREL Requirements*”.

From 1 January 2020, Metro Bank (being a non-systemic bail-in firm for the purposes of the MREL SoP) will have to hold interim MREL equal to 18 per cent. of its RWAs, before regulatory buffers. To meet this interim MREL requirement (totalling 21.5 per cent. including regulatory buffers) by 1 January 2020, Metro Bank intends to issue MREL-eligible debt in 2019. From 1 January 2022, Metro Bank will have to comply with its end-state MREL requirement, which will be equal to the higher of two times its Pillar 1 and Pillar 2A requirement ($2 \times (\text{Pillar 1} + \text{Pillar 2A})$) or two times its leverage ratio requirement ($2 \times (\text{LR})$) (assuming the latter will apply to Metro Bank at the time). Assuming the Pillar 2A requirement at 1.52 per cent. and countercyclical buffer at 1 per cent. remain constant, the estimated end-state MREL requirement for Metro Bank will be 22.5 per cent. of the RWAs. As discussed in more detail below, by 1 January 2022, Metro Bank will be required to establish a non-operating bank holding company, which will be the resolution entity and will issue external MREL to the market to achieve structural subordination. To meet its end-state MREL requirement by 1 January 2022, Metro Bank expects to issue further MREL-eligible debt ahead of this date. The cost of funding of these MREL debt issuances could be higher than that which Metro Bank might otherwise have incurred if it were not subject to the relevant MREL requirements, which could have an impact on its profitability.

To facilitate bail-in and resolution strategies, the Bank of England has indicated through statements of policy that UK bank holding companies must meet certain structural requirements, in particular relating to structural subordination, by 1 January 2022. To meet these requirements, Metro Bank will create a new holding company, which, among other things, could have adverse tax consequences for certain investors in Metro Bank.

Finally, the BRRD and associated legislation requires that certain claims of certain depositors and the FSCS (to the extent it covers claims of depositors in a bank insolvency resolution) are given preferential status in the bank insolvency resolution. 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 introduced a ring-fence around retail deposits held by large UK banks with the aim of separating certain core banking services critical to individuals and SMEs from wholesale investment banking services. See “*Supervision and Regulation – UK ring-fencing regime*”.

The impact of ring-fencing on the Group may, in the future, result in increased compliance costs or restrictions in some areas of business, such as in investments made or products offered. For example, the ring-fencing rules have increased competition and margin pressure in the UK residential mortgage market. These and similar consequences could have an adverse impact on the 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 highlighted anti-money laundering and the prevention of financial crime as priorities in its Business Plan. Furthermore, following the entry into force of the EU AML Directive and Transfers of Funds Regulation on 25 June 2015, new regulations came into force in the UK on 26 June 2017, which impacted the scope of the regulatory requirements Metro Bank must comply with.

In November 2017, on advice of external legal counsel, Metro Bank notified the Office of Foreign Assets Control that it had discovered that a UK-based entity with which it had a banking relationship was subject to U.S. sanctions relating to Cuba. Metro Bank ended its relationship with the relevant entity. In addition, in 2019, Metro Bank discovered that a payment made to one of its customer’s accounts, which it had received from a UK-based financial institution, had been routed to the UK-based financial institution from Iran. A review of the foregoing matters, together with a review of Metro Bank’s sanctions compliance policies, has been initiated by Metro Bank with the support of external advisers.

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. Compliance with these requirements is also in part dependent upon the effective operation of Metro Bank’s data collection policies, systems and controls, which have not in the past and may not always in the future operate as intended. Although Metro Bank believes that its current policies, processes and procedures are adequate and designed to support its ability to comply with applicable anti-money laundering, anti-bribery, sanctions and other related rules and regulations, these policies, processes and procedures may not always do so and, therefore, cannot eliminate the risk of actions by third parties or Metro Bank’s colleagues that result in money laundering, sanctions breaches, bribery or other activities, as well as violations of applicable regulations, 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 were to restrict the definition of "deposit", to exclude deposits made by certain financial institutions and certain public authorities, to reduce time limits for payments of verified claims to depositors and to make provisions on how deposit guarantee schemes should be funded. In addition, the recast EU DGSD allowed for temporary increases in the coverage level in relation to deposits arising from certain events, such as the sale of a private residential property. The 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 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 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.

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 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, with further requirements being introduced throughout 2019. Among other things, the new rules include a requirement to grant certain regulated third parties access to customer accounts and information. The regulations also introduce stronger customer authentication requirements and enhanced consumer protection obligations. This has created additional compliance and operational burdens for Metro Bank (including potential consequences for breach).

The Banking Reform Act required the FCA to establish a body corporate to regulate payment systems (the "Payment Systems Regulator"). The powers of the Payment Systems Regulator came into force in 2015, 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 uncertainty as to the ongoing 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

Risks relating to a particular structure of Notes

A wide range of Notes may be issued under the Programme and some Notes may have features which contain particular risks for potential investors. Set out below is a description of certain risks relating to particular structures of Notes:

The obligations of the Issuer in respect of Tier 2 Capital Notes are unsecured and subordinated and the claims of Holders of Senior Non-Preferred Notes also rank after more senior creditors

The Tier 2 Capital Notes will constitute unsecured and subordinated obligations of the Issuer. On a Winding-Up of the Issuer, all claims in respect of the Tier 2 Capital Notes will rank junior to all Senior Claims. If, on a liquidation of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Holders will lose their entire investment in the Tier 2 Capital Notes. If there are sufficient assets to enable the Issuer 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 Tier 2 Capital Notes and all other claims that rank *pari passu* with the Tier 2 Capital Notes in full, Holders will lose some (which may be substantially all) of their investment in the Tier 2 Capital Notes.

For the avoidance of doubt, the Holders of Tier 2 Capital Notes shall, in a liquidation of the Issuer, have no claim in respect of the surplus assets (if any) of the Issuer remaining in any liquidation following payment of all amounts due in respect of the liabilities of the Issuer.

Although the Tier 2 Capital Notes may pay a higher rate of interest than securities which are not subordinated, there is a substantial risk that investors in the Tier 2 Capital Notes will lose all or some of the value of their investment should the Issuer become insolvent or subject to any of the resolution tools or the write-down or conversion powers in the Banking Act.

The claims of Holders of the Senior Non-Preferred Notes will rank after the claims of Holders of Senior Preferred Notes and other unsubordinated creditors of Metro Bank but before the claims of Holders of the Tier 2 Capital Notes. The same risks are therefore also applicable to Holders of the Senior Non-Preferred Notes as those set out above.

As of 30 June 2019, the Issuer had total liabilities (excluding the existing Tier 2 debt securities) of £19,341 million, all of which rank senior to the Tier 2 Capital Notes and the Senior Non-Preferred Notes. Therefore, if the Issuer becomes insolvent or defaults on its obligations, investors investing in the 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.*”

Holders may not require the redemption of Tier 2 Capital Notes or Senior Non-Preferred Notes prior to their maturity

The Issuer is under no obligation to redeem Tier 2 Capital Notes or Senior Non-Preferred Notes at any time prior to their stated Maturity Date and the Holders of such Notes have no right to require the Issuer to redeem or purchase such Notes at any time. Any redemption, purchase substitution or variation of such Notes by the Issuer will be subject always to Supervisory Permission and to compliance with prevailing Regulatory Capital Requirements or, in the case of Senior Non-Preferred Notes, Loss Absorption Regulations, and the Holders may not be able to sell such 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 such Notes should be prepared to hold their Notes for a significant period of time.

Holders of Tier 2 Capital Notes will, and Holders of Senior Preferred Notes and Senior Non-Preferred Notes may, have limited remedies

The remedies available to Holders of Tier 2 Capital Notes, and Senior Preferred Notes or Senior Non-Preferred Notes where the relevant Final Terms specify that Condition 14(b) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) applies, are limited.

Holders may not at any time demand repayment or redemption of such 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 such Notes, subject to certain conditions as described in Condition 14 (*Events of Default*), 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 the Issuer and/or prove for any payment obligations of the Issuer arising under the Notes in any winding-up or other insolvency proceedings in respect of such non-payment.

The remedies under such Notes are more limited than those typically available to the Issuer's unsubordinated creditors, including Holders of Senior Preferred Notes or Senior Non-Preferred Notes where the relevant Final Terms specify that Condition 14(b) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) does not apply. For further details regarding the limited remedies of the Trustee and the Holders, see Condition 14 (*Events of Default*).

Waiver of set-off

The Holders of the Tier 2 Capital Notes and (if Condition 3(d) (*No set-off*) is stated in the relevant Final Terms as being applicable) Senior Non-Preferred Notes, as applicable, waive any right of set-off in relation to such Notes insofar as permitted by applicable law. Therefore, Holders of Tier 2 Capital Notes and Senior Non-Preferred Notes (as and if applicable) will not be entitled (subject to applicable law) to set-off the Issuer's obligations under such Notes against obligations owed by them to the Issuer.

The terms of certain Tier 2 Capital Notes and Senior Non-Preferred Notes may be modified, or certain Tier 2 Capital Notes and Senior Non-Preferred Notes may be substituted, by the Issuer without the consent of the Holders in certain circumstances, subject to certain restrictions

Unless the relevant substitution and variation provisions are marked "Not Applicable" in the relevant Final Terms, in the event of certain specified events relating to taxation (a Tax Event) or following the occurrence of a Capital Disqualification Event or a Loss Absorption Disqualification Event, as applicable, the Issuer 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 or Loss Absorption Compliant Notes, as applicable, without the consent of the Holders.

Qualifying Tier 2 Securities and Loss Absorption Compliant Notes must have terms not materially less favourable to Holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an 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 or Loss Absorption Compliant Notes 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 the Issuer as to whether the terms of the Qualifying Tier 2 Securities or Loss Absorption Compliant Notes are not materially less favourable to holders than the terms of the Notes. Further, the tax and stamp duty consequences could be different for Holders of Notes once such Notes have been varied or substituted as described above.

The Tier 2 Capital Notes are, and the Senior Non-Preferred Notes may, be subject to early redemption at the option of the Issuer upon the occurrence of certain regulatory events

Subject to obtaining prior Supervisory Permission and to compliance with prevailing Regulatory Capital Requirements and, in the case of Senior Non-Preferred Notes, Loss Absorption Regulations, the Issuer may, at its option, redeem all (but not some only) of the Tier 2 Capital Notes and the Senior Non-Preferred Notes (unless “Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption” is specified to be “Not Applicable” in the relevant Final Terms) 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 upon the occurrence of a Capital Disqualification Event or a Loss Absorption Disqualification Event, as applicable, at any time.

An optional redemption feature is likely to limit the market value of such Notes. During any period when the Issuer 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 such Notes will be redeemed early, the market value of the Notes may be adversely affected.

If the Issuer redeems such 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 the Issuer may elect to redeem such Notes, and if so whether the Issuer will satisfy the conditions, or elect, to redeem the Notes. The Issuer may be more likely to exercise its option to redeem the Notes if the Issuer’s funding costs would be lower than the prevailing interest rate payable in respect of the Notes. If such 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.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of Reset Notes

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate or Benchmark Gilt Rate and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes) such calculation to be made by the Calculation Agent on the relevant Reset Determination Date) (each such interest rate, being a “**Subsequent Reset Rate of Interest**”). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to allow the rate to convert when it is

likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes and could affect the market value of an investment in the relevant Notes.

Market disruption

In certain situations, interest on Notes is determined by reference to market information sources. Such market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by, amongst other things, physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

In respect of a Floating Rate Note, a Fixed/Floating Rate Note or a Reset Note (where the Rate of Interest is to be determined by reference to a screen rate, such as the Sterling Overnight Index Average (“**SONIA**”) and/or the London interbank offered rate (“**LIBOR**”) and/or the euro interbank offered rate (“**EURIBOR**”)), if such Reference Rate does not appear on the relevant screen page or if the relevant screen page is not available for any reason, the Calculation Agent will request each of the Reference Banks, appointed by the Issuer, to provide the Calculation Agent with its offered quotation to leading banks for the Reference Rate for the purposes of determining the applicable Rate of Interest. However, there can be no assurance that the Issuer will be able to appoint one or more Reference Banks to provide offered quotations and no Reference Banks have been appointed at the date of this Base Prospectus. Condition 5 (*Reset Note Provisions*) and Condition 6 (*Floating Rate Note Provisions*) set out fallback provisions if fewer than the requisite number of Reference Banks are appointed.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such “benchmarks”

Benchmark Reform

Reference rates and indices, including interest rate benchmarks such as EURIBOR, LIBOR and SONIA, which are deemed to be “benchmarks” and which may be used to determine the amounts payable under financial instruments or the value of such financial instruments have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcements**”). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including, but not limited to, Floating Rate Notes whose interest rates are linked to LIBOR).

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates has been mandated with implementing a broad-based transition to SONIA over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021 (as further described under “*The market continues to develop in relation to SONIA as a reference rate*” below).

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate).

On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“**€STR**”) as the new risk free-rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and/or EURIBOR will continue to be supported going forwards. This may cause LIBOR and/or EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The potential transition from LIBOR to SONIA or the elimination of LIBOR, EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions of the Notes, or result in other consequences, in each case in respect of any Notes referencing such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Fallbacks under the Conditions of the Notes

The Conditions of the Notes provide for certain fallback arrangements if a published benchmark, including an inter-bank offered rate such as LIBOR, EURIBOR or other relevant reference rates (including, without limitation, mid-swap rates and any page on which such benchmark may be published), becomes unavailable. Where the Rate of Interest is to be determined by reference to the Relevant Screen Page and the Relevant Screen Page is not available or the relevant rate does not appear on the Relevant Screen Page, the Conditions of the

Notes provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Notes, the application of the Reset Rate of Interest for a preceding Reset Period or, as the case may be, the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Notes.

Benchmark Events

If a Benchmark Event (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, to determine a Successor Rate or Alternative Rate (and, in either case, an Adjustment Spread) to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate, together with an Adjustment Spread, to determine the Rate of Interest will result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate (and, in either case, an Adjustment Spread) is determined by the Independent Adviser, the Conditions of the Notes provide that the Issuer may vary the Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate (and Adjustment Spread), without any requirement for consent or approval of the Noteholders.

However, it may not be possible to determine an Adjustment Spread and such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Noteholders and Couponholders. If the Independent Adviser is unable to determine the Adjustment Spread (or the formula or methodology for determining such Adjustment Spread) in respect of any given Interest Period, then the ultimate fallbacks discussed above in “*Fallbacks under the Conditions of the Notes*” will apply for the purposes of determining the Rate of Interest applicable to such Interest Period, which may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Notes, the application of the Reset Rate of Interest for a preceding Reset Period or, as the case may be, the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

Independent Advisers

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread in accordance with the Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as of the last preceding Interest Determination Date before the occurrence of the

Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the Initial Rate of Interest. Applying the Initial Rate of Interest, or the Rate of Interest applicable as of the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread could be determined.

Where the Issuer has been unable to appoint an Independent Adviser, or the Independent Adviser has failed to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread in respect of any given Interest Period, the Issuer will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread to apply the next succeeding and any subsequent Interest Periods, as necessary.

If the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser fails to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread for the life of the relevant Notes, the Initial Rate of Interest, or the Rate of Interest applicable as of the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the relevant Floating Rate Notes or Reset Notes, in effect, becoming fixed rate Notes.

The market continues to develop in relation to SONIA as a reference rate

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions of the Notes, as applicable to Notes referencing a SONIA rate that are issued under the Programme. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued under the Programme. The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Notes issued under the Programme from time to time.

Furthermore, interest on Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Compounded Daily SONIA to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to LIBOR-based Notes, if Notes referencing Compounded Daily SONIA become due and payable as a result of an event of default under Condition 14 (*Events of Default*), the rate of interest payable for the final Interest Period in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable and shall not be reset thereafter.

In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SONIA.

Further, if SONIA does not prove to be widely used in securities such as the Notes, the trading price of such Notes linked to SONIA may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Investors should consider these matters when making their investment decision with respect to any such relevant Notes.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Holder who (as a result of trading such amounts) holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

Risks relating to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally.

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 banks or investment firms and certain of their affiliates in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Notes

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. See also “*Supervision and Regulation – Recovery and resolution*”.

The SRR may be triggered prior to insolvency of the Issuer

The stabilisation options may be exercised if (i) the relevant Authority is satisfied that a relevant entity (such as the Issuer) 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 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 the Issuer or the Notes.

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

If the Issuer 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 the Issuer. Exercise of these powers could involve taking various actions in relation to any securities issued by the Issuer (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 (as defined herein) 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. See “*Supervision and regulation – the Banking Act 2009 and BRRD*”.

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 the Issuer 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 the Issuer to satisfy its obligations under the Notes. Holders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant UK resolution authority to exercise its resolution powers (including the UK bail-in tool) or to have that decision reviewed by a judicial or administrative process or otherwise. 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 Tier 2 Capital Notes

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 Tier 2 Capital Notes which can be issued under this Programme) at the point of non-viability of the relevant entity or group. See “*Supervision and regulation – the Banking Act 2009 and BRRD*”. 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.

If Metro Bank were to become subject to bail-in or resolution powers or subject to the mandatory write-down and conversion power under the Banking Act, existing shareholders may experience a dilution or cancellation of their holdings and holders of debt securities 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. 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. However, 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 Tier 2 Capital 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 Tier 2 Capital Notes and/or the ability of the Issuer to satisfy its obligations under the Tier 2 Capital Notes.

Further, 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 exhausted, 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.

A partial transfer of the Issuer’s business may result in a deterioration of its creditworthiness

If the Issuer 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 the Issuer (which may include the Notes) may result in a deterioration in the creditworthiness of the Issuer 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 Base Prospectus, the Authorities have not made an instrument or order under the Banking Act in respect of the Issuer 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 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 the Issuer, including the Holders of the Notes, and insured deposits are excluded from the scope of the bail-in tool.

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

There is no restriction on the amount of notes, bonds or other liabilities that the Issuer 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 the Issuer and may limit the Issuer’s ability to meet its obligations under the Notes. In addition, the Notes do not contain any restriction on the Issuer issuing securities that may have preferential rights to the Notes or securities with similar or different provisions to those described herein.

The Issuer may not be liable to pay certain taxes

All payments by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall (a) in the case of all Senior Preferred Notes and each Series of Senior Non-Preferred Notes unless the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable”, in respect of payments of interest (if any) or principal, or (b) in the case of all Tier 2 Capital Notes and each Series of Senior Non-Preferred Notes for which the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable”, in respect of payments of interest (if any) only and not principal, (subject to certain customary exceptions) pay such additional amounts as will result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 13 (*Taxation*).

Potential investors should be aware that neither the Issuer nor any other person will be liable for or otherwise obliged to pay, and the Noteholders and Couponholders 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 13 (*Taxation*).

In particular, the Tier 2 Capital Notes and each Series of Senior Non-Preferred Notes for which the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable” 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, the Issuer would not be required to pay any Additional Amounts under the terms of such 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 such Notes, Noteholders and Couponholders may receive less than the full amount due under such Notes and the market value of such Notes may be adversely affected.

Changes in law may adversely affect the rights of Holders

Changes in law after the date hereof may affect the rights of Holders as well as the market value of the Notes. The Conditions are based on English law in effect as of the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

In addition, any change in law or regulation that triggers a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event would, in the case of certain Notes, entitle the Issuer, at its option (subject to, amongst other things, obtaining prior Supervisory Permission), to redeem the Notes, in whole but not in part, as provided under Condition 10(c) (*Redemption for Tax Event*), 10(d) (*Redemption for Capital Disqualification Event*) or 10(e) (*Redemption for Loss Absorption Disqualification Event*), as the case may be.

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

Legislative and regulatory uncertainty, including uncertainty stemming from the UK's withdrawal from the EU, could affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent of any impact on the Notes that one or more regulatory or legislative changes, including those described above, could have. The UK government's current proposal is that when the UK leaves the EU, it will initially transpose and adopt all applicable EU legislation into national law, but there is currently no guarantee that the UK will ratify this proposal or, if it does, that UK law will remain aligned with EU legislation beyond any initial transition period. As such, UK law may diverge from EU law over time. The Issuer is not able to predict how UK legislation might develop. Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's, and therefore the Issuer's, performance and financial condition. It is not yet possible to predict the detail of such legislation or regulatory rule-making or the ultimate consequences to the Group or the Holders, which could be material to the rights of Holders of the notes and/or the ability of the Issuer to satisfy its obligations under such Notes.

A downgrade of the credit rating assigned by any credit rating agency to the Issuer or, if applicable, to the Notes could adversely affect the liquidity or market value of the Notes. Credit ratings downgrades could occur as a result of, among other causes, changes in the ratings methodologies used by credit rating agencies

Tranches of Notes issued under the Programme may be rated by credit rating agencies and may in the future be rated by additional credit rating agencies, although the Issuer is under no obligation to ensure that any Notes issued by them under the Programme are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

Any rating assigned to the Issuer and/or, if applicable, the Notes may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the Issuer's strategy and management's capability; the Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the Group's key markets; the level of political support for the industries in which the Group operates; and legal and regulatory frameworks affecting the Issuer's legal structure, business activities and the rights of its creditors. The credit rating agencies may also revise the ratings methodologies applicable to an issuer within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting an issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to an issuer and/or its securities. Revisions to ratings methodologies and actions on the Issuer's ratings by the credit rating agencies may occur in the future.

If the Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the Issuer or the Notes, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or, if applicable, the Notes on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value of the Notes (whether or not the Notes had an assigned rating prior to such event).

Furthermore, as a result of the CRA Regulation, if the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes, which may impact the value of the Notes and any secondary market trading thereof.

Investors to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates which may be deposited with a common depository for Euroclear and Clearstream, Luxembourg (each of Euroclear and Clearstream, Luxembourg, a "**Clearing System**"). If the Global Notes are NGN or if the Global Certificates are to be held under the NSS, they will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System will maintain records of the beneficial interests in the Global Notes or, as the case may be, Global Certificates. While the Notes are represented by one or more Global Notes, or as the case may be, Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System.

While the Notes are represented by one or more Global Notes or, as the case may be, Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the common depository or, for Global Notes that are NGN and Global Certificates to be held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg. A Holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such Holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Issuer may be substituted as principal debtor in respect of the Notes

At any time, the Trustee may (subject to prior Supervisory Permission and compliance with Regulatory Capital Requirements or Loss Absorption Regulations, as applicable) agree to the substitution in place of the Issuer 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 addition, if a Newco Scheme occurs, the Issuer may, without the consent of the Holders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as the new principal debtor under the Trust Deed and the Notes in place of the Issuer (or any previous substitute therefor), except if the Issuer or Newco is in Winding-Up at the relevant time or a Capital Disqualification Event or a Loss Absorption Disqualification Event would occur as a result of such substitution. In the event of any such substitution, the Trustee shall be entitled to agree to amendments of the Conditions 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.

Modification and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, subject to certain exceptions, agree to (A) any modification of, or waiver or authorisation of any breach or proposed breach of, any of the Notes, the Trust Deed or the Agency Agreement which, in each case, in the opinion of the Trustee is not materially prejudicial to the interest of the Noteholders or, in the case of a modification, in the opinion of the Trustee is of a formal, minor or technical nature or to correct a manifest error; or (B) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if, in the opinion of the Trustee, the interests of the relevant Noteholders will not be materially prejudiced thereby (except that the provisions relating to the Tier 2 Capital Notes and Senior Non-Preferred Notes shall only be capable of modification or waiver with prior Supervisory Permission and in compliance with prevailing Regulatory Capital Requirements or Loss Absorption Regulations, as applicable).

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.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks relating to the market generally

Set out below is a brief description of the principal 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 issued under the Programme represent a new security for which no secondary trading market exists (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued) 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, interest rates, currency exchange rates and inflation rates 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 the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes in full, or, where relevant, 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 the Issuer'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, in relation to Tier 2 Capital Notes and Senior Non-Preferred Notes although the Issuer and any subsidiary of the Issuer can (subject to Supervisory Permission and compliance with prevailing Regulatory Capital Requirements or Loss Absorption Regulations, as applicable) purchase Tier 2 Capital Notes or Senior

Non-Preferred Notes at any time, they have no obligation to do so. Purchases made by the Issuer (or on behalf of the Issuer) could affect the liquidity of the secondary market of the Tier 2 Capital Notes and Senior Non-Preferred 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, 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 the Issuer. The Issuer 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 issued under the Programme to trading on the Market, there can be no assurance that such application will be accepted, that the Notes will be so admitted, or that an active trading market will develop. Even if an active trading market does develop, it may not be liquid and may not continue for the term of the Notes.

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal payable on the Notes; and (c) 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.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with Part A of the relevant Final Terms, shall be applicable to Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms, or (ii) these terms and conditions as so completed shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in the terms and conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on Notes in definitive form or Certificates (as the case may be). The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Forms of the Notes—Summary of Provisions Relating to the Notes while in Global Form” above.

This Note is one of a series (each a “**Series**”) issued pursuant to the £3,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by Metro Bank PLC (the “**Issuer**”) on 17 September 2019. This Note is constituted by a Trust Deed dated 17 September 2019 (as amended, restated, modified and/or supplemented as at the Issue Date (as defined below) of the first Tranche (as defined below) of the Notes of the relevant Series, the “**Trust Deed**”) between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**” which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement dated 17 September 2019 (as amended, restated, modified and/or supplemented as at the issue date of the first Tranche of Notes of the relevant Series, the “**Agency Agreement**”) made between, *inter alios*, the Issuer, the Trustee, Citibank, N.A., London Branch as initial principal paying agent and the other agents named therein. The principal paying agent, the paying agents, the registrar, the transfer agents and the calculation agent for the time being (if any) are referred to below, respectively, as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent**”. The Trustee shall exercise the duties, powers, trusts, authorities and discretions vested in it by the Trust Deed separately in relation to each Series of Notes in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection free of charge during normal business hours at the office for the time being of the Principal Paying Agent (being as at 17 September 2019, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom).

Holders of Notes (as defined below) and, in relation to any Series of Bearer Notes (as defined below), any coupons (“**Coupons**”) or talons for further Coupons (“**Talons**”) appertaining thereto are entitled to the benefit of, are bound by, and will be 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.

The term “**Notes**” means debt instruments, by whatever name called, issued under the Programme. The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Final Terms. Notes issued under the Programme are issued in Series and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of the relevant final terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions.

1 Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Amounts**” has the meaning given in Condition 13(a) (*Gross up*);

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Adjustment Spread**” has the meaning given in Condition 9(g) (*Definitions*);

“**Alternative Rate**” has the meaning given in Condition 9(g) (*Definitions*);

“**Authorised Signatories**” means any Director of the Issuer, any Authorised Person (as defined in the Trust Deed) or any other person or persons notified to the Trustee as being an Authorised Signatory in accordance with the Trust Deed;

“**Benchmark Amendments**” has the meaning given in Condition 9(d) (*Benchmark Amendments*);

“**Benchmark Event**” has the meaning given in Condition 9(g) (*Definitions*);

“**Benchmark Gilt Rate**” means in respect of a Reset Period and subject to Condition 5(e) (*Fallback – Benchmark Gilt Rate*), the gross redemption yield (as calculated by the Calculation Agent 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 of the Benchmark Gilt, with the price of the Benchmark Gilt for the purpose of determining the gross redemption yield being the arithmetic mean of the bid and offered prices of such Benchmark Gilt quoted by the Reference Banks at 11.00 a.m. (London time) on the relevant 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 Calculation Agent. If at least four quotations are provided, the Benchmark Gilt Rate will be determined by reference to the 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 Benchmark Gilt Rate will be determined by reference to the arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be determined by reference to the rounded quotation provided, where:

“**Benchmark Gilt**” means, in respect of a 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 Subsequent Reset Date falling at the end of (but not included in) such Reset Period (if applicable) or (otherwise) the Maturity Date as the Calculation Agent (on the advice of the 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 Regulated Market (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

“Broken Amount” means, in respect of any Notes, the amount (if any) that is specified in the relevant Final Terms;

“Business Day” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“Business Day Convention”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **“FRN Convention”**, **“Floating Rate Convention”** or **“Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Amount” has the meaning given in the relevant Final Terms;

a **“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 Tier 2 Capital Notes which becomes effective after the issue date of the last Tranche of the relevant Series of Tier 2 Capital Notes and that results, or would be likely to result, in some of or the entire principal amount of such Series of Tier 2 Capital Notes ceasing to be included in the Tier 2 Capital of the Issuer and/or (if the relevant 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 Tier 2 Capital 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;

“**CMS Rate**” means the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at (a) the Determination Time specified in the relevant Final Terms or (b) if no Determination Time is specified in the relevant Final Terms, 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question, all as determined by the Calculation Agent;

“**CMS Rate Fixing Centre**” has the meaning given in the relevant Final Terms;

“**CMS Rate Fixing Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in each CMS Rate Fixing Centre specified in the relevant Final Terms;

“**Code**” has the meaning given in Condition 13(b) (*FATCA*);

“**Competent Authority**” means the Bank of England (i) acting as the Prudential Regulation Authority in the context of prudential matters or (ii) acting through its Resolution Directorate in the context of resolution matters or such other authority having primary supervisory authority with respect to prudential or resolution matters, as applicable, concerning the Issuer and/or the Group;

“**Compounded Daily SONIA**” has the meaning given in Condition 6(e) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA*);

“**Coupon Sheet**” means, in respect of a Bearer Note, a coupon sheet relating to such Note;

“**Couponholders**” means the holders of the Coupons (whether or not attached to the relevant Notes);

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if “**Actual/Actual (ICMA)**” is so specified, means:

- (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
- (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (I) the actual number of days in such Regular Period and (II) the number of Regular Periods in any year; and

- (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (I) the actual number of days in such Regular Period and (II) the number of Regular Periods in any year;
- (ii) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis is as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis is as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

- (vii) if “**30E/360 (ISDA)**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis is as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (1) that day is the last day of February or (2) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (1) that day is the last day of February but not the Maturity Date or (2) such number would be 31, in which case **D₂** will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from (and including) the first day of the Calculation Period to (but excluding) the last day of the Calculation Period;

“**Designated Maturity**” shall have the meaning specified in the relevant Final Terms;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

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

“**EURIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

“**euro**” and “**€**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

“**Existing Shareholders**” has the meaning ascribed to it in the definition of Newco Scheme;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**FATCA Withholding**” has the meaning given in Condition 13(b) (*FATCA*);

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**First Interest Payment Date**” means the date specified in the relevant Final Terms;

“**First Margin**” means the margin specified as such in the relevant Final Terms;

“**First Reset Date**” means the date specified in the relevant Final Terms;

“**First Reset Period**” means the period from (and including) the First Reset Date until (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date;

“**First Reset Rate of Interest**” means, in respect of the First Reset Period and subject to Condition 5(d) (*Fallback – Mid-Swap Rate*) and 5(e) (*Fallback – Benchmark Gilt Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the First Margin (with such sum converted (if necessary) from a basis equivalent to the Fixed Leg Swap Payment Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the First Reset Period (such calculation to be made by the Calculation Agent));

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Fixed Leg Swap Payment Frequency**” has the meaning given in the relevant Final Terms;

“**Fixed Rate Note**” means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

“**Floating Rate Note**” means a Note on which interest is calculated at a floating rate payable at intervals of one, two, three, six or 12 months or at such other intervals as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

“**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**”, in the case of Bearer Notes, has the meaning given in Condition 2(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 2(d) (*Title to Registered Notes*);

“**Independent Adviser**” has the meaning given in Condition 9(g) (*Definitions*);

“**Initial Mid-Swap Rate**” has the meaning specified in the relevant Final Terms;

“**Initial Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Initial Rate of Interest**” has the meaning specified in the relevant Final Terms;

“Interest Amount” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“Interest Determination Date” shall mean:

- (i) if the Reference Rate is not CMS Rate, the date specified as such in the relevant Final Terms, or if none is so specified:
 - (A) if the Reference Rate is LIBOR, the second London business day prior to the start of each Interest Period; or
 - (B) if the Reference Rate is EURIBOR, the second day on which TARGET2 is open prior to the start of each Interest Period; or
 - (C) if the Reference Rate is SONIA, the second London Banking Day prior to the last day of each Interest Period; or
- (ii) if the Reference Rate is CMS Rate, the date specified as such in the relevant Final Terms, provided that if any day specified as an Interest Determination Date in the relevant Final Terms is not a CMS Rate Fixing Day, the relevant Interest Determination Date shall be the immediately preceding CMS Rate Fixing Day;

“Interest Payment Date” means the First Interest Payment Date and any date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the first Interest Payment Date or next Interest Payment Date (as the case may be);

“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the issue date of the first Tranche of Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” has the meaning given in the relevant Final Terms;

“Last Observable Mid-Swap Rate Final Fallback” has the meaning given in the relevant Final Terms;

“LIBOR” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

“Loss Absorption Compliant Notes” means securities issued directly by the Issuer that:

- (i) have terms not materially less favourable to an investor than the terms of the relevant Series of Senior Non-Preferred 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 applicable Loss Absorption Regulations in order to be eligible to qualify in full towards the Issuer’s minimum requirements (on an individual or consolidated basis) for own funds and eligible liabilities and/or loss absorbing capacity instruments; (2) provide for the same Rate of Interest and Interest Payment Dates from time to time applying to the relevant Series of Senior Non-Preferred Notes; (3) rank *pari passu* with the ranking of the relevant Series of Senior Non-Preferred Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant Series of Senior Non-Preferred 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
- (ii) are listed on (aa) the same stock exchange or market as the relevant Series of Senior Non-Preferred Notes, (bb) the official list of the UK Listing Authority and admitted to trading on the Regulated Market or (cc) any EEA Regulated Market as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed;

a **“Loss Absorption Disqualification Event”** shall be deemed to have occurred in respect of a Series of Senior Non-Preferred Notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the issue date of the last Tranche of such Series of Senior Non-Preferred Notes, either:

- (i) if “Loss Absorption Disqualification Event: Full Exclusion” is specified in the relevant Final Terms, the entire principal amount of such Series of Senior Non-Preferred Notes; or
- (ii) if “Loss Absorption Disqualification Event: Full or Partial Exclusion” is specified in the relevant Final Terms, the entire principal amount of such Series of Senior Non-Preferred Notes or any part thereof,

is or (in the opinion of the Issuer or the relevant Competent Authority) is likely to be excluded from the Issuer’s minimum requirements (whether on an individual or consolidated basis) for (aa) own funds and eligible liabilities and/or (bb) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Senior Non-Preferred Notes from the relevant minimum requirement(s) is due to the remaining maturity of such Senior Non-Preferred Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer on the issue date of the last Tranche of the relevant Series of Senior Non-Preferred Notes;

“Loss Absorption Regulations” means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom (including, without limitation, any provisions of the Insolvency Act 1986, as amended from time to time), any relevant Competent Authority and/or of the European Parliament or of the Council of the European Union then in effect in the United Kingdom and applicable to the Issuer (whether on an individual or consolidated basis), including, without limitation to the generality of the foregoing, any applicable delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by any relevant Competent Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer);

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Mid-Market Swap Rate” means, for any Reset Period, the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Payment Frequency during the relevant Reset Period (calculated on the day count basis then customary for fixed rate payments in the Specified Currency) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Final Terms) (calculated on the day count basis then customary for floating rate payments in the Specified Currency);

“Mid-Market Swap Rate Quotation” means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

“Mid-Swap Floating Leg Benchmark Rate” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro or the Reference Rate as specified in the relevant Final Terms;

“Mid-Swap Maturity” has the meaning given in the relevant Final Terms;

“Mid-Swap Rate” means, in relation to a Reset Determination Date and subject to Condition 5(d) (*Fallback – Mid-Swap Rate*), either:

- (i) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Reset Date,which appears on the Relevant Screen Page; or
- (ii) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum) of the bid and offered swap rate quotations for swaps in the Specified Currency;

- (A) with a term equal to the relevant Reset Period; and
- (B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

“Newco” has the meaning ascribed to it in the definition of Newco Scheme;

“Newco Scheme” means a scheme of arrangement or analogous proceeding (**“Scheme of Arrangement”**) which effects the interposition of a limited liability company (**“Newco”**) between the shareholders of the Issuer immediately prior to completion of the Scheme of Arrangement (the **“Existing Shareholders”**) and the Issuer; provided that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders (other than a nominal holding by initial subscribers); (ii) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco (other than a nominal holding by initial subscribers), are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a subsidiary of the Issuer) are subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement;

“Noteholder”, in the case of Bearer Notes, has the meaning given in Condition 2(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 2(d) (*Title to Registered Notes*);

“Optional Redemption Amount (Call)” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Amount (Capital Disqualification Event)” means, in respect of any Tier 2 Capital Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Amount (Loss Absorption Disqualification Event)” means, in respect of any Senior Non-Preferred Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Amount (Put)” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the relevant Final Terms;

“Order” means The Banks and Building Societies (Priorities on Insolvency) Order 2018, as the same may be amended, supplemented or replaced from time to time;

“Original Reference Rate” has the meaning given in Condition 9(g) (*Definitions*);

“Payment Business Day” means:

- (i) if the currency of payment is euro, any day (other than a Saturday, Sunday or public holiday) which is:
 - (A) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies or (2) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day (other than a Saturday, Sunday or public holiday) which is:
 - (A) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies or (2) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Issuer;
- (ii) in relation to Australian dollars, it means Sydney; and
- (iii) in relation to New Zealand Dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Issuer;

“Proceedings” has the meaning given in Condition 24(b) (*Jurisdiction*);

“Put Option Notice” means a notice which must be delivered to a Paying Agent or the Registrar, as the case may be, by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Qualifying Tier 2 Securities” means securities issued directly by the Issuer that:

- (i) have terms not materially less favourable to an investor than the terms of the relevant Series of Tier 2 Capital 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 Rate of Interest and Interest Payment Dates from time to time applying to the relevant Series of Tier 2 Capital Notes; (3) rank *pari passu* with the ranking of the relevant Series of Tier 2 Capital Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant Series of Tier 2 Capital 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

- (ii) are listed on (aa) the same stock exchange or market as the relevant Series of Tier 2 Capital Notes, (bb) the official list of the UK Listing Authority and admitted to trading on the Regulated Market or (cc) any other EEA Regulated Market as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed;

“Ranking Legislation” means the Order and any law or regulation applicable to the Issuer which is amended by the Order;

“Rate of Interest” means (i) in the case of Notes other than Reset Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms; and (ii) in the case of Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

“Rating Agency” means any of S&P Global Ratings Europe Limited, Moody’s Investors Service Limited and Fitch Ratings Ltd. and each of their respective affiliates or successors;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Loss Absorption Disqualification Event), the Optional Redemption Amount (Put), the Optional Redemption Amount (Capital Disqualification Event) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

“Reference Banks” (i) in the case of Notes other than Reset Notes and Floating Rate Notes where the Reference Rate is CMS Rate, has the meaning given in the relevant Final Terms or, if none, five major banks selected by the Issuer in the market that is most closely connected with the Reference Rate; (ii) in the case of Floating Rate Notes where the Reference Rate is CMS Rate, (A) where the Reference Currency is euro, the principal office of five leading swap dealers in the Eurozone inter-bank market, (B) where the Reference Currency is pounds sterling, the principal London office of five leading swap dealers in the London inter-bank market, (C) where the Reference Currency is U.S. dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (D) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Issuer; and (iii) in the case of Reset Notes, has the meaning given in the relevant Final Terms or, if none (1) in the case of the calculation of a Mid-Market Swap Rate, five major banks in the swap, money, securities

or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer or (2) in the case of the calculation of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers as selected by the Issuer;

“Regulated Market” means the regulated market of the London Stock Exchange plc;

“Reference Currency” has the meaning given in the relevant Final Terms;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” shall mean (i) LIBOR for the relevant currency specified in the relevant Final Terms, (ii) EURIBOR or (iii) SONIA, in the case of (i) and (ii) for the relevant period as specified in the relevant Final Terms;

“Regular Period” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) one Interest Payment Date to (but excluding) the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“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 or Bearer Note 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 Financial Centre” has the meaning given in the relevant Final Terms;

“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, premium (if any) and/or interest on the Notes;

“Relevant Nominating Body” has the meaning given in Condition 9(g) (*Definitions*);

“Relevant Screen Page” means the page, section or other part of a particular information service (or any successor or replacement page, section or other part of a particular information service, including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Swap Rate” means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity of six months;
- (ii) where the Reference Currency is pounds sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating pounds sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (iii) where the Reference Currency is U.S. dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent on a commercial basis as it shall consider appropriate and in accordance with standard market practice;

“Relevant Time” has the meaning given in the relevant Final Terms;

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time;

“Reset Date” means the First Reset Date and each Subsequent Reset Date (as applicable);

“Reset Determination Date” means, unless otherwise specified in the relevant Final Terms, the second Business Day prior to each relevant Reset Date;

“Reset Maturity Initial Mid-Swap Rate Final Fallback” has the meaning given in the relevant Final Terms;

“Reset Note” means a Note which bears interest at a rate of interest which is recalculated at specified intervals;

“Reset Period” means the First Reset Period or a Subsequent Reset Period, as the case may be;

“Reset Period Maturity Initial Mid-Swap Rate” has the meaning given in the relevant Final Terms;

“Reset Rate” means (i) if “Mid-Swap Rate” is specified in the relevant Final Terms, the relevant Mid-Swap Rate or (ii) if “Benchmark Gilt Rate” is specified in the relevant Final Terms, the relevant Benchmark Gilt Rate;

“Scheme of Arrangement” has the meaning ascribed to it in the definition of Newco Scheme;

“Senior Claims” means the aggregate amount of all claims admitted in a Winding-Up of the Issuer in respect of creditors of the Issuer (a) who are unsubordinated creditors of the Issuer including, for the avoidance of doubt, holders of Senior Preferred Notes and holders of Senior Non-Preferred Notes; and (b) 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 Tier 2 Capital Notes or related Coupons);

“Senior Non-Preferred Claims” means the aggregate amount of all claims admitted in a Winding-Up of the Issuer which are claims of creditors in respect of obligations which are secondary non-preferential debt under the Order (including, without limitation, Senior Non-Preferred Notes and claims in respect of the Senior Non-Preferred Notes);

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms;

“Specified Office” has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Final Terms; **“Subsequent Margin”** means the margin(s) specified as such in the relevant Final Terms;

“Subsequent Reset Date” means the date or dates specified in the relevant Final Terms;

“Subsequent Reset Period” means the period from (and including) the first Subsequent Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date;

“Subsequent Reset Rate of Interest” means, in respect of any Subsequent Reset Period and subject to Condition 5(d) (*Fallback – Mid-Swap Rate*) and 5(e) (*Fallback – Benchmark Gilt Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the relevant Subsequent Margin (with such sum converted (if necessary) from a basis equivalent to the Fixed Leg Swap Payment Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the relevant Subsequent Reset Period (such calculation to be made by the Calculation Agent));

“Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback” has the meaning given in the relevant Final Terms;

“**Subsequent Reset Rate Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Substitute Obligor**” has the meaning given in Condition 18(c) (*Substitution*);

“**Successor Rate**” has the meaning given in Condition 9(g) (*Definitions*);

“**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) and/or (in the case of Senior Non-Preferred Notes) the Loss Absorption Regulations (if any);

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**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 issue date of the last Tranche of the relevant Series 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 of the last Tranche of Notes of the relevant Series, 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 of the last Tranche of Notes of the relevant Series;

“**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;

“**Winding-Up**” means if:

- (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; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(a) **Interpretation:** In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, (in the case of Senior Preferred Notes and Senior Non-Preferred Notes unless the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable” only) any Additional Amounts in respect of principal which may be payable under Condition 13 (*Taxation*) or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed or any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed or any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed; and
- (vii) if an expression is stated in Condition 1(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “Not Applicable” then such expression is not applicable to the Notes.

2 Form, Denomination, Title and Transfer

(a) *Bearer Notes*

Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes*

Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.

(c) *Registered Notes*

Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

(d) *Title to Registered Notes*

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.

(e) *Ownership*

The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder.

(f) *Transfers of Registered Notes*

Subject to Conditions 2(j) (*Closed periods*) and 2(k) (*Regulations concerning transfers and registration*), a Registered Note may be transferred in whole or in part upon the surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Registered Notes will be issued to the transferor and in any case a further new Certificate will be issued to the transferee in respect of the part transferred.

(g) ***Exercise of Options or Partial Redemption in Respect of Registered Notes***

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(h) ***Registration and delivery of Certificates***

Within three business days of the surrender of a Certificate in accordance with Condition 2(f) (*Transfers of Registered Notes*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(h) (*Registration and delivery of Certificates*), “**business day**” means a day on which commercial banks and foreign exchange markets settle payments generally in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(i) ***No charge***

The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(j) ***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 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for Tax Event*), 10(d) (*Redemption for Capital Disqualification Event*) or 10(e) (*Redemption for Loss Absorption Disqualification Event*), (iii) after the Notes have been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

(k) ***Regulations concerning transfers and registration***

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered 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 mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

(l) ***No exchange***

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

3 Status

The Notes are either senior preferred Notes (“**Senior Preferred Notes**”), senior non-preferred Notes (“**Senior Non-Preferred Notes**”) or tier 2 capital Notes (“**Tier 2 Capital Notes**”), as specified in the relevant Final Terms.

(a) Senior Preferred Notes

The Senior Preferred Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and constitute ordinary non-preferential debt for the purposes of the Ranking Legislation. The Senior Preferred Notes and any Coupons relating thereto rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Senior Preferred Note or any beneficial interest therein, each Holder of a Senior Preferred Note and each Holder of a Coupon relating to a Senior Preferred Note acknowledge and agree that the Senior Preferred Notes and any such Coupons rank *pari passu* with all other outstanding unsecured and unsubordinated deposits with, and loans to, the Issuer, present or future (other than Senior Non-Preferred Notes and other obligations which rank or are expressed to rank junior to the Senior Preferred Notes and other than such deposits, loans or other obligations which are given priority pursuant to applicable statutory provisions), save only where the Ranking Legislation provides otherwise for ordinary non-preferential debt generally, in which case the Senior Preferred Notes and such Coupons will rank as provided in the Ranking Legislation for ordinary non-preferential debt generally.

(b) Senior Non-Preferred Notes

The Senior Non-Preferred Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute secondary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Senior Non-Preferred Notes and any Coupons relating thereto rank junior to the Senior Preferred Notes and any Coupons relating thereto. The Senior Non-Preferred Notes rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Senior Non-Preferred Note or any beneficial interest therein, each Holder of a Senior Non-Preferred Note and each Holder of a Coupon relating to a Senior Non-Preferred Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the Couponholders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Senior Non-Preferred Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Senior Non-Preferred Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Senior Non-Preferred Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Senior Non-Preferred Note or any related Coupon, provided however that such rights and claims shall rank:

- (i) junior in right of payment in the manner provided in the Trust Deed to all claims in respect of Senior Preferred Notes and ordinary non-preferential debt (as defined in the Ranking Legislation) of the Issuer and any other creditors of the Issuer which are given priority pursuant to applicable statutory provisions;
- (ii) *pari passu* with all other Senior Non-Preferred Claims; and
- (iii) in priority to all claims in respect of tertiary non-preferential debts (as defined in the Ranking Legislation) (including any Tier 2 Capital Notes),

save only where the Ranking Legislation provides otherwise for claims in respect of secondary non-preferential debt generally, in which case such claims will rank as the Ranking Legislation provides for claims in respect of secondary non-preferential debt generally (whether or not the Senior Non-Preferred Notes and any Coupons relating to them then constitute secondary non-preferential debt of the Issuer for the purposes of the Ranking Legislation).

(c) Tier 2 Capital Notes

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct and unsecured obligations of the Issuer and constitute tertiary non-preferential debt for the purposes of the Ranking Legislation. Subject to the Ranking Legislation, the Tier 2 Capital Notes and any Coupons relating thereto rank junior to the Senior Preferred Notes and the Senior Non-Preferred Notes and in each case any Coupons relating thereto. The Tier 2 Capital Notes rank *pari passu* without any preference among themselves.

The Issuer and, by virtue of its holding of any Tier 2 Capital Note or any beneficial interest therein, each Holder of a Tier 2 Capital Note and each Holder of a Coupon relating to a Tier 2 Capital Note acknowledge and agree that if a Winding-Up of the Issuer occurs, the rights and claims of the Holders and the Couponholders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Tier 2 Capital Note (and the Coupons relating thereto, if any) shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Tier 2 Capital Note or any related Coupon, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Tier 2 Capital Note or any related Coupon, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect of such Tier 2 Capital Note or any related Coupon, provided however that such rights and claims shall be subordinated as provided in this Condition 3(c) (*Tier 2 Capital Notes*) and in the Trust Deed to all Senior Claims 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.

(d) No set-off

The provisions of this Condition 3(d) (*No set-off*) shall have effect in relation to (i) any Series of Senior Non-Preferred Notes where the relevant Final Terms specify that Condition 3(d) (*No set-off*) applies and (ii) each Series of Tier 2 Capital Notes.

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 any Notes, any related Coupons or the Trust Deed and each Holder shall, by virtue of his holding of any Note or Coupon, 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 any Notes or any related Coupons 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.

(e) **Trustee Expenses**

Nothing in this Condition 3 (*Status*) 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.

4 Fixed Rate Note Provisions

(a) ***Application***

This Condition 4 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (*Fixed Rate Note Provisions*) (as well after as before judgment) up to (but excluding) the Relevant Date.

(c) ***Fixed Coupon Amount***

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

(d) ***Calculation of interest amount***

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

5 Reset Note Provisions

(a) ***Application***

This Condition 5 (*Reset Note Provisions*) is applicable to the Notes only if the Reset Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

The Notes bear interest:

- (i) from (and including) the Interest Commencement Date specified in the relevant Final Terms to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (ii) from (and including) the First Reset Date to (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Reset Note Provisions*) (as well after as before judgment) up to (but excluding) the Relevant Date.

(c) ***Rate of Interest***

The Rate of Interest applicable for each Reset Period shall, subject to Condition 9 (*Benchmark Discontinuation*), be determined by the Calculation Agent at or as soon as practicable after each time at which the Rate of Interest is to be determined on each Reset Determination Date. The Interest Amount payable on the Notes shall be calculated in accordance with the provisions for calculating amounts of interest in Condition 4 (*Fixed Rate Note Provisions*) and, for such purposes, Condition 4 (*Fixed Rate Note Provisions*) shall be construed accordingly.

(d) ***Fallback – Mid-Swap Rate***

Where the Reset Rate is specified as “Mid-Swap Rate” in the relevant Final Terms and if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations on the Reset Determination Date, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent).

If only one of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation on the Reset Determination Date, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the Reset Period shall be the sum of such Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent).

If on any Reset Determination Date none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5(d) (*Fallback – Mid-Swap Rate*):

- (i) in the case of the first Reset Determination Date only, the First Reset Rate of Interest shall be equal to the sum of:
 - (A) if Initial Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Initial Mid-Swap Rate and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent);
 - (B) if Reset Maturity Initial Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Reset Period Maturity Initial Mid-Swap Rate and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent); or
 - (C) if Last Observable Mid-Swap Rate Final Fallback is specified in the applicable Final Terms as being applicable, (aa) the last observable rate for swaps in the Specified Currency with a term equal to the relevant Reset Period which appears on the Relevant Screen Page and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent),

provided that (in the case of an issue of Senior Non-Preferred Notes or Tier 2 Capital Notes) if the application of (i)(B) or (i)(C) could, in the determination of the Issuer, reasonably be expected to prejudice the qualification of the relevant Series of Tier 2 Capital Notes as Tier 2 Capital or the relevant Series of Senior Non-Preferred Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations, then (i)(A) above will apply; or

- (ii) in the case of any Reset Determination Date other than the first Reset Determination Date, the Subsequent Reset Rate of Interest shall be equal to the sum of:
 - (A) if Subsequent Reset Rate Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Mid-Swap Rate determined on the last preceding Reset Determination Date and (bb) the Subsequent Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent); or
 - (B) if Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the last observable rate for swaps in the Specified Currency with a term equal to the relevant Reset Period which appears on the Relevant Screen Page and (bb) the Subsequent Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes (such calculation to be made by the Calculation Agent),

provided that (in the case of an issue of Senior Non-Preferred Notes or Tier 2 Capital Notes) if the application of this paragraph (ii)(B), in the determination of the Issuer, could reasonably be expected to prejudice the qualification of the relevant Series of Tier 2 Capital Notes as Tier 2 Capital or the relevant Series of Senior Non-Preferred Notes as eligible liabilities or loss

absorbing capacity instruments for the purposes of the Loss Absorption Regulations, then (ii)(A) above will apply,

all as determined by the Calculation Agent in accordance with the provisions set out above.

(e) ***Fallback – Benchmark Gilt Rate***

Where the Reset Rate is specified as “Benchmark Gilt Rate” in the relevant Final Terms and where no quotations with respect to the Benchmark Gilt are provided by the relevant Reference Banks, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

(f) ***Publication***

The Calculation Agent will cause each Rate of Interest determined by it and any other amount(s) required to be determined by it together with the relevant payment date(s), to be notified to the Issuer, the Paying Agents and the Trustee as soon as possible after such determination but in any event not later than the fourth Business Day thereafter and the Issuer shall thereafter notify, as soon as possible, each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading and, in accordance with Condition 21 (*Notices*), the Holders.

(g) ***Notifications etc.***

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

6 Floating Rate Note Provisions

(a) ***Application***

This Condition 6 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

The Notes bear interest from (and including), the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Floating Rate Note Provisions*) (as well after as before judgment) up to (but excluding) the Relevant Date.

(c) ***Screen Rate Determination – Floating Rate Notes other than CMS-Linked Notes and Floating Rate Notes referencing SONIA***

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms do not specify that the Reference Rate is the CMS Reference Rate or SONIA, the Rate of Interest applicable to the Notes for each Interest Period

will be determined by the Calculation Agent, subject to Condition 9 (*Benchmark Discontinuation*), on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the period of time designated in the Reference Rate were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the period of time designated in the Reference Rate were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the period of time designated in the Reference Rate, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will in consultation with the Issuer:
 - (A) request each of the Reference Banks to provide to the Calculation Agent a quotation of the Reference Rate as at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period or, in the absence of a

preceding Interest Period, the Rate of Interest applicable to the Notes during such Interest Period shall be the Initial Rate of Interest.

(d) **Screen Rate Determination – Floating Rate Notes which are CMS-Linked Notes**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms specify that the Reference Rate is the CMS Reference Rate, the Rate of Interest applicable to the Notes for each Interest Period will be the CMS Rate plus or minus (as indicated in the relevant Final Terms) the Margin, as determined, subject to Condition 9 (*Benchmark Discontinuation*) by the Calculation Agent.

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide it with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) as at approximately (i) the Determination Time specified in the relevant Final Terms or (ii) if no Determination Time is specified in the relevant Final Terms, 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent such quotations as aforesaid, the CMS Rate for such Interest Period shall be the arithmetic mean of the quotations, 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 on any Interest Determination Date at the Determination Time or 11.00 a.m. (Relevant Financial Centre time) (as applicable) one only or none of the Reference Banks provides the Calculation Agent with such quotations as aforesaid, the CMS Rate shall be determined by the Issuer, after consultation with an Independent Adviser, on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

(e) **Screen Rate Determination – Floating Rate Notes Referencing SONIA**

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms specify that the Reference Rate is SONIA, the Rate of Interest for each Interest Period will, subject to Condition 9 (*Benchmark Discontinuation*) and as provided below, be Compounded Daily SONIA plus or minus (as indicated in the relevant Final Terms) the applicable Margin.

“**Compounded Daily SONIA**” means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) as at the relevant Interest Determination Date, as follows:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

“**d**” is the number of calendar days in the relevant Interest Period;

“**d₀**” is the number of London Banking Days in the relevant Interest Period;

“**i**” is a series of whole numbers from one to d_0 , each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period to, and including, the last London Banking Day in the relevant Interest Period;

“**London Banking Day**” or “**LBD**” means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**n_i**”, for any London Banking Day “**i**”, means the number of calendar days from and including such London Banking Day “**i**” up to but excluding the following London Banking Day;

“**Observation Period**” means the period from and including the date falling “**p**” London Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling “**p**” London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling “**p**” London Banking Days prior to such earlier date, if any, on which the Notes become due and payable);

“**p**” means for any Interest Period, the number of London Banking Days by which the corresponding Observation Period precedes such Interest Period, as specified in the relevant Final Terms (or, if no such number is specified, five London Banking Days);

the “**SONIA reference rate**”, in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following such London Banking Day); and

“**SONIA_{i-PLBD}**” means, in respect of any London Banking Day “**i**”, the SONIA reference rate for the London Banking Day falling “**p**” London Banking Days prior to such London Banking Day “**i**”.

If, in respect of any London Banking Day in the relevant Observation Period, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at 5.00p.m. (or, if earlier, close of business) on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads).

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest specified in the relevant Final Terms is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on

(and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Notes become due and payable in accordance with Condition 14 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

(f) ***ISDA Determination***

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option is as specified in the relevant Final Terms;
- (ii) the Designated Maturity is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

The expressions “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” in this Condition 6(f) (*ISDA Determination*) have the respective meanings given to them in the ISDA Definitions.

(g) ***Maximum or Minimum Rate of Interest***

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise specified in the relevant Final Terms, the Minimum Rate of Interest shall be zero.

(h) ***Calculation of Interest Amount***

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(i) ***Publication***

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and the Trustee and the Issuer shall notify each competent authority and/or stock exchange on which the Notes are for the time being admitted to listing and/or trading as soon as possible after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also be given to the Noteholders by the Issuer in accordance with Condition 21 (*Notices*) as soon as possible after the determination or calculation thereof. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. Any such recalculation will promptly be notified to each competent authority and/or stock exchange on which the Notes are for the time being admitted to listing and/or trading and to the Noteholders in accordance with Condition 21 (*Notices*). If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) ***Notifications etc.***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Floating Rate Note Provisions*) by the Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents, the Registrar, the Transfer Agents and all Holders and (in the absence of wilful default or gross negligence) no liability to the Holders, Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

7 Zero Coupon Note Provisions

(a) ***Application***

This Condition 7 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Notes***

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the issue date of the first Tranche of the relevant Series of Notes to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

8 Fixed/Floating Rate Notes

(a) *Application*

This Condition 8 (*Fixed/Floating Rate Notes*) is applicable to the Notes only if the Fixed Rate Note Provisions and the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Fixed/Floating Rate*

The Issuer may issue Notes (i) that the Issuer may elect to convert on the date set out in the relevant Final Terms from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note or (ii) that will automatically change from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note on the date set out in the relevant Final Terms, in either case, as set out in the relevant Final Terms.

9 Benchmark Discontinuation

This Condition 9 (*Definitions*) applies to Floating Rate Notes and to Reset Notes.

(a) *Independent Adviser*

Notwithstanding the fallback provisions provided for in Condition 5(d) (*Fallback – Mid-Swap Rate*), Condition 5(e) (*Fallback – Benchmark Gilt Rate*), Condition 6(c) (*Screen Rate Determination – Floating Rate Notes other than CMS-Linked Notes and Floating Rate Notes referencing SONIA*), Condition 6(d) (*Screen Rate Determination – Floating Rate Notes which are CMS-Linked Notes*) or Condition 6(e) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA*), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 9(b) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 9(c) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 9(d) (*Benchmark Amendments*)).

An Independent Adviser appointed pursuant to this Condition 9 (*Benchmark Discontinuation*) shall act in good faith and in a commercially reasonable manner. In the absence of fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 9 (*Benchmark Discontinuation*).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate and, in either case, an

Adjustment Spread in accordance with this Condition 9 (*Benchmark Discontinuation*) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the Initial Rate of Interest. Where a different Margin, Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin, Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this sub-paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 9 (*Benchmark Discontinuation*).

(b) ***Successor Rate or Alternative Rate***

If the Independent Adviser determines that:

- (i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 9 (*Benchmark Discontinuation*)); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 9 (*Benchmark Discontinuation*)).

(c) ***Adjustment Spread***

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be), including for each subsequent determination of a relevant Rate of Interest (or any component part(s) thereof) by reference to such Successor Rate or Alternative Rate (as applicable) subject to the subsequent operation of this Condition 9 (*Benchmark Discontinuation*).

If the Independent Adviser is unable to determine the Adjustment Spread (or the formula or methodology for determining such Adjustment Spread) then the fallback provisions described in the final sub-paragraph of Condition 9(a) (*Independent Adviser*) shall apply. For the avoidance of doubt, this sub-paragraph shall apply to the relevant next succeeding Interest Period, and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first sub-paragraph of Condition 9(a) (*Independent Adviser*).

(d) ***Benchmark Amendments***

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 9 (*Benchmark Discontinuation*) and the Independent Adviser determines (i) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 9(e) (*Notices, etc.*), without any requirement for the consent or approval of

Noteholders, vary these Conditions, the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee and the Principal Paying Agent of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 9(e) (*Notices, etc.*), the Trustee and the Principal Paying Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer and use reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) and the Trustee and the Principal Paying Agent shall not be liable to any party for any consequences thereof, provided that the Trustee and the Principal Paying Agent shall not be obliged so to concur or use such endeavours if in the opinion of the Trustee and the Principal Paying Agent (as applicable) doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed) in any way. For the avoidance of doubt, no Noteholder consent shall be required in connection with effecting any Benchmark Amendments or such other changes, including for the execution of any documents, amendments or other steps by the Issuer, the Trustee, or the Principal Paying Agent (if required).

In connection with any such variation in accordance with this Condition 9(d) (*Benchmark Amendments*), 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.

Notwithstanding any other provision of this Condition 9 (*Benchmark Discontinuation*), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected either (i) to prejudice the qualification of the Notes as Tier 2 Capital of the Issuer and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations or (ii) (in the case of Senior Non-Preferred Notes only) to result in the relevant Competent Authority treating the Interest Payment Date or Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant Maturity Date.

(e) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 9 (*Benchmark Discontinuation*) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 21 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Principal Paying Agent of the same, the Issuer shall deliver to the Trustee and the Principal Paying Agent a certificate signed by two Authorised Signatories of the Issuer:

- (i) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate and, (C) the applicable Adjustment Spread and/or (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 9 (*Benchmark Discontinuation*); and
- (ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Principal Paying Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. For the avoidance of doubt, each of the Trustee and the Principal Paying Agent shall not be liable to the Holders or any other such person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's, Calculation Agent's and Paying Agents' respective abilities to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

(f) ***Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Condition 9(a) (*Independent Adviser*), Condition 9(b) (*Successor Rate or Alternative Rate*), Condition 9(c) (*Adjustment Spread*) and Condition 9(d) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 5(d) (*Fallback – Mid-Swap Rate*), Condition 5(e) (*Fallback – Benchmark Gilt Rate*), Condition 6(c) (*Screen Rate Determination – Floating Rate Notes other than CMS-Linked Notes and Floating Rate Notes referencing SONIA*), Condition 6(d) (*Screen Rate Determination – Floating Rate Notes which are CMS-Linked Notes*) or Condition 6(e) (*Screen Rate Determination – Floating Rate Notes Referencing SONIA*), as the case may be, will continue to apply unless and until a Benchmark Event has occurred and the Trustee has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 9(e) (*Notices, etc*).

(g) ***Definitions***

As used in this Condition 9 (*Benchmark Discontinuation*):

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions which reference the Original Reference Rate to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied)
- (iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or (if the Independent Adviser determines that no such industry standard is recognised or acknowledged)
- (iv) the Independent Adviser determines to be appropriate;

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 9(b) (*Successor Rate or Alternative Rate*) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

“Benchmark Amendments” has the meaning given to it in Condition 9(d) (*Benchmark Amendments*);

“Benchmark Event” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) the making of a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is no longer representative of an underlying market; or
- (vi) it has become unlawful for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate experience appointed by the Issuer at its own expense under Condition 9(a) (*Independent Adviser*) and notified in writing to the Trustee;

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes or, if applicable, any other successor or alternative rate (or any component part thereof) determined and applicable to the Notes pursuant to the earlier operation of this Condition 9 (*Benchmark Discontinuation*);

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (aa) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (bb) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (cc) a group of the aforementioned central banks or other supervisory authorities or (dd) the Financial Stability Board or any part thereof; and

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

10 Redemption and Purchase

(a) ***Scheduled redemption***

Unless previously redeemed, or purchased and cancelled or (pursuant to Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*), Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*), Condition 10(o) (*Substitution and Variation of Tier 2 Capital Notes*) or Condition 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*)) substituted, the Notes will be redeemed at their Final Redemption Amount, together with accrued and unpaid interest, on the Maturity Date, subject as provided in Conditions 11 (*Payments – Bearer Notes*) and 12 (*Payments – Registered Notes*) (as applicable).

(b) ***Redemption at the option of the Issuer***

Subject to Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes or Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*) in the case of Senior Non-Preferred Notes, if the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 21 (*Notices*) and to the Trustee, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the applicable amount specified in the relevant Final Terms (together with any accrued but unpaid interest to (but excluding) the relevant Optional Redemption Date (Call)) at the Optional Redemption Amount (Call).

(c) ***Redemption for Tax Event***

Subject to Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes, Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*) in the case of Senior Non-Preferred Notes or Condition 10(n) (*Pre-condition to Redemption of Senior Preferred Notes*) in the case of Senior Preferred Notes, if a Tax Event has occurred, the Notes may be redeemed at the option of the Issuer in whole, but not in part, (if the Notes are Floating Rate Notes) on the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time at their Early Redemption Amount (Tax), together with any accrued but unpaid interest to the date fixed for redemption, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Principal Paying Agent, the Registrar (if applicable), the Trustee and the Noteholders in accordance with Condition 21 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Upon the expiry of any such notice as is referred to in this Condition 10(c) (*Redemption for Tax Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(c) (*Redemption for Tax Event*).

(d) ***Redemption for Capital Disqualification Event***

In the case of any Series of Tier 2 Capital Notes only and subject to Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*), if a Capital Disqualification Event has occurred, the Issuer may, at its option, redeem the Tier 2 Capital Notes, in whole but not in part, (if the Notes are Floating Rate Notes) on the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time at the relevant Optional Redemption Amount (Capital Disqualification Event), together with any accrued but unpaid interest to (but excluding) the date fixed

for redemption, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Principal Paying Agent, the Registrar (if applicable), the Trustee and the Holders of the Tier 2 Capital Notes in accordance with Condition 21 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Upon the expiry of any such notice as is referred to in this Condition 10(d) (*Redemption for Capital Disqualification Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(d) (*Redemption for Capital Disqualification Event*).

(e) *Redemption for Loss Absorption Disqualification Event*

This Condition 10(e) (*Redemption for Loss Absorption Disqualification Event*) applies in respect of all Series of Senior Non-Preferred Notes except for any Series where "Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption" is expressly specified to be "Not Applicable" in the relevant Final Terms.

Subject to Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*), if Loss Absorption Disqualification Call is specified in the relevant Final Terms as being applicable and a Loss Absorption Disqualification Event has occurred, the Issuer may, at its option, redeem the Senior Non-Preferred Notes, in whole but not in part, (if the Notes are Floating Rate Notes) on the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time at the relevant Optional Redemption Amount (Loss Absorption Disqualification Event), together with any accrued but unpaid interest to (but excluding) the date fixed for redemption, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee and the Holders of the Notes in accordance with Condition 21 (*Notices*) (such notice being irrevocable) specifying the date fixed for such redemption.

Upon the expiry of any such notice as is referred to in this Condition 10(e) (*Redemption for Loss Absorption Disqualification Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(e) (*Redemption for Loss Absorption Disqualification Event*).

This Condition 10(e) (*Redemption for Loss Absorption Disqualification Event*) will not apply to the extent such application would cause a Loss Absorption Disqualification Event to occur.

(f) *Redemption at the option of Noteholders*

This Condition 10(f) (*Redemption at the option of Noteholders*) shall not apply to Tier 2 Capital Notes or Senior Non-Preferred Notes.

In the case of any Series of Senior Preferred Notes only, if the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice (which notice shall be irrevocable) at the relevant Optional Redemption Amount (Put) together with any accrued but unpaid interest to (but excluding) such date.

In order to exercise the option contained in this Condition 10(f) (*Redemption at the option of Noteholders*), the Holder of a Note must, not less than 30 days nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) such Note together with any unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent or the Registrar (as the case may be) with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option

Notice in accordance with this Condition 10(f) (*Redemption at the option of Noteholders*), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar (as the case may be) shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or the Registrar (as the case may be) in accordance with this Condition 10(f) (*Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent or the Registrar (as the case may be) shall be deemed to be the Holder of such Note for all purposes.

The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for Tax Event*), 10(e) (*Redemption for Loss Absorption Disqualification Event*) or 10(g) (*Partial redemption*) and any exercise of the first-mentioned option in such circumstances shall have no effect.

(g) ***Partial redemption***

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(b) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as the Issuer considers appropriate, subject to compliance with applicable law, the rules of each competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading and the notice to Noteholders referred to in Condition 10(b) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(h) ***No other redemption***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to 10(g) (*Partial redemption*) above.

(i) ***Early redemption of Zero Coupon Notes***

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the issue date of the first Tranche of the relevant Series of Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 10(i) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) **Purchase**

Subject to Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) in the case of Tier 2 Capital Notes or Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*) in the case of Senior Non-Preferred Notes and notwithstanding Condition 3 (*Status*), the Issuer or any of its subsidiaries may at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise, provided that all unmatured Coupons are purchased therewith.

(k) **Cancellation**

All Notes which are redeemed pursuant to this Condition 10 (*Redemption and Purchase*) will be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer or any such subsidiary, cancelled.

(l) **Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes**

This Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) applies to Tier 2 Capital Notes only.

Notwithstanding any other provision in this Condition 10 (*Redemption and Purchase*), any redemption, purchase, substitution or variation of the Tier 2 Capital Notes (and giving of notice thereof to the Holders if required) pursuant to Conditions 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for Tax Event*), 10(d) (*Redemption for Capital Disqualification Event*), 10(j) (*Purchase*) or 10(o) (*Substitution and Variation of Tier 2 Capital Notes*) shall be 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 and eligible liabilities of the Issuer would, following such redemption or purchase, exceed its minimum requirements (including any applicable buffer requirements) by a margin that the Competent Authority considers necessary at such time; and
- (iii) in the case of any redemption or purchase prior to the fifth anniversary of the issue date of the last Tranche of the relevant Series of Notes, 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 of the last Tranche of the relevant Series of Notes; 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 (or pending change which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Notes was not reasonably foreseeable as at the issue date of the last tranche of Notes of the relevant Series; or

- (C) in the case of a purchase pursuant to Condition 10(j) (*Purchase*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the Issuer has (or will have), before or at the same time as such purchase, replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
- (D) in the case of a purchase pursuant to Condition 10(j) (*Purchase*), the Notes being purchased for market-making purposes in accordance with the Regulatory Capital Requirements.

Notwithstanding the above conditions, if, at the time of any redemption, purchase, substitution or variation, the prevailing Regulatory Capital Requirements permit the repayment, purchase, substitution or variation only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*), 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 Conditions 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for Tax Event*), 10(d) (*Redemption for Capital Disqualification Event*), 10(j) (*Purchase*) and 10(o) (*Substitution and Variation of Tier 2 Capital Notes*), 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 1 (*Interpretation*) and (ii) in the case of a redemption pursuant to Condition 10(c) (*Redemption for Tax Event*) 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.

(m) ***Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes***

This Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*) applies to Senior Non-Preferred Notes only.

The Issuer may only exercise a right to redeem, purchase, substitute or vary Senior Non-Preferred Notes pursuant to Conditions 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for Tax Event*), 10(e) (*Redemption for Loss Absorption Disqualification Event*), 10(j) (*Purchase*) and 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*) if the Issuer has obtained prior Supervisory Permission therefor.

Notwithstanding the above conditions, if, at the time of any redemption, purchase, substitution or variation, the prevailing Regulatory Capital Requirements or Loss Absorption Regulations 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 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*), 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 Conditions 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for Tax Event*), 10(e) (*Redemption for Loss Absorption Disqualification Event*), 10(j) (*Purchase*) and 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*), 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 Loss Absorption Compliant Notes comply with the definition thereof in Condition 1 (*Interpretation*) and (ii) in the case of a redemption pursuant to Condition 10(c) (*Redemption for Tax Event*) 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.

(n) ***Pre-condition to Redemption of Senior Preferred Notes***

Prior to the publication of any notice of redemption of Senior Preferred Notes pursuant to Condition 10(c) (*Redemption for Tax Event*), 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 is satisfied and (ii) 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.

(o) ***Substitution and Variation of Tier 2 Capital Notes***

This Condition 10(o) (*Substitution and Variation of Tier 2 Capital Notes*) applies to each Series of Tier 2 Capital Notes unless “Tier 2 Capital Notes: Substitution and Variation” is expressly specified to be “Not Applicable” in the relevant Final Terms.

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) and having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 21 (*Notices*), 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 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 10(o) (*Substitution and Variation of Tier 2 Capital Notes*) and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 10(l) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Tier 2 Capital Notes*) 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 10(o) (*Substitution and Variation of Tier 2 Capital Notes*), as the case may be. The Trustee shall at the request and expense of the Issuer 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 10(c) (*Redemption for Tax Event*) or 10(d) (*Redemption for Capital Disqualification Event*).

In connection with any substitution or variation in accordance with this Condition 10(o) (*Substitution and Variation of Tier 2 Capital Notes*), 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.

(p) ***Substitution and Variation of Senior Non-Preferred Notes***

This Condition 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*) applies to each Series of Senior Non-Preferred Notes unless "Senior Non-Preferred Notes: Substitution and Variation" is expressly specified to be "Not Applicable" in the relevant Final Terms.

If a Loss Absorption Disqualification Event or a Tax Event has occurred, then the Issuer may, subject to Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Senior Non-Preferred Notes*) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 21 (*Notices*), 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 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, Loss Absorption Compliant Notes, and the Trustee shall (subject to the following provisions of this Condition 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*) and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 10(m) (*Pre-condition to Redemption, Purchase, Substitution or Variation of the Senior Non-Preferred Notes*) and in the definition of Loss Absorption Compliant Notes) 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 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*), as the case may be. The Trustee shall at the request and expense of the Issuer 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, Loss Absorption Compliant Notes, 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 Loss Absorption Compliant Notes 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 10(c) (*Redemption for Tax Event*) or 10(e) (*Redemption for Loss Absorption Disqualification Event*).

In connection with any substitution or variation in accordance with this Condition 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*), 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.

11 Payments – Bearer Notes

This Condition 11 (*Payments – Bearer Notes*) is only applicable to Bearer Notes.

(a) ***Principal***

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) ***Interest***

Payments of interest shall, subject to Condition 11(h) (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Principal*).

(c) ***Payments in New York City***

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due; (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) payment is permitted by applicable United States law.

(d) ***Payments subject to fiscal laws***

Save as provided in Condition 13 (*Taxation*), payments in respect of the Bearer Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are or agree to be subject and the Issuer or any of its Paying Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, and no commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Deductions for unmatured Coupons***

If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented for payment without all unmatured Coupons relating thereto:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (1) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; provided, however,

that where this Condition 11(e)(ii)(1) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (1) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11(a) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) ***Unmatured Coupons void***

If the relevant Final Terms specify that the Reset Note Provisions are applicable or that the Floating Rate Note Provisions are applicable, on the due date for redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for Tax Event*), 10(d) (*Redemption for Capital Disqualification Event*), 10(e) (*Redemption for Loss Absorption Disqualification Event*) or 10(f) (*Redemption at the option of Noteholders*) or 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) ***Payments on business days***

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) ***Payments other than in respect of matured Coupons***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*)).

(i) ***Partial payments***

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) ***Exchange of Talons***

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12 Payments – Registered Notes

This Condition 12 (*Payments – Registered Notes*) is only applicable to Registered Notes.

(a) ***Principal***

Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) ***Interest***

Payments of interest shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) ***Payments subject to fiscal laws***

Save as provided in Condition 13 (*Taxation*), payments in respect of the Registered Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are or agree to be subject and the Issuer or any of its agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, and no commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) ***Payments on business days***

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) ***Partial payments***

If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) ***Record date:***

Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the 15th business day before the due date for such payment (the "**Record Date**").

13 Taxation

(a) *Gross up*

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall (a) in the case of all Senior Preferred Notes and in the case of each Series of Senior Non-Preferred Notes unless the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable”, in respect of payments of interest (if any) or principal, or (b) in the case of all Tier 2 Capital Notes and each Series of Senior Non-Preferred Notes for which the relevant Final Terms expressly specifies “Senior Non-Preferred Notes: Gross-up of principal” as “Not Applicable”, in respect of payments of interest (if any) only and not principal, pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

- (i) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than a mere holding of such Note or Coupon;
- (ii) 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 or Coupon is presented for payment; or
- (iii) in respect of which the Note or Certificate 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.

(b) *FATCA*

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.

14 Events of Default

(a) Senior Preferred Notes and Senior Non-Preferred Notes (Unrestricted Default)

The provisions of this Condition 14(a) (*Senior Preferred Notes and Senior Non-Preferred Notes (Unrestricted Default)*) shall have effect in relation to any Series of Senior Preferred Notes and in relation to any Series of Senior Non-Preferred Notes, in each case where the relevant Final Terms expressly specify that Condition 14(b) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) is “Not Applicable”.

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in all cases, to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with any accrued but unpaid interest without further action or formality:

- (i) *Non-payment*: any principal or interest on the Notes has not been paid within seven days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment; or
- (ii) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and that breach has not (in the opinion of the Trustee) been remedied within 30 days of receipt of a written notice from the Trustee requiring the same to be remedied and the Trustee has certified that in its opinion the breach is materially prejudicial to the interests of the Holders; or
- (iii) *Winding-up*: a Winding-Up of the Issuer.

The Trustee may, at any time at its discretion and without notice (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction) institute such proceedings or take such steps or actions as it may think fit against the Issuer to enforce the terms of these Conditions, the Trust Deed or the Agency Agreement.

(b) Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)

The provisions of this Condition 14(b) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) shall have effect in relation to (i) any Series of Senior Preferred Notes and any Series of Senior Non-Preferred Notes, in each case where the relevant Final Terms expressly specify that Condition 14(b) (*Tier 2 Capital Notes, Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) is “Applicable” and (ii) each Series of Tier 2 Capital Notes.

- (i) 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 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, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction notwithstanding the provisions of Condition 14(b)(ii), 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 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, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction prove and/or claim in such Winding-Up of the Issuer, such claim being as contemplated in Condition 3 (*Status*).

- (ii) Without prejudice to Condition 14(b)(i) but subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction, 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 14(b)(ii) 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 3 (*Status*) and 14(b)(i) (*Non-payment*).

(c) Senior Preferred Notes, Senior Non-Preferred Notes and Tier 2 Capital Notes

The provisions of this Condition 14(c) (*Senior Preferred Notes, Senior Non-Preferred Notes and Tier 2 Capital Notes*) shall have effect in relation to each Series of Senior Preferred Notes, Senior Non-Preferred Notes and Tier 2 Capital Notes.

- (i) The Trustee shall not be bound to take any of the actions referred to in Condition 14(a) (*Senior Preferred Notes and Senior Non-Preferred Notes (Restricted Default)*) or 14(b) (*Tier 2 Capital Notes and Senior Non-Preferred Notes (Unrestricted Default)*) 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.
- (ii) 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 or is unable to do so within 60 days and such failure or inability 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 14 (*Events of Default*).
- (iii) No remedy against the Issuer, other than as referred to in this Condition 14 (*Events of Default*), 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.

15 Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within 10 years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate

Relevant Date. Claims for principal and interest in respect of Registered Notes shall become void unless the relevant Certificates are surrendered for payment within 10 years of the appropriate Relevant Date.

16 Replacement of Notes and Coupons

If any Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes or Coupons, or the Registrar, in the case of Registered Notes (and if the Notes are admitted to listing and/or trading by any competent authority and/or stock exchange which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by the competent authority and/or stock exchange), subject to all applicable laws and competent authority and/or stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Certificates or Coupons or Talons must be surrendered before replacements will be issued.

17 Agents

The initial Principal Paying Agent, the Registrar, the Calculation Agent 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 or Couponholder. 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 Calculation Agent 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;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing and/or trading by any competent authority and/or stock exchange which requires the appointment of a Paying Agent and/or Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority and/or stock exchange.

Notice of any such termination or appointment and of any change in the Specified Offices of the Principal Paying Agent, the Registrar, the Calculation Agent and the Transfer Agents will be given to the Holders in accordance with Condition 21 (*Notices*). If any of the Calculation Agent, 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 Calculation Agent, the Registrar or the Principal Paying Agent in relation to the Notes and the Coupons shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Calculation Agent, the Registrar, the Principal Paying Agent and the Holders. All calculations and determinations made by the Calculation Agent pursuant to these Conditions will be made in consultation with the Issuer.

18 Meetings of Noteholders; Modification and Waiver; Substitution

(a) *Meetings of Noteholders*

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, subject, in the case of Tier 2 Capital Notes and Senior Non-Preferred Notes, to Condition 18(e) (*Supervisory Permission*). 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 status and subordination referred to in Condition 3 (*Status*), 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 Rate of Interest) 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 (i) the implementation of any Benchmark Amendments described in Condition 9(d) (*Benchmark Amendments*) and (ii) any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Conditions 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*) and 10(o) (*Substitution and Variation of Tier 2 Capital Notes*) in connection with the variation of the terms of the Notes so that they become, alternative Qualifying Tier 2 Securities or Loss Absorption Compliant Notes, as the case may be, and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*) or 10(o) (*Substitution and Variation of Tier 2 Capital Notes*), as the case may be.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Noteholders and Couponholders, 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.

The Trust Deed contains provisions for convening a single meeting of the holders of Notes of more than one Series in certain circumstances where the Trustee so decides.

(b) ***Modification and waiver***

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 of any Series, determine that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) should not be treated as such, provided that, in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby.

In addition, the Trustee shall be obliged to concur with the Issuer and use its reasonable endeavours to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 9 (*Benchmark Discontinuation*) without the consent of the Holders.

Any such modification, authorisation, waiver or determination 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***

- (i) 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 status equivalent to that referred to in Condition 3 (*Status*) and the relevant Final Terms 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) In addition, if a Newco Scheme occurs, the Issuer may, without the consent of the Holders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as the new principal debtor under the Trust Deed and the Notes in place of the Issuer (or any previous substitute therefor under this Condition 18 (*Meetings of Noteholders; Modification and Waiver; Substitution*)) and, upon such substitution, all references to “the Issuer” hereunder will be construed as references to Newco and the obligations of the Issuer (or the relevant previous substitute) as issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated. The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to, or evidence, such substitution.
- (iii) Notwithstanding the previous sub-paragraph, the Issuer shall not be permitted to substitute Newco as the issuer of the Notes if (i) the Issuer or Newco is in Winding-Up at the relevant time or (ii) a Capital Disqualification Event or Loss Absorption Disqualification Event would occur as a result of such substitution.
- (iv) In the case of any substitution pursuant to this Condition 18(c) (*Substitution*) 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 or the substitution would 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 18(c) (*Substitution*) or any substitution of the Notes pursuant to Condition 10(p) (*Substitution and Variation of Senior Non-Preferred Notes*) or 10(o) (*Substitution and Variation of Tier 2 Capital Notes*), none of the Issuer, any Substitute Obligor, Newco (if applicable) and/or the Trustee need have any regard to the consequences of any such substitution for individual Noteholders or Couponholders and no Holder shall be entitled to claim from the Issuer, any Substitute Obligor, Newco (if applicable) or the Trustee any indemnification or other payment in respect of any tax or other consequences arising as a result of or from such substitution.
- (v) In the case of a substitution of Newco pursuant to condition 18(c)(ii), the Issuer shall, without the consent of Holders, amend the provisions relating to the ranking of any Senior Non-Preferred Notes such that they become, and rank equally with, the ordinary non-preferential debt of Newco. The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to, or evidence, such amendments.

(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 Holders of the relevant Series of Notes as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

(e) ***Supervisory Permission***

In the case of any Series of Tier 2 Capital Notes or Senior Non-Preferred Notes, no modification to these Conditions or any other provisions of the Trust Deed and no substitution of the Issuer pursuant to this Condition 18 (*Meeting of Noteholders; Modification and Waiver; Substitution*) 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 shall be notified to the Holders in accordance with Condition 21 (*Notices*) as soon as practicable thereafter.

19 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders, 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.

20 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 (*Status*) and 4 (*Fixed Rate Note Provisions*) apply only to amounts payable in respect of the Notes and nothing in Conditions 3 (*Status*), 4 (*Fixed Rate Note Provisions*) or 14 (*Events of Default*) 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.

21 Notices

(a) *Bearer Notes:*

Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes*

Notices to the Holders of Registered Notes 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.

(c) *Notices given by Holders*

Notices to be given by any Holder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

(d) *All Notices*

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.

22 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (A) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one thousandth of a percentage point (with 0.0005 per cent. being rounded up to 0.001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23 Contracts (Rights of Third Parties) Act 1999

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

24 Governing Law and Jurisdiction

(a) *Governing law*

The Notes, the Coupons and the Trust Deed, and all non-contractual obligations arising out of or in connection with the Notes, the Coupons and the Trust Deed, are governed by, and shall be construed in accordance with, English law.

(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, the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, any Notes or any Coupons (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 24 (*Jurisdiction*) 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.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS] – The Notes are not intended to be offered, sold or otherwise made available to 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 Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), 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 (as amended, the “**PRIIPs Regulation**”) 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 the PRIIPs Regulation.]

MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer[’s/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 [Directive 2014/65/EU (as amended “**MiFID II**”)/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 manufacturer[’s/s’] 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 manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

[Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and are Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)¹

Final Terms dated [●]

¹ Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offers, pursuant to s.309B of the SFA.

METRO BANK PLC

Legal Entity Identifier (LEI): 213800X5WU57YL9GPK89

Issue of [Currency][Aggregate Principal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the base prospectus dated 17 September 2019 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus and these Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at [<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>]].

[Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the “**Conditions**”) incorporated by reference in the base prospectus dated [•]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the base prospectus dated [•] [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”), save in respect of the Conditions which are set forth in the base prospectus dated [•] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of the Prospectus Regulation.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus, the base prospectus dated [•], including the Conditions, and these Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at [<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>]].

- | | | |
|----|---------|----------------|
| 1. | Issuer: | Metro Bank PLC |
|----|---------|----------------|

DESCRIPTION OF THE NOTES

- | | | |
|----|--|---|
| 2. | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |
| | [(iii) [Date on which the Notes become fungible: | [Not Applicable]/[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [•]/[the Issue Date]/[exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below [which is expected to occur on or about [•]].] |
| 3. | Specified Currency or Currencies: | [•] |

4. Aggregate Principal Amount: [•]
[(i)] [Series]: [•]
[(ii)] Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from [•]]
6. (i) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to (and including) [•]. [No Notes in definitive form will be issued with a denomination above [•]].]
(ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
(ii) Interest Commencement Date: [•]/[Issue Date]/[Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]
[Reset Notes]
[Floating Rate [•] Month [SONIA]/[LIBOR]/[EURIBOR]
+/- [•] per cent.]
[Floating Rate: CMS Linked Interest]
[Zero Coupon]
(see paragraph [14]/[15]/[16]/[17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•]/[100]] per cent. of their principal amount.
11. Change of Interest or Redemption/Payment Basis: [•]/[Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
(see paragraph [18]/[21] below)
[Not Applicable]
13. [(i)] Status of the Notes: [Senior Preferred Notes]/[Senior Non-Preferred Notes]/[Tier 2 Capital Notes]
[(ii)] Senior Non-Preferred Notes Waiver of Set-off: Condition 3(d): [Applicable]/[Not Applicable]
[(iii)] Senior Preferred Notes or Senior Non-Preferred Notes Restricted Default: Condition 14(b): [Applicable]/[Not Applicable]
[(iv)] Senior Non-Preferred Notes: Gross-up of principal: [Applicable]/[Not Applicable]
[(v)] [Date Board approval for issuance of Notes obtained: [•]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
 - (ii) Interest Payment Date(s): [•]/[and [•]] in each year[, up to and including [•]/[the Maturity Date], commencing on [•]
 - (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
 - (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling on [•]/[Not Applicable]
 - (v) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30E/360]
[Eurobond Basis]
[30E/360(ISDA)]
15. **Reset Note Provisions** [Applicable]/[Not Applicable]
- (i) Initial Rate of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[•] in arrear on each Interest Payment Date]
 - (ii) Reset Rate: [Mid-Swap Rate]/[Benchmark Gilt Rate]
 - (iii) First Margin: [+/-][•] per cent. per annum
 - (iv) Subsequent Margin: [[+/-][•] per cent. per annum]/[Not Applicable]²
 - (v) Interest Payment Date(s): [•] [and [•]] in each year up to (and including) the Maturity Date, commencing on [•]
 - (vi) Fixed Coupon Amount in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date: [[•] per Calculation Amount]/[Not Applicable]
 - (vii) Broken Amount(s): [[•]] per Calculation Amount payable on the Interest Payment Date falling [in]/[on] [•]/[Not Applicable]
 - (viii) First Reset Date: [•]
 - (ix) Subsequent Reset Date(s): [•] [and [•]]/[Not Applicable]

² For Notes which are intended to count as MREL, the Subsequent Margin shall be equal to the First Margin.

- (x) Fixed Leg Swap Payment Frequency: [•]
- (xi) Relevant Screen Page: [•]
- (xii) Mid-Swap Rate: [Single Mid-Swap Rate]/[Mean Mid-Swap Rate]
- (xiii) Mid-Swap Maturity: [•]
- (xiv) Initial Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- Initial Mid-Swap Rate: [•] per cent.
- (xv) Reset Maturity Initial Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- Reset Period Maturity Initial Mid-Swap Rate: [•] per cent.
- (xvi) Last Observable Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- (xvii) Subsequent Reset Rate Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- (xviii) Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback: [Applicable]/[Not Applicable]
- (xix) Reference Rate: [SONIA]/[EURIBOR]/[LIBOR]/[•]
- (xx) Reference Banks: [•]
- (xxi) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30E/360]
[Eurobond Basis]
[30E/360(ISDA)]
- (xxii) Reset Determination Date(s): [•]/[The provisions of the Conditions apply]
- (xxiii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
16. **Floating Rate Note Provisions** [Applicable]/[Not Applicable]/[Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (i) Specified Period(s): [•]

- (ii) Interest Payment Dates: [•] [and [•]] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Following Business Day Convention]
[Modified Following Business Day Convention]
[Modified Business Day Convention]
[Preceding Business Day Convention]
[FRN Convention]
[Floating Rate Convention]
[Eurodollar Convention]
[No Adjustment]
[Not Applicable]
- (v) Additional Business Centre(s): [Not Applicable]/[•]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination]/[ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
- (viii) Screen Rate Determination: [Applicable]/[Not Applicable]
- (a) Reference Rate: [SONIA]/[EURIBOR]/[LIBOR]/[CMS Reference Rate]
- (b) Reference Bank(s): [•]
- (c) Interest Determination Date(s): [•]
- (d) Relevant Screen Page: [•]
- (e) For the purposes of the “Observation Period” “p” means: [5/[•] London Banking Days]/[Not Applicable]
- (f) Relevant Time: [[•] in the Relevant Financial Centre]/[as per the Conditions]
- (g) Relevant Financial Centre: [London]/[Brussels]/[New York City]/[•]
- (h) Reference Currency: [•]/[Not Applicable]
- (i) Designated Maturity: [•]/[Not Applicable]
- (j) Determination Time: [[•] [a.m.]/[p.m.] ([•] time)]/[Not Applicable]

- | | | |
|-----|----------------------------|---|
| (k) | CMS Rate Fixing Centre(s): | [•]/[Not Applicable] |
| (l) | ISDA Determination: | [Applicable]/[Not Applicable] |
| (m) | Floating Rate Option: | [•] |
| (n) | Reset Date: | [•] |
| (o) | ISDA Definitions: | 2006 |
| (p) | Linear Interpolation: | [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation] |
| (q) | Margin(s): | [+/-][•] per cent. per annum |
| (r) | Minimum Rate of Interest: | [•] per cent. per annum |
| (s) | Maximum Rate of Interest: | [•] per cent. per annum |
| (t) | Day Count Fraction: | [30/360]
[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30E/360]
[Eurobond Basis]
[30E/360(ISDA)] |
17. **Zero Coupon Note Provisions** [Applicable]/[Not Applicable]
- | | | |
|-------|---|--|
| (i) | Accrual Yield: | [•] per cent. per annum |
| (ii) | Reference Price: | [•] |
| (iii) | Day Count Fraction in relation to early Redemption Amounts: | [30/360]
[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30E/360]
[Eurobond Basis]
[30E/360(ISDA)] |

PROVISIONS RELATING TO REDEMPTION, SUBSTITUTION AND VARIATION

- | | | |
|------|-------------------------------------|---|
| 18. | Call Option | [Applicable]/[Not Applicable] |
| (i) | Optional Redemption Date(s) (Call): | [•]/[Any date from (and including) [•] to (but excluding) [•]] |
| (ii) | Optional Redemption Amount (Call): | [[•] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [•]]/[in the period from (and including) [•] to (but excluding) [•]] [and [[•] per Calculation |

		Amount] [in the case of the Optional Redemption Date(s) falling [on [●]]/[in the period from (and including) [●] to (but excluding) the Maturity Date]]
	(iii) Series redeemable in part:	[Yes: [●] per cent. of the Aggregate Principal Amount of the Notes may be redeemed on [each]/[the] Optional Redemption Date (Call)]/[No]
	(iv) If redeemable in part:	
	(a) Minimum Redemption Amount:	[[●] per Calculation Amount]/[Not Applicable]
	(b) Maximum Redemption Amount:	[[●] per Calculation Amount]/[Not Applicable]
	(v) Notice period:	Minimum period: [[●] days]/[as per the Conditions] Maximum period: [[●] days]/[as per the Conditions]
19.	Senior Non-Preferred Notes	
	(i) Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption:	[Applicable]/[Not Applicable]
	(ii) Loss Absorption Disqualification Event:	[Full Exclusion]/[Full or Partial Exclusion]/[Not Applicable]
	(iii) Optional Redemption Amount (Loss Absorption Disqualification Event):	[●] per Calculation Amount
	(iv) Senior Non-Preferred Notes: Substitution and Variation:	[Applicable]/[Not Applicable]
20.	Tier 2 Capital Notes	
	Optional Redemption Amount (Capital Disqualification Event):	[●] per Calculation Amount
	(i) Tier 2 Capital Notes: Substitution and Variation:	[Applicable]/[Not Applicable]
21.	Put Option	[Applicable]/[Not Applicable]
	(i) Optional Redemption Date(s) (Put):	[●]
	(ii) Optional Redemption Amount (Put):	[●] per Calculation Amount
	(iii) Notice period:	Minimum period: [[●] days]/[as per the Conditions] Maximum period: [[●] days]/[as per the Conditions]

- | | | |
|-----|--|---|
| 22. | Early Redemption Amount (Tax): | [●] per Calculation Amount |
| 23. | Final Redemption Amount: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per Calculation Amount |
| 24. | Redemption Amount for Zero Coupon Notes: | [●]/[As per Condition 10(i)] |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|---|--|
| 25. | Form of Notes: | <p>Bearer Notes:</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances described in the Permanent Global Note]</p> <p>Registered Notes:</p> <p>[Global Certificate exchangeable for Individual Certificates in the limited circumstances described in the Global Certificate]</p> <p>[Global Certificate [(U.S.\$[●]/€[●] principal amount)] registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]/[Individual Certificates]</p> |
| 26. | New Global Note: | [Yes]/[No]/[Not Applicable] |
| 27. | New Safekeeping Structure: | [Yes]/[No]/[Not Applicable] |
| 28. | Additional Financial Centre(s) or other special provisions relating to payment dates: | [Not Applicable]/[●] |
| 29. | Talons for future Coupons to be attached to Definitive Notes: | [Yes]/[No] |

THIRD PARTY INFORMATION

[[Relevant third party information] has been extracted from [specify source]. The Issuer 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 [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

SIGNED on behalf of
METRO BANK PLC:

By:
Duly authorised

PART B – OTHER INFORMATION

1. Listing

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the London Stock Exchange with effect from [•].]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the London Stock Exchange with effect from [•].]
- (ii) Estimate of total expenses related to admission to trading: [•]

2. Ratings

- Ratings: The Notes to be issued [have not been rated]/ [have been rated:]
[Fitch Ratings Limited (“Fitch”): [•]]
[The short term unsecured obligations of the Issuer are rated [•] by Fitch, and the unsecured unsubordinated long-term obligations of the Issuer are rated [•] by Fitch.]
[Fitch] is established in the European Economic Area (the “EEA”) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[Save for any fees payable to the [Managers]/[Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [see “Use of Proceeds” in the Base Prospectus/Give details]
- (ii) Estimated net proceeds: [•]

5. [Fixed Rate Notes only – YIELD]

- Indication of yield: [•]
[The indicative yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]/[The indicative yield is calculated at the Issue Date on the basis of an assumed Issue Price of 100 per cent. It is not an indication of an individual investor’s actual or future yield.]

6. OPERATIONAL INFORMATION

- (i) ISIN: [•]

- (ii) Common Code: [•]
- (iii) Any clearing system(s) other than Euroclear or Clearstream Luxembourg and the relevant identification number(s): [Not Applicable]/[•]
- (iv) Delivery: Delivery [against]/[free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [•]
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] *[include this text for Registered Notes which are to be held under the NSS]*[and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

- (i) U.S. Selling Restrictions: [Reg. S Compliance Category [1]/[2];[TEFRA C]/[TEFRA D]/[TEFRA not applicable]
- (ii) Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable]
[If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no “key information document” will be prepared, “Applicable” should be specified]
- (iii) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]
- (iv) Method of distribution: [Syndicated]/[Non-syndicated]

- | | | |
|------|---|----------------------|
| (v) | If syndicated | [Not Applicable]/[•] |
| (a) | Names of Managers: | [Not Applicable]/[•] |
| (b) | Stabilisation
Manager(s) (if any): | [Not Applicable]/[•] |
| (vi) | If non-syndicated, name and
address of Dealer: | [Not Applicable]/[•] |
8. **BENCHMARKS
REGULATION**
- [[specify benchmark] is provided by [administrator legal name].
As at the date hereof, [administrator legal name] [appears]/[does
not appear] in the register of administrators and benchmarks
established and maintained by the European Securities and
Markets Authority pursuant to Article 36 (Register of
administrators and benchmarks) of Regulation (EU) 2016/1011,
as amended. [As far as the Issuer is aware, as at the date hereof,
[•] does not fall within the scope of Regulation (EU)
2016/1011, as amended.]]/[Not Applicable]

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note, without interest coupons, or a Permanent Global Note, without interest coupons, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the Issue Date of the relevant Tranche of Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the Issue Date of the relevant Tranche of Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the ECB announced that Notes in NGN form are in compliance with the “*Standards for the use of EU securities settlement systems in ESCB credit operations*” of the central banking system for the euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg from 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or a successor provision) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or a successor provision) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery (free of charge to the bearer) of a Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (b) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:

- (a) Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs; or
- (c) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to (or to the order of) the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, the Permanent Global Note shall only be exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.

Terms and Conditions applicable to the Bearer Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “—*Summary of Provisions relating to the Notes while in Global Form*” below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

Registered Notes

Each Tranche of Registered Notes will be represented by either:

- (a) Individual Certificates; or
- (b) one or more Global Certificates,

in each case as specified in the relevant Final Terms. A Certificate will be issued to each holder of Registered Notes in respect of its registered holding.

In a press release dated 22 October 2008, “*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*”, the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which Euroclear and/or Clearstream,

Luxembourg had designed in cooperation with market participants and that Notes to be held under the NSS would be in compliance with the “*Standards for the use of EU securities settlement systems in ESCB credit operations*” of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg from 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the NSS is used.

Each Note represented by a Global Certificate will either be: (a) in the case of a Certificate which is not to be held under the NSS, registered in the name of a common depository (or its nominee) for Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Certificate will be deposited on or about the issue date with the common depository; or (b) in the case of a Certificate to be held under the NSS, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

If the relevant Final Terms specifies the form of Notes as being “Individual Certificates”, then the Notes will at all times be represented by Individual Certificates issued to each Noteholder in respect of their respective holdings.

Global Certificate exchangeable for Individual Certificates

If the relevant Final Terms specifies the form of Notes as being “Global Certificate exchangeable for Individual Certificates”, then the Notes will initially be represented by one or more Global Certificates each of which will be exchangeable in whole, but not in part, for Individual Certificates if the relevant Final Terms specifies “in the limited circumstances described in the Global Certificate”, then:

- (a) in the case of any Global Certificate, if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs; or
- (c) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

Whenever a Global Certificate is to be exchanged for Individual Certificates, each person having an interest in a Global Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the Issuer and the relevant Registrar may require to complete and deliver Individual Certificates (including the name and address of each person in which the Notes represented by the Individual Certificates are to be registered and the principal amount of each such person’s holding).

Whenever a Global Certificate is to be exchanged for Individual Certificates, the Issuer shall procure that Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate to the relevant Registrar of such information as is required to complete and deliver such Individual Certificates against the surrender of the Global Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and,

in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Registered Notes

The terms and conditions applicable to any Individual Certificate will be endorsed on that Individual Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “—*Summary of Provisions relating to the Notes while in Global Form*” below.

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note, references in the Conditions to “**Noteholder**” or “**Holder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary, common depositary, sub-custodian or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Certificates, references in the Conditions to “**Noteholder**” or “**Holder**” are references to the person in whose name the relevant Global Certificate is for the time being registered in the Register which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or sub-custodian or common depositary or common safekeeper or a nominee for that depositary or common depositary or sub-custodian or common safekeeper, as the case may be.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an “**Accountholder**”) must look solely to Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Certificate.

Transfers of Interests in Global Notes and Global Certificates

Transfers of interests in Global Notes and Global Certificates within Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Trustee, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Certificate or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Certificate representing such interest.

Conditions applicable to Global Notes

Each Global Note and Global Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

All payments of interest in respect of a Series of Notes represented by a Global Note or Global Certificate shall be calculated in respect of the total aggregate amount of the Notes represented by the relevant Global Note or Global Certificate.

Payment Business Day: in the case of a Global Note or a Global Certificate, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre specified in the Final Terms; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Certificate will be made to the person, being the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

Exercise of put option: In order to exercise the option contained in Condition 10(f) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Registrar specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(g) (*Partial redemption*) in relation to some only of the Notes, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Global Note or a Global Certificate and the Global Note, or the Global Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or

Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Eurosystem Eligibility

If the Global Notes or Global Certificates are stated in the relevant Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), on or prior to the original issue date of the Tranche, the Global Notes or Global Certificates will be delivered to a common safekeeper and the relevant Final Terms will set out whether or not the Notes are intended to be held as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem (“**Eurosystem eligible collateral**”).

Depositing the Global Notes or the Global Certificates intended to be held as Eurosystem eligible collateral with a common safekeeper does not necessarily mean that the Notes will be recognised as Eurosystem eligible collateral either upon issue, or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met. In the case of Notes issued in NGN form or to be held under the NSS (as the case may be) which are not intended to be held as Eurosystem eligible collateral as of their issue date, should the Eurosystem eligibility criteria be amended in the future so that such Notes are capable of meeting the eligibility criteria, such Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper.

USE OF PROCEEDS

The estimated net proceeds of the issue of each Series of Senior Preferred Notes will be used for general corporate purposes of the Issuer and/or the Group, as may be more specifically set out in the Final Terms.

The estimated net proceeds of the issue of each Series of Tier 2 Capital Notes and each Series of Senior Non-Preferred Notes will be used for general corporate purposes of the Group and to strengthen further (in the case of Tier 2 Capital Notes only) the regulatory capital base and/or (in either case) MREL base of the Issuer and/or the Group, as may be more specifically set out in the Final Terms. Such general corporate purposes may include supporting continued growth in lending and RWAs and investing in the expansion of stores and new technologies.

INFORMATION ON THE ISSUER

Metro Bank was incorporated and registered in England and Wales under the Companies Act 1985 on 6 November 2007, with the registered number 6419578, as a private company limited by shares under the name Metro Bank Limited. It re-registered as a public limited company under the name Metro Bank PLC on 29 September 2009.

Metro Bank's registered office and principal place of business is at One Southampton Row, London WC1B 5HA, United Kingdom (telephone number: 0345 08 08 500).

Metro Bank was granted authorisation by the Financial Services Authority in March 2010 and received a Consumer Credit Act licence from the Office of Fair Trading in August 2009.

Metro Bank is the principal operating and holding company of the Group. A list of the direct and indirect subsidiaries of Metro Bank are set out at page 158 of the Annual Report and Accounts 2018, which is incorporated by reference into this Base Prospectus.

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 and business-focused customer service experience that emphasises simple banking 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 68 stores (not “branches”) in the key conurbations across the South of England and into the Midlands and the South West with 1.8 million customer accounts, £13,703 million in deposits from customers and £15,020 million of gross loans and advances to customers as of 30 June 2019. Driven by and reflective of its customer service-led model and culture, Metro Bank's “stores” are open seven days a week, early until late with 24/7 telephony, award-winning digital and mobile banking, all integrated to provide an outstanding customer experience.

Metro Bank's success in delivering an outstanding customer experience is best evidenced by the results of the Competition and Markets Authority (“CMA”) Service Quality Surveys published in August 2019. As set forth in the charts below, Metro Bank's customers rated it number one out of 16 banks and building societies for quality of service for personal current accounts and number two for business current accounts, with 82 per cent. and 69 per cent. of customers “extremely likely” or “very likely” to recommend Metro Bank's personal and business services, respectively.



Source: CMA Service Quality Surveys, August 2019

Metro Bank's integrated customer experience model is underpinned by its "AMAZEING" values:

- 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 develop and embed 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 University has also created 'colleges' with curriculums to develop colleagues across the organisation so that as Metro Bank grows, where practicable it "grows its own" into senior or specialist positions within Metro Bank.

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 both in store and digitally 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 approximately 90 per cent. of accounts for new-to-bank customers in its retail segment (the "**Retail segment**") within 30 minutes in the six months ended 30 June 2019. Additionally, Metro Bank launched an industry leading current account online opening process in January 2018, which allows customers to digitally open an account using "selfie" identification and verification ("**ID&V**") online within 10 minutes. 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, thus requiring no repeat store visits or mailings to complete their account opening process. Furthermore, customers have 24/7 access to UK-based contact centres staffed by Metro Bank colleagues that utilise real-time, skill-based routing for customer calls.

Metro Bank has also continued to invest in its “back office” infrastructure, enhancing operational performance and resilience, including by seeking to implement straight through processing and “Single Customer View” functionalities, as well as a customer photograph and real-time history of previous interactions across all channels. In addition, Metro Bank has 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. These tools and services help improve customer experience, protect customers’ data and money, as well as drive cost efficiency, which is a key area of focus for Metro Bank.

Metro Bank is primarily funded by deposits from its Business and Retail customers, drawings from the Bank of England’s TFS scheme, repurchase agreements, capital provided by shareholders, and the £250 million qualifying tier 2 subordinated debt issued by Metro Bank in June 2018. As of 30 June 2019, Metro Bank had total assets and liabilities of £21,357 million and £19,590 million, respectively (31 December 2018, £21,647 million and £20,244 million; 31 December 2017, £16,355 million and £15,258 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 stores and \$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 recent history are set out below:

- 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. Again named “Most Trusted Financial Provider” by Moneywise.
- 2018: Continues investment in technology with the launch of online current account opening and opens its 65th store in Ashford, Kent. Customer accounts exceed 1.6 million by 31 December. Named “Best All Round Personal Finance Provider” and “Best Digital Onboarding Strategy” by Moneywise. Completes a debt issuance which raised £250 million of Tier 2 capital.
- 2019: Voted first for overall quality of service for personal current account customers in CMA Service Quality Surveys and second in service for business customers. Named as one of Glassdoor’s “2019 Top 50 Places to Work” (and the highest rated bank on the list). Awarded the largest C&I grant (£120 million), designed to increase competition by funding improvements in banking capabilities to serve SME customers.

Strengths

Adopting a growth retailing approach to banking, Metro Bank creates “FANS” through its unique service-led culture, and the tangible delivery of simple and fair banking products across all channels. Metro Bank has built

a completely new trusted consumer brand in the past nine years, with the platform and management in place to continue to expand its share of the UK retail and business banking market.

Metro Bank believes that its key strengths are:

1. a growth retailing approach to banking; successfully creating “FANS” through its unique service-led culture;
2. differentiated and integrated customer proposition providing tangible and innovative delivery of retail and business banking services at point-of-sale;
3. clear focus on core retail and business banking activities with simple and fair products and services supported by innovative business partnerships;
4. strong growth track record, with a significant opportunity for continued controlled gains in market share through delivery of a differentiated model;
5. low-cost sticky deposit base attracted through a differentiated service-led customer proposition that delivers low cost of funding;
6. low-risk lending driving strong asset quality;
7. robust capital and liquidity positions; and
8. leadership and management with a track record of proven success.

Further detail on Metro Bank’s key strengths is set out below.

1 A growth retailing approach to banking; successfully creating “FANS” through its unique service-led culture

Metro Bank’s unique service-led culture cultivates the provision of superior customer service, with the goal of transforming customers into long-term “FANS”. Metro Bank’s focus on 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 integrated distribution capabilities, are designed to support its customer-centric culture, promote its brand proposition and drive customer engagement.

Metro Bank’s customer-centric culture enables it to provide a differentiated service and level of convenience, which Metro Bank believes is comparable to that of some of the leading brands in retail. A second colleague is consulted before saying “no” to a customer where deemed appropriate (known as the “one to say yes, two to say no” rule), and high levels of engagement are encouraged which have a positive “surprise and delight” impact on customer experience. This is supported by the provision of services that are simple, with a strong focus on customer convenience. For example, legacy bank practices that restrict or frustrate customers have been replaced by unique approaches 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 making customers’ lives easier, Metro Bank seeks to create “FANS for life”, building long-term relationships and brand loyalty, and has achieved 87 per cent. brand recognition in 2018 across London (and 56 per cent. brand recognition in the UK) (*Source: YouGov independent survey, July 2019*), 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 2018 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. In Metro Bank's "Annual Voice of the Colleague" survey completed in May 2019, 92 per cent. of colleagues surveyed said Metro Bank is a good place to work. Metro Bank's customer-centric culture is reinforced by its recruitment and training, and Metro Bank is committed to hiring colleagues with the right attitude, especially in customer facing roles, and then training for skills as needed. 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 colleagues in entry level customer service roles, including professional banking qualifications. Through regular colleague reviews based on balanced metrics focused around customer service and risk rather than sales (store colleagues do not have sales targets); internal and professional training qualifications and a share-option scheme; colleagues are nurtured and rewarded as custodians of the Metro Bank culture and business. Accordingly, Metro Bank colleagues are highly motivated to deliver superior customer service.

By providing distinguished customer service and simple, transparent, value-for-money products, Metro Bank has developed a brand and reputation that has grown through recommendations and public recognition from industry, consumer advocacy and other community groups. For example, Metro Bank has been ranked first for overall quality of service for current accounts and second for business current accounts in the CMA Service Quality Surveys published in August 2019. Metro Bank has also attracted recognition for its commitment to providing its customers with unparalleled levels of service and convenience, including being named moneynet.co.uk's Best All Round Personal Finance Provider in 2018, Retail Banker International's Best Digital Onboarding Strategy, Moneyfact's 5-star rated standard current account, finalist at the British Bank Awards 2018 and Glassdoor's 2019 'Top 50 Best Places to Work'.

Using its stores as a key part of its customer engagement, Metro Bank has further enhanced its brand recognition through active engagement with the local community. Metro Bank interacts with local businesses and residents by hosting events in-store, holding over 3,500 in 2018, whilst also delivering its Money Zone financial education course to 41,000 schoolchildren in the same year. Metro Bank's engagement with customers in store and in the local community contributed to Metro Bank's quality of service. Metro Bank's distinct culture, focus on customer service and growing brand have driven customer accounts growth from 545,000 at June 2015 to 1,810,000 at June 2019, including a significant proportion of current accounts.

2 Differentiated and integrated customer proposition providing tangible and innovative delivery of retail and business banking services at point-of-sale

Metro Bank provides a differentiated level of convenience for customers through its integrated customer experience between in-store, app-based, online and telephonic banking services. Metro Bank gives control to its customers to use the channel of their choice at a time of their choosing, at any point in the customer journey, with 36 per cent. of current account holders using both physical and digital services in the 90 days prior to the date of this Base Prospectus. 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 through a single bank-wide system. As a result, Metro Bank is able to deliver a faster, more informed, service to customers.

Stores

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 carefully selected locations to maximise customer convenience and engagement. Metro Bank's stores to date have been typically larger and more spacious than traditional bank "branches", resourced with well-trained, highly engaged customer-focused colleagues. However, as the Metro Bank brand is established, store formats will be flexible and adapted to fit the local markets in which they operate. In addition, Metro Bank's stores are

open seven days a week with longer hours than competitors (8.00 a.m. to 8.00 p.m. on weekdays are the standard hours across the store network ensuring 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 (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

Metro Bank provides a wide range of innovative online banking services to customers. In 2016, Metro Bank launched a new, commercial online 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 and overdrafts. The online proposition provides a range of additional value-added services featuring innovative, user friendly functionality that meets customer needs. 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 banking is a key part of Metro Bank's integrated customer experience distribution capability, with the number of customers that have activated the mobile application at 70 per cent. as of 30 June 2019 and customers using the application on average 25 times per month. Metro Bank continues to invest in and upgrade its mobile proposition as it reacts to and anticipates 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 integrated 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, international payments functionality, and the ability to open a savings account directly in the app. Metro Bank has the second highest rated banking app overall (rated 4.8 out of 5) in Apple's App Store as of 30 June 2019. In addition, Metro Bank launched "Insights", a cutting edge artificial intelligence ("**AI**") powered money management tool for customers, on its mobile application in October 2018.

Contact Centres

Metro Bank's customer network is supported by contact centres with colleagues to provide assistance with banking queries and services. By integrating the cloud-based Genesys Interactive Intelligence technology with its Microsoft Dynamics CRM and Pindrop telephony risk platform, Metro Bank has established real-time skill-based routing and risk-based authentication for customer calls. Metro Bank was Highly Commended by Moneywise for Best Current Account Provider for Call Centre Service between 2016 and 2018.

E-mail and social media customer interaction

Metro Bank actively uses social media as a channel for customer engagement. 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 using 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 any 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.

3 Clear focus on core retail and business banking activities with simple and fair 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 business customers, specifically the underserved SME market, to have opened in the last 100 years in the UK. As of 30 June 2019, Metro Bank had a balanced exposure to both segments, with Retail segment customers (including retail partnerships) accounting for 55 per cent. of deposits and 71 per cent. of Metro Bank's loan book (31 December 2018, 47 per cent. and 69 per cent., respectively).

Metro Bank provides simple and fair 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 30 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 variable deposits to ensure customers have access to Metro Bank's best available rate for each variable account, and consistent pricing across channels that ensures new customers do not receive a more favourable rate than existing customers. Metro Bank believes that its consistent pricing extended across all channels has helped Metro Bank build trust with 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 business customers benefit from the same simple and tailored approach. Metro Bank can deliver a one-day account opening experience for accounts that is complemented by tailored product offerings. In Metro Bank's current heartland of London and the South East, the number of SME business current account switchers choosing Metro Bank rose from 15 per cent. in 2018 to 18 per cent. as of 30 June 2019 (*source: MarketVue Business Banking from Savanta, YE Q3 2018 to Q2 2019*). 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 and term lending. As of 30 June 2019, 45 per cent. (31 December 2018, 53 per cent.; 31 December 2017, 53 per cent.) of Metro Bank's customer deposits were from commercial customers (including SMEs).

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 SMEs. 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 mobile application. A new partnership with the Forum of Private Business launched in the second quarter of 2018 gave SME customers access to downloadable guides and templates and a helpline to answer questions about wider business topics such as human resources, 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.

4 Strong growth track record, with a significant market opportunity for continued controlled gains in market share through delivery of a differentiated model

Delivering Metro Bank's unique service-led culture through its integrated physical and digital channels, 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 over the year, representing a disruptive force in the UK banking market.

As Metro Bank has expanded its integrated platform, driven primarily through its 68 stores, it has acquired over 1.8 million customer accounts as of 30 June 2019 (31 December 2018, 1.6 million; 31 December 2017, 1.2 million). Metro Bank's store expansion, with ten stores opened in 2018, is matched by increasing rates of customer account growth, with 400,000 net customer accounts added during 2018. Metro Bank has also grown deposits; as of 31 December 2015, 2016, 2017 and 2018 deposits from customers were £5,108 million, £7,951 million, £11,669 million and £15,661 million, respectively. Although customer deposits fell following Metro Bank's announcement of the adjustment of its RWAs in January 2019, and market speculation at the time of the equity capital raise in May 2019, to £13,703 million as of 30 June 2019, customer deposit growth has been historically strong year-on-year, with 34 per cent. growth in 2018 compared to 2017. As of 31 August 2019, customer deposits stood at £14,444 million. Deposit outflows in April and May 2019 were primarily from a limited number of commercial customers, with retail deposits growing and SME deposits remaining stable, as illustrated in the tables below which show certain information regarding customer accounts and deposits as of the dates indicated.

As of	Total customer accounts ('000)	Personal Current Accounts ('000)	Business Current Accounts ('000)
30 June 2015.....	545	307	41
30 June 2016.....	780	415	62
30 June 2017.....	1,045	546	88
30 June 2018.....	1,418	694	120
30 June 2019.....	1,810	853	143

As of	Cost of deposits (bps)	Retail (ex Retail Partnerships) (£bn)	Retail Partnerships (£bn)	SME (£bn)	Commercial (£bn)
31 December 2016.....	79	2.9	1.0	1.5	2.5
31 December 2017.....	54	3.9	1.6	2.3	3.9
31 December 2018.....	61	5.2	2.2	3.2	5.1
31 March 2019.....	70	5.3	1.9	3.2	4.7
30 June 2019.....	70	5.6	2.0	3.1	3.1

Metro Bank's net loans to customers and loan to deposit ratio are set out below.

	As of 31 December				As of			
	2013	2014	2015	2016	2017	2018	30 June 2019	31 August 2019
			(unaudited)					
Net Loans to Customers (£ million).....	751	1,590	3,543	5,865	9,620	14,235	14,989	15,002
Loan to Deposit Ratio (%).....	57	56	69	74	82	91	109	104

As of 30 June 2019, Metro Bank had a total deposit market share of 0.5 per cent. of the total UK deposit base of approximately £2.7 trillion (*source: Metro Bank actuals, Bank of England Tab C1.1 sterling deposits for UK residents and non-financial businesses*). 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 and of late into the Midlands, East and South West. Historically, Metro Bank has been geographically focused in London and the surrounding commuter areas: from Peterborough to Brighton and from Swindon to Canterbury. In 2018, Metro Bank expanded into Bristol, Southampton and Northampton. As Metro Bank further expands its footprint into the South West, Wales, the Midlands and the North of England, there is a compelling opportunity for growth and diversification across the UK banking market. The grant from the C&I Fund will allow Metro Bank to accelerate its national store coverage by funding the expansion to the North of England with 30 new stores by 2025, increasing Metro Bank's coverage to over two-thirds of UK SME hot spots from approximately 30 per cent. currently (*source: Charterhouse SME Finance and Banking Report, 2016, SMEs defined <£25m turnover*). Metro Bank has already signed a lease for a new store in Manchester, purchased a freehold for a new store in Liverpool and signed a long lease for a new store in Sheffield.

Customer deposit growth has helped fund £15,020 million of gross loans and advances to customers as of 30 June 2019 (31 December 2018, £14,269 million). Metro Bank had an approximately 0.7 per cent. market share in retail mortgages in the UK as of 30 June 2019 (*source: UK Finance*).

Metro Bank believes there remains a significant opportunity for further controlled growth in existing and new markets. Building on an established brand, with 87 per cent. brand recognition in London (*Source: YouGov independent survey, July 2019*) where Metro Bank has the majority of its stores, and a growing network of customers outside London, Metro Bank expects to be able to fund continued controlled 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.

5 Low-cost sticky deposit base attracted through a differentiated service-led customer proposition delivers low cost of funding

Through its growth in customer deposits, Metro Bank has built an efficient and high-quality funding profile. As of 30 June 2019, Metro Bank had £13,703 million of customer deposits and served over 1.8 million customer accounts (31 December 2018, £15,661 million and 1.6 million accounts; 31 December 2017, £11,669 million and 1.2 million accounts). By employing a deposit-driven funding model, Metro Bank derives a material economic benefit through lower than average funding costs. As Metro Bank has grown its customer base across retail and business markets, it has maintained the percentage of deposits held in stable current accounts

(predominantly non-interest bearing), further enhancing these benefits. Through the delivery of superior service and convenience at point-of-sale promoted through customer advocacy, Metro Bank has achieved growth in both deposits and current accounts. From 2016 to 30 June 2019, deposits grew 72 per cent. from £8.0 billion to £13.7 billion and current accounts grew 87 per cent. from £2.3 billion to £4.3 billion, with current accounts accounting for 31 per cent. of total deposits as of 30 June 2019. Metro Bank has received recognition for its current account proposition, having won Best Current Account for Branch Service year after year (Moneywise, 2014-2018), 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 in each of the following two years (Moneywise, 2016, 2017 and 2018).

Metro Bank's differentiated proposition has enabled it to reach an average cost of deposits of 70 bps in the six months ended 30 June 2019, up by 13 bps over the previous year reflecting the Bank of England base rate increase of 25 bps in August 2018. The table below sets out Metro Bank's deposits from customers as of 31 December 2015, 2016, 2017 and 2018, 30 June 2019 and 31 August 2019. Metro Bank's cost of deposits for the years ended 31 December 2015, 2016, 2017 and 2018 were 82 bps, 79 bps, 54 bps and 61 bps, respectively.

As of 31 December						
	2015	2016	2017	2018	As of 30 June 2019	As of 31 August 2019
	(£ million)					
Deposits from Customers.....	5,108	7,951	11,669	15,661	13,703	14,444

Metro Bank believes that it 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 low cost per deposit.

Metro Bank has set its liquidity risk appetite in the context of its conservative medium-term LTD Ratio of 85 to 90 per cent. (31 August 2019: 104 per cent.; 30 June 2019: 109 per cent.; 31 December 2018: 91 per cent.; 31 December 2017: 82 per cent.) and Metro Bank's funding benefits from a large proportion of current account deposits (31 per cent. of total deposit funding as of 30 June 2019), which are both: (i) low in cost (Metro Bank does not typically pay interest on current accounts) and (ii) typically stable in both 'business as usual' and stress conditions.

6 Low-risk lending driving strong asset quality

Metro Bank's strong track record in asset growth has been matched by consistently strong asset quality. Asset accumulation has been achieved while maintaining a lending portfolio with a conservative DTV Ratio profile. The average DTV Ratio was 60 per cent. (31 December 2018: 59 per cent.; 31 December 2017: 58 per cent.) for commercial term lending and 61 per cent. (31 December 2018: 61 per cent.; 31 December 2017: 60 per cent.) for retail mortgages as of 30 June 2019. Metro Bank's Non-Performing Loans Ratio was 0.17 per cent. as of 30 June 2019, 0.15 per cent. as of 31 December 2018, and 0.27 per cent. as of 31 December 2017, and its Loan Loss Reserve to Non-Performing Loans Ratio was 115 per cent. as of 30 June 2019 (31 December 2018: 162 per cent.; 31 December 2017, 55 per cent). Metro Bank's low average cost of risk to date, 0.06 per cent. in

the six months ended 30 June 2019 (0.07 per cent. in 2018; 0.11 per cent. in 2017), illustrates Metro Bank's rigorous credit focus.

	Year ended 31 December		Six months ended 30 June 2019
	2017	2018	
		(unaudited)	
Cost of Risk (%).....	0.11	0.07 ¹	0.06

¹ Six months ended 30 June 2018, 0.08; six months ended 31 December 2018, 0.06.

The DTV profile of retail mortgages and commercial lending as of 30 June 2019 is set out in the below table.

	As of 30 June 2019 DTV Ratio (%)							
	Less than 50	51-60	61-70	71-80	81-90	91-100	More than 100	Total
	(£ million)							
Retail Mortgages								
Retail owner occupied ..	2,392	1,267	1,415	1,676	1,511	175	11	8,447
Retail buy-to-let.....	381	406	517	584	66	5	6	1,965
Total retail mortgages...	2,773	1,673	1,932	2,260	1,577	180	17	10,412
Commercial lending.....	1,279	893	797	300	75	35	432	3,811

7 Robust capital and liquidity positions

Metro Bank maintains a robust capital position with a comfortable buffer to regulatory requirements through a target of minimum CET1 Ratio of 12 per cent. and regulatory leverage ratio of 4.1 per cent. As of 30 June 2019, Metro Bank had a CET1 Ratio of 15.8 per cent. and a leverage ratio of 7.0 per cent. (13.1 per cent. and 5.4 per cent., respectively, as of 31 December 2018).

In June 2019, Metro Bank completed a £375 million equity capital raise. Metro Bank has a track record of raising capital to pre-fund its growth ambitions which in turn, supports the delivery of its strategy.

Metro Bank targets a LTD Ratio between 85 per cent. and 90 per cent. over the medium term. Following the net deposit outflows during the first half of 2019, the LTD Ratio was 109 per cent. as of 30 June 2019. Metro Bank took appropriate actions to maintain a resilient balance sheet, including the sale of £1.5 billion of non-liquidity coverage ratio ("LCR") eligible investment securities, a £521 million loan portfolio disposal, as well as managing lending volumes and deposit gathering initiatives. Metro Bank expects to gradually manage the LTD Ratio back towards medium-term guidance in a controlled manner and expects the LTD Ratio to be c.100 per cent. by the end of 2019.

Metro Bank has maintained an LCR in excess of its minimum requirements. As of 30 June 2019, Metro Bank reported an LCR of 163 per cent. (141 per cent. as of 30 June 2018), comfortably in excess of its minimum requirement of 100 per cent. Metro Bank subsequently executed the sale of a £521 million mortgage portfolio, which further strengthened its liquidity position. The quality of Metro Bank's liquidity resources is high, with 99 per cent. held as cash, government bonds and AAA-rated instruments, as illustrated below.

	As of 30 June 2019
	<i>£m</i>
AAA and UK government debt securities	2,342
AA- to AA+	28
Lower than AA-	0
Total	2,370

8 Leadership and management with a track record of proven success

Metro Bank has assembled a 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, having had 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.

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 intends to remain a business focused on creating "FANS", attracting low-cost sticky deposits and growing low-risk lending through its service-led culture and integrated customer experience. Metro Bank believes this differentiated core strategy will continue to deliver low-risk, high quality earnings. Metro Bank intends to continue pursuing a controlled growth retail model for modern-day banking, complemented with a medium-term strategy which balances growth, profitability and capital efficiency through an integrated customer experience.

Core Strategy

Create “FANS” by generating exceptional retail experiences

At the heart of Metro Bank’s strategy is the conversion of customers into “FANS” through the delivery of a differentiated customer experience.

Customer engagement: 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 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, Metro Bank believes that its brand awareness will continue to improve, from a strong position of 87 per cent. in London (*Source: YouGov independent survey, July 2019*), to support increased customer acquisition.

Customer friendly policies: Metro Bank has differentiated policies that deliver a unique retail experience. For example, “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. In store Metro Bank provide free pens and coin counting. By seeking to make our customers’ lives easier, Metro Bank seeks to create “FANS for life”.

Foster a unique service-led 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 maintaining a well-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.

Recruitment, training and reward: As the tangible point of service delivery, Metro Bank believes that ensuring colleagues are continuously well-trained, motivated and aligned to the Metro Bank purpose and culture is central to providing a superior customer service. Accordingly, Metro Bank hires customer facing colleagues with the right attitude and trains them 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 for front line employees, with share options given to colleagues through a variable reward programme. Motivated by meritocratic opportunities and equity ownership, Metro Bank expects 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, Metro Bank recognises the importance of acquiring and retaining customers, and their deposits, as a central component of Metro Bank’s profitability. Metro Bank intends to continue to deliver a customer service-led proposition for growing FAN numbers and, by association, deposit balances. Metro Bank expects funding costs to continue to benefit from this strategy as customers place significant value on service and convenience.

Established customer base of “FANS”: By creating “FANS” through, among other things, what Metro Bank believes to be an unparalleled account opening experience, Metro Bank seeks to create customer loyalty and inspire customers to fulfil all of their retail and business 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 and generating additional fee income. 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 Business segment (as defined herein) 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. 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 Business 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.

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 fair 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 and over time intends to develop more assisted service and self-service opportunities in stores. Metro Bank intends to continue expanding the catchment area of its store network through strategic expansion around London and the South East of England, further west and north along the key commuter lines and into the Midlands and the North of England, delivering superior service and convenience to an increasing number of “FANS”.

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, 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.

Metro Bank’s integrated “bricks and clicks” experience offers customers an integrated experience, where physical store expansion is complemented by additional channels, including online, mobile and intermediaries, presenting national growth opportunities. Metro Bank will continue to invest in digital channels to increase digital origination, fulfilment and servicing.

Digital strategy: In 2017, Metro Bank invested in its API (as defined herein) layer, 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.

Metro Bank intends to continue to expand its digital capabilities, desktop and mobile services, to deliver an integrated customer experience, and give customers easy access to multiple products and services across channels, as well as digital tools that save time and improve transparency, to make customers’ lives easier and drive cost efficiencies for Metro Bank. Metro Bank will leverage its modern, technologically advanced

infrastructure to build new and innovative customer experiences. By continually enhancing its mobile capabilities, Metro Bank aims to allow its customers to do more of their 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 continues to invest to ensure that the digital engagement proposition is as distinctive and differentiating as the customer service received in stores, while driving cost efficiencies for Metro Bank. The grant from the C&I Fund will allow Metro Bank to accelerate its investment in digital and launch game changing digital capabilities for SMEs, such as digital tax submission and online account opening.

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 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 Business segment customers and generate additional, capital-light, fee income.

Metro Bank also uses business partnership agreements, such as that 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 initial underwriting assessment 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.

Strategic update

Metro Bank’s core strategy of creating “FANS” through its unique service-led culture, attracting low-cost, sticky deposits and growing low-risk lending is working. However, Metro Bank is facing some key challenges, including headwinds from the operating environment. This includes the prolonged low interest rate environment and intense competition in the mortgage market driven by the impact of ring-fencing regulation in the UK on some of its larger competitors. There are also specific challenges for Metro Bank, such as the timing of AIRB approval and the impact of the RWA Matter, including any further actions by the FCA or PRA.

Metro Bank’s capital position has been strengthened by its Placing, which has allowed it to further grow its loan balances and RWAs, while investing in the expansion of stores and new technologies. These initiatives will be used to counterbalance the adverse effects on its business discussed above and support an evolved growth strategy based on the following four key pillars:

- balance controlled growth, profitability and capital efficiency through an integrated customer experience;

- improve cost efficiency;
- expand its range of services to create new sources of income; and
- rebalance its lending mix to optimize capital allocation and returns.

Metro Bank has also prudently made plans to limit the growth of its loan book and strategic investments to ensure that its regulatory capital levels remain within its risk appetite, with a management target CET1 ratio of 12 per cent. or more.

Balance controlled growth, profitability and capital efficiency through an integrated customer experience

Balanced store growth and geographic expansion: Metro Bank intends to access greater customer numbers through its integrated customer experience capabilities. At the core of its growth strategy is the expansion of the store network. With 68 stores as of the date of this Base Prospectus, Metro Bank is planning to open approximately eight new stores per year until 2023, in addition to a further 30 stores to be added in the North of England, the staffing of which will be funded in part by Metro Bank's C&I grant (two of which, in Manchester and Liverpool, are on track to open in 2019). Metro Bank has committed to the C&I Fund to open these stores by 2025, although it is targeting their opening by the end of 2022. Metro Bank's updated plan of managed store openings will support more investment in digital whilst allowing existing stores to mature resulting in higher contribution to profitability.

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. Metro Bank has identified an opportunity to enter the "Added Value Account" retail 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 Banking capabilities, Metro Bank is developing a range of improvements, from recently launching a "walk out working" payment acceptance terminal pilot, to providing specialist trade services to meet the needs of businesses exporting and trading internationally.

Moderated balance sheet growth: Given the prevailing low margin environment, Metro Bank plans to moderate deposit and associated cost growth. Metro Bank is aiming to deliver approximately 20 per cent. deposit growth per annum over the medium-term, while increasing its focus on building relationship-driven, low-cost current accounts as well as variable rate deposit accounts. Metro Bank also intends to balance loan growth to optimise capital efficiency and profitability by maintaining a LTD Ratio of 85 per cent. to 90 per cent. in the medium-term.

More generally, Metro Bank intends to manage its growth within available equity capital to avoid further medium-term equity raises, and it has additional potential capital levers available to it, including loan portfolio sales and securitisation.

Improve cost efficiency

Metro Bank continues 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 headcount and central costs, as well as 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 software as a service ("SaaS") IT model supports this cost-effective growth by allowing it to service additional customer accounts with only marginal increases in costs.

Metro Bank also seeks to reduce the operating cost per deposit of its store network through innovative customer propositions by evolving its store layouts and unit size. Metro Bank's integrated "bricks and clicks" experience offers customers the choice of channel, so physical customer interactions can also be conducted online or

through its mobile applications. This digital fulfilment reduces the cost of customer interactions while still providing a differentiated experience. 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.

In addition, Metro Bank is aiming to further increase cost efficiency by driving additional operational leverage and scaling its growth more efficiently. Metro Bank targets delivering an underlying cost-to-income ratio of 55 per cent. to 60 per cent. by 2023 (compared to levels of approximately 85 per cent. to 92 per cent. in recent periods), with the majority of the improvements coming from a structured programme of initiatives already identified across the head office, back office, front office and stores. The programme includes initiatives such as the automation of processes in the head office and the back office, moving back office functions to shared service locations across Metro Bank markets, operating model simplification in the front office, new self-serve functionalities in stores and evolving store layouts and unit size. The benefits of this cost efficiency drive are expected to be skewed towards the outer years as store layout, digitisation and automation initiatives are delivered, and Metro Bank aims to capture cost savings of approximately £70 million to £80 million by 2022, largely through store efficiency initiatives and back-office savings, but ‘quick wins’ are expected to deliver improvements in 2019 and 2020 (with estimated savings of £15 million to £19 million and £40 million to £50 million, respectively, in those years). In addition, Metro Bank intends to target capex savings of approximately £40 million to £45 million by 2022, primarily through store rationalisation and IT initiatives. Metro Bank estimates that the cost to achieve these cost savings and efficiencies will be approximately £125 million over three years.

Expand fee income through new value-added services, especially for SMEs, while preserving Metro Bank’s unique culture

Metro Bank intends to expand fee income through the introduction of new value-added services to customers, especially for SMEs, while remaining committed to Metro Bank’s unique client-focused culture. In the six months ended 30 June 2019, the underlying fees and commission income and other income have increased 61 per cent. compared to the equivalent period of 2018. Metro Bank believes growth in fee income can be achieved through a range of initiatives. Metro Bank plans to broaden the service offering to deepen customer relationships, namely by introducing online business account opening and expanding its payments and cash management offering. Metro Bank also intends to increase the penetration of fee-paying services through digital origination. In addition, Metro Bank aims to use its API gateways to collaborate with third party providers to create a range of propositions for SMEs, such as digital tax submission and cloud-based accounting services. This will be strongly supported by Metro Bank’s grant from the C&I Fund. This grant will enable Metro Bank to fund, among other initiatives, the development of the UK’s first end to end payments and account receivables platform “MPay”, the launch of a commercial credit card product and the introduction of a mobile cash pick-up and drop off service.

Within the drive to increase fee income from SME customers and supported by its grant from the C&I Fund, Metro Bank is particularly focused on expanding its lending, payments and cash management propositions. Metro Bank is aiming to launch one-click access to overdraft financing driven by recently available Open Banking data to deliver a seamless small business lending process. Metro Bank also intends to offer payments and cash management services to support businesses as they grow.

Rebalance lending mix to optimise capital allocation and returns

In order to optimise capital allocation and returns in the prevailing margin environment and deliver an elevated RoE, Metro Bank intends to rebalance its lending mix towards mortgages, SMEs and unsecured lending, driving capital efficiency and yield.

Mortgages: Metro Bank's lending will continue to be built around low risk mortgages, which are cost-efficient and deliver higher RoE. Metro Bank uses a market-leading provider of technology for mortgages in the UK. The technology supports Metro Bank's controlled growth plans through its ability to achieve high levels of process automation, deep integration with leading service providers, responsiveness to product changes, smart task management and the ability to handle substantial increase in volume thereby helping to drive down the cost while providing superior levels of service and convenience to customers and intermediary partners.

Accordingly, Metro Bank is looking to increase the proportion that mortgages represent of its loan book from 69 per cent. as at 30 June 2019 to 70 to 75 per cent. by 2023.

Business and commercial: Metro Bank intends to use its own funds and its grant from the C&I Fund to develop capabilities in SME lending and broaden business services, creating opportunities for further higher-returning SME and commercial lending. The £120 million C&I grant will accelerate Metro Bank's growth to become an "at scale" SME challenger by 2025, supporting the launch of game changing digital capabilities, such as digital tax submission and online business current account opening, and the build out of capabilities to serve larger, more complex SMEs such as sweeping/pooling and trade services capabilities. The grant from the C&I Fund will also allow Metro Bank to expand into new SME markets with 30 new stores in the North. Metro Bank has committed to BCR to open these stores by 2025, although it is targeting their opening by the end of 2022. Metro Bank is also well positioned to welcome more SME customers to Metro Bank through the Incentivised Switching Scheme. However, in addition, Metro Bank also plans to reduce the proportion of lower-RoE commercial real estate and professional buy-to-let in the loan book, resulting in a reduction in the total proportion that business and commercial loans represent of its loan book from 29 per cent. as of 30 June 2019 to 20 to 25 per cent. by 2023.

Consumer unsecured: Metro Bank is also positioned to take advantage of the normalisation of the risk-reward trade off in consumer unsecured lending in the UK to grow in the unsecured lending and credit card segments. Depending on the evolution of the UK consumer unsecured market, Metro Bank plans to increase the proportion that consumer unsecured loans represent of its loan book from 2 per cent. as of 31 December 2018 to 3 to 7 per cent. by 2023.

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

Metro Bank is committed to achieving balanced and capital-efficient growth combined with increasing cost efficiency to enhance returns to shareholders, delivering low double-digit RoE by 2023.

Metro Bank's analysis of its stores demonstrates that, as stores mature and grow, the RoE increases as the costs of the store are leveraged over more customers and greater deposits. Stores in cohorts that are open less than three years have negative RoEs, highlighting the impact of initial investments. Stores that have been open more than five years have an average RoE of approximately 6 per cent., demonstrating the improvement that comes with ongoing growth. Together with continued growth, Metro Bank's strategic initiatives will accelerate profit contribution and enhance the returns of the stores. Metro Bank's analysis shows that by making improvements to operating efficiency, achieving an underlying cost-to-income ratio of 55 per cent. would increase the RoE on stores open more than five years to an average of over 14 per cent.

In addition, Metro Bank expects that investment in capabilities and commercial offering, together with the grant from the C&I Fund, will drive additional capital-light fee income.

Building on balanced balance sheet and revenue growth, Metro Bank intends to deliver further benefits of scale. Deposit growth per store has been faster in each new annual cohort, benefiting from an increased network effect, organisational learnings and increased brand recognition. In addition to the benefits of scale discussed above, Metro Bank intends to execute an operational transformation plan to deliver improved efficiency and a 55 per cent. to 60 per cent. underlying cost-to-income ratio by 2023.

This ambition is reflected in Metro Bank's medium-term guidance below:

	2018 Actual	Medium-term guidance
Deposits growth (%)	34	c. 20% per annum, c. 2% market share by 2023
Store growth	10	c.8 new stores a year plus store growth (plus 30 stores in the North of England by 2023, partly funded by grant from the C&I Fund)
Deposit growth per store per month (£ million)	5.9	>4
Loan to Deposit ratio (%)	91	85-90
Cost of Risk (bps)	7	15 – 30 bps through the cycle
Underlying cost to income ratio (%)	86	55 – 60
Common Equity Tier 1 ratio (%)	13.1	>12
Leverage Ratio (%)	5.4	>4
Return on Equity (%)	2.9	Low double digit by 2023

Operating structure

Metro Bank is principally a deposit-taking and lending institution, which it services through two customer segments: Retail (the “**Retail segment**”) and Business (the “**Business 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 Business 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, 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 Business 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 30 June 2019, Metro Bank had 1.8 million customer accounts, and deposits from customers of £ 13,703 million, of which 55 per cent. and 45 per cent. was attributable to Retail segment customers, including retail partnerships, and Business segment customers, including SMEs, respectively. As of the same date, it had net loans and advances to customers of £ 14,989 million, of which 71 per cent. and 29 per cent. was attributable to Retail segment and Business segment customers, respectively.

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

	As of 30 June 2019
	<i>(unaudited)</i>
	<i>(£ million)</i>
Demand: current accounts.....	4,305
Demand: savings accounts	5,509
Fixed term	3,889
Deposits from customers.....	13,703
<i>Deposits from customers includes:</i>	
Deposits from retail customers.....	7,509
Deposits from commercial customers	6,194
 Gross loans and advances to customers	 15,020
Less: allowance for impairment	(31)
Net loans and advances to customers	14,989
<i>Gross loans and advances to customers includes:</i>	
Term loans.....	3,811
Asset & invoice finance	304
Other commercial lending.....	228
Commercial loans.....	4,343
Residential mortgages (owner occupied)	8,447
Residential mortgages (buy-to-let).....	1,965
Consumer and other loans	265
Retail loans	10,677

Culture and colleagues

Metro Bank places significant importance on the strength of its corporate culture and seeks to attract a diverse colleague base that represents the communities it services and is aligned with its culture, customer service proposition and “AMAZEING” values. Metro Bank believes that it has been able to attract talent through a combination of its culture, unique business model, a compensation system that is 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.

Metro Bank believes that its growth has allowed it to offer its colleagues more career and promotion opportunities than larger competitors. For example, in 2018 Metro Bank promoted 23 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 27 classroom instructors. Colleagues completed nearly 12,000 face-to-face training sessions in 2018.

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 bonus,

designed to encourage colleagues to focus on the long-term growth and success of Metro Bank and to behave like owners. Eligibility for variable reward 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 bonus 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 2019, the “Voice of the Colleague”, 92 per cent. of Metro Bank’s colleagues surveyed felt that Metro Bank is a good place to work. Also, in 2019, Metro Bank was recognised by Glassdoor as the highest rated bank in its “Top 50 Places to Work”.

Customer engagement and fulfilment

Metro Bank has historically avoided the use (and associated costs) of traditional bank marketing channels, such as radio, print and television advertising, preferring instead 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 stores, 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 41,000 children to promote financial education through its UK Key Stage 2 “Money Zone” programme in 2018 alone, with a total of over 100,000 since 2010.

Metro Bank actively uses social media as a channel for customer engagement. 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 application, 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.

Metro Bank’s pervasive customer-centric culture enables it to provide a differentiated service and convenience, which Metro Bank believes is comparable to that of some of the most admired brands in retail. 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 87 per cent. brand recognition in 2018 across London (*Source: YouGov independent survey, July 2019*), with minimal annual external advertising expenditure.

In August 2019, Metro Bank was recognised as providing the number one for overall service for personal current account customers and number two for business customers in the CMA’s Service Quality Surveys. As set forth in the charts below, 82 per cent. and 69 per cent. of customers were “extremely likely” or “very likely” to recommend Metro Bank’s personal and business services, respectively.

Overall service quality

We asked customers how likely they would be to recommend their personal current account provider to friends and family.

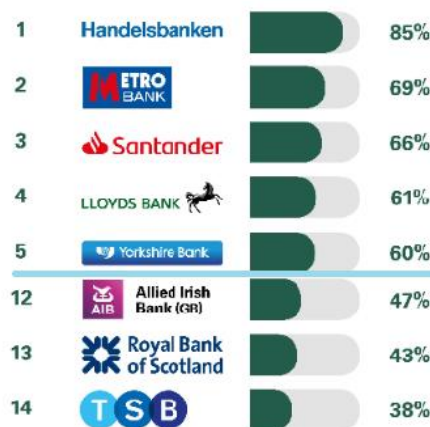
Ranking



Overall service quality

We asked customers how likely they would be to recommend their business current account provider to other SMEs.

Ranking



Source: CMA Service Quality Surveys, August 2019

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 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) 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). As Metro Bank moves forward, it will evolve its store layouts and unit size, introducing more assisted service and self-service offerings, thereby increasing customer choice and driving cost efficiencies for Metro Bank.

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 (8.00 a.m. to 8.00 p.m., with standard hours across the store network to help ensure dependability for customers), which Metro Bank believes resonates well with busy people and the businesses that serve them.

Metro Bank's first store opened in Holborn, London on 29 July 2010 and, as of the date of this Base Prospectus, Metro Bank operated 68 stores. Historically, the location of Metro Bank's stores has been geographically focused in London and the surrounding commuter areas: from Peterborough to Brighton and from Swindon to Canterbury. In 2018, Metro Bank expanded into Bristol, Southampton and Northampton. Metro Bank intends to further expand its footprint into the South West, Wales and the Midlands. Metro Bank targets opening approximately eight stores per year until 2023 (down from a previous target of approximately 20 stores per year from 2020), as well as a further 30 stores (two of which are on track to open in 2019) in the North of England, the staffing of which will be funded in part by Metro Bank's grant from the C&I Fund. Metro Bank has committed to the C&I Fund to open these stores by 2025, although it is targeting their opening by the end of 2022.

Store openings are highly publicised, and Metro Bank organises both personal and business events and activities, 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. Metro Bank believes this is due to the network effect, increasing brand recognition as well as organisational learning.

Metro Bank leases all but 15 of its stores, with typical lease terms at commencement of 25 years. Metro Bank has increased the number of stores in its network from four as of 31 December 2010 to 68 as of the date of this Base Prospectus. The table below sets out the number of Metro Bank stores as of the dates indicated.

	Year ended 31 December		As of 17 September 2019
	2017	2018	
		(unaudited)	
Number of Metro Bank Stores	55	65	68

InterArch, a firm which is owned by Shirley Hill, the wife of Metro Bank's Chairman, Vernon W. Hill, II, provides architecture, design, creative and brand services to Metro Bank. In order to ensure that the terms of the InterArch arrangements are consistent with those that could be obtained from an independent third party, and in accordance with the Articles, the arrangements with InterArch are subject to an annual review by the Audit Committee using benchmarking reviews conducted by independent third parties (including a "big four" professional services firm and the largest independent global marketing audit firm). For Metro Bank's financial year ended 31 December 2018, having reviewed the output from the independent audit of the arrangements, the Audit Committee has concluded that the arrangements with InterArch are at arm's length and are at least as beneficial as those which could be obtained in the market from an alternative supplier. Since 2010, InterArch has provided architectural, design and creative services, creating the iconic Metro Bank brand and stores. Metro Bank announced in the Annual Report and Accounts 2018 it would run a process in 2019 to identify an additional alternative supplier of architecture services. This process has begun and Metro Bank intends to transition both architectural design as well as creative and branding services to alternative suppliers. InterArch will work with Metro Bank to ensure a smooth operational transition by the end of 2020.

Digital channels – online and mobile

Metro Bank enables its customers to access its products and services through its digital interfaces. Significantly, in 2018, Metro Bank began offering current account applications online, which Metro Bank believes 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. Also, as part of its £120 million C&I grant, Metro Bank has committed to build out business account applications online.

Metro Bank provides its Retail segment customers with online and mobile application-based banking, which allows customers the ability to open new accounts, make payments and access other account functionality,

including “Insights”, the new artificial intelligence offering to support customers in managing their finances. 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 Banking” 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 June 2019, Metro Bank’s online banking and mobile banking sites experienced over 1.7 million and 11.8 million 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.

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. Metro Bank’s contact centres use real-time, skill-based routing for customer calls. 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.

The breakdown of activity by distribution channel as of 30 June 2019 is set out in the below table.

Activity by Distribution Channel in the six months ended 30 June 2019	
Online	Over 16.7 million online transactions
On the mobile application	25 log-ins to the mobile application per user per month
In-store	Over 2.5 million store transactions in 67 stores
Over the phone	1.0 million calls to AMAZE Direct, including 2,700 to 4,300 answered each UK Bank Holiday

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 2018, Metro Bank opened approximately 90 per cent. of new-to-bank Personal Banking accounts within 30 minutes (and 41 per cent. of current accounts opened online were completed within 12 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 retail customers are typically able to open additional accounts in five to eight steps (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 30 June 2019, Metro Bank's current account balances were £4,305 million and it reported 22 per cent year-on-year growth in the number of current accounts.

Metro Bank's current accounts are available in GBP for Personal Banking customers, 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 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 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' variable rates at their expense, Metro Bank offers a "savings promise" on variable products 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 or online.

Retail mortgages

Metro Bank offers a series of mortgage products to Personal Banking customers. As of 30 June 2019, Metro Bank had total retail mortgage assets of £10.4 billion, and during the year ended 31 December 2018, Metro Bank's net new retail mortgage lending was £3.4 billion. As of 30 June 2019, Metro Bank's retail mortgage assets had an average DTV Ratio of 61 per cent. (31 December 2018, 61 per cent.). As of the same date, the average retail mortgage held by Metro Bank was approximately £242,000. As part of its strategy, Metro Bank intends to increase the proportion of retail mortgages in its lending portfolio from 69 per cent. to the range of 70 to 75 per cent. by 2023.

Consistent with its overall customer proposition, Metro Bank places significant emphasis on customer service and transparency throughout its retail mortgage process. For example, while all Metro Bank retail mortgage loans are initially assessed by automated underwriting software, each retail 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. After a mortgage has been extended, Metro Bank offers flexibility to its customers through its retention process, which allows them to move to a new mortgage three months before the expiry of their initial period. In addition, Metro Bank also typically enables customers to repay up to 20 per cent. of their mortgage each year without any early repayment charge.

Metro Bank's retail mortgage portfolio, consistent with its customer base, is concentrated in London and the South East of England, with these areas representing 45 per cent. and 23 per cent., respectively, of the portfolio as of 30 June 2019 (31 December 2018, 44 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 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 purchased 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 2017 and a further portfolio of primarily buy-to-let mortgages with a weighted average loan to value of less than 50 per cent. for consideration of £523 million in 2018. The portfolio acquisitions were undertaken to help meet Metro Bank's target of an LTD Ratio range of 85 to 90 per cent. and on a blended basis have a similar credit profile to the existing organic book. On 24 July 2019, Metro Bank announced the disposal of the loan portfolio previously acquired in 2017 for consideration of £521 million in order to gradually manage the LTD Ratio back towards the medium-term target range of 85 to 90 per cent. in a controlled manner. The remaining mortgage portfolio is administered through CHL Mortgages.

Metro Bank's retail 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, as of the date of this Base Prospectus, 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 140 per cent. 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 retail 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 retail mortgages. As of 30 June 2019, 58 per cent. of retail mortgages were repayment and 42 per cent. were interest-only. 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 an average LTV Ratio of 75 per cent.) pay off interest only each month. In common with other retail mortgage lenders in the UK, Metro Bank imposes early repayment charges on certain of its retail mortgage products.

In the periods under review, Metro Bank has had low levels of arrears in its mortgage portfolio. As of 30 June 2019, Metro Bank had £10 million in impaired (90 days+ past due) mortgages (31 December 2018, £9 million).

Mortgage distribution

Metro Bank has grown its retail mortgage portfolio partly by establishing relationships with a wide range of specialist mortgage intermediaries. This model is designed to give Metro Bank access to a broader range of

customers, who prefer to take independent advice, and provides Metro Bank with a scalable platform for future growth. Metro Bank believes that its emphasis on transparent pricing, a simple mortgage application policy and fast turnaround times is attractive for brokers and other mortgage intermediaries.

Metro Bank also self-originate retail mortgages. Metro Bank believes that Metro Bank's ability to self-originate a proportion of its retail 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 distribution network, Metro Bank believes it will also grow its direct mortgage fulfilment capabilities.

Unsecured lending

Metro Bank offers a range of unsecured lending products to Personal Banking customers, including unsecured loans, credit cards and overdrafts. Metro Bank intends to develop a new loan application process both online and in-store for both Personal and Business Banking customers, and Metro Bank believes that its 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 with a target that this lending will represent 3 to 7 per cent. of Metro Bank's lending portfolio by 2023.

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 30 June 2019, Metro Bank had approximately 22,700 open retail credit card accounts, and Metro Bank's retail credit card portfolio had receivables of £11 million (31 December 2018: £11 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 of 30 June 2019, Metro Bank's unsecured retail loans portfolio was £181 million (31 December 2018, £207 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 30 June 2019, Metro Bank's retail overdraft receivables were £73 million (31 December 2018, £70 million).

Safe deposit boxes

All of Metro Bank's stores offer safe deposit boxes for a monthly or annual fee, with approximately 2,180 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 (approximately 80 per cent. of rent of stores open more than 12 months was covered by safe deposit box income in 2018).

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 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. 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.

Business and Commercial Banking

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

Metro Bank's Business Banking customers are varied, but are typically SMEs based around its stores with a typical turnover of up to £2 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. 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 mobile application. 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. 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. Metro Bank has also 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.

Metro Bank's Commercial Banking customers are served through Regional Banking teams providing a local relationship service linked to Metro Bank's stores, as well as Large Commercial, Real Estate and Specialist Sectors 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, transactional banking solutions and cash management services.

Similar to its retail offering, Metro Bank emphasises customer care in servicing its Business Banking customers' current account and deposit needs. Metro Bank is able to open a current or deposit account for a new-to-bank Business Banking customer within a day in many cases (which Metro Bank believes is significantly faster than

that offered by its 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.

Metro Bank believes 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 the year to 30 June 2019, in the London area and South East, Metro Bank won 18 per cent. of all business account switchers (source: *MarketVue, Business Banking from Savanta*).

C&I Grant

On 22 February 2019, Metro Bank was awarded a £120 million grant from the C&I Fund, a scheme funded by RBS and designed as part of measures agreed between RBS, the UK Government and the European Commission to encourage competition in the SME banking market in the wake of the 2008 financial crisis and the aid that RBS received from the UK government at that time. Following the award, in April 2019 Metro Bank entered into an agreement with the BCR, which is responsible for overseeing the award of the C&I Fund and monitoring delivery.

Metro Bank believes that this £120 million award, the largest sum awarded by the BCR in 2019, is a strong external validation of its customer-driven business model. Metro Bank intends to use its C&I Fund funding to increase its SME market share to 8.3 per cent. by 2025, broadening its proposition to SMEs and enabling it to compete more effectively with, and be a stronger challenge constraint to, the current major SME banking providers in the UK. More particularly, the C&I funding will be focused on the following three priority areas:

- *Accelerating national store coverage:* Metro Bank intends to extend its reach by opening 30 stores in the North, beginning in Manchester, Liverpool and Sheffield. As of the date of this Base Prospectus, Metro Bank has signed a lease for a new store in Manchester, purchased a freehold for a new store in Liverpool and signed a long lease for a new store in Sheffield. This growth of the store network may allow Metro Bank to reach an additional c. 15 per cent. of UK SMEs.
- *Launching digital innovations to drive scale:* Metro Bank intends to offer a straight through, end-to-end digital business account opening process that will allow it to compete for and win SME customers with a preference for digital account applications. This is designed to set Metro Bank apart from its competitors, who currently offer only limited digital services for SMEs, and whose onboarding processes often take days to process and involve human checks. This new application journey for business current accounts will include digital KYC checks, "selfie"-technology and e-signatures, as well as virtual debit card provisioning. Additionally, Metro Bank intends to develop a major new digital ecosystem of services to address critical SME needs, including launching three new propositions as part of a new suite of digital services to connect banking and bookkeeping for SMEs: 'MFlow', 'MPay', and a mobile cash collection service. 'MFlow' will be designed for sole-traders, solo self-employed and micro SMEs and will embed invoicing, receipt management and VAT returns within the Metro Bank mobile application and online banking. These features will also be upgradable through 'MFlow Connect' to be compatible for SMEs of all sizes. 'MPay' will be a market-first platform that will automate receivables and reconcile payments by providing an integrated range of services, including online, cash and cheque payments that can be included on invoices to improve cash flow and save businesses time on back-office administration. Mobile cash collection will enable customers to use the mobile application to order flexible cash drop-off and collection within the Metro Bank footprint areas to address security risks, cost of lost time and interest and cash handling hassle for SMEs. Finally, Metro Bank intends to launch Business Insights, an artificial intelligence-led account proposition that will build targeted analysis and insights on SMEs' cash flow and account use.

- *Building capabilities to serve larger and more complex SMEs:* Metro Bank plans to develop a wider range of products for SMEs to assist with lending, payments and cash management. For lending, Metro Bank intends to develop a new proposition with enhanced overdrafts, revolving credit facilities, small business loans, credit cards and secured loans, giving SMEs more lending choices. This will include ‘MCard+’, a commercial credit card platform to provide funds, spending controls, and insights for SMEs to optimize their cash flow. In addition, Metro Bank intends to deliver through FinTech partnerships a seamless, end-to-end small business lending process online and in-store, taking SMEs from application to acceptance in a matter of minutes and enabling funding to be released same day. For payments and cash management, SME customers will be able to automatically collect payments via direct debit, access automated liquidity management tools (such as sweeps and notional pooling) as well as open segregated individual accounts within corporate account structures. Metro Bank intends to also enhance its foreign exchange and trade services to help UK SMEs trade across the global market place.

The C&I Fund grant will be used to fund the salaries of colleagues for the 30 new stores for approximately 18 months and to finance the new digital and capability offerings to SMEs described above. Metro Bank has committed to a co-investment of £234 million (of which it expects 75 per cent. to be capitalised) which will be used to fund the construction, fit-out and leasing of the new stores, as well as IT and related costs associated with the non-store developments.

Deposit accounts

Business and Commercial Banking customers offer Metro Bank the opportunity to obtain large-scale deposit funding, and Metro Bank believes that business and 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 business and commercial customers.

Metro Bank offers a broad range of deposit accounts, 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.

For Business and 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 client 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 deposits by interest type as of 31 December 2017 and 2018, and 30 June 2019.

	As of 31 December		As of 30 June
	2017	2018	2019
	<i>(£ million)</i>		
	<i>(unaudited)</i>		
Demand: current accounts.....	3,682	4,685	4,305
Demand: savings accounts	5,303	6,924	5,509
Fixed term: savings accounts	2,684	4,052	3,889
Total	11,669	15,661	13,703

Lending

Metro Bank provides a variety of lending options for Business and 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 five years. 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 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 to the loans typically offered to Commercial Banking and larger Business Banking customers, Metro Bank offers 'small business loans', which are made in amounts from £2,000 to £250,000, have fixed interest rates, can be either secured or unsecured and are typically offered for a term of one to five years.

Metro Bank also 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.

As part of its evolving strategy, Metro Bank plans to rebalance its mixture of lending, which includes scaling back from Commercial real estate lending and increasing the percentage of mortgages together with Business and Commercial lending to trading businesses with broader service needs in order to optimise capital allocations and returns.

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 £51 million to £304 million as of 30 June 2019.

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 and Commercial 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 and Commercial 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.

Asset financing and invoice financing have well-established broker-led markets in the UK, and Metro Bank works with a wide range of intermediaries in this business. In 2018, intermediaries originated 75 per cent. of Metro Bank's business in asset financing, with remaining business coming from its own internal channels.

In 2018, intermediaries originated 24 per cent. of Metro Bank's business in invoice financing, with the remaining business coming from its own internal channels.

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 retail partnership and platform deposit solutions.

Metro Bank accepts specialist cash deposits from pension providers by providing Self Invested Personal Pensions and Small Self-Administered Scheme deposit solutions (typically instant access and deposit accounts), participates on a number of savings panels promoted via investment platforms, and offers customer portfolio lending to various wealth managers. The dedicated partnership administration team at Metro Bank comprises experienced banking administrators with expertise in the administration of cash deposits from retail partnership providers, investment platforms and trusts.

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.

Liquidity and Capital Resources

Liquidity

Metro Bank manages liquidity risk by maintaining sufficient liquid assets to meet (i) its internal liquidity requirement as defined by Metro Bank's Liquidity Policy which is managed by the Board and (ii) its regulatory liquidity requirements as measured by the LCR. Liquidity is held by Metro Bank in a range of high-quality liquid assets, primarily including cash and government bonds, in addition to covered bonds and AAA-rated

Residential Mortgage Backed Securities. Metro Bank maintains levels of liquidity that are in excess of those required by the PRA and its LCR was 163 per cent. as of 30 June 2019.

Capital Management Overview

Metro Bank is required to consider all material risks to which it is exposed and determine the capital required to ensure that, under both normalised and stressed conditions, it 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 (“**ROC**”). Metro Bank complied with all regulatory capital requirements throughout the year ended 31 December 2018.

Capitalisation

Metro Bank has levels of capital in excess of the requirements set from time to time by the PRA. As of 30 June 2019:

- Metro Bank’s fully loaded CRD IV CET1 ratio was 15.8 per cent.;
- Metro Bank’s Total Capital Ratio was 18.4 per cent.; and
- Metro Bank’s leverage ratio (CRR basis) was 7.0 per cent.

The table below sets forth Metro Bank’s total capital, split by type of capital, as of 30 June 2019.

	As of 30 June 2019
	<i>(unaudited)</i>
CET1 ratio.....	15.8%
Total regulatory capital	£1,760 million
Total risk-weighted assets	£9,559 million ¹

¹ Total risk-weighted assets were £6,944 million as of 30 June 2018.

The table below sets forth the composition of Metro Bank’s CET1 capital as of 30 June 2019.

	As of 30 June 2019
	<i>(unaudited)</i>
	<i>(£ million)</i>
Total Equity.....	1,767
add IFRS 9 transition adjustment.....	8
less unaudited profit for H1.....	(1)

	As of 30 June 2019
	<i>(unaudited)</i>
	<i>(£ million)</i>
less intangible assets	(217)
less deferred tax asset.....	(53)
add deferred tax liability on goodwill	7
Total CET1	1,511

Had the loan portfolio disposal taken place as of 30 June 2019, the risk weighted assets would have been £9,372 million, the CET1 ratio would have been 16.1 per cent., the Total Capital Ratio would have been 18.8 per cent. and the regulatory leverage ratio would have been 7.2 per cent as of that date.

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. Metro Bank believes that this infrastructure is scalable such that it can expand to support future growth with appropriate ongoing investment, and Metro Bank expects to continue to invest in modern technology.

Metro Bank's IT infrastructure is crucial to Metro 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 uses Temenos software for core banking services (T24) and Microsoft for CRM and Marketing (Dynamics), Management Information (PowerBI) and internal communications (Yammer) and Backbase for its digital facing channels. In July 2019, Metro Bank successfully upgraded T24, its core banking platform with the new version providing increased business capability and operational resilience. See "*Risk Factors – 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 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. Architectural design principles 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. 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 at the same time as driving cost efficiency by using offshoring and nearshoring opportunities.

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 trade mark "Metrobank" and its logo in the UK but does not hold the trade mark 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 30 June 2019, Metro Bank had 3,827 colleagues (31 December 2018, 3,937), approximately 40 per cent. of whom worked in Metro Bank stores.

Directors

Name ³	Age	Position
Vernon W. Hill, II ⁴	74	Chairman
Alastair (Ben) Gunn	68	Deputy Chairman
Sir Michael Snyder	69	Senior Independent Director
Craig Donaldson	47	Chief Executive Officer
David Arden	50	Chief Financial Officer
Catherine Brown	53	Independent Non-Executive Director
Eugene Lockhart	69	Non-Executive Director
Anna (Monique) Melis	53	Independent Non-Executive Director
Paul Thandi	53	Independent Non-Executive Director
Roger Farah	66	Independent Non-Executive Director
Stuart Bernau	68	Non-Executive Director

The business address of each of the Directors is One Southampton Row, London WC1B 5HA.

There is no family relationship between any of the Directors.

There are no conflicts of interest between any duties owed by the Directors to Metro Bank and their private interests or other duties.

³ Metro Bank announced in the H1 Trading Announcement 2019 that Michael Torpey will be appointed as a Non-Executive Director of Metro Bank effective from 1 September 2019.

⁴ Metro Bank announced in the H1 Trading Announcement 2019 that Mr Hill will continue as Chairman until a successor is appointed, after which he will remain as a Non-Executive Director, Founder and President of Metro Bank.

Directors' Biographies

Vernon W. Hill, II – Chairman

Vernon was the founder and Chairman of Commerce Bancorp, a start-up bank established in 1973 and sold to Toronto-Dominion Bank in 2007 for US\$8.5 billion, with US\$50 billion in assets and 440 stores. Vernon is involved in banking and non-banking related businesses and voluntary ventures in the United States. He is a graduate of the Wharton School of the University of Pennsylvania. Vernon is Chairman of Republic First Bancorp, Inc.

Alastair (Ben) Gunn – Deputy Chairman

Ben was Chief Executive and then Chairman of Friends Provident Life and Pensions Ltd as well as a Director of Friends Provident. As Chief Executive, he was responsible for all aspects of the Friends Provident Group's life and pensions activities worldwide. More recently, he was the Senior Independent Director at Aviva UK and Chairman of the Audit Committee at Avelo.

Sir Michael Snyder – Senior Independent Director

Michael was Senior Partner of Kingston Smith between 1979 and 2016 and is now a consultant to the firm. He has advised the 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.

Craig Donaldson – Chief Executive Officer

Craig was previously Managing Director, Retail Products and Direct Channels, of RBS UK. He was also Chairman 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 and Liabilities Committee. He serves on the Board of Directors at The City UK as Chairman of the Audit and Risk Committee.

David Arden – Chief Financial Officer and Company Secretary

David was previously CFO at Sainsbury's Bank and interim Managing Director of Argos Financial Services, following the successful acquisition of Home Retail Group by J Sainsbury plc in September 2016. David joined Sainsbury's Bank from Shop Direct Financial Services, where he was CFO. 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.

Catherine Brown– Non-Executive Director

Catherine holds various non-executive roles including: Non-Executive Board Member at the Cabinet Office, Non-Executive Director of FNZ (UK) Limited, and Chairman and Non-Executive Director of Additive Flow Limited and The Plastic Economy Limited. She is a Trustee of Cancer Research UK, one of the UK's largest charities. Catherine has extensive experience in strategy and organisational transformation in financial services and a wide range of experience in leadership and operations. Her previous appointments include: Group Strategy Director at Lloyds Banking Group, Executive Director of Human Resources at the Bank of England and Chief Operating Officer at Apax Partners.

Eugene Lockhart – Non-Executive Director

Eugene Lockhart is Chairman and Managing Partner at MissionOG, a growth equity investment firm with significant operational and investment experience across the financial services and payments industries.

Previously, he was a Special Adviser at General Atlantic and a Venture Partner at Oak Investment Partners. Prior to that, he was President of the Global Retail Bank at Bank of America, President & CEO at Mastercard International, and CEO at Midland Bank plc. He has been on the boards of many banking institutions including Midland Group Holdings, First Republic Bank, Bank America Corp., Mastercard Int'l, and A.P.A.C.S amongst others. Gene has also been the Chairman of the Board of CHAPS and Director of SWIFT.

Anna (Monique) Melis – Non-Executive Director

Monique is a Managing Director and Global Service line leader of Compliance and Regulatory Consulting at Duff & Phelps and is a non-executive director of Duff & Phelps (Luxembourg) Management Company S.a.r.l. 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 (CIMA) and Stock Exchange (CSX), the Financial Services Authority (FSA), and the Securities and Futures Authority (SFA) in the UK.

Paul Thandi – Non-Executive Director

Paul is CEO of the NEC group in Birmingham where he has overseen the growth of one of the world's top venue management companies. He is an experienced CEO, Chair and Non-Executive Director with diverse international media and service-led experience with an emphasis on people, innovation, data and culture. Paul has over 20 years' experience in the media industry, including as executive director at CMP Information (CMPi). He is also Deputy Lieutenant of West Midlands Lieutenancy, representing the Queen in the region.

Roger Farah – Non-Executive Director

Roger is Chairman of Tiffany & Co. He is a former Executive Vice Chairman of Ralph Lauren Corporation, also its President and Chief Operating Officer. Roger was previously Chairman and CEO of Footlocker, President and Chief Operating Officer of Macy's, Chairman and CEO of Federated Merchandising Services, and Chairman and CEO of Rich's Department Stores. Roger is a Director of CVS Health and The Progressive Corporation.

Stuart Bernau – Non-Executive Director

Stuart has specialised in financial services for over 40 years, including 13 years as a main Board Director of Nationwide Building Society. He was Chairman and CEO of Chelsea Building Society and has chaired the Council of Mortgage Lenders and the Financial Services Sector Skill Council. He was Special Adviser to the Treasury Select Committee from 2013 to 2015.

Michael Torpey – Non-Executive Director

On 24 July 2019, Metro Bank announced the appointment of Michael Torpey as a new Independent Non-Executive Director. Michael retired from the position of Chief Executive of the Corporate & Treasury division and Member of the Group Executive Committee at Bank of Ireland in August 2018. He has extensive experience in senior roles across financial services. His past appointments include Head of Banking at the National Treasury Management Agency in Ireland, Group Treasurer at Irish Life and Permanent plc, Senior Treasury Adviser at Irish Financial Regulator, Finance Director at Ulster Bank Group and Finance Director at First Active plc. Michael will join the Board with effect from 1 September 2019.

Senior Managers

The Senior Managers, and their respective positions within Metro Bank, are listed below:

Name	Age	Position
Aileen Gillan	50	Chief Risk Officer
Aisling Kane	50	Chief Operating Officer
Danielle Harmer	52	Chief People Officer
Ian Walters	56	Managing Director – Retail and Business Banking
Mark Stokes	57	Managing Director - Commercial Banking
Paul Riseborough	40	Chief Commercial Officer
Daniel Frumkin	55	Chief Transformation Officer
Cheryl Newton	55	Chief Information Officer

The business address of each of the Senior Managers is One Southampton Row, London WC1B 5HA.

There is no family relationship between any of the Senior Managers.

There are no conflicts of interest between any duties owed by the Senior Managers to Metro Bank and their private interests or other duties.

Management and Oversight

Board

Based on the recommendations of the ROC, the Board has ultimate responsibility for setting Metro Bank’s risk appetite, which takes into consideration the interests of depositors, customers and shareholders.

The Board approves the level of risk that Metro Bank is willing to accept and ensures there is an adequate framework in place for the reporting and management of those risks. The Board is responsible for ensuring that management has established and maintains a robust control environment to manage the principal risks and is responsible for ensuring the capital and liquidity resources are adequate to achieve Metro Bank’s objectives without taking undue risk.

The Board also maintains close oversight of current and future activities, through a combination of monthly board reports, including financial results, operational reports, budgets and forecasts and periodic reviews of the main risks set out in the Internal Capital Adequacy Assessment Process and Individual Liquidity Adequacy Assessment Process reports.

Risk Oversight Committee

The ROC assists the Board in providing leadership, direction and oversight with regard to Metro Bank’s risk governance and management and also assists the Board in fostering a culture within Metro Bank that emphasises and demonstrates the benefits of a risk-based approach to risk management and internal control. The ROC meets at least five times a year and works closely with the Audit Committee.

The ROC is chaired by a Non-Executive Director and comprises a further three Non-Executive Directors. The CEO, CFO and Chief Risk Officer each attend as guests.

The ROC:

- recommends to the Board Metro Bank’s risk appetite and regularly reviews Metro Bank’s risk exposures in relation to the risk appetite;
- reviews Metro Bank’s risk policies, and approves or recommends to the Board for approval; and

- monitors the effectiveness of Metro Bank’s risk management processes and procedures.

The chair of the ROC meets with the Chief Risk Officer and other senior leaders of Metro Bank regularly throughout the year to discuss risk management and control activity.

Audit Committee

The Board has delegated responsibility for reviewing the effectiveness of Metro Bank’s internal controls to the Audit Committee. The Audit Committee meets at least five times a year and monitors and considers the internal control environment focusing on operational risks and internal and external audits.

The Audit Committee is chaired by a Non-Executive Director and comprises a further two Non-Executive Directors. The CEO, the CFO and the Chief Risk Officer also attend.

The Audit Committee:

- monitors the integrity of Metro Bank’s financial statements, reviewing significant financial reporting issues and any judgements which they contain;
- monitors and reviews the effectiveness of the internal audit function and approves the appointment or removal of the Head of Internal Audit; and
- oversees the relationship with Metro Bank’s external auditor, including reviewing the engagement terms and fees, monitoring their independence and quality control, as well as the audit findings, management letter and audited accounts.

The chair of the Audit Committee meets with both internal and external auditors regularly throughout the year.

Executive Management Committees

The CEO, supported by Metro Bank’s executive management team, is responsible for executing the strategy of Metro Bank and making decisions and recommendations to the Board, as appropriate, through the following committees:

- Asset and Liabilities Committee (“ALCO”);
- Executive Risk Committee;
- Credit Sanctioning Committee;
- Credit Risk, Policy and Appetite Committee; and
- Chief Executive Leadership Committee.

The Board has delegated responsibility for managing and overseeing Metro Bank’s exposure to liquidity, interest rate and market risk to ALCO.

ALCO meets monthly and is responsible for ensuring that:

- an appropriate balance is maintained between funding and lending activities, ensuring that Metro Bank meets internal liquidity targets as set out in the liquidity policy;
- an analysis of financial market trends is considered along with actual and projected business performance to assess the adequacy of funding to meet the projected targets;
- all pricing decisions are agreed at ALCO to ensure absolute visibility of trading, liquidity and market, and capital impact; and

- monitoring interest rate risk.

ALCO is chaired by the CFO. The CEO, Chief Risk Officer, Treasurer, Chief Operating Officer and the various heads of business are members of the committee.

Executive Risk Committee

The Executive Risk Committee meets monthly and is responsible for:

- reviewing business performance in relation to risk appetite across operational, regulatory (including Anti-Money Laundering/Combating the Financing of Terrorism) and conduct risks;
- oversight of the operation of Metro Bank's Enterprise Risk Management framework; and
- oversight of the performance of the key risk indicators.

The Credit Sanctioning Committee meets up to twice weekly and is chaired by either the Chief Risk Officer or Director of Commercial Credit. Its membership comprises the CEO, CFO, Chief Risk Officer, Managing Director Commercial Banking or Managing Director, Retail and Business Banking.

Credit Risk Policy and Appetite Committee

The Credit Risk Policy and Appetite Committee meets monthly and is responsible for:

- overseeing Metro Bank's credit risk policies;
- reviewing proposals on risk appetite;
- approving significant exceptions to policy;
- monitoring portfolio performance against Metro Banks's set risk appetites;
- (with the CFO) approving impairment levels; and
- approving all material aspects of IRB rating systems, including all material models.

The Credit Risk Policy and Appetite Committee is chaired by the Chief Risk Officer. Its membership comprises the CEO, CFO, Director of Commercial Credit, Director of Credit Risk & Analytics, Managing Director Commercial Banking, Managing Director, Retail and Business Banking, Chief Operations Officer, Chief People Officer and Chief Commercial Officer.

Chief Executive Leadership Committee

The Chief Executive Leadership Committee meets at least weekly and covers (in rotation) the following topics:

- **Audit:** reports on completed audits and the progress of existing audits, as well as audit findings;
- **Trading Performance:** responsible for reviewing trading performance across each of the business lines within Metro Bank;
- **Finance:** responsible for reviewing performance across actual and forecasted costs, income, capital, and provisions;
- **Voice of the Customer:** provides direction on actions required to help ensure Metro Bank delivers amazing customer service and consistently fair customer outcomes;
- **Voice of the Colleague:** responsible for embedding and strengthening Metro Bank's unique culture through people interventions, and for reviewing the performance of key colleague metrics;

- **Change:** responsible for prioritising and reviewing progress of current in-flight change initiatives and approving submitted business cases; and
- **IT & Operations:** responsible for reviewing the IT and operational performance across Metro Bank, agreeing strategic direction and identifying any areas requiring remedial action.

Litigation and Arbitration Proceedings

The following is a summary of all governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position, operations or profitability of the Issuer or the Group.

PRA and FCA investigations

On 26 February 2019, Metro Bank received notification that the PRA and FCA intended to independently investigate the circumstances and events that led to the adjustment to Metro Bank's RWAs announced on 23 January 2019. In August 2019, Metro Bank received a further notice that the FCA was extending the scope of its investigation into the RWA Matter to include certain senior members of management and to cover the period from 1 June 2017 through Metro Bank's Q4 2018 trading update on 26 February 2019. These investigations are focusing on Metro Bank's regulatory reporting; the systems, controls and governance Metro Bank has in place to ensure compliance with its reporting and disclosure obligations; and the timing and content of announcements related to the RWA matter and the AIRB approach announced as part of Metro Bank's Q4 2018 trading update in February 2019. As of the date of this Base Prospectus, these investigations remain ongoing. Please also see *"Risks relating to the Operation of Metro Bank's Business - Claims, investigations and litigation, and in particular recent on-going regulatory investigations by the PRA and the FCA into the circumstances surrounding Metro Bank's adjustment of its RWAs, could adversely affect Metro Bank's brand, reputation and earnings"*

Arkeyo

Arkeyo LLC, a software company based in the United States, filed a civil suit against Metro Bank in June 2017 (which was subsequently amended and refiled in February 2019) in the United States District Court for the Eastern District of Pennsylvania, alleging, among other matters, that Metro Bank misappropriated certain of Arkeyo's trade secret technology relating to money counting machines (i.e. Metro Bank's Magic Money Machines). Arkeyo has sought damages in respect of a number of claims. Metro Bank has filed a Motion to Dismiss in respect of Arkeyo's claim.

Sanctions related matters

In November 2017, Metro Bank gave notice (the "Notice") to the US Office of Foreign Assets Control that a UK-based entity with which the Issuer held a banking relationship was subject to US sanctions relating to Cuba. Metro Bank terminated its relationship with the relevant entity. In addition, in 2019, Metro Bank discovered that a payment made into a customer account, processed via a UK-based financial institution, originated from a UK-based subsidiary of an Iranian entity. Following the identification of the payment, the Issuer updated the Notice. As of the date of this Base Prospectus, the review is ongoing. Please also see *"Risks relating to the Operation of Metro Bank's Business - Metro Bank must comply with anti-money laundering, anti-bribery and sanctions regulations"*

Putative securities class actions

On 30 May 2019, a putative class action was filed against Metro Bank and certain current and former officers and directors of Metro Bank in a US federal court in Los Angeles, California alleging material

misrepresentations and/or omissions made about Metro Bank's capital resources. Metro Bank intends to defend itself vigorously in this matter.

Based on the facts currently known as of the date of this Base Prospectus, it is not practical to predict the outcome of any of these matters, including any financial impact. Metro Bank is not subject to any other regulatory investigations, reviews or any legal proceedings which could have a material impact on the business.

Material Contracts

The following are summaries of all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by Metro Bank or any member of the Group (i) within the two years immediately preceding the date of this Base Prospectus which are, or may be, material to Metro Bank or the Group, or (ii) at any time and contain obligations or entitlements which are, or may be, material to Metro Bank or the Group at the date of this Base Prospectus.

C&I Fund Agreement

The BCR announced on 22 February 2019 that it had awarded Metro Bank a grant of £120 million (the "**Funding Amount**") as a Pool A applicant to the C&I Fund. The BCR and Metro Bank entered into the Capability and Innovation Fund Agreement on 1 April 2019 (the "**C&I Fund Agreement**") pursuant to which the BCR agreed to transfer the Funding Amount to Metro Bank.

The C&I Fund is a scheme funded by RBS and designed as part of the measures agreed between RBS, the UK Government and the European Commission to encourage competition in the SME banking market in the wake of the 2008 financial crisis and the aid that RBS received from the UK government at that time.

Pursuant to the terms of the C&I Fund Agreement, Metro Bank has provided an undertaking that the Funding Amount will be used only for the following purposes in connection with the expansion of Metro Bank's UK SME business: (i) development of systems and/or infrastructure; (ii) recruitment and payment of employees; (iii) marketing of products; and (iv) acquisition or leasing of premises, or for any other purpose consistent with the overarching principles of the C&I Fund (being the improvement of UK SME customer outcomes and/or the expansion of business capacity, product offerings and target markets in order to improve the applicant's UK SME offerings).

Under the terms of the C&I Fund Agreement, Metro Bank has agreed to provide certain quarterly and other updates to and consult with the BCR on the utilisation of the Funding Amount and developments in Metro Bank's UK SME business, including details of Metro Bank's SME business volumes. In addition, Metro Bank has agreed to meet with the BCR as soon as reasonably practicable after the date six months from the date of the C&I Fund Agreement to report on and discuss Metro Bank's business case in respect of the C&I Fund and consider any changes to the business case which may be necessary or desirable. Metro Bank has also given certain warranties to the BCR in relation to Metro Bank and the business case provided in respect of the C&I Fund, as well as indemnified the BCR and certain persons connected with it for losses relating to the C&I Fund Agreement (subject to a total aggregate liability of the Funding Amount).

Where Metro Bank is unable to use the Funding Amount in accordance with its approved business case, the BCR may request repayment (in full or part) of the Funding Amount, together with interest. Where a material breach of the C&I Fund Agreement is determined by the BCR to have occurred (including the Funding Amount being used for a prohibited purpose), the BCR may require Metro Bank to remedy such breach within three months or, if not capable of remedy, request repayment (in full or part) of the Funding Amount together with interest. In addition, Metro Bank has agreed that if there is a change of control such that Metro Bank's parent undertaking or another subsidiary undertaking of such parent undertaking is a bank with an SME market share of more than 14 per cent., Metro Bank shall return to the BCR any part of the Funding Amount not spent at the date such change of control transaction is announced.

2018 Acquisition Agreement

Pursuant to the terms of the acquisition agreement dated 23 February 2018 (the “**2018 Acquisition Agreement**”), Metro Bank purchased a portfolio of UK mortgages from CERH RSMC Sub B.V. and Capital Home Loans Limited. The acquisition of the mortgage portfolio was completed on 1 March 2018. The consideration for the portfolio of mortgages was £523 million, which was financed using cash from existing resources. The portfolio was acquired at a discount to par and the consideration represented the value at which the acquired mortgages would be taken on to Metro Bank's balance sheet. All lending in the portfolio was secured on property, predominately in London and the South East, with the remainder spread across the UK, and was a similar credit risk profile to Metro Bank's existing mortgage book. The portfolio primarily consisted of variable rate buy-to-let mortgages, 98 per cent. linked to the Bank of England base rate. The 2018 Acquisition Agreement contained customary warranties in relation to the mortgages being transferred, and the warranties are subject to customary limitations.

2017 Acquisition Agreement and the Subsequent Loan Portfolio Disposal

On 2 June 2017, Metro Bank purchased a portfolio of UK mortgages from Cerberus European Residential Holdings B.V. (the “**2017 Acquisition Agreement**”). On 24 July 2019, Metro Bank announced the sale of the portfolio to an affiliate of Cerberus Capital Management for consideration of £521 million, in order to gradually manage the Issuer's LTV Ratio back towards the medium-term target range of 85 to 90 per cent. The sale agreement contains customary warranties in relation to the mortgages being transferred and the warranties are subject to customary limitations.

SUPERVISION AND REGULATION

UK Regulatory Bodies

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

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

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

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

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

Metro Bank is authorised by the PRA and regulated by the FCA and the PRA.

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

For the purposes of this Base Prospectus, the terms “**Relevant Regulator**” and “**Relevant Regulators**” refer, as the context requires, to one or more of the PRA, the FCA and/or the FPC.

The PRA’s general objective

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

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

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

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

The FCA’s objectives

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

- (i) securing an appropriate degree of protection for consumers (the consumer protection objective);
- (ii) promoting effective competition in the interests of consumers in financial markets (the competition objective); and
- (iii) protecting and enhancing the integrity of the UK financial system (the integrity objective).

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

The UK Government

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

The Financial Ombudsman Service

The FSMA established the FOS, which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licensees and certain other businesses, in respect of activities and transactions under its jurisdiction. The FOS determines complaints on the basis of what, in its opinion, is fair and reasonable in all the circumstances of the case. The maximum level of money awarded by the FOS is £350,000 for complaints received by the FOS in regard to actions by firms on or after 1 April 2019 (£160,000 for complaints in regards to actions prior to 1 April 2019) plus interest and costs. The FOS may also make directions awards which direct the relevant business to take steps which the FOS considers just and appropriate.

UK Regulation

Overview of UK financial services regulation

Financial Services and Markets Act 2000

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

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

The Relevant Regulators are responsible for the authorisation and supervision of institutions that provide regulated activities in the UK. Metro Bank is authorised by the PRA and regulated by the FCA and the PRA with permission to undertake, among other things, deposit-taking and mortgage activities. Authorised firms must at all times meet certain “threshold conditions” specified by the FSMA, which were modified to reflect the new regulatory structure under the FSA 2012. Dual-regulated firms, such as Metro Bank, need to meet both the PRA’s threshold conditions and the FCA’s threshold conditions. The FCA threshold conditions applicable to PRA-authorized firms are, at a high level, that: (i) the firm is capable of being effectively supervised; (ii) the firm maintains appropriate non-financial resources; (iii) the firm itself is fit and proper, having regard to the FCA’s operational objectives; and (iv) the firm’s strategy for doing business is suitable, having regard to the FCA’s operational objectives. At a high level, the PRA threshold conditions require: (a) a firm’s head office and, in particular, its mind and management to be in the UK if it is incorporated in the UK; (b) a firm’s business to be conducted in a prudent manner and, in particular, that the firm maintains appropriate financial and non-financial resources; (c) the firm itself to be fit and proper, having regard to the PRA’s objectives and appropriately staffed; and (d) the firm to be capable of being effectively supervised. Related to this, the PRA must formally approve persons who intend to become “controllers” of Metro Bank (or who intend to increase their control over Metro Bank in a way which results in them falling into a different threshold of control) and must be kept informed of the persons who are controllers of Metro Bank and closely-linked persons of Metro Bank. A controller of Metro Bank is broadly any person who, whether acting alone or “acting in concert” holds 10 per cent. or more of the shares or voting power in Metro Bank or a parent undertaking of Metro Bank or anyone who holds shares or voting power in Metro Bank or a parent undertaking of Metro Bank as a result of which they are able to exercise significant influence over the management of Metro Bank.

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

The Senior Managers and Certification Regime was recently extended to apply to all insurers regulated by the FCA and the PRA (from December 2018). It will also apply to all solo-regulated firms (those firms regulated by the FCA only) from 9 December 2019. The aim of this is to ensure that the same standards apply in respect of both banking and other financial services.

Financial services regulatory source materials

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

Once authorised, and in addition to continuing to meet the threshold conditions (the minimum standards for becoming and remaining authorised), firms are obliged to comply with the FCA’s Principles and, if a dual-regulated firm, the PRA’s Fundamental Rules, which include requirements to: conduct their business with due

skill, care and diligence; treat customers fairly; and communicate with customers in a manner that is clear, fair and not misleading. The eleven Principles and eight Fundamental Rules are set out in the FCA Handbook and PRA Rulebook respectively.

Other parts of the FCA Handbooks and PRA Rulebook and other source materials which are of particular relevance to Metro Bank include the Senior Management Arrangements, Systems and Controls sourcebook, the Consumer Credit sourcebook (or “**CONC**”), the Banking Conduct of Business sourcebook, the Mortgages and Home Finance: Conduct of Business sourcebook (or “**MCOB**”), the Supervision sourcebook (or “**SUP**”) and the Dispute Resolution: Complaints sourcebook (or “**DISP**”) and those materials which deal with prudential capital, liquidity and the leverage ratio requirements (see paragraph 2.2 below).

Supervision

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

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

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

Enforcement

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

Challenging the PRA/FCA

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

Capital adequacy, prudential regulation and the European regulatory landscape

Capital adequacy is the concept that a bank should have a certain amount of “regulatory capital” which is correlated to the risks associated with the business carried on by it and which provides a buffer of value that can, if necessary, absorb losses. This is generally calculated as minimum ratio of total capital to RWAs and is expressed as a percentage. Broadly, capital adequacy regulation started with the Basel Accord, published by the Basel Committee on Banking Supervision in 1988. This was then implemented throughout the EU by a number of EU Directives. Both the Basel Accord and the EU Directives have been amended over time, as noted below, both in response to general market developments and the financial crisis of 2007/2008. The regime which now applies is more complex, onerous and encompasses both capital and liquidity issues, as well as addressing other regulatory matters, such as the leverage ratio, all as summarised below and which together form part of the prudential regulatory framework.

Metro Bank is subject to prudential regulation in the UK, where the prudential regulator for banks is the PRA.

Background

By 2006, the European regulatory capital regime (which was largely implementing the revised Basel Accord known as Basel II) was set out in the recast Banking Consolidation Directive and the Capital Adequacy Directive (together “**CRD**”). The CRD prescribed minimum standards in key areas of mainly capital regulation and required Member States to give mutual recognition to each other’s standards of regulation. CRD also permitted “passporting”, which amounts to the freedom of a credit institution authorised in its “home” state (as defined in the CRD) to establish branches in, and to provide cross-border services into, other Member States. Although credit institutions are primarily regulated in their home state by a local prudential regulator, as suggested above, the CRD prescribed minimum criteria for regulation of the authorisation of credit institutions and the prudential supervision applicable to them.

The financial crisis of 2007/2008 highlighted a number of shortcomings in prudential regulation generally and resulted in a series of changes to the CRD.

At the same time, the Basel Committee was undertaking a more fundamental and comprehensive review of the prudential capital regime which resulted in the “Basel III” proposals largely finalised in 2011. These proposals included imposing: increased quality and quantity requirements for capital generally; new capital buffer requirements; increased capital requirements for counterparty credit risk for exposures for derivative and certain other transactions; the introduction of a new leverage ratio, as well as a new prudential liquidity regime; and heightened requirements for global systemically important banks. The leverage ratio is, broadly, a ratio of capital against certain unweighted exposures and is a new prudential tool designed to prevent excessive leverage. The new liquidity regime introduced two liquidity ratios which a bank must meet: the LCR, which addresses short-term liquidity issues and the NSFR, which requires a bank to have long-term stable funding. The Basel Committee has undertaken further work on certain aspects of the Basel III proposals and, for example, its final rules on NSFR were published on 31 October 2014 and became a minimum standard on 1 January 2018.

Current regulatory regime – some key details

The Basel III proposals were largely adopted (subject to certain detailed differences) in Europe through the CRR, which has direct effect, and the Capital Requirements Directive (2013/36/EU) (“**CRD IV**”) which had to be separately implemented by European Member States (together the CRR and CRD IV are also referred to as “**CRD IV**”). CRD IV now reflects the Basel III proposals as adopted and a recast version of the pre-existing CRD based regime to the extent not inconsistent with CRD IV.

The majority of the provisions of CRD IV applied from 1 January 2014, but in some cases were subject to a phased implementation timetable.

However, it is noted that Member States can:

- implement some aspects of CRD IV which are subject to staggered implementation on an accelerated or more onerous timetable;
- in some cases, have separate national rules which supplement the CRD IV regime to the extent not inconsistent with it; and
- avail of some limited discretions in relation to implementation.

The PRA has already used this flexibility in a number of areas relating to capital and liquidity but has generally not availed of all the discretions available to it. For example, it has taken a more onerous approach to the implementation of certain capital requirements (as discussed in PRA Policy Statement PS 7/13) and, with effect from 1 October 2015, implemented a newly revised national liquidity regime to sit alongside the LCR (refer to Policy Statement PS 11/15 and Supervisory Statements SS 24/15 and SS 29/15). In particular, the UK's national liquidity regime requires a bank to have sufficient amounts of good quality liquidity resources to meet its liabilities as they fall due. This may require more liquidity resources to be held than those calculated under the LCR. All of these measures apply to Metro Bank.

Current regulatory regime – additional considerations (additional capital, buffers and stress tests)

The specific detailed technical rules for calculating capital as set out in CRD IV (and any implementing delegated regulations, technical standards and guidance) broadly require capital to be held against risks associated with credit risk, market risk and operational risk arising from a bank's activities. The PRA considers that in some cases the rules do not fully capture the risks involved and other risks not captured by such rules are also relevant when determining capital requirements. Accordingly, (as required under CRD IV) national supervisors (in the UK, the PRA) separately evaluate the activities, and risk profile, of a bank to determine whether it should hold higher levels of capital, such additional capital being referred to as Pillar 2 capital. The PRA has adopted a revised approach to Pillar 2 requirements (refer to PRA Policy Statement PS 17/15, Supervisory Statements SS31/15 and SS32/15 and its Statement of Policy 'The PRA's methodologies for setting Pillar 2 Capital'). Although part of the Pillar 2 capital requirement (Pillar 2A) can be met with a blend of regulatory capital, including CET1 capital, the subset of Pillar 2 capital known as Pillar 2B (or the PRA buffer), which addresses risks due to the economic environment must be met solely with CET1 capital.

CRD IV introduced certain new capital buffer requirements (the implementation of which was, in some cases, staggered) which have been implemented by the PRA. Failure to meet the CRD IV buffer requirements can result in restrictions on the ability to make certain specified distributions.

In October 2013, the Bank of England released a discussion paper proposing a new framework for annual, concurrent stress tests of participants in the UK banking system and from 2014 annual stress tests were implemented for the major UK banks and building societies. In October 2015, the Bank of England published its approach to stress testing the UK banking system, setting out the main features of its stress-testing framework. The framework applies to PRA regulated banks and building societies with total retail deposits greater than £50 billion (on an individual or consolidated basis) and so does not currently apply to Metro Bank.

Current regulatory regime – leverage ratio

The PRA took early steps in December 2013 to apply a 3 per cent. leverage ratio as a quantitative test to certain major UK banks and building societies. This test was extended from 1 January 2016 to apply to PRA regulated banks and building societies with individual or consolidated retail deposits equal to or greater than £50 billion. In October 2017 the PRA published Policy Statement 21/17 'UK leverage ratio: treatment of claims on central banks' (also relevant to PRA-regulated banks and building societies with retail deposits equal to or greater than

£50 billion) which increased the leverage ratio to 3.25 per cent. It does not yet apply to Metro Bank. However, the CRR leverage ratio has applied as a quantitative test (as of 1 January 2018).

Current regulatory regime – interpretation and change

Amendments to CRR and CRD IV (referred to collectively below as “**CRD V**”) will bring a new approach for the measurement of counterparty credit risk, the implementation of the Net Stable Funding Ratio, 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 and remuneration. CRD V was published in the Official Journal of the EU on 7 June 2019 and entered into force on 27 June 2019. The majority of the amendments to the Capital Requirements Directive (2013/36/EU) are required to be transposed into national law by 28 December 2020, with application immediately thereafter. The amendments to CRR will, however, apply from 28 June 2021 (subject to certain earlier applications and exemptions, such as those relating to the transitional arrangements for IFRS 9 and the characteristics of new regulatory capital instruments which are already in effect). The relevant amendments to CRD IV which would require to be transposed by EU member states are included in the relevant schedule to the Financial Services (Implementation of Legislation) Bill (the “**Bill**”). The Bill provides the UK Government with the power to choose to implement only those EU requirements, or parts of those requirements, which are both appropriate and beneficial for the UK and adjust and improve the legislation as it is brought into UK law to ensure that it works for UK markets. The Bill was due to have its report stage and third reading in the House of Commons on 4 March 2019 but this has now been postponed with a further date to be announced.

In addition, the Basel Committee published a package of further revisions to Basel III in December 2017, including changes to: the standardised approach for credit risk; the internal ratings-based approaches for credit risk; the credit valuation adjustment risk framework; the operational risk framework; the leverage ratio framework; and a revised output floor. Although Basel III does not directly apply to Metro Bank, or to other firms, the Basel Committee expects these changes to be implemented by regulators from January 2022, with transitional arrangements for the output floor up to January 2027. In August 2019, the EBA published its advice to the European Commission on the implementation of the further revisions to Basel III in the EU, which included a set of policy recommendations and demonstrated increased minimum capital requirements across the EU banking sector. However, until such rules are translated into UK legislation, it would be premature to estimate the full impact or timelines.

The interpretation and scope of CRD IV (including as amended by CRD V) may change further over time as, among other things, additional delegated regulations, technical standards and guidance are provided on it by relevant regulatory bodies, including the PRA and the EBA. Therefore, the impact of CRD IV and CRD V on the calculation of capital and liquidity and other prudential requirements may change over time to reflect such developments, which might also affect the way in which the PRA interprets or applies CRD IV and CRD V to UK banks. In addition, it is noted that European legislators may implement changes in the future which would affect CRD IV and CRD V and a number of proposals are being considered by the Basel Committee in this area.

For more information see “*Risk Factors – Regulatory Risks – Metro Bank is subject to prudential regulatory capital and liquidity requirements*”.

Recovery and resolution

Banking Act 2009 and BRRD

Following the financial crisis of 2007/2008, the Banking Act 2009 was introduced in the UK to provide a bespoke framework to facilitate the resolution of banks which, broadly, are failing or are likely to fail to meet their regulatory threshold conditions and which cannot be assisted through normal regulatory action or market-

based solutions. The legislation conferred significant new powers on HM Treasury, the Bank of England and, originally, the FSA but now the PRA and FCA to deal with and stabilise banks suffering financial difficulties by placing them into what is referred to as a resolution pursuant to the special resolution regime (the “**SRR**”). It also established two new insolvency procedures for banks.

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

The Banking Act 2009 has been amended to reflect 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 entity or the shares of the relevant entity to a third party private sector purchaser; (ii) transfer of all or part of the business of the relevant 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 entity to an asset management vehicle created and part owned by the Bank of England or Treasury; (iv) temporary public ownership of the relevant entity; and (v) bail-in, which effectively allows the relevant 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.

The Banking Act requires that loss absorbing capital instruments (such as Tier 2 Capital Notes and Senior Non-Preferred 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 permanently write-down, or convert into equity, Tier 1 capital instruments and Tier 2 capital instruments (such as the Tier 2 Capital Notes which can be issued under this Programme) 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 the Issuer). 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 Tier 2 Capital 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.

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).

MREL Requirements

Institutions subject to BRRD are also required to meet MREL requirements capable of being bailed-in. The MREL requirement is equal to a percentage of total liabilities and own funds to be set by the Bank of England. Items eligible for inclusion in MREL include an institution's own funds along with other, more senior 'eligible liabilities' in the form of debt instruments. Under BRRD II (as defined below) the calculation method will be recalibrated such that it is, effectively, expressed by reference to total risk exposures and leverage requirement exposures. See also the section below entitled "*BRRD II*".

Furthermore, the MREL SoP 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 MREL SoP, 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 MREL SoP also states that an institution's MREL will be equivalent to its minimum regulatory capital requirements. The MREL SoP also specified that capital buffers must be met in addition to MREL. For more information, see "*Risk Factors – Regulatory Risks – Metro Bank is subject to rules relating to resolution planning and regulatory action that may be taken in the event of a bank failure*".

In October 2017 the Bank of England published a report outlining its approach to resolution of banks, building societies and certain investment firms (updating an October 2014 version). The publication explains the key features of the UK resolution regime, including the Bank of England's statutory responsibilities and powers and how it would be likely to implement a resolution.

BRRD II

In 2017 the European Commission proposed reforms to BRRD in order to, amongst other things, implement in the EU the Financial Stability Board's total loss absorbing capacity standard by adapting the existing regime relating to MREL and to adjust the manner in which firms' MREL requirement is to be calculated (such changes being known as "**BRRD II**"). BRRD II was published in the Official Journal of the EU on 7 June 2019 and entered into force on 27 June 2019. BRRD II must be transposed into national law by no later than 28 December 2020 with national regulators having until 1 January 2024 at the latest to impose full MREL requirements on firms. The changes set out in BRRD II also include the introduction of a new pre-resolution moratorium power. BRRD II is included in the relevant schedule to the Financial Services (Implementation of Legislation) Bill. The Bill provides the UK Government with the power to choose to implement only those EU requirements, or parts of those requirements, which are both appropriate and beneficial for the UK and adjust and improve the legislation as it is brought into UK law to ensure that it works for UK markets. The Bill was due to have its report stage and third reading in the House of Commons on 4 March 2019 but this has now been postponed with a further date to be announced.

Consumer credit regulation

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

Under the Consumer Credit Regime, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 has been amended so that consumer credit activities, including entering into a “regulated credit agreement” as lender, are “regulated activities” for the purposes of the FSMA. A “regulated credit agreement” is any “credit agreement” that is not an “exempt agreement”. A “credit agreement” is any agreement between an individual or relevant recipient of credit (“A”) and any other person (“B”), under which B provides A with “credit” of any amount. Credit is widely defined and includes cash loans and any other form of financial accommodation. Exempt agreements include certain agreements predominantly for the purposes of a business, certain agreements secured on land and agreements relating to the purchase of land where a local authority or other specified type of organisation is the lender. Other regulated consumer credit activities include credit broking, debt-related consumer credit activities, entering into a regulated consumer hire agreement as owner, operating an electronic system in relation to lending and providing credit information services and credit references.

Key features of the Consumer Credit Regime include:

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

Consumer Credit Directive

In April 2008, the European Parliament and the Council of the EU adopted a second directive on consumer credit (Directive 2008/48/EC) (the “**Consumer Credit Directive**”) which provided that, subject to exemptions, loans of between €200 and €75,000 inclusive must be regulated. The Consumer Credit Directive repealed and replaced the first consumer credit directive and required Member States to implement the directive by measures in force by 11 June 2010. Loan agreements secured by land mortgage are exempted from the Consumer Credit Directive.

The European Commission is currently evaluating the effectiveness, efficiency, coherence, relevance and EU added value of the Consumer Credit Directive. The evaluation is expected to conclude in the fourth quarter of 2019.

Mortgage Credit Directive

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

The MCD entered into force in the UK in March 2016. Changes included amendment of the definition of “regulated mortgage contract” to include second charge lending, bringing the regulation of second charge mortgage lending into line with first charge lending (rather than it being regulated under the FCA’s Consumer Credit Regime), and the establishment of a framework for regulating buy-to-let mortgage lending to consumers.

Mortgage lending

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

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

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

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

Principal changes are to promote responsible lending and include:

- (i) more thorough verification of borrowers’ income (no self-certification of income, mandatory third party evidence of income required);
- (ii) assessment of affordability of interest-only loans on a capital and interest basis unless there is a clearly understood and believable alternative source of capital repayment;
- (iii) application of interest rate stress tests – lenders must consider likely interest rate movements over a minimum period of five years from the start of the mortgage term;

- (iv) when making underwriting assessments lenders must take account of future changes to income and expenditure that a lender knows of or should have been aware of from information gathered in the application process;
- (v) lenders may base their assessment of customers' income on actual expected retirement age rather than state pension age. Lenders will be expected to assess income into retirement to judge whether the affordability tests can be met;
- (vi) significant changes to mortgage distribution and advice requirements (including a requirement that advice must be given during most interactive sales); and
- (vii) changes in relation to arrears management and requirements on contract variations such as when additional borrowing is requested.

Payment Services Regulation

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

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

The general functions of the Payment Systems Regulator are:

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

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

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

European regulatory landscape

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

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

The European Parliament and Council have sought to create an integrated market for electronic payments in euro, with no distinction between national and cross-border payments. This single euro payments area (“**SEPA**”) project aims to develop common EU-wide payment services to replace current national payment services. PSD II provides a modern legal foundation for the creation of an internal market for payments and regulations of the European Parliament and Council have been adopted with a view to furthering this aim.

Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009 (the “**SEPA Regulation**”) lays down rules for credit transfer and direct debit transactions denominated in euro within the EU. The implementation of the SEPA Regulation was staggered. The general date by which credit transfers and direct debits were to be carried out in accordance with the SEPA Regulation was 1 February 2014. However, an amendment to the SEPA Regulation introduced a transitional period of six months to 1 August 2014 to reflect the fact that it was unlikely that all market participants would be in compliance with the SEPA Regulation by 1 February 2014. Credit transfers and direct debit transactions denominated in euro in countries outside the euro area were required to be carried out in accordance with the SEPA Regulation from 31 October 2016.

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

UK ring-fencing regime

On 14 June 2012, HM Treasury issued a White Paper entitled “*Banking reform: delivering stability and supporting a sustainable economy*”, on how the UK Government intends to implement the measures recommended by Sir John Vickers’ Independent Commission on Banking’s final report of 12 September 2011. Broadly, the White Paper covers the following areas: the ring-fencing of vital banking services from

international and investment banking services; measures on loss absorbency and depositor preference; and proposals for enhancing competition in the banking sector.

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

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

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

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

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

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

Looking forward, if Metro Bank increases the size of its deposit book over time, it may reach the threshold for deposits at which it is required to implement ring-fencing and separate its business on the basis described above. Effecting a reorganisation or introducing new policies and procedure to comply with the ring-fencing requirements is likely to give rise to implementation costs and may have other implications for Metro Bank’s

business model, as it will become subject to restrictions on its activities and to the other prohibitions outlined above.

FSCS and the EU Deposit Guarantee Scheme Directive

FSCS

The FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. There are different compensation limits for different categories of claim. For example, the limits are: (i) for claims against firms that failed on or after 30 January 2017, for deposits, 100 per cent. of the first £85,000; (ii) for claims against firms that failed on or after 1 January 2010, for mortgage advice and arranging, 100 per cent. of the first £50,000; and (iii) for claims against firms that failed on or after 3 July 2015, for insurance, 100 per cent. of cover for all long-term policies, for professional indemnity insurance and claims arising from death or incapacity. The FSCS pays compensation for financial loss and the actual compensation a customer will receive depends on the basis of their claim. Compensation limits are per person, per firm and per type of claim.

EU DGSD

In Europe, the EU DGSD required EU Member States to introduce at least one deposit guarantee scheme by 1 July 1995. Directive 2009/14/EC, amending Directive 94/19/EC, requires Member States to set the minimum level of compensation for deposits, for firms declared in default on or after 1 January 2011, at €100,000.

The recast EU DGSD was published in the Official Journal of the EU on 12 June 2014 and Member States had until 3 July 2015 to transpose the majority of the EU DGSD into national law. The changes included restricting the definition of “deposit”, excluding deposits made by certain financial institutions and certain public authorities, reducing time limits for payments of verified claims by depositors and provisions on how deposit guarantee schemes should be funded. In addition, the recast EU DGSD sought to harmonise eligibility for protection (including an extension of scope to protect deposits of most companies, whatever their size) and 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.

Competition regulation

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

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

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

In 2018 the FCA published discussion papers on price discrimination in the cash saving market (DP18/6) and on fair pricing in financial services (DP18/9). DP18/9 focuses on firms charging different prices to different consumers based purely on consumers’ price sensitivity (which the FCA call “price discrimination”) and on firms charging existing customers more than new customers (which the FCA calls “loyalty pricing” or “inertia

pricing”). The paper explores several possible remedies, including restrictions on product design (such as removal of auto-renewal mechanisms) or restrictions on price (such as price caps or collars). The FCA is expected to publish a consultation paper or feedback statement following its discussion paper on price discrimination in the cash savings market in the second half of 2019. A feedback statement on the discussion paper on fair pricing in financial services was published in July 2019. The feedback statement states that the FCA will begin to formally embed their thinking into their regulatory approach including a review of the FCA principles as set out in the FCA business plan.

In 2019, the FCA published a policy statement on high-cost credit (PS19/16). PS19/16 requires firms to limit their refused payment fees to the reasonable cost of refusing payment. It also restricts the way in which firms may charge for overdrafts to charging a single annual interest rate: fixed fees, tiered overdraft rates, and surcharges for unarranged overdrafts will all be prohibited. Metro Bank already charges a single annual interest rate for arranged and unarranged overdrafts

While the outcome of ongoing studies and proposals, and the scope of any future studies and proposals, is inherently uncertain, they may ultimately result in the application of behavioural and/or structural changes and remedies by the regulators, which could have a material adverse effect on Metro Bank's business and results of operations. Other relevant legislation and regulation

The UK Money Laundering Regulations 2017 place a requirement on Metro Bank to verify the identity and address of customers opening accounts with it, and to keep records to help prevent money laundering and fraud. In addition, the Proceeds of Crime Act 2002, Terrorism Act 2000, Counter-Terrorism Act 2008, Terrorist Asset-Freezing etc. Act 2010, Wire Transfer Regulation (EU Regulation 1781/2006) and Transfer of Funds (Information on the Payer) Regulations 2017 collectively contain requirements and offences in relation to money laundering and the financing of terrorism that are applicable to Metro Bank. Guidance in respect of Metro Bank’s anti-money laundering and counterterrorist financing obligations is produced by the Joint Money Laundering Steering Group, which is made up of certain UK trade associations in the financial services industry.

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

Where personal data (for example names, addresses, email addresses) is processed (which includes collection), the GDPR and the Data Protection Act 2018 will apply to Metro Bank. In addition, the e-Privacy Directive and the Privacy and Electronic Communications Regulations also provide individuals further privacy rights in relation to electronic communications. The UK Unfair Terms in Consumer Contracts Regulations 1999 (together with, insofar as applicable, the Unfair Terms in Consumer Contracts Regulations 1994) apply to consumer contracts entered into on or after 1 July 1995 and prior to 1 October 2015. Contracts entered into on or after 1 October 2015 are governed by the Consumer Rights Act 2015. The main effect of these pieces of legislation is that a contract term which is “unfair” will not be enforceable against a consumer. This applies to, among other things, mortgages and related products and services.

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

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution. Any Noteholders or Couponholders who are in doubt as to their own tax position should consult their professional advisers. In particular, each Noteholder and Couponholder should be aware that the tax legislation of any jurisdiction where they are resident or otherwise subject to taxation (as well as the United Kingdom) may have an impact on the tax consequences of an investment in the Notes or the Coupons including in respect of any income received from the Notes or the Coupons.

United Kingdom

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), in each case as of the latest practicable date before the date of this Base Prospectus, relating only to the United Kingdom withholding tax treatment of payments of interest.

References in this part to “interest” shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

Interest on the Notes

The Issuer will be entitled to make payment of interest on the Notes without deduction of or withholding on account of United Kingdom income tax provided that:

- (a) the Issuer is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (**ITA 2007**); and
- (b) the interest on the Notes is and continues to be paid in the ordinary course of the Issuer’s business within the meaning of section 878 ITA 2007.

While the Notes are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 ITA 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. 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 United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

In other cases, interest which has a United Kingdom source will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), unless: (i) another relief applies under domestic law; or (ii) the Issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

The U.S. Foreign Account Tax Compliance Act (“FATCA”)

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. The Issuer 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. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. 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.

Notes issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer) and/or characterised as equity for U.S. tax purposes. However, if additional notes (as described under Condition 19 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers 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 is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or which may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Merrill Lynch International, NatWest Markets Plc and RBC Europe Limited, or such other dealers as may be appointed either generally in respect of the Programme or in relation to a particular Tranche of Notes (together, the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in a programme agreement dated 17 September 2019 (as amended or restated from time to time, the “**Programme Agreement**”) and made between the Issuer, the Arranger and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. The Notes may also be issued by the Issuer through all or any of the Dealers acting as agents.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement may be terminated in relation to all or any of the Dealers by the Issuer or, in relation to itself and the Issuer by any Dealer, at any time on giving not less than 30 days’ written notice.

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States, except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

TEFRA D or TEFRA C apply if specified in the relevant Final Terms.

Each Dealer has represented and agreed (and each additional Dealer named in the Final Terms will be required to represent and agree) that in addition to the relevant U.S. Selling Restrictions set forth below:

- (a) except to the extent permitted under the TEFRA D Rules, it has not offered or sold, and during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may

not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person (except to the extent permitted under the TEFRA D Rules);

- (c) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance, and if it retains Notes in bearer form for its own account, it will do so in accordance with the requirements of the TEFRA D Rules;
- (d) with respect to each affiliate or distributor that acquires Notes in bearer form from the Dealer for the purpose of offering or selling such Notes during the restricted period, the Dealer either repeats and confirms the representations and agreements contained in paragraphs (a), (b) and (c) above on such affiliate's or distributor's behalf or agrees that it will obtain from such distributor for the benefit of the Issuer the representations and agreements contained in such paragraphs; and
- (e) it shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in paragraphs (a), (b), (c) and (d) above from any person other than its affiliate with whom it enters into a written contract, (a "**distributor**" as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D)(4) (or a successor provision)), for the offer or sale during the restricted period of the Notes.

Terms used in this section shall have the meanings given to them by the Internal Revenue Code of 1986 and the regulations promulgated thereunder, including the TEFRA D Rules.

Where the rules under the TEFRA C Rules are specified in the relevant Final Terms as being applicable in relation to any Notes, the Notes must, in accordance with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented and agreed (and each additional Dealer named in the Final Terms will be required to represent and agree) that, in connection with the original issuance of the Notes:

- (a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (b) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

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

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States (as defined in Regulation S).

In addition to the foregoing, if Category 2 is specified as applicable in the relevant Final Terms:

- (a) the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act; and
- (b) each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant

lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. 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 Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) **Financial promotion:** 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and that such offers, sales and distributions have been and will be made in France only to (i) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the relevant Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

General

With the exception of the approval by the FCA of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Regulation and relevant implementing measures in the United Kingdom, no representation is made that any action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession, or distribute such offering material, in all cases at their own expense.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to the Base Prospectus.

The Issuer has given an undertaking to the Dealers in connection with the listing of any Notes on the Official List to the effect that if after preparation of the Base Prospectus for submission to the FCA it becomes aware that there is a significant new factor, material mistake or material inaccuracy relating to the information contained in the Base Prospectus published in connection with the admission of any of the Notes to the Official List, it shall publish a supplemental Base Prospectus (following consultation with the Dealers) as may be required by the FCA, under Article 23 of the Prospectus Regulation or by the Prospectus Regulation Rules made by the FCA and shall otherwise comply with section Article 23 of the Prospectus Regulation and the Prospectus Regulation Rules in that regard and shall supply to each Dealer such number of copies of the supplemental Base Prospectus as it may reasonably request.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme and issue of Notes was authorised by a resolution of the Board of Directors of the Issuer on 23 July 2019 and a resolution of a Committee of the Board of Directors of the Issuer on 6 September 2019. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the Issuer will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
2. The price of a Series of Notes on the price list of the Market will be expressed as a percentage of their principal amount (exclusive of accrued interest, if any). The listing of the Programme on the Market is expected to be granted on or around 20 September 2019 for a period of 12 months. Any Series of Notes intended to be admitted to trading on the Market will be so admitted to trading upon submission to the Market of the relevant Final Terms and any other information required by the Market, subject to the issue of the Global Note or Global Certificate initially representing the Notes of that Series. If such Global Note or Global Certificate is not issued, the issue of such Notes may be cancelled. Prior to admission to trading, dealings in the Notes of the relevant Series will be permitted by the Market in accordance with its rules.

Legal Proceedings

3. Save as disclosed in the section entitled “*Litigation and Arbitration Proceedings*” of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position, operations or profitability of the Issuer or the Group.

Significant/Material Change

4. There has been no significant change in the financial performance or financial position of the Group since 30 June 2019, being the date of the Issuer’s last published consolidated financial information, to the date of this Base Prospectus and no material adverse change in the prospects of the Group since 31 December 2018, the date for which the Issuer last published audited financial information.

Auditors

5. The financial statements of the Issuer for the financial periods ended 31 December 2017 and 31 December 2018 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 the Issuer for the purposes of auditing its financial statements.

Documents on Display

6. The website of Metro Bank is <https://www.metrobankonline.co.uk/>. No information on such website forms part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus.

Copies of the following documents will be available on the website of the Issuer at <https://www.metrobankonline.co.uk/investor-relations/> for 12 months from the date of this Base Prospectus:

- (a) the Trust Deed (which contains the forms of Notes in global and definitive form);
- (b) the Agency Agreement;
- (c) the Annual Report and Accounts 2017, the Annual Report and Accounts 2018, the Unaudited Interim Report 2019 and the H1 Trading Announcement 2019;
- (d) the current Base Prospectus in respect of the Programme;
- (e) any supplement or drawdown prospectus published since the most recent base prospectus was published and any documents incorporated therein by reference;
- (f) any Final Terms issued in respect of Notes admitted to listing and/or trading by the listing authority and/or stock exchange since the most recent base prospectus was published; and
- (g) the Memorandum and Articles of Association of Metro Bank.

This Base 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>

Clearing of the Notes

7. The Notes have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems (which are entities in charge of keeping the records). The common code for each Series of Notes allocated by Clearstream, Luxembourg and Euroclear will be contained in the relevant Final Terms, along with the International Securities Identification Number (ISIN), and, where applicable, the Classification of Financial Instruments (CFI) and the Financial Instrument Short Name (FISN) for that Series. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42, Avenue J.F. Kennedy, L-1855 Luxembourg.

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

8. The following legend will appear on all Permanent Global Notes with maturities of more than 365 days and on all Definitive Notes, Coupons and Talons: *“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code”*.

Issue Price and Yield

9. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the purchase price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche. An indication of the yield of each Tranche of Fixed Rate Notes will be set

out in the relevant Final Terms and will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Dealers Transacting with the Issuer

10. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers 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 the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers 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 issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers 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.

ISSUER

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United Kingdom

REGISTRAR

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ARRANGER

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DEALERS

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