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# INVESTOR PRESENTATION

June 2018

# join the revolution

## Transaction summary

- Inaugural public debt transaction for Metro Bank plc, listed on the LSE and member of the FTSE 250 since 2016
- The first step in diversifying and optimising our capital structure

| | |
|---|---|
| **Issuer** | **Metro Bank plc** |
| **Size** | GBP [250m] |
| **Structure** | 10NC5 (one-time call) |
| **Rating** | Unrated |
| **Subordination** | Unsecured and subordinated, qualifying as Tier 2 capital of the Issuer |
| **Coupon** | Fixed rate, semi-annual, reset on the call date to the 5y Gilt rate plus initial margin |
| **Form** | Registered Selling Restrictions: Reg S (Category 1) |
| **Listing/Law** | London Stock Exchange / English law |
| **Min Denoms** | £100,000 + £1,000 |
| **JLMs** | Bank of America Merrill Lynch, RBC Capital Markets |

# Metro Bank plc

### Metro Bank is the revolution in British Banking

- A full service retail & commercial bank
- Britain's first new High Street bank in over 100 years
- Founded by Vernon W. Hill II, founder of Commerce Bancorp (CBH) in the US

### Key highlights

- Unique customer-service led model, offering 7-Day store banking with mobile, internet and telephony
- Liquid balance sheet funded with low cost, sticky deposits
- Conservative, low risk and diversified lending portfolio
- 56 state-of-the-art stores, targeted to grow to c.100 by end 2020 and 200-250 nationally over time
- New, scalable IT platform with no legacy issues
- Highly experienced and qualified management team
- No legacy conduct issues

# raising Tier 2 to provide more growth capital

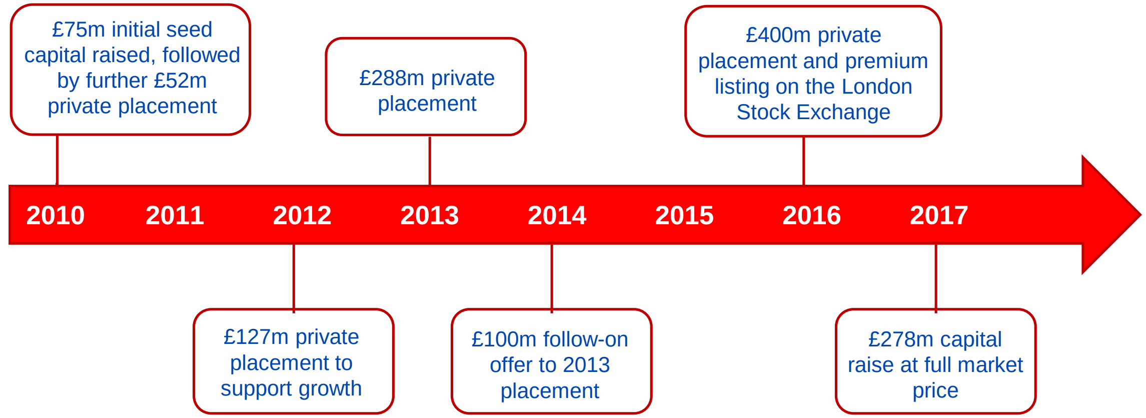
## Tier 2 issuance is the next step

- Diversification and optimisation of Metro Bank's capital base following seven consecutive quarters of increasing profitability
- Further supports our strategy and growth ambitions
- Inaugural public debt transaction to establish platform for future issuance

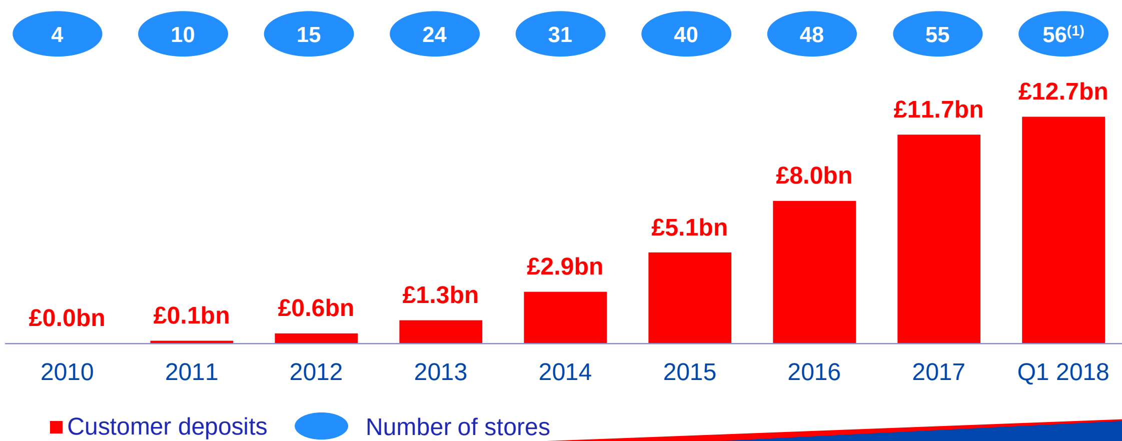
## Capital issuance is for growth funding and will fulfil regulatory capital whilst we invest in…

- Expanding store network and increasing deposit growth per store drives predictable growth in deposits
- Increasing deposits fund low risk asset growth, with target loan to deposit ratio of 85%-90% by 2020 (Q1 2018: 86%)
- Delivering increasing profitability and sustainable returns to debt and equity holders

## Track record of successful equity raising…




## …allowing us to grow our balance sheet and stores profitably




(1) The 56th store opened in Q2 2018 In Watford

# creating FANS

| | |
|---|---|
| **Culture** | ***Unique*** |
| **+ Model** | ***Differentiated*** |
| **+ Execution** | ***Fanatical*** |

FANS!

not customers

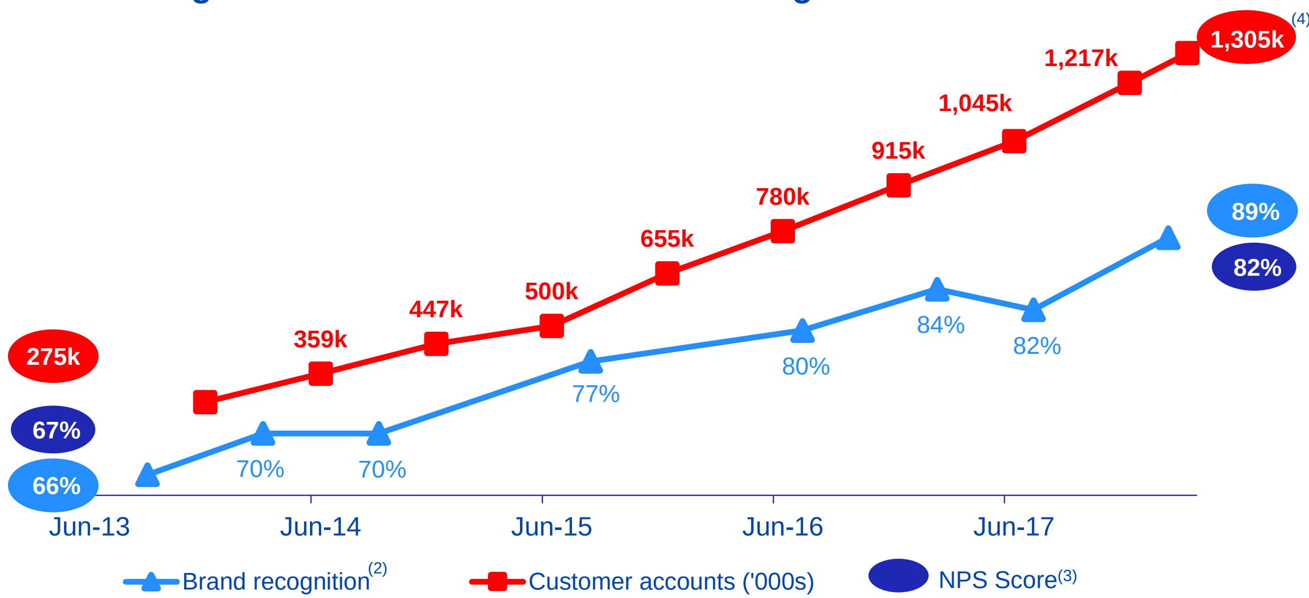
- Retail-focused customer service proposition
- Disruptive, deposit-driven funding model
- Simple, straightforward banking

- Turning customers into "**FANS**" (customers who recommend their friends, family and colleagues to bank with Metro Bank)

# through our unique service-led culture

- Service-led, with a relentless focus on creating FANS
- A culture aligned with simple transparent products focused on great Customer outcomes
  - No store sales incentive schemes
  - AMAZEING[1] Reviews, which start with behaviours
- Investment in colleague capability through ongoing training – over 181,000 hours face-to-face in 2017
- State of the art technology simplifies and accelerates Customer processes, reducing operational & financial crime risk

## Outstanding Net Promoter Scores & brand recognition[2]




## Award-winning service


(1) AMAZEING is an acronym: ATTEND to every detail; MAKE every wrong right; ASK if you're not sure – Bump it up!; ZEST is contagious – Share it!; EXCEED expectations; INSPIRE colleagues to create FANS!; NURTURE colleagues so they grow; GAME CHANGE because this is a Revolution
(2) In London for the ABCI demographic. Source: YouGov
(3) Whole bank rolling 12 month annual NPS at 31 December 2017. NPS is a recognised market-standard marketing benchmark that gauges customer loyalty
(4) As of Q1 2018



METRO BANK

# powering our differentiated model

| | | |
|---|---|---|
| **a disruptor creating FANS…** | ✓ Growth retailing model for modern-day banking<br>✓ Integrated service & IT proposition<br>✓ Award-winning service and focus on community | 86 per cent of customers surveyed in 2017 said they would recommend Metro Bank's services to a friend<br>89% Brand recognition(1) |
| **… attracting diversified, low-cost, sticky deposits** | ✓ Diversified across commercial/retail<br>✓ Increasing average deposit growth per store<br>✓ Continuing expansion of store network | £12.7bn deposits at Q1 2018 ***+41% YoY***<br>31% Current accounts at Q1 2018<br>54bps 2017 cost of deposits |
| **… that enable us to grow low-risk, diversified lending** | ✓ Simple lending products for personal and business<br>✓ Predominantly secured<br>✓ Customer-centric underwriting focused on low-risk | average 2017 cost of risk 0.11%<br>0.27% Dec-17 NPL ratio ***55% coverage***(2)<br>Average mortgage DTV 60% |
| **… well supported by shareholders** | ✓ Launched in 2010<br>✓ Listed on LSE in March 2016<br>✓ 7 successful equity raises over the last 7 years | over £1.3bn equity raised since inception<br>part of the FTSE 250 |
| **delivering low-risk, high-growth earnings** | ✓ On track to meet our medium term targets<br>✓ Delivered seventh consecutive quarter of increasing profitability in Q1 2018 | FY 2017 underlying profit before tax(3) £20.8m<br>Q1 2018 underlying profit before tax(3) £10.0m |



(1) In London for the ABCI demographic. Source: YouGov
(2) Coverage defined as Loan Loss Reserve to Non-Performing Loans Ratio
(3) Quarterly underlying (loss)/profit before tax excludes 2017 FSCS Levy of £0.6M (2016: £0.8m), which is included in the full year underlying loss before tax

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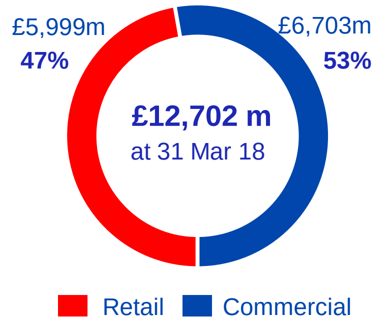
# with simple, low-risk retail and commercial banking

## Deposits

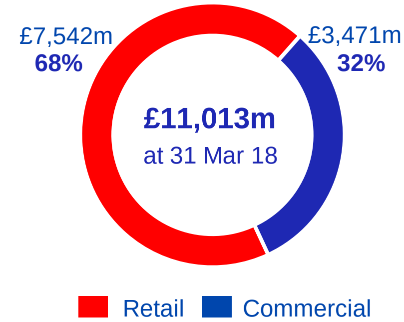
- Current accounts
- Cash management
- Deposits – term & variable
- £, $, € accounts (vast majority of business is in sterling)




- £6.3m deposit growth per store per month in Q1 2018
- Loan to deposit ratio of 86% (2020/2023 targets 85-90%)
- 32% of current accounts as at 31 December 2017
- £3.8bn TFS invested in liquid assets

## Lending

- Mortgage lending (incl. BTL)
- Private banking[1]
- Consumer credit
- Commercial term loans
- Asset & invoice finance




- 65% of customer loans were mortgages as at 31 December 2017
- 60% average DTV across commercial and retail mortgage lending
- Conservative origination LTVs (max. 90% mortgages, 75% BTL)
- Personal guarantees taken on commercial loans

## Product offering supported by integrated multi-channel distribution

### Store network

- 56 full-service stores with distinctive design and locations
- >80% retail accounts opened in under 30 mins in 2017
- In-store safe deposit boxes generate fee income

### Online

### Phone

### Mobile

### Partnerships & Intermediaries

- Partnerships with wealth management and pension firms
- Intermediary distribution (mortgages, asset & invoice finance)

(1) Private Banking offering includes larger sized mortgages and Money Management Account



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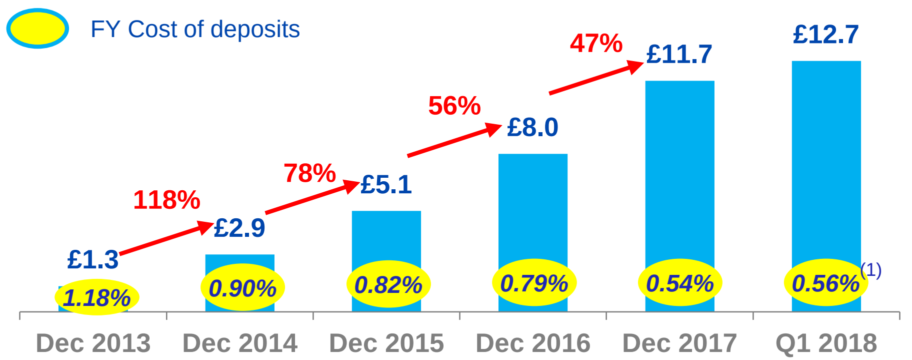
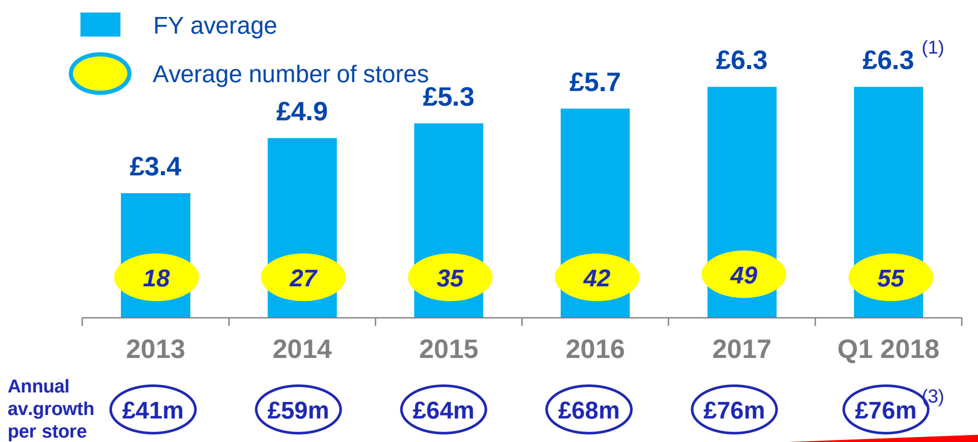
# as we attract low-cost, sticky deposits

## Customer deposits (£ bn)




## Average deposit growth per store per month (£ m)




- Service-led model attracts low-cost, sticky deposits
- £6.3m deposit growth per store per month in Q1 2018, sustaining record 2017 average growth (2016: £5.7m)
- £76m ($106m[2]) annualised deposit growth per store in Q1 2018[3], (2016: £68m)
- Cost of deposits increased marginally to 0.56% in Q1 2018 from 0.52% in Q4 17 following November 2017 rate rise
- Current account (non-interest bearing) growth of 51% YoY, now 31% of deposits as of 31 March 2018
- 41% YoY deposit growth in Q1 2018
  - Retail: 34% growth
  - Commercial: 47% growth
- 53%:47% commercial / retail deposit mix at 31 March 2018 (unchanged from 31 December 2017)

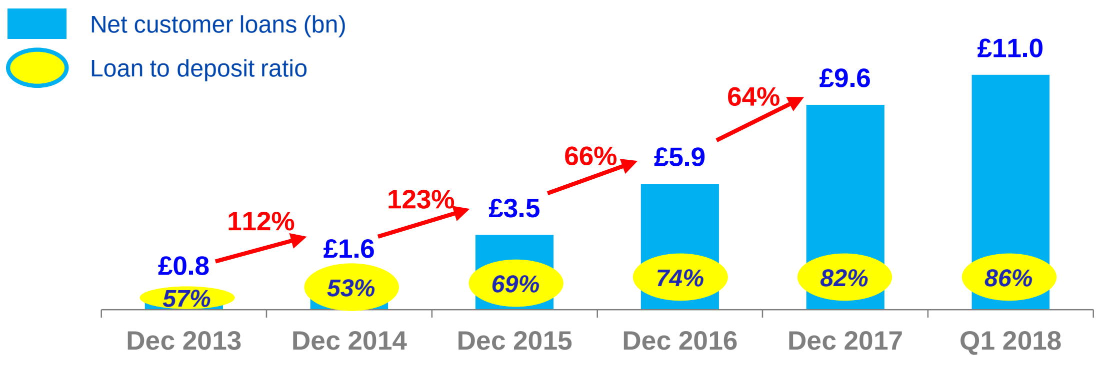
(1) Quarterly figure for Q1 2018, not FY average
(2) FX rate £1 = $1.40
(3) Annualised Q1 2018 deposit growth per store of £6.3m



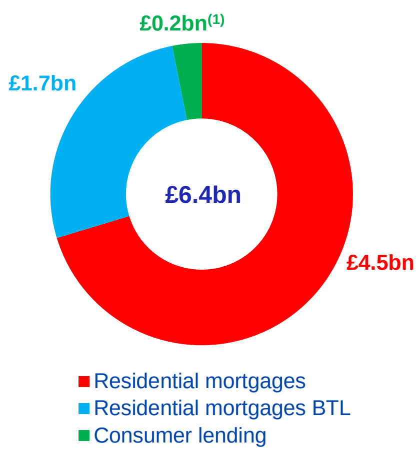
METRO BANK

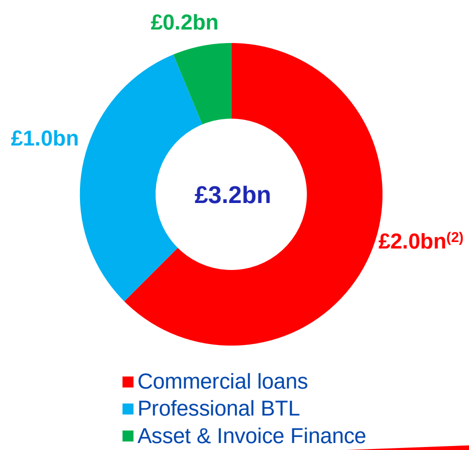
# enabling us to grow our lending at low risk

## High growth, low risk increasing our LTD ratio




## Lending portfolio split as at 31 December 2017 (total £9.6bn)



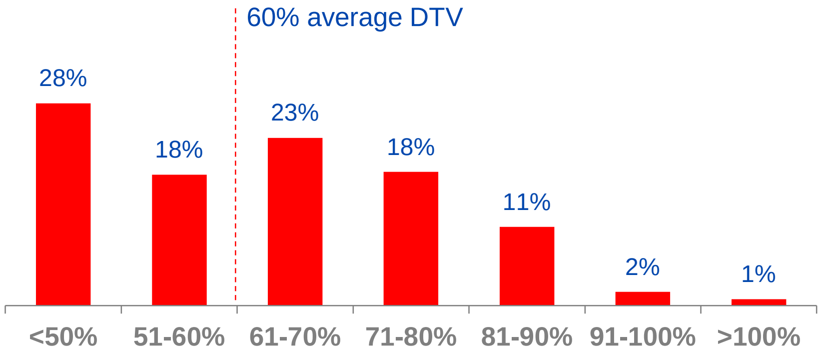




- Strong organic momentum in lending across all asset classes
  - 86% loan to deposit ratio in Q1 2018, increasing from 72% in Q1 2017
  - 69% YoY loan growth in Q1 2018
    - Retail: 79% growth
    - Commercial: 53% growth
- Supplemented by purchase of seasoned UK mortgage portfolio for £523m in 1Q 2018
  - To date, 3 seasoned mortgage portfolios have been purchased for a total of £1.47bn
- Average debt to values of 60% at Dec 2017
  - 60% on residential lending
  - 58% on commercial lending
  - 61% on buy-to-let
- Average residential mortgage size of £290,000
- Commercial lending concentrations are closely monitored with appetite set by the board annually
  - Top 10 commercial exposures at Dec-2017 totalled £250m, comprising 8% of total commercial lending

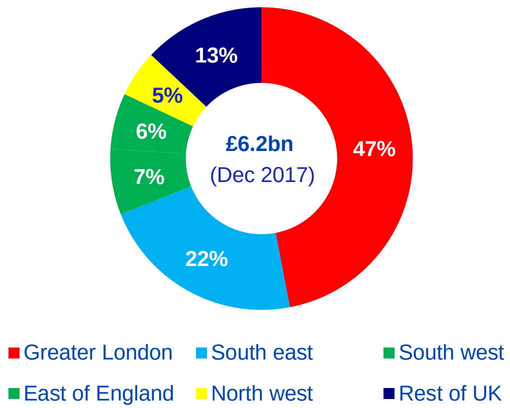
(1) Consumer lending of £0.2bn includes £122m term loans, £9m credit cards and £86m overdrafts
(2) Commercial loans includes £139m overdrafts and £2m credit cards with the remainder being term loans

# creating a diversified, low risk loan book

## Distribution of residential mortgage loan book by DTV[(1)]




## Residential mortgage portfolio split by geography[(1)]



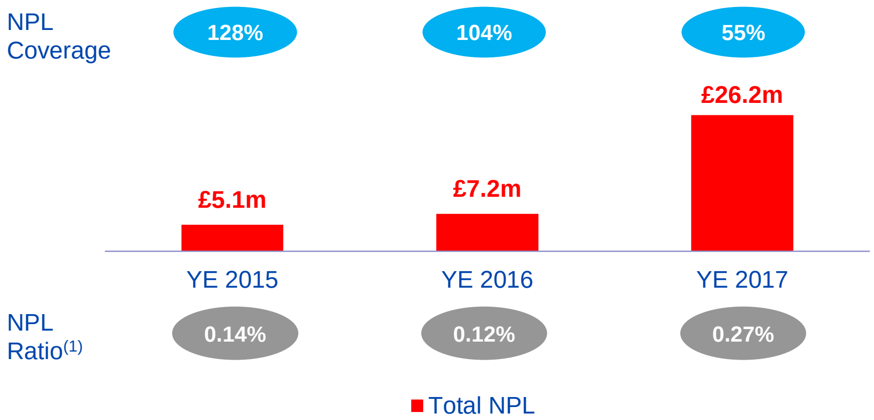

## Distribution of commercial term loan book by sector[(2)]

| | Gross Balance (£'m) | Concentration (%) |
|---|---|---|
| Real estate (rent, buy and sell) | 1,704.5 | 61 |
| Legal, accountancy and consultancy | 303.5 | 11 |
| Health and social work | 214.3 | 7 |
| Hospitality | 185.0 | 7 |
| Real estate (management of) | 103.8 | 4 |
| Retail | 84.5 | 3 |
| Construction | 69.1 | 2 |
| Investment and unit trusts | 20.9 | 1 |
| Recreation, cultural and sport | 17.8 | 1 |
| Real estate (development) | 25.6 | 1 |
| Education | 4.3 | 0 |
| Other | 83.2 | 2 |
| **Total commercial term loans** | **2,816.5** | **100** |

(1) As at YE 2017, includes residential BTL
(2) As at YE 2017, £2.8bn commercial term loan book includes £1bn professional BTL

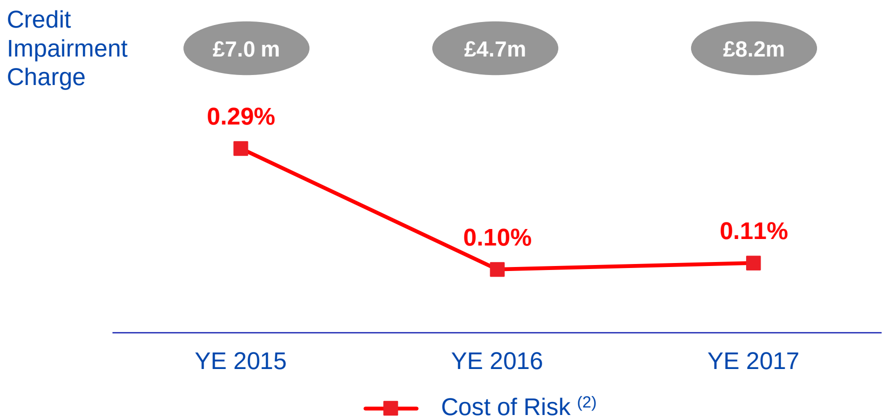
# as NPLs and cost of risk remain low

## Low non-performing loans…




- 0.22% non-performing loan ratio (90 days+ in arrears) ratio at 31 March 2018
  - Reduced from 0.27% for FY 2017 (2016: 0.12%)
- Loan loss reserve covered 55% of Group non-performing loans at 31 December 2017 (2016: 104%)

## …Driving low cost of risk




- Stable, low cost of risk at 0.09% in Q1 2018
  - Compares to 0.14% in 4Q17 and average of 0.11% in FY 2017 (2016: 0.10%)
- Low average cost of risk to date reflects Metro Bank's rigorous credit focus, resulting in high quality, low risk portfolios

(1) NPL Ratio: Non-Performing-Loan ratio is calculated as the ratio of the gross outstanding amount of loans with more than 3 instalments unpaid to the total gross outstanding amount.
(2) Ratio of the impairment provision charge (individual and collective) to the average gross outstanding amount.



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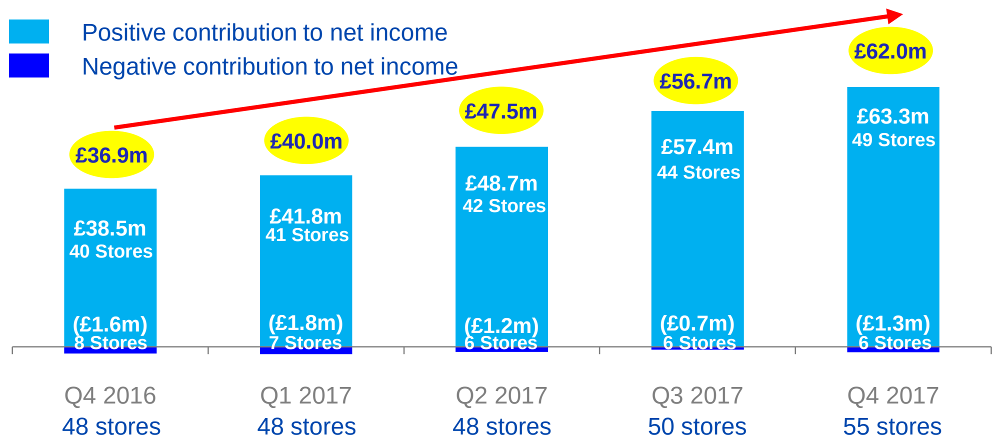
# across an expanding network

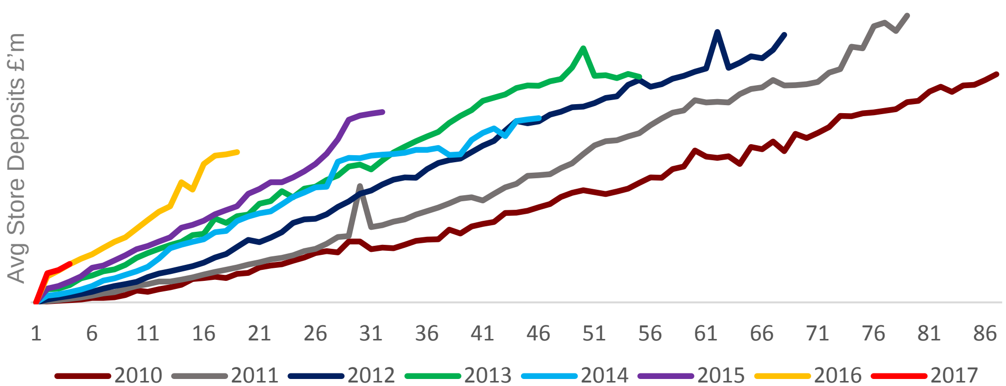
## 56 stores open, 11 opening in 2018, targeting c. 100 by 2020

# with increasing deposits and profitability as our stores mature

## Store contribution increases for new & existing stores as they mature (quarterly)




## Annual cohorts start and grow faster[3]




- The mature network is the engine of deposit growth
  - **39% comparative store growth in deposits for stores open 12 months+ as at 31 March 2018[1]**
- New stores build future income streams, opening with more deposits and growing faster as each annual cohort benefits from:
  - Increased network effect
  - Organisational learnings
  - Brand recognition 89% in London[2]
- Typically stores open 18 months or more make a positive contribution
- In stores open 12 months+, safe deposit boxes cover an average of 80% of the store rent (as at 31 December 2017)
- Significant investment in technology, stores and Colleagues support future growth

(1) At 31 December 2017, comparative store growth in deposits for stores open 12m+ was 43%; 39% and 35% for stores open 24 months+ and 36 months+
(2) For the ABCI demographic. Source: YouGov
(3) As at 31 Dec 2017; 2010 excludes Holborn



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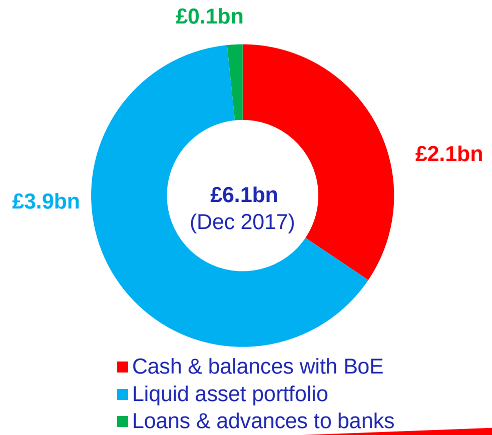
# leading to a simple, liquid, deposit-funded balance sheet

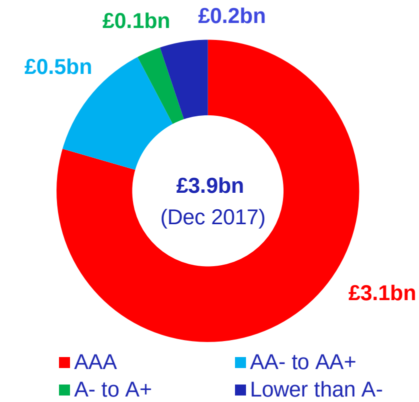
| | FY 2016 (£'m) | FY 2017 (£'m) | *FY Annual Growth* | Q1 2018 (£'m) |
|---|---|---|---|---|
| Loans and advances to customers [1] | 5,865 | 9,620 | *64%* | 10,974 |
| Treasury assets[2] | 3,727 | 6,127 | *64%* | 6,269 |
| Other assets[3] | 465 | 608 | *31%* | 645 |
| **Total Assets** | **10,057** | **16,355** | ***63%*** | **17,888** |
| Deposits from customers | 7,951 | 11,669 | *47%* | 12,702 |
| BoE funding scheme drawings | 543 | 3,321 | *512%* | 3,801 |
| Other liabilities | 759 | 269 | *(64%)* | 300 |
| **Total Liabilities** | **9,253** | **15,259** | ***65%*** | **16,803** |
| Shareholders' funds | 804 | 1,096 | *407%* | 1,085 |
| **Total equity and liabilities** | **10,057** | **16,355** | ***63%*** | **17,888** |

- With an 86% loan to deposit ratio at 31 March 2018, the balance sheet is intrinsically liquid, with no reliance on wholesale funding
- Stable deposits, with a long behavioural life and no "hot money"
- Low market risk (interest rate and FX): balance sheet generates substantial natural hedges
- £3.8bn TFS drawings, invested in liquid assets. All FLS drawings fully repaid in November 2017
- 141% LCR ratio at 31 December 2017 (2016: 136%)
- As at 31 December 2017, 91% of the liquidity portfolio was cash, government bonds and AAA-rated instruments[4]

### Treasury assets



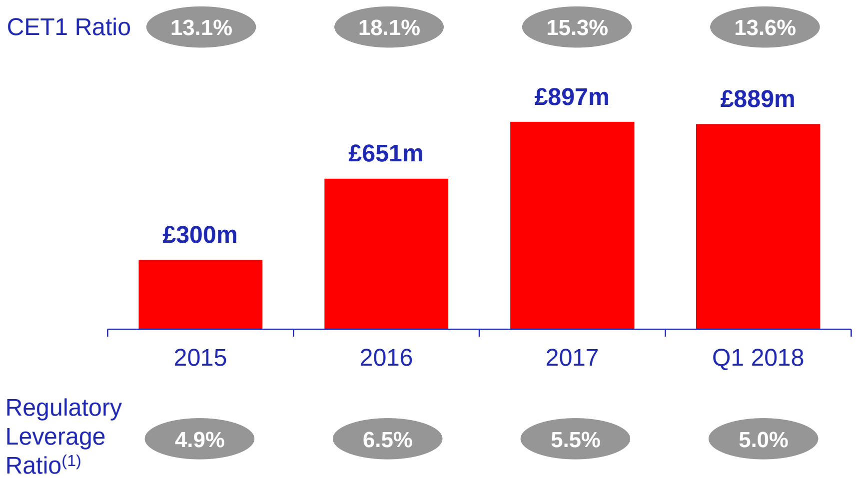

### Liquid asset portfolio by rating



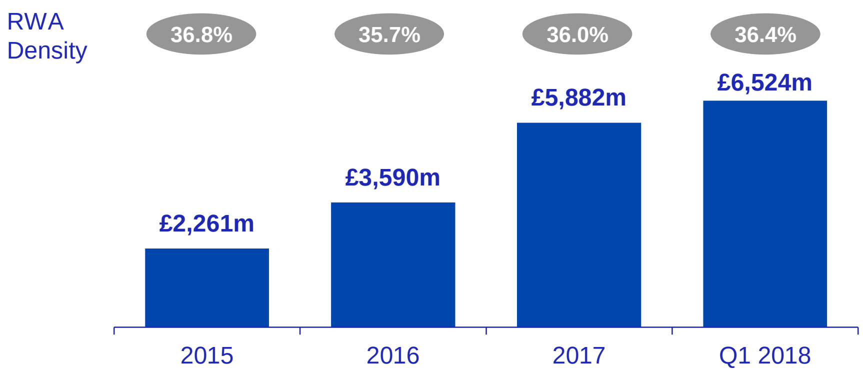

(1) Less allowance for impairment
(2) Comprises investment securities, cash & balances with the Bank of England, and loans and advances to banks
(3) Comprises property, plant & equipment, intangible assets & other assets
(4) Remainder is all investment grade

# with a robust capital position

## CET1 position




## RWA growth




- Robust capital position and leverage ratio, well above regulatory requirements and internal limits
  - Assisted by c.£280m equity raise in July 2017 at market price
  - Metro Bank has prudently pre-funded growth through successful equity placements when required (£1.3bn raised since inception)
- Planned A-IRB implementation in the medium term represents an opportunity to achieve greater capital efficiency
- Negligible IFRS 9 impact on CET1 as a result of transitional relief (IFRS 9 adopted from 1 January 2018)
- We currently plan to raise c.£750m of MREL qualifying debt by 1 January 2020

(1) BoE Tier 1 Leverage calculation
(2) Excludes equity accounted costs of capital raises
(3) RWA Density: RWA Density is calculated as the ratio of risk weighted assets to total assets

# generating increasing returns

| | FY 2016 (£'m) | FY 2017 (£'m) | *Annual Growth* | Q1 2018 (£'m) |
|---|---|---|---|---|
| Net interest income | 154.2 | 241.0 | *+56%* | 75.0 |
| Fees and other income | 35.5 | 49.1 | *+38%* | 14.1 |
| Net gains on sale of securities | 5.4 | 3.7 | *(31%)* | 2.7 |
| **Total revenue** | **195.1** | **293.8** | ***+51%*** | **91.8** |
| Operating expenses | (179.7) | (231.4) | *+29%* | |
| Depreciation and amortisation | (22.4) | (33.4) | *+49%* | |
| **Operating Cost(1)** | **(202.1)** | **(264.8)** | ***+31%*** | **(79.5)** |
| Credit impairment charges | (4.7) | (8.2) | *+74%* | (2.3) |
| **Underlying profit (loss)before tax** | **(11.7)** | **20.8** | **-** | **10.0** |
| Underlying taxation | 0.4 | (4.9) | - | (2.2) |
| **Underlying profit (loss)after tax** | **(11.3)** | **15.9** | **-** | **7.8** |
| **Ratios**: | | | | |
| Net interest margin | 1.97% | 1.93% | *(4bps)* | 1.85% |
| Customer net interest margin(2) | 2.13% | 2.19% | *+6bps* | 2.24% |
| Customer net interest margin(2) + fees | 2.67% | 2.69% | *+2bps* | 2.72% |
| Underlying cost to income ratio | 104% | 90% | *(14ppts)* | 87% |

- £10m profit in Q1 2018, 7th consecutive quarter of profitability, following £21m profit in FY 2017 and compared to a £12m loss in 2016
- **Strong and positive Q1 income (+48% YoY) and cost(1) (+36% YoY) growth differential**
- **Annual operating costs per £1m of deposits down from £25k in 2016 to £23k in 2017, reflecting increasing economies of scale**
- Depreciation and amortisation line reflects investment in stores and digital technology (mobile app, current account online)
- Increase in Customer NIM driven by higher Loan to Deposit ratio
- NIM reduced by incremental TFS drawings
- No legacy conduct issues

(1) Underlying costs including Depreciation and Amortisation
(2) Customer Deposit NIM eliminates the distortions created by TFS drawings and provides a real measure of how effectively the customer deposits are being put to work. As TFS unwinds (repayments are due four years from drawdown) the simple NIM calculation will move closer to Customer Deposit NIM

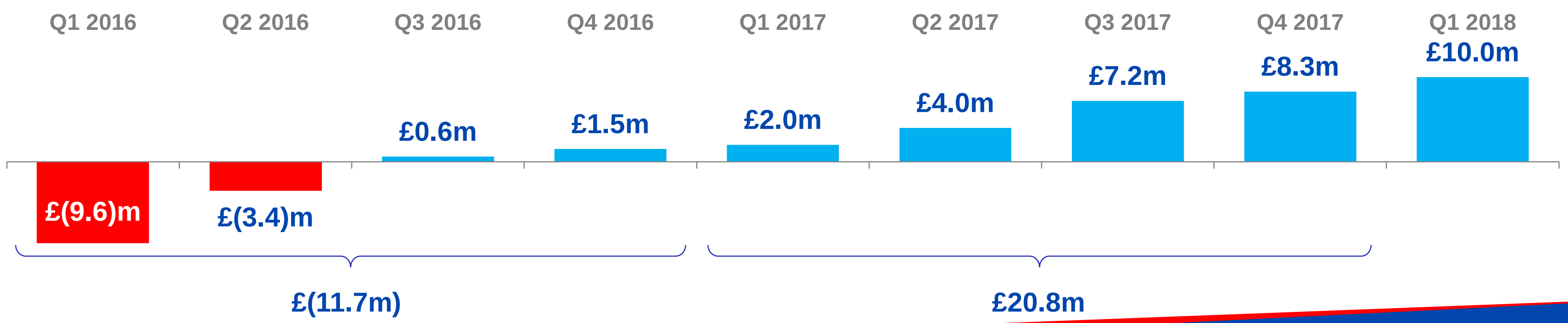


METRO BANK

# and achieving strong results – 7 quarters of increasing profitability

| Our Progress | FY 2016 | FY 2017 | *FY Increase* | Q1 2018 |
|---|---|---|---|---|
| **Customer deposits** | £8.0bn | £11.7bn | *+47%* | £12.7bn |
| **Net average deposit growth per store /month** | £5.7m | £6.3m | *+11%* | £6.3m |
| **Net customer loans** | £5.9bn | £9.6bn | *+64%* | £11.0bn |
| **Loan to deposit ratio** | 74% | 82% | *+8%* | 86% |
| **Non performing loan ratio** | 0.12% | 0.27% | *+15bps* | 0.22% |
| **Cost of risk** | 0.10% | 0.11% | *+1bps* | 0.09% |

## Underlying (loss)/profit before tax (1)




(1) Quarterly underlying (loss)/profit before tax excludes 2017 FSCS Levy of £0.6M (2016: £0.8m), which is included in the full year underlying loss before tax

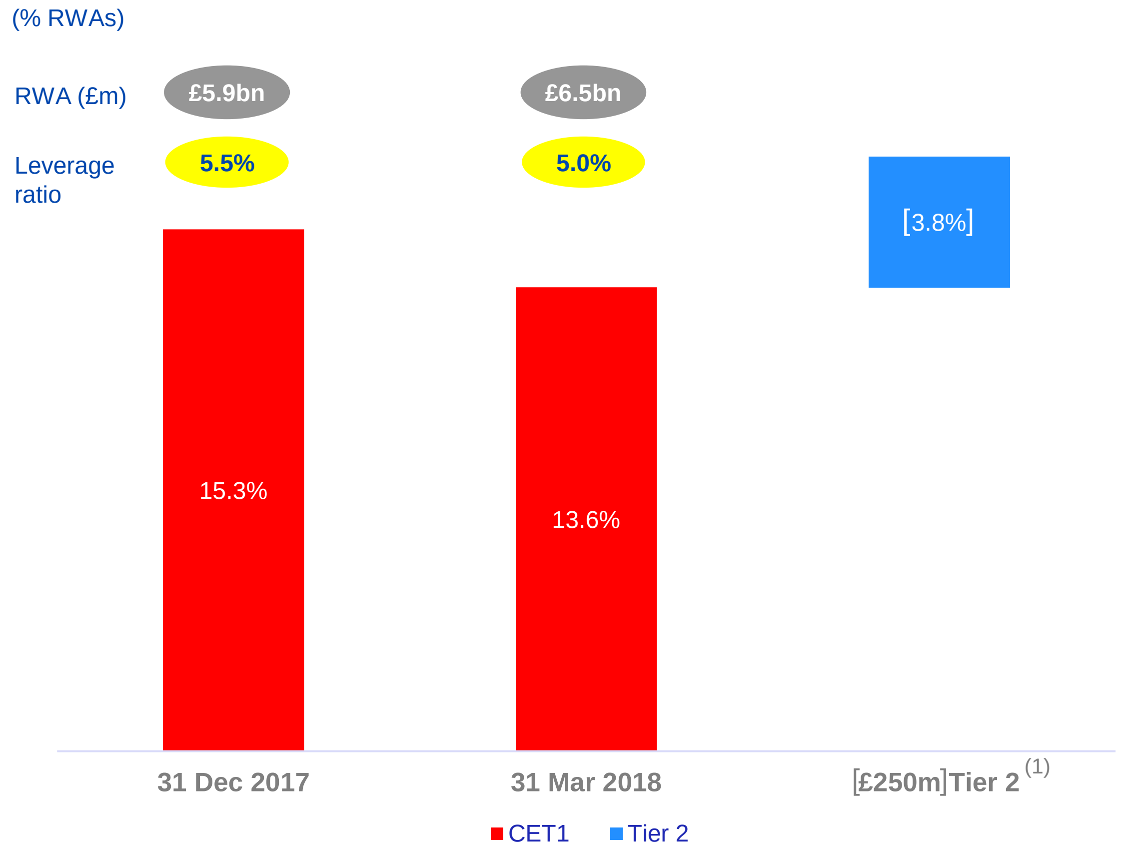
# with our tier 2 issuance providing growth capital

- The first step as we start to diversify and mature our capital base
- Tier 2 capital issuance supports our growth and strategy
- 2018 is the right time to start optimising our capital having turned to profit
- We expect to issue c. £750m of MREL by 2020

### Transaction highlights

- Inaugural public debt market issuance
- Tier 2 issued from Metro Bank plc (resolution entity)
- Unrated, 10NC5 callable structure
- Targeting benchmark size

## Illustrative transaction impact




(1) 3.8% based on 31 Mar 2018 RWAs of £6,524m

# as we progress towards our mid-term targets

| Our Targets | 31 Dec 2017 | 2020 Targets | 2023 Targets |
|---|---|---|---|
| Our Deposits | £11.7bn | c.£27.5bn | £50-55bn |
| Stores | 55 | c.100 | 140-160 |
| Monthly deposit growth /store | £6.3m | £5.5–6.5m | £5.5-6.5m |
| Loan to Deposit Ratio | 82% | 85-90% | 85-90% |
| Customer NIM + Fees[(1)] | 2.69% | c.3% | c.3% |
| Cost:Income Ratio | 90% | c.60% | 55-58% |
| Cost of Risk[(2)] | 0.11% | c.0.20% | 0.15-0.30% |
| Leverage Ratio[(3)] | 5.5% | >4.0% | >4.0% |

(1) Assumes two 25bps base rate increases 2018-2020, three base rate increases 2018-2023
(2) Calculated based on average gross loan balances
(3) BoE Tier 1 Leverage calculation

# indicative terms of the offering

## £[●] [●]% Fixed Rate Reset Callable Subordinated Notes due 2028

| | |
|---|---|
| **Issuer** | ▪ Metro Bank plc |
| **Maturity Date** | ▪ [●] 2028 |
| **Optional Call Date** | ▪ [●] 2023 subject to regulatory approval (*one time call)* |
| **Rating** | ▪ Unrated |
| **Status and Subordination** | ▪ The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu*, without any preference, among themselves<br>▪ Upon a winding up of the Issuer, the claims of the holders of the Notes rank:<br>  ▪ Subordinated to the claims of all unsubordinated and subordinated creditors of the Issuer (other than those whose claims constitute Tier 1 Capital or Tier 2 Capital of the Issuer or whose claims are expressed to rank *pari passu* with, or junior to, the claims of holders in respect of the Notes)<br>  ▪ *Pari passu* with all other subordinated obligations which constitute Tier 2 Capital of the Issuer and obligation expressed to rank *pari passu* therewith ;and<br>  ▪ In priority to the claims of holders of perpetual or undated obligations of the Issuer and any other obligation expressed to rank junior to the Notes and all classes of share capital of the Issuer |
| **Interest** | ▪ [●] % per annum fixed rate up to (but excluding) the Optional Call Date payable semi-annually in arrear<br>▪ Reset on the Optional Call Date to the sum of the GBP 5 year Gilt rate plus the margin payable semi-annually in arrear |
| **Optional Redemption** | ▪ The Issuer may redeem the Notes at par, in whole but not in part, at any time upon a Capital Disqualification Event or a Tax Event , in each case, subject to regulatory approval |
| **Capital Disqualification Event** | ▪ Full or partial de-recognition from Tier 2 capital of the Issuer and/or the Group due to a change in regulatory classification |
| **Tax Event** | ▪ A change in the relevant tax laws or regulations resulting in, among other things, loss of tax deductibility or payment of additional amounts in respect of the Notes |
| **Substitution/Variation** | ▪ Upon a Capital Disqualification Event or a Tax Event provided the terms are not materially less favourable to investors |
| **Form of the Notes** | ▪ Registered<br>▪ Selling Restrictions: Reg S (Category 1): UK, other |
| **Listing/Law** | ▪ LSE/ English law |
| **Min Denoms** | ▪ £100,000 + £1,000 |

(1) This information has been prepared solely for information purposes only; for full and binding terms and conditions please refer to the Preliminary Offering Circular dated 11 June 2018



METRO BANK

# board & executive directors

## CHAIRMAN

**Vernon W. Hill, II**
*Chairman & Founder*

- Founded Metro Bank in 2010
- Previously founder and Chairman for 34 years of Commerce Bancorp, Inc.
- Chairman of Republic First Bancorp, inc.

## EXECUTIVE DIRECTORS

**Craig Donaldson**
*Chief Executive Officer*

- Joined Metro Bank in 2010 as CEO and executive member of the Board
- Previously, Managing Director of Retail Products & Direct Channels at RBS and, prior to that, held senior roles at Barclays and HBOS

**David Arden**
*Chief Financial Officer*

- Joined Metro Bank in 2018 as CFO and executive member of the Board
- Over 28 years' experience in financial services. Previously, CFO at Sainsbury's Bank and interim MD of Argos Financial Services, prior to that, CFO at Shop Direct

## NON-EXECUTIVE DIRECTORS

**Lord Howard Flight**

- Chairman of Aurora Investment Trust, Downing Four VCT and Flight and Partners, and Director of Investec Asset Management and Edge Performance VCT
- Commissioner of the Guernsey Financial Services Commission

**Keith Carby**

- Former CEO of Caerus Capital Group Limited
- Non-Executive Chairman of Censeo and Mill Capital Private Equity
- Joint founder and former Managing Director of J Rothschild Assurance (now St James's Place PLC)

**Gene Lockhart**

- Chairman and managing partner of MissionOG
- Special Advisor to General Atlantic
- Former President of the Global Retail Bank at Bank of America
- Former CEO at MasterCard International and Midland Bank

**Roger Farah**

- Chairman of Tiffany & Co
- Member of the board of Aetna, Inc and the Progressive Corporation
- Formerly Executive Vice Chairman, Ralph Lauren Corporation
- Previously Chairman and CEO of Footlocker Inc.

**Alastair (Ben) Gunn**

- Senior Independent Director
- Former CEO and Chairman of Friends Provident Life and Pensions and a Director of Friends Provident plc.
- More recently Senior Independent Director at Aviva UK and chair of audit committee at Avelo

**Stuart Bernau**

- Former Group Retail Director and board member at Nationwide Building Society
- Former Chairman and CEO of Chelsea Building Society
- Special Adviser to the Treasury Select Committee from 2013 to 2015

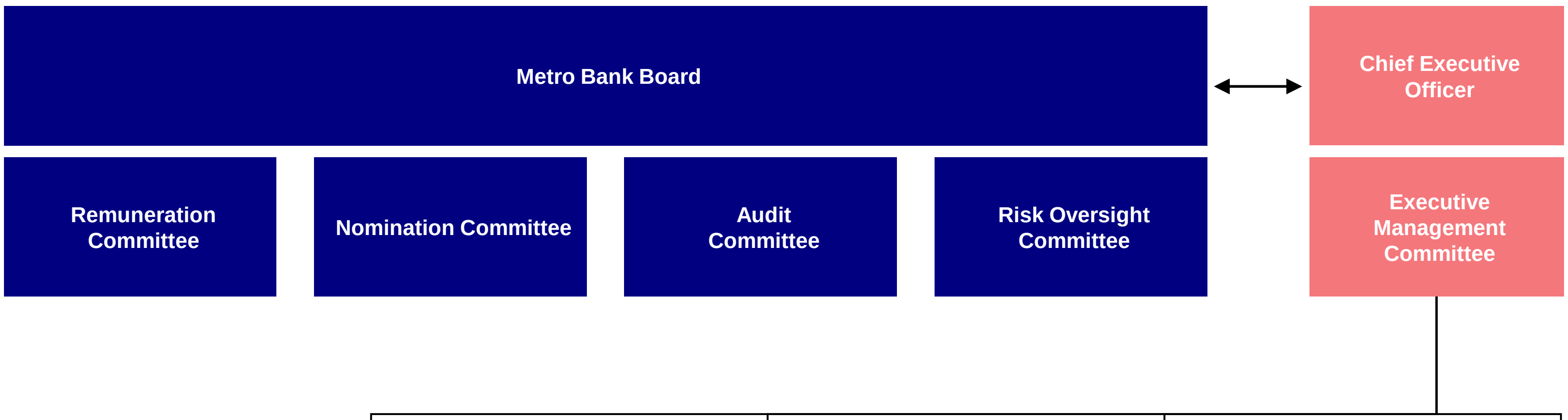
**Sir Michael Snyder**

- Senior Partner of Kingston Smith from 1979-2016
- Senior Partner of Bramdean Consultants LLP and elected member of the City of London Corporation
- Was founder Co-Chairman of the Government's Professional Business Services Council

**Monique Melis**

- Managing Director and the Global Head of Regulatory Consulting at Duff & Phelps, and member of Duff and Phelps' Luxembourg Management Company Board
- Previously Executive Board member at Kinetic Partners

# robust governance framework




| | ExCo | Executive Risk Committee | Asset & Liability Committee | Credit Policy & Appetite Committee |
|---|---|---|---|---|
| **Chairperson** | Executive management team | Chief Risk Officer | Chief Financial Officer | Chief Risk Officer |
| **Frequency** | Monthly | Monthly | Monthly | At least quarterly |



METRO BANK

# three lines of defence

| | | | |
|---|---|---|---|
| **BOARD** | ERM(1) Policy and Risk Appetite | | |
| **CRO** | Risk Framework | | |
| **BUSINESS AREA** | **1st Line: Business Area** | **2nd Line: Risk Management Team** | **3rd Line: Internal Audit** |
| | - **Business heads:** Manage risk in line with strategy and appetite and report against performance<br>- **ALL Colleagues:** Accountable for owning and managing risk in their area | - **CRO:** Leads team, co-ordinates risk management across the bank<br>  - **Owns:** Risk and control framework<br>  - **Evaluates:** Risk profile against appetite | - **Independent assurance:** All significant risks: identified, reported, controlled<br>- **Assesses:** Effectiveness of control and monitoring framework |
| **EXAMPLE: Commercial Underwriting** | **1st Line: Relationship Manager**<br>- Meets the Customers<br>- Engages credit partner early<br>- Jointly owns credit decision | **2nd Line: Commercial Underwriter**<br>- Often meets Customers<br>- Reviews the case on the basis of policy and lending authority levels<br>- Records exceptions | **3rd Line: Audit / Credit Assurance**<br>- Reviews activity and approval to ensure outcomes in line with policy |

(1) ERM: Enterprise Risk Management

# prudent approach to credit risk

**Portfolio Management**

- Regular portfolio stress tests
- Ongoing review of scorecards and impairment models

**Policy Setting**

- Board approves risk appetite annually
- CRO develops the Risk Framework and policies and monitors granular risk appetite metrics


**Monitoring**

- Monthly review of :
  - Credit quality (new business and portfolio)
  - Concentration levels
  - Exceptions to policy

**Pre-Acquisition**

- Mortgages: conservative LTV and LTI at origination
- Unsecured lending: prime retail offering
- Commercial: conservative, relationship-based lending
- Treasury: conservative liquidity management based instruments

**Underwriting**

- Commercial lending manually underwritten
- Credit scoring for mortgages
- Automated decision system for unsecured
- Treasury: first and second line review, and stress tested

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