



METRO BANK PLC

Remuneration Code

Annual Disclosure Statement

Year Ending 31 December 2017

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Annual Disclosure Statement – year ending 31 December 2017

1. Introduction

The following disclosures are in accordance with the Remuneration Part of the PRA Rulebook and SYSC 19D of the FCA Handbook.

2. Background of Metro Bank

Metro Bank provides a financial services proposition based on a radically different approach to the customer experience delivered through colleagues focused on the customer, fully integrated technology, high visibility and high specification stores to enhance the customer experience, all of which are open seven days a week and 362 days of the year. This is supported by an on-line service together with a dedicated UK call centre which is available 24/7 365 days of the year.

The Bank opened on 29 July 2010 with the first store in Holborn. During 2017 we opened 7 stores, taking us by the end of 2017 to a total of 55 stores. The intention is to have around 100+ stores by 2020 serving both retail and commercial customers predominantly in the South-East of England.

3. Summary of our Approach to Remuneration

There is a clear link between remuneration principles, the assessment of behaviours and performance, and reward. Performance management and reward are closely aligned to long-term business objectives. Long-term remuneration has a 5-year vesting period in accordance with FCA guidelines.

The key principles behind Metro Bank's approach to remuneration are those we believe are vital to the business and reflect our culture and values.

- It promotes sound and effective risk management and does not encourage risk taking that exceeds the level of risk tolerated and agreed by the Board.
- It is in line with our business strategy and objectives, to which all colleague's objectives are aligned, with a strong emphasis on long term growth and share options as the major source of reward so that everyone is focused and rewarded for long term and sustainable success.
- It is actively aligned to delivery of an outstanding customer experience, as a result of the way we measure behaviours and performance for individuals and how we capture and act upon customer insight across the organisation.
- It rewards success and is an attractive framework for existing and potential colleagues, in particular it strikes a balance between short term rewards whilst also recognising the long term performance of the business.

4. Governance

Remuneration is determined in accordance with the principles set out at paragraph 3, and is overseen by the Board's Remuneration Committee which comprises 3 members as at 31 December 2017. All members of the Committee are Non-Executive Directors appointed by the Board. The Committee met five times during 2017.

The Committee members as at the end of December 2017 were:

Lord Howard Flight (Committee Chair)

Keith Carby (NED)

Roger Farah (NED)

On behalf of the Board, the Committee is responsible for determining the overall remuneration approach for all colleagues and in particular the policy and the level of remuneration of material risk takers which includes Executive Directors.

The Committee is also obliged to review its terms of reference, its own performance and constitution at least annually to ensure it is operating effectively and in accordance with FCA requirements. It also considers and recommends any changes necessary to the Board for approval.

Independent external professional advice is considered as appropriate by the Committee which also monitors comparative remuneration packages within the financial sector. In 2017, the Committee was advised on benefits by independent consultants Gallagher and was provided with remuneration data and surveys from Willis Towers Watson, PwC and Deloitte. The Committee takes into account pay and employment conditions of all colleagues when setting remuneration policy. Colleagues are able to express any views on pay through regular surveys and feedback.

5. Identification of material risk takers

Colleagues will be designated as "material risk takers" if they are deemed to have a material impact on Metro Bank including under the qualitative and quantitative criteria set out in the EU regulation on material risk takers, including (but not limited to) where they are on the Board of Metro Bank or a member of its Executive Leadership team; responsible for independent risk management, compliance or internal audit; legal affairs, finance including taxation and budgeting, human resources, remuneration, information technology or economic analysis; or have responsibility to commit the institution to transactions over a certain threshold; or approve or veto the introduction of new products.

6. Pay and Performance

Performance based remuneration is awarded based on the principle of sound risk management within Metro Bank's stated risk appetite and ICAAP measures. It does not promote excessive risk taking.

The Remuneration Policy focuses on effective risk management through:

- A governance structure that sets objectives and communicates these to all colleagues
- A performance assessment, that includes financial and non-financial goals, prepared by the Chief People Officer (CPO) with input from the Chief Risk Officer (CRO) in terms of the overall performance of the business. This is then reviewed by the CEO in conjunction with the Remuneration Committee
- A variable reward pool based on the overall performance of Metro Bank in terms of culture and delivery in line with the Balanced Scorecard. In setting the overall pool we also consider risk adjusted financial performance. The same Balanced Scorecard and weightings are used for all employees and it includes measures for financial, risk, customer and people & culture.
- Variable remuneration awards, with a strong emphasis on share options, that are subject to achieving individual, business unit, overall bank performance, stated risk appetite and ICAAP measures
- Malus and clawback apply to all deferred variable remuneration. The majority of our variable reward is focused on Share Awards – clawback is not applied to the relatively low cash element of variable pay. Vesting or exercise of Share Awards can be reduced or delayed or clawed back; including if there is a restatement of accounts or a material failure of risk management, a material downturn in financial performance or evidence of misconduct by a material risk taker.

All remuneration decisions for non-material risk takers are approved by members of the Executive Committee and CPO before implementation. For material risk takers the remuneration decisions are also reviewed by the Remuneration Committee annually.

7. Composition of Remuneration for Material risk takers

The remuneration structure for material risk takers is noted below although these in fact apply for all colleagues.

a) Basic salary

Basic pay for material risk takers is market related. Individual progression and personal development is reflected through the Annual Reward Review and personal behaviours and delivery review process. Annual pay awards are based on the level to which personal behaviours are role modelled and personal objectives are met and also take into consideration any growth or change in the role and responsibilities.

b) Variable reward

Material risk takers are eligible to participate in our Variable Reward scheme. The award to an individual is made up of a cash bonus and share options and is predominantly designed to provide a long term reward plan that focuses behaviour on the longer term success of the bank. Variable reward is linked to key performance measures aligned to Metro Bank's key objectives, including our culture, and also to an individual's personal behaviours and objectives. Share options and bonus payments are based on the level to which individual and business wide behaviours and values are role modelled and individual and business wide objectives are met. Long-term remuneration has a 5-year vesting period in accordance with FCA guidelines.

c) Benefits

Material risk takers are provided with a mix of private medical insurance, Income Protection, life assurance and they are invited to participate in the bank pension plan and other 'colleague funded' benefits.

8. Aggregate Remuneration Data

Metro Bank is required to publish details of the aggregate remuneration data for those colleagues who we treat as material risk takers i.e. those who have a material impact on the risk profile of the bank. This comprises the Board, and Executive Leadership Team including the Director of Audit. For the 2017 financial year this was £9,047,586 ¹

¹The aggregate remuneration figure includes (where applicable):

- a. Salary or fees
- b. Private Medical Insurance
- c. A 10% pension contribution or cash equivalent
- d. Any travel and, or, accommodation allowances
- e. Income protection
- f. Variable reward awarded in March 2018 for the 2017 performance year

Note that it does not include a contribution for death in service life cover which is covered by a group plan.