



Metro Bank Holdings PLC

*(incorporated under the Companies Act 2006 and registered in England and Wales
with registered number 14387040)*

£250,000,000 13.875 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Capital Securities

The £250,000,000 13.875 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Capital Securities (the "**Capital Securities**") will be issued by Metro Bank Holdings PLC (the "**Issuer**") on 26 March 2025 (the "**Issue Date**"). The Capital Securities will be issued on the terms and conditions set out under the section headed "*Terms and Conditions of the Capital Securities*" (the "**Conditions**").

Subject to the Conditions, the Capital Securities will bear interest on their principal amount from (and including) the Issue Date to, but excluding, 26 September 2030 (the "**First Reset Date**") at a rate of 13.875 per annum and thereafter at the relevant Reset Rate of Interest as provided in Condition 5 (*Interest Payments*). Interest will be payable on the Capital Securities semi-annually in arrear on each Interest Payment Date (as defined in the Conditions). The first payment of interest is scheduled to be made on 26 September 2025. The Issuer may at its discretion elect to cancel any interest payment (in whole or in part), and must cancel payments of interest (a) in the circumstances described in Conditions 6(b) (*Interest Cancellation – Restriction on interest payments*) and 6(c) (*Notice of interest cancellation*) and/or (b) if and to the extent that such payment could not be made in compliance with the Solvency Condition (as defined in Condition 4(a) (*Subordination – Winding-Up and Solvency Condition*)). Any interest which is so cancelled will not accumulate, and will not become due or be payable at any time thereafter, whether in a Winding-Up or otherwise and cancellation thereof shall not constitute a default for any purpose on the part of the Issuer.

Upon the occurrence of a Trigger Event, there will be an irrevocable and automatic release of all of the Issuer's obligations under the Capital Securities (other than certain Issuer obligations in connection with the Conversion Shares Offer (as defined herein), if any) in consideration of the Issuer's issuance of the Conversion Shares at the Conversion Price (as defined herein) to the Conversion Shares Depository (on behalf of the Holders). The Issuer may, in its sole and absolute discretion, elect that a Conversion Shares Offer be made by the Conversion Shares Depository to all or some of the Issuer's ordinary shareholders at such time. The realisable value of any Conversion Shares received by a Holder following an Automatic Conversion may be significantly less than the Conversion Price, and Holders could lose all or part of their investment in the Capital Securities as a result of the Automatic Conversion.

The Capital Securities are perpetual securities with no fixed redemption date, and the Holders have no right to require the Issuer to redeem or purchase the Capital Securities at any time. The Issuer may, in its sole and full discretion, but subject to obtaining prior Supervisory Permission from the Relevant Authority therefor, the satisfaction of the other conditions to redemption set out in Condition 7 (*Redemption, Substitution, Variation and Purchase*) and compliance with the Solvency Condition, elect to (a) redeem all (but not some only) of the Capital Securities at their principal amount, together with accrued and unpaid interest thereon, excluding any interest which has been cancelled or deemed to be cancelled (i) at the Issuer's option (A) on any day falling in the period commencing on (and including) 26 March 2030 and ending on (and including) the First Reset Date; or (B) on any day falling in the period commencing on (and including) the date that is six months before any subsequent Reset Date and ending on (and including) such Reset Date, (ii) if a Tax Event has occurred, (iii) if a Capital Disqualification Event has occurred, (iv) if a Loss Absorption Disqualification Event has occurred, or (v) if the outstanding aggregate principal amount of the Capital Securities is 25 per cent. or less of the aggregate principal amount of the Capital Securities originally issued, or (b) repurchase the Capital Securities at any time in accordance with the then prevailing Regulatory Capital Requirements.

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

Application will be made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Capital Securities to be admitted to trading on the London Stock Exchange's International Securities Market ("**ISM**"). References in this Offering Circular to the Capital Securities being "**admitted to trading**" (and all related references) shall mean that the Capital Securities have been admitted to trading on the ISM. The Capital Securities are a new issue of securities and have no established trading market. There can be no assurance that an active trading market in the Capital Securities will develop, and any trading market that does develop may not be liquid. The ISM is not a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom ("**UK**") by virtue of the European Union (Withdrawal) Act 2018, as amended ("**EUWA**") ("**UK MiFIR**"). This Offering Circular does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "**UK Prospectus Regulation**") and, in accordance with the UK Prospectus Regulation, no prospectus is required in connection with the issuance of the Capital Securities.

The ISM is a market designated for professional investors. Securities admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority (the "FCA"). The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Fitch Ratings Ltd ("**Fitch**") has assigned the Issuer a long-term credit rating of B+ and Metro Bank PLC ("**Metro Bank**") a long-term credit rating of BB-. The Capital Securities are expected to be rated CCC+ by Fitch. The Issuer expects such credit ratings to be assigned on or around the Issue Date. Fitch is established in the United Kingdom and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**"). Fitch is not established in the European Economic Area (the "**EEA**") but the credit rating that it has assigned to each of the Issuer and Metro Bank is endorsed by Fitch Ratings Ireland Limited ("**Fitch Ireland**"), which is established in the EEA and registered under Regulation (EC) No 1060/2009 (the "**EU CRA Regulation**"). 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. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Capital Securities.

The Capital Securities and any Conversion Shares which may be delivered upon an Automatic Conversion of the Capital Securities have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Capital Securities and any Conversion Shares which may be delivered upon an Automatic Conversion of the Capital Securities may not be offered or sold, directly or indirectly 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 applicable state or local securities laws. The Capital Securities are being offered and sold outside the United States in "offshore transactions" as defined in and in reliance on Regulation S under the Securities Act.

The Capital Securities will be issued in registered form and available and transferable in minimum denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Capital Securities will upon issue be represented by a global certificate (the "**Global Certificate**"), in registered form and which will be registered in the name of a nominee of a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and, together with Euroclear, the "**Clearing Systems**").

An investment in the Capital Securities involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors".

Sole Bookrunner

Morgan Stanley

IMPORTANT NOTICES

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

If you are in any doubt about this document you should consult your stockbroker, bank manager, solicitor, certified public accountant or other professional adviser.

The Issuer accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Offering Circular does not constitute a prospectus for the purposes of: (i) Part IV of the Financial Services and Markets Act 2000, as amended (the "FSMA"); or (ii) the UK Prospectus Regulation. The Offering Circular has been prepared solely with regard to the Capital Securities, which are: (i) not to be admitted to listing or trading on a regulated market for the purposes of UK MiFIR; and (ii) not to be offered to the public in the UK (other than pursuant to one or more of the exemptions set out in Article 1(4) of the UK Prospectus Regulation). Neither the Issuer nor the Sole Bookrunner has authorised, nor do they authorise, the making of any offer of Capital Securities in circumstances in which an obligation arises for the Issuer or the Sole Bookrunner to publish or supplement a prospectus for such offer. The Offering Circular has not been approved or reviewed by any regulator which is a competent authority under the UK Prospectus Regulation.

Prospective investors should have regard to the factors described under the section of the Offering Circular headed "*Risk Factors*", which includes the risk that the Capital Securities may be converted into Conversion Shares of the Issuer and/or may be subject to regulatory capital write-down and conversion powers and/or bail-in resolution powers which may result in loss absorption by investors.

This Offering Circular is to be read in conjunction with all documents which are incorporated by reference herein (see section headed "*Information Incorporated by Reference*"), and shall be construed on the basis that such documents are so incorporated and form part of this Offering Circular.

To the fullest extent permitted by law, the Principal Paying Agent, the Transfer Agent, the Registrar and the Agent Bank (together the "**Agents**" and each an "**Agent**"), the Trustee and the Sole Bookrunner accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement made or purported to be made by the Trustee, an Agent or the Sole Bookrunner or on their behalf in connection with the Issuer or the issue and offering of the Capital Securities. Each of the Trustee, each Agent and the Sole Bookrunner 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 Offering Circular or any such statement.

Neither the Trustee, the Agents, the Sole Bookrunner nor any of their respective affiliates have authorised the whole or any part of this Offering Circular 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 Offering Circular or any responsibility for any acts or omissions of the Issuer or any other person (other than the Trustee, the relevant Agent or the Sole Bookrunner itself) in connection with issue of the Capital Securities.

No person is or has been authorised to give any information or to make any representation not contained in this Offering Circular in connection with the issue or sale of the Capital Securities or any other information supplied in connection with the offering of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee, any of the Agents or the Sole Bookrunner. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Capital Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any information incorporated by reference nor any other information supplied in connection with the offering of the Capital Securities is intended to constitute, and should not be considered as a recommendation, or constituting an invitation or offer, by or on behalf of any of the Issuer, the Trustee, any of the Agents or the Sole Bookrunner, that any recipient of this Offering Circular or any information incorporated by reference or any other information supplied in connection with the offering of the Capital Securities should subscribe for or purchase any of the Capital Securities. Each potential purchaser of the Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit worthiness of, the Issuer. Each potential purchaser of the Capital Securities should determine for itself the relevance of information contained in this Offering Circular, in any document incorporated by reference, or in any other financial statements or information supplied in connection with the offering of the Capital Securities and its purchase of the Capital Securities should be based upon such investigation as it deems necessary. None of the Sole Bookrunner, the Agents or the Trustee undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Capital Securities of any information coming to their attention.

None of the Issuer or any of their respective representatives is making any representation to any offeree or purchaser of the Capital Securities regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each potential investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Capital Securities.

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

Prohibition on marketing and sales of the Capital Securities to retail investors

1. The Capital Securities discussed in this Offering Circular are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Capital Securities. Potential investors in the Capital Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Capital Securities (or any beneficial interests therein).
2.
 - (a) In the UK, the FCA Conduct of Business Sourcebook ("**COBS**") requires, in summary, that the Capital Securities should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.
 - (b) The Sole Bookrunner is required to comply with the COBS.
 - (c) By purchasing, or making or accepting an offer to purchase, any Capital Securities (or a beneficial interest in such Capital Securities) from the Issuer and/or the Sole Bookrunner, each

prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Sole Bookrunner that:

- (i) it is not a retail client in the UK; and
 - (ii) it will not sell or offer the Capital Securities (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite the Capital Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.
- (d) In selling or offering the Capital Securities or making or approving communications relating to the Capital Securities you may not rely on the limited exemptions set out in the COBS.
3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Capital Securities (or any beneficial interests therein), whether or not specifically mentioned in the Offering Circular, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("**MiFID II**") or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Capital Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Capital Securities (or any beneficial interests therein) from the Issuer and/or the Sole Bookrunner, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Each prospective investor and/or initial Holder acknowledges that each of the Issuer and the Sole Bookrunner will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth in the foregoing paragraphs and is entitled to rely upon such representations, warranties, agreements and undertakings.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Capital Securities 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: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Directive (EU) 2016/97 (as amended) (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 Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Capital Securities 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 United Kingdom. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA, and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is only eligible counterparties, as defined in the COBS, and professional clients, as defined in the UK MiFIR; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

United States

The Capital Securities and any Conversion Shares which may be delivered upon an Automatic Conversion of the Capital Securities 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 Capital Securities and any Conversion Shares which may be delivered upon an Automatic Conversion of the Convertible Securities may not be offered or sold, directly or indirectly 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 applicable state or local securities laws.

The Capital Securities are being offered and sold outside the United States in "offshore transactions" as defined in and in reliance on Regulation S.

The Capital Securities have not 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 have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Capital Securities or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Capital Securities are complex financial instruments

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

- (i) have sufficient knowledge, expertise (either alone or with the help of a financial adviser) and experience to make a meaningful evaluation of the Capital Securities (including, but not limited to, the effect or the likelihood of the exercise of any regulatory capital write-down or conversion powers or the bail-in resolution power by the resolution authorities or the occurrence of a Trigger Event for the Capital Securities which results in loss absorption by investors), the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Offering Circular;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact such investment will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where such potential investor's financial activities are principally denominated in a currency other than sterling, and the possibility that interest may not be paid on the Capital Securities and/or that the entire principal amount of the Capital Securities could be lost, including following the exercise of any regulatory capital write-down or conversion powers or the bail-in resolution power by the resolution authorities or following an Automatic Conversion;
- (iv) understand thoroughly the terms of the Capital Securities, such as the provisions governing an Automatic Conversion (including, in particular, the Group's (as defined herein) Common Equity Tier 1 Capital Ratio (as defined below), as well as under what circumstances the Trigger Event will occur), the situations in which interest payments may or shall be cancelled or deemed cancelled and be familiar with the statutory powers available to the Bank of England to write-down or convert securities into ordinary shares, including the possibility that the Capital Securities may become subject to write-down or conversion if the Issuer should become non-viable and the determination of satisfaction of the Solvency Condition, and be familiar with the behaviour of any relevant indices and financial markets;
- (v) 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; and
- (vi) understand the accounting, legal, regulatory and tax implications of a purchase, and the holding and disposal of an interest in the Capital Securities.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. A potential investor should not invest in the Capital Securities, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Capital Securities will perform under changing conditions, the resulting effects on the value of the Capital Securities and the impact this investment will have on the potential investor's overall investment portfolio. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Capital Securities are legal investments for it; (ii) the Capital Securities can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any of the Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Capital Securities under any applicable risk-based capital or similar rules.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular or incorporated by reference herein.

IMPORTANT INFORMATION

This Offering Circular contains:

- the audited consolidated financial statements (including the independent auditors' report thereon and the notes thereto) of Metro Bank, together with its consolidated subsidiaries, as at and for the financial year ended 31 December 2022 (the "**Audited 2022 Financial Statements**");
- the audited consolidated financial statements (including the independent auditors' report thereon and the notes thereto) of the Issuer, together with its consolidated subsidiaries, as at and for the financial year ended 31 December 2023 (the "**Audited 2023 Financial Statements**");
- the unaudited condensed consolidated interim financial statements (including the independent auditors' review report and the notes thereto) of the Issuer, together with its consolidated subsidiaries, as at and for the six months ended 30 June 2024 (the "**Unaudited 2024 Interim Financial Statements**"); and
- the unaudited preliminary condensed consolidated financial statements of the Issuer, together with its consolidated subsidiaries, as at and for the financial year ended 31 December 2024 (the "**Unaudited 2024 Preliminary Financial Statements**", together with the Audited 2022 Financial Statements, the Audited 2023 Financial Statements and the Unaudited 2024 Interim Financial Statements, the "**Financial Statements**"),

together with financial information derived from the Financial Statements. In particular, figures expressed to be as at 31 December 2024 in this Offering Circular are as presented in or derived from (as applicable) the Unaudited 2024 Preliminary Financial Statements.

The Audited 2022 Financial Statements and the Audited 2023 Financial Statements have been prepared in accordance with UK-adopted international accounting standards ("**UK IFRS**") and in accordance with the requirements of the Companies Act 2006.

The Unaudited 2024 Interim Financial Statements have been prepared in accordance with UK-adopted International Accounting Standard 34 (*Interim Financial Reporting*) ("**IAS 34**").

The Unaudited 2024 Preliminary Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK. The Unaudited 2024 Preliminary Financial Statements incorporated by reference in this Offering Circular have been prepared by, and are the responsibility of, the Issuer's management. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled, nor applied agreed-upon procedures with respect to the Unaudited 2024 Preliminary Financial Statements and assumes no responsibility for, and disclaims any association with, this financial information. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

The Group's unaudited pro forma capital ratios as at 31 December 2024 (the "**Unaudited Pro Forma Capital Ratios**") included in this Offering Circular have been prepared by, and are the responsibility of, the Issuer's management. The Unaudited Pro Forma Capital Ratios have not been prepared in accordance with the Prospectus Regulation or the UK Prospectus Regulation. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled, nor applied agreed-upon procedures with respect to the Unaudited Pro Forma Capital Ratios and assumes no responsibility for, and disclaims any association with, this financial information. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. See the sections headed "*Information about the Group — Overview*" and "*Supervision and Regulation — Recovery and resolution — The Issuer's (consolidated) and Metro Bank's (solo) own funds and other MREL resources*" for further information.

References to the "**Group**" in this Offering Circular refer to (i) Metro Bank, together with its consolidated subsidiaries, prior to 31 December 2022, and (ii) the Issuer, together with its consolidated subsidiaries, after 1 January 2023. Unless otherwise stated, the historical financial information relating to the Issuer presented in this Offering Circular has been extracted without material adjustment from the Financial Statements. For further

detail on the relationship between the Group, the Issuer and Metro Bank, see the section headed "*Insertion of the Issuer*" below.

Insertion of the Issuer

To meet the Bank of England's resolution requirements, on 19 May 2023, the Issuer was inserted as the new ultimate holding company and listed entity of the Group. Prior to this date, Metro Bank was both a banking entity and the ultimate parent company of the Group, but subsequently became a 100 per cent. subsidiary of the Issuer. In addition to the insertion of a new holding company, the Group undertook a reduction in capital to provide the Group with distributable reserves.

The insertion of the Issuer has been treated as a business combination under common control, with the Group controlled by the same parties both before and after the insertion. Combinations under common control are outside the scope of IFRS 3 'Business Combinations' and accordingly, the insertion has not been recognised at fair value and no goodwill or fair value acquisition adjustments have been recognised. The Group has instead applied predecessor accounting approach as this most faithfully represents the substance of the facts and circumstances of the series of transactions that comprise the insertion of the Issuer. This is on the basis that those transactions are not designed to deliver economic benefits but represent a re-arrangement of the organisation of business activities across legal entities in order to be compliant with the relevant regulations.

In applying this approach, the Group used the carrying amounts in Metro Bank's consolidated financial statements at the date of transfer to determine the value of the assets and liabilities transferred. The Audited 2023 Financial Statements, the Unaudited 2024 Interim Financial Statements and the Unaudited 2024 Preliminary Financial Statements are therefore prepared as if the Issuer had been the parent company throughout the current and prior periods, to treat the new structure as if it has always been in place. Hedge accounting continues to be applied to the transferred designated hedge relationships as if they have originally been designated by the Group.

Non-UK IFRS measures

This document presents certain key performance measures of the Group that are not defined or recognised under UK IFRS but that the Group finds useful for decision making and for evaluating the performance of the Group and that it believes are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. These measures include capital expenditure, common equity tier 1 ratio ("**CET1 Ratio**"), cost of risk, debt-to-value ratio ("**DTV ratio**"), liquidity coverage ratio ("**LCR**"), leverage ratio, loan-to-deposit ratio ("**LTD ratio**"), net interest margin ("**NIM**"), net stable funding ratio ("**NSFR**"), risk-weighted assets ("**RWA**"), total capital ratio, total capitalisation, underlying general operating expenses, underlying impairment and write-offs of property, plant, equipment and intangible assets, underlying net gains/(loss) on sale of assets, underlying net interest income, underlying other income, underlying profit/(loss) before tax, underlying total income and underlying total operating expenses, each as defined below (together, the "**non-UK IFRS measures**").

- "**Capital expenditure**" is defined as funds that are allocated for the acquisition or improvement of long-term assets with the expectation of generating benefits over an extended period. This comprises additions to property, plant and equipment and intangible assets.

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024 (unaudited preliminary)	2023	2024
	<i>(£ million except where otherwise indicated)</i>				
Additions to property, plant and equipment	30	12	41	5	3
Additions to intangible assets	24	26	19	12	8
Capital expenditure	54	38	60	17	11

- "**CET1 Ratio**" is defined as share capital, share premium, retained earnings and other reserves and specified regulatory adjustments as a percentage of year-end RWA.

The following table sets out the calculation of the Group's CET1 Ratio for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2023	2024
			(unaudited preliminary)		
	<i>(£ million except where otherwise indicated)</i>				
Ordinary share capital	—	—	—	—	—
Share premium	1,964	144	144	—	144
Retained earnings	(1,015)	978	1,022	962	946
Other reserves	7	12	18	8	14
Intangible assets	(216)	(193)	(126)	(207)	(179)
Other regulatory adjustments	79	44	(249)	50	12
Total Tier 1 capital (CET1)	819	985	808	813	937
Risk weighted assets	7,990	7,533	6,442	7,802	7,239
CET1 ratio (%)	10.3	13.1	12.5	10.4	12.9

- "**Cost of risk**" is defined as expected credit loss expense divided by average gross loans.

The following table sets out the calculation of the Group's cost of risk for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2023	2024
			(unaudited preliminary)		
	<i>(£ million except where otherwise indicated)</i>				
Expected credit loss expense	39.9	33.2	7.1	11.3	6.2
Average gross lending	12,611	12,778	11,223	12,934	12,022
Cost of risk (%)	0.32	0.26	0.06	0.18	0.10

- "**DTV ratio**" is defined as the ratio of the gross outstanding amount of a loan to the indexed value of its collateral.
- "**LCR**" is calculated by dividing the total amount of high quality liquid assets by the total net cashflows anticipated over a 30-day stress period (expressed as a percentage).
- "**Leverage ratio**" is defined as the ratio of total CET1 resources to total exposures.

The following table sets forth a reconciliation of the Group's leverage ratio to the nearest UK IFRS measure for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2023	2024
			(unaudited preliminary)		
	<i>(£ million except where otherwise indicated)</i>				
Total Tier 1 Capital	819	985	808	813	937
Total assets	22,119	22,245	17,582	21,747	21,489
Regulatory adjustments	(2,771)	(3,825)	(3,166)	(3,197)	(4,304)
Total exposures	19,348	18,420	14,416	18,550	17,185
Leverage ratio (%)	4.2	5.3	5.6	4.4	5.5

- **"LTD ratio"** is defined as net loans and advances to customers divided by total customer deposits.

The following table sets out the calculation of the Group's LTD ratio for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2023	2024
			(unaudited preliminary)		
	<i>(£ million except where otherwise indicated)</i>				
Loans and advances to customers	13,102	12,297	9,013	12,572	11,543
Deposits from customers	16,014	15,623	14,458	15,529	15,726
LTD ratio (%)	82	79	62	81	73

- **"NIM"** is defined as net interest income divided by average interest-earning assets.

The following table sets out the calculation of the Group's NIM for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2023	2024
			(unaudited preliminary)		
	<i>(£ million except where otherwise indicated)</i>				
Net interest income	404.1	411.9	377.9	221.5	171.9
Average interest-earning assets	21,029	20,786	19,800	20,900	21,131
NIM (%)	1.92	1.98	1.91	2.14	1.64

- **"RWA"** is defined as assets and off-balance sheet exposures, weighted according to risk.
- **"Total capital ratio"** is defined as the total of Tier 1 and Tier 2 capital as a percentage of year-end RWA.

The following table sets out the calculation of the Group's total capital ratio for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2023	2024
			(unaudited preliminary)		
	<i>(£ million except where otherwise indicated)</i>				
Total Tier 1 capital (CET1)	819	985	808	813	937
Debt securities (Tier 2)	250	150	150	217	150
Total regulatory capital	1,069	1,135	958	1,030	1,087
Risk weighted assets	7,990	7,533	6,442	7,802	7,239
Total capital ratio (%)	13.4	15.1	14.9	13.2	15.0

- **"Total capitalisation"** is defined as the sum of share capital, share premium, legal reserve(s) and other reserves.
- **"Underlying general operating expenses"** is defined as expenses relating to people, IT, money transmission, occupancy, professional fees and other expenses. It excludes (i) the costs relating to delivering the commitments associated with the Capability and Innovation Fund ("**C&I Fund**"), (ii) remediation costs consisting of money spent in relation to the RWA adjustment including the associated investigations by the UK Prudential Regulation Authority (the "**PRA**") and FCA (2022 only), work undertaken in relation to financial crime (2022 only), the Arkeyo claim (as defined below) (2024 only) and the penalty from investigations into anti-money laundering by the FCA (2024 only), (iii) transformation costs primarily consisting of costs associated with redundancy programmes as part of the Group's approach to right-sizing teams as well as the costs of work undertaken to establish the Group's cost reduction programme, (iv) costs associated with the refinancing which were expensed to the income statement, including the impact of discontinuing hedging relationships (2023 and 2024 only), and (v) costs associated with the establishment of Metro Bank Holdings PLC above Metro Bank PLC to meet regulatory requirements (2022 and 2023 only).
- **"Underlying impairment and write-offs of property, plant, equipment and intangible assets"** is defined as expenses relating to impairment and write-offs of property, plant, equipment and intangible assets excluding the costs associated with property, plant and equipment and intangible assets that are either no longer being used by or are no longer generating future economic benefit for the Group.
- **"Underlying net gains/(loss) on sale of assets"** is defined as the gains or loss on the sale of investment securities. It excludes the loss on the sale of the £2.5 billion mortgage portfolio to NatWest and the net income on servicing the portfolio until it is transferred to NatWest on 7 April 2025 (2024 only).
- **"Underlying net interest income"** is defined as the net of interest income and expense, including income on loans and advances, investment securities, cash and balances held with the Bank of England, offset by interest expenses on deposits, debt securities and lease liabilities, repurchase agreements as well as the net position of derivatives in hedging relationships. It excludes costs relating to delivering the commitments associated with the C&I Fund (2022 only).
- **"Underlying other income"** is defined as income related to foreign currency transactions, rental income and other income. It excludes (i) income relating to delivering the commitments associated with the C&I Fund and (ii) the gain on the haircut of the Tier 2 debt instrument as part of the capital raise and refinancing (2023 only).
- **"Underlying profit/(loss) before tax"** is defined as the sum of underlying net interest income, underlying net fee and commission income, underlying net gains/(loss) on the sale of assets and underlying other income, less underlying total operating expenses and underlying expected credit loss expenses.

- **"Underlying total income"** is defined as income from net interest income, net fee and commission income and net gains/(loss) on the sale of assets and other income. It excludes (i) costs relating to delivering the commitments associated with the C&I Fund (2022 only), (ii) the gain on the haircut of the Tier 2 debt instrument as part of the capital raise and refinancing (2023 only), (iii) the loss on the sale of the £2.5 billion mortgage portfolio to NatWest (2024 only) and (iv) income relating to delivering the commitments associated with the C&I Fund.
- **"Underlying total operating expenses"** is defined as expenses relating to people, IT, money transmission, occupancy, professional fees, depreciation and amortisation, impairment and write-offs of property, plant, equipment and intangible assets and other expenses. It excludes (i) the costs relating to delivering the commitments associated with the C&I Fund, (ii) the costs associated with property, plant and equipment and intangible assets that are either no longer being used by or are no longer generating future economic benefit for the business, (iii) remediation costs consisting of money spent in relation to the RWA adjustment including the associated investigations by the PRA and FCA (2022 only), work undertaken in relation to financial crime (2022 only), the Arkeyo claim (as defined below) (2024 only) and the penalty from investigations into anti-money laundering by the FCA (2024 only), (iv) transformation costs primarily consisting of costs associated with redundancy programmes as part of the Group's approach to right-sizing teams as well as the costs of work undertaken to establish the Group's cost reduction programme, (v) costs associated with the refinancing which were expensed to the income statement, including the impact of discontinuing hedging relationships (2023 and 2024 only), and (vi) costs associated with the establishment of Metro Bank Holdings PLC above Metro Bank PLC to meet regulatory requirements (2022 and 2023 only).

Some of the non-UK IFRS measures noted above are defined by, and calculated in compliance with, applicable banking regulations, which often provides the Group with certain discretion in making its calculations. A reconciliation of each non-UK IFRS measure to the most directly comparable measure calculated and presented in accordance with UK IFRS is set out below, see *"Reconciliation from statutory profit/(loss) before tax to underlying profit/(loss) before tax"*.

Because of the discretion that the Group and other banks have in defining the non-UK IFRS measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other banks. These measures should not be used as a substitute for evaluating the performance of the Group based on the Financial Statements. Shareholders should not consider the non-UK IFRS measures in isolation nor place undue reliance on these non-UK IFRS measures and are advised to review them in conjunction with the Financial Statements.

As these measures are not determined in accordance with UK IFRS or any generally accepted accounting standards, and are thus susceptible to varying calculations, they may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools. In particular, there are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company, which means that other companies may define and calculate such measures differently from the Group. Non-UK IFRS measures have not been audited or reviewed. These non-UK IFRS measures have also not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, UK IFRS or any generally accepted accounting standards.

Reconciliation from statutory profit/(loss) before tax to underlying profit/(loss) before tax

The following tables set forth reconciliations of the Group's underlying financial information to the nearest UK IFRS measure for the periods indicated.

Year ended 31 December 2022

Year ended 31 December 2022							
	Statutory basis	Impairment and write-off of property, plant, equipment and intangible assets	Net C&I costs	Transformation costs	Remediation costs	Holding company insertion costs	Underlying basis
	<i>£'million</i>						
Net interest income	404.1	—	0.1	—	—	—	404.2
Net fee and commission income	81.8	—	—	—	—	—	81.8
Net gains on sale of assets	—	—	—	—	—	—	—
Other income	37.6	—	(1.5)	—	—	—	36.1
Total income	523.5	—	(1.4)	—	—	—	522.1
General operating expenses	(467.6)	—	1.4	3.3	5.3	1.8	(455.8)
Depreciation and amortisation	(77.0)	—	—	—	—	—	(77.0)
Impairment and write-offs of property, plant, equipment and intangible assets	(9.7)	9.7	—	—	—	—	—
Total operating expenses	(554.3)	9.7	1.4	3.3	5.3	1.8	(532.8)
Expected credit loss expense	(39.9)	—	—	—	—	—	(39.9)
Loss before tax	(70.7)	9.7	—	3.3	5.3	1.8	(50.6)

Six months ended 30 June 2023

	Six months ended 30 June 2023				
	Statutory basis	Net C&I costs	Remediation costs	Holding company insertion costs	Underlying basis
	<i>£million</i>				
Net interest income	221.5	—	—	—	221.5
Net fee and commission income	42.2	—	—	—	42.2
Net gains on sale of assets	0.8	—	—	—	0.8
Other income	21.9	(0.8)	—	—	21.1
Total income	286.4	(0.8)	—	—	285.6
General operating expenses	(221.4)	0.8	(0.8)	1.5	(219.9)
Depreciation and amortisation	(38.3)	—	—	—	(38.3)
Impairment and write-offs of property, plant, equipment and intangible assets	—	—	—	—	—
Total operating expenses	(259.7)	0.8	(0.8)	1.5	(258.2)
Expected credit loss expense	(11.3)	—	—	—	(11.3)
Profit before tax	15.4	—	(0.8)	1.5	16.1

Year ended 31 December 2023

	Year ended 31 December 2023							
	Statutory basis	Impairment and write-off of property, plant, equipment and intangible assets	Net C&I costs	Transformation costs	Remediation costs	Holding company insertion costs	Capital raise and refinancing	Underlying basis
	<i>£million</i>							
Net interest income	411.9	—	—	—	—	—	—	411.9
Net fee and commission income	90.4	—	—	—	—	—	—	90.4
Net gains on sale of assets	2.7	—	—	—	—	—	—	2.7
Other income	143.9	—	(2.4)	—	—	—	(100.0)	41.5
Total income	648.9	—	(2.4)	—	—	—	(100.0)	546.5
General operating expenses	(502.9)	—	2.4	20.2	—	1.8	26.0	(452.5)
Depreciation and amortisation	(77.7)	—	—	—	—	—	—	(77.7)
Impairment and write-offs of property, plant, equipment and intangible assets	(4.6)	4.6	—	—	—	—	—	—
Total operating expenses	(585.2)	4.6	2.4	20.2	—	1.8	26.0	(530.2)
Expected credit loss expense	(33.2)	—	—	—	—	—	—	(33.2)
Profit/(loss) before tax	30.5	4.6	—	20.2	—	1.8	(74.0)	(16.9)

Six months ended 30 June 2024

	Six months ended 30 June 2024						
	Statutory basis	Impairment and write-off of property, plant, equipment and intangible assets	Net C&I costs	Transformati on costs	Remediation costs	Capital raise and refinancing	Underlying basis
	<i>£million</i>						
Net interest income	171.9	—	—	—	—	—	171.9
Net fee and commission income	45.9	—	—	—	—	—	45.9
Net gains on sale of assets	0.1	—	—	—	—	—	0.1
Other income	18.2	—	(2.1)	—	—	—	16.1
Total income	236.1	—	(2.1)	—	—	—	234.0
General operating expenses	(225.0)	—	2.1	4.5	1.8	0.1	(216.5)
Depreciation and amortisation	(38.1)	—	—	—	—	—	(38.1)
Impairment and write-offs of property, plant, equipment and intangible assets	(0.3)	0.3	—	—	—	—	—
Total operating expenses	(263.4)	0.3	2.1	4.5	1.8	0.1	(254.6)
Expected credit loss expense	(6.2)	—	—	—	—	—	(6.2)
Loss before tax	(33.5)	0.3	—	4.5	1.8	0.1	(26.8)

Year ended 31 December 2024 (unaudited preliminary)

	Year ended 31 December 2024							
	Statutory basis	Impairment and write-off of property, plant, equipment and intangible assets	Net C&I costs	Transformation costs	Remediation costs	Mortgage portfolio sale	Costs associated with capital raise	Underlying basis
	<i>£million</i>							
Net interest income	377.9	—	—	—	—	—	—	377.9
Net fee and commission income	93.2	—	—	—	—	—	—	93.2
Net loss on sale of assets	(101.4)	—	—	—	—	101.4	—	—
Other income	35.6	—	(3.4)	—	—	0.2	—	32.4
Total income	405.3	—	(3.4)	—	—	101.6	—	503.5
General operating expenses	(489.0)	—	3.4	31.1	21.3	—	0.1	(433.1)
Depreciation and amortisation	(77.3)	—	—	—	—	—	—	(77.3)
Impairment and write-offs of property, plant, equipment and intangible assets	(44.0)	44.0	—	—	—	—	—	—
Total operating expenses	(610.3)	44.0	3.4	31.1	21.3	—	0.1	(510.4)
Expected credit loss expense	(7.1)	—	—	—	—	—	—	(7.1)
Loss before tax	(212.1)	44.0	—	31.1	21.3	101.6	0.1	(14.0)

Non-financial information operating data

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

Market and Industry Information

Market data and certain industry forecasts used in this document has been sourced from third parties. The Issuer confirms that all third-party information contained in this document 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 document, the source of such information has been identified. The Issuer believes that the information provided by these third parties is reliable, but the accuracy and completeness of this information is not guaranteed and any related estimates or projections may be based on significant assumptions. This third party information was not produced for the purposes of inclusion within any prospectus for a transaction of the nature contemplated herein or for securing financing of any nature.

Cautionary Note Regarding Forward-Looking Statements

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

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

You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the section 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.

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

Other than in accordance with its legal or regulatory obligations (including under the ISM Rulebook), the Issuer does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Currencies

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

Rounding

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

Definitions and interpretation

Certain terms used in this document, including all capitalised terms and certain technical and other terms, are defined and explained in the section headed "*Definitions*" below. Defined terms used herein and not otherwise defined have the meaning given to them in the Conditions.

References to a numbered Condition are references to the numbered paragraphs in the Conditions.

Enforcement of Civil Liabilities

The ability of persons who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK (each an "**Overseas Person**") to bring an action against the Issuer may be limited under law. The Issuer is a public limited company incorporated in England and Wales. The rights of holders of the Capital Securities (or, on and following the Conversion Date, the Conversion Shares) are governed by English law (and, in respect of the Conversion Shares, by the Articles of Association). These rights differ from the rights of holders of securities issued by typical US corporations and some other non-UK corporations.

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

In considering whether to invest in the Capital Securities, prospective investors must rely on their own examination, analysis and enquiry of the Group and the terms of the Capital Securities, including the merits and risks involved. None of the Group or any of their respective representatives is making any representation to any prospective investor regarding the legality or advisability of an investment in the Capital Securities under the laws applicable to such prospective investor. The contents of this Offering Circular are not to be construed as legal, business, tax or financial advice. Each prospective investor should consult with their own adviser as to the legal, business, tax, financial and related aspects of investment in the Capital Securities.

Any decision in connection with an investment in the Capital Securities should be made solely on the basis of the information contained in this Offering Circular. Without limitation to the foregoing, reliance should not be placed on any information in any announcements released by the Group prior to the date of this Offering Circular,

except to the extent that such information is repeated or incorporated by reference into this Offering Circular and not superseded or revised.

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INFORMATION INCORPORATED BY REFERENCE

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

1. the sections set out below of the annual report and the Audited 2022 Financial Statements, as set out on pages 171 to 234, of Metro Bank PLC's annual report and accounts as at and for the financial year ended 31 December 2022 (https://www.metrobankonline.co.uk/globalassets/documents/customer_documents/business-and-commercial/metro-bank-annual-report-and-accounts-2022.pdf.pdf) (the "**2022 Annual Report and Accounts**");
2. the sections set out below of the annual report and the Audited 2023 Financial Statements, as set out on pages 159 to 218, of the Issuer's annual report and accounts as at and for the financial year ended 31 December 2023 (<https://www.metrobankonline.co.uk/globalassets/metro-bank-annual-report-and-accounts-2023.pdf>) (the "**2023 Annual Report and Accounts**");
3. the sections set out below of the Unaudited 2024 Interim Financial Statements (https://www.metrobankonline.co.uk/globalassets/documents/customer_documents/intermediaries/metro-bank-interim-report-2024.pdf) (the "**2024 Interim Report**");
4. the sections set out below of the Issuer's trading update and Unaudited 2024 Preliminary Financial Statements (<https://www.metrobankonline.co.uk/globalassets/fy-2024/fy-2024-trading-update-and-preliminary-results.pdf>);
5. the document entitled "*Metro Bank Holdings PLC – Pillar 3 2023*" (<https://www.metrobankonline.co.uk/globalassets/pillar-3-disclosure-2023.pdf>) (the "**2023 Pillar 3 Disclosure**"); and
6. the document entitled "*Metro Bank Holdings PLC – Pillar 3 – 30 June 2024*" (https://www.metrobankonline.co.uk/globalassets/documents/customer_documents/intermediaries/pillar-3-disclosure-h1-2024.pdf) (the "**H1 2024 Pillar 3 Disclosure**"),

which have been previously published and which have been filed with this Offering Circular (together, the "**Information Incorporated by Reference**"). Such information in those documents shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular 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 Offering Circular. Those parts of the documents incorporated by reference in this Offering Circular which are not specifically incorporated by reference in this Offering Circular are either not relevant for prospective investors in the Capital Securities or the relevant information is included elsewhere in this Offering Circular. Any documents referred to and the contents of any website accessible from hyperlinks in the documents incorporated by reference in this Offering Circular do not form part of this Offering Circular.

Copies of the 2022 Annual Report and Accounts, the 2023 Annual Report and Accounts, the 2024 Interim Report, the Unaudited 2024 Preliminary Financial Statements, the 2023 Pillar 3 Disclosure and the H1 2024 Pillar 3 Disclosure may be obtained (free of charge) from the Issuer's website at <https://www.metrobankonline.co.uk/> and from 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>.

Neither the contents of the Issuer's website (<https://www.metrobankonline.co.uk>) nor the contents of any website accessible from hyperlinks on such website is incorporated into, or forms part of, this Offering Circular and no one should rely on them, save as expressly provided in this section and the section headed "*General Information – Documents Available*" of this Offering Circular.

See the section headed "Important Information" of this Offering Circular, for further detail on the basis of preparation of the 2022 Annual Report and Accounts, the 2023 Annual Report and Accounts, the 2024 Interim Report and the Unaudited 2024 Preliminary Financial Statements.

The Unaudited 2024 Preliminary Financial Statements incorporated by reference in this Offering Circular have been prepared by, and are the responsibility of, the Issuer's management. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled, nor applied agreed-upon procedures with respect to the Unaudited 2024 Preliminary Financial Statements and assumes no responsibility for, and disclaims any association with, this financial information. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

Reference document	Information incorporated by reference	Page number(s) in reference document
2022 Annual Report and Accounts	Independent auditors' report to the members of Metro Bank plc	171-180
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OVERVIEW OF THE PRINCIPAL FEATURES OF THE CAPITAL SECURITIES

The overview must be read as an introduction to this Offering Circular and any decision to invest in the Capital Securities should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference herein.

*The following provides an overview of certain of the principal features of the Capital Securities and is qualified by the more detailed information contained elsewhere in this Offering Circular. Capitalised terms used herein have the meaning given to them in the section headed "Terms and Conditions of the Capital Securities". References to numbered Conditions are to the terms and conditions of the Capital Securities (the "**Conditions**") as set out in the section "Terms and Conditions of the Capital Securities".*

Issuer	Metro Bank Holdings PLC (the " Issuer ", and together with its subsidiary undertakings and, where the context requires, its associated undertakings, the " Group ") (<i>incorporated on 29 September 2022 under the Companies Act 2006 and registered in England and Wales with registered number 14387040</i>)
Issuer Legal Entity Identifier (LEI)	984500CDDEAD6C2EDQ64
Website and telephone of the Issuer	https://www.metrobankonline.co.uk/ Neither the website of the Issuer nor any information contained thereon is incorporated into, or forms part of, this Offering Circular, save as expressly provided under " <i>Information Incorporated by Reference</i> " above. Its telephone number is +44 (0)345 08 08 500.
Trustee	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent	Citibank, N.A., London Branch
Registrar and Transfer Agent	Citibank Europe plc
Agent Bank	Citibank, N.A., London Branch
Capital Securities	£250,000,000 13.875 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Capital Securities (the " Capital Securities ")
Issue Date	26 March 2025
Issue Price	100.00 per cent.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Capital Securities and certain risks relating to the structure of the Capital Securities. These are set out under the section headed " <i>Risk Factors</i> ".
Status of the Capital Securities	The Capital Securities will constitute direct, unsecured and unguaranteed obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves, as more fully described in the Conditions. Pursuant to the Insolvency Act, the Capital Securities constitute tertiary non-preferential debts of a relevant financial institution and therefore both ordinary non-preferential debts and secondary non-

preferential debts of the Issuer will rank in priority to the Capital Securities. The terms "ordinary non-preferential debt", "relevant financial institution", "secondary-non preferential debt" and "tertiary non-preferential debt" shall have the meanings given to each of them in the Insolvency Act.

In addition, see "*Risk Factors – The obligations of the Issuer in respect of the Capital Securities will be subordinated.*"

Rights on a Winding-Up

If a Winding-Up occurs before the date on which a Trigger Event occurs, there shall be payable by the Issuer in respect of each Capital Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Holder if, on the day prior to the commencement of such Winding-Up and thereafter, such Holder were the holder of the most senior class of preference shares in the capital of the Issuer, having an equal right to a return of assets in such Winding-Up to, and so ranking *pari passu* with, the holders of such class of preference shares (if any) from time to time issued by the Issuer that has a preferential right to a return of assets in such Winding-Up, and so ranking ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such Holder was entitled to receive in respect of such preference shares, on a return of assets in such Winding-Up, was an amount equal to the principal amount of the relevant Capital Security together with any accrued but unpaid interest thereon (provided not otherwise cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations in respect of such Capital Security.

If a Winding-Up occurs on or after the date on which a Trigger Event occurs but before the Conversion Date in respect of an Automatic Conversion, then for the purposes of determining the claim of a Holder in such Winding-Up, the Conversion Date shall be deemed to have occurred immediately before the occurrence of such Winding-Up.

Solvency Condition

Furthermore, other than in the event of a Winding-Up, payments in respect of or arising from the Capital Securities are, in addition to the right or obligation of the Issuer to cancel payments of interest under Condition 6 (*Interest Cancellation*) and Condition 9(d)(i) (*Automatic Conversion – Consequences of Automatic Conversion*), conditional upon the Issuer being solvent at the time of payment by the Issuer and no sum in respect of or arising from the Capital Securities (including any damages awarded for breach of any obligation in respect of the Capital Securities) may fall due and be paid except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (such condition referred to herein as the "**Solvency Condition**"). For the purposes of determining whether the Solvency Condition is met, the Issuer shall be considered to be solvent at a particular point in time if (i) it is able to pay its debts owed to Senior

Creditors as they fall due and (ii) the Balance Sheet Condition has been met.

No set-off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation, counterclaim, netting or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities or the Trust Deed and each Holder shall, by virtue of its holding of any Capital Security (or any beneficial interest therein), be deemed, by the fullest extent permitted under applicable law, to have waived all such rights of set-off, compensation, counterclaim, netting or retention.

Negative pledge

None.

Interest

Subject to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 8 (*Payments*) and Condition 9 (*Automatic Conversion*), the Capital Securities will bear interest on their principal amount:

- (a) from (and including) the Issue Date to (but excluding) 26 September 2030 (the "**First Reset Date**"), at the rate of 13.875 per cent. per annum; and
- (b) thereafter, at the relevant Reset Rate of Interest in respect of each Reset Period, which will be determined by the Agent Bank on the relevant Reset Determination Date as the sum of the Reset Reference Rate and the Margin (as set out in Condition 5 (*Interest Payments*)),

in each case payable, in equal instalments semi-annually in arrear on 26 March and 26 September in each year, commencing on 26 September 2025.

Reset Dates

The First Reset Date and each fifth anniversary date thereafter.

Reset Determination Date

The day falling two Business Days prior to each Reset Date.

Margin

9.572 per cent.

Interest Payment Dates

26 March and 26 September of each year, commencing on 26 September 2025.

Interest Payments Discretionary

Interest on the Capital Securities is due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times (subject to the requirement for cancellation pursuant to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6(b) (*Restriction on interest payments*) and Condition 9(d)(i) (*Automatic Conversion – Consequences of Automatic Conversion*)) and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid) and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

See also the paragraphs entitled "*Effect of Interest Cancellation*" and "*Notice of Interest Cancellation*" below.

Restriction on Interest Payments

Without prejudice to Condition 6(a) (*Interest payments discretionary*) and subject to the extent permitted as described in the following paragraph in respect of partial interest payments, the Issuer shall not make an interest payment on the Capital Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date or at any time thereafter) if:

- (a) the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of: (i) all distributions or interest payments made or declared by the Issuer since the end of the last financial year and prior to such Interest Payment Date on or in respect of any Parity Securities, the Capital Securities and any Junior Securities; and (ii) all distributions or interest payments payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Dates (x) on the Capital Securities and (y) on or in respect of any Parity Securities, in the case of each of (i) and (ii), excluding any payments already accounted for (by way of deduction) in determining the Distributable Items; or
- (b) (i) the aggregate of (1) the relevant interest amount payable by the Issuer on the Capital Securities on such Interest Payment Date and (2) the amounts of any distributions of the kind referred to in Rule 4.3(2) (or any succeeding provision amending or replacing such rule) of chapter 4 of the "CRR Firms – Capital Buffers" part of the PRA Rulebook (or any succeeding provision(s) amending or replacing such chapter or any analogous restrictions arising in respect of a failure to meet capital adequacy, loss absorbing capacity, leverage or buffer requirements) ("**Chapter 4**") exceeds the Maximum Distributable Amount (if any) applicable to the Issuer and/or the Group, as the case may be, as of such date or (ii) the Issuer is subject to the prohibition contained in Chapter 4 on the making of payments on the Capital Securities before the Maximum Distributable Amount has been calculated; or
- (c) the Relevant Authority orders or directs the Issuer to cancel any interest amount otherwise payable on such date; or
- (d) the Solvency Condition is not satisfied in respect of such interest payment.

The Issuer may, in its sole discretion, elect to make a partial interest payment on the Capital Securities on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions described above.

Effect of Interest Cancellation

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with the provisions described under the paragraphs entitled "*Interest*

Payments Discretionary" and *"Restriction on Interest Payments"* above. Any interest cancelled or deemed cancelled (in each case, in whole or in part) in the circumstances described above shall not be due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Issuer may use such cancelled payments without restriction and the cancellation of such interest amounts will not impose any restrictions on the Issuer nor prevent or restrict the Issuer from declaring or making any distributions or interest payments on any of its shares or other instruments to meet its obligations as they fall due.

Notice of Interest Cancellation

The Issuer shall provide notice of any cancellation or deemed cancellation of interest (in whole or in part) to the Holders in accordance with Condition 17 (*Notices*) and to the Trustee, the Registrar and the Principal Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Holders any rights as a result of such failure.

Perpetual Capital Securities

The Capital Securities are perpetual capital securities and have no fixed maturity or fixed redemption date.

Issuer's Call Option

The Issuer may, in its sole discretion, but subject to the conditions set out in Condition 7(b) (*Redemption, Substitution, Variation and Purchase – Conditions to Redemption, Substitution, Variation and Purchase*), redeem all, but not some only, of the Capital Securities then outstanding on (i) any day falling in the period commencing on (and including) 26 March 2030 and ending on (and including) the First Reset Date or (ii) any day falling in the period commencing on (and including) the date that is six months before any subsequent Reset Date and ending on (and including) such Reset Date at their principal amount, together with any accrued and unpaid interest thereon (but excluding any interest which has been cancelled or deemed cancelled in accordance with the Conditions) to (but excluding) the date fixed for redemption.

Redemption following Tax Event, Capital Disqualification Event or Loss Absorption Disqualification Event

The Issuer may, in its sole discretion, but subject to the conditions set out in Conditions 7(b) (*Redemption, Substitution, Variation and Purchase – Conditions to Redemption, Substitution, Variation and Purchase*), and 7(d) (*Redemption, Substitution, Variation and Purchase – Redemption Due to Tax Event*), 7(e) (*Redemption, Substitution, Variation and Purchase – Redemption Due to Capital Disqualification Event*) or 7(f) (*Redemption, Substitution, Variation and Purchase – Redemption Due to Loss Absorption Disqualification Event*) respectively, redeem all, but not some only, of the Capital Securities at any time at their principal amount, together with any accrued and unpaid interest thereon (but excluding any interest which

has been cancelled or deemed cancelled in accordance with the Conditions) to (but excluding) the date fixed for redemption at any time following the occurrence of a Tax Event or Capital Disqualification Event or Loss Absorption Disqualification Event.

Issuer's Clean-up Call Option

If, at any time, the outstanding aggregate principal amount of the Capital Securities is equal or less than the Clean-up Call Threshold, the Issuer may, in its sole discretion but subject to conditions set out in Condition 7(b) (*Redemption, Substitution, Variation and Purchase – Conditions to Redemption, Substitution, Variation and Purchase*), redeem all (but not some only) of the remaining outstanding Capital Securities on any date at an amount equal to their principal amount together with any accrued and unpaid interest thereon (but excluding any interest which has been cancelled or deemed cancelled in accordance with the Conditions) to (but excluding) the date fixed for redemption.

Substitution or Variation following a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event

If a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event has occurred, then the Issuer may, but subject to the conditions described in Condition 7(h) (*Redemption, Substitution, Variation and Purchase – Substitution or Variation*), without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Capital Securities for, or vary the Conditions so that they remain or, as appropriate, become, Qualifying Additional Tier 1 Securities.

Conditions to redemption, substitution, variation and purchase

Any redemption, substitution, variation or purchase of the Capital Securities is subject, as applicable and in each case if and to the extent then required under prevailing Regulatory Capital Requirements, to the following requirements:

- (a) the Issuer has obtained prior Supervisory Permission therefore from the Relevant Authority;
- (b) in the case of any redemption or purchase of any Capital Securities, either: (1) the Issuer has (or will on or before the relevant redemption or purchase date, have) replaced the Capital Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and/or the Group; or (2) the Issuer and/or the Group (as the case may be) having demonstrated to the satisfaction of the Relevant Authority that the own funds of the Issuer and/or the Group would, following such redemption, substitution, variation or purchase, exceed its minimum applicable capital requirements (including any applicable buffer requirements) by a margin (calculated in accordance with prevailing Regulatory Capital Requirements) that the Relevant Authority considers necessary at such time provided, for the avoidance of doubt, that where the Issuer and/or the Group (as the case may be) provide sufficient safeguards as to their capacity to operate with own funds above the amounts required under the prevailing Regulatory Capital

Requirements, the Relevant Authority may grant the Issuer and/or the Group (as the case may be) a general prior permission for a specified period to redeem, substitute, vary or purchase the Capital Securities (as applicable).

- (c) In the case of any redemption or purchase of the Capital Securities prior to the fifth anniversary of the Reference Date, this will be subject, as applicable, to (i) in the case of any redemption of the Capital Securities upon the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date; (ii) in the case of any redemption of the Capital Securities upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Authority that the relevant change in the regulatory classification of the Capital Securities was not reasonably foreseeable as at the Reference Date; and (iii) in the case of any redemption of the Capital Securities upon a Loss Absorption Disqualification Event or pursuant to Condition 7(g) (*Redemption, Substitution, Variation and Purchase - Issuer's Clean-up Call Option*) or any purchase of the Capital Securities prior to the fifth anniversary of the Reference Date pursuant to Condition 7(i) (*Redemption, Substitution, Variation and Purchase - Purchases*), as the case may be, either (A) the Issuer has, or will, on or before or at the same time as such redemption or purchase, replaced the Capital Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Relevant 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 (B) in the case of a purchase of the Capital Securities pursuant to Condition 7(i) (*Redemption, Substitution, Variation and Purchase - Purchases*), the relevant Capital Securities are being purchased for market-making purposes in accordance with applicable Regulatory Capital Requirements.

If, at the time of a redemption, purchase, substitution or variation, the prevailing Regulatory Capital Requirements and/or the Relevant Authority permit the redemption, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those described in paragraphs (a), (b) or (c) above or under the paragraph entitled "*Redemption following Tax Event or Capital Disqualification Event or Loss Absorption Disqualification Event*" above, the Issuer shall instead comply with such other and/or, as appropriate, additional pre-condition(s).

Purchases

The Issuer or any of its subsidiaries may, subject to Condition 7(b) (*Redemption, Substitution, Variation and Purchase - Conditions to Redemption, Substitution, Variation and Purchase*), at any time

purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for the Issuer's or such subsidiary's account, Capital Securities in any manner and at any price.

Trigger Event

A Trigger Event occurs when the Common Equity Tier 1 Capital Ratio falls below 7.00 per cent.

Conversion Price

The Conversion Price means £0.601 per Conversion Share, subject to adjustment in accordance with Condition 10 (*Adjustments to the Conversion Price*).

Automatic Conversion

If a Trigger Event occurs at any time, then an Automatic Conversion will occur on the Conversion Date at which point all of the Issuer's obligations under the Capital Securities shall be irrevocably and automatically released by the Holders in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on the Conversion Date at the Conversion Price. Under no circumstances shall such released obligations be reinstated. The Automatic Conversion shall occur without delay upon the occurrence of a Trigger Event.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares on behalf of the Holders) or the relevant recipient in accordance with the Conditions, and each Holder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Capital Securities to the Conversion Shares Depositary (or to such other relevant recipient).

The Issuer shall immediately inform the Relevant Authority of the occurrence of a Trigger Event and shall deliver an Automatic Conversion Notice to the Holders, with a copy to the Trustee.

Consequences of Automatic Conversion

Following an Automatic Conversion, no Holder will have any rights against the Issuer with respect to the repayment of the principal amount of the Capital Securities or the payment of interest or any other amount on or in respect of such Capital Securities, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Capital Securities shall equal zero at all times thereafter. Any interest amount in respect of an Interest Period ending on any Interest Payment Date falling between the date of a Trigger Event and the Conversion Date shall be deemed to have been automatically and irrevocably cancelled upon the occurrence of such Trigger Event and shall not be due and payable.

Following the issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the Conditions, as applicable) on the Conversion Date, the Capital Securities shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary (or such other relevant recipient).

Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the Conditions) in accordance with the Conditions, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depository (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made as described under Condition 9(f) (*Automatic Conversion - Conversion Shares Offer*), of any Conversion Shares Offer Consideration to which such Holders are entitled in accordance with the Conditions.

The Capital Securities are not convertible into Conversion Shares at the option of the Holders or the Trustee at any time.

Conversion Shares

The number of Conversion Shares to be issued to the Conversion Shares Depository on the Conversion Date shall be determined by the Issuer by dividing the aggregate principal amount of the Capital Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depository for the benefit of each Holder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate amount of the Authorised Denomination of the Capital Securities held by such Holder divided by the aggregate principal amount of the Capital Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date, rounded down, if necessary, to the nearest whole number of Conversion Shares.

Conversion Shares Offer

No later than 10 Business Days following the Conversion Date, the Issuer may, in its sole and absolute discretion, elect that the Conversion Shares Depository make an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided in Condition 9(f) (*Automatic Conversion – Conversion Shares Offer*) (the "**Conversion Shares Offer**"). The Issuer may, on behalf of the Conversion Shares Depository, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer. The Issuer will deliver a Conversion Shares Offer Notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, within 10 Business Days following the Conversion Date specifying whether or not it has elected that a Conversion Shares Offer be conducted. If so elected, the Conversion Shares Offer Period, during which the Conversion Shares Offer may be made, shall end no later than 40 Business Days after the giving by the Issuer of the Conversion Shares Offer Notice.

The Issuer reserves the right, in its sole and absolute discretion, to terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period by providing at least three Business Days' notice to the Holders in accordance with Condition 17 (*Notices*), with copy to the Trustee.

Upon completion of the Conversion Shares Offer, the Issuer or the Conversion Shares Depositary will provide notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount.

Settlement Procedures

The Conversion Shares or the Conversion Shares Offer Consideration, as applicable, will be delivered to Holders pursuant to the procedures set forth in the paragraph entitled "*Terms and Conditions of the Capital Securities – Automatic Conversion – Settlement Procedure*" and: (a) the Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, will be delivered to Holders on the applicable Settlement Date; (b) the cash component, if any, of any Conversion Shares Offer Consideration will be paid to the Holders (i) if the relevant Conversion Shares Settlement Notice is not delivered to the Conversion Shares Depositary before the end of the Conversion Shares Offer Period, by pounds sterling cheque drawn on a bank in London and mailed to their address shown on the Register on or around the date on which the Conversion Shares Offer Period ends, or (ii) if the relevant Conversion Shares Settlement Notice is delivered to the Conversion Shares Depositary before the end of the Conversion Shares Offer Period, by transfer, on or around the date on which the Conversion Shares Offer Period ends, to such pounds sterling account maintained by the payee with a bank in London as the Holders may direct in such notice; and (c) the Capital Securities shall be cancelled on the applicable Cancellation Date.

Default and Enforcement

Rights of enforcement in the event of payment default or breach of other obligations under the Capital Securities or the Trust Deed are limited, all as further described in Condition 11 (*Default*).

In particular, if the Issuer does not make payment in respect of the Capital Securities for a period of seven days or more after the date on which such payment is due, the Trustee in its discretion, may, or if so requested by an Extraordinary Resolution or in writing by the Holders of at least one-quarter in principal amount of the Capital Securities then outstanding shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give the Issuer notice of such failure. If within a period of seven days following the provision of such notice, the failure continues and has not been cured or waived, the Issuer shall be deemed to be in default under the Trust Deed and the Capital Securities 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 Capital Securities then outstanding shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction institute proceedings for the winding-up of the Issuer in the jurisdiction it is organised (but not elsewhere).

For the avoidance of doubt, no interest will be due and payable if such interest has been cancelled or is deemed cancelled (in each case, in whole or in part) as provided in Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6(a) (*Interest payments discretionary*), Condition 6(b) (*Restriction on interest payments*) and Condition 9(d)(i) (*Consequences of Automatic Conversion*). Accordingly, no default in payment under the Capital Securities will have occurred or be deemed to have occurred in such circumstances.

No Holder shall be entitled to institute any of the proceedings referred to in Condition 11 (*Default*) and/or proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or prove or claim in any Winding-Up 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 a reasonable period and such failure or inability shall be continuing.

See Condition 11 (*Default*) for further information.

Withholding tax and Additional Amounts

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Capital Securities shall (subject as provided in the Conditions) 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, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions, as set out in Condition 12 (*Taxation*)) pay such Additional Amounts as will result in the receipt by the Holders of such amounts as would have been received by them in respect of payments of interest had no such withholding or deduction been required.

Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding (each as defined in Condition 12 (*Taxation*)).

Modification

The Trust Deed will contain provisions for convening meetings of Holders (by way of a physical meeting, virtual meeting or a hybrid meeting (each as defined in the Trust Deed)) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Holders of a modification of any of the Conditions, any provisions of the Trust Deed and/or the Agency Agreement, as applicable.

Substitution of the Issuer	<p>The Trustee may, without the consent of Holders, agree to the substitution, on a subordinated basis equivalent to that referred to in Conditions 3 (<i>Status</i>) and 4 (<i>Subordination</i>), of the Issuer's successor in business or Holding Company (as defined in the Conditions) (the "Substitute Obligor") in place of the Issuer (or any previous Substitute Obligor under the Conditions) as a new principal debtor under the Trust Deed, the Agency Agreement and the Capital Securities, subject to certain conditions as provided in Condition 14(c)(i) (<i>Meetings of Holders, Modification, Waiver and Substitution of the Issuer – Substitution of the Issuer</i>).</p>
Regulatory Notice or Permission	<p>No modification to the Conditions or any provisions of the Trust Deed or any waiver or authorisation of any breach or proposed breach of any of the Conditions or of the provisions of the Trust Deed or the Agency Agreement or any substitution of the Issuer pursuant to Condition 14 (<i>Meetings of Holders, Modification, Waiver and Substitution of the Issuer</i>) shall become effective unless the Issuer shall have notified the Relevant Authority of such modification or waiver or authorisation or substitution and/or obtained Supervisory Permission therefor from the Relevant Authority, as the case may be (if and to the extent such notice and/or Supervisory Permission is then required by the Regulatory Capital Requirements) or delivered to the Trustee a certificate signed by two Authorised Signatories confirming that no Supervisory Permission is required from the Relevant Authority for such modification, waiver, authorisation and/or substitution.</p>
Acknowledgement of UK Statutory Loss Absorption Powers	<p>Notwithstanding and to the exclusion of any other term of the Capital Securities or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for these purposes, includes each holder of a beneficial interest in the Capital Securities) or the Trustee on their behalf, by its acquisition of the Capital Securities (or any interest therein), each Holder will acknowledge and accept that the Relevant Amounts arising under the Capital Securities may be subject to the exercise of UK Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by the effects thereof, all as further described in Condition 21 (<i>Acknowledgement of UK Loss Absorption Powers</i>).</p>
Form	<p>The Capital Securities will be issued in registered form. The Capital Securities will upon issue be represented by a global certificate deposited with a common depository for Clearstream, Luxembourg and Euroclear and registered in the name of such common depository or its nominee.</p>
Denomination	<p>The denomination of the Capital Securities is £200,000 and integral multiples of £1,000 in excess thereof.</p>
Clearing systems	<p>Euroclear and Clearstream, Luxembourg.</p>
Admission to Trading	<p>Application will be made for the Capital Securities to be admitted to trading on the ISM on or about 26 March 2025. The ISM is not a</p>

regulated market for the purposes of UK MiFIR. The Capital Securities will cease to be admitted to trading on the ISM on the date the ISM has been notified to cancel the Capital Securities or after the Suspension Date, as applicable, in accordance with the Conditions and, in each case, subject to receipt by the ISM of any notice by the Issuer required under the ISM's rules and operating procedures.

Governing law

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

Ratings

Fitch has assigned the Issuer a long-term credit rating of B+. The Capital Securities are expected to be rated CCC+ by Fitch. 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. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Capital Securities.

Use of Proceeds

The Issuer intends to use the net proceeds from the issue of the Capital Securities for general corporate purposes of the Issuer and the Group and to further optimise the capital base of the Issuer and the Group.

For further detail see the section headed "*Use of Proceeds*".

ISIN

XS3013012607

Common Code

301301260

RISK FACTORS

Any investment in the Capital Securities is subject to a number of risks. Prior to investing in the Capital Securities, prospective investors should carefully consider the risk factors associated with any investment in the Capital Securities, the Issuer and the financial services industry in the United Kingdom in general, together with all the other information contained, and incorporated by reference, in this Offering Circular. As part of making its investment decision, a prospective investor should also carefully consider the terms of the Capital Securities, such as the provisions governing an Automatic Conversion (including in particular the circumstances under which a Trigger Event may occur), that interest is due and payable at the sole discretion of the Issuer, the risk that the Capital Securities may be subject to regulatory capital write-down and conversion powers and/or bail-in resolution powers and that there is no scheduled repayment date for the principal of the Capital Securities.

This section describes the risk factors which are considered by the Issuer to be material to the Issuer and an investment in the Capital Securities and which may affect its ability to fulfil its obligations under the Capital Securities. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks and uncertainties which are currently not known to the Issuer or which it currently does not consider to be material. Should any of the risks described below, or any other risks or uncertainties, occur, individually or in the aggregate, this could have a material adverse effect on the Issuer's business, results of operations, financial condition or prospects, the Capital Securities could be subject to an Automatic Conversion, and the trading price and liquidity of the Capital Securities and/or the Issuer's Conversion Shares could decline and, as a result, an investor in the Capital Securities could lose some or all of its investment. In addition, many of these factors are correlated and may require changes to the Issuer's capital requirements, and events described therein could therefore have a compounding adverse effect on the Issuer.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Terms and expressions used in these risk factors shall, unless otherwise defined or unless the context requires otherwise, have the meanings given in and be construed in accordance with, the section headed "Terms and Conditions of the Capital Securities" below.

Risks relating to the operation of the Group's business

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

As the Group's revenue is derived almost entirely from customers based in the UK and its business operates only in the UK, it is particularly exposed to the condition of the UK economy. In addition, as a high street bank, demand for the Group's products and services are influenced in particular by the economic condition of its retail and commercial (including SME) customers. As a result of a variety of factors, the UK economy is experiencing a period of low growth, persistently high inflation and economic stagnation, which continues to drive cost of living challenges. To address inflation, between 2020 and 2023, the Bank of England reversed its historically low interest rates by increasing the base rate from 0.10 per cent. in 2020 to 5.25 per cent. in August 2023. Whilst the base rate has, as of the date of this Offering Circular, fallen to 4.5 per cent., the effect of this decrease on inflation levels has been impacted by global increases in the cost of government debt, threats and the imposition of tariffs and other trade barriers between major world economies and UK economic under-performance and uncertainty. As a consequence, gilt yields have remained at a high level since 2022. In addition, based on data published by the UK's Office of National Statistics, public borrowing was measured to be £17.8 billion in the month of December 2024, an increase of £10.1 billion compared to the month of December 2023 and the highest borrowing figures for the month of December since 2021.

These factors have had, and continue to have, an adverse impact on corporate profits and personal incomes and have adversely affected business and consumer confidence, as well as demand for the Group's products and services. Macroeconomic factors impact retail and commercial banking customers through higher cost of

borrowing, in particular as existing fixed term mortgage contracts come up for renewal in the current rate environment. Moreover, an inflationary environment puts pressure on wages, which in turn puts additional cost pressure (in addition to the UK Government raising employers' national insurance contributions) on firms of all sizes, including the Group. In addition, the foregoing factors have increased the likelihood of an increase in unemployment, which has historically resulted in a decrease in new mortgage borrowing, reduced deposit growth and reduced or deferred levels of spending, as well as an increase in arrears, impairment provisions and defaults, alongside a reduction in income streams, such as fees and commissions received on credit and debit card transactions and demands for unsecured lending, all of which could have a material adverse effect on the Group's business, financial condition and results of operations. Sustained cost of living pressures also increase the risk of fraudulent activity, which could affect the Group's operations.

Deterioration in economic conditions and further market turbulence in the Eurozone and globally, including instability in financial markets, also poses a risk to the Group's business, despite the fact that it has no direct financial exposure outside of the UK and only minimal credit risk exposure outside of the UK. In addition, the UK financial markets, as well as the UK housing market, could also be negatively impacted (as they have been in the past) by global macroeconomic events, including ongoing concerns surrounding, for example, the war in Ukraine, the Israel-Hamas conflict and related regional hostilities, the imposition of tariffs by the United States and retaliatory actions by other major economies, a weakening of the Chinese economy, high inflation levels and volatility in commodity prices. The effects of these events have been felt in the UK economy, and by UK financial institutions in particular, due to strains on funding markets. In addition, the U.S. Government has imposed tariffs on imports from certain jurisdictions and outlined an intention to impose tariffs, on a country-by-country basis in retaliation for any non-tariff barriers that it identifies, on all imports into the United States. In response, these jurisdictions have imposed retaliatory tariffs and non-tariff barriers on certain US imports. Escalating trade wars between major global economies may adversely affect the UK economy and UK financial institutions, including the Group. Furthermore, if the US threatens or imposes similar tariffs on UK imports, it may have a considerable adverse effect on economic conditions in the UK, which would be further adversely affected if the UK imposed retaliatory tariffs on US imports. The worsening of economic conditions in the UK may materially affect the Group as described above. Furthermore, given the interdependence between financial institutions, the Group 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 the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks relating to technological advancements in the financial sector

The rapid pace of technological developments over the past few years could lead to pre-existing technologies used by the Group becoming obsolete and, consequently, the Group being unable to meet customers' needs. In order to attract and retain customers, the Group believes that it will need to invest in key enabling technologies, such as generative artificial intelligence ("AI") or quantum computing, to provide tailored service offerings which align with elevated customer expectations with regards to technology offered by financial institutions. The Group invested and expects to continue to invest in technology that leverages AI, including voice software and certain workflow tools. However, there are considerable costs associated with deploying such technologies. If the Group does not, or is unable to, invest in key enabling technologies, this could limit its ability to compete with other financial institutions and result in a loss of customers and market share.

Conversely, the Group's adoption of such technologies, including the Group's "Insights" tool offering to support customers in managing their finances, will likely be subject to regulatory scrutiny with regards to how such systems are used within the business. Furthermore, the operational resilience of the Group could be compromised if such new technologies are introduced without sufficient safeguards being put in place and training carried out prior to their use. As the use of AI and digital assets increases, so too does the volume of data which the Group relies upon. Management of such data (including data retention and deletion, data quality, data privacy and data architecture) from its creation to its eventual destruction must be robust and designed to identify quality and availability concerns which could arise for the Group. Insufficient data management could lead to deteriorating quality of customer service and business processes, or increased manual intervention in order to minimise the

risk of any errors in the reporting which is circulated to senior management teams, executives and regulators which could have an impact on the Group's profitability (see "*Risk Factors — The group must comply with data protection and privacy laws and is subject to other data-related risks*").

The introduction of Generative AI and automation could also have an effect on the Group's employees. As these technologies advance, it is possible that they could displace certain employees working in jobs which can be completed at a lower cost and in a more efficient manner through the use of AI, automation, or other developing technologies. In addition, re-training employees to use these new systems could be costly and may lead to a transition period during which the quality of customer service declines.

Furthermore, AI systems rely on algorithms to produce results. As a result, there is a risk of algorithmic bias occurring, which arises when errors in such algorithms generate discriminatory or unfair outputs. If AI used by the Group is found to contain such biases, this may negatively impact the Group's brand, reputation and share price, as well as the secondary market pricing of its listed debt securities, and could lead to further adverse consequences, including civil litigation, which could be material.

As AI and digital assets become more prominent in the financial sector, a range of new regulation could be imposed upon the Group. The Property (Digital Assets Etc.) Bill was introduced in Parliament in September 2024 and could result in increased levels of scrutiny from regulators in respect of how the Group uses and interacts with these new technologies. If the Group was found to have breached any new regulation relating to AI, digital assets or other new technologies, the cost of any investigations and possible regulatory sanctions may involve significant expense. In addition, any adverse publicity relating to regulatory action could undermine customer confidence in the Group and reduce demand for its products and services, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks relating to volatility in UK real estate

A significant portion of the Group's revenue is derived from interest and fees paid on its mortgage portfolio. As at 31 December 2024, £5,145 million, or 56 per cent. (31 December 2023, £7,817 million, or 63 per cent.; 31 December 2022, £7,649 million, or 58 per cent.), of the Group's gross loans and advances to customers were retail mortgages. Downturns in the UK economy have in the past had a negative effect on the UK housing market, and any future downturn could have a similar effect. Generally, a decline in house prices in the UK could lead to a reduction in the recovery value of real estate assets held as collateral in the event of a customer default, and could lead to higher impairment provisions, which could reduce the Group's capital and its ability to engage in lending and other income-generating activities, and therefore its profitability. Sustained high interest rates also continue to adversely affect, among others, the retail mortgage loan market, as set out in "*The Group faces risks associated with interest rate levels and volatility*". Conversely, a significant increase in house prices over a short period of time could also have a negative impact on the Group by reducing the affordability of homes for buyers, which could lead to a reduction in demand for new mortgages. Sustained volatility in house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Group's ability to grow its mortgage portfolio.

The elevated level of the Bank of England base rate since 2021 has had an equivalent impact on mortgage interest rates being offered by all lenders on both new mortgage and re-mortgage applications. Although mortgage interest rates have fallen in the past two years, they remain significantly higher than they were five years ago, meaning that many existing mortgage holders who are coming to the end of a fixed-term mortgage will see a significant increase in their monthly mortgage repayments. Some mortgage customers may not be able to afford the interest payments applicable to their mortgages when they switch to a variable rate or a new fixed term rate, and/or may not qualify for new mortgage products (at higher rates) if they seek to refinance their existing homes, any of which could lead to increased mortgage defaults. In June 2023, the Government announced a 'Mortgage Charter', which set out a series of temporary measures designed to soften the impact of repayment hikes, with measures such as customers being able to switch to interest-only mortgages or to extend their mortgage term to reduce their monthly payments, with the option of switching back within six months, without affecting their credit score or any affordability tests. The Group remains signed up to the 'Mortgage Charter' and offers support those customers who opt to make use of the new measures put in place. As at 31 January 2025, the Group has

only seen limited uptake in respect of the Mortgage Charter and continues to monitor this closely. The numbers of Mortgage Charter quotes and take up remains low (at 521 and 358 respectively), with overall take-up on Mortgage Charter requests at 69 per cent. as at 31 January 2025. In respect of the Group, during December 2024, the number of Mortgage Charter requests fell to 11, and the number of take-ups fell to 6, a level last seen in October 2024. Together, these indicate a continued cooling of the Mortgage Charter uptake in respect of the Group.

While the Group's mortgage portfolio has some protection due to its loan to value mix, the mortgage portfolio, like its customer base, is concentrated in London and the South East. As at 31 December 2024, 66 per cent. and 63 per cent. of the Group's retail mortgage portfolio and commercial term lending (excluding lending under the BBLs), respectively, was concentrated in Greater London and South East England.

In addition, the buy-to-let market in the UK, which is predominantly dependent on yields from rental income to support mortgage interest payments, has also slowed (29 per cent. of the Group's retail mortgage portfolio was retail buy-to-let as at 31 December 2024). Although rental rates remain robust at present, 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.

The reversal of the temporary increase in the residential nil-rate threshold for stamp duty land tax will come into effect on 31 March 2025 and will likely mean that certain prospective buyers may no longer be able to afford to purchase a property, which could also decrease mortgage demand, whilst also placing pressure on the Group to offer new mortgage products for those customers who have effectively been priced out of the traditional mortgage market.

In addition, proposed new legislation affording renters greater rights and enhanced powers of enforcement against their landlords could decrease demand for buy-to-let property investments.

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 Government programmes is difficult to predict. Volatility in the UK housing market occurring as a result of these changes, or for any other reason, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks associated with interest rate levels and volatility

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

In response to rising inflation and other macroeconomic factors, the Bank of England began to reverse its historically low interest rates by increasing the base rate from 0.10 per cent. in 2020 to 5.25 per cent. in August 2023. Although the current base rate has fallen by 0.75 per cent., it remains at 4.5 per cent. as at the date of this Offering Circular. As at 31 December 2024, 40 per cent. (31 December 2023, 36 per cent., 31 December 2022, 49 per cent.) of the Group's deposits from customers were demand current accounts, and in a high interest rate environment, the Group may be required to pay higher interest rates to customers on their deposits within such demand current accounts, leaving it more exposed to the re-pricing of its liabilities than competitors with higher levels of term deposits. In addition, if any regulatory changes increased the percentage of interest rate increases required to be passed on to customers, this could lead to lower profitability for the Group and impact the Issuer's ability to fulfil its obligations under the Capital Securities. In the event of sudden large or frequent increases in interest rates, such as were seen in 2022 and 2023, the Group also may not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which, in turn, can negatively affect its NIM (as defined herein) and revenue. Rising interest rates also affect the Group's cost and availability of wholesale financing, as it will be required to pay higher interest rates on any borrowings or other indebtedness. For further details on how interest rates affect the Group's cost and availability of funding, see "*The Group's business is subject to risks relating to the cost and availability of liquidity and funding*".

Changes in interest rates could also impact the Group's loan impairment levels and customer affordability. As at 31 December 2024, 27 per cent. (31 December 2023, 25 per cent.; 31 December 2022, 25 per cent.) of the Group's loans and advances to customers were variable rate. High interest rates, without sufficient improvement in customer earnings or employment levels, may lead to an increase in default rates among customers with variable rate loans who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Group. In particular, many customers who purchased term lending products in a lower interest rate environment, such as fixed-rate mortgages with a two, three or five-year fixed rate period, which are predominant in the UK mortgage market, will see their fixed rate period come to an end soon, with the Group expecting £261 million of retail mortgages, or 5 per cent. of the portfolio, to reach the end of their fixed rate period in 2025. Although less likely for those who purchased two or three-year fixed rate mortgages during periods of higher interest rates in 2022 and 2023, following the end of the fixed-rate period, holders of five-year fixed rate mortgages will be subject to significantly higher variable rates on their loans, as well as a mortgage loan refinance market characterised by significantly higher interest rates than was the case when those mortgages were originally taken out. Some of the Group's customers may not be able to afford the interest payments applicable to their mortgages when they switch to a variable rate and/or may not qualify for new mortgage products (at higher rates) if they seek to refinance their existing homes, any of which could lead to increased mortgage defaults.

The ongoing high interest rate environment could also reduce demand for loan products generally, as individuals are less likely or less able to borrow when interest rates are high, and thereby reduce the Group's revenue. However, given that a considerable proportion of the Group's loans and advances to customers are variable rate and repayable without penalty, amongst those that are able to borrow there is a risk that prolonged high interest rates, in addition to uncertainty regarding the trajectory of such rates, could encourage significant demand for fixed rate products. Therefore, high levels of movement between products in a concentrated time period could put pressure on the Group's business and operational capability, and the Group may not be willing or able to price its fixed rate products as competitively as others in the market. This could lead to customer attrition and, consequently, limit the Group's capacity to lend. Therefore, higher costs and limited availability of funding could adversely affect the Group's profitability.

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

The Group faces risks associated with the implementation of its strategy

The Group's five strategic pillars are: revenue, balance sheet optimisation, cost control, infrastructure development and communication.

The implementation of the strategy is subject to a number of risks, including operational, financial, macroeconomic, market, pricing and technological challenges, and there can be no guarantee that the Group will be able to achieve these goals, or that these goals will have their desired operational effect.

Stores remain a key element of the Group's service offering and strategy as an enabler of the Group's relationship-based approach. The Group will open two new stores in Q2 2025 in Chester and Gateshead, with a store in Salford set to open in late 2025, with all locations selected to not only support local consumers but to also support the Group's growing corporate, commercial and SME banking offering.

The Group may also consider modifying its store layout, design and size to better fit future community and customer requirements. However, there can be no assurance that the Group's store strategy will result in its existing stores increasing their contribution to the Group's profitability, and the Group could further reduce its current expansion plans in light of operational, macroeconomic or other factors.

The success of the Group's strategy will depend on it increasing the number of new customer accounts, either through new customer acquisition or existing customers opening new accounts. The Group's strategy envisages growing relationship current accounts and variable deposit accounts, as the Group continues to optimise both

liquidity and cost of deposits. However, there can be no guarantee that the Group will be successful in gaining the number or type of deposit accounts that it seeks, which could limit its funding base and its profitability.

In relation to its lending business, the Group seeks to shift the mix of its loan portfolio to maximise risk-adjusted returns on regulatory capital. This requires the Group to grow its market share in corporate, commercial and SME lending and specialist mortgages. Implementing this strategy will require the Group's management to make complex judgements and there can be no guarantee that the Group will be successful in its efforts. If the Group is not successful in maximising risk-adjusted returns, this may result in lower returns or reduced lending volumes.

The Group also intends to expand income through new value-added services, particularly for SMEs. For example, it may broaden its online business account offerings and expand its payments and cash management offerings for SMEs. In addition, the Group introduced a 'switcher incentive' in October 2024, pursuant to which small businesses who complete a full switch via Metro Bank's Current Account Switching Scheme will receive free business banking services for two years. However, there can be no assurance that the Group will be able to price competitively, design or implement these offerings, or that its customers will take up these new services as targeted.

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

The Group may also seek to undertake securitisation transactions or loan portfolio sales (such as the sale of its portfolio of approximately £2.5 billion of prime residential mortgages to NatWest in September 2024 and the sale of its portfolio of approximately £584 million of performing unsecured personal loans in February 2025, which is expected to complete by the end of the first quarter of 2025 (the "**February 2025 Portfolio Sale**") as part of its strategy. However, there can be no assurance that the Group will be able to undertake these transactions on favourable terms or at all.

The inability of the Group to implement its strategy for any of the reasons noted above or otherwise 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.

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

The Group is subject to the risk of claims, litigation and regulatory proceedings in the course of its business. These risks may arise for a number of reasons, including that: (i) the Group'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 the Group; or (iii) liability for damages may be incurred to third parties harmed by the conduct of the Group's business. There can be no assurance that the Group will prevail in any future litigation or regulatory proceedings.

On 12 November 2024, the FCA imposed a fine of £16.7 million on the Group for deficiencies in the Group's money-laundering controls between 2016 and 2020. The Group had automated its systems for monitoring transactions in 2016, however, the system did not function as was intended and certain transactions were not monitored. The Group accepted the FCA's findings and the FCA noted that the Group had put in place processes and controls to remediate the deficiencies. The FCA's findings may negatively impact the Group's brand and reputation, and could lead to further adverse consequences going forward, including civil litigation, which could have a material adverse effect on the Group. Furthermore, any future deficiencies in the Group's internal controls and procedures, and any resulting regulatory fines or litigation, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is also subject to other ongoing claims, investigations and litigation (including civil litigation with Arkeyo LLC in the UK in relation to claims of copyright infringement and misappropriation of trade secrets by Metro Bank in relation to money counting machines (the "**Arkeyo Claim**")).

The Arkeyo Claim has been brought against Metro Bank by Arkeyo LLC in the English High Court. Arkeyo LLC is claiming in excess of £24 million for (i) breach of contract; (ii) misuse of confidential information; (iii) payment of outstanding licence and maintenance fees; (iv) copyright infringement; and (v) tortious interference with contractual relations. Arkeyo LLC has also advanced similar claims under US law.

The claim was stayed on 6 November 2024 until further order of the English High Court. On 31 January 2025, Arkeyo LLC applied to lift the stay of the proceedings and Metro Bank understands that Arkeyo LLC intends to pursue the claim through to trial (which has been listed to commence on 12 January 2026). The matter does not appear to have merit and if the stay is lifted Metro Bank will continue vigorously to defend the claim. Any litigation, claims, investigations (including the Arkeyo Claim) or other proceedings, whether or not determined in the Group's favour or settled by the Group, could be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations. In addition, any related proceedings could adversely affect the Group's reputation and the market's perception of the Group and the products and services that it offers, as well as customer demand for those products and services, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group's success relies significantly on the strength of the Metro Bank brand and, to a lesser extent, on the *RateSetter* brand, which it acquired as part of its acquisition of Retail Money Market Limited in 2020. There can be no assurance that the Group will be able to continue to successfully develop the Metro Bank brand's reach to grow market share. This is particularly the case as the Group'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's awareness and foster deposit growth. In addition, in 2023, the Group entered a deal with the English Cricket Board (the "**ECB**") until the end of 2028 to be the exclusive partner to the ECB for women's and girls' cricket. The partnership deal is designed to raise awareness of the Metro Bank brand nationally while reinforcing the local community values Metro Bank seeks to promote through the 'Women's and Girls Fund', co-developed and co-founded by Metro Bank and the ECB.

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

- poor customer service;
- technology failures;
- cybersecurity breaches and fraud;
- breaching, or facing allegations of having breached, legal and regulatory requirements;
- committing, or facing allegations of having committed, or being associated with those who have or are accused of committing, unethical practices;
- litigation claims;
- failing to maintain appropriate standards of customer privacy and record keeping;
- failing to maintain appropriate standards of corporate governance;
- the failure of intermediaries and other third parties on whom the Group relies, such as clearing banks, third-party mortgage servicing agents or partners, to provide necessary services;

- related party transactions; and
- poor business performance.

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

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

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

The success of the Group's strategy will depend in part on its ability to raise capital to support asset growth throughout the planning period

In order to maintain a strong capital position and support its strategic goals, the Group may, from time to time, need to raise own funds and other MREL-eligible debt, such as the Existing MREL Notes and the issuance of the Capital Securities. The Issuer, which is the single point of entry resolution entity, is expected to be the entity which will be used to issue to the market at a future time on a structurally subordinated basis. There can be no guarantee, however, that the Group will be able to raise external funds and other MREL-eligible debt in wholesale funding markets on attractive market terms, when planned or at all.

The inability of the Group to raise further own funds and other MREL-eligible debt in the future could have a material adverse effect on its business, financial condition and results of operations. See also the risk factors entitled "*Risks relating to the operation of the Group's business — The Issuer (on a consolidated basis) and Metro Bank (on a solo basis) are subject to capital conservation rules which, if not complied with as a result of the issuance of the Capital Securities, could ultimately result in the Group being placed into resolution by the Bank of England*", "*Regulatory risks relating to the Group's business — The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*" and "*Regulatory risks relating to the Group's business — The Group is subject to MREL requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*".

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

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

In addition, the Group has in the past drawn funding from the Bank of England's Term Funding Scheme ("**TFS**"), which provided wholesale funding at the bank rate. In 2021, £3,250 million of the Group's TFS drawings were refinanced into the Bank of England's Term Funding for Small and Medium Enterprises ("**TFSME**"), which ran from 15 April 2020 to 31 October 2021, and was designed to support banks and building societies which were finding it difficult to reduce deposit rates much further in a low interest rate environment. The total amount the Group drew down under TFSME was £3,800 million as at 31 December 2021, at an interest rate maintained at the prevailing Bank of England base rate. The Group's outstanding drawdowns will mature in 2027 (with a right to extend to 2031) in the amount of £400m, and the Group intends to repay this balance by using (i) excess

liquidity from its treasury portfolio, (ii) deposit growth over the coming years and (iii) market wholesale funding. By participating in this scheme, the Group reduced the need to fund itself in the wholesale and retail markets. As the scheme has now closed, the Group will face increased competition for wholesale funding, which could reduce the amount of wholesale funding it is able to access on acceptable terms. In addition, in light of the current market rate environment, it is expected that such wholesale funding would be more expensive to borrow than TFSME funding.

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

Despite Metro Bank's LCR of 337 per cent. as at 31 December 2024 (332 per cent. as at 31 December 2023), liquidity constraints may impair the Group's ability to meet regulatory liquidity requirements or financial and lending commitments. A failure to manage these or any other risks relating to the cost and availability of liquidity and funding may have a material adverse effect on the Group's continued ability to grow and on its business, financial condition and results of operations.

The Group faces competition-related risks

The market for financial services in the UK is highly competitive, and competition may intensify in response to consumer demand, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. The financial services markets in which the Group operates are mature, and growth by any bank typically requires obtaining market share from competitors. Competition has placed pressure on the Group's NIM in recent years. While other UK banks have faced similar NIM pressures, larger UK banks have generally been relatively more insulated from these declines compared to smaller banks such as the Group, and while the Group's NIM levels have recovered in recent periods, there can be no assurance that this recovery will be maintained.

The Group faces competition from established providers of financial services, including banks and building societies, some of which have substantially greater scale and financial resources, broader product offerings and more extensive distribution networks. In addition, the Group applies the "standardised" approach to credit risk, which estimates the capital required for its banking book exposures, including its lending portfolios, on the basis of regulatory formulae and is less risk-sensitive, leading to higher RWA. Certain competitors use the internal ratings-based approach, which allows them to hold less capital against their lending than the standardised approach, thus potentially freeing up more capital to support additional lending to customers than is available to the Group under the standardised approach. However, see "*Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*" in respect of the potential impact of the output floor on the internal ratings-based approach.

While the Group has not historically incurred material traditional marketing expenditure on its products and services to raise its profile in the UK banking market, it has recently begun to do so, through efforts such as its partnership deal with the ECB. However, there can be no assurance that these marketing efforts will be successful, or that the benefits will outweigh the costs. In addition, due to their scale, many of the Group's established competitors are able to cross-subsidise their product offerings more efficiently than the Group, as profits in certain businesses allow them to absorb losses for longer periods to develop other business lines. For example, more established competitors may have greater resources than the Group to devote to expanding their digital offerings and integrating new digital infrastructure to support new technologies, such as digital currencies, which may put the Group at a competitive disadvantage in attracting or retaining customers. In addition, as a result of their large established deposit and asset base, more mature banks and international banks are often better positioned to offer cash incentives to attract new customers, as well as higher temporary "teaser" interest rates for deposits or lower temporary rates for loans to attract new customers. The Group makes sparing use of such measures as customer

acquisition tools, focusing instead on its superior customer service – as new entrants and digital entrants continue to develop their models, this service positioning may be impacted and would require the Group to invest further to keep this service positioning or change its pricing strategies.

The Group also faces potential competition from new entrants into the UK banking market. These new entrants include banking businesses developed by large non-financial companies, other "challenger bank" entrants, peer-to-peer lending platforms, internet-only banks and other financial technology entities.

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

Digital assets, including central bank digital currencies and cryptocurrencies, similarly pose a significant disintermediation risk, particularly in the realm of monetary transfers both within and across borders. This direct linkage between transferor and transferee decreases frictions in the existing value chain to the detriment of intermediaries such as the Group.

The foregoing competitive dynamics to which the Group is exposed and the inability of the Group to navigate them successfully could have a material adverse effect on its business, financial condition and results of operations.

The Group is exposed to risks relating to relationships with intermediaries, including brokers and aggregators

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

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

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

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

The Group has exposures to counterparties and obligors whose credit quality can have a significant adverse impact on its earnings and the value of the assets on its balance sheet. As part of the ordinary course of its operations, the Group estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to the Group's results and financial condition, requires expert

judgements, including forecasts of how changing macroeconomic conditions might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors.

In addition, 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. Similarly, deterioration in customer credit quality and a resulting increase in impairments could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group routinely executes transactions with counterparties in the financial services industry, resulting in modest daily settlement amounts and credit exposure, which is largely offset by exchanging margin with counterparties. As a result, the Group is and will continue to be subject to a limited amount of risk relating to the deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Systemic risk in the banking system has become a point of considerable focus. The speed of systemic risk crystallising has become more acute with the increased digital adoption by customers for their banking services. Within the financial services industry, the default or failure of any one institution could lead to defaults or failure by other institutions. Concerns about, or a default or failure by, one institution could lead to significant deposit outflows and liquidity problems, losses or defaults by other institutions (such as the Group), which could escalate rapidly and result in a loss of confidence in other financial institutions or the financial system more generally. Even the perceived lack of creditworthiness of, or questions about, a financial institution (including the Group) or a counterparty may lead to significant deposit outflows, institution- or market-wide liquidity problems and losses or defaults by the Group or by other institutions. This systemic risk could have a material adverse effect on the Group's ability to raise new funding, its ability to meet its obligations in respect of its existing funding and on its business, financial condition, results in operations and/or prospects.

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

Substantially all of the Group's business relates to customers in the UK. Those customers are predominantly in London and the South East of England. 66 per cent. and 63 per cent. of the Group's retail mortgage portfolio and commercial term lending (excluding BBLs), respectively, was concentrated in Greater London and the South East of England as at 31 December 2024. If a disruption to the credit markets or an adverse change in economic or political conditions were to have a disproportionate effect on London and the South East of England, the Group could be exposed to greater potential losses than some of its competitors, which could have a material adverse effect on its business, financial condition and results of operations. In addition to geographic concentration risk, the Group could also be exposed to concentration risk if a specific industry sector were to be disproportionately impacted by economic or political conditions.

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

On 22 February 2019, the Group was awarded a £120 million grant from the C&I Fund, a UK scheme designed as part of measures agreed between the Government and the European Commission to encourage competition in the SME banking market in the wake of the 2008 financial crisis. The Group returned £50 million of the grant in February 2020, leaving a remaining grant amount of £70 million from the C&I Fund. The C&I Fund was previously managed by the Banking Competition Remedies Limited (the "**BCR**"), an independent fund administrator to which the Group submitted a contractually binding business plan during its bid for a grant from the C&I Fund, and currently managed by His Majesty's Treasury ("**HM Treasury**"). This business plan, which was revised in connection with the updated grant amount of £70 million, included commitments to use the grant from the C&I Fund in specific ways, for example by defining geographies and timelines for 15 new store openings by 31 December 2025 (the operational costs pre- and post-launch will be partly funded by funds from the C&I Fund) and agreeing the parameters for new digital platforms and services that the Group will launch for SMEs (with these funded by the Group at a 2:1 ratio of its own funds to funds from the C&I Fund). On 3 January 2025, the Group and HM Treasury agreed to extend the above target completion date for the 15 new store openings to 31 December 2026. The Group has opened 4 of these 15 new stores, has launched many of the new digital

platforms and services for SMEs within the business plan, and has already met its commitment to fund at a 2:1 ratio of its own funds from the C&I Fund.

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

While the Group intends to open, or remain legally committed to opening, the remaining 11 stores by the revised deadline of 31 December 2026, if for any reason the Group is required to repay part of the grant from the C&I Fund for any of the foregoing reasons or otherwise, its reputation, business, financial condition and results of operations could be adversely affected.

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

The Group faces a wide range of risks in its core business activities, including credit risk, capital risk, financial crime risk, operational risk, regulatory risk, conduct risk, strategic risk, model risk, liquidity and funding risk, market risk and legal risk. Effective risk management requires, among other things, access to complete sets of customer data and robust policies, processes and controls for the accurate identification and control of a large number of transactions and events. The Group's risk management policies, processes and controls have not in the past, and may not always in the future, operate as intended. For example, the FCA imposed the £16.7 million fine on the Group for deficiencies in its money-laundering controls that existed between 2016 and 2020. See "*— Claims, investigations and litigation could adversely affect the Group's brand, reputation and earnings*". The Group has a range of tools designed to identify, assess and manage the various risks that it faces, some of which are based on historical market behaviour. These methods may be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historical experience. Other methods that the Group utilises for risk management are based on the evaluation of markets, customers or other information that is publicly known or otherwise available to the Group. This information may not always be correct, updated or correctly evaluated.

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

The Group faces risks associated with errors and/or deficiencies in its models

The Group relies on various internal models to make decisions throughout its business. However, models are approximations and are subject to random or systematic errors, which can result from, among other things, the theoretical bases of models, the data and methods used in their construction, the economic conditions under which they are developed, and how they are used.

As the Group grows, it will continue to develop its models in line with its changing business profile. Therefore, the associated model risk will change accordingly. Given the Group's strategic pivot to commercial lending, it is not the Group's intention to resubmit to the PRA to switch from the standardised model to the advanced internal-ratings based approach ("**AIRB**"), the Group continuously keeps this under review. While the Group seeks to manage its model risk through its risk management policies and procedures, there can be no guarantee that these policies and procedures will mitigate the risks arising from incorrect or misused models or incorrect business and strategic decisions based on model output. Model risk-related events can have a potentially significant impact on the management and execution of the Group's business, which in turn could have a material adverse effect on its business, financial condition and results of operations.

The Group's insurance may not cover all possible losses

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

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

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

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

In addition, the Group outsources significant elements of its IT and network functions and some of its middle- and back-office processes, such as telephony infrastructure and data centre infrastructure, to third parties. The Group also relies on certain third-party vendors, such as Temenos Group AG for its core banking engine software, Pepper Group Limited for its mortgage servicing, as well as mortgage servicing software, Genesys for its contact centre solution, Rackspace for Infrastructure for its hosting on private cloud, Microsoft for a variety of operational software and a series of third parties to support the infrastructure for its debit and credit cards. In addition, the Group relies on third parties for the provision of clearing services. The Group also relies on Infosys (onshore and offshore) to provide skills and expertise to manage a range of operational processes including but not limited to the Group's IT operations and mortgage operations, in light of a partnership established in 2024. If these third parties are unable to deliver their services to the Group in a timely manner and in accordance with the Group's specifications, the Group's ability to meet its customer service levels could be compromised. For further details on the PRA's requirements on outsourcing, see the section headed "*Supervision and Regulation — Outsourcing*".

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

The Group expects to continue to introduce new IT systems and upgrades, and there can be no guarantee it will be able to implement these changes efficiently or cost effectively, or that its current IT systems will continue to be sufficient for the Group's purposes or that they will have sufficient scalability to support the Group's controlled growth plan. Any actual or perceived inadequacies, weaknesses or failures in the Group's IT systems or processes could have a material adverse effect on its business, financial condition and results of operations.

In addition, IT system resilience is likely to be an area of greater regulatory scrutiny following the finalisation of the FCA's rules on operational resilience, as discussed further under "*Regulatory risks relating to the Group's business — The Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years*", below.

The Group must comply with data protection and privacy laws and is subject to other data-related risks

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

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

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

The Group could suffer loss as a result of fraud, theft or cybercrime

As a financial institution, the Group is subject to a heightened risk that it will be the target of criminal activity, including fraud, theft, or cybercrime. For example, the Group is exposed to potential losses due to breaches of its terms of business by its customers (e.g., through the use of a false identity to open an account), by customers engaging in fraudulent activities, including the improper use of legitimate customer accounts or as a result of unauthorised access to its information technology infrastructure. There is also a risk of sophisticated social engineering frauds across remote channels where fraudsters imitate the Group's colleagues, resulting in customers compromising their security credentials and inadvertently authorising push payment ("APP") frauds. Furthermore, losses arising from staff misconduct may result from, among other things, failure to document transactions properly or to obtain proper internal authorisation in an attempt to defraud the Group, or from physical theft at the Group's stores.

In addition to the risk that the Group may suffer loss as a result of being the target of fraud, theft or cybercrime, the risk of fraudulent activity by customers or on customer accounts (in particular, APP fraud) remains an increasing threat across the banking industry. Fraud prevention best practice continues to develop and any failure by the Group to adequately adopt such practices or to appropriately support customers that fall victim to fraud may create significant financial and/or legal and/or regulatory exposure and the possibility of damage to the Group's reputation and/or brand.

The Group's systems and/or those of third-party service providers on which it relies may be subject to attack by cybercriminals, including through phishing, malware or denial of service attacks. The Group has been the subject of such cyberattacks periodically and this risk will continue for the Group. Where a breach of the Group's network security occurs or personal data is stolen, it may expose the Group to adverse regulatory action, the loss of information, litigation and liability under data protection laws, whilst an actual or perceived breach may also result in increased fraudulent activity on customer accounts and customer detriment. Such an incident could also significantly disrupt the Group's operations.

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

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

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

Through its treasury operations, the Group holds liquid asset portfolios for its own account, exposing the Group to interest rate risk, basis risk and credit spread risk. Under volatile market conditions, the fair value of the Group's liquid asset portfolios could fall and cause the Group to record mark-to-market losses. In addition, as at 31 December 2024, the Group had investment securities of £4,490 million (31 December 2023, £4,879 million; 31 December 2022, £5,914 million, 31 December 2021, £5,574 million), comprising investment-grade investments in Government bonds, sovereign, supranational and agency bonds, covered bonds, retail mortgage-backed securities and other asset-backed securities. Despite the conservative nature of its investment securities portfolio, there can be no guarantee that the value of the Group's investment securities portfolio will not decrease. In a distressed economic or market environment, the fair value of certain of the Group's holdings and exposures may be volatile and more difficult to estimate because of market illiquidity. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant negative changes in the fair value of the Group's exposures and holdings.

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

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

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

The Group's success depends on the continued service and performance of its key colleagues, particularly its senior management, and its ability to attract, retain and develop high-calibre talent appropriate for the increasing scale and complexity of its business. The Group may not succeed in attracting and retaining key personnel if they do not identify or engage with the Group's brand and values, or due to reputational or regulatory issues. In

addition, while the Group may seek to augment its senior management team with personnel possessing skills and experience from larger financial institutions, it may be unable to attract qualified candidates. Furthermore, external factors such as macroeconomic conditions, the developing and increasingly rigorous regulatory environment in which the Group operates, changes to work permit and visa rules, or negative media attention on the Group or the financial services industry more broadly could adversely impact the Group's ability to attract and retain staff. Moreover, if Metro Bank and/or the Issuer do not meet the Combined Buffer Requirement, Metro Bank and/or the Issuer (as the case may be) will be subject to formulaic provisions set out in the PRA Rulebook which:

- restrict (to a Maximum Distributable Amount ("**MDA**")) their ability to make or create an obligation to pay certain payments, including dividends on ordinary shares, and payments of variable remuneration or discretionary pension benefits if the obligation to pay was created at a time when the Issuer or Metro Bank, as the case may be, did not meet the Combined Buffer Requirement; and
- in effect, make any such payments subject to the PRA's approval (the "**MDA restrictions**").

The Group is not currently subject to such MDA restrictions. For further details on the MDA regime, see "*The Issuer (on a consolidated basis) and Metro Bank (on a solo basis) are subject to capital conservation rules which, if not complied with as a result of the issuance of the Capital Securities, could ultimately result in the Group being placed into resolution by the Bank of England*".

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

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

The Issuer (on a consolidated basis) and Metro Bank (on a solo basis) are subject to capital conservation rules which, if not complied with as a result of the issuance of the Capital Securities, could ultimately result in the Group being placed into resolution by the Bank of England

In addition to its Total Capital Requirement and MREL requirement, each of Metro Bank and the Issuer is subject to the Combined Buffer Requirement, which currently comprises a capital conservation buffer of 2.5 per cent. of RWA and (since 5 July 2023) a countercyclical buffer of 2 per cent. of RWA. As at the date of this Offering Circular, the Group's Combined Buffer Requirement is met (on absolute terms) on a solo basis by the CET1 resources of Metro Bank and on a consolidated basis by the CET1 resources of the Issuer. Firms or groups which do not meet their Combined Buffer Requirement in full are required to submit to the PRA a capital conservation plan within five business days from identifying that the MDA restrictions apply. Such capital conservation plans must meet specific requirements under the PRA rulebook, including that they need to contain the firm's plan to increase capital resources to restore compliance with the Combined Buffer Requirement and the timeframe therefor.

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

The Group's business model involves the opening and operating of stores, which are typically operated on long-term leases or through purchasing the freehold of premises in prime locations. As at 31 December 2024, the Group had 75 open stores, of which it owned the freehold or long-leasehold on 30 buildings. Property, plant and equipment, primarily in the form of stores and office spaces, constitutes a significant investment for the Group, making up £711 million of the Group's assets as at 31 December 2024 (£723 million as at 31 December 2023).

The Group's controlled growth plan includes the opening of new stores. In some cases, competition for these types of properties can be significant, and the Group cannot be certain it will be able to secure its premises of choice or necessary planning approvals. The Group's grant from the C&I Fund requires it to open 11 further stores in the North of England and the Midlands by 31 December 2026. Any future inability to obtain additional suitable leases or purchases for its properties, including in accordance with its grant from the C&I Fund, could have a material adverse effect on the success of the Group's controlled growth strategy.

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

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

The Group periodically closes office or store locations, and while it has been able to dispose of these properties to date, there can be no guarantee that it will be able to dispose of properties in the future, which could lead to onerous costs. Additionally, the market for real estate investments is relatively illiquid and may result in low disposal prices or an inability to sell certain properties in a timely manner if needed. While the Group is generally a long-term owner/lessee of its properties, there may not be ready buyers with available liquidity or financing or who are willing to pay fair value at the time if the Group desires to sell a property. In the case of leasehold properties, consents may often be required from owners of the freehold interest to dispose of the property or lease. As such, there can be no assurance that any such property will be sold or that the price obtained from such a sale would cover the book value of the property sold. Any of these circumstances could have an adverse effect on the Group's business, financial condition and results of operations.

The Group does not control certain Internet domain names similar to its own

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

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

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

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

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

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

The Government has introduced, and is expected to continue to introduce, increasingly stringent rules, regulations and policies designed to achieve targeted outcomes with respect to ESG issues. These include the requirement for companies listed on the equity shares (commercial companies) category of the London Stock Exchange, such as the Group, to report publicly in accordance with the Task Force on Climate-related Financial Disclosures. These regulations, rules and policies, as well as expectations of customers and other stakeholders, have and will continue to increase compliance costs for the Group, and could increase asset impairments and result in regulatory fines, litigation and/or reputational damage if the Group fails to comply with such requirements and/or is unable to implement required reforms in a timely fashion. A failure to identify and adapt the Group's business to meet new rules or evolving expectations, or any perception that the Group is under-performing relative to its peers or that it is failing to meet its ESG objectives, could also result in investors divesting their shares in the Group or damage the Group's brand and result in a decline in new customers or a loss of existing customers, any of which could have a material adverse effect on the Group's business, financial condition and result of operations.

As at 28 February 2025, Spaldy Investments held 52.86 per cent. of the Shares and is therefore able to exert control over the Group, and its interests may differ from or conflict with those of other Shareholders.

As at 28 February 2025, Spaldy Investments held 52.86 per cent. of the Shares. The Issuer and the Controlling Shareholder Group have entered into a "**Relationship Agreement**" to ensure that the Issuer is capable at all times of carrying on its business independently of its controlling shareholder (as defined in the Listing Rules) and its associates as its main activity. In particular, the Relationship Agreement contains undertakings from the Controlling Shareholder Group that, among other things, (i) the Issuer's transactions and arrangements with it and/or any of its associates will be conducted at arm's length and on normal commercial terms; (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Issuer from complying with its obligations under the Listing Rules; and (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. Pursuant to the Relationship Agreement, the Controlling Shareholder Group is entitled to appoint up to three directors to the Board and is able to exercise this right at any time. There could be instances when the Controlling Shareholder Group has interests that diverge from those of the other Holders, and, notwithstanding the terms of the Relationship Agreement, the Controlling Shareholder Group has the ability to exercise control over the business of the Group and determine the outcome of matters submitted to a vote of shareholders. In particular, the Controlling Shareholder Group could pass or block shareholder resolutions requiring approval by a simple majority, such as the appointment or re-election of directors, irrespective of the vote of any other shareholder. The Controlling Shareholder Group's control over the Group could also have the effect of delaying or deterring a change in control of the Group, could deprive investors of an opportunity to receive a premium for their Shares as part of a sale of the Group and might affect the value of the Shares.

Furthermore, future acquisitions by the Group may result in an increase in the collective shareholding of the Controlling Shareholder Group in the Group.

In addition, Spaldy Investments has previously indicated that it has no plans to redeploy the Group's fixed assets or to introduce any substantial changes in the business of the Group, the management of the Issuer, the continued employment of its employees or their terms of employment. However, there can be no assurance that Spaldy Investments or the Controlling Shareholder Group will continue to support the strategy of the Group as described in "*Information about the Group — Strategy*" or that Spaldy Investments or the Controlling Shareholder Group will not take decisions relating to the Group which could adversely affect the business, financial condition and results of operations of the Group.

The Group is subject to changes in taxation laws

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

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

Regulatory risks relating to the Group's business

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

The Group, in common with other financial services firms, has in recent years faced increased levels of scrutiny from regulators in respect of the conduct of its business. The Group's principal regulators are the FCA (which is responsible for conduct regulation) and the PRA (which is responsible for prudential regulation).

The FCA, the Group's conduct regulator, has highlighted priorities such as making payments safe and accessible (including continued access to cash and financial inclusion), fair treatment for vulnerable customers, promoting competition, and innovation and operational resilience as key for the retail banking sector in its recent annual business plans. Following a series of thematic reviews in the retail banking space and exploratory work to understand certain aspects of SME banking, the FCA provided an update to its work in January 2022, noting that there remains significant room for further interventions to increase competition and innovation in retail banking, including sharing consumer data via "Open Banking" or "Open Finance". In January 2025, the FCA announced plans to launch variable recurring payments in 2025 to offer greater competition to current payment methods, and underlined its intention to develop "Open Finance" in the UK. Any further action that the FCA may take in relation to these, or recommendations it may make in relation to any of its other thematic reviews, could impact the Group's business.

The FCA is also continuing to prioritise the supervision of financial promotions to prevent mis-selling of financial products, mishandling of customer complaints, and use of misleading financial promotions by regulated financial institutions. Allegations of any of these offences by or attributed to an employee of the Group could result in the FCA taking disciplinary action against, or imposing requirements upon, the Group, including enforced withdrawal of products or provision of restitution to affected customers, all of which could result in financial and reputational consequences for the Group.

The FCA has also indicated it is looking to shift towards a more assertive, outcomes-focused regulatory regime for retail customers. The implementation of the FCA's rules on the introduction of a new consumer duty on regulated firms (the "**Consumer Duty**"), which aims to set a higher level of consumer protection in retail financial markets became effective for current products and services from 31 July 2023 and closed-book products from 31

July 2024. In particular, the Consumer Duty introduced (i) a new 'Consumer Principle' that requires firms to act to deliver good outcomes for retail customers (which can include smaller categories of SME customers); (ii) cross-cutting rules requiring firms to act in good faith, avoid causing foreseeable harm, and enable and support customers to pursue their financial objectives; and (iii) four outcomes requiring firms to ensure consumers receive communications they can understand, products and services that meet their needs and offer fair value, and the support they need.

In December 2024, the FCA set out four focus areas for Consumer Duty for the rest of 2024/25 along with the further work it is planning in these areas. One such area is 'embedding the Duty and raising standards'. The FCA has three cross-cutting projects in which it will publish findings where it expects firms to be embedding the Consumer Duty which are focused on the: (a) review of board/governing body reports and complaints and root cause analysis; (b) review of treatment of customers in vulnerable circumstances; and (c) review of consumer support outcome and supporting informed decision-making.

The FCA has also identified a number of sector-specific priorities for 2025 where it has said it has existing concerns and where firms can expect an increased focus. These include plans to publish findings on whether firms' digital tools sufficiently help consumers to understand credit agreements in the first half of 2025 and to investigate the clarity of foreign exchange (FX) pricing in payment services, with an initial focus on clarity of pricing in money remittance services and account to account transactions.

The Board approved the Group's first Consumer Duty report in July 2024. The Board has a Consumer Duty champion who works with management to ensure compliance with the duty. The Group continues to work on embedding and enhancing the duty, in line with its Consumer Duty plan and will continue to engage with the FCA as it issues further information and guidance on how it wishes the industry, firms and the Group specifically to progress.

The FCA is also responsible for oversight of regulated consumer credit activities, providing it with broad regulatory authority over a wide range of aspects of the Group's lending business, such as the format and content of its customer communications and its terms of business. The FCA may 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 ("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. As at 5 March 2025, the Group had 252 fraud cases open at the FOS, with an associated aggregate claimed value of £17.9 million. Although the Group believes that its ultimate potential liability in respect of these cases will be substantially lower, there can be no assurance as to the result of these cases. There has also been an increase in sophisticated social engineering frauds across remote channels in circumstances where fraudsters have imitated bank colleagues, resulting in customers compromising their security credentials, and APP frauds where customers are scammed by fraudsters to pay funds over to them.

The UK's Payment Systems Regulator (as defined in the section headed "*Supervision and Regulation — Payment Services Regulation*") has introduced mandatory reimbursement rules for victims of APP fraud. These rules require payment firms to reimburse individuals, microenterprises and charities who fall victim to APP fraud in most cases, with the sending and receiving payment firms equally sharing the reimbursement cost. The rules apply to payments made and received in the UK via CHAPS and the Faster Payment Scheme, and cap the level of reimbursement at £85,000 per claim. These rules came into effect on 7 October 2024 and could result in increased customer reimbursement costs for the Group.

The FCA remains focused on the retail mortgage lending market. On 2 August 2022, the FCA, noting the decline in borrowers switching mortgages when they could save money by doing so, released a statement instructing lenders to support customers to switch to a less costly option where that is available. The FCA concluded that

the case for further regulatory intervention is not currently justified but that it would continue to monitor the market particularly given the impact on borrowers of increasing mortgage rates and the rising cost of living and consider what further steps it may need to take. In addition, on 30 June 2023, to provide relief for borrowers dealing with higher interest rates, and noting the potential for a rise in borrowers experiencing financial difficulty, the FCA changed its rules to permit lenders to offer switches to interest-only payments for six months and extensions to mortgage terms to reduce monthly repayments, with the option to switch back within six months, without an affordability check. Any regulatory intervention to support these, or other regulatory objectives, could impact the Group's mortgage lending business.

Regulators have also recently increased their scrutiny of the operational resilience in financial services firms through rules and guidance developed by the FCA, the PRA and the Bank of England. On 10 January 2023, the PRA wrote to deposit-taking firms about its priorities for 2023 and highlighted its continued focus on operational risk and resilience. On 29 March 2023, the PRA shared its findings from the Bank of England's 2022 cyber stress test, highlighting both individual action by firms and collective work to improve the financial sector's recovery from cyberattacks. FCA rules require banks (and other firms) to have completed mapping and testing by 31 March 2025 to remain within impact tolerances for important business services and to have made the necessary investments to enable them to operate consistently within their impact tolerance. The Group is engaged in this process. The FCA and PRA have also set out expectations in a supervisory statement in March 2021 on how firms should comply with regulatory requirements and expectations relating to outsourcing and third-party risk management, including in relation to critical third-party service providers.

In recent years, the PRA has also taken a thematic interest in the quality of regulatory reporting across the industry, specifically focusing on the completeness, accuracy and timing of regulatory reports. The Group continues to work with the PRA in connection with the Group's management of its constrained capital position, including around the accuracy and timeliness of its point in time capital position and capital forecasting capabilities and there is a risk that the outcome of the PRA's supervision and monitoring of the Group may result in subsequent action being taken by the PRA.

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

The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))

The prudential regulatory capital and liquidity requirements applicable to banks have increased significantly over the last decade, largely in response to the 2008 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 and medium term, not least in connection with the implementation in the UK of the final Basel III reforms contained in the Basel Committee's December 2017 publication "*Basel III – Finalising post-crisis reforms*" ("**Basel 3.1**") which, among other things, aims to reduce the variability in banks' risk weighted assets calculations by restricting the use of the internal model approaches for certain exposure types, as well as enhancing the sensitivity of the standardised approaches to credit risk and operational risk. With the introduction of an output floor to limit the regulatory capital benefit of using internal models compared to the standardised approaches, the extent to which banks may benefit from using the internal ratings-based approach may potentially be reduced. On 30 November 2022, the PRA published a consultation paper (CP16/22), which set out the PRA's proposed rules and expectations with respect to implementing the Basel 3.1 standards in the UK – including, but not limited to: (i) revisions to the standardised approach to credit risk in

particular in respect of the treatment of real estate lending which will affect the Issuer's classification and treatment thereof, (ii) revisions to the internal ratings based approach to credit risk (which are not relevant to the Group for so long as AIRB is not used by the Group) and (iii) revisions to the recognition of credit risk mitigation techniques. In addition, the proposals also revised certain areas of the Basel III standards already implemented in the UK. Following market and industry feedback to CP16/22, the PRA published a near-final policy statement PS17/23 on 12 December 2023, which addressed some of the issues raised in CP16/22. A second near-final policy statement (PS9/24) was published on 12 December 2024 (together with PS17/23, the "**PRA Policy Statements**"). The PRA stated that it does not intend to change the policy or make substantive alterations to the "near-final" rules before publishing the final rules. The PRA has announced several delays relating to the implementation of these rules, most recently (17 January 2025), moving the implementation date by one year until 1 January 2027 (subject to a transitional implementation period, including for the output floor), in order for greater clarity to emerge about plans for its implementation in the United States. However, the date for full implementation remains 1 January 2030 and the PRA has proposed to reduce transitional periods in the rules to ensure this remains the case. The PRA will continue to monitor developments, specifically in the USA, with regards to its own implementation plans of Basel 3.1. These proposals and resulting changes, either individually and/or in aggregate, may lead to further enhanced requirements in relation to Metro Bank and/or the Group's capital and leverage ratios or alter the ways in which such ratios are calculated.

The prudential regulatory capital and liquidity requirements to which Metro Bank is subject (on a solo basis) and to which the Group is subject (on a consolidated basis) are primarily set out in UK CRR, the onshored EU law versions of the delegated acts and implementing regulations made under EU CRR, the PRA Rulebook and relevant supervisory statements (together referred to for ease as "**UK CRD**").

Although many of the measures in the EU Capital Requirements Regulation ("**EU CRR**")/EU Capital Requirements Directive IV ("**EU CRD IV**") originally took effect in the UK from 1 January 2014, the prudential regulatory regime was subsequently amended a number of times (including as a result of "onshoring" in the context of Brexit or as a result of the implementation of changes to the underlying Basel III standards (for more detail, see the section headed "*Supervision and Regulation*"). For example, when the UK implemented the remaining Basel III standards, most key revisions were implemented with effect from 1 January 2022 (approximately six months after the corresponding measures were implemented in the EU), and the binding net stable funding ratio ("**NSFR**"), only came into effect in the UK on 1 January 2022, by way of amendments to the UK CRR, and the addition of a new liquidity chapter in the PRA Rulebook. All liquidity rules have now been restated in the PRA Rulebook, although on 3 April 2023, the PRA published a feedback statement (FS1/23) on the prudential liquidity framework in response to its earlier discussion paper about potential changes to the liquidity coverage ratio and the treatment of high quality liquid assets.

The Basel 3.1 standards will also substantially amend UK CRR. The proposals set out in the PRA Policy Statements will primarily affect the Group's capital requirements in respect of credit risk including in relation to risk weights for mortgage loans under the standardised approach, as well as impacting other portfolios such as those in respect of SMEs. The Basel 3.1 standards will reduce the benefits of using the AIRB approach as compared to the standardised approach and will disapply the use of AIRB for certain exposure classes as a whole. In addition, risk-weights under the IRB approach will become subject to the output floor, which may result in higher risk-weights for certain exposures. For more detail on forthcoming changes to the UK and EU bank regulatory regimes and the timings for those changes, see the section headed "*Supervision and Regulation*".

In addition, there may be changes to the way in which the PRA interprets and applies capital and other prudential requirements to UK banks, as well as further changes to those prudential requirements themselves. These changes, either individually or in aggregate, may lead to further unexpected enhanced prudential requirements in relation to the Group's capital, leverage, liquidity and funding ratios, and could require the Group to raise capital, further loss-absorbing capacity, and/or increase liquidity to meet such changes. Investors in the Capital Securities should be aware that the implementation of such future changes could also negatively affect the Group's Common Equity Tier 1 and thus increase the risk of a Trigger Event occurring, which could lead to conversion. Any indication that a Trigger Event may occur may have an adverse effect on the value and/or the liquidity of the Capital Securities.

Metro Bank (solo basis) and the Issuer (consolidated basis) calculate regulatory capital requirements using the standardised approach to credit risk and standardised approach to operational risk (i.e. application of the formulaic rules in the UK CRD) and following the supervisory review and evaluation process ("SREP"), an assessment of the risk profile of Metro Bank and the Group and regulatory requirements in relation to capital. The Group may experience a depletion of its capital resources through increased costs or liabilities incurred, or a recalculation based on adjustments to its credit risk calculations, as a result of the crystallisation of any of the other risks described elsewhere in these Risk Factors.

The Group is subject to MREL requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))

The capital and regulatory framework to which the Group is subject imposes certain requirements for the Group to hold sufficient levels of capital, including CET1 capital, leverage and additional loss absorbing capacity (including minimum requirements with respect to the Group's own funds and eligible liabilities ("MREL") and total loss absorbing capacity ("TLAC")). A failure to comply with such requirements (as amended from time to time) may result in restrictions on the Issuer's ability to make discretionary distributions (including on the Capital Securities) in certain circumstances.

In addition, amendments could be made to such capital and regulatory framework, resulting in the imposition of general restrictions or prohibitions in relation to discretionary distributions (including in respect of Additional Tier 1 instruments) in certain circumstances.

As at the date of this Offering Circular, the Issuer's current (consolidated) MREL requirement (excluding disclosable buffers) is 16.72 per cent. of RWA (resulting in a 21.22 per cent. requirement comprising MREL and the Group's disclosable buffers). Metro Bank, a material subsidiary of the Issuer, is subject to the same MREL requirements on a solo basis.

Items eligible for inclusion in MREL include an institution's and/or group's, as the case may be, own funds, and more senior eligible liabilities instruments in the form of debt instruments. For further information on the Issuer's (consolidated) MREL resources and Metro Bank's (solo) MREL resources, see the sections headed "*Supervision and Regulation — Recovery and resolution — MREL requirement*" and "*Supervision and Regulation — Recovery and resolution — The Issuer's (consolidated) and Metro Bank's (solo) own funds and other MREL resources*".

The Issuer is the resolution entity for the single point of entry bail-in strategy applicable to the Group and will issue own funds and other external MREL to the market on a structurally subordinated basis moving forwards. An increase in the amount of own funds or eligible liabilities required to be issued by the Issuer may increase compliance costs, delay, limit or restrict the execution of the Group's strategy and may have a material adverse effect on the Group's capital structure, business, financial condition and results of operations. Further, the cost of funding for external MREL debt issuances may be higher than the cost of funding which the Group might otherwise have incurred if it were not subject to the relevant MREL requirements, and as such the Group's profitability and return on capital could be adversely affected.

The Group must comply with anti-money laundering, financial crime, anti-bribery and sanctions regulations, and any failure to do so could have a material adverse effect on the Group

The Group is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Group, its staff or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules, as well as with financial sanctions programmes, creates a significant financial and operational burden for banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more aggressive, resulting in several landmark fines against UK financial institutions. The FCA, in particular, has highlighted anti-money laundering and the prevention of financial crime as priorities in its business plan. Furthermore, following the entry into force of the EU AML Directive and Transfers of Funds Regulation on 25 June 2015, new regulations came into force in the

UK on 26 June 2017 (and were further amended on 10 January 2020), which impacted the scope of the regulatory requirements the Group must comply with. Moreover, the UK, the EU, United States and numerous other jurisdictions have introduced sweeping sanctions against Russia and Belarus following the invasion of Ukraine, and many of these sanctions involve the banking and financial services sectors.

In 2016, the FCA opened enquiries into the Group's transaction monitoring systems and controls. The FCA's enquiries concluded in November 2024, resulting in the imposition of a financial penalty of approximately £16.7 million relating to historic deficiencies in the Issuer's transaction monitoring systems and controls. The Group engaged and co-operated fully with the FCA's enquiries and accepted its findings. See "*— Claims, investigations and litigation could adversely affect the Group's brand, reputation and earnings*".

While the Group monitors its regulatory environment, it is not always possible to predict the nature, scope or effect of future regulatory requirements to which it might be subject and, in particular, the manner in which existing laws might be administered, interpreted or enforced. In particular, the sanctions applicable to individuals and entities in Russia and Belarus continue to be updated frequently and there is no guarantee that sanctions will not be expanded further. The Group continues to deliver enhancements to its financial crime systems and controls and actively engages with the FCA as part of their ongoing supervision of the Group's systems and controls. Compliance with these requirements is also in part dependent upon the effective operation of the Group's data collection policies, systems and controls, which have not in the past and may not always in the future operate as intended. The Group's policies, processes and procedures have not in the past and may not in the future support its ability to comply with applicable anti money laundering, anti-bribery, sanctions and other related rules and regulations and, therefore, cannot eliminate the risk of actions by third parties or the Group's colleagues that result in money laundering, sanctions breaches, bribery or other activities, as well as violations of applicable regulations, for which the Group might be held responsible. Any of these events may have severe consequences, including criminal sanctions, fines, restrictions on its business operations and reputational damage, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to rules on deposit guarantee schemes

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

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

On 18 April 2023, the EU Commission proposed a number of changes to the EU DGSD (including expanding the types of protected deposits). The UK has not yet published such extensive proposals in respect of the FSCS regime, but the Bank of England introduced minor changes in December 2023 to create a more effective regime for the payment of the FSCS compensation to depositors (by way of bank transfer) in a timely manner and assist covered depositors with opening accounts with alternative banks.

Risks associated with non-disclosure of broker commissions

On 22 November 2024, the UK Court of Appeal published its decision in *Johnson v FirstRand Bank Limited*, *Wrench v FirstRand Bank Limited*, and *Hopcraft v Close Brothers* [2024] EWCA Civ 1282, each relating to hire-purchase agreements for the purchase of motor vehicles. The Court ruled in favour of the appellants and found that in the circumstances involved, brokers owe a fiduciary duty to the borrowers to provide their information, advice or recommendation on an impartial or disinterested basis unless the broker makes it clear that they could not act impartially because they have a financial incentive to put forward an offer from a particular lender or lenders.

If the broker does not disclose the existence of a financial incentive, including where disclosure is so minimal as to be insufficient to negate secrecy, the broker breaches its fiduciary duty by receiving a secret commission. The Court also held that partial disclosure (i.e. where the existence but not the amount of commission is disclosed) may amount to a breach of the broker's fiduciary duty, unless informed consent has been given. Furthermore, the Court noted that the level of disclosure required for informed consent will depend on the sophistication of the borrower. Disclosure of the fact of the commission may therefore suffice in some cases. Where the broker breaches its fiduciary duty, the lender (as accessory to the breach) has primary liability with the broker to account to the borrower for the payment received. The judgment has potentially broad application (including beyond motor finance), and goes beyond the FCA's rules introduced in 2021 on credit broking commission disclosure. The defendant lenders have been granted leave to appeal to the UK Supreme Court and the hearing has been listed for 1 to 3 April 2025.

Whilst the Issuer does not consider that it has material exposure in connection with motor finance, pending clarification from the Supreme Court, the UK Court of Appeal judgment could potentially extend beyond motor finance to any intermediary scenario involving a commission where the intermediary owes a fiduciary duty to the borrower. A substantial portion of the Issuer's unsecured lending book has been originated through intermediaries. Of these, the majority were originated through aggregator sites and, in line with market practice, a commission was payable to such intermediaries. In some cases, the aggregator site disclosed the existence of a commission, but not the amount. However, in other cases, the Issuer is not aware of whether the aggregator site disclosed the existence or amount of such commission.

In December 2024, the Issuer assessed the potential impact of these decisions, pending the outcome of the UK Supreme Court hearing, and concluded that no provision was required to be made in its accounts, based on the information then available and various scenarios using a range of assumptions. However, there is significant uncertainty as to the extent of any misconduct and customer loss that may be identified, the nature, extent and timing of any remediation action with regard to motor finance, and whether a fiduciary duty exists in other intermediary scenarios. If the UK Supreme Court upholds the decision of the UK Court of Appeal, the ultimate financial impact could materially vary from the current expectations of the Issuer, and have a material adverse effect on the Issuer's business, financial condition and results of operations.

Risks Relating to the Capital Securities

The Capital Securities may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

The Capital Securities have no scheduled maturity and Holders only have a limited ability to exit their investment in the Capital Securities

The Capital Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Although under certain circumstances, as described under Condition 7 (*Redemption, Substitution, Variation and Purchase*), the Issuer may redeem the Capital Securities, the Issuer is under no obligation to do so and Holders have no right to call for their redemption. Therefore, Holders have no ability to exit their investment, except (i) if the Issuer exercises its rights to redeem the Capital Securities in accordance with their terms and applicable laws, (ii) by selling their Capital Securities or, following the occurrence of the Trigger Event and the issue and delivery of the Conversion Shares, (iii) where the Trustee institutes proceedings for the winding-up of the Issuer where the Issuer

fails to make payment in respect of the Capital Securities when due, in which limited circumstances the Holders may receive some of any resulting liquidation proceeds following payment being made in full to all creditors ranking senior to Holders, or (iv) upon a Winding-Up, in which limited circumstances the Holders may receive some of any resulting liquidation proceeds following payment being made in full to all creditors ranking senior to Holders. The proceeds, if any, realised by any of the actions described in (ii) to (iv) of the preceding sentence may be substantially less than the principal amount of the Capital Securities or amount of the investor's investment in the Capital Securities.

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, and insufficient Distributable Items will restrict the Issuer's ability to make interest payments on the Capital Securities

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer's future Distributable Items, and therefore the Issuer's ability to make interest payments on the Capital Securities, are a function of the Issuer's existing Distributable Items, future Group profitability and performance and the ability to distribute or dividend profits from the Issuer's operating subsidiaries up the Group structure to the Issuer. In addition, the Issuer's Distributable Items will also be reduced by the servicing of other debt and equity instruments.

The ability of the Issuer's subsidiaries to pay dividends and the Issuer's ability to receive distributions and other payments from the Issuer's investments in other entities is subject to applicable laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer's subsidiaries, which could in time restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items. This may mean that the Issuer has insufficient Distributable Items to make interest payments on the Capital Securities, and, therefore, such interest payment shall be deemed to have been cancelled (in whole or in part) and thus shall not be due and payable on the relevant Interest Payment Date.

Interest payments on the Capital Securities are discretionary and may be cancelled by the Issuer, in whole or in part, at any time. Holders shall have no rights to any such cancelled interest, which will not accumulate, nor will it become due and payable at any time thereafter

Interest on the Capital Securities is due and payable at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. The Issuer's ability to pay interest is also subject to additional restrictions:

- Condition 4(a) (*Subordination – Winding-Up and Solvency Condition*) in relation to the solvency of the Issuer at and following the time of such payment of interest;
- Condition 6(b) (*Interest Cancellation – Restriction on interest payments*), in relation to certain restrictions on the making of interest payments; and
- Condition 9(d)(i) (*Automatic Conversion – Consequences of Automatic Conversion*) in relation to interest in respect of an Interest Payment Date which falls on or after the date of a Trigger Event.

If the Issuer:

- (i) does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid); or

- (ii) provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment,

and accordingly, in each case, such interest payment (or the portion thereof not paid) shall not be or become due and payable at any point thereafter, and in no event will Holders have any right to or claim against the Issuer with respect to such interest amount or be able to accelerate the principal of the Capital Securities as a result of such cancellation of the scheduled interest payment. Furthermore, no cancellation of interest in accordance with the Conditions shall constitute a default or an event of default by the Issuer for any purpose (whether under the Capital Securities or otherwise). Therefore, there is no assurance that any Holder will receive any interest payments at any time in respect of the Capital Securities.

Following cancellation of any interest payment the Issuer will not be in any way limited or restricted from making any distribution or equivalent payments in connection with any Parity Securities or Junior Securities, including dividend payments on the ordinary shares or preference shares (if any) of the Issuer. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

In addition to the Issuer's right to cancel, in whole or in part, interest payments at any time, the terms of the Capital Securities also restrict the Issuer from making interest payments on the Capital Securities if (i) the Issuer has insufficient Distributable Items (based on its individual accounts and not on its consolidated accounts), (ii) the payment of any interest would, when aggregated with other relevant distributions, result in any maximum distributable amount then applicable to the Group being exceeded, (iii) the Competent Authority orders the Issuer to cancel such payment, or (iv) the Solvency Condition is not satisfied in respect of such interest payment. In any such case, such interest shall be deemed to have been cancelled

The Issuer shall not make an interest payment on the Capital Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such date or at any time thereafter) if (i) the amount of all distributions or interest payments payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date on the Capital Securities and on or in respect of any Parity Securities, together with all interest payments or distributions made or declared by the Issuer since the end of the last financial year and prior to such date, on or in respect of the Capital Securities, any Parity Securities and any Junior Securities (in each case excluding any payments already accounted for, by way of deduction, in determining the Distributable Items) in aggregate would exceed the amount of Distributable Items of the Issuer as at such date; (ii) (x) the relevant interest amount payable by the Issuer on the Capital Securities on such Interest Payment Date, together with the amount of any distributions of the kind referred to in the relevant provisions of the Regulatory Capital Requirements which are required under prevailing Regulatory Capital Requirements to be taken into account for this purpose, in aggregate would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group, as the case may be, to be exceeded as of such date or (y) the Issuer is subject to a prohibition contained in the relevant provisions of the Regulatory Capital Requirements in respect of making payments on the Capital Securities before the Maximum Distributable Amount has been calculated; (iii) the Relevant Authority orders or directs the Issuer to cancel any interest amount otherwise payable on such date; or (iv) the Solvency Condition is not satisfied in respect of such interest payment.

Although the Issuer may, in its sole and absolute discretion, elect to make a partial interest payment on the Capital Securities on any Interest Payment Date, it may only do so to the extent that such partial interest payment may be made without breaching the restrictions in the preceding paragraphs.

Any interest payment which is deemed cancelled under Condition 6 (*Interest Cancellation*) or Condition 9(d)(i) (*Automatic Conversion – Consequences of Automatic Conversion*), or in respect of which Condition 4(a) (*Subordination – Winding-Up and Solvency Condition*) is not satisfied, shall not be due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such deemed cancellation. Furthermore, no cancellation of interest in accordance with the Conditions shall constitute a default or an event of default by the Issuer for any purpose.

See also "UK CRD places restrictions on distributions that will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will cancel such interest payments" and "Investors may not be able to predict accurately the proximity of the risk of interest payments on the Capital Securities being prohibited from time to time".

UK CRD places restrictions on distributions that will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will cancel such interest payments

The EU CRD IV introduced capital buffer requirements that are in addition to the Pillar 1 requirements and Pillar 2A requirement and are required to be met with CET1 capital. As described above in "*The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*", EU CRD IV was implemented in the UK and took effect from 1 January 2014. In particular, five new capital buffers were introduced: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions ("**G-SII**") buffer, (iv) the other systemically important institutions ("**O-SII**") buffer and (v) the systemic risk buffer ("**SRB**"). Some or all of these buffers may be applicable to the Issuer's Group as determined by the PRA. The Combined Buffer Requirement is, broadly, the combination of the capital conservation buffer, the institution-specific countercyclical buffer and the SRB applied cumulatively with the higher of (depending on the institution) the G-SII buffer and the O-SII buffer, in each case as applicable to the institution. The G-SII buffer and the O-SII buffer are not presently applicable to the Group, but it is possible that the PRA could extend the scope of such buffers, or that the Group could meet the thresholds for such buffers over time.

In a policy statement published in November 2016 (PS30/16) and a supervisory statement published in December 2017 (SS16/16), the PRA indicated that firms failing to meet the "combined buffer requirement" and the PRA buffer described below are expected to notify the PRA of this as soon as practicable. The PRA also confirmed that such firms can expect enhanced supervisory action and should prepare a capital restoration plan.

Under Rule 4.3 of the Capital Buffers section of the PRA Rulebook (or, as applicable, Rule 6.2(2) of the PRA's Voluntary Requirement (VREQ) – Capital Buffers and Pillar 2A Model Requirements or any succeeding provision(s) amending or replacing such rule), institutions that fail to meet the Combined Buffer Requirement are subject to restricted discretionary payments (which include payments relating to common equity tier 1 capital, variable remuneration and payments on additional tier 1 instruments). The Issuer would be considered to fail to meet the Combined Buffer Requirement for the purposes of Rule 4.3 of the Capital Buffers section of the PRA Rulebook in the event that common equity tier 1 capital maintained by the Issuer which is not used to meet (i) its 4.5 per cent. CET1 capital ratio requirement; (ii) its 6 per cent. Tier 1 capital ratio requirement; and (iii) its 8 per cent. total capital ratio requirement does not meet the combined buffer. Pursuant to policy statements published in December 2020 (PS26/20 and PS29/20), in addition to increasing the Pillar 2A composition requirement from 56 per cent. CET1 capital to 56.25 per cent. CET1 capital, the PRA removed the restriction on firms from making distributions that would cause their CET1 levels to fall into the combined buffer from the end of the Brexit transition period, but expects that firms provide the PRA with advance notice of any distribution that would bring a firm's capital levels into the combined buffer, a requirement consistent with BCBS standards.

Once a firm fails to meet its combined buffer for the purposes of Rule 4.3 of the Capital Buffers section of the PRA Rulebook, firms are subject to mandatory restrictions on the amount of certain distributions or payments they can make. This maximum amount of discretionary payments, the MDA, is calculated by multiplying by a scaling factor the sum of the profits of the institution earned in each of the past four calendar quarters, less, in each case (i) tax which would be payable if the undistributed profits of the past four calendar quarters were to be retained or (ii) any distributions of profits or payments resulting from the actions which are subject to mandatory restrictions. As an example, the scaling is such that in the bottom quartile of the combined buffer, all discretionary payments are prohibited. In the event of breach of the Combined Buffer Requirement, the Issuer will be required to calculate its maximum distributable amount, and as a consequence it may be necessary for the Issuer to reduce discretionary payments, including cancelling (in whole or in part) interest payments in respect of the Capital Securities.

In addition, firms that do not hold an amount of CET1 equal to or greater than their applicable leverage ratio buffers above their minimum leverage ratio requirements will not face automatic restrictions on their distributions; however, where a firm does not hold an amount of CET1 capital that is equal to or greater than the sum of (i) its countercyclical leverage ratio buffer ("**CCLB**") (currently calibrated at 35 per cent. of the countercyclical capital buffer rate), (ii) its additional leverage ratio buffer ("**ALRB**") (currently calibrated at 35 per cent. of the G-SII buffer rate) (as applicable) and (iii) the CET1 component of its minimum leverage ratio requirements, it must notify the PRA immediately and prepare a capital plan and submit it to the PRA. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by such firms. The Group is not currently subject to minimum leverage ratio requirements, CCLB or ALRB, but it is possible that the PRA could extend the scope of such requirements, or that the Group could meet the thresholds for such requirements over time.

The PRA also has additional tools to require firms to hold additional capital, including, for example, a "**PRA buffer**" (as defined below) (which replaced the PRA Capital Planning Buffer), which forms part of the Pillar 2B capital buffers and supplements the combined buffer requirement. The PRA buffer must be met fully with CET1 capital. The Pillar 2B requirement is not publicly disclosed and is set for each bank individually. Like Pillar 2A, it is a point in time assessment that, in respect of UK firms, is made by the PRA and is expected to vary over time. A failure to satisfy the PRA buffer, if one were to be imposed on the Group, could result in the Group being required to prepare a capital restoration plan. Such capital restoration plan may provide for or result in restrictions on discretionary payments, which may subsequently result in the cancellation (in whole or in part) of interest payments in respect of the Capital Securities.

The Holders may not be able to predict accurately the proximity of the risk of discretionary payments on the Capital Securities being prohibited from time to time as a result of the operation of limitations on distributions or payments, and therefore, may not be able to foresee the cancellation (in whole or in part) of interest payments in respect of the Capital Securities. See also "*Investors may not be able to predict accurately the proximity of the risk of interest payments on the Capital Securities being prohibited from time to time*".

Investors may not be able to predict accurately the proximity of the risk of interest payments on the Capital Securities being prohibited from time to time.

The Group is also subject to a MREL, which includes a component reflecting the Financial Stability Board's standards on TLAC. MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensuring the continuity of critical functions and avoids exposing taxpayers to loss. The PRA expects firms not to double count CET1 towards both MREL and the amount reflecting the risk-weighted capital and leverage buffers. Under PRA Supervisory Statement (SS16/16), if a firm does not have, or expects that it will not have, sufficient CET1, in addition to any own funds and liabilities counted towards its MREL, to meet the amount of CET1 it should maintain for the purposes of risk-weighted capital and leverage buffer requirements, the firm will be considered to have used, or be about to use, the buffers of the regime where the total amount of capital required to meet minimum requirements plus buffers (risk-weighted capital or leverage) is largest.

The requirements described above may be breached where sufficient levels of own funds and eligible liabilities are not held to meet capital buffer requirements, leverage buffer requirements and MREL (including the additional buffer requirements). Failure to meet the combined buffer requirement may result in the imposition of a maximum amount of discretionary payments which can be made (including payments on Additional Tier 1 instruments). A breach of any of the requirements above could result in an obligation upon the Issuer to prepare a capital restoration plan. Such capital restoration plan may provide for or result in restrictions on discretionary payments, which may subsequently result in the cancellation (in whole or in part) of interest payments in respect of the Capital Securities.

More generally, the PRA has broad powers under sections 55M and 192C of the FSMA to impose requirements on the Issuer to strengthen its capital position, the effect of which could be to restrict or prohibit payments of interest on the Capital Securities. If the PRA imposes such a requirement, the Issuer will exercise its discretion to cancel (in whole or in part, as required by the PRA) interest payments in respect of the Capital Securities. The

risk of any such intervention by the PRA is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital requirements or buffer requirements.

Moreover, the Issuer's capital requirements, including Pillar 2A requirements, are, by their nature, calculated by reference to a number of factors, any one of which, or a combination of which, may not be easily observable or capable of calculation by prospective investors. The interaction of restrictions on distributions (including interest payments on the Capital Securities) with, in addition to the impact of, the capital requirements and buffers and leverage framework applicable to the Group, as well as the current implementation of MREL/TLAC requirements, remain uncertain in many respects. Changes to these rules could also result in a financial institution being required to hold more own funds and eligible liabilities in order to prevent maximum distributable amount restrictions from applying. As a result of such uncertainty, prospective investors may not be able to anticipate whether the Issuer's ability to make interest payments in respect of Additional Tier 1 instruments may be reduced.

The interest rate on the Capital Securities will be reset on each Reset Date, which may affect the market value of such Capital Securities

An investment in the Capital Securities involves the risk that subsequent changes in market interest rates may adversely affect their value.

The Capital Securities will initially accrue interest at a fixed rate of interest from the Issue Date to, but excluding, the First Reset Date. From, and including, the First Reset Date, and on every Reset Date thereafter, the interest rate will be reset to the Reset Rate of Interest to be determined by the Agent Bank, as the sum of the Reset Reference Rate and the Margin (as described in Condition 5(d) (*Interest Payments – Reset Rate of Interest*) of the Conditions), and as such the reset rate is not pre-defined at the date of issue of the Capital Securities and it may be different from the initial rate of interest and may adversely affect the yield of the Capital Securities. This Reset Rate of Interest could be less than the initial rate of interest and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Capital Securities and so the market value of an investment in the Capital Securities.

The Issuer is a parent financial holding company that is dependent on Metro Bank and its subsidiaries

The Capital Securities are obligations of the Issuer only. The Issuer is a holding company with no revenue generating operations of its own and conducts all of its operations through its subsidiaries (in particular, Metro Bank). Accordingly, in addition to being subordinated to the claims of more senior liabilities of the Issuer, the claims Holders have under the Capital Securities are structurally subordinated to the claims of all creditors of the Issuer's subsidiaries (including the creditors of Metro Bank). Metro Bank and the Issuer's other subsidiaries are separate and distinct legal entities from the Issuer, and have no obligation to pay any amounts due under the Capital Securities. The Issuer's right to receive proceeds from the liquidation of a subsidiary will be subject to the prior claims of such subsidiary's creditors. Accordingly, if Metro Bank or another of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, the Issuer would only recover any amounts (directly, or indirectly through its holdings of other subsidiaries) in the liquidation of that subsidiary in respect of (a) any debts of such subsidiary where the Issuer (directly or indirectly) is the creditor, but subject to the claims on the assets of such subsidiary of all other creditors ranking in priority to, or pari passu with, the Issuer (or another of its subsidiaries), and (b) its direct or indirect holding of ordinary shares in such subsidiary, if and to the extent that any surplus assets remain following payment in full of the claims of all creditors of that subsidiary.

As well as the risk of losses in the event of a subsidiary's insolvency, the Issuer may suffer losses if any of its loans to, or investments in, its subsidiaries (including the Intra-Group Notes (as defined below)) are subject to statutory write-down and conversion powers or if the subsidiary is otherwise subject to resolution proceedings. Loans to, or instruments subscribed from, Metro Bank (including the Intra-Group Notes) may be subject to contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or Metro Bank, would result in a write-down or conversion into equity of such loans, or instruments, or the UK resolution authorities may elect to write-down or convert such loans, or instruments, using resolution or capital write-down and conversion powers under the Banking Act 2009 (the "**Banking Act**") irrespective of any such contractual provisions in certain circumstances. The Issuer intends to downstream funds to Metro Bank

by way of subscribing for notes to be issued by Metro Bank in a form which is intended to count towards Metro Bank's (solo) tier 1 capital resources (the "**Intra-Group Notes**"). The Intra-Group Notes will form part of the class of 'tertiary non-preferential debts' of Metro Bank, as defined in Section 387A(3)(c) of the Insolvency Act. On a liquidation or administration (including a bank administration or a bank insolvency) certain bank depositors will rank as preferential creditors in accordance with section 175 and paragraph 65 of Schedule B1 of the Insolvency Act (in each case as applied to bank insolvency and bank administration by the Banking Act). In addition, both ordinary non-preferential debts and secondary non-preferential debts (in each case as defined in Section 387A(3) of the Insolvency Act) will be paid ahead of the Issuer's tertiary non-preferential debts (Section 176AZA and paragraph 65 of Schedule B1 of the Insolvency Act which is applied to bank administration and bank insolvency by the Banking Act). Accordingly, in such a process the Intra-Group Notes will rank below the vast majority of the liabilities of Metro Bank. The Issuer intends that payments made by Metro Bank to the Issuer under the Intra-Group Notes would be available by the Issuer to make payments under the Capital Securities. However, there can be no assurance that this will be the case. For example, if such Intra-Group Notes were to be converted to equity instruments and/or bailed-in by the UK resolution authority in circumstances where the Capital Securities are not also converted to equity and/or bailed-in by the UK resolution authority, or if payments are made by Metro Bank under such Intra-Group Notes but the Issuer is required to utilise those funds to make payments under its other obligations, there can be no assurance that the Issuer would be able to generate sufficient funds to make payments under the Capital Securities. More generally, the operating performance and financial condition of Metro Bank and the Issuer's other subsidiaries, and their ability to provide funds to the Issuer (by way of interest payments, dividends or otherwise) will in turn depend, to some extent, on general economic, financial, competitive, market and other factors, including those set out above in this section headed "*Risk Factors*", many of which are beyond the Issuer's and Metro Bank's control. Metro Bank may not generate income and cash flow sufficient to enable the Issuer to make payments on the Capital Securities in full or at all. Further, the ability of a subsidiary to make distributions or payments (directly or indirectly) to the Issuer, or the amount of such distributions or payments, may be materially impacted by changes in legal, accounting and/or tax requirements or guidelines over time. Further, the Issuer retains absolute discretion to restructure any loans to, or any other investments in, any of its subsidiaries, including Metro Bank (which includes the Intra-Group Notes and the Existing MREL Intra-Group Notes), at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to such subsidiary as part of meeting regulatory capital, MREL and total loss absorbing capacity requirements in respect of Metro Bank and/or the Group. A restructuring of a loan or investment made by the Issuer in a Group subsidiary could include changes to any or all features of such loan, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to the Group or such subsidiary, and the inclusion of a mechanism that provides for an automatic write-down and/or conversion into equity upon specified triggers. Any restructuring of the Issuer's loans to and investments in any of the Group subsidiaries (including the Intra-Group Notes and the Existing MREL Intra-Group Notes) may be implemented by the Issuer without prior notification to, or consent of, Holders, and may have an adverse effect on the ability of the Issuer to make payments under the Capital Securities. For the avoidance of doubt, the Holders of the Capital Securities shall, in a Winding-Up, 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 Capital Securities may pay a higher rate of interest than certain other securities there is a substantial risk that investors in the Capital Securities will lose all or some of the value of their investment should the Issuer become insolvent or subject to the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority. See further "*The Banking Act confers substantial powers on the UK resolution authorities, designed to enable them to take a range of actions in relation to UK deposit-taking institutions (and their groups) which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer, the Group or the Capital Securities could materially adversely affect the value of the Capital Securities and/or the rights of Holders*".

Holders of the Capital Securities have limited remedies

The remedies available to Holders of the Capital Securities are limited.

Holders of the Capital Securities may not at any time demand repayment or redemption of their Capital Securities (nor any payment of interest), although if a Winding-Up occurs before the date on which a Trigger Event occurs, the Holders will have a claim for such amount (if any) as would have been payable to a Holder if, on the day prior to the commencement of such Winding-Up, such Holder were the holder of the most senior class of preference shares in the capital of the Issuer, plus any accrued but unpaid interest thereon in accordance with Condition 4(a) (*Subordination – Winding-Up and Solvency Condition*).

The sole remedy in the event of any non-payment of principal under the Capital Securities, subject to certain conditions as described in the relevant Condition 11 (*Default*), is that the Trustee, on behalf of the Holders may, in its discretion, or if so requested by an Extraordinary Resolution of Holders or in writing by the holders of at least one quarter of the aggregate principal amount of the Capital Securities then outstanding, subject to applicable laws and subject to being indemnified and/or secured and/or prefunded to its satisfaction (and provided the Trustee had previously given the Issuer notice of such failure), institute proceedings for the winding-up of the Issuer. In the event of a Winding-Up, the Trustee in its discretion may, or if so requested by an Extraordinary Resolution or in writing by the Holders of at least one quarter of the aggregate principal amount of the Capital Securities then outstanding, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, prove and/or claim in such Winding-Up in accordance with the Conditions. No remedy against the Issuer, other than as expressly enumerated in Condition 11 (*Default*), shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Capital Securities 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 Capital Securities or under the Trust Deed. Following the occurrence of a Trigger Event, if the Conversion Shares are not issued and delivered to the Conversion Shares Depository, the only claims Holders will have against the Issuer will be to apply to the court to obtain an order requiring the Issuer to issue and deliver such Conversion Shares to the Conversion Shares Depository and, if a Winding-Up occurs after the occurrence of a Trigger Event, to participate in the liquidation proceeds of the Issuer as if the Conversion Shares had been issued.

The remedies under the Capital Securities are therefore more limited than those typically available to the Issuer's unsubordinated creditors.

The exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Issuer and/or the Capital Securities does not constitute a Winding-Up nor give rise to any acceleration rights under the Capital Securities for the Trustee or the Holders.

For further details regarding the limited remedies of the Trustee and the Holders, see Conditions 9 (*Automatic Conversion*) and 11 (*Default*).

Waiver of set-off

The Holders of the Capital Securities waive any right of set-off, compensation, counterclaim, netting or retention in respect of any amount owed to them by the Issuer in respect of, or arising under or in connection with the Capital Securities or the relevant Trust Deed insofar as permitted by applicable law. Therefore, Holders of the Capital Securities will not be entitled (subject to applicable law) to set-off the Issuer's obligations in respect of, or arising under or in connection with the Capital Securities or the relevant Trust Deed against obligations owed by them to the Issuer.

For further details regarding waiver of set-off, compensation, counterclaim, netting or retention by the Holders, see Condition 4(b) (*Subordination – Set-off etc.*).

The Capital Securities are subject to early redemption at the option of the Issuer

Subject to prior Supervisory Permission from the Relevant Authority, and the provisions set out in Condition 7 (*Redemption, Substitution, Variation and Purchase*), the Issuer may, in its discretion, elect to redeem all (but not some only) of the Capital Securities at their principal amount, together with any accrued and unpaid interest (but excluding any interest which has been cancelled or deemed cancelled in accordance with Condition 6 (*Interest Cancellation*)) in the following circumstances:

- (i) on any date falling in the period commencing on (and including) 26 March 2030 and ending on (and including) the First Reset Date or any day falling in the period commencing on (and including) the date that is six months before any subsequent Reset Date;
- (ii) following the occurrence of a Tax Event;
- (iii) following the occurrence of a Capital Disqualification Event;
- (iv) following the occurrence of a Loss Absorption Disqualification Event; or
- (v) if, at any time, the outstanding aggregate principal amount of the Capital Securities is 25 per cent. or less of the aggregate principal amount of the Capital Securities originally issued.

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

If the Issuer redeems the Capital Securities in any of the circumstances mentioned above, there is a risk that such Capital Securities may be redeemed at times when the redemption proceeds are less than the current market value of the Capital Securities 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.

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

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 the Capital Securities, and if so whether or not the Issuer will satisfy the conditions, or elect, to redeem the Capital Securities. Therefore, the Holders should not invest in the Capital Securities in the expectation that the Issuer would exercise its option to redeem the Capital Securities. The Issuer may be more likely to exercise its option to redeem the Capital Securities if the Issuer's funding costs would be lower than the prevailing interest rate payable in respect of the Capital Securities. If the Capital Securities 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 Capital Securities.

For further details regarding the Issuer's right to redeem the Capital Securities, see Condition 7 (*Redemption, Substitution, Variation and Purchase*).

The terms of the Capital Securities may be modified, or the Capital Securities may be substituted, by the Issuer without the consent of the Holders in certain circumstances, subject to certain restrictions

In the event of a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event, the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Capital Securities for, or vary the terms of the Capital Securities so that they remain or become (as applicable), Qualifying Additional Tier 1 Securities, without the consent of the Holders.

Qualifying Additional Tier 1 Securities must have terms not materially less favourable to Holders than the terms of the Capital Securities, as reasonably determined by the Issuer and, if deemed necessary by the Issuer, acting reasonably, in consultation with an investment bank or financial advisor of international standing (which in either case is independent of the Issuer). However, there can be no assurance that, due to the particular circumstances of a Holder of such Capital Securities, such Qualifying Additional Tier 1 Securities will be as favourable to each

investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Additional Tier 1 Securities are not materially less favourable to holders than the terms of the Capital Securities. Further, the tax and stamp duty consequences could be different for Holders of the Capital Securities once such Capital Securities have been varied or substituted as described above.

There can be no assurance as to how the terms of any Qualifying Additional Tier 1 Securities resulting from any such substitution or variation will be viewed by the market or whether any such Qualifying Additional Tier 1 Securities will trade at prices that are at least equivalent to the prices at which the substituted or varied Capital Securities would have traded on the basis of their original terms. Therefore, there can be no assurance that the Qualifying Additional Tier 1 Securities will not have a significant adverse impact on the price of, and/or market for, the Capital Securities or the circumstances of individual holders. In addition, any such substitution or variation could have unexpected commercial consequences depending on the circumstances of an individual holder.

The obligations of the Issuer in respect of the Capital Securities will be subordinated

The Capital Securities will constitute direct, unsecured, unguaranteed and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves.

On a Winding-Up of the Issuer which occurs prior to a Trigger Event, there shall be payable by the Issuer in respect of the Capital Securities (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Holder if, on the day prior to the commencement of such Winding-Up and thereafter, such Holder were the holder of the most senior class of preference shares in the capital of the Issuer, having an equal right to a return of assets in such Winding-Up to, and so ranking *pari passu* with, the holders of such class of preference shares (if any) from time to time issued by the Issuer that has a preferential right to a return of assets in such Winding-Up. As such, all claims in respect of the Capital Securities will rank junior to the claims of all Senior Creditors of the Issuer. Such amount payable to the Holder shall be calculated based on the assumption that, in respect of such preference shares and on a return of assets in such Winding-Up, such Holder was entitled to receive an amount equal to the principal amount of the Capital Securities together with any accrued but unpaid interest thereon (provided not otherwise cancelled in accordance with the Conditions) and any damages awarded for breach of any obligations in respect of such Capital Securities, whether or not Condition 4(a) (*Subordination – Winding-Up and Solvency Condition*) in relation to the solvency of the Issuer is satisfied on the date upon which the same would otherwise be due and payable.

On a Winding-Up of the Issuer which occurs concurrently with or after the occurrence of a Trigger Event, but prior to the Conversion Date in respect of an Automatic Conversion, for the purposes of determining a Holder's claim, the Conversion Date shall be deemed to have taken place immediately prior to such Winding-Up.

There is a risk that the Capital Securities will be subordinated to further indebtedness or other obligations of the Issuer. Subject to complying with applicable regulatory requirements, the Issuer expects from time to time to incur additional indebtedness or other obligations that will constitute senior and subordinated indebtedness, and the Capital Securities do not contain any provisions restricting the ability of the Issuer or its subsidiaries to incur senior or subordinated indebtedness. Although the Capital Securities may pay a higher rate of interest than comparable securities which are not subordinated in such a way, there is a significant risk that an investor in the Capital Securities will lose all or some of its investment should the Issuer become insolvent, given that its assets would be available to pay such amounts only after all of its senior and more senior subordinated creditors have been paid in full. See also the risk factor entitled "*There is no limit on the amount or type of further bonds or other indebtedness that the Issuer or Metro Bank may issue, incur or guarantee*".

If, a liquidation of the Issuer were to occur, the Issuer's liquidator or administrator or other relevant insolvency official would first apply assets of the Issuer to satisfy all rights and claims of Senior Creditors. If the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Holders of the Capital Securities will lose their entire investment in the Capital Securities. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it

to pay claims in respect of its obligations in respect of the Capital Securities and all other claims that rank *pari passu* with the Capital Securities (or with claims in respect of the ordinary shares of the Issuer, in the event of a winding-up or administration occurring in the intervening period between the Trigger Event and the Conversion Date), the Capital Securities will share equally in payment with such claims and Holders will lose some (which may be substantially all) of their investment in the Capital Securities.

In addition, investors should be aware that, upon Automatic Conversion of the Capital Securities following a Trigger Event, Holders will be, effectively, further subordinated as they will be treated as, and subsequently become, holders of ordinary shares in the Issuer, even if other existing subordinated indebtedness and preference shares remain outstanding.

For the avoidance of doubt, the holders of the Capital Securities 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.

The Banking Act confers substantial powers on the UK resolution authorities, designed to enable them to take a range of actions in relation to UK deposit-taking institutions (and their groups) which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer, the Group, Metro Bank or the Capital Securities could materially adversely affect the value of the Capital Securities and/or the rights of Holders

The tools and powers described below are in addition to the operation of the Automatic Conversion upon the occurrence of a Trigger Event pursuant to the Conditions and could be exercised by the Relevant Authority at any time if the relevant pre-conditions are met (including before a Trigger Event occurs).

The Issuer and the Group are subject to substantial resolution powers

Under the Banking Act, substantial powers are granted to the UK resolution authorities (the Bank of England, the PRA and HM Treasury) as part of the special resolution regime (the "SRR"). These powers enable the UK resolution authorities to deal with, amongst other entities, a UK bank or building society (each, a "**relevant entity**") and its group in circumstances in which the UK resolution authorities consider that relevant pre-conditions are satisfied, through a series of stabilisation options. The implementation of any such resolution or pre-resolution powers would be effected without the need for the consent or approval of the Holders, and may have a material adverse effect on the ability of the Issuer to meet its obligations under the Capital Securities and the rights of the Holders in respect thereof.

If the Bank of England placed the Issuer or Metro Bank into formal resolution, five main stabilisation options i.e. resolution tools, would be available to the Bank of England. These powers include 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) in respect of the Issuer (as resolution entity for the Group), Metro Bank and/or their securities (subject to certain protections). Such powers could materially adversely affect the Issuer's ability to make payments of interest or principal in respect of the Capital Securities. It is possible that the tools could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

Exercise of these powers in respect of the Capital Securities could further involve, (among other things):

- transferring the Capital Securities out of the hands of the Holders;
- delisting the Capital Securities;
- writing down (which may be to nil) the Capital Securities or converting the Capital Securities into another form or class of securities (including, potentially, ordinary shares of the Issuer, which in turn could be subject to further resolutions powers); and/or

- modifying or disapplying certain terms of the Capital Securities, which could include modifications to (without limitation) the term of the Capital Securities, the interest provisions (including reducing the amount of interest payable, the manner in which interest is calculated and/or changing the scheduled interest payment dates, including by suspending payment for a temporary period), and/or the redemption provisions (including the timing of any redemption options and/or the amount payable upon redemption), and may result in the disapplication of enforcement rights.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the UK. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the UK authorities may choose to exercise them.

The Bank of England has confirmed that the preferred resolution strategy for the Group is a bail-in strategy with a single point of entry at the level of the Issuer. However, bail-in powers could also be exercised at the level of Metro Bank.

The UK resolution authorities may exercise the bail-in tool under the Banking Act to recapitalise a relevant entity in resolution by allocating losses to (amongst others) its capital providers and unsecured creditors (which would 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, although this may not apply in relation to an application of the write-down and conversion power in circumstances where a stabilisation power is not also used). Accordingly, the ranking of Capital Securities in insolvency can be expected to have a direct impact on the relative losses imposed on Holders in a resolution, including bail-in. This means that, if the bail-in tool were to be applied, the Capital Securities would be expected to be written down or converted to equity instruments in full before more senior-ranking obligations of the Issuer suffer losses.

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

If the bail-in tool was used (either on its own or in combination with other resolution powers), it would result in the cancellation, transfer or dilution of the Shares and likely the write-down or conversion of (as applicable) Metro Bank's and the Issuer's other own funds, including the Capital Securities, the Existing Tier 2 Notes then the Existing MREL Notes, and, if necessary, other bail-inable liabilities in order to recapitalise the Group and allow for Metro Bank to remain operational throughout the resolution. The actual approach taken, should the Group require resolution, will depend on the circumstances at the time of a failure, as all available options could be considered by the Bank of England.

The SRR requires the bail-in tool to be exercised in accordance with the insolvency ranking of creditors. The order of bail-in is predetermined in the Banking Act with, broadly, CET1 instruments (such as the Shares), being bailed in first (by way of cancellation, dilution or transfer), followed by AT1 (such as the Capital Securities), then Tier 2 (such as the Existing Tier 2 Notes) and then MREL (such as the Existing MREL Notes). Following the write-down or conversion of all such capital instruments and MREL, the Bank of England would (if required) exercise the bail-in tool on other unsecured liabilities in accordance with their insolvency ranking. The UK has implemented preferential treatment of certain eligible deposits from natural persons and micro, small and medium-sized enterprises above the specified deposit cover, as well as certain amendments relating to the bail-in order of liabilities of financial institutions, as further described in the section headed "*Supervision and*

Regulation — Recovery and resolution". Secured creditors, depositors up to the FSCS cover and certain other excluded claims will not be subject to bail-in. Consequently, it is anticipated that any such use of the bail-in tool by the Bank of England (either on its own or in combination with other resolution powers) would have a material adverse effect on Holders, as their claims would be cancelled, transferred or severely diluted (if not already under the PoNV Powers, as further described in "*Mandatory write-down and conversion of capital instruments and relevant internal liabilities may affect the Capital Securities, including outside formal resolution proceedings*") for the purposes of stabilisation and loss absorption.

The taking of any such actions could materially adversely affect the rights of Holders, the price or value of their investment in the relevant Capital Securities, the liquidity and/or volatility of any market in the relevant Capital Securities and/or the ability of the Issuer to satisfy its obligations under the relevant Capital Securities. In certain circumstances, if such actions were to leave Holders worse off than they would have been in an ordinary insolvency of the Issuer, the Holders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act. However, there can be no assurance that any such compensation will be available, and if available such compensation will be limited to a return to restore the Holder to the position it would have been in had the Issuer instead entered into ordinary insolvency proceedings. 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.

In addition, if the market perceives or anticipates that any action may be taken under the Banking Act in respect of the Issuer, Metro Bank and/or any of their respective securities (including the relevant Capital Securities), this may have a significant adverse effect on the market price of the relevant Capital Securities and/or the liquidity and/or volatility of any market in the relevant Capital Securities, whether or not such powers are ultimately exercised. In such case, investors may experience difficulty in selling their Capital Securities, or may only be able to sell their Capital Securities at a significant loss.

Mandatory write-down and conversion of capital instruments and relevant internal liabilities may affect the Capital Securities, including outside formal resolution proceedings

In addition to the stabilisation options which may be used in a formal resolution of an institution, the Banking Act provides the UK resolution authorities with additional powers, including a capital write-down and conversion tool which enables (and, if the institution enters into resolution, requires) the UK resolution authorities to permanently write-down, or convert into equity, any own funds instruments (such as the Capital Securities) of the institution (as well as intra-group MREL liabilities) at the 'point of non-viability' of the relevant entity, which powers may be used independently of (or in conjunction with) the exercise of any resolution power. These are referred to as "**PoNV Powers**".

For the purposes of the application of such mandatory write-down and conversion power, the 'point of non-viability' is the point at which (i) the UK resolution authorities determine that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken), (ii) the UK resolution authorities determine that the relevant entity or its group will no longer be viable unless the relevant capital instruments and relevant internal liabilities are written-down or converted or (iii) extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the UK economy and to preserve financial stability. Holders of the Capital Securities may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of such Holders), which may result in such Holders losing some or all of their investment. The "no creditor worse off" safeguard would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised. The exercise of such mandatory write-down and conversion power under the Banking Act could, therefore, materially adversely affect the rights of Holders of the Capital Securities, and such exercise (or the perception that such exercise may be imminent) could materially adversely affect the price or value of their investment in the Capital Securities and/or the ability of the Issuer to satisfy its obligations under such Capital Securities.

If the PRA and the Bank of England are satisfied that one or both of the Issuer or Metro Bank has reached the PoNV, the Bank of England must (unless it places the Issuer/Metro Bank straight into resolution) make use of its

PoNV Powers to apply mandatory write-down or conversion to the own funds instruments of the Issuer and Metro Bank (as relevant), including the Shares, the Capital Securities and the Existing Tier 2 Notes and relevant internal liabilities issued by Metro Bank to the Issuer. While similar to bail-in, PoNV Powers of write-down and conversion are distinct from the powers of resolution that the UK resolution authorities have at their disposal.

The PoNV Powers include cancelling, transferring or diluting CET1, such as the Shares, writing down own funds instruments in the form of debt instruments, such as the Capital Securities, (and relevant internal liabilities where the UK resolution authorities determine that the Issuer or Metro Bank would no longer be viable (i.e. would be failing or likely to fail) unless the write-down power were applied and there is no reasonable prospect of other non-resolution actions restoring it to viability) or converting such instruments into equity capital as a crisis prevention measure. Unlike the resolution power of bail-in (as to which see above), the PoNV Powers neither constitute a resolution tool, nor do they extend to the write-down or conversion of liabilities other than regulatory capital (and relevant internal liabilities e.g., internal MREL). It is possible that PoNV Powers are exercised simultaneously in relation to both the Issuer (in respect of the Shares) and Metro Bank or at one of these two levels.

The PoNV Powers can be applied either in conjunction with resolution powers (other than bail-in) if the conditions for their use are met, or separately if the Issuer or Metro Bank would no longer be viable in the absence of a write-down or conversion but should be restored to long term viability by the relevant write-down or conversion.

Section 6B of the Banking Act provides that CET1 (i.e. the Shares) shall absorb losses first and the Bank of England has confirmed that the statutory hierarchy of the relevant instruments will be respected in resolution (as was the case with the use of PoNV Powers in relation to AT1 and T2 instruments in a recent UK bank resolution). Accordingly, the Shares will be cancelled, transferred or diluted first, with the Existing Tier 2 Notes written down or converted as required to meet the special resolution objectives, followed by internal MREL if necessary. PoNV Powers cannot be used on the Issuer's Existing MREL Notes.

There are certain potential compensation provisions in the Banking Act in respect of the use of PoNV Powers, but the "no creditor worse off" safeguard (as set out above) would not apply in relation to an application of the PoNV Powers to own funds instruments and internal MREL in circumstances where resolution powers are not also exercised.

The circumstances under which the UK resolution authorities would exercise resolution or other powers under the Banking Act are uncertain, and the use or anticipated use of such powers may adversely affect the price or value of Capital Securities

There is considerable uncertainty regarding the specific factors, beyond the goals of addressing banking crises pre-emptively and minimising taxpayers' exposure to losses (for example, by writing down relevant capital instruments before the injection of public funds into a financial institution), which the UK resolution authorities would consider in deciding whether to exercise the resolution and capital write-down and conversion powers under the Banking Act with respect to the Issuer, Metro Bank and/or any of their respective securities (including the Capital Securities), and the UK resolution authorities are afforded considerable discretion in this regard. Many of the factors may be outside of the Issuer's control or not directly related to it.

Accordingly, it may not be possible for investors or prospective investors in the Capital Securities to predict accurately (or at all) if and whether the UK resolution authorities may take action under the Banking Act in respect of the Issuer, Metro Bank and/or any of their respective securities (including the Capital Securities), or what action may be taken and the level of losses that would be borne by investors in the Capital Securities as a result. Any indication or expectation that resolution or other powers may be used by the UK resolution authorities in respect of the Issuer and/or Capital Securities could materially adversely affect the price, liquidity and/or volatility in any market for the Capital Securities, and uncertainty as to whether or when the UK resolution authorities may take action, and the nature and extent of that action, may exacerbate these risks.

The Issuer cannot predict the regulatory response (or that of the equity and debt markets and holders of its securities or the disposition of other counterparties, including depositors) to a related capital or liquidity stress. However, the Issuer believes that the more likely actions are: (i) the exercise of PoNV Powers (as defined above); and / or (ii) resolution (through the use of one or more stabilisation powers and possibly in conjunction with the use of the PoNV Powers), together with a sale of the group to a third party. Whilst the Issuer believes that these are the most likely consequences of this scenario occurring, there can be no assurance as to the powers that the PRA or the Bank of England would exercise in such circumstances or their timing, albeit action may be swift.

Holders agree to be bound by the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority

In recognition of the resolution powers granted by law to the UK resolution authorities, by its acquisition of the Capital Securities, each Holder (which includes any current or future holder of a beneficial interest in the Capital Securities) acknowledges, accepts, consents and agrees to be bound by Condition 21 (*Acknowledgment of UK Statutory Loss Absorption Powers*). For the avoidance of doubt, this is in addition to the terms of the Capital Securities which follow from the consequence of a Trigger Event. The Relevant Resolution Authority may exercise the UK Statutory Loss Absorption Powers even if the CET1 Ratio remains above the relevant threshold level.

By acquiring the Capital Securities, each Holder acknowledges and accepts that the Relevant Amounts arising under the Capital Securities may be subject to the exercise of UK Statutory Loss Absorption Powers and acknowledges, accepts, consents and agrees to be bound by the effect of the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority, that may result in (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Capital Securities; (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; (iii) the cancellation of the Capital Securities; or (iv) the amendment or alteration of the perpetual nature of the Capital Securities or any redemption dates, or the amendment of the amount of interest payable on the Capital Securities, or the date on which interest becomes payable, including by suspending payment for a temporary period. Each Holder further acknowledges, accepts, consents and agrees to be bound by the variation of the terms of the Securities, if necessary, to give effect to the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority.

Accordingly, the UK Statutory Loss Absorption Powers may be exercised in such a manner as to result in Holders losing all or a part of the value of their investment in the Capital Securities or receiving a different security from the Capital Securities, which may be worth significantly less than the Capital Securities and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the Relevant Resolution Authority may exercise the UK Statutory Loss Absorption Powers without providing any advance notice to, or requiring the consent of, the Holders. In addition, under the Conditions, the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Capital Securities is not an event of default or default for any purposes.

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

The FSCS established under the FSMA 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 Capital Securities 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 UK or any other jurisdiction.

To the extent that interest payments are not made under the Capital Securities or Holders lose their investment in the Capital Securities whether due to regulatory action or otherwise, no claim can be made by a Holder to the FSCS for any losses they may suffer.

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

Subject to complying with applicable regulatory requirements in respect of the Group's leverage and capital ratios, there are no restrictions on the amount of notes, bonds or other liabilities that the Issuer or any other subsidiary of the Issuer may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Capital Securities. In addition, there is no restriction on the amount of notes, bonds or other liabilities that Metro Bank may issue, incur or guarantee. The issue or guaranteeing of any such obligations 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 Capital Securities. In addition, the Capital Securities do not contain any restriction on the Issuer issuing securities that may have preferential rights to the Capital Securities or securities with similar or different provisions to those described herein. The Issuer may also issue, in the future, subordinated liabilities which rank senior to the Capital Securities.

The Issuer may not be liable to pay certain taxes

All payments of principal and interest in respect of the Capital Securities 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, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions, as described in Condition 12 (*Taxation*)) pay such Additional Amounts as will result in the receipt by the Holders of such amounts as would have been received by them in respect of payments of interest had no such withholding or deduction been required.

The Capital Securities 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 the Capital Securities to the extent any such withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Capital Securities, Holders may receive less than the full amount due under the Capital Securities and the market value of the Capital Securities may be adversely affected.

Change 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 Capital Securities. The Conditions are based on English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the Issue Date. Such changes in law may include but are not limited to, amendments to the statutory resolution and loss absorption tools and regulatory and resolution capital requirements applicable to the Issuer, the Group and/or the Capital Securities, changes in statutory, tax and regulatory regimes during the life of the Capital Securities, which may have an adverse effect on an investment in the relevant Capital Securities.

In addition, any change in law or regulation that triggers a Tax Event or Loss Absorption Disqualification Event or Capital Disqualification Event (as applicable) would entitle the Issuer, in its sole discretion subject to the conditions set out under Condition 7(b) (*Redemption, Substitution Variation and Purchase – Conditions to Redemption, Substitution, Variation and Purchase*) of the Capital Securities, to redeem all, but not some only, of the Capital Securities at any time at their principal amount, together with any accrued and unpaid interest (but excluding any interest which has been cancelled or deemed cancelled in accordance with the Conditions) to (but excluding) the date fixed for redemption. See "*The Capital Securities are subject to early redemption at the option of the Issuer on the Reset Date, upon the occurrence of certain tax and regulatory events*" for further information.

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Capital Securities and, therefore, affect the trading price of the Capital Securities given the extent and impact on the

Capital Securities that one or more regulatory or legislative changes, including those described above, could have on the Capital Securities. In particular, following the United Kingdom's withdrawal from the EU, United Kingdom law may diverge from EU law over time. The Issuer is not able to predict how United Kingdom legislation might develop. Such uncertainty could adversely impact the Issuer, and could be materially detrimental to holders of the Capital Securities. The Issuer is not able to give any assurances in relation to the terms of the United Kingdom's continuing relationship with the EU and whether that relationship may impact an investment in the Capital Securities.

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny (for example, those resulting from the enactment in the UK of the Financial Services and Markets Act 2023 and/or the Retained EU Law (Revocation and Reform) Act 2023) 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 Capital Securities and/or the ability of the Issuer to satisfy its obligations under such Capital Securities.

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

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Credit ratings of the Group and its issued debt are based on a number of factors, including the Group's financial strength, the strength of the UK economy and conditions affecting the financial services industry generally. 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 Capital Securities. A credit 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.

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

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

The Issuer intends to apply for a credit rating to be assigned to the Capital Securities, although the Issuer is under no obligation to ensure that the Capital Securities are rated by any credit rating agency. The Issuer expects such credit ratings to be assigned on or around the Issue Date, however, there can be no assurance that such credit ratings will be assigned or as to what such credit ratings will be. If the Capital Securities are not assigned a credit

rating or the credit rating assigned is lower than expected, this may adversely affect the liquidity or market value of the Capital Securities.

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

Fitch is established in the United Kingdom and registered under the UK CRA Regulation. Fitch is not established in the EEA but the credit rating it has assigned is expected to be endorsed by Fitch Ireland, which is established in the EEA and registered under the EU CRA Regulation. 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. EU regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the EU and registered in accordance with the EU CRA Regulation and UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not either issued or endorsed by a credit rating agency established in the UK and registered with the FCA in accordance with the UK CRA Regulation. As such, if the status of a rating agency rating the Issuer, Metro Bank and/or the Capital Securities changes or the rating is not endorsed by a credit rating agency registered under the EU CRA Regulation or UK CRA Regulation, as applicable, European regulated investors and/or UK regulated investors, as applicable, may no longer be able to use the rating for regulatory purposes. In both cases, any such change could cause the Capital Securities to be subject to different regulatory treatment. This may result in such European regulated investors or UK regulated investors, as applicable, selling the Capital Securities, which may adversely affect the liquidity or market value of the Capital Securities.

The Capital Securities are not considered investment grade by some of the rating agencies and are subject to the risks associated with non-investment grade securities

The Capital Securities, upon issuance, will not be considered to be investment grade securities by some of the rating agencies. As such, they will be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Capital Securities.

The Issuer may be substituted as principal debtor in respect of the Capital Securities, including without the consent of Holders

The Conditions provide that at any time, and in accordance with the Conditions and the Trust Deed, and subject to the prior Supervisory Permission from the Relevant Authority pursuant to the Regulatory Capital Requirements, the Trustee may agree, including without consent of the Holders, to the substitution in place of the Issuer as the new principal debtor under the Trust Deed and the Capital Securities 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 subject to certain other conditions set out in Condition 14(c)(i) (*Meetings of Holders, Modification, Waiver and Substitution of the Issuer – Substitution of the Issuer*) being complied with.

The tax and stamp duty consequences of holding Capital Securities following a substitution could be different for some categories of Holders from the tax and stamp duty consequences for such Holders of holding the Capital Securities prior to any such substitution.

There can be no assurance as to how the Capital Securities could be viewed by the market following such substitution or whether the Capital Securities would trade at prices that are at least equivalent to the prices at which the Capital Securities would have traded without such substitution of the Issuer. Therefore, there can be no assurance that the substitution of the Issuer will not have a significant adverse impact on the price of, and/or

market for, the Capital Securities or the circumstances of individual holders. In addition, any such substitution could have unexpected commercial consequences depending on the circumstances of an individual holder.

Modification and waivers

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

The Conditions and the Trust Deed in respect of the Capital Securities also provide that the Trustee may agree without the consent of the Holders, to (i) any modification of the 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 the Conditions in respect of the relevant Capital Securities or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders. The Trustee may, without the consent of the Holders, determine that any Default (as defined in the Conditions) should not be treated as such, provided that in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby.

Further, the Trustee shall be obliged, without the consent of the Holders, to agree to certain amendments or modifications under certain Conditions without the consent of the Holders, in particular Condition 7(h) (*Redemption, Substitution, Variation and Purchase – Substitution or Variation*), Condition 10(e) (*Adjustments to the Conversion Price – Qualifying Takeover Event*) and Condition 10(f) (*Adjustments to the Conversion Price – Covenants*).

See Condition 14(b) (*Meetings of Holders, Modification, Waiver and Substitution of the Issuer – Modification and Waiver*) for further information.

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) the Capital Securities are legal investments for it, (ii) the Capital Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any of the Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Capital Securities under any applicable risk-based capital or similar rules.

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

If the Capital Securities are purchased or sold, several types of incidental costs (including transaction fees and commissions) will be incurred in addition to the current price of the security, which may have an adverse effect on an investment in the Capital Securities. These incidental costs may significantly reduce or even exclude the profit potential of the Capital Securities. For instance, as a rule, credit institutions charge their clients for their own commissions, such commissions being either fixed minimum or pro rata, 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 Capital Securities (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 Capital Securities before investing in the Capital Securities.

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

The Capital Securities represent a new security for which no secondary trading market exists and there can be no assurance that one will develop. The Capital Securities may have a more limited secondary market and more price volatility than conventional debt securities. If a market does develop, it may not be very liquid and may be sensitive to changes in financial markets.

Therefore, investors may not be able to sell their Capital Securities 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 Capital Securities.

If a market for the Capital Securities does develop, the trading price of the Capital Securities 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 Capital Securities, such volatility may be increased in an illiquid market including in circumstances where a significant proportion of the Capital Securities 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 Capital Securities 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 cancelling interest payments in respect of the Capital Securities in full, an Automatic Conversion occurring or of the Capital Securities being subject to loss absorption under an applicable statutory loss absorption regime under the Banking Act 2009 (see Condition 21 (*Acknowledgement of UK Statutory Loss Absorption Powers*)). In addition, the market price of the Capital Securities may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer's control including, but not limited to, increases in capital expenditure compared with expectations, changes in financial estimates by securities analysts, any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators, changes in market valuations of similar entities, regulatory matters (including changes in regulatory regulations or central bank requirements), additions or departures of key personnel and/or future issues or sale of Capital Securities or other securities.

The issue price of the Capital Securities 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 Capital Securities 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.

Prospective investors should be aware of the prevailing credit market conditions, whereby there may be a general lack of liquidity in the secondary market which may result in investors suffering losses on the Capital Securities in secondary resales even if there is no decline in the performance of the Capital Securities 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 Capital Securities and instruments similar to the Capital Securities at that time.

Moreover, although the Issuer or any subsidiary of the Issuer can (subject to the Conditions of the Capital Securities, including the requirement to having obtained prior Supervisory Permission from the Relevant Authority) purchase Capital Securities at any time and at any price, 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 Capital Securities and thus the price and the conditions under which investors can negotiate these Capital Securities on the secondary market.

Although application will be made for the Capital Securities to be admitted to trading on the ISM on or about the Issue Date, there can be no assurance that such application will be accepted, that the Capital Securities 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 Capital Securities.

Exchange rate risks and exchange controls

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

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

Implementation of and/or changes to the capital adequacy framework may result in changes to the risk-weighting of the Capital Securities and/or loss absorption by Holders in certain circumstances

The implementation of the remaining Basel 3.1 standards, as described in the risk factor entitled "*The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*", may have an impact on incentives to hold the Capital Securities for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Capital Securities. This could affect the capital treatment of the Capital Securities for investors who are subject to capital adequacy requirements, or the ability of such investors to hold the Capital Securities. This could, in turn, affect the liquidity and/or value of the Capital Securities.

Furthermore, the Capital Securities may be subject to regulatory capital write-down or conversion powers and/or bail-in resolution powers (see the risk factors entitled "*Mandatory write-down and conversion of capital instruments and relevant internal liabilities may affect the Capital Securities, including outside formal resolution proceedings*" and "*Holdings agree to be bound by the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority*" above, and the section headed "*Supervision and Regulation — Recovery and resolution*").

The application of the regulatory capital write-down or conversion powers and/or bail-in resolution powers to the Capital Securities, or the perception that such events could occur, may have an adverse effect on the position of holders of Capital Securities and, as a result, may affect the liquidity and/or value of Capital Securities. See the risk factor entitled "*The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*".

In all other respects, the Issuer cannot predict the precise effects of potential changes that might result from the new requirements on investors' own financial performance or the impact on the market value of the Capital Securities. Prospective investors in the Capital Securities should consult their own advisers as to the potential consequences to and effect on them of the changes described above.

Prospective investors in the Capital Securities who are subject to Solvency II Directive, as it was implemented in the UK or in any EU member state and forms part of the law applicable to such investors, should consult their own advisers as to the potential consequences to and effect on them of the solvency regime and investment rules set out therein.

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

The Capital Securities will upon issue be represented by the Global Certificate in registered form which will be registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Capital Securities are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

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

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Capital Securities. 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.

Integral multiples of less than £200,000

The denominations of the Capital Securities will be £200,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Capital Securities may be traded in Clearing Systems in amounts in excess of £200,000 that are not integral multiples of £200,000. Should Certificates be required to be issued, they will be issued in principal amounts of £200,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Holders who hold Capital Securities in the relevant clearing system (as defined in this Offering Circular) in amounts that are less than £200,000. Accordingly, any Holder who holds an amount which is less than £200,000 in principal amount of the Capital Securities in their account with the relevant clearing system at the relevant time may not receive a Certificate (should Certificates be printed) in respect of such holding. Such a Holder would need to purchase a principal amount of Capital Securities such that its holding amounts to £200,000 in order to receive a Certificate.

If Certificates are issued, Holders should be aware that definitive Capital Securities which have a denomination that is not an integral multiple of £200,000 may be illiquid and difficult to trade.

Risks relating to an Automatic Conversion of the Capital Securities

Upon the occurrence of a Trigger Event (i.e. when the Common Equity Tier 1 Capital Ratio falls below 7.00 per cent), an Automatic Conversion will occur and the Issuer's obligations under the Capital Securities will be irrevocably and automatically released by the Holders in accordance with the Conditions, in consideration for the Issuer's issuance of Conversion Shares. Prospective investors should be aware that the issuance of the Conversion Shares is contingent upon a Trigger Event occurring, and the issuance of such Conversion Shares will be implemented in accordance with the Conditions – see also the section headed "*Terms and Conditions of the Capital Securities*".

Upon an Automatic Conversion, the Holders will bear the risks relating to the Conversion Shares as set out below:

Upon an Automatic Conversion, Holders will bear the risk of fluctuation in the value of the Conversion Shares; the Conversion Shares delivered may have little or no value at the time of such Automatic Conversion; and the Holders will have limited remedies in the event of non-delivery of the Conversion Shares to the Depository or the Holders (as applicable)

Upon Automatic Conversion, the Capital Securities will automatically convert into Conversion Shares on the Conversion Date.

Holders could lose all or part of the value of their investment in the Capital Securities as, following an Automatic Conversion, they will receive only Conversion Shares, which may have a value significantly below the principal amount of the Capital Securities held by a Holder. The Conversion Price at the time the Conversion Shares are issued may not reflect the market price or fair value of the Shares, which could be significantly lower than the Conversion Price.

The market price of the Conversion Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Conversion Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors, which could lead to holders of Conversion Shares losing some or all of their investment. Because the Trigger Event will occur when the Group's CET1 Ratio will have deteriorated, the Trigger Event will likely be accompanied by a prior deterioration in the market price of the Conversion Shares, which may be expected to continue after the occurrence of the Trigger Event. Therefore, if the Trigger Event were to occur, investors would receive Conversion Shares at a time when the market price of the Shares is diminished. In addition, there may be a delay in a Holder receiving its Conversion Shares following the Trigger Event, during which time the market price of the Shares may further decline. As a result, the realisable value of the Shares may be below the Conversion Price. At the time the Conversion Shares are issued, the Conversion Price may not reflect the market price of the Conversion Shares, which could be significantly lower than the Conversion Price.

In addition, stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Group's operating performance or prospects, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, strategic actions by competitors, including acquisitions and/or restructurings, changes in market conditions and regulatory changes in other countries, whether or not the Group derives significant revenue therefrom. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Shares.

Furthermore, upon Automatic Conversion, Holders will no longer be able to pursue any debt claim in relation to principal and any accrued but unpaid interest on the Capital Securities shall be cancelled and shall not become due and payable at any time.

Any such Automatic Conversion will be irrevocable and, following Automatic Conversion, Holders will not be entitled to any form of compensation in the event of the Issuer's potential recovery or any change in the Group's CET1 Ratio. In addition, on or after the occurrence of the Trigger Event, if the Issuer does not deliver the Shares to the Conversion Shares Depository (or to the relevant recipient as contemplated in Condition 9 (*Automatic Conversion*)) the only claims Holders will have against the Issuer will be to apply to the court to obtain an order requiring the Issuer to issue and deliver such Conversion Shares to the Conversion Shares Depository and to participate in the liquidation proceeds of the Issuer as if the Conversion Shares had been issued.

Upon Automatic Conversion, provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depository in accordance with the terms described in the Conditions, investors will have no further rights against the Issuer. Receipt of the Conversion Shares by the Conversion Shares Depository shall irrevocably and automatically discharge and satisfy the Issuer's obligations to the Holders under the Capital Securities. Once the Shares which are to be delivered on Automatic Conversion have been issued and delivered to the Conversion Shares Depository, the only claims Holders will have will be against the Conversion Shares Depository for delivery of such Shares.

Furthermore, although application will be made for such Conversion Shares to be traded on the Main Market of the London Stock Exchange on or about the Conversion Date, there can be no assurance that such application will be accepted and that the Conversion Shares will be so admitted.

The circumstances surrounding or triggering an Automatic Conversion are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no contractual obligation to operate its

business in such a way, or take any mitigating actions, to maintain or restore the CET1 Ratio of the Group to avoid the occurrence of the Trigger Event. Any future losses at the Group level and actions the Group takes could result in the CET1 Ratio of the Group falling and the Trigger Event occurring

The occurrence of the Trigger Event and, therefore, Automatic Conversion, is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control. Although the Issuer currently publicly reports the Group's CET1 Ratio semi-annually, the PRA, or such other additional or successor authority having primary supervisory authority with respect to prudential and/or resolution matters concerning the Issuer and/or the Group (the "**Relevant Authority**"), as part of its supervisory activity, may instruct the Issuer to calculate such ratio as at any date, including if the Issuer is subject to recovery and resolution actions by the Relevant Resolution Authority, or the Issuer might otherwise determine to calculate such ratio in its own discretion. As such, Automatic Conversion could occur at any time. Moreover, it is likely that the Resolution Authority would allow the Trigger Event to occur rather than to resort to the use of public funds.

The Trigger Event could occur at any time if the Group's CET1 Ratio is below 7.00 per cent. as at any such calculation date. The Group's CET1 Ratio could be affected by, among other things, changes in, or the growth of, the Issuer's business and the level of the Issuer's future earnings or any losses incurred, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, including CET1 Capital and RWA (each of which shall be calculated by the Issuer on a consolidated basis and such calculation shall be binding on the Trustee and on the Holders)), actions that the Issuer is required to take at the direction of the Relevant Regulator, costs associated with regulatory changes, including in respect of any regulatory non-compliance, and the Group's ability to manage RWA in both its ongoing businesses and those which it may seek to exit. In addition, to the extent that the Group has capital resources and/or RWA denominated in foreign currencies, changes in foreign exchange rates will result in changes in the pound sterling equivalent value of foreign currency denominated capital resources and RWA. Actions that the Group takes could also affect the Group's CET1 Ratio, including causing it to decline. The Issuer has no obligation to increase its CET1 Capital, reduce its RWA or otherwise operate its business in such a way or take mitigating actions in order to prevent the Group's CET1 Ratio from falling below 7.00 per cent., to maintain or increase the Group's CET1 Ratio or to otherwise consider the interests of the Holders in connection with any of its business decisions that might affect the Group's CET1 Ratio.

The calculation of the Group's CET1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Relevant Regulator could require the Issuer to reflect such changes in any particular calculation of the Group's CET1 Ratio.

The Group's CET1 Ratio and its overall capital position will also depend on the Group's decisions relating to its business and operations, as well as the management of its capital position. Neither the Issuer nor any member of the Group will have any contractual obligation to consider the interests of the Holders in connection with its strategic decisions, including in respect of its capital management. Holders will not have any claim against the Issuer or any other member of the Group relating to decisions that affect the business and operations of the Group, including the Group's capital position, regardless of whether they result in the occurrence of mandatory distribution restrictions and/or a Trigger Event. Such decisions could cause Holders to lose all or part of the value of their investment in the Capital Securities.

Because of the inherent uncertainty regarding whether the Trigger Event will occur and there being no obligation on the Issuer's part to prevent its occurrence, it will be difficult to predict when, if at all, Automatic Conversion could occur. Accordingly, the trading behaviour of the Capital Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Fluctuations in the Group's CET1 Ratio may be caused by changes in the amount of CET1 Capital and RWA as well as changes to their respective definitions under the capital adequacy standards and guidelines set by the Relevant Regulator. Any indication that the Group's CET1 Ratio is moving towards the level which would cause the occurrence of the Trigger Event may have an adverse effect on the market price and liquidity of the Capital Securities. Therefore, investors may not be able to sell their Capital Securities easily or at prices that will provide

them with a yield comparable to other types of subordinated securities, including the Issuer's subordinated debt securities. In addition, the risk of Automatic Conversion could drive down the price of the Conversion Shares and have a material adverse effect on the value of any Conversion Shares received upon Automatic Conversion.

Changes to the calculation of CET1 capital and/or risk weighted assets may negatively affect the Issuer Group's CET1 Ratio, thereby increasing the risk of the Trigger Event which will lead to Automatic Conversion, as a result of which the Capital Securities will automatically be converted into Conversion Shares

Pursuant to UK CRR, the Issuer is required to calculate the Group's capital resources for regulatory purposes on the basis of CET1 Capital and its RWA, which represent assets adjusted for their associated risks. Each of these definitions will be calculated in accordance with the capital adequacy standards and guidelines applicable to the Issuer on the relevant date.

As at 31 December 2024, the Group's CET1 Ratio was 12.5 per cent. The Group's CET1 Ratio is not a UK-adopted international accounting standards measure, and the Issuer's interpretation of UK CRR and the basis of the Issuer's calculation of this financial measure may be different from those of other financial institutions.

The continuing impact of UK CRR on capital ratios may be materially different as the UK CRD requirements may change, whether as a result of changes to the domesticated versions of EU legislation and international standards, or changes to the way in which the PRA interprets and applies these requirements to UK banks.

Additionally, the UK's capital requirements regime may be determined by reference to other applicable capital regulations in future. If PRA rules, guidance or expectations in relation to capital or leverage are amended in the future in a manner other than as set out in the statements released by the PRA to date, it could be materially more difficult for the Group to maintain compliance with prudential requirements and this could affect the Group's CET1 Ratio.

In December 2017, the Basel Committee on Banking Supervision ("**BCBS**") set out measures to finalise the Basel III framework. In summary, those measures aim to: (i) strengthen risk sensitivity and comparability in credit risk by way of minimum "input" floors for certain metrics; (ii) introduce a standardised approach to assessing credit valuation adjustment risk; (iii) introduce a standardised approach to assessing operational risk; (iv) provide safeguards against unsustainable levels of leverage through adding a leverage ratio buffer for global systemically important banks; and (v) ensure that banks calculate their "output" floors as being 72.5 per cent. of total RWA. The UK implemented the first tranche of changes associated with Basel III in January 2022. These include the changes in relation to the counterparty risk, equity investments in funds and market risk RWA and the leverage ratio. The PRA published its last set of near-final Basel 3.1 rules on 12 September 2024; however, the PRA has announced several delays relating to the implementation of these rules, most recently (17 January 2025), moving the implementation date until 1 January 2027 (although the date for final implementation (1 January 2030) has remained the same). See also the risk factor entitled "*The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*".

Investors should be aware that any changes to the UK CRD rules as currently implemented in the UK subsequent to the date hereof may individually and/or in the aggregate further negatively affect the Group's CET1 Ratio and thus increase the risk of the Trigger Event, which will lead to Automatic Conversion, as a result of which Holders could lose all or part of the value of any investment in the Capital Securities.

Within 10 Business Days after the Conversion Date, the Issuer has sole and absolute discretion to elect that the Conversion Shares Depositary makes an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders

No later than 10 Business Days after the Conversion Date (being the date on which the Automatic Conversion takes place), the Issuer may, in its sole and absolute discretion, elect that the Conversion Shares Depositary makes an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders at such time at a cash price per Conversion Share equal to the Conversion Price, in accordance with the Conditions. The relevant Conversion Shares Offer Consideration that a Holder may be entitled to receive in accordance with the

Conditions may not reflect the market value of the relevant Conversion Shares, which could be significantly higher than the relevant Conversion Shares Offer Consideration.

In addition, the Issuer may, in its sole and absolute discretion, terminate such Conversion Shares Offer during the Conversion Shares Offer Period, by providing at least three Business Days' notice to the Holders.

See also the section headed "*Terms and Conditions of the Capital Securities*" and in particular, Condition 9(f) (*Automatic Conversion – Conversion Shares Offer*), and " *Holders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of any Conversion Shares*".

Holders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of any Conversion Shares

Holders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of the Conversion Shares or the Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable. In order to obtain delivery of the relevant Conversion Shares or the Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Holder must deliver a Conversion Shares Settlement Notice to the Conversion Shares Depositary (or to the relevant recipient as set out in the Conditions) and must be delivered prior to the Notice Cut-off Date. The Conversion Shares Settlement Notice must contain certain information, including the name of the Holder, the Authorised Denominations of the Capital Securities held by such Holder and the details of the CREST or other clearing system account to which the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) should be delivered. Accordingly, Holders (or their nominee, custodian or other representative) will have to have an account with CREST or other clearing system account (while the Conversion Shares are a participating security in CREST or other such clearing system) in order to receive the Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration. If a Holder fails to properly complete and deliver a Conversion Shares Settlement Notice on or before the Notice Cut-off Date, then the Conversion Shares Depositary shall continue to hold the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration until a Conversion Shares Settlement Notice is or are so delivered. Following an Automatic Conversion, the relevant Capital Securities shall remain in existence until the Final Cancellation Date for the sole purpose of evidencing the Holder's right to receive the applicable Conversion Shares. However, the relevant Capital Securities shall be cancelled on the Final Cancellation Date and any Holder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares (or the relevant Conversion Shares component, if any, of any Conversion Shares Offer Consideration) satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration). The Issuer shall have no liability to any Holder for any loss resulting from such Holder not receiving any Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration) or from any delay in the receipt thereof, in each case as a result of such Holder failing to duly submit a Conversion Shares Settlement Notice and the relevant Capital Securities, if applicable, on a timely basis or at all.

Holders may be subject to taxes following Automatic Conversion

Neither the Issuer, nor any member of the Group, will be required to pay any taxes, stamp duty, stamp duty reserve tax or any other capital, issue, registration, transfer, financial transaction or documentary taxes that may arise or be paid as a consequence of the issue and delivery of the Conversion Shares. Such taxes or duties will be borne by the Holder or, if different, the person to whom the Conversion Shares are delivered.

Prior to the Conversion Date, Holders will not be entitled to any rights with respect to the Conversion Shares, but will be subject to all changes made with respect to the Conversion Shares

Holders will only be able to exercise voting rights and any other rights related to any Conversion Share after delivery of the Shares upon Automatic Conversion and the registration of the person entitled to the Conversion Shares as a shareholder in the Issuer's share register, in accordance with the provisions of, and subject to any of

the limitations provided in, the articles of association of the Issuer. Prior to such registration, Holders will remain subject to any and all changes made with respect to the Conversion Shares.

Holders may receive Conversion Shares Offer Consideration instead of Conversion Shares upon a Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period

Holders may not ultimately receive Conversion Shares upon a Trigger Event because the Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depository.

The Conversion Shares Offer may be conducted at the election of the Issuer, in its sole and absolute discretion, on the terms set out in the Conditions. The Issuer currently expects that in determining whether or not a Conversion Shares Offer shall be conducted and, if one is to be conducted, how and to whom such Conversion Shares Offer shall be made, the directors of the Issuer would, in accordance with their duties, have regard to a variety of matters, including, without limitation, the interests of the Issuer's shareholders, taken as a whole, and the potential impact of a Conversion Shares Offer on the Issuer's financial stability.

If the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depository and all of the Conversion Shares are sold in the Conversion Shares Offer, Holders shall be entitled to receive, in respect of each Capital Security, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Capital Security. If some but not all of the Conversion Shares are sold in the Conversion Shares Offer, Holders shall be entitled to receive, in respect of each Capital Security: (a) the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Capital Security together with (b) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Capital Security rounded down to the nearest whole number of Conversion Shares. In each case, the cash component of any Conversion Shares Offer Consideration shall be subject to deduction of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of Conversion Shares to the Conversion Shares Depository as a consequence of the Conversion Shares Offer.

No interest or other compensation is payable in respect of the period elapsed from the Conversion Date to the date of delivery of cash sums or Conversion Shares in the circumstances described above.

Furthermore, the Issuer or the Conversion Shares Depository will provide notice of the results of any Conversion Shares Offer only at the end of the Conversion Shares Offer Period. Accordingly, Holders would not know the composition of the Conversion Shares Offer Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

Holders do not have anti-dilution protection in all circumstances

The number of Conversion Shares to be issued to the Conversion Shares Depository upon an Automatic Conversion will be the aggregate principal amount of the Capital Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date divided by the Conversion Price (as at the Conversion Date), rounded down to the nearest whole number of Conversion Shares. The Conversion Price and the Conversion Shares Offer Price will be adjusted if there is a consolidation, reclassification or subdivision of the Issuer's ordinary shares, an issuance of ordinary shares in certain circumstances by way of capitalisation of profits or reserves, a rights issue, an Extraordinary Dividend or a Qualifying Takeover Event (but only in the situations and only to the extent provided in Condition 10 (*Adjustments to the Conversion Price*)). There is no requirement that there should be an adjustment for every corporate or other event that may affect the market price of the Conversion Shares. In particular, there will be no adjustment to the Conversion Price if a Takeover Event occurs that is not a Qualifying Takeover Event (because the Acquirer is not an Approved Entity and/or the New Conversion Condition is not satisfied). Accordingly, the occurrence of events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Capital Securities.

If a Takeover Event occurs, the Capital Securities may be convertible into shares of an entity other than the Issuer or into unlisted shares

If a Takeover Event is a Qualifying Takeover Event, then following an Automatic Conversion, the Capital Securities shall become convertible or exchangeable into the Approved Entity Shares of the Approved Entity at the New Conversion Price as provided in Condition 10(e) (*Adjustments to the Conversion Price – Qualifying Takeover Event*). There can be no assurance as to the nature of any such Approved Entity, or of the risks associated with becoming an actual or potential shareholder in such Approved Entity and, accordingly, a Qualifying Takeover Event may have an adverse effect on the value of the Capital Securities.

If the Issuer's ordinary shares become delisted following a Takeover Event which is not a Qualifying Takeover Event or otherwise, there shall be no automatic adjustment to the terms of the Capital Securities and the Capital Securities will remain convertible into unlisted ordinary shares upon the occurrence of a subsequent Trigger Event, leading to an Automatic Conversion. Unlisted shares may be more illiquid than listed shares and may have little or no resale value. In addition, if a Takeover Event is not a Qualifying Takeover Event because the Acquirer is a Governmental Entity, there can be no assurance as to whether the Securities would be convertible into, or exchangeable for, any securities or other instruments of the Acquirer or any other person or entity. Accordingly, a Takeover Event that is not a Qualifying Takeover Event is likely to have an adverse effect on Holders or the value of the Capital Securities.

In addition, the Issuer has considerable discretion in determining whether a Qualifying Takeover Event has occurred. A Qualifying Takeover Event requires the New Conversion Condition to be satisfied. For the New Conversion Condition to be satisfied, among other requirements, the Issuer must determine that the arrangements to deliver Approved Entity Shares following an Automatic Conversion are in place and that, in the Issuer's sole and absolute discretion, such arrangements would be in the best interest of the Issuer and its shareholders taken as a whole having regard to the interests of its stakeholders (including, but not limited to, the Holders) and are consistent with applicable law and regulation (including, but not limited to, the guidance of any applicable regulatory body). Therefore, the Issuer may consider factors other than the interests of Holders in determining whether the New Conversion Condition has been satisfied and, consequently, the Capital Securities are to be converted or exchanged for Approved Entity Shares of the Approved Entity as provided for in Condition 9 (*Automatic Conversion*).

Although a Takeover Event shall occur where the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in an Acquirer (together with any associate), there can be no assurance that the acquisition by an Acquirer of the right to cast 50 per cent. or less of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer will not independently have an adverse effect on the value of the Capital Securities.

Holdings may be obliged to make a takeover bid following the Trigger Event

If the City Code applies to the Issuer at the time of the occurrence of the Trigger Event, a Holder receiving Conversion Shares may be required to make a takeover bid addressed to the shareholders of the Issuer pursuant to the rules of the City Code if such Holder's aggregate holdings in the Issuer exceed the applicable percentage of the voting rights in the Issuer at the time as a result of the Automatic Conversion.

Holdings may be subject to disclosure obligations and/or may need approval by the relevant regulator(s)

As the Capital Securities are mandatorily convertible into Conversion Shares following a Trigger Event, an investment into the Capital Securities may result in the Holders, following such Automatic Conversion, having to comply with certain disclosure, takeover and/or approval requirements pursuant to laws and regulations applicable in the UK. Furthermore, as Conversion Shares represent voting securities of a parent undertaking of a number of regulated group entities, under the laws of England and Wales and other jurisdictions, ownership of

an interest in the Conversion Shares to be delivered following Automatic Conversion above a certain level may require the Holder to obtain regulatory approval or subject the Holder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the Holders incurring substantial fines and/or suspension of voting rights associated with the Conversion Shares. Each potential investor should consult its legal advisers as to the terms of the Capital Securities and the level of holding it would have if it receives Shares following the Trigger Event and what its related obligations may be.

DIRECTORS AND SENIOR MANAGERS

The Issuer's Board of Directors

A list of the Directors of the Issuer is set forth in the table below. Save as disclosed below in this section, there are no potential conflicts of interests between any duties to the Issuer of the Directors or Senior Managers on the one hand, and their respective private interests and/or other duties on the other hand.

Name	Appointment Date	Principal outside activities
Robert Sharpe <i>Chair</i>	1 November 2020 ¹	Chair at Hampshire Trust Bank plc and Pollen Street PLC.
Daniel Frumkin <i>Chief Executive Officer</i>	1 January 2020 ²	-
Marc Page <i>Chief Financial Officer</i>	12 November 2024 ³	-
Catherine Brown <i>Senior Independent Director</i>	1 October 2018 ⁴	Non-executive director at FNZ TA Services Limited, FNZ Securities Limited, FNZ (UK) Ltd, QBE Underwriting Limited, QBE UK Limited and Chair at The Bank of London.
Dorita Gilinski <i>Shareholder Appointed Non-Executive Director</i>	26 September 2022 ⁵	President of JGB Financial Holding Company and a member of the board of directors and the audit committee of Banco GNB Paraguay. Dorita is a shareholder-nominated Non-Executive Director, nominated by her father Jaime Gilinski Bacal, who is a significant shareholder of the Issuer, through his Spaldy Investments vehicle.
Jaime Gilinski Bacal <i>Shareholder Appointed Non-Executive Director</i>	2 September 2024 ⁶	Chairman of JGB Financial Holdco Inc., Chairman of Grupo Nutresa S.A. and Chairman of the Board of Directors of Banco GNB Paraguay S.A. Jaime is also on the Board of Trustees at Georgia Institute of Technology and the Board of Advisors at Harvard Business School, Teatro Real in Madrid and the Blavatnik School of Government at Oxford University.

¹ Appointed as a director of Metro Bank on 1 November 2020. Upon the incorporation of the Issuer and prior to the insertion of the Issuer as the new ultimate holding company of the Group, appointed as a director of the Issuer on 29 September 2022.

² Appointed as a director of Metro Bank on 1 January 2020. Upon the incorporation of the Issuer and prior to the insertion of the Issuer as the new ultimate holding company of the Group, appointed as a director of the Issuer on 29 September 2022.

³ Appointed as a director of Metro Bank and the Issuer, each on 12 November 2024.

⁴ Appointed as a director of Metro Bank on 1 October 2018. Upon the incorporation of the Issuer and prior to the insertion of the Issuer as the new ultimate holding company of the Group, appointed as a director of the Issuer on 7 March 2023.

⁵ Appointed as a director of Metro Bank on 26 September 2022. Upon the incorporation of the Issuer and prior to the insertion of the Issuer as the new ultimate holding company of the Group, appointed as a director of the Issuer on 7 March 2023.

⁶ Appointed as a director of Metro Bank and the Issuer, each on 2 September 2024.

Name	Appointment Date	Principal outside activities
		Jaime is a shareholder-nominated Non-Executive Director, as a significant shareholder of Metro Bank through his Spaldy Investments vehicle.
Cristina Alba Ochoa <i>Shareholder Appointed Non-Executive Director</i>	10 June 2024 ⁷	Non-executive director at Atilan Grupo Empresarial and doValue SpA.
Paul Coby <i>Independent Non-Executive Director</i>	30 December 2024 ⁸	Group Chief Information Officer at Persimmon Homes, a Trustee of Museum of London Archaeology (MOLA), and a member of the Board of Governors of More House School for boys with Specific Learning Difficulties.
Paul Thandi <i>Independent Non-Executive Director</i>	1 January 2019 ⁹	Paul is the Chair of BOXPARK, Chair of Student Energy Group, sits on the Board of the West Midlands Growth Company Limited and the British Allied Trades Federation, and is a patron of Marie Curie and Heads Together. Paul is Deputy Lieutenant of West Midlands Lieutenancy.
Michael Torpey <i>Independent Non-Executive Director</i>	1 September 2019 ¹⁰	Non-executive director of Remitly Europe Limited, FICS Group Holdings Limited and Frasers Group Financial Services Limited.
Nicholas Winsor <i>Independent Non-Executive Director</i>	20 April 2020 ¹¹	Chair of Schroder Oriental Income Limited and a member of its Nomination and Remuneration, Audit and Risk, and Management Engagement committees. He is also a Senior Independent Director of the States of Jersey Development Company, Chair of its Remuneration and Nomination Committee and a member of the Audit and Risk Committee; and a non-executive director for Bankers Without Boundaries Connect Singapore Pte Ltd.

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

⁷ Appointed as a director of Metro Bank and the Issuer, each on 10 June 2024.

⁸ Appointed as a director of Metro Bank and the Issuer, each on 30 December 2024.

⁹ Appointed as a director of Metro Bank on 1 January 2019. Upon the incorporation of the Issuer and prior to the insertion of the Issuer as the new ultimate holding company of the Group, appointed as a director of the Issuer on 7 March 2023.

¹⁰ Appointed as a director of Metro Bank on 1 September 2019. Upon the incorporation of the Issuer and prior to the insertion of the Issuer as the new ultimate holding company of the Group, appointed as a director of the Issuer on 7 March 2023.

¹¹ Appointed as a director of Metro Bank on 20 April 2020. Upon the incorporation of the Issuer and prior to the insertion of the Issuer as the new ultimate holding company of the Group, appointed as a director of the Issuer on 7 March 2023.

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

Controlling Shareholder Group Director appointment rights under the Relationship Agreement

On 9 November 2023, the Issuer and the Controlling Shareholder Group entered into a relationship agreement (the "**Relationship Agreement**"). The Relationship Agreement has been entered into to ensure that the Issuer is capable at all times of carrying on its business independently of its "Controlling Shareholder Group" in compliance with the independence provisions set out in the Listing Rules. The Relationship Agreement also provides that Spaldy Investments and Jaime Gilinski Bacal (each a "**Controlling Shareholder**" and, together, the "**Controlling Shareholders**"), acting together, have the right, but are not required, at any time to appoint to the Board:

- three Non-Executive Directors in total, provided that the Controlling Shareholders hold or are entitled to vote in respect of, in aggregate, at least 30 per cent. of the issued ordinary share capital of the Issuer;
- two Non-Executive Directors in total, provided that the Controlling Shareholders hold or are entitled to vote in respect of, in aggregate, at least 15 per cent., but less than 30 per cent., of the issued ordinary share capital of the Issuer; and
- one Non-Executive Director in total, provided that the Controlling Shareholders hold or are entitled to vote in respect of, in aggregate, at least 10 per cent., but less than 15 per cent., of the issued ordinary share capital of the Issuer.

Senior Managers

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

Name	Position
Carol Frost	Chief People Officer
Faisal Hussain	Chief Operations Officer
Aisling Kane	Managing Director, Retail and Business Banking
Kirsten McLeod	Chief Risk Officer
Richard Saulet	Chief Commercial Officer
Kathy Newman	Chief Internal Auditor
Andy Veares	Managing Director, Corporate & Commercial

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

Registered Office, Company Secretary and Advisers

Registered Office	One Southampton Row London WC1B 5HA
Company Secretary	Clare Gilligan

Sole Bookrunner	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London, E14 4QA
Independent Auditors to the Issuer	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom
Legal advisers to the Issuer as to English law	Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG United Kingdom
Legal advisers to the Sole Bookrunner as to English and United States law	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom
Registrar and Transfer Agent	Citibank Europe plc North Wall Quay 1 Dublin Republic of Ireland

INFORMATION ABOUT THE GROUP

The following discussion of the Group's business contains forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. See "Risk Factors" and "Important Information — Cautionary Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause the Group's actual results to differ materially from the forward-looking statements contained herein.

Overview

The Issuer was incorporated and registered in the United Kingdom on 29 September 2022 (Registration number: 14387040) and has its registered offices at One Southampton Row, London, WC1B 5HA, telephone number +44 (0) 20 3402 8900. The Issuer is a public limited company domiciled in the United Kingdom and was introduced as a new holding company above Metro Bank pursuant to a scheme of arrangement that became effective on 19 May 2023. As at the date of this document, the Issuer continues to have no operations of its own.

Metro Bank was founded in 2010 as the first full-service, independent, new high street bank to open in the UK in more than 150 years. The Group places emphasis on its relationship banking model, attracting core deposits through service-led community banking, with an emphasis on its SME franchise and the belief that great companies and brands are built by creating "FANS", not simply "customers".

The Group has established a strategically located network of 75 stores (aka branches) in key conurbations across England and Wales, with 3 million customer accounts, £14,458 million in deposits from customers and £9,204 million of gross loans and advances to customers as at 31 December 2024.

The Group's success in delivering an outstanding customer experience is best evidenced by the results of the UK Competition and Markets Authority ("CMA") Service Quality surveys in February 2025, in which the Group was ranked number two for in-store service quality for retail customers, an increase from third place in August 2024. The Group was also placed second for service quality in stores and its business service centres for business customers. The Group remains committed to maintaining a physical presence and ensuring that stores remain both accessible and at the heart of local communities.

The Group's key funding sources are deposits from its customers, debt securities in issue, drawings from the Bank of England's TFSME scheme, and capital provided by shareholders. As at 31 December 2024, the Group had total assets and total liabilities of £17,582 million and £16,399 million, respectively (31 December 2023: £22,245 million and £21,111 million).

As at 31 December 2024, the Issuer's distributable reserves were £753 million on a consolidated basis, comprising £1,022 million of retained earnings as at 31 December 2024 less a £269 million one-off deferred tax recognition for the six months ended 31 December 2024.

The following table sets out the Group's capital ratios as at 31 December 2024 on (i) an actual basis, (ii) a pro forma basis for the February 2025 Portfolio Sale (assuming full Additional Tier 1 Capital and Tier 2 Capital utilisation), and (iii) a pro forma basis for the February 2025 Portfolio Sale and the increased capital requirements which apply to the Group (consolidated) and Metro Bank (solo) from 1 April 2025 (assuming full Additional Tier 1 Capital and Tier 2 Capital utilisation). These figures are provided on a transitional basis and include International Financial Reporting Standard 9 – 'Financial Instruments' transitional arrangements.

<i>Actual figures as at 31 December 2024</i>			
	31 December 2024		
	CET1	Tier 1	Total Capital (Phased-in)
Group Ratio	12.5%	12.5%	14.9%
MDA Threshold	9.2%	–	–
MDA Buffer (%)	3.3%	–	–
MDA Buffer (£m)	£215	–	–
Buffer to Trigger Event (%)	5.5%	–	–
Buffer to Trigger Event (£m)	£357	–	–

<i>Pro forma for the February 2025 Portfolio Sale</i>			
	31 December 2024		
	CET1	Tier 1	Total Capital (Phased-in)
Group Ratio	13.4%	13.4%	15.9%
MDA Threshold	9.2%	–	–
MDA Buffer (%)*	4.2%	–	–
MDA Buffer (£m)*	£259	–	–
Buffer to Trigger Event (%)	6.4%	–	–
Buffer to Trigger Event (£m)	£393	–	–

* Assuming that the Pillar 1 requirements and Pillar 2A requirements of the Issuer are met with the maximum permitted amount of Additional Tier 1 Capital (on the basis above, being approximately £95 million) and Tier 2 Capital.

<i>Pro forma for the February 2025 Portfolio Sale and reflecting the updated capital requirements from 1 April 2025</i>			
	31 December 2024		
	CET1	Tier 1	Total Capital (Phased-in)
Group Ratio	13.4%	13.4%	15.9%
MDA Threshold	9.7%	–	–
MDA Buffer (%)*	3.8%	–	–
MDA Buffer (£m)*	£229	–	–
Buffer to Trigger Event (%)	6.4%	–	–
Buffer to Trigger Event (£m)	£393	–	–

* Assuming that the Pillar 1 requirements and Pillar 2A requirements of the Issuer are met with the maximum permitted amount of Additional Tier 1 Capital (on the basis above, being approximately £105 million) and Tier 2 Capital.

The following sets out a summary of certain of the Group's reported (not pro forma) capital and liquidity metrics as at 31 December 2024.

Capital and liquidity metric	As at 31 December 2024
<i>Following the PRA's SREP, the Group's new Pillar 2a capital requirements (to reflect aspects of the Group's activity not covered by its Pillar 1 requirements) are as follows.</i>	
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)	
Additional CET1 SREP requirements	0.2 per cent.
Additional AT1 SREP requirements	0.1 per cent.
Additional T2 SREP requirements	0.1 per cent.
Total SREP own funds requirements	8.4 per cent.
Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer	2.5 per cent
Institution specific countercyclical capital buffer	2.0 per cent
Combined buffer requirement	4.5 per cent
CET 1 available to meet combined buffer requirement after meeting the total SREP own funds requirements	7.8 per cent.
Leverage ratio	
Total exposure measure excluding claims on central banks	£14,417 million
Leverage ratio excluding claims on central banks	5.6 per cent.
Liquidity coverage ratio (based on 12-month average)	
Total high-quality liquid assets (HQLA) (Weighted value – average)	£7,189 million
Cash outflows – Total weighted value	£2,184 million
Cash inflows – Total weighted value	£413 million
Total net cash outflows (adjusted value)	£1,854 million
Liquidity coverage ratio	444 per cent.
Net stable funding ratio (based on 4-quarter average)	
Total available stable funding	£16,676 million
Total required stable funding	£10,475 million
Net stable funding ratio	160 per cent

From 1 April 2025, the Group's regulatory capital requirements will be amended as set out in the following table.

Capital and liquidity metric	Updated capital requirements from 1 April 2025
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)	
Additional CET1 SREP requirements	0.7%
Additional AT1 SREP requirements	0.2%
Additional T2 SREP requirements	0.3%
Total SREP own funds requirements	9.2%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer	2.5%
Institution specific countercyclical capital buffer	2.0%
Combined buffer requirement	4.5%
Overall capital requirements	13.7%

The Group's RWA was £6,442 million on a transitional basis as at 31 December 2024 and the pro forma Group's RWA taking into account the February 2025 Portfolio Sale was £6,090 million on a transitional basis as at 31 December 2024.

The Issuer will be required to cancel any interest amount in respect of the Capital Securities if payment of it, when aggregated with certain other payments, including dividends on the Shares, exceeds the Distributable Items of the Issuer's issue (see the section headed "*Risk Factors — Risks Relating to the Capital Securities — As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, and insufficient*

Distributable Items will restrict the Issuer's ability to make interest payments on the Capital Securities"). The Issuer had available Distributable Items as at 31 December 2024 of £753 million on a consolidated basis.

It is the Issuer's intention that, whenever exercising discretion to propose any distribution in respect of the Shares or to cancel interest on AT1 instruments, including the Capital Securities, it will respect the hierarchy of capital instruments and preserve the seniority of claims. However, the Issuer may depart from this policy at any time at its sole discretion.

Strategy

The Group's continued emphasis on cost discipline, asset rotation and balance sheet optimisation throughout 2024 generated considerable positive momentum, illustrated by Metro Bank's return to underlying profitability in the six months ended 31 December 2024, as seen in the Unaudited 2024 Preliminary Financial Statements.

The Group has made strong progress and is continuing to shift its focus toward higher yielding commercial, corporate and SME lending and specialist mortgages, leveraging its established relationship banking model to create new FANS and drive growth. As at 31 December 2024, the Group's credit approved corporate, commercial and SME pipeline was up 66 per cent. year-on-year, equivalent to approximately 50 per cent. of 2024 lending. Additionally, for the year ended 31 December 2024, the Group's average originations maintained a yield in excess of 250 basis points over the prevailing Bank of England base rate. As at the date of this Offering Circular, the Group's yield over swaps for specialist mortgages continues to increase and the Group is targeting an average yield of more than 200 basis points over the Group's prevailing swap rate by the end of H1 2025, aided by the launch of new specialist propositions.

Consequently, in the Group's trading update published on 27 February 2025, relating to the Group's preliminary results for the year ended 31 December 2024, the Group reconfirmed its return on tangible equity guidance as mid-to-upper single digit in 2025, double digit in 2026 and mid-to-upper teens thereafter. The Group believes that by 2027, it will be generating one of the best returns on tangible equity out of any high street bank.

The Group's five strategic pillars remain the roadmap for continued growth, being revenue, balance sheet optimisation, cost control, infrastructure development and communication.

Revenue: Strong progress on asset rotation and deposit optimisation

The Group made strong progress in its strategic shift toward corporate, commercial, and SME lending, and specialist mortgages in 2024. Corporate, commercial and SME gross new lending grew by 71 per cent. year-on-year, and the Group ended 2024 with a credit approved pipeline which was two times larger than at the start of 2024. 78 per cent. of the Group's new corporate and commercial lending was non-broker led, and approximately 30 per cent. of such new corporate and commercial lending came from refinancing the Group's existing customers. As at 31 December 2024, the Group's credit approved mortgage pipeline was up 47 per cent. year-on-year (with the interest rates on approximately 50 per cent. of such mortgage pipeline more than 200 basis points above the Group's prevailing interest swap rates). Furthermore, as at 31 December 2024, the Group's corporate and commercial credit approved pipeline lending was up 66 per cent. year-on-year, and its credit approved offers issued for mortgages more than 200 basis points above the Group's swaps were up 380 per cent. year-on-year.

During the year ended 31 December 2024, on average, the Group's new originations attracted a margin in excess of 350 basis points over the Bank of England's base rate, which drove a year-on-year improvement in yield. The Group's progress in specialist mortgage originations was strong, with the launch of new propositions helping to drive a significant increase in the spread over swaps on new mortgage originations. Additionally, new lending across corporate, commercial, SME and specialist mortgages, together with the attrition of legacy portfolios at lower yields, led to a 61 basis points year-on-year improvement in the Group's overall lending yield.

Following the Group's successful deposit campaign at the end of 2023, the Group has observed a subsequent decline in balances as the Group optimises its deposits and cost of funding. The Group's cost of deposits at 31 December 2024 of 1.40 per cent. continues to fall, down from a peak of 2.29 per cent. in February 2024, as more expensive fixed-term deposits (having reduced by 46 per cent. year-on-year) were allowed to attrite. The

combined impact of increased lending yields and a lower cost of deposits resulted in the Group having an exit NIM of 2.65 per cent. for the year ended 31 December 2024, ahead of the Group's previous guidance of 2.50 per cent., and up 1.13 per cent. from the nadir of 1.52 per cent. in February 2024.

In addition, the future benefit of the repricing of treasury assets is expected to result in further cumulative NIM momentum (expected to be approximately 0.38 per cent. by 2027) as the Group continues to implement its strategy.

Balance sheet optimisation: Continued focus on risk-adjusted returns

The Group actively manages its balance sheet, which has included undertaking an approximately £2.5 billion sale of prime residential mortgages to NatWest in Q3 2024 and the February 2025 Portfolio Sale. Both transactions are in line with the Group's strategy to reposition its balance sheet, actively manage asset rotation and enhance risk-adjusted returns on capital. The transactions create additional lending capacity to enable the Group to continue its shift towards higher yielding corporate, commercial, and SME lending, and specialist mortgages.

Cost discipline to support profitable growth and reinvestment

During 2024, the Group has fundamentally transformed its cost base, reducing operating costs in line with a bank of its size and focusing on sustained profitability. The Group continued to take a disciplined approach to costs, with underlying costs down year-on-year by 4 per cent., despite inflationary pressures. The Group delivered £80 million of annualised run rate cost savings in the year ended 31 December 2024, after reducing headcount numbers by more than 30 per cent. within 12 months.

Cost management is evident across all business functions, including:

- *Stores:* Revised store hours in response to customer activity. Focusing on less expensive and more sustainable builds, whilst committing to long leases with multiple and frequent breaks, or, where available on good terms, freehold ownership;
- *Technology:* Simplifying IT processes, improving Metro Bank's mobile application and increasing utilisation of artificial intelligence and automation to reduce costs. The Group established a strong strategic collaboration with Infosys in the three months ended 30 September 2024 to enhance digital capabilities, improve automation, refine data, and embed further AI capabilities. This collaboration is expected to continue to help make the Group's model more scalable;
- *Operating model:* Optimising the Bank's offshore relationship with Infosys to provide high quality, scalable cost effective services.

Consequently, as at 31 December 2024, the Group guided that year-on-year costs would reduce by between 4-5 per cent. during the year ending 31 December 2025.

Infrastructure: Protecting value through safe, scalable infrastructure

The Group intends to continue to invest in key focus areas, including regulatory compliance, enhanced risk management and tackling financial crime. The Group is focused on building infrastructure that will be scalable, such that when capital is no longer a core constraint, the Group will be able to grow the business in a manner that delivers compelling risk-adjusted returns.

Communication: Engaging customers, communities and colleagues and tell the Metro Bank story

People and relationships sit at the heart of the Group's culture, as demonstrated by its commitment to:

- increasing customer engagement through differentiated customer service and convenience, delivery of seamless distribution capabilities across all channels and continuing to offer simple, fair and transparent products;

- launching new propositions and digitising customer journeys, as well as tapping into markets that are currently underserved by the Group;
- offering customer-friendly service policies, including stores that provide a location to establish new and deepen existing relationships, and digital channels;
- developing and refining digital channels, including enhancing self-service options online and via Metro Bank's mobile application;
- building a supportive colleague experience based on an inclusive culture through training and development programmes, including apprenticeships, and encouraging promotion from within where possible and diversity and inclusion initiatives;
- assisting customers who may be experiencing financial difficulty by providing resources through Metro Bank's online hub and contacting customers who may need extra support or are at risk of falling into arrears;
- strengthening ties with communities through its Days to AMAZE programme for employees, fundraising for charities and supporting local businesses;
- launching its 'Relationship Banking specialists' brand positioning to ensure the Group is uniquely positioned to serve its Corporate, Commercial and SME customers;
- launching the Girls in Cricket Fund in partnership with the ECB, with 21 per cent. increase in girls' teams in 2024; and
- reducing the Group's own carbon footprint with the aim of becoming net zero across operations by 2030.

Business and activities

The Group is principally a deposit-taking and lending institution, which it services through two customer groups: Retail (the "**Retail group**") and Business and Commercial (the "**Business and Commercial group**"). Within its Retail group, the Group offers products in its personal banking and private banking business lines ("**Personal Banking**" and "**Private Banking**", respectively), and within its Business and Commercial group, the Group offers business banking, commercial banking, partnership banking and commercial private banking business lines ("**Business Banking**", "**Commercial Banking**", "**Partnership Banking**" and "**Commercial Private Banking**", respectively). The Group's breadth of deposit and lending services for its Business and Commercial group is a key differentiator from other challenger banks.

The Group provides simple and transparent mass-market deposit and lending products, including current and savings accounts, retail and commercial mortgages, commercial loans and overdrafts. The Group 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 its Retail group offering, the Group's Business and Commercial group customers are offered a growing range of services to complement a relationship-driven offering, including invoice and asset finance.

As at 31 December 2024, the Group had 3 million customer accounts, and deposits from customers of £14,458 million, of which 54 per cent. and 46 per cent. was attributable to Retail group and Business and Commercial group customers, respectively. As at the same date, it had gross loans and advances to customers of £9,204 million, of which 64 per cent. and 36 per cent. was attributable to Retail group and Business and Commercial group customers, respectively.

Digital channels – online and mobile

The Group provides its Retail group customers with online and application-based banking, which gives customers the ability to open new accounts, make payments and access other account functionality, including "Insights",

the AI offering to support customers in managing their finances. For an additional fee, the Group also offers an enhanced online business support system to Commercial Banking and Business Banking customers, which addresses more complex needs.

Telephony

The Group provides a telephone banking capability with three contact centres located in England, which use automated intelligence to route customer calls in real-time to the right agent.

Retail Group

The Group's Retail group includes its Personal Banking and Private Banking business lines. While the Group does not target a particular retail customer segment or profile and instead seeks to attract the business of mass-market retail customers, its product set is predominately focused on current accounts and deposits.

Personal Banking

Current accounts

As a deposit-driven bank, the Group views retail current accounts as the heart of its product offering, providing the Group with loyal customers and a source of resilient core funding (relative to wholesale funding).

Savings accounts

The Group offers a number of GBP-denominated savings account choices to Personal Banking customers to meet their various needs. Savings accounts typically provide either fixed or variable interest rates (with variable interest rates changing at the discretion of the Group, 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, the Group offers both instant access and fixed rate ISAs, savings accounts that qualify for favourable tax status in the UK.

Retail mortgages

The Group offers a series of mortgage products to Personal Banking customers. As at 31 December 2024, the Group had a total gross real mortgage assets of £5,145 million, and, in 2023, the Group's retail mortgage lending portfolio was £7,817 million. The Group's retail mortgage portfolio primarily 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 the Group if the borrower fails to comply with the terms of the loan.

For Personal Banking customers, the Group offers both borrower-occupier mortgage lending (where the borrower is occupier of the mortgaged property), and buy-to-let lending (where the borrower purchases with the intention to let the mortgaged property), in addition to fixed 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 the Group's standard variable interest rate, set at the Group's discretion (assuming the borrower does not refinance the loan). Repayment and interest-only retail mortgages are also on offer to the Group's Personal Banking customers. Customers with repayment mortgages pay off both interest and capital, usually through monthly payments, while customers with interest-only mortgages pay off interest-only each month. In common with other retail mortgage lenders in the UK, the Group imposes early repayment charges on certain of its retail mortgage products.

Mortgage distribution

The Group has built its retail mortgage portfolio primarily by establishing relationships with a wide range of specialist mortgage intermediaries. This model is designed to give the Group access to a broader range of customers, who prefer to take independent advice, and provides the Group with access to specialist markets that support its strategy. The Directors believe that the Group's emphasis on its strong manual underwriting

capability, simple mortgage application policy and competitive turnaround times is attractive for brokers and other mortgage intermediaries.

Unsecured lending

The Group offers overdrafts to its Personal Banking current account customers. Overdrafts occur when a customer pays or withdraws money from their current account in excess of their credit balance.

Commercial Private Banking

The Group's Private Banking business line offers high net worth clients with the same range of simple banking products, but supported by a bespoke service model and unlimited access to a dedicated private banker. As the Group 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 the Group as a complementary, rather than competitive, service provider, and who are, therefore, a significant source of referrals.

Although the Group does not employ formal criteria in accepting Private Banking clients, customers typically have net wealth in excess of £2 million. Private Banking customers are expected to undertake a minimum of £1 million in business with the Group, which can be a combination of lending and deposits.

The Group provides bespoke lending products to meet the special needs of its Private Banking clients and employs sector specialists who consider individual factors such as cash flow considerations, professional needs and personal timing constraints to craft individual banking solutions for clients.

Business and Commercial group

The Group's Business and Commercial group includes its Business Banking, Commercial Banking and Partnership Banking business lines.

Business Banking and Commercial Banking

The Group'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, the Group 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. The Group 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.

The Group's Commercial Banking customers typically have a turnover of more than £2 million and are offered a wide range of mortgage and commercial lending products, working capital facilities, savings and deposits products, transactional banking solutions and cash management services. Regional Banking teams providing a local relationship service, with further support offered through the large trading business team and the real estate team. The Group's customers primarily fall into one of a number of sectors, including general trading businesses, property development and investment, hotels and leisure companies, primary and secondary healthcare companies, professional firms and financial services.

As at 31 December 2024, the Group had a commercial lending portfolio (excluding government-backed lending) of £2.7 billion and commercial customer deposits (including SME customers) of £6.7 billion.

Deposit accounts

As an underserved segment of the UK banking market, business and commercial deposit accounts are a particular area of potential growth for the Group. The Group offers Business Banking and Commercial Banking customers GBP, Euro and US dollar denominated current accounts, in addition to a broad range of deposit accounts, including fixed term and variable savings accounts, a variety of specialised deposit accounts, and "flexible client term deposit accounts" for Business Banking and Commercial Banking customers holding significant amounts of client monies. These accounts, which require a £500,000 minimum 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, the Group offers premium deposit accounts, which consist of a single master holding account with sub-accounts for each customer client.

Lending

The Group provides a variety of lending options for Business Banking and Commercial Banking customers.

Commercial Banking customers have access to the Group's business loans, which are available with variable interest rates for standard periods of up to five years (with some exceptions allowed for longer terms) and can be obtained in amounts greater than £25,000. The Group also provides fixed rate loans upon request. Commercial Banking lending is predominantly provided on a secured basis, and it is the general principle that guarantees are required for commercial loans.

Overdrafts are offered to Commercial Banking customers, with interest rates set on a customer-by-customer basis. The Group also offers business overdrafts to certain Business Banking customers. These customers are able to apply for lending of up to £60,000 and receive an instant decision on their application, following which funds are available within 24 hours.

In addition to the loans typically offered to Commercial Banking and larger Business Banking customers, the Group offers 'small business loans', which are made in amounts from £2,000 to £60,000, have fixed interest rates, and are typically offered unsecured for a term of one to five years.

Asset Finance and Invoice Finance

Through its Invoice Finance and Asset Finance businesses, the Group offers invoice discounting, factoring, asset based lending and asset finance services to its Business Banking and Commercial Banking customers.

Asset Finance: the Group offers asset financing to fund purchases of certain assets such as plant, machinery and vehicles. This allows Business Banking or Commercial Banking customers and Broker Introduced customers 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. The Group provides asset finance facilities on a non-regulated basis to customers, including limited companies, partnerships, sole traders (purchasing business assets) and high net worth individuals.

The Group offers a mix of hire purchase and finance lease products for both new and used assets, in addition to refinance facilities up to 80 per cent. of the asset's current valuation for customers who already own their plant and machinery.

Invoice Finance: the Group offers Business Banking and Commercial Banking customers the ability to borrow against outstanding invoices issued by the borrower to its customers, both through factoring and invoice discounting. Under factoring arrangements, which are typically offered to smaller businesses, the Group will typically advance up to 90 per cent. of the value of approved invoices, following which the Group takes responsibility for the collection of the borrower's outstanding invoices. Under invoice discounting arrangements, the Group will typically advance up to 90 per cent. of the borrower's outstanding sales ledger, and the borrower, which is usually a larger business, remains responsible for collecting outstanding debt from its customers.

Partnership Banking

Through its Partnerships and Inward Investment team, the Group offers specialist banking, deposit and lending solutions to financial services firms, trustees, professional intermediaries, and UK businesses with overseas owners.

SUPERVISION AND REGULATION

UK Regulatory Bodies

Metro Bank, as a retail bank operating in the UK, the Issuer and the Group fall under the ambit of UK banking regulators and regulation.

The PRA has responsibility for micro-prudential regulation of deposit-takers (including banks, building societies and credit unions) and insurers, and also has responsibility for 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. As a result, the Group is subject to the PRA's consolidated supervision.

The FCA has responsibility for conduct of business regulation in relation to all authorised firms and for the prudential regulation of firms not regulated by the PRA.

Pursuant to the FSMA, Metro Bank is authorised by the PRA and regulated by the FCA and the PRA and the Issuer is a UK financial holding company supervised by the PRA.

For the purposes of this Part, the terms "**Relevant Regulator**" and "**Relevant Regulators**" refer, as the context requires, to the PRA and/or the FCA.

The PRA's general objective

The PRA's primary general objective is to promote 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.

In discharging its general functions in a way that advances its objectives, the PRA must, so far as is reasonably possible, act in accordance with two secondary objectives:

- the competition objective, which is focused on facilitating effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities; and
- the competitiveness and growth objective, which is focused on facilitating, subject to alignment with relevant international standards, (a) the international competitiveness of the economy of the UK (including, in particular, the financial services sector through the contribution of PRA-authorised persons), and (b) its growth in the medium to long term.

Additionally, the Banking Reform Act amended the PRA's general safety and soundness objective to incorporate certain matters related to ring-fencing requirements and the bodies subject to them.

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:

- securing an appropriate degree of protection for consumers (the consumer protection objective);
- promoting effective competition in the interests of consumers in financial markets (the competition objective); and

- protecting and enhancing the integrity of the UK financial system (the integrity objective).

As a secondary objective, in discharging its general functions, the FCA must also, so far as reasonably possible, act in a way which advances a competition and growth objective, namely: facilitating, subject to aligning with relevant international standards, (a) the international competitiveness of the economy of the UK (including in particular the financial services sector), and (b) its growth in the medium to long term. 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.

Both regulators will be required to contribute towards achieving compliance with the UK's net zero emissions environmental targets and where each regulator considers the exercise of its functions to be relevant to the making of such a contribution. This additional requirement results from the Financial Services and Markets Act 2023; however, the UK Government has yet to introduce regulations to give force to this requirement.

The Government

The Government has no operational responsibility for the activities of the PRA or the FCA. However, the PRA and the FCA are accountable to Parliament and, in addition to periodic reporting requirements, there are a variety of circumstances when the PRA and the FCA will need to report to HM Treasury (as the representative of the 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 FOS

The FSMA established the FOS, which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licensees and certain other businesses, in respect of activities and transactions under its jurisdiction. The FOS determines complaints on the basis of what, in its opinion, is fair and reasonable in all the circumstances of the case. The maximum level of money awarded by the FOS is £415,000 for complaints received by the FOS on or after 1 April 2023 in regard to acts or omissions by firms on or after 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 European Union legislation.

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

The Relevant Regulators are responsible for the authorisation and supervision of institutions that provide regulated activities in the UK. Metro Bank is authorised by the PRA and regulated by the FCA and the PRA with

permission to undertake, among other things, deposit-taking and mortgage activities. Authorised firms must at all times meet certain "threshold conditions" specified by the FSMA, which were modified to reflect the new regulatory structure under the Financial Services Act 2012 (the "**FSA 2012**"). Dual-regulated firms, such as Metro Bank, need to meet both the PRA's threshold conditions and the FCA's threshold conditions. The FCA threshold conditions applicable to PRA-authorised firms are, at a high level, that: (i) the firm is capable of being effectively supervised; (ii) the firm maintains appropriate non-financial resources; (iii) the firm itself is fit and proper, having regard to the FCA's operational objectives; and (iv) the firm's strategy for doing business is suitable, having regard to the FCA's operational objectives. At a high level, the PRA threshold conditions require: (a) a firm's head office and, in particular, its mind and management to be in the UK if it is incorporated in the UK; (b) a firm's business to be conducted in a prudent manner and, in particular, that the firm maintains appropriate financial and non-financial resources; (c) the firm itself to be fit and proper, having regard to the PRA's objectives and appropriately staffed; and (d) the firm to be capable of being effectively supervised. Related to this, the PRA must formally approve persons who intend to become "controllers" of Metro Bank (or who intend to increase their control over Metro Bank in a way which results in them falling into a different threshold of control) and must be kept informed of the persons who are controllers of Metro Bank and closely linked persons of Metro Bank. A controller of Metro Bank is broadly any person who, whether acting alone or "acting in concert" holds 10 per cent. or more of the shares or voting power in Metro Bank or a parent undertaking of Metro Bank or anyone who holds shares or voting power in Metro Bank or a parent undertaking of Metro Bank as a result of which they are able to exercise significant influence over the management of Metro Bank. As the holding company of Metro Bank, the Issuer is required to meet certain prudential regulatory requirements applicable to the Group on the basis of the Group's consolidated situation. The PRA has approved the Issuer as a controller and holding company of Metro Bank.

In addition, persons holding certain specified functions within Metro Bank (including governance functions) require the prior approval of the PRA or the FCA (depending on the particular function) before they can perform the role. A senior managers regime for individuals who are subject to regulatory approval came into force in March 2016 in the UK. It requires firms to allocate a range of responsibilities to these senior individuals and to regularly assess their fitness and propriety. In addition, a 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.

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. The PRA's detailed rules and guidance are now largely contained in the PRA Rulebook, as well as in the supervisory statements and statements of policy which the PRA issues from time to time. Many of these PRA and FCA source materials were shaped by European legislation, though certain directly applicable regulatory aspects of European legislation were also retained after Brexit and so apply in addition to, and must be read with, the FCA and PRA published materials (in particular refer to the prudential regulatory regime under "*Capital adequacy, prudential regulation and the European regulatory landscape*", 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 (as contained in the FCA Handbook) 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 Principles and Fundamental Rules are set out in the FCA Handbook and PRA Rulebook respectively.

In addition, the FCA requires firms to comply with Consumer Duty requirements, including a new Principle, which requires firms to act to deliver good outcomes for retail customers (which can include certain smaller types of SME customers). The Consumer Duty regime also sets "cross-cutting rules", which explain how firms should act to deliver good outcomes and apply to all areas of firm conduct as well as the "four outcomes", which set more detailed expectations for firm conduct in relation to: (i) the governance of products and services; (ii) price and value; (iii) consumer understanding; and (iv) consumer support. The new rules took effect from 31 July 2023

and apply to new and existing products or services (see "*Risk Factors — Regulatory risks relating to the Group's business — The Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years*").

In December 2024 the FCA set out its four focus areas for Consumer Duty for the rest of 2024/25 along with the further work it is planning in these areas. One such area is 'embedding the Duty and raising standards'. The FCA has three cross-cutting projects in which it will publish findings where it expects firms to be embedding the Consumer Duty which are focused on: (a) review of board/governing body reports and complaints and root cause analysis; (b) review of treatment of customers in vulnerable circumstances; and (c) review of consumer support outcome and supporting informed decision-making.

The FCA has also identified a number of sector-specific priorities for 2025 where it has said it has existing concerns and where firms can expect an increased focus. These include plans to publish findings on whether firms' digital tools sufficiently help consumers to understand credit agreements in the first half of 2025, and to investigate the clarity of foreign exchange (FX) pricing in payment services, with an initial focus on clarity of pricing in money remittance services and account to account transactions.

Other parts of the FCA Handbook and PRA Rulebook and other source materials which are of particular relevance to the Group include the Senior Management Arrangements, Systems and Controls sourcebook, the FCA Consumer Credit sourcebook (or "**CONC**"), the Banking Conduct of Business sourcebook, the Insurance: Conduct of Business sourcebook, the Mortgages and Home Finance: Conduct of Business sourcebook (or "**MCOB**"), the Supervision sourcebook and the Dispute Resolution: Complaints sourcebook and those materials which deal with prudential capital, liquidity and the leverage ratio requirements (see "*Capital adequacy, prudential regulation and the European regulatory landscape*", below).

The Financial Services and Markets Act 2023 allows for significant changes to the structure of financial services regulatory source materials, repealing retained EU law relating to financial services. The Government expects that over time, UK regulators will replace most of the repealed EU-derived law with UK regulators' rules. However, HM Treasury has retained the power to restate parts of retained EU law in primary or secondary legislation with modifications. Such repeal has yet to take effect, with the Act providing that the relevant provisions shall come into force on such day as HM Treasury may provide in regulations.

Supervision

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

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

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

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 the Group wanted to challenge enforcement or supervisory decisions of the PRA or FCA, 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 adequate to meet 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 RWA and is expressed as a percentage. Broadly, capital adequacy regulation started with the Basel Accord, published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in 1988. The Basel Accord was substantially rewritten in 2005, with the introduction of the Basel II Accord, which first formulated the three pillars of regulatory capital regulation: (i) "**Pillar 1**"- minimum capital adequacy requirements for credit risk, market risk and operational risk; (ii) "**Pillar 2**"- supervisory review; and (iii) "**Pillar 3**"- market discipline and disclosure. The key Pillar 1 rule was a requirement to maintain a minimum capital adequacy ratio of 8 per cent. of RWA. As the Basel standards have no direct legal force, the BCBS expects its members to implement the standard fully into their national law. Both the UK and EU are BCBS members. The Basel framework was implemented in the EU by way of a number of EU directives and regulations which are detailed below. As a result of Brexit, the European prudential regime has been largely replicated in the UK through the onshoring of EU prudential rules, although there are limited areas of divergence where the PRA has chosen to remain in compliance with the underlying Basel standards rather than the EU drafting. Metro Bank is subject to prudential regulation in the UK, where the prudential regulator for banks is the PRA.

EU Capital Requirements Regulation and Directive

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

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

The final set of Basel III reforms contained in the Basel Committee's December 2017 publication, "*Finalising Basel III*", include: (i) substantial amendments to the standardised and internal ratings based approach for credit risk as well as operational risk rules; (ii) an output floor to limit the regulatory capital benefit of banks using internal model approaches compared to the standardised/non-model approaches to calculate credit, market and operational risk; and (iii) introduction of the fundamental review of the trading book market risk rules.

Implementation of the various reforms, sometimes referred to as Basel 3.1/Basel IV, was delayed in the EU from 1 January 2023 until 1 January 2025, with Regulation 2024/1623 amending EU CRR II and a Directive amending EU CRD V (known as EU CRR3). As the UK is no longer a member of the EU, the UK did not implement these proposals; and the PRA published its own set of near-final Basel 3.1 rules on 12 September 2024. However, on 17 January 2025, the PRA announced that it would delay commencement of implementation until 1 January 2027 to enable it to monitor developments in the United States. As part of this announcement, the PRA announced a reduction of the transitional period to ensure full implementation still occurs by 1 January 2030. For more information in respect of the UK implementation of Basel 3.1/Basel IV see "*EU CRR/EU CRR II post-Brexit and current UK prudential regulatory regime*".

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

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

The UK used its discretion not to implement those EU CRR II rules which applied in the EU from June 2021 (so after the end of the transition period), instead choosing to introduce prudential reforms directly implementing the Basel standards (on which EU CRR II was based), using the powers given to it under the Financial Services Act 2021. Subsequently, HM Treasury was empowered to delete parts of UK CRR from onshored legislation, and the PRA restated those rules (with amendments, where relevant) in the PRA Rulebook. The UK Basel III rules are therefore similar but not identical to the EU CRR II drafting. The Basel III reforms have applied to UK banks from 1 January 2022 through detailed requirements set out in the PRA Rulebook (CRR firms) and other PRA

supervisory materials. The prudential requirements for banks are, therefore, set out in a mixture of PRA rules and primary legislation in the form of those provisions of UK CRR that remain in force. The UK CRR will be repealed by virtue of the Financial Services and Markets Act 2023; however, the date of such repeal has yet to be confirmed by the UK Government (see "*Financial services regulatory source materials*" above). The ultimate aim of HM Treasury is to transfer the bulk of the provisions in UK CRR to the PRA Rulebook. This will allow the PRA more flexibility to change or dispense with rules. As regards the implementation in the UK of the final Basel III reforms (i.e. Basel IV), the PRA published its proposed rules implementing the Basel 3.1 standards in the UK on 30 November 2022 (CP16/22 – Implementation of the Basel 3.1 standards). On 17 January 2025, the PRA announced a further delay to 1 January 2027, and announced a reduction of the transitional period to ensure full implementation still occurs by 1 January 2030.

Regulatory capital and risk weighted assets

The UK capital framework comprises four parts:

- **Pillar 1** – minimum requirements for credit risk, market risk and operational risk including a CET1 Capital ratio of 4.5 per cent., a Tier 1 capital ratio of 6 per cent. and a total capital ratio of 8 per cent.
- **Pillar 2A** – requirements imposed by the PRA to reflect the status of risks either not addressed or only partially addressed by the Pillar 1 requirements (e.g., pension risk or group risk).
- **Capital buffers** – these comprise: (i) the capital conservation buffer equal to CET1 of 2.5 per cent. of a firm's total risk exposure amount; (ii) the countercyclical capital buffer of CET1 equal to a firm's total risk exposure amount multiplied by an institution-specific countercyclical capital buffer rating ((i) and (ii) together being the "**Combined Buffer Requirement**"). The UK's countercyclical buffer ratio has increased from 1 per cent. to 2 per cent. from 5 July 2023. In addition, there are systemic buffers such as the Global Systemically Important Institutions or Other Systemically Important Institutions buffer which do not apply to the Group. If the Combined Buffer Requirement is not met, a bank is required to restrict its distributions in accordance with the maximum distributable amount calculation.
- **PRA Buffer** – the PRA can require a firm to hold a "**PRA Buffer**", which is an amount of capital that firms should hold in addition to their total capital requirement (Pillar 1 and Pillar 2A) to cover risks not covered elsewhere and losses that may arise under stress. The PRA buffer is confidential and non-disclosable.

Capital buffers ensure that a firm has capital available to draw on in periods of financial stress. Doing so is subject to conditions imposed by regulation (e.g. such as restrictions on paying dividends in the case of the Capital Conservation Buffer) and will typically result in the firm becoming subject to increased regulatory oversight. Regulators may impose further conditions or require the bank to develop a plan to rebuild its buffers over time.

Pillars 1 and 2A together represent the PRA's view of the minimum level of regulatory capital a firm should maintain at all times to cover the risks to which it is exposed and to comply with the overall financial adequacy rule. For information about solo and consolidated application of these requirements, see "*Levels of application*" below.

Leverage ratio framework

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

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

Metro Bank (on a solo basis) and the Issuer (on a consolidated basis) are not subject to a binding leverage ratio as Metro Bank does not fall within the categories above. However, Metro Bank on a solo basis and the Group on a consolidated basis are subject to the leverage ratio as a reporting requirement and are in practice expected to comply with the 3.25 per cent. leverage ratio requirement.

Liquidity requirements

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

Levels of application

The Group constitutes a consolidation group for UK CRR purposes headed by the Issuer. Prudential regulatory consolidation refers to group supervision and application of prudential regulatory requirements on the basis of a regulated group's consolidated situation (i.e. taking into account the balance sheets of all entities within the scope of the consolidation group). In other words, the capital, liquidity, large exposures and other prudential regulatory requirements in UK CRR (discussed above) will apply both on the individual level of Metro Bank and on the consolidated level of the Issuer. References to Metro Bank above should, therefore, be construed on this basis.

For more information on how the capital and liquidity regime applies to the Group see "*Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*".

Recovery and resolution

Banking Act 2009 and BRRD

Following the 2008 financial crisis, the Banking Act was introduced in the UK to provide a bespoke framework to facilitate the resolution of banks which, broadly, are failing or are likely to fail to meet their regulatory threshold conditions and which cannot be assisted through normal regulatory action or market-based solutions. The legislation conferred significant new powers on HM Treasury, the Bank of England (as the resolution authority in respect of UK Resolution Entities) and, originally, the FSA (now the PRA and FCA) to deal with and stabilise banks suffering financial difficulties by placing them into what is referred to as a resolution pursuant to the 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) through amendments to the Banking Act (see section immediately below). In summary, bail-in relates to the mandatory write-down or conversion of non-excluded liabilities.

BRRD was amended by BRRD II (Directive (EU) 2019/879), which the UK was required to transpose by 28 December 2020. The main reform was to implement the Financial Stability Board's TLAC standards, as well as

amendments to requirements on the contractual recognition of bail-in, and requirements on the contractual recognition of resolution stay powers. BRRD II was implemented in the UK within the transposition deadline above with certain amendments (such as those relating to Article 55 BRRD) being subsequently repealed in the UK.

Banking Act – Summary of the SRR

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

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

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

The Group's bail-in strategy

There are broadly three resolution strategies (i.e. strategies to implement the resolution tools discussed above): (i) "*modified insolvency process*" under Part 2 of the Banking Act – for those institutions which the Bank of England (as the resolution authority in respect of UK Resolution Entities) considers not to provide services of a scale considered critical and for which it is considered that a pay-out by the Financial Services Compensation Scheme 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. The Bank of England has confirmed that the preferred resolution strategy for the Group is a bail-in strategy with a single point of entry at the level of the Issuer. However, bail-in powers could also be exercised at the level of Metro Bank. In addition, the Bank of England maintains flexibility to change the Group's resolution strategy and apply a different stabilisation option if it would be more efficient in the circumstances such as the transfer to a private purchaser. In particular, per paragraph 4.2 of the Bank of England's revised Statement of Policy (published in December 2021 and updating the June 2018 version) (the "MREL SoP"), the actual approach taken to resolve an institution will depend on the circumstances at the time of its failure. The preferred resolution strategy may not necessarily be followed if a different approach would better meet the resolution objectives.

The Bank of England is currently in the process of reviewing its approach to setting MREL and its recent consultation on the subject (Amendments to the Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)) closed on 24 January 2025.

Bail-in would be expected to result in the reduction or conversion of all or a part of the Issuer's own funds and other bail-inable liabilities in order to recapitalise the Group and allow for Metro Bank to remain operational throughout the resolution, although the actual approach taken, should the Group require resolution, will depend on the circumstances at the time of a failure, and all available options could be considered by the Bank of England.

The Bank of England must apply the bail-in tool in accordance with a specified bail-in order provided in the Banking Act (and taking into account the insolvency ranking of eligible liabilities). In particular, the Bank of England must write-down or convert liabilities broadly in the following order (and the defined terms refer to those used in the Banking Act by cross-reference to the UK CRR): (i) CET1 items; (ii) Additional Tier 1 instruments; (iii) Tier 2 instruments; (iv) capital instruments used towards the MREL and other subordinated debt; and (v) other unsubordinated eligible liabilities. However, the Bank of England must not apply the bail-in tool to certain liabilities including: (a) protected deposits (deposits protected by the UK deposit guarantee scheme (up to a specified limit)); (b) secured liabilities which include most liabilities secured against property or rights, or otherwise covered by collateral arrangements; (c) client money/assets; (d) liabilities to credit institutions and certain investment firms with an original maturity of less than seven days; (e) certain liabilities to settlement systems with a remaining maturity of less than seven days; (f) certain liabilities to central counterparties with a remaining maturity of less than seven days; (g) certain liabilities to employees; (h) certain liabilities to pension schemes; (i) certain liabilities to creditors from the provision of critical goods and services; (j) certain liabilities to the scheme manager to the FSCS; and (k) certain liabilities to entities within the same resolution group. In addition, the Bank of England can make discretionary exclusions from bail-in in specific circumstances.

The Group has large numbers of depositors entitled to FSCS protection, with a significant majority of deposits protected as at the date of this Offering Circular, which means those depositors and the FSCS will get preferential treatment ahead of other unsecured creditors generally. In particular, as described above, deposits subject to FSCS protection are excluded from bail-in (up to the protection limit) and eligible deposits to individuals and SMEs above the FSCS protection are also afforded preferential insolvency treatment (albeit not excluded).

MREL requirement

UK banks are required to maintain a minimum amount of MREL. Such MREL resources can be bailed-in to support a recapitalisation or resolution should a firm fail. MREL must be set in line with the provisions of the Banking Act, the Bank Recovery and Resolution (No 2) Order 2014 and relevant banking-related standards, including the Bank of England Statement of Policy (9 January 2022) and MREL UK Technical Standards. The MREL requirement is equal to a percentage of RWA to be set by the Bank of England (or in certain cases calibrated by reference to the leverage ratio). There is no common MREL requirement applicable to all or a category of institutions; for institutions like Metro Bank (i.e. medium-sized banks), MREL is an institution-specific requirement as well as a point in time assessment that is made by the Bank of England, at least annually,

and is expected to vary over time. Following discussions with the Bank of England further to the publication of the MREL SoP, Metro Bank (solo basis) and the Issuer (consolidated basis) is now subject to its end-state MREL requirement, applicable since 1 January 2023. As above, the Bank of England is in the process of reviewing its approach to setting MREL. For the avoidance of doubt, Metro Bank and the Group are not subject to a binding leverage ratio ("LR") requirement (and therefore are not subject to LR-based MREL requirements).

The UK resolution regime requires that MREL must not rank *pari passu* with a significant amount of liabilities which are not MREL-eligible (to avoid any no creditor worse off issues). There are three ways to subordinate MREL to other unsecured liabilities: (i) statutorily (which has been achieved in the UK by amendments to the Insolvency Act 1986 to make sure that MREL ranks below non-preferred, non-subordinated unsecured liabilities and above regulatory capital (i.e. CET1 items, Additional Tier 1 instruments and Tier 2 instruments)); (ii) contractually; or (iii) structurally (by ensuring that MREL is issued by a non-operating, i.e. a "clean" holding company). For bail-in firms/groups with a single point of entry resolution strategy, such as the Group, the Bank of England has requested structural subordination of MREL, i.e. establishing a clean holding company above the operating bank/group that will issue any external MREL to the market. For more information on the application of MREL to the Group, see "*Risk factors — Regulatory risks relating to the Group's business — The Group is subject to MREL requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated-basis))*".

The Issuer's (consolidated) and Metro Bank's (solo) own funds and other MREL resources

As at the date of this Offering Circular, the Group's (consolidated) and Metro Bank's (solo) MREL requirement is met by the Issuer's existing issued CET1, Existing Tier 2 Notes and Existing MREL Notes.

Assuming the issuance of the Capital Securities, it is expected that the Group's (consolidated) MREL requirement will continue to be met by the Capital Securities and the Issuer's existing CET1, Existing Tier 2 Notes and Existing MREL Notes (until, in the case of the Existing MREL Notes, 12 months prior to their maturity date).

Assuming the issuance of the Capital Securities, it is expected that Metro Bank's (solo) MREL requirement will be met by the issuance of the Intra-Group Notes and Metro Bank's existing internal issuance of CET1 and internal issuances of own funds and other MREL debt instruments (in each case, on back-to-back terms with existing CET1, Existing Tier 2 Notes and Existing MREL Notes), in each case issued to the Issuer.

See also the section headed "*Information about the Group — Overview*" for the Group's capital ratios as at 31 December 2024 on (i) an actual basis, (ii) a pro forma basis for the February 2025 Portfolio Sale (assuming full Additional Tier 1 Capital and Tier 2 Capital utilisation), and (iii) a pro forma basis for the February 2025 Portfolio Sale and the increased capital requirements which apply to the Group (consolidated) and Metro Bank (solo) from 1 April 2025 (assuming full Additional Tier 1 Capital and Tier 2 Capital utilisation).

Resolvability Assessment Framework

Apart from the resolution powers and stabilisation options analysed above, the Banking Act and associated PRA rules also contain requirements relating to recovery and resolution planning.

In the context of resolution planning, the Resolvability Assessment Framework set requirements for the resolvability of UK bank groups that have a bail-in resolution strategy (such as the Group) or partial property transfer resolution strategy. The RAF broadly comprises three parts. The Group is subject to the resolvability assessment part of the RAF and is also subject to recovery and resolution planning obligations under the UK recovery and resolution regime. Also, the Group's recovery plan submission is periodically assessed by the PRA. As at the date of this document, however, the self-assessment and disclosure obligations under the RAF (the remaining two parts) do not apply to Metro Bank or the Group as it has less than £50 billion retail deposits.

Operational resilience

There is a continued focus on the operational resilience of firms, in particular in relation to 'important business services'. In March 2021, the PRA published a Statement of Policy clarifying how its operational resilience policy

affects its approach to the following key areas of the regulatory framework: (i) governance; (ii) operational risk management; (iii) business continuity planning; and (iv) the management of outsourced relationships.

In March 2022, new operational resilience rules set out in the PRA Supervisory Statement SS1/21 and FCA Policy Statement PS21/3 came into force. The Group is required to identify its 'important business services' and set impact tolerances for these as well as commence a programme of scenario testing whereby the Group evidences its ability to continue to deliver such services through operational disruption and within impact tolerance thresholds. The PRA and FCA are assessing the progress on implementation by firms within a reasonable time frame and by no later than March 2025.

In January 2024, the PRA published a 'Dear CEO' letter setting out supervisory priorities for UK deposit takers. The PRA's 2024 priorities reflect the need for robust governance, risk management and controls at firms to enable the effective and proactive identification, assessment and mitigation of risks in an increasingly challenging and changeable operating environment. The PRA heightened compliance with operational resilience expectations and the need for Boards and senior management to actively oversee the delivery of their firms' operational resilience programme, as well as the management and mitigation of risk associated with IT transformations and outsourcing to third parties.

In December 2023, the FCA and PRA also jointly published a consultation paper setting out proposed requirements and accompanying expectations for critical third parties. The consultation closed in March 2024.

A package of new rules were issued by the FCA, PRA and the Bank of England on 12 November 2024 to regulate the most important suppliers to the financial system – referred to as "**critical third parties**" or "**CTPs**". The rules are set out in the following documents:

- Supervisory Statement SS6/24 issued jointly by the PRA, FCA and Bank of England, which is "the main source of guidance for a CTP on how to interpret and comply with CTP duties";
- Policy Statement PS16/24 issued jointly by the PRA, FCA and Bank of England which provides responses to feedback on consultation paper (CP) 26/23 – Operational resilience: Critical third parties to the UK financial sector;
- a document issued jointly by the PRA, FCA and Bank of England setting out their Approach to CTP Oversight (see page 3 of that document for an overview of the ways in which the regulators' oversight powers will be used);
- Supervisory Statement SS7/24 on Reports by skilled persons: Critical third parties (see Overview of obligations on CTPs: Self-assessments, Scenario-testing, Incident Management Playbook Exercises, and other assurance below);
- a policy statement issued by the Bank of England setting out its approach to enforcement in respect of CTPs (the FCA Handbook: Critical third parties (Statement of Policy) contains what SS6/24 describes as an "equivalent and substantively identical approach to enforcement"); and
- the updated rules in the Bank of England FMI Rulebook, the PRA Rulebook and the FCA handbook.

The new CTP regime came into effect on 1 January 2025, but the rules will not take effect until CTPs have been designated by HM Treasury.

A supplier may be designated by HM Treasury as a CTP if it is satisfied that "*a failure in, or disruption to, the provision of [its] services ... could threaten the stability of, or confidence in, the UK financial system*". The regime could cover suppliers anywhere in the world. SS6/24 clarifies that a supplier could be in-scope of the regime if it provides a "systemic third party service" to one or more firms "irrespective of the jurisdiction(s) from which it is provided".

The Treasury's guidance on its approach to CTP designation published in March 2024 stated that "*HM Treasury expects that CTPs will represent only a small number of the overall number of third parties to the financial services sector*".

The regime's obligations will apply primarily to CTPs' "*systemic third party services*". SS6/24 defines a "**systemic third party service**" as "*a service (wherever carried out) provided by a CTP to one or more firms, a failure in, or disruption to, the provision of which (either individually or, where more than one service is provided, taken together) could threaten the stability of, or confidence in, the UK financial system.*"

Metro Bank is not in scope of the CTP Oversight Regime: it has separate obligations under the rules introduced in March 2022 (see above). SS6/24 confirms that "*[t]he CTP oversight regime does not impose additional requirements on firms*". However, it also notes that the regime "*may, in practice, require amendments to [CTPs'] contractual arrangements with firms*".

Outsourcing

In addition to operational resilience, the regulators remain focused on risks posed by outsourcing and other third-party arrangements and, as referenced in the section headed "*Risk Factors — Regulatory risks relating to the Group's business — The Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years*", the Group is subject to the PRA's requirements on outsourcing.

Supervisory Statement 2/21 (published in March 2021) sets out the PRA's expectations on outsourcing and third-party risk management, specifically focusing on requirements related to:

- the governance of outsourcing by the firm, its board and senior management;
- record keeping;
- the outsourcing process itself (including requirements related to risk management, due diligence and materiality);
- the content of outsourcing agreements;
- data security;
- rights of access, audit and information for both the institution seeking to outsource and its regulators; and
- risks posed by sub-outsourcing and the institution's ability to control and monitor such sub-outsourcing.

Firms must outsource in accordance with the requirements of Supervisory Statement 2/21 in a manner proportionate to their size, complexity and the criticality of the outsourced function.

These requirements are of particular relevance to the Group and the arrangements in place to enhance its IT and support functions, as well as its digital transformation.

Prior to the Group commencing its partnership with Infosys, the Group conducted a full material outsourcing assessment and completed an attestation pursuant to Supervisory Statement 2/21, which was approved by the Group's Chief Operations Officer and the Board. The details were also shared with the PRA. See also "*Risk Factors — Risks relating to the operation of the Group's business — The Group is exposed to operational risks in the event of a failure of its IT systems, and the Group relies on third parties for significant elements of its IT and other middle and back office processes*".

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:

- *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;
- *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;
- *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;
- *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
- *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.

In December 2022, the Government launched a consultation on reforming the Consumer Credit Act. The consultation stated the Government's intention was to move the majority of the Act's provisions from statute into FCA rules. The consultation also considered reforming the regime to rely more on the FCA's Consumer Duty than rights under the Consumer Credit Act. The consultation closed for responses in March 2023. On 11 July 2023, HM Treasury issued a response to the consultation confirming the Government's intention to reform the Consumer Credit Act by repealing much of the Consumer Credit Act and restating it in the FCA rulebook. The Government's intention was to undertake detailed policy development and engage with relevant stakeholders, with a view to publishing a second stage consultation in 2024 containing more detailed policy proposals. Any subsequent reform would likely require primary legislation. As at the date of this document no further consultation has been published.

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 the Group) 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:

- more thorough verification of borrowers' income (no self-certification of income, mandatory third-party evidence of income required);
- 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;
- 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;
- 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;
- 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;
- significant changes to mortgage distribution and advice requirements (including a requirement that advice must be given during most interactive sales); and
- changes in relation to arrears management and requirements on contract variations such as when additional borrowing is requested.

The directive on credit agreements relating to residential property, commonly known as the Mortgage Credit Directive ("**MCD**") came into effect on 20 March 2014. The MCD was, to some extent, modelled on the

Consumer Credit Directive and requires, among other things, standard pre-contractual information to be provided to the borrower, calculation of the annual percentage rate of charge in accordance with a prescribed formula, and the borrower to have a right to make early repayment. In addition, in August 2015, the European Banking Authority published guidelines on mortgage arrears and foreclosure (the majority of which applied from March 2016) and the MCD itself provides for a review after five years.

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

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

In June 2023, the FCA published enabling provisions to support the implementation of the Government's 'Mortgage Charter', enabling mortgage lenders to allow mortgage borrowers to reduce their capital repayments (including to zero, and paying interest only) for up to 6 months or fully or partly reverse a term extension within 6 months of extending the term, in each case without a new affordability assessment.

Separately, the FCA published guidance for firms on how to deal with customers in financial difficulty during the coronavirus pandemic in the form of the 'Tailored Support Guidance for Mortgage Lenders and Consumer Credit Lenders', and on supporting existing mortgage borrowers impacted by rising living costs (FG 23/2). These pieces of guidance were revoked and replaced via changes to the FCA Handbook and further guidance (FG24/2) that took effect from 4 November 2024.

This guidance explains how firms can support their customers, outlines the flexibility firms have when providing forbearance to customers, and the scope firms have to vary contract terms for borrowers who want to reduce their monthly payments. All mortgage lenders regulated by the FCA are expected to comply with this guidance and firms can expect to be asked to demonstrate to the FCA how they have complied with the guidance. The guidance may also be relevant to enforcement cases and may be used by the FCA to determine whether a firm's conduct falls below the standards required.

For a discussion of the risks associated with the above regulatory considerations, see "*Risk Factors — Risks relating to the operation of the Group's business — The Group's business is subject to inherent risks arising from macroeconomic conditions in, and which affect, the UK, both generally and as they specifically affect financial institutions*" and "*Risk Factors — Regulatory risks relating to the Group's business*".

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:

- giving general directions;
- giving general guidance; and
- 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:

- to promote effective competition in the market for payment systems and the markets for services provided by payment systems;
- 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
- 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.

In its latest annual plan for 2023 and 2024, the Payment Systems Regulator set out a number of key projects of relevance to the Group, including new proposals to tackle APP scams, the creation of a new entity to further develop Open Banking, shaping the New Payments Architecture (each as defined in the annual plan for 2023 and 2024), and reviewing card fees and the ATM network.

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

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

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

September 2016. The provisions on transparency and comparability of fee information came into force on 31 October 2018.

UK ring-fencing regime

Entities that hold deposits above a particular threshold (excluding deposits from financial institutions and certain corporates and high net worth individuals that "opt out") are required to separate the core activity of accepting deposits, together with the core services associated with that activity, into a separate RFB. The regime also prohibits an RFB from undertaking certain excluded activities, namely dealing in investments as principal and dealing in commodities incurring exposures to certain types of financial institutions. The excluded activities and prohibitions are subject in each case to limited exceptions.

The ring-fencing regime also includes 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). 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 deposit threshold was originally set at £25 billion and banks that fell within the scope of this regime were required to have implemented all relevant reforms to comply with the ring-fencing regime by 1 January 2019 at the latest (other than in respect of pension arrangements, for which the deadline for implementing changes was 1 January 2026). While the Group is not currently subject to the ring-fencing requirements, on the basis that it does not hold the minimum threshold of deposits to be required to ring-fence its business, the implementation of ring-fencing may affect its ability to transact with RFBs within banking groups that are subject to those requirements.

The ring-fencing rules and the rules on proprietary trading were reviewed in 2021 by an independent panel, appointed by HM Treasury. The focus of the review was on whether the rules have any unintended consequences on competition in UK banking markets and whether they stifle capabilities of UK banks in international markets. The most significant change recommended in the final report, which was published in March 2022 (the "**Skeoch review**"), related to the scope of the ring-fencing regime. The report included a recommendation to revise the scope of the ring-fencing regime to focus on large, complex banks and exclude banks that do not undertake certain excluded activities above prescribed levels from the scope of the ring-fencing regime. In December 2022, the Government responded to the review, noting an intention to consult in mid-2023 on plans to increase the threshold from £25 billion to £35 billion, alongside consulting on other measures near-term reform measures recommended in the review.

This process culminated in the FSMA (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2025, which took effect on 4 February 2025.

The changes introduced by this statutory instrument aim to foster market growth and competition in the UK banking sector and improve access to finance for UK SMEs, whilst retaining the wider protections that the ring-fencing regime introduced.

Key reforms include raising the threshold from £25 billion to £35 billion, introducing a new trading assets condition that would exempt banks otherwise caught by the regime provided they engage in trading activity below a certain level, allowing ring-fenced banks (RFBs) to invest in UK SMEs, and removing the prohibition on having branches or subsidiaries in non-EEA Member States. Such changes aim to lower barriers to growth, encourage competition in the banking sector, and improve access to finance for SMEs.

FSCS

The FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. There are different compensation limits for different categories of claim. For example, the limits are: (i) for claims against firms that failed on or after 30 January 2017, for deposits, up to £85,000; (ii) for claims against firms that failed on or after 1 January

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

Following the market disruption caused by the failure of Silicon Valley Bank in March 2023 and the ensuing events concerning other financial institutions, there has been increased regulatory scrutiny of the depositor protection regime. On 31 March 2023, the PRA published a Policy Statement (PS2/23) and amendments to the PRA rulebook to clarify that the FSCS depositor protection regime extends to certain eligible customers of e-money institutions, authorised payment institutions, small payment institutions and credit unions (in respect of e-money), if the relevant firms' safeguarding bank becomes insolvent. These amendments came into effect on 12 March 2023.

For a discussion of the risks associated with the above regulatory considerations, see "*Risk Factors — Regulatory risks relating to the Group's business*".

Culture and diversity and inclusion

UK regulators have enhanced their focus on the promotion of cultural values as a key area for banks, although they generally view the responsibility for reforming culture as primarily sitting with the industry. For example, in March 2020, the FCA published a discussion paper aimed at highlighting the importance of purposeful cultures. The discussion paper included essays from industry leaders, professional bodies and culture experts exploring the role of purpose in driving a healthy, sustainable culture. In addition, UK regulators have also begun focusing on diversity and inclusion in financial services firms, with the Bank of England, PRA and FCA having published a joint discussion paper on this topic in July 2021. The FCA also published a policy statement on diversity and inclusion in April 2022, which includes measures to improve transparency on the diversity of company boards and their executive management for investors and other market participants. On 25 September 2023, the FCA and PRA published consultation papers outlining their policy proposals that aim to support progress on improving diversity and inclusion across the financial sector. The consultations cover a wide range of topics, including proposals for firms to put in place diversity and inclusion strategies, new reporting requirements for larger firms (including all CRR firms) and diversity and inclusion targets. The FCA has indicated it will publish rules on non-financial misconduct in early 2025, with policy statements from both the PRA and the FCA on diversity and inclusion expected later in the year.

Competition and national security regulation

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

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

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

In 2018, the FCA published discussion papers on price discrimination in the cash saving market (DP18/6) and on fair pricing in financial services (DP18/9). DP18/9 focused on firms charging different prices to different consumers based purely on consumers' price sensitivity (which the FCA call "price discrimination") and on firms charging existing customers more than new customers (which the FCA calls "loyalty pricing" or "inertia

pricing"). The paper explored several possible remedies, including restrictions on product design (such as removal of auto-renewal mechanisms) or restrictions on price (such as price caps or collars). The FCA published a consultation paper in early 2020 on price discrimination in the cash savings market (CP20/1). CP20/1 included proposals around, among other things, new rules to require firms to pay customers single rates for easy access cash savings and ISA products no later than 12 months after the account is opened. The FCA subsequently announced on 4 November 2021 that, due to the impact of coronavirus (COVID-19) and the low-interest rate environment, it had decided to cease work on this area. The FCA has stated that it continues to monitor this area and may revisit it if it sees significant harm to consumers in the future. The FCA's work in this area sets out a framework of factors for firms to consider as part of their implementation of the FCA's Consumer Duty and, in particular, the outcome for firms manufacturing products to ensure that their products provide fair value to retail customers in the target markets for those products.

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

On 4 January 2022, the National Security and Investment Act 2021 (the "**NSI Act**") came into force. The NSI Act enables the Government to screen transactions where there is a change of control of certain entities or assets which are located in, or which have a sufficient connection to, the UK, even when such entities or assets are based overseas. The NSI Act establishes a mandatory notification regime in respect of the acquisition of control of entities within designated sectors. The Act also gives the Government powers to "call in" for scrutiny a wide range of transactions involving changes of control of entities or assets that are not subject to the mandatory notification regime.

For a discussion of the risks associated with the above regulatory consideration, see "*Risk Factors — Regulatory risks relating to the Group's business*".

Other relevant legislation and regulation

EU member states were required to transpose the Fourth Money Laundering Directive (Directive (EU) 2015/849) ("**4MLD**") by 26 June 2017 and the 4MLD has been transposed into UK law by virtue of the Money Laundering Regulations 2017 ("**MLRs 2017**"). The 4MLD made changes to the requirements around customer due diligence and the central register of beneficial ownership, introduced enhanced measures for politically-exposed persons, removed the automatic exemption from customer due diligence, and the application of group-wide policies and procedures to branches and majority-owned subsidiaries located in countries outside of the EU. The 4MLD also introduced a risk-based approach to customer due diligence.

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

The amendments to the MLRs 2017 to implement the 5MLD place a requirement on Metro Bank to (among other things) verify the identity and address of customers opening accounts with it, and to keep records to help prevent money laundering and fraud. In addition, the Proceeds of Crime Act 2002, Terrorism Act 2000, Counter-Terrorism Act 2008, Terrorist Asset-Freezing etc. Act 2010, Wire Transfer Regulation (EU Regulation 1781/2006) and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) collectively contain requirements and offences in relation to money laundering and the financing of terrorism that are applicable to the Group. Guidance in respect of anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group, which is made up of certain UK trade associations in the financial services industry. On 30 March 2023, the Government provided further guidance setting out its position regarding reporting obligations for banks, when they are undertaking checks required by the Immigration Act 2014. This

is in conjunction with the existing money laundering reporting requirements under the Proceeds of Crime Act 2002.

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

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

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

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

The Digital Markets, Competition and Consumers Act 2024 (the "**DMCCA**") reforms the regulation of digital markets, competition, and consumer protection laws in the UK, with many of the requirements taking effect from April 2025. While the DMCCA revokes and restates the Consumer Protection from Unfair Trading Regulations 2008, it also introduces new aspects to the consumer protection regime, including making the act of omitting material information from an 'invitation to purchase' as an unfair practice, introducing a new list of compulsory information to be included in an invitation to treat, changes to the average consumer test, a new prohibition of drip pricing (which requires the total price to be included in price-related marketing); and a new regime to regulate subscription contracts (although this will not apply to contracts to the extent that they relate to services of a banking, credit, insurance, personal pension, investment or payment nature). Enforcement powers have also been strengthened, with the court and CMA able to impose financial penalties of up to £300,000 or 10 per cent. of global turnover.

The DMCCA will have a phased implementation. While the subscription contract regime is expected to come into force in Spring 2026, the unfair trading and consumer enforcement regimes will apply from April 2025.

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

For the financial services regulatory risks relating to the Group's business, please see "*Risk Factors — Regulatory risks relating to the Group's business*".

USE OF PROCEEDS

The issuance by the Issuer of the Capital Securities will raise gross proceeds of £250,000,000. The Issuer intends to use the net proceeds for general corporate purposes of the Issuer and the Group and to further optimise the capital base of the Issuer and the Group.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the terms and conditions that, subject to completion and amendment, shall be applicable to the Capital Securities in definitive form (if any) issued in exchange for the Global Certificates representing the Capital Securities. The wording appearing in italics below is included for disclosure purposes only and does not form part of the terms and conditions of the Capital Securities.

The issue of the £250,000,000 13.875 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Capital Securities (the "**Capital Securities**", which expression includes any Further Capital Securities issued pursuant to Condition 18 (*Further Issues*)) of Metro Bank Holdings PLC (the "**Issuer**") was (save in respect of any Further Capital Securities) authorised by a resolution of the board of directors of the Issuer passed on 18 March 2025. The Capital Securities are constituted by a trust deed (as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 26 March 2025 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the person or persons for the time being the trustee or trustees under the Trust Deed, the "**Trustee**") as trustee for the Holders (as defined below) of the Capital Securities. These terms and conditions (as amended from time to time, the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Capital Securities. Copies of the Trust Deed and of the agency agreement (as modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 26 March 2025 relating to the Capital Securities between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent (the person for the time being the principal paying agent under the Agency Agreement, the "**Principal Paying Agent**"), Citibank, N.A., London Branch as the initial agent bank (the person for the time being the agent bank under the Agency Agreement, the "**Agent Bank**"), Citibank Europe plc as the initial registrar (the person for the time being the registrar under the Agency Agreement, the "**Registrar**"), the initial transfer agents named therein (the person(s) for the time being the transfer agent(s) under the Agency Agreement, the "**Transfer Agent(s)**" and together with the Principal Paying Agent, the Agent Bank, the Registrar or any of them and such other Agent or Agents as may be appointed from time to time under the Agency Agreement, the "**Agents**") and the Trustee, (i) are available for inspection during usual business hours at the principal office of the Trustee (presently at Eighth Floor, 100 Bishopsgate, London EC2N 4AG) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents or (ii) may be provided by email to a Holder following their prior written request to the Principal Paying Agent and provision of proof of holding and identity (in a form satisfactory to the Principal Paying Agent). The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them in the Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

The Capital Securities are serially numbered in the denominations of £200,000 and integral multiples of £1,000 in excess thereof (the "**Authorised Denomination**").

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

(b) Title

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

In these Conditions, "**Holder**" means the person in whose name a Capital Security is registered.

2 Transfers of Capital Securities

(a) Transfer

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

(b) Delivery of New Certificates

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

(c) Transfer Free of Charge

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

(d) Closed Periods

No Holder may require the transfer of a Capital Security to be registered (i) during the period of 15 days ending on (and including) the date fixed for redemption or substitution of that Capital Security pursuant to Condition 7 (*Redemption, Substitution, Variation and Purchase*) or (ii) during the period of seven days ending on (and including) any Record Date.

3 Status

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

4 Subordination

(a) Winding-Up and Solvency Condition

(1) If a Winding-Up occurs before the date on which a Trigger Event occurs, there shall be payable by the Issuer in respect of each Capital Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Holder if, on the day prior to the commencement of such Winding-Up and thereafter, such Holder were the holder of the most senior class of preference shares in the capital of the Issuer, having an equal right to a return of assets in such Winding-Up to, and so ranking *pari passu* with, the holders of such class of preference shares (if any) from time to time issued by the Issuer that has a preferential right to a return of assets in such Winding-Up, and so ranking ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such Holder was entitled to receive in respect of such preference shares, on a return of assets in such Winding-Up, was an amount equal to the principal amount of the relevant Capital Security together with any accrued but unpaid interest thereon (provided not otherwise cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations in respect of such Capital Security and (2) if a Winding-Up occurs on or after the date on which a Trigger Event occurs but before the Conversion Date in respect of an Automatic Conversion, then for the purposes of determining the claim of a Holder in such Winding-Up, the Conversion Date shall be deemed to have occurred immediately before the occurrence of such Winding-Up.

Furthermore, other than in the event of a Winding-Up, payments in respect of or arising from the Capital Securities are, in addition to the right or obligation of the Issuer to cancel payments of interest under Condition 6 (*Interest Cancellation*) and Condition 9(d)(i) (*Automatic Conversion - Consequences of Automatic Conversion*), conditional upon the Issuer being solvent at the time of payment by the Issuer and no sum in respect of or arising from the Capital Securities (including any damages awarded for breach of any obligation in respect of the Capital Securities) may fall due and be paid except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (such condition referred to herein as the "**Solvency Condition**"). For the purposes of determining whether the Solvency Condition is met, the Issuer shall be considered to be solvent at a particular point in time if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) the Balance Sheet Condition has been met.

The "**Balance Sheet Condition**" shall be satisfied in relation to the Issuer if the value of its assets is at least equal to the value of its liabilities (taking into account its contingent and prospective liabilities), according to the criteria that would be applied by the High Court of Justice of England and Wales (or the relevant authority of such other jurisdiction in which the Issuer may be organised) in determining whether the Issuer is "unable to pay its debts" under section 123(2) of the Insolvency Act or any amendment or re-enactment thereof (or in accordance with the corresponding provisions of the applicable laws of such other jurisdiction in which the Issuer may be organised).

A certificate as to whether or not the Issuer is solvent at any particular point in time (including if the Solvency Condition and/or the Balance Sheet Condition is or is not satisfied) by two Authorised Signatories (or if there is a winding-up or administration of the Issuer, an authorised signatory of the liquidator or, as the case may be, the administrator of the Issuer) shall be treated and accepted by the Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive and sufficient

evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Any payment of interest not due by reason of this Condition 4(a) shall be deemed cancelled as provided in Condition 6(b) (*Interest Cancellation – Restriction on interest payments*).

(b) Set-off etc.

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation, counterclaim, netting or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities or the Trust Deed and each Holder shall, by virtue of its holding of any Capital Security (or any beneficial interest therein), be deemed, to the fullest extent permitted under applicable law, to have waived all such rights of set-off, compensation, counterclaim, netting or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Capital Securities is discharged by set-off, compensation, counterclaim, netting or retention, 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 on 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.

Condition 4(b) shall not be construed as indicating or acknowledging that any rights of set-off (including compensation, counterclaim, netting or retention), counterclaim or netting would, but for Condition 4(b), otherwise be available to any Holder with respect to any Capital Security.

(c) Trustee Expenses

Nothing in this Condition 4 shall affect or prejudice the payment of the Liabilities of the Trustee in its personal capacity or the rights and remedies of the Trustee in respect thereof and in such capacity as the Trustee shall rank as an unsubordinated creditor of the Issuer.

5 Interest Payments

(a) Interest Rate

The Capital Securities bear interest at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 5 and subject to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 8 (*Payments*) and Condition 9 (*Automatic Conversion*).

Subject to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 8 (*Payments*) and Condition 9 (*Automatic Conversion*), interest shall be payable on the Capital Securities in equal instalments semi-annually in arrear on each Interest Payment Date, all as provided in this Condition 5.

(b) Interest Accrual

Without prejudice to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 8 (*Payments*) and Condition 9 (*Automatic Conversion*), the Capital Securities will cease to bear interest from (and including) the date fixed for redemption thereof (if any) pursuant to Condition 7(c) (*Redemption, Substitution, Variation and Purchase – Issuer's Call Option*), (d) (*Redemption, Substitution, Variation and Purchase – Redemption Due to Tax Event*), (e) (*Redemption, Substitution, Variation and Purchase – Redemption Due to Capital Disqualification*

Event), (f) (*Redemption, Substitution, Variation and Purchase – Redemption Due to Loss Absorption Disqualification Event*) or (g) (*Redemption, Substitution, Variation and Purchase – Issuer's Clean-up Call Option*) or the date of substitution thereof pursuant to Condition 7(h) (*Redemption, Substitution, Variation and Purchase – Substitution or Variation*), as the case may be, unless, upon surrender of the Certificate representing any Capital Security, payment of all amounts due in respect of such Capital Security is not properly and duly made, in which event interest shall continue to accrue on the principal amount of the Capital Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Capital Security shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 5(a) (*Interest Rate*) in relation to equal instalments, and subject to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 8 (*Payments*) and Condition 9 (*Automatic Conversion*), be equal to the product of the Calculation Amount, the relevant Interest Rate and the Day Count Fraction for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). Subject to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 8 (*Payments*) and Condition 9 (*Automatic Conversion*), the amount of interest payable in respect of each Capital Security is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Capital Security.

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Capital Securities bear interest, subject to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*) and Condition 9 (*Automatic Conversion*), at the rate of 13.875 per cent. per annum (the "**Initial Fixed Interest Rate**").

(d) Reset Rate of Interest

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 5(d) on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum of the Reset Reference Rate and the Margin. If no Gilt Yield Quotations are provided by the relevant Reset Reference Banks pursuant to the definition of Reset Reference Rate, the Reset Rate of Interest shall be (i) the Initial Fixed Interest Rate, in the case of the first Reset Period, commencing on the First Reset Date or (ii) the Reset Rate of Interest applicable for the immediately preceding Reset Period, in the case of any other Reset Period.

(e) Determination of Reset Rate of Interest

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Reset Determination Date, determine the Reset Rate of Interest in respect of the relevant Reset Period.

(f) Publication of Reset Rate of Interest

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 5 in respect of each Reset Period to be given to the Issuer, the Trustee, the Principal Paying Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 17 (*Notices*), the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If a Default occurs pursuant to Condition 11(a) (*Default - Default*), the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Capital Securities shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 5 but no publication of the Reset Rate of Interest will need to be made unless the Trustee otherwise requires.

(g) Agent Bank and Reset Reference Bank

The Issuer will maintain an Agent Bank and (where the Reset Rate of Interest is to be calculated by reference to them) the Issuer will appoint the number of Reset Reference Banks provided below. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

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

(h) Determinations of Agent Bank Binding

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

6 Interest Cancellation

(a) Interest payments discretionary

Interest on the Capital Securities is due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times (but subject to the requirement for cancellation pursuant to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6(b) (*Restriction on interest payments*) and Condition 9(d)(i) (*Automatic Conversion - Consequences of Automatic Conversion*)) and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

Any interest payment (or relevant part thereof) which is cancelled in accordance with this Condition 6(a) or any other provision in this Condition 6 shall not become due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights in respect thereof and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose.

(b) Restriction on interest payments

- (i) Without prejudice to Condition 6(a) (*Interest payments discretionary*) and subject to the extent permitted in Condition 6(b)(ii) below, the Issuer shall not make an interest payment on the Capital Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date or at any time thereafter) if:
- (A) the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of:
- (i) all distributions or interest payments made or declared by the Issuer since the end of the last financial year and prior to such Interest Payment Date on or in respect of any Parity Securities, the Capital Securities and any Junior Securities; and
- (ii) all distributions or interest payments payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date (x) on the Capital Securities and (y) on or in respect of any Parity Securities,
- in the case of each of (i) and (ii), excluding any payments already accounted for (by way of deduction) in determining the Distributable Items; or
- (B) (i) the aggregate of (1) the relevant interest amount payable by the Issuer on the Capital Securities on such Interest Payment Date and (2) the amounts of any distributions of the kind referred to in Rule 4.3(2) (or any succeeding provision amending or replacing such rule) of chapter 4 of the "*CRR Firms – Capital Buffers*" part of the PRA Rulebook (or any succeeding provision(s) amending or replacing such chapter or any analogous restrictions arising in respect of a failure to meet capital adequacy, loss absorbing capacity, leverage or buffer requirements) ("**Chapter 4**") exceeds the Maximum Distributable Amount (if any) applicable to the Issuer and/or the Group, as the case may be, as of such date or (ii) the Issuer is subject to the prohibition contained in Chapter 4 on the making of payments on the Capital Securities before the Maximum Distributable Amount has been calculated; or
- (C) the Relevant Authority orders or directs the Issuer to cancel any interest amount otherwise payable on such date; or
- (D) the Solvency Condition is not satisfied in respect of such interest payment.
- (ii) The Issuer may, in its sole discretion, elect to make a partial interest payment on the Capital Securities on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions set out in Condition 6(b)(i) above.

The Issuer shall be responsible for determining compliance with this Condition 6(b) and neither the Trustee nor any Agent shall be required to monitor such compliance or to perform any calculations in connection therewith. Neither the Trustee nor any Agent shall have any responsibility for or liability or obligation in respect of, any loss incurred as a result of or in connection with any cancellation or deemed cancellation of any interest payments by reason of the application of this Condition 6.

(c) Agreement to interest cancellation

By subscribing for, purchasing or otherwise acquiring the Capital Securities, Holders acknowledge and agree that:

- (i) interest is payable solely at the discretion of the Issuer, and no amount of interest shall become due and payable in respect of the relevant interest period to the extent that it has been (x) cancelled (in whole or in part) by the Issuer at its sole discretion and/or (y) deemed cancelled (in whole or in part) as a result of the operation of Condition 6(b) (*Restriction on Interest Payments*); and
- (ii) a cancellation or deemed cancellation of interest (in each case, in whole or in part) in accordance with these Conditions shall not constitute a default in payment or otherwise under the terms of the Capital Securities.

(d) Effect of interest cancellation

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with Condition 6(a) (*Interest payments discretionary*) and/or Condition 6(b) (*Restriction on interest payments*) above. Any interest cancelled or deemed cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Issuer may use such cancelled payments without restriction and the cancellation of such interest amounts will not impose any restrictions on the Issuer nor prevent or restrict the Issuer from declaring or making any distributions or interest payments on any of its shares or other instruments or to meet its obligations as they fall due.

(e) Notice of interest cancellation

The Issuer shall provide notice of any cancellation or deemed cancellation of interest (in whole or in part) to the Holders in accordance with Condition 17 (*Notices*) and to the Trustee, the Registrar and the Principal Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Holders any rights as a result of such failure.

7 Redemption, Substitution, Variation and Purchase

(a) No fixed redemption date

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 4 (*Subordination*) and Condition 11 (*Default*) and without prejudice to the provisions of Condition 13 (*Prescription*)) only have the right to redeem or purchase the Capital Securities in accordance with the following provisions of this Condition 7. The Capital Securities may not be redeemed at the option of the Issuer or purchased other than in accordance with this Condition 7. The Issuer shall not be entitled to deliver a notice of redemption after an Automatic Conversion Notice has been delivered.

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

- (i) Any redemption, substitution, variation or purchase of the Capital Securities pursuant to Condition 7(c) (*Issuer's Call Option*), (d) (*Redemption Due to Tax Event*), (e) (*Redemption Due to Capital Disqualification Event*), (f) (*Redemption Due to Loss Absorption Disqualification Event*), (g) (*Issuer's Clean-up Call Option*), (h) (*Substitution or Variation*) or

(i) (*Purchases*) is subject, as applicable and in each case if and to the extent then required under prevailing Regulatory Capital Requirements, to the following requirements:

- (A) the Issuer has obtained prior Supervisory Permission therefor from the Relevant Authority;
- (B) in the case of any redemption or purchase of any Capital Securities, either: (1) the Issuer has (or will, on or before the relevant redemption or purchase date, have) replaced the Capital Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and/or, as applicable, the Group; or (2) the Issuer and/or the Group (as the case may be) having demonstrated to the satisfaction of the Relevant Authority that the own funds and eligible liabilities of the Issuer and/or, as applicable, the Group would, following such redemption, substitution, variation or purchase, exceed its minimum applicable capital requirements (including any applicable buffer requirements) by a margin (calculated in accordance with prevailing Regulatory Capital Requirements) that the Relevant Authority considers necessary at such time provided, for the avoidance of doubt, that where the Issuer and/or the Group (as the case may be) provide sufficient safeguards as to their capacity to operate with own funds above the amounts required under the prevailing Regulatory Capital Requirements, the Relevant Authority may grant the Issuer and/or the Group (as the case may be) a general prior permission for a specified period to redeem, substitute, vary or purchase the Capital Securities (as applicable);
- (C) in the case of any redemption of the Capital Securities prior to the fifth anniversary of the Reference Date upon the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date;
- (D) in the case of any redemption of the Capital Securities prior to the fifth anniversary of the Reference Date upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Authority that the relevant change in the regulatory classification of the Capital Securities was not reasonably foreseeable as at the Reference Date; and
- (E) in the case of any redemption of the Capital Securities prior to the fifth anniversary of the Reference Date upon a Loss Absorption Disqualification Event or pursuant to Condition 7(g) (*Issuer's Clean-up Call Option*) or any purchase of the Capital Securities prior to the fifth anniversary of the Reference Date pursuant to Condition 7(i) (*Purchases*), as the case may be, either (1) the Issuer has, or will, on or before or at the same time as such redemption or purchase, replaced the Capital Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Relevant 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 (2) in the case of a purchase of the Capital Securities pursuant to Condition 7(i) (*Purchases*), the relevant Capital Securities are being purchased for market-making purposes in accordance with applicable Regulatory Capital Requirements.

Any refusal by the Relevant Authority to give its Supervisory Permission as contemplated above (or, having given it, any revocation by the Relevant Authority of such Supervisory Permission) shall not constitute a default for any purpose.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements and/or the Relevant Authority

permit the redemption, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 7(b), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7 (other than redemption pursuant to Condition 7(c) (*Issuer's Call Option*)), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirements or circumstances giving rise to the right to redeem, substitute or, as appropriate, vary are satisfied and, in the case of a substitution or variation, that the terms of the relevant Qualifying Additional Tier 1 Securities comply with the definition thereof in Condition 23 (*Definitions*) and (ii) in the case of a redemption pursuant to Condition 7(d) (*Redemption Due to Tax Event*) only, an opinion from a nationally recognised law firm or other tax adviser in the Relevant Jurisdiction experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (a) to (f) (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 shall treat and accept (and it shall be so treated and accepted by the Holders) without enquiry or liability 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.

- (ii) In addition, if the Issuer has elected to redeem, purchase, substitute or vary the Capital Securities and:
 - (A) prior to such redemption, purchase, substitution or variation (as applicable) a Trigger Event occurs; or
 - (B) in the case of a redemption or purchase, the Solvency Condition is not satisfied in respect of the relevant payment on any date fixed for redemption or purchase (as applicable),

the relevant redemption, purchase, substitution or variation notice (as applicable) shall be automatically rescinded and shall be of no force and effect and no payment of any redemption or purchase amount will be due and payable or no substitution or variation shall occur (as the case may be). In the case of (A) above, the Automatic Conversion shall occur in accordance with Condition 9 (*Automatic Conversion*) and no notice of redemption, substitution, variation or purchase shall be given or required to be given in the period following the occurrence of a Trigger Event (and any purported such notice shall be ineffective). In the case of (B) above, the Issuer shall give notice thereof to the Holders (in accordance with Condition 17 (*Notices*)), the Trustee, the Registrar and the Principal Paying Agent as soon as practicable. Any delay in giving, or failure to provide, such notice shall not have any impact on the effectiveness of, or otherwise invalidate, any such rescission.

(c) Issuer's Call Option

Subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), the Issuer may, by giving not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 17 (*Notices*), the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b)(i) (*Conditions to Redemption, Substitution, Variation and Purchase*) in respect of the requirements under the then prevailing Regulatory Capital Requirements and in Condition 7(b)(ii) (*Conditions to Redemption, Substitution, Variation and Purchase*), be irrevocable and shall specify the date fixed for redemption), elect to redeem all, but not some only, of the Capital Securities then outstanding on (i) any day falling in the period commencing on (and including) 26 March 2030 and ending on (and including) the First Reset Date or (ii) any day falling in the period commencing on (and including) the date that is six months before any subsequent Reset

Date and ending on (and including) such Reset Date at their principal amount, together with any accrued and unpaid interest thereon (but excluding any interest which has been cancelled or deemed cancelled in accordance with the Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), redeem the Capital Securities.

(d) Redemption Due to Tax Event

If, prior to the giving of the notice referred to in this Condition 7(d), a Tax Event has occurred, then the Issuer may, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 17 (*Notices*), the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b)(i) (*Conditions to Redemption, Substitution, Variation and Purchase*) in respect of the requirements under the then prevailing Regulatory Capital Requirements and in Condition 7(b)(ii) (*Conditions to Redemption, Substitution, Variation and Purchase*), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Capital Securities at their principal amount, together with any accrued and unpaid interest thereon (but excluding any interest which has been cancelled or deemed cancelled in accordance with these Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), redeem the Capital Securities.

(e) Redemption Due to Capital Disqualification Event

If, prior to the giving of the notice referred to in this Condition 7(e), a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 17 (*Notices*), the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b)(i) (*Conditions to Redemption, Substitution, Variation and Purchase*) in respect of the requirements under the then prevailing Regulatory Capital Requirements and in Condition 7(b)(ii) (*Conditions to Redemption, Substitution, Variation and Purchase*), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Capital Securities at their principal amount, together with any accrued and unpaid interest thereon (but excluding any interest which has been cancelled or deemed cancelled in accordance with these Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), redeem the Capital Securities.

(f) Redemption Due to Loss Absorption Disqualification Event

If, prior to the giving of the notice referred to in this Condition 7(f), a Loss Absorption Disqualification Event has occurred, then the Issuer may, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 17 (*Notices*), the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b)(i) (*Conditions to Redemption, Substitution, Variation and Purchase*) in respect of the requirements under the then prevailing Regulatory Capital Requirements and in Condition 7(b)(ii) (*Conditions to Redemption, Substitution, Variation and Purchase*), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Capital Securities at their principal amount, together with any accrued and unpaid interest thereon (but excluding any interest which has been cancelled or deemed cancelled in accordance with these Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the

Issuer shall, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), redeem the Capital Securities.

(g) Issuer's Clean-up Call Option

If, at any time, the outstanding aggregate principal amount of the Capital Securities is 25 per cent. or less of the aggregate principal amount of the Capital Securities originally issued (and, for these purposes, any Further Capital Securities issued pursuant to Condition 18 (*Further Issues*) and consolidated and forming a single series with the Capital Securities shall be deemed to have been originally issued) (the "**Clean-up Call Threshold**"), the Issuer may, in its sole discretion but subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 17 (*Notices*), the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b)(i) (*Conditions to Redemption, Substitution, Variation and Purchase*) in respect of the requirements under the then prevailing Regulatory Capital Requirements and in Condition 7(b)(ii) (*Conditions to Redemption, Substitution, Variation and Purchase*), be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the remaining outstanding Capital Securities on any date at an amount equal to their principal amount together with any accrued and unpaid interest thereon (but excluding any interest which has been cancelled or deemed cancelled in accordance with these Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), redeem the Capital Securities.

(h) Substitution or Variation

If a Tax Event, a Capital Disqualification Event or Loss Absorption Disqualification Event has occurred, then the Issuer may, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 17 (*Notices*), the Trustee, the Registrar and the Principal Paying Agent (which notice shall, save as provided in Condition 7(b)(i) (*Conditions to Redemption, Substitution, Variation and Purchase*) in respect of the requirements under the then prevailing Regulatory Capital Requirements and in Condition 7(b)(ii) (*Conditions to Redemption, Substitution, Variation and Purchase*), be irrevocable and shall specify the date fixed for substitution or, as the case may be, variation of the Capital Securities) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Capital Securities for, or vary the terms of the Capital Securities so that they remain or, as appropriate, become, Qualifying Additional Tier 1 Securities, and the Trustee shall (subject to the following provisions of this Condition 7(h) and subject to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*) above and in the definition of "Qualifying Additional Tier 1 Securities") agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), either vary the terms of or substitute the Capital Securities in accordance with this Condition 7(h), 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 Capital Securities for, or the variation of the terms of the Capital Securities so that they remain, or as appropriate, become, Qualifying Additional Tier 1 Securities, provided that the Trustee shall not be obliged to concur in, or assist with, any such substitution or variation, if in its opinion, (i) doing so would expose the Trustee to any Liabilities against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) the terms of the proposed alternative Qualifying Additional Tier 1 Securities or the participation in or assistance with such substitution or variation would change, increase or add to the obligations or duties of the Trustee or remove or amend any protection or indemnity afforded to, or any other provisions in favour of, the

Trustee under the Trust Deed, the Conditions and/or the Capital Securities. If, notwithstanding the above, the Trustee does not participate or assist with such substitution or variation of the terms of the Capital Securities, the Issuer may, subject as provided above, redeem the Capital Securities as provided in, as appropriate, Condition 7(d) (*Redemption Due to Tax Event*), 7(e) (*Redemption Due to Capital Disqualification Event*) or, 7(f) (*Redemption Due to Loss Absorption Disqualification Event*) or thereafter as provided in Condition 7(c) (*Issuer's Call Option*).

In connection with any substitution or variation in accordance with this Condition 7(h), the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

(i) Purchases

The Issuer or any of its subsidiaries may, subject to Condition 7(b) (*Conditions to Redemption, Substitution, Variation and Purchase*), at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for the Issuer's or such subsidiary's account, Capital Securities in any manner and at any price. The Capital Securities so purchased (or acquired), while held by or on behalf of the Issuer or any of its subsidiaries, shall not entitle the Holder to vote at any meetings of the Holders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 11(c) (*Default – Entitlement of Trustee*).

(j) Cancellation

All Capital Securities which are redeemed or substituted by the Issuer pursuant to this Condition 7 will promptly be cancelled. All Capital Securities purchased by or on behalf of the Issuer or any of its subsidiaries may, at the option of the Issuer and subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer or any such subsidiary, surrendered for cancellation to the Registrar. Capital Securities so surrendered, shall be cancelled promptly. Any Capital Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Capital Securities shall be permanently and irrevocably discharged.

(k) Trustee Not Obligated to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 7 and will not be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice of the occurrence of any event or circumstance within this Condition 7, it shall be entitled to assume that no such event or circumstance exists.

8 Payments

(a) Method of Payment

- (i) Payments of principal shall be made in pounds sterling (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Capital Securities represented by such Certificates) in like manner as is provided for payments of interest in paragraph (ii) below.
- (ii) Interest on each Capital Security (if any) shall be paid to the person shown in the Register at the close of business on the business day before the relevant Interest Payment Date or the date fixed for redemption (if any) (the "**Record Date**"). Any payments of interest on each Capital

Security shall be made in pounds sterling by transfer to a pounds sterling account maintained by the payee with a bank in London.

(b) Payments Subject to Laws

Save as provided in Condition 12 (*Taxation*), payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or its Agents are or agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) Partial payments

If the Principal Paying Agent makes a partial payment in respect of any Capital Security, 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.

(d) Payments on Business Days

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

(e) Delay in Payment

Holders will not be entitled to any interest or other payment for any delay after the relevant Interest Payment Date or the date fixed for redemption, as the case may be, in receiving the amount due on a Capital Security if such date is not a business day or if the Holder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) Non-Business Days

If any date for payment in respect of any Capital Security is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in pounds sterling, on which foreign exchange transactions may be carried on in pounds sterling in London.

9 Automatic Conversion

(a) Automatic Conversion on a Trigger Event

If a Trigger Event occurs at any time, then an Automatic Conversion will occur on the Conversion Date at which point all of the Issuer's obligations under the Capital Securities shall be irrevocably and automatically released by the Holders in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository on the Conversion Date at the Conversion Price. Under no circumstances shall such released obligations be reinstated. If the Issuer has been unable to appoint a Conversion Shares Depository, it shall make such other arrangements for the issuance and/or

delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Holders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee for the Holders or to the Holders directly, which issuance shall irrevocably and automatically release all of the Issuer's obligations to the Holders under the Capital Securities as if the Conversion Shares had been issued to the Conversion Shares Depository.

Whether a Trigger Event has occurred shall be determined by the Issuer or the Relevant Authority. Any such determination shall be binding on the Trustee and the Holders. For the purposes of determining whether a Trigger Event has occurred, the Common Equity Tier 1 Capital Ratio may be calculated at any time based on information (whether or not published) available to management of the Issuer (including, but not limited to, information internally reported within the Issuer and/or the Group pursuant to their procedures for monitoring the Common Equity Tier 1 Capital Ratio).

(b) Notification to Relevant Authority

The Issuer shall immediately, following determination that a Trigger Event has occurred, (provided that later notice shall not constitute default under the Capital Security for any purpose or affect the Automatic Conversion on the Conversion Date) notify the Relevant Authority of the occurrence of the Trigger Event and the Automatic Conversion shall occur without delay upon the occurrence of a Trigger Event and by no later than one month following such Trigger Event (or such shorter period as the Relevant Authority may then require).

(c) Delivery of Automatic Conversion Notice and Conversion Shares Offer Notice

If a Trigger Event has occurred, the Issuer shall deliver an Automatic Conversion Notice to the Holders in accordance with Condition 17 (*Notices*) and the Trustee, the Registrar and the Principal Paying Agent without delay after such time. Notwithstanding Condition 17 (*Notices*), the Automatic Conversion Notice shall be deemed to have been given on the date on which it is dispatched to the Trustee and the Holders.

On or (if reasonably practicable) prior to giving the Automatic Conversion Notice, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the Trigger Event has occurred and the Trustee shall be entitled (without further investigation or liability) to accept such certificate as sufficient evidence of the occurrence of such event, and such certificate shall be conclusive and binding on the Trustee and the Holders.

Within 10 Business Days following the Conversion Date, the Issuer shall deliver a Conversion Shares Offer Notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee.

The Capital Securities are not convertible into Conversion Shares at the option of the Holders or the Trustee at any time.

(d) Consequences of Automatic Conversion

- (i) Following an Automatic Conversion, no Holder will have any rights against the Issuer with respect to the repayment of the principal amount of the Capital Securities or the payment of interest or any other amount on or in respect of such Capital Securities, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Capital Securities shall equal zero at all times thereafter. Any interest amount in respect of an Interest Period ending on any Interest Payment Date falling between the date of a Trigger Event and the Conversion Date shall be deemed to have been automatically and irrevocably cancelled upon the occurrence of such Trigger Event and shall not be due and payable.
- (ii) Following the issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as contemplated above and as applicable) on the Conversion Date, the Capital Securities shall remain in existence until the applicable Cancellation Date for the sole

purpose of evidencing the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or such other relevant recipient).

- (iii) Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as contemplated above) in accordance with these Conditions, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depository (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made pursuant to Condition 9(f) (*Conversion Shares Offer*) below, of any Conversion Shares Offer Consideration to which such Holders are entitled.
- (iv) If the Issuer fails to issue and deliver the Conversion Shares to be issued and delivered on an Automatic Conversion to the Conversion Shares Depository (or to the relevant recipient as contemplated above) in accordance with the Conditions, a Holder's only right under the Capital Securities against the Issuer for any such failure will be to claim to have such Conversion Shares so issued and delivered.
- (v) Notwithstanding any other provision herein, by its subscription, purchase or other acquisition of the Capital Securities, each Holder shall agree to all the Conditions, including, without limitation, those related to the occurrence of a Trigger Event and any related Automatic Conversion and the appointment of the Conversion Shares Depository, the issuance of the Conversion Shares to the Conversion Shares Depository (or the relevant recipient as contemplated above) and the potential sale of the Conversion Shares pursuant to a Conversion Shares Offer.

(e) Conversion Shares

- (i) The Conversion Shares shall initially be registered in the name of the Conversion Shares Depository (which shall hold the Conversion Shares on behalf of the Holders) or the relevant recipient as contemplated above, and each Holder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Capital Securities to the Conversion Shares Depository (or to such other relevant recipient).
- (ii) The number of Conversion Shares to be issued to the Conversion Shares Depository on the Conversion Date shall be determined by the Issuer by dividing the aggregate principal amount of the Capital Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.
- (iii) The number of Conversion Shares to be held by the Conversion Shares Depository for the benefit of each Holder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate amount of the Authorised Denomination of the Capital Securities held by such Holder divided by the aggregate principal amount of the Capital Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date, rounded down, if necessary, to the nearest whole number of Conversion Shares.
- (iv) The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the Issuer's fully paid ordinary shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Conversion Shares so issued will not rank for (or, as the case may be, the relevant Holder shall not be entitled to receive) any rights, distribution or payments on the Record Date or other due date for the establishment of entitlement for which falls prior to the Conversion Date.
- (v) The Conversion Shares Depository (or the relevant recipient in accordance with these Conditions, as applicable) shall hold the Conversion Shares on behalf of the Holders, who

shall be entitled to direct (each in respect of their pro rata share of the Conversion Shares, determined at any particular time based on the aggregate amount of the Authorised Denomination of the Capital Securities held by such Holder as a proportion of the aggregate amount of the Authorised Denomination of all Capital Securities outstanding at the relevant time rounded down, if necessary, to the nearest whole number of Conversion Shares) the Conversion Shares Depositary or such other recipient, as applicable, to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Holders shall not be able to sell or otherwise transfer the Conversion Shares until such time as they have been delivered to Holders in accordance with the procedures set forth in Condition 9(g) (*Settlement Procedure*).

- (vi) If a Qualifying Takeover Event shall have occurred, then, where the Conversion Date falls on or after the QTE Effective Date, Approved Entity Shares of the Approved Entity shall be issued to the Conversion Shares Depositary on the Conversion Date instead of Conversion Shares, in accordance with Condition 10(e) (*Adjustments to the Conversion Price - Qualifying Takeover Event*).
- (vii) The Conversion Shares or the Conversion Shares Offer Consideration, as the case may be, will be delivered to Holders pursuant to the procedures set out in Condition 9(g) (*Settlement Procedure*) below.

(f) Conversion Shares Offer

- (i) No later than 10 Business Days following the Conversion Date, the Issuer may, in its sole and absolute discretion, elect that the Conversion Shares Depositary make an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided below (the "**Conversion Shares Offer**"). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.
- (ii) The Issuer will deliver a Conversion Shares Offer Notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, within 10 Business Days following the Conversion Date specifying whether or not it has elected that a Conversion Shares Offer be conducted. If so elected, the Conversion Shares Offer Period, during which the Conversion Shares Offer may be made, shall end no later than 40 Business Days after the giving by the Issuer of the Conversion Shares Offer Notice.
- (iii) Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is practicable. The Issuer or the purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes referred to in the definition of Conversion Shares Offer Consideration), including the fees of the Conversion Shares Offer Agent, if any. If a prospectus or other offering document is required to be prepared in connection with a Conversion Shares Offer, the Issuer will facilitate the preparation of such prospectus or other offering document, and the Issuer and/or its directors will take responsibility for such prospectus or other offering document, in each case, if and to the extent then required by applicable laws and regulations then in effect. In addition, if so requested by the Conversion Shares Depositary as offeror, the Issuer shall indemnify the Conversion Shares Depositary for any losses incurred in connection with any Conversion Shares Offer.
- (iv) Upon completion of the Conversion Shares Offer, the Issuer or the Conversion Shares Depositary will provide notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration

(as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount.

- (v) The Issuer reserves the right, in its sole and absolute discretion, to terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period by providing at least three Business Days' notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, and, if it does so, the Issuer may, in its sole and absolute discretion, take steps (including changing the Suspension Date) to deliver to Holders the Conversion Shares at a time that is earlier than the time at which they would have otherwise received the Conversion Shares Offer Consideration had the Conversion Shares Offer been completed.
- (vi) By its subscription for, purchase or other acquisition of the Capital Securities, each Holder acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary such Holder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and to the Conversion Shares Depositary using the Conversion Shares to settle any Conversion Shares Offer in accordance with these Conditions, (ii) consented to the transfer of the beneficial interest it holds in the Conversion Shares to the Conversion Shares Depositary in connection with the Conversion Shares Offer in accordance with these Conditions, (iii) irrevocably agreed that the Issuer, the Conversion Shares Depositary and the Conversion Shares Offer Agent, if any, may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with these Conditions, and (iv) agreed that none of the Issuer, the Trustee, the Conversion Shares Depositary, if any, or the Conversion Shares Offer Agent, if any, shall, to the extent permitted by applicable law, incur any liability to the Holders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depositary in respect of the Holders' entitlement to any Conversion Shares Offer Consideration).
- (vii) Neither the occurrence of a Trigger Event nor, following the occurrence of a Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue at any time on such terms as the Issuer deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of ordinary shares at or below the Conversion Price.

(g) Settlement Procedure

Delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Holders will be made in accordance with the following procedures:

- (i) The Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will be delivered to Holders in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & International Limited, known as CREST, unless the Conversion Shares are not a participating security in CREST at the relevant time, in which case the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will either be delivered in the form of the relevant clearing system in which the Conversion Shares are a participating security or in certificated form, as notified by the Issuer to the Holders in accordance with Condition 17 (*Notices*). Where the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered through CREST or such other clearing system in which such Conversion Shares are a participating security, they will be delivered to the account specified by the relevant Holder in the relevant Conversion Shares Settlement Notice.
- (ii) Where the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered in certificated form, the name of the relevant Holder (or its nominee) will be entered in the Issuer's share register and a certificate in respect

thereof will be dispatched by mail free of charge to the relevant Holder or as it may direct in the relevant Conversion Shares Settlement Notice.

- (iii) The cash component, if any, of any Conversion Shares Offer Consideration will be paid to the Holders (A) if the relevant Conversion Shares Settlement Notice is not delivered to the Conversion Shares Depository before the end of the Conversion Shares Offer Period, by sterling cheque drawn on a bank in London and mailed to their address shown on the Register on or around the date on which the Conversion Shares Offer Period ends, or (B) if the relevant Conversion Shares Settlement Notice is delivered to the Conversion Shares Depository before the end of the Conversion Shares Offer Period, by transfer on or around the date on which the Conversion Shares Offer Period ends to such sterling account maintained by the payee with a bank in London as the Holder may direct in such notice.
- (iv) The Conversion Shares (and the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will not be available for delivery (A) to, or to a nominee for, Clearstream, Luxembourg or Euroclear or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom, or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (C) to the CREST account of such a person mentioned in (A) or (B).
- (v) Neither the Issuer, nor any member of the Group shall be liable for any taxes, stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax (each, a "**Conversion Cost**") that may arise or be paid as a consequence of the issue and delivery of Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration), which Conversion Cost shall be borne solely by the Holder or, if different, the person to whom the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are delivered.
- (vi) The Conversion Shares Offer Notice shall specify the Suspension Date. On the Suspension Date, the Issuer shall deliver a Conversion Shares Settlement Request Notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee. Such notice shall request that Holders complete a Conversion Shares Settlement Notice and shall specify the Notice Cut-off Date and the Final Cancellation Date.
- (vii) In order to obtain delivery of the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Holder must deliver its Conversion Shares Settlement Notice to the Conversion Shares Depository (or to the relevant recipient as contemplated above) on or before the Notice Cut-off Date. If such delivery is made after the end of normal business hours at the specified office of the Conversion Shares Depository (or of the relevant recipient), such delivery shall be deemed for all purposes to have been made or given on the next following Business Day. The Conversion Shares Settlement Notice must be delivered to the specified office of the Conversion Shares Depository (or of the relevant recipient) together with the relevant Capital Securities.
- (viii) Each Conversion Shares Settlement Notice shall be irrevocable. Failure to properly complete and deliver a Conversion Shares Settlement Notice and the relevant Capital Securities, if applicable, may result in such notice being treated by the Conversion Shares Depository (or by the relevant recipient) as null and void. Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered shall be made by the Conversion Shares Depository (or by the relevant recipient) in its sole and absolute discretion and shall be conclusive and binding on the relevant Holder.

- (ix) Subject as provided herein and provided the Conversion Shares Settlement Notice and the relevant Capital Securities, if applicable, are delivered on or before the Notice Cut-off Date, the Conversion Shares Depository (or the relevant recipient) shall deliver the relevant Conversion Shares (rounded down to the nearest whole number of Conversion Shares) or Conversion Share component, if any, of any Conversion Shares Offer Consideration (rounded down to the nearest whole number of Conversion Shares), as applicable, to the Holder of the relevant Capital Securities completing the relevant Conversion Shares Settlement Notice or its nominee in accordance with the instructions given in such Conversion Shares Settlement Notice on the applicable Settlement Date.
- (x) If a Conversion Shares Settlement Notice and the relevant Capital Securities, if applicable, are not delivered to the Conversion Shares Depository on or before the Notice Cut-off Date, then the Conversion Shares Depository shall continue to hold the relevant Conversion Shares (or Conversion Share component, if any, of any Conversion Shares Offer Consideration) until a Conversion Shares Settlement Notice (and the relevant Capital Securities, if applicable) is so delivered. However, the relevant Capital Securities shall be cancelled on the Final Cancellation Date and any Holder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares (or the relevant Conversion Shares component, if any, of any Conversion Shares Offer Consideration) satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration).
- (xi) The Issuer shall have no liability to any Holder for any loss resulting from such Holder not receiving any Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration) or from any delay in the receipt thereof, in each case as a result of such Holder failing to duly submit a Conversion Shares Settlement Notice and the relevant Capital Securities, if applicable, on a timely basis or at all.

(h) Trustee not responsible for Conversion Shares or Conversion Shares Depository

The Trustee shall not be responsible or liable for implementing or monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Issuer, the Conversion Shares Depository (or another nominee for the Holders in accordance with Condition 9(a) (*Automatic Conversion on a Trigger Event*)) or any Conversion Shares Offer Agent in respect thereof. Following Automatic Conversion and delivery of the Conversion Shares to the Conversion Shares Depository, Holders must look to the Conversion Shares Depository (or such other recipient of the Conversion Shares, as set out above) for any Conversion Shares or Conversion Shares Offer Consideration due to them at the relevant time.

10 Adjustments to the Conversion Price

(a) Adjustments to the Conversion Price

Upon the occurrence of any of the events set out below, the Conversion Price shall be adjusted as determined by the Independent Financial Adviser as follows:

- (i) *Alteration to nominal value*: If and whenever there shall be a consolidation, reclassification or subdivision in relation to the ordinary shares of the Issuer, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of ordinary shares of the Issuer in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and
- B is the aggregate number of ordinary shares of the Issuer in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) *Bonus issue:* If and whenever the Issuer shall issue any ordinary shares credited as fully paid to the Issuer's shareholders as a class by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such ordinary shares are or are to be issued instead of the whole or part of a Cash Dividend which the Issuer's shareholders would or could otherwise have elected to receive, (2) where the Issuer's shareholders may elect to receive a Cash Dividend in lieu of such ordinary shares or (3) where any such ordinary shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to the Issuer's shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of ordinary shares of the Issuer in issue immediately before such issue; and
- B is the aggregate number of ordinary shares of the Issuer in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such ordinary shares.

- (iii) *Rights Issue:* If and whenever the Issuer shall issue any ordinary shares to all or substantially all of the Issuer's shareholders as a class by way of rights at a price per ordinary share which is less than 95 per cent. of the Current Market Price per ordinary share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate number of ordinary shares of the Issuer in issue on the Effective Date;
- B is the aggregate number of ordinary shares of the Issuer that the aggregate consideration (if any) receivable for the ordinary shares issued by way of rights would purchase at such Current Market Price per ordinary share on the Effective Date; and
- C is the number of ordinary shares to be issued.

Such adjustment shall become effective on the Effective Date.

For the purpose of any calculation of the consideration receivable or price pursuant to this paragraph (iii), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for ordinary shares issued for cash shall be the amount of such cash;
 - (2) if the consideration or price determined pursuant to (1) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date;
 - (3) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant ordinary shares or otherwise in connection therewith;
 - (4) the consideration or price shall be determined as provided in (1)-(3) above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity; and
 - (5) references herein to "cash" shall be construed as cash consideration within the meaning of Section 583(3) of the Companies Act.
- (iv) *Extraordinary Dividend*: If and whenever the Issuer shall pay any Extraordinary Dividend to shareholders of the Issuer as a class, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one ordinary share on the Effective Date; and
- B is the portion of the aggregate Extraordinary Dividend attributable to one ordinary share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of ordinary shares entitled to receive the relevant Extraordinary Dividend. If the Extraordinary Dividend shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

Notwithstanding the foregoing provisions:

- (A) No adjustment to the Conversion Price will be made:
- (1) as a result of the creation of any new class of shares in the Issuer, save as provided in Condition 10(a)(iii) (*Rights issue*) above;
 - (2) as a result of the payment of any Cash Dividend (other than an Extraordinary Dividend);
 - (3) to the extent ordinary shares or other securities (including rights, warrants or options in relation to ordinary shares and other securities) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, directors or employees or former directors or employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such

person) or their spouses or relatives, in each case, of the Issuer or any of its subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person in any such case pursuant to any employee share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme;

- (4) if an increase in the Conversion Price would result from such adjustment, except in case of a consolidation of the ordinary shares; or
- (5) if it would result in the Conversion Price being reduced below the nominal value of the ordinary shares and, for the avoidance of doubt, in circumstances where this paragraph (5) prevents an adjustment being made in full, the Conversion Price will be adjusted so as to equal the nominal value of the ordinary shares of the Issuer.

The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would (but for the operation of paragraph (5) above) result in an adjustment to the Conversion Price to below the nominal value of the ordinary shares;

- (B) where the events or circumstances giving rise to any adjustment pursuant to this section have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances that have already given or will give rise to an adjustment to the Conversion Price or where more than one event that gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall, subject to compliance with the then prevailing Regulatory Capital Requirements, be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result;
- (C) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once;
- (D) for the avoidance of doubt, the issue of ordinary shares following an Automatic Conversion or upon any conversion or exchange or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price;
- (E) in respect of any adjustment pursuant to paragraphs (i) (*Alteration to nominal value*) to (iii) (*Rights issue*) above, such adjustment shall be made only up to the extent it does not result in a Conversion Price that, if it were to be applied for the purposes of any Automatic Conversion at the time of such adjustment, would result in a number of Conversion Shares being required to be issued which represents a greater proportion of the total number of ordinary shares of the Issuer which are in issue than would be the case had the adjustment not been made (and had the corporate event not occurred); and
- (F) in respect of any adjustment pursuant to paragraph (iv) (*Extraordinary Dividend*) above, such adjustment shall be made only up to the extent it does not result in a Conversion Price that, if it were to be applied for the purposes of any Automatic Conversion at the time of such adjustment, would result in the issue of an additional number of Conversion Shares having a value that is greater than the value of the aggregate Extraordinary Dividend which would be attributable to the ordinary shares underlying the Capital Securities had such ordinary shares been in issue.

(b) No Retroactive Adjustments

The Issuer shall not issue any additional Conversion Shares if the Automatic Conversion occurs after the record date in respect of any consolidation, reclassification or subdivision as is mentioned in

Condition 10(a)(i) (*Adjustments to the Conversion Price – Alteration to nominal value*), or after the record date or other due date for the establishment of entitlement for any such issue as is mentioned in Condition 10(a)(ii) (*Adjustments to the Conversion Price – Bonus issue*), but before the relevant adjustment to the Conversion Price becomes effective under such section.

(c) Decision of an Independent Financial Adviser

All determinations by an Independent Financial Adviser pursuant to, or in respect of, these Conditions shall be deemed to be determinations made by an expert and not by a trustee or fiduciary for the Holders or any other person. No Independent Financial Adviser shall be liable to the Issuer, the Trustee, the Holders or any other person in respect of any such determination made by it except in the case of the wilful default or fraud of the Independent Financial Adviser.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to such Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Issuer, the Trustee and the Holders, save in the case of manifest error.

In any circumstances where these Conditions require a determination to be made by an Independent Financial Adviser, the Issuer shall use all reasonable efforts to appoint such Independent Financial Adviser for such purpose. If, however, two Authorised Signatories of the Issuer certify to the Trustee (upon which certification the Trustee and the Holders shall rely without liability, and which shall be binding on the Trustee and the Holders) that, notwithstanding such reasonable efforts, the Issuer has been unable to appoint an Independent Financial Adviser at that time, the relevant determination shall instead be made by the Issuer acting in good faith. The Trustee shall be entitled to rely on any such determinations made by the Issuer as if such determinations had been made by an Independent Financial Adviser and the Trustee shall suffer no liability for doing so.

(d) Rounding Down and Notice of Adjustment to the Conversion Price

On any adjustment to the Conversion Price pursuant to this Condition 10, if the resultant Conversion Price is a number with more decimal places than the initial Conversion Price, that number shall be rounded to the same number of decimal places as the initial Conversion Price. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, promptly after the determination thereof.

(e) Qualifying Takeover Event

Within 10 Business Days following the occurrence of a Takeover Event, the Issuer shall give notice thereof to the Trustee and to the Holders by means of a Takeover Event Notice. If the Takeover Event is not a Qualifying Takeover Event, the Takeover Event Notice addressed to the Trustee shall include a certification signed by two Authorised Signatories certifying that a Takeover Event that is not a Qualifying Takeover Event has occurred, in which event such certification shall be treated and accepted by the Trustee and the Holders as correct, conclusive and sufficient evidence thereof.

If the Takeover Event is a Qualifying Takeover Event, the Capital Securities shall, where the Conversion Date falls on or after the QTE Effective Date, be converted into or exchanged for Approved Entity Shares of the Approved Entity, *mutatis mutandis* as provided in Condition 9 (*Automatic Conversion*) above, at a Conversion Price that shall initially be the New Conversion Price, which may be higher or lower than the Conversion Price and references herein to "Conversion Shares" shall be deemed to be references to "Approved Entity Shares".

Such conversion shall be effected by the delivery by the Issuer of such number of ordinary shares in the Issuer to the Approved Entity as is determined in accordance with Condition 9 (*Automatic Conversion*) and such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations in respect of the Capital Securities in question (but shall be without prejudice to the Approved Entity's obligations to deliver Approved Entity Shares). Such delivery shall be in consideration of the Approved Entity irrevocably undertaking, for the benefit of the Holders, to deliver the Approved Entity Shares to the Conversion Shares Depositary.

The New Conversion Price shall be subject to adjustment in the circumstances provided for in Condition 10(a) (*Adjustments to the Conversion Price*) above (if necessary with such modifications and amendments as an Independent Financial Adviser acting in good faith shall determine to be appropriate and references to "ordinary shares" shall be read as references to "Approved Entity Shares"), and the Issuer shall give notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, of the New Conversion Price and of any such modifications and amendments thereafter.

- (i) In the case of a Qualifying Takeover Event:
 - (A) the Issuer shall, to the extent permitted by applicable law and regulation, on or prior to the QTE Effective Date, enter into such agreements and arrangements (which may include a supplemental trust deed and amendments and modifications to these Conditions and the Trust Deed) as may be required to ensure that, with effect from the QTE Effective Date, the Capital Securities shall be convertible into, or exchangeable for, Approved Entity Shares, *mutatis mutandis* in accordance with, and subject to, the provisions in Condition 9 (*Automatic Conversion*) (as may be so supplemented, amended or modified), at the New Conversion Price and any references to the Conversion Price shall be construed as references to the New Conversion Price; and
 - (B) upon the occurrence of a Trigger Event where the Conversion Date falls on or after the QTE Effective Date, the Issuer shall procure (to the extent within its control) the issue of the relevant number of Approved Entity Shares *mutatis mutandis* in the manner provided in Condition 9 (*Automatic Conversion*) above, as may be amended or modified as provided above.

The Trustee shall be obliged (at the expense of the Issuer) to concur with the Issuer in making any such amendments and modifications to the Trust Deed and these Conditions, and to execute any such deeds supplemental to the Trust Deed, provided that (1) the Trustee receives a certificate signed by two Authorised Signatories certifying that a Qualifying Takeover Event has occurred and confirming that the Issuer (or the Independent Financial Adviser, if applicable) has made the relevant determinations in accordance with this Condition 10(e) and attaching the proposed amendments and modifications; and (2) the Trustee shall not be bound to do so if any such amendments and modifications would, in the opinion of the Trustee, have the effect of (i) exposing the Trustee to any Liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Capital Securities.

- (ii) In the case of a Takeover Event that is not a Qualifying Takeover Event (including, without limitation, if that is because the Acquirer is a Governmental Entity or because on the Conversion Date the Acquirer's Shares are not Approved Entity Shares), with effect from the occurrence of the Takeover Event (or the date on which the Acquirer's Shares cease to be Approved Entity Shares), outstanding Capital Securities shall not be subject to Automatic Conversion into shares of the Acquirer at any time notwithstanding that a Trigger Event may occur subsequently but instead, upon the occurrence of a subsequent Trigger Event (if any) (or where the Conversion Date occurs on or after the date of such Takeover Event) the Capital Securities shall be converted into ordinary shares in the Issuer in accordance with Condition 9 (*Automatic Conversion*) as if no Takeover Event had occurred.

(f) Covenants

Whilst any Capital Security remains outstanding, the Issuer shall (if and to the extent permitted by the Regulatory Capital Requirements and/or the Relevant Authority from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event or a Loss Absorption Disqualification Event to occur) in the event of a Newco Scheme, save with the approval of an Extraordinary Resolution, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions and the Trust Deed as are necessary to ensure that the Capital Securities may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed. The Trustee shall (at the expense of the Issuer and provided that the Trustee receives a certificate signed by two Authorised Signatories confirming that the effect of such amendments will be only that the Capital Securities may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions) be bound to concur in effecting such amendments, provided that the Trustee shall not be bound to concur if to do so would, in the opinion of the Trustee, (i) expose the Trustee to any Liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) change, increase or add to the obligations or duties of the Trustee or (iii) remove or amend any protection or indemnity afforded to, or any other provisions in favour of, the Trustee under the Trust Deed, the Conditions and/or the Capital Securities.

11 Default

(a) Default / Non-Payment

If the Issuer does not make payment in respect of the Capital Securities for a period of seven days or more after the date on which such payment is due, the Trustee in its discretion, may, or if so requested by an Extraordinary Resolution or in writing by the Holders of at least one-quarter in principal amount of the Capital Securities then outstanding shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give the Issuer notice of such failure. If within a period of seven days following the provision of such notice, the failure continues and has not been cured or waived, the Issuer shall be deemed to be in default (a "**Default**") under the Trust Deed and the Capital Securities and the Trustee, in its discretion, may, or if so requested by an Extraordinary Resolution or in writing by the Holders of at least one-quarter in principal amount of the Capital Securities then outstanding shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, notwithstanding the provisions of Condition 11(b) (*Default - Enforcement*), institute proceedings for the winding-up of the Issuer in the jurisdiction where the Issuer is organised (but not elsewhere).

For the avoidance of doubt, no interest will be due and payable if such interest has been cancelled or is deemed cancelled (in each case, in whole or in part) as provided in Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6(a) (*Interest payments discretionary*), Condition 6(b)

(*Restriction on interest payments*) and Condition 9(d)(i) (*Consequences of Automatic Conversion*). Accordingly, no default in payment under the Capital Securities will have occurred or be deemed to have occurred in such circumstances.

In the event of a Winding-Up (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, or (subject to Condition 11(c) (*Default – Entitlement of Trustee*)) if so requested by an Extraordinary Resolution or in writing by the Holders of at least one-quarter in principal amount of the Capital Securities then outstanding shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, prove and/or claim in such Winding-Up, such claim being as contemplated in Condition 4(a) (*Subordination – Winding-Up and Solvency Condition*).

(b) Enforcement

Without prejudice to Condition 11(a) (*Default*), but subject to the Trustee being indemnified and/or secured and/or prefunded 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 (including, without limitation, proceedings, actions or steps to enforce obligations of the Issuer in connection with an Automatic Conversion) under the Trust Deed or the Capital Securities (other than any payment obligation of the Issuer under or arising from the Capital Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Capital Securities, including any damages awarded for breach of any obligations) provided that 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 due and payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 11(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving and/or claiming in any Winding-Up in respect of any payment obligations of the Issuer arising from the Capital Securities or the Trust Deed (including any damages awarded for breach of any obligations) in, as appropriate, the circumstances provided in Conditions 4(a) (*Subordination – Winding-Up and Solvency Condition*) and 11(a) (*Default*).

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) (*Default*) or (b) (*Enforcement*) above against the Issuer to enforce the terms of the Trust Deed or the Capital Securities or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution or in writing by the holders of at least one-quarter in principal amount of the Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Holders

No Holder shall be entitled to institute any of the proceedings referred to in this Condition 11 and/or proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or prove or claim in any Winding-Up 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 a reasonable period and such failure or inability shall be continuing, in which case the Holder shall, with respect to the Capital Securities held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Capital Securities as set out in this Condition 11.

(e) Extent of Holders' Remedy

No remedy against the Issuer, other than as expressly enumerated in this Condition 11, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the

Capital Securities 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 Capital Securities or under the Trust Deed.

12 Taxation

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Capital Securities shall (subject always to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 7(b) (*Conditions to Substitution, Redemption, Variation and Purchase*) and Condition 9 (*Automatic Conversion*)) 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, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject as aforesaid) pay such additional amounts as will result in the receipt by the Holders of such amounts as would have been received by them in respect of payments of interest had no such withholding or deduction been required ("**Additional Amounts**"), except that no such Additional Amounts shall be payable with respect to any Capital Security:

- (a) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Capital Security by reason of their having some connection with the Relevant Jurisdiction other than a mere holding of such Capital Security; or
- (b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any relevant tax authority; or
- (c) in respect of which Certificate representing the Capital Security 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 (including, without limitation, for the purposes of cancellation pursuant to Condition 4(a) (*Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*) and Condition 9 (*Automatic Conversion*)) to interest shall be deemed to include any Additional Amounts which may be payable under this Condition 12 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The mandatory restrictions on payments of interest in Condition 6 (*Interest Cancellation*) shall apply to any Additional Amounts *mutatis mutandis*.

Notwithstanding any other provision of these Conditions or the Trust Deed, any amounts to be paid on the Capital Securities by or on behalf of the Issuer shall be made 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 any 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.

13 Prescription

Claims against the Issuer for payment in respect of the Capital Securities, to the extent permitted under these Conditions, shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

14 Meetings of Holders, Modification, Waiver and Substitution of the Issuer

(a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders (including by way of a physical meeting, virtual meeting or a hybrid meeting (each as defined in the Trust Deed)) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by the Trustee at its own discretion and shall be convened by the Trustee at the direction of Holders holding not less than 10 per cent. in principal amount of the Capital Securities for the time being outstanding, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction.

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 Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Capital Securities 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 Conditions 3 (*Status*) and 4 (*Subordination*), the terms concerning currency, any optional redemption dates or Interest Payment Dates, reducing or cancelling the principal amount of any Capital Securities, reducing the Interest Rate or varying the method of calculating the Interest Rate, modifying the provisions of Condition 9 (*Automatic Conversion*) and/or Condition 10 (*Adjustments to the Conversion Price*) (other than pursuant to or as a result of any amendment to these Conditions and the Trust Deed made pursuant to and in accordance with Condition 10(e) (*Adjustments to the Conversion Price – Qualifying Takeover Event*) or Condition 10(f) (*Adjustments to the Conversion Price – Covenants*))) 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 Capital Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of cancellation of interest in accordance with Condition 4(a) (*Subordination - Winding-Up and Solvency Condition*), Condition 6 (*Interest Cancellation*) and Condition 9 (*Automatic Conversion*), the resetting of the Interest Rate on each Reset Date in accordance with Condition 5(d) (*Interest Rate – Reset Rate of Interest*), any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in (i) Condition 7(h) (*Redemption, Substitution, Variation and Purchase - Substitution or Variation*) in connection with the variation of the terms of the Capital Securities so that they become alternative Qualifying Additional Tier 1 Securities, and to which the Trustee shall at the request and expense of the Issuer use its reasonable endeavours to assist the Issuer in respect thereof pursuant to the relevant provisions of Condition 7(h) (*Redemption, Substitution, Variation and Purchase - Substitution or Variation*) (ii) Condition 10(e) (*Adjustments to the Conversion Price – Qualifying Takeover Event*) in connection with a Qualifying Takeover Event in accordance with such Condition (iii) Condition 10(f) (*Adjustments to the Conversion Price – Covenants*) and (iv) Condition 14(c) (*Meetings of Holders, Modification, Waiver and Substitution of the Issuer - Substitution of the Issuer*) in connection with the substitution of the Issuer, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 14(c) (*Meetings of Holders, Modification, Waiver and Substitution of the Issuer - Substitution of the Issuer*).

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 Capital Securities 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 Capital Securities for the time being outstanding shall, in each case, be effective as an Extraordinary Resolution. A 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.

An Extraordinary Resolution passed at any meeting of Holders or in writing or by way of electronic consents will be binding on all Holders, whether or not they are present at the meeting or voting in favour or, as the case may be, whether or not signing the written resolution or providing electronic consents.

(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, determine that any Default should not be treated as such, provided that in the opinion of the Trustee, the interests of Holders are not materially prejudiced thereby.

Further, the Trustee shall be obliged, without the consent of the Holders, to agree to certain amendments, modifications, variations or a substitution in respect of these Conditions, the Trust Deed and the Agency Agreement, as applicable, made pursuant to and in accordance with Condition 7(h) (*Redemption, Substitution, Variation and Purchase - Substitution or Variation*), Condition 10(e) (*Adjustments to the Conversion Price – Qualifying Takeover Event*) or Condition 10(f) (*Adjustments to the Conversion Price – Covenants*), subject to the terms thereof.

(c) Substitution of the Issuer

- (i) The Trustee may, without the consent of the Holders, agree to the substitution, on a subordinated basis equivalent to that referred to in Conditions 3 (*Status*) and 4 (*Subordination*), of the Issuer's successor in business or Holding Company (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Agency Agreement and the Capital Securities provided that:
- (A) a supplemental trust deed and a supplemental agency agreement are executed or some other form of undertaking is given by the Substitute Obligor, in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed, the Agency Agreement and the Capital Securities (with any consequential amendments which the Trustee may deem appropriate) as if the Substitute Obligor had been named in the Trust Deed, the Agency Agreement and the Capital Securities as the principal debtor in place of the Issuer (or of any previous substitute under this Condition);
 - (B) where the Substitute Obligor is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, undertakings or covenants shall be given by the Substitute Obligor in terms corresponding to the provisions of Condition 12 (*Taxation*) with the references in that Condition and in the definition of "Tax Law Change" in Condition 23 (*Definitions*) to the Relevant Jurisdiction construed as the Relevant Jurisdiction of the Substitute Obligor whereupon the Trust Deed and the Capital Securities will be read accordingly;
 - (C) without prejudice to the rights of reliance of the Trustee under the immediately following Condition 14(c)(i)(D) below, the Trustee is satisfied that the relevant substitution is not materially prejudicial to the interests of the Holders;

- (D) if one authorised signatory of the Substitute Obligor shall certify that the Substitute Obligor is solvent at the time at which the relevant substitution is proposed to be effected and will remain solvent immediately after such substitution is effected (which certificate the Trustee may rely upon absolutely), the Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer (or the previous Substitute Obligor under this Condition 14(c));
 - (E) the Issuer and the Substitute Obligor comply with such other requirements as the Trustee may direct in the interests of the Holders;
 - (F) the Trustee shall be satisfied that (i) the Substitute Obligor has obtained all necessary governmental and regulatory approvals and consents necessary for its assumption of the duties and liabilities as issuing party under the Trust Deed and the Agency Agreement in relation to the Capital Securities and under the Capital Securities in place of the Issuer and (ii) such approvals and consents are at the time of the relevant substitution in full force and effect;
 - (G) if the Capital Securities had a published solicited rating from one or more rating agencies at any time in the period of 12 months prior to the relevant substitution, then the Capital Securities are assigned by each such rating agency, or each such rating agency has informed the Issuer by an announcement or otherwise of its intention to assign, an equal or higher published solicited rating immediately after such substitution;
 - (H) if the Capital Securities are admitted to trading on the ISM or any other stock exchange or market immediately prior to the relevant substitution, the Capital Securities continue to be admitted to trading on the ISM or on such other stock exchange or market immediately following such substitution;
 - (I) if the ordinary shares of the Issuer are listed on a Recognised Stock Exchange immediately prior to the relevant substitution, the ordinary shares of the Substitute Obligor are listed on a Recognised Stock Exchange immediately following such substitution; and
 - (J) such substitution shall not give rise to a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event under the Capital Securities;
- (ii) Any trust deed or undertaking shall, if so expressed, operate to release the Issuer (or any previous Substitute Obligor under this Condition 14(c)) from all of its obligations as principal debtor under the Trust Deed and the Capital Securities.
 - (iii) The Trustee shall be entitled to refuse to approve any Substitute Obligor if, pursuant to the law of the country of incorporation of the Substitute Obligor, the assumption by the Substitute Obligor of its obligations hereunder imposes responsibilities on the Trustee over and above those which have been assumed under the Trust Deed.
 - (iv) Upon the execution of such documents and compliance with such requirements, the Substitute Obligor shall be deemed to be named in the Trust Deed, the Agency Agreement and the Capital Securities as the principal debtor in place of the Issuer (or of any previous Substitute Obligor under this Condition 14(c)) under the Trust Deed, the Agency Agreement and the Capital Securities and the Trust Deed, the Agency Agreement and the Capital Securities shall be deemed to be amended in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the Trust Deed, the Agency Agreement and the Capital Securities to the Issuer shall, where the context so requires, be deemed to be or include references to the Substitute Obligor.
 - (v) In connection with any substitution of the Issuer pursuant to this Condition 14(c) or any substitution of the Capital Securities pursuant to Condition 7(h) (*Redemption, Substitution, Variation and Purchase – Substitution or Variation*), none of the Issuer, any Substitute Obligor

and/or the Trustee need have any regard to, or be in any way liable for, the consequences of any such substitution for individual Holders, including, but not limited to, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Holder shall, in connection with any substitution of the Issuer pursuant to this Condition 14(c) or any substitution of the Capital Securities pursuant to Condition 7(h) (*Redemption, Substitution, Variation and Purchase - Substitution or Variation*), be entitled to claim from the Issuer, any Substitute Obligor or the Trustee any indemnification or payment in respect of any tax or other consequence arising as a result of or from any substitution of the Issuer pursuant to this Condition 14(c) or any substitution of the Capital Securities pursuant to Condition 7(h) (*Redemption, Substitution, Variation and Purchase - Substitution or Variation*).

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including, but not limited to, those referred to in this Condition 14) the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders.

(e) Regulatory Notice or Permission

No modification to these Conditions or any provisions of the Trust Deed or 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 or any substitution of the Issuer pursuant to this Condition 14 shall become effective unless the Issuer shall have notified the Relevant Authority of such modification or waiver or authorisation or substitution and/or obtained Supervisory Permission therefor from the Relevant Authority, as the case may be (if and to the extent such notice and/or Supervisory Permission is then required by the Regulatory Capital Requirements) or delivered to the Trustee a certificate signed by two Authorised Signatories confirming that no Supervisory Permission is required from the Relevant Authority for such modification, waiver, authorisation and/or substitution.

(f) Notices

Any such modification, waiver, authorisation, determination or substitution shall be binding on all Holders and, unless the Trustee agrees otherwise, shall be notified to the Holders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

15 Replacement of the Capital Securities

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

16 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 or not 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 (*Subordination*) apply only to amounts payable in respect of the Capital Securities and nothing in Conditions 3 (*Status*), 4 (*Subordination*) or 11 (*Default*) shall affect or prejudice the payment of the Liabilities of the Trustee in its personal capacity or the rights and remedies of the Trustee in respect thereof.

The Trustee shall not be liable for any consequences of any application of UK Statutory Loss Absorption Powers or any other recovery or resolution powers (as provided in Condition 21 (*Acknowledgement of UK Statutory Loss Absorption Powers*) below) in respect of the Issuer or any of its affiliates or any Capital Securities and shall not be required to take any action in connection therewith that would, in the Trustee's opinion, expose the Trustee to any Liability or expense unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction; provided that nothing in this paragraph shall prevent any application of UK Statutory Loss Absorption Powers or any other recovery or resolution powers in respect of the Issuer or any of its affiliates or any Capital Securities from taking effect, and each Holder by its acquisition of any Capital Securities (or any interest therein) authorises and instructs the Trustee to take such steps as may be necessary or expedient in order to give effect to any such application of UK Statutory Loss Absorption Powers or any other recovery or resolution powers.

17 Notices

Notices required to be given to the Holders pursuant to the Conditions or the Trust Deed shall be mailed to them at their respective addresses in the Register and deemed to have been given on the first weekday (being a day other than a Saturday or Sunday) after the date of mailing. The Issuer shall also ensure that all such 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 Capital Securities are for the time being listed and/or admitted to trading.

18 Further Issues

The Issuer may from time to time without the consent of the Holders, but subject to any Supervisory Permission (if any) required, create and issue further securities either having the same terms and conditions as the Capital Securities in all respects (or in all respects except for the amount and date of the first payment of interest on them and the date from which interest starts to accrue) and so that such further issue shall be consolidated and form a single series with the outstanding Capital Securities (the "**Further Capital Securities**"). References in these Conditions to the Capital Securities include (unless the context requires otherwise) any Further Capital Securities. Any Further Capital Securities shall be constituted by the Trust Deed or a deed supplemental to it.

19 Agents

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

Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and to appoint replacement agents or additional Transfer Agents, provided that it will:

- a) at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent; and
- b) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 17 (*Notices*). If any of the Agent Bank, Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, the Registrar, the Principal Paying Agent or any such independent financial institution in relation to the Capital Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agents, all Holders and all other interested parties.

20 Governing Law and Jurisdiction

(a) Governing Law

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

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Capital Securities and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Capital Securities (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 and agreed that those courts are the most appropriate and convenient courts to settle any such Proceedings and, accordingly, that they will not argue that any other courts are more appropriate or convenient.

21 Acknowledgement of UK Statutory Loss Absorption Powers

Notwithstanding and to the exclusion of any other term of the Capital Securities or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 21, includes each holder of a beneficial interest in the Capital Securities) or the Trustee on their behalf, by its acquisition of the Capital Securities (or any interest therein), each Holder acknowledges and accepts that the Relevant Amounts arising under the Capital Securities may be subject to the exercise of UK Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (i) the effect of the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
 - (a) the reduction of all, or a portion, of the Relevant Amounts in respect of the Capital Securities;

- (b) the conversion of all, or a portion, of the Relevant Amounts in respect of the Capital Securities into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Holder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Capital Securities;
 - (c) the cancellation of the Capital Securities or the Relevant Amounts in respect of the Capital Securities; and
 - (d) the amendment or alteration of the perpetual nature of the Capital Securities or any redemption dates or amendment of the amount of interest payable on the Capital Securities, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (ii) the variation of the terms of the Capital Securities, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority.

No repayment or payment of Relevant Amounts in respect of the Capital Securities will become due and payable or be paid after the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, suspended (for so long as such suspension or moratorium is outstanding) amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Relevant Amounts, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Capital Securities will constitute a default or Default for any purpose.

Upon the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Capital Securities, the Issuer will provide a written notice to the Holders in accordance with Condition 17 (*Notices*) as soon as practicable regarding such exercise of the UK Statutory Loss Absorption Powers. The Issuer will also deliver a copy of such notice to the Trustee for information purposes. Any delay or failure by the Issuer in delivering any notice referred to in this Condition 20 shall not affect the validity and enforceability of the UK Statutory Loss Absorption Powers nor constitute a default by the Issuer for any purpose.

22 Contracts (Rights of Third Parties) Act 1999

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

23 Definitions

(a) Definitions

In these Conditions:

"Acquirer" means the person that controls the Issuer following a Takeover Event. For the purposes of this definition, "control" means the acquisition or holding, directly and/or indirectly, of legal or beneficial ownership of more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer or the right to appoint or remove a majority of the board of directors of the Issuer;

"Additional Amounts" has the meaning given to it in Condition 12 (*Taxation*);

"**Additional Tier 1 Capital**" has the meaning given to it (or any successor term) from time to time in, or for the purposes of, the Regulatory Capital Requirements;

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

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

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

"**Approved Entity**" means a body corporate which, on the occurrence of the Takeover Event, has in issue Approved Entity Shares;

"**Approved Entity Shares**" means ordinary shares in the capital of a body corporate that constitutes equity share capital or the equivalent (or depositary or other receipts representing the same) which are listed and admitted to trading on a Recognised Stock Exchange **provided that** ordinary shares shall not be Approved Entity Shares if the operation of Condition 10(e) (*Adjustments to the Conversion Price – Qualifying Takeover Event*) would have an effect of the kind referred to in either of paragraphs (b) or (d) of the definition of Tax Event on the Issuer (an "**Adverse Tax Effect**"), such Adverse Tax Effect arises as a consequence of the fact that the Capital Securities would not be (i) "hybrid capital instruments" for the purposes of section 475C of the Corporation Tax Act 2009 or (ii) afforded equivalent treatment under any applicable successor or replacement legislation, in circumstances where, if the Capital Securities could instead only convert into ordinary shares of the Issuer, would not cause an Adverse Tax Effect. Ordinary shares shall cease to be Approved Entity Shares if such ordinary shares are initially Approved Entity Shares, but subsequently would have an Adverse Tax Effect on or before the Conversion Date;

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

"**Automatic Conversion**" means the irrevocable and automatic release of all of the Issuer's obligations under the Capital Securities in consideration of the Issuer's issuance of the Conversion Shares at the Conversion Price to the Conversion Shares Depositary (on behalf of the Holders) or to the relevant recipient, in accordance with these Conditions and "**convert**" and "**converted**" shall be construed accordingly;

"**Automatic Conversion Notice**" means the written notice to be delivered by the Issuer to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, specifying (i) that a Trigger Event has occurred, (ii) the Conversion Date or expected Conversion Date, (iii) the Conversion Price, (iv) that the Issuer has the option, at its sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that the Issuer will issue a Conversion Shares Offer Notice in accordance with Condition 17 (*Notices*) within 10 Business Days following the Conversion Date notifying Holders of the Issuer's election and (v) that the Capital Securities shall remain in existence for the sole purpose of evidencing the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary, and that the Capital Securities may continue to be transferable until the Suspension Date, which shall be specified in the Conversion Shares Offer Notice;

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

"**Calculation Amount**" means £1,000 in principal amount of the Capital Securities;

"**Cancellation Date**" means (i) with respect to any Capital Security for which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the applicable Settlement Date and (ii) with respect to any Capital Security for which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the Final Cancellation Date;

"**Capital Disqualification Event**" is deemed to have occurred if there is a change (which has occurred or which the Relevant Authority considers and/or has communicated to the Issuer to be sufficiently certain) in the regulatory classification of the Capital Securities which becomes effective after the Reference Date and that results, or would be likely to result, in some of or the entire principal amount of the Capital Securities ceasing to be included in the Tier 1 Capital or resulting in a reclassification of own funds of lower quality of the Issuer and/or, as applicable, the Group, as applicable at the relevant time;

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

"**Cash Dividend**" means any dividend or distribution in respect of the ordinary shares to shareholders of the Issuer which is to be paid or made in cash (in whatever currency), and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to shareholders upon or in connection with a reduction of capital;

"**Certificates**" has the meaning given to it in Condition 1(a) (*Form, Denomination and Title – Form and Denomination*);

"**Chapter 4**" has the meaning given to it in Condition 6 (*Interest Cancellation*);

"**Clean-up Call Threshold**" has the meaning given to it in Condition 7(g) (*Redemption, Substitution, Variation and Purchase – Issuer's Clean-up Call Option*);

"**Clearing Systems**" means Clearstream Banking, S.A. and Euroclear Bank S.A./N.V.;

"**Code**" has the meaning given to it in Condition 12 (*Taxation*);

"**Common Equity Tier 1**" means, at any time, the sum, expressed in pounds sterling, of all amounts that constitute common equity tier 1 capital of the Group at such time, less any deductions from common equity tier 1 capital of the Group required to be made at such time, in each case as calculated by the Issuer on a consolidated basis, in accordance with the Regulatory Capital Requirements applicable to the Group at such time, but without applying any relevant transitional provisions then in effect under the Regulatory Capital Requirements (unless the Regulatory Capital Requirements otherwise require or permit (explicitly or without restricting) that such transitional provisions are applied for these purposes) (which calculation shall be binding on the Trustee and the Holders). For the purposes of this definition, the term "common equity tier 1 capital" shall have the meaning assigned to such term (or any successor term) in accordance with the Regulatory Capital Requirements then applicable to the Group;

"**Common Equity Tier 1 Capital Ratio**" means, at any time, the ratio of Common Equity Tier 1 of the Group at such time to the Risk Weighted Assets of the Group at such time, expressed as a percentage;

"**Companies Act**" means the Companies Act 2006;

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

"**Conversion Date**" means the date on which the Automatic Conversion shall take place, or has taken place, as applicable, which shall be specified as such in the Automatic Conversion Notice and, in accordance with Condition 9 (*Automatic Conversion*), shall occur, in any event, no later than one month (or such shorter period as the Relevant Authority may then require) from the occurrence of the Trigger Event;

"**Conversion Price**" means £0.601 per Conversion Share, subject to adjustment in accordance with Condition 10 (*Adjustments to the Conversion Price*);

"**Conversion Shares**" means the ordinary shares of the Issuer with a nominal value of 0.0001 pence (as at the date of this Offering Circular) each to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with these Conditions) following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Capital Securities

outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price (as at the Conversion Date) rounded down, if necessary, to the nearest whole number of ordinary shares;

"Conversion Shares Depositary" means a financial institution, trust company, depositary entity, nominee entity or similar entity (which in each such case is wholly independent of the Issuer) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed, to perform such functions and which as a condition of such appointment, will be required to undertake, for the benefit of the Holders, to hold the Conversion Shares (and any Conversion Shares Offer Consideration) on behalf of such Holders in one or more segregated accounts unless otherwise required for the purposes of the Conversion Shares Offer and, in any event, on terms consistent with these Conditions;

"Conversion Shares Offer" has the meaning given to it in Condition 9(f) (*Automatic Conversion - Conversion Shares Offer*);

"Conversion Shares Offer Agent" means the agent(s), if any, to be appointed on behalf of the Conversion Shares Depositary by the Issuer, in its sole and absolute discretion, to act as placement or other agent of the Conversion Shares Depositary to facilitate a Conversion Shares Offer;

"Conversion Shares Offer Consideration" means in respect of each Capital Security (i) if all of the Conversion Shares are sold in the Conversion Shares Offer, the pro rata share of the cash proceeds from the sale of the Conversion Shares attributable to such Capital Security, (ii) if some but not all of the Conversion Shares are sold in the Conversion Shares Offer, (x) the pro rata share of the cash proceeds from the sale of the Conversion Shares attributable to such Capital Security and (y) the pro rata share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Capital Security rounded down to the nearest whole number of Conversion Shares, and (iii) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Capital Security rounded down to the nearest whole number of Conversion Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the pro rata share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer;

"Conversion Shares Offer Notice" means the written notice to be delivered by the Issuer to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, specifying (i) whether or not the Issuer has elected that a Conversion Shares Offer be made and, if so, the Conversion Shares Offer Period, (ii) the Suspension Date and (iii) details of the Conversion Shares Depositary or, if the Issuer has been unable to appoint a Conversion Shares Depositary, such other arrangements for the issuance and/or delivery of the Conversion Shares or the Conversion Shares Offer Consideration, as applicable, to the Holders as it shall consider reasonable in the circumstances;

"Conversion Shares Offer Period" means the period during which the Conversion Shares Offer may occur, which period shall end no later than 40 Business Days after the delivery of the Conversion Shares Offer Notice;

"Conversion Shares Settlement Notice" means a written notice to be delivered by a Holder to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions), with a copy to the Trustee, no earlier than the Suspension Date containing the following information: (i) the name of the Holder, (ii) the aggregate amount of the Authorised Denomination of the Capital Securities held by such Holder on the date of such notice, (iii) the name to be entered in the Issuer's share register, (iv) the details of the CREST or other clearing system account or, if the Conversion Shares are not a participating security in CREST or another clearing system, the address to which the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) should be delivered, (v) the details of the sterling account maintained with a bank in London for the payment of any cash (if applicable in accordance with these Conditions) and (vi) such other details as may be required by the Conversion Shares Depositary;

"Conversion Shares Settlement Request Notice" means the written notice to be delivered by the Issuer to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, on the Suspension Date requesting that Holders complete a Conversion Shares Settlement Notice and specifying (i) the Notice Cut-off Date and (ii) the Final Cancellation Date;

"Current Market Price" means, in respect of an ordinary share at a particular date, the average of the daily Volume Weighted Average Price of an ordinary share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that, if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Cash Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Cash Dividend (or cum- any other entitlement), then:

- (i) if the ordinary shares to be issued do not rank for the Cash Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the ordinary shares shall have been based on a price cum-Cash Dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or
- (ii) if the ordinary shares to be issued do rank for the Cash Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the ordinary shares shall have been based on a price ex-Cash Dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and **provided further that**, if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Cash Dividend (or cum- any other entitlement) in respect of a Cash Dividend (or other entitlement) which has been declared or announced but the ordinary shares to be issued do not rank for that Cash Dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit, and **provided further that**, if the Volume Weighted Average Price of an ordinary share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Financial Adviser;

"Day Count Fraction" means

- (i) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the number of days in the Calculation Period, divided by the product of (1) the number of days in the Regular Period in which the Calculation Period falls and (2) two; and
- (ii) if the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the number of days in such Regular Period and (2) two; and
 - (B) the number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the number of days in such Regular Period and (2) two,

where,

"Calculation Period" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period;

"Regular Date" means 26 March or 26 September in any year; and

"Regular Period" means each period from (and including) any Regular Date to (but excluding) the next Regular Date;

"dealing day" means a day on which the Relevant Stock Exchange is open for business and on which ordinary shares may be dealt in (other than a day on which the Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time);

"Distributable Items" shall have the meaning assigned to such term in the Regulatory Capital Requirements then applicable, but amended so that for so long as there is any reference therein to "before distributions to holders of own funds instruments" it shall be read as a reference to "before distributions to holders of Parity Securities, the Capital Securities or any Junior Securities";

"Effective Date" means, for the purposes of Condition 10(a)(iii) (*Adjustments to the Conversion Price - Adjustments to the Conversion Price*), the first date on which the ordinary shares are traded ex-rights, on the Relevant Stock Exchange and, for the purposes of Condition 10(a)(iv) (*Adjustments to the Conversion Price - Adjustments to the Conversion Price*), the first date on which the ordinary shares are traded ex- the relevant Cash Dividend on the Relevant Stock Exchange;

"EUWA" means the European Union (Withdrawal) Act 2018, as amended;

"Exempt Newco Scheme" means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the 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 (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other Recognised Stock Exchange as the Issuer or Newco may determine;

"Existing Shareholders" has the meaning given to it in the definition of Newco Scheme;

"Extraordinary Dividend" means any Cash Dividend that is expressly declared by the Issuer to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to shareholders as a class or any analogous or similar term, in which case the Extraordinary Dividend shall be such Cash Dividend;

"Extraordinary Resolution" has the meaning given to it in the Trust Deed;

"FATCA Withholding" has the meaning given to it in Condition 12 (*Taxation*);

"Final Cancellation Date" means the date on which the Capital Securities in relation to which no Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary on or before the Notice Cut-off Date shall be cancelled, which date may be up to 12 Business Days following the Notice Cut-off Date;

"First Reset Date" means 26 September 2030;

"Further Capital Securities" has the meaning given to it in Condition 18 (*Further Issues*);

"Governmental Entity" means (i) the United Kingdom Government, (ii) an agency of the United Kingdom Government or (iii) a person or entity (other than a body corporate) controlled by the United Kingdom Government or any such agency referred to in (ii). If the Issuer is then organised in another jurisdiction, the

references to "United Kingdom Government" shall be read as references to the government of such other jurisdiction;

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

"Holder" has the meaning given to it in Condition 1 (*Form, Denomination and Title*);

"Holding Company" means, at any time, the ultimate holding company of the prudential consolidation group and/or resolution group of which the Issuer forms part at such time, where 'holding company' has the meaning given to such terms under section 1159 of the Companies Act 2006;

"Independent Financial Adviser" means an independent financial institution or independent financial adviser with appropriate expertise appointed by the Issuer at its own expense from time to time for the purposes of carrying out the duties described in these Conditions;

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

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

"Insolvency Act" means the United Kingdom Insolvency Act 1986.

"Interest Payment Date" means 26 March and 26 September in each year, with the first Interest Payment Date falling on 26 September 2025;

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

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

"Issue Date" means 26 March 2025, being the date of the initial issue of the Capital Securities;

"Junior Securities" means any ordinary shares, securities or other obligations (including any guarantee, credit support or similar undertaking) of the Issuer ranking, or expressed to rank, junior to the Capital Securities in a Winding-Up occurring prior to a Trigger Event;

"Liabilities" has the meaning given to it in the Trust Deed;

"Loss Absorption Disqualification Event" is deemed to have occurred 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 Reference Date, the entire principal amount of the Capital Securities or any part thereof, is, or (in the opinion of the Issuer or the Relevant Authority) is likely to be, fully excluded from or ceasing to count towards the Issuer's and/or, as applicable, the Group's minimum requirements for (i) own funds and eligible liabilities and/or (ii) 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 relevant exclusion is due to the effective maturity of the Capital Securities 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 and/or, as applicable, the Group on the Reference Date;

"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 or the Banking Act 2009, in each case as amended from time to time and including any subordinate legislation made thereunder) and/or of the Relevant Authority and, in either case, applicable to the Issuer and/or the Group (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) 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 the Relevant Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer and/or the Group);

"LSE" means the London Stock Exchange plc;

"Margin" means 9.572 per cent.;

"Maximum Distributable Amount" means any applicable maximum distributable amount relating to the Issuer and/or the Group, as applicable, required to be calculated in accordance with Chapter 4;

The **"New Conversion Condition"** shall be satisfied if (a) by not later than seven Business Days following the completion of a Takeover Event where the Acquirer is an Approved Entity, there shall be arrangements in place with the Trustee for the benefit of the Holders whereby the Approved Entity undertakes to issue Approved Entity Shares following an Automatic Conversion of the Capital Securities in accordance with Condition 10(e) (*Adjustments to the Conversion Price - Qualifying Takeover Event*) and (b) the Issuer, in its sole and absolute discretion has determined that such arrangements are in the best interest of the Issuer and its shareholders taken as a whole having regard to the interests of its stakeholders (including, but not limited to, the Holders) and are consistent with applicable law and regulation (including, but not limited to, the guidance of any applicable regulatory body);

"New Conversion Price" means the amount determined by the Independent Financial Adviser in accordance with the following formula, which shall apply from the QTE Effective Date:

$$\text{NCP} = \text{ECP} * (\text{VWAPAES}/\text{VWAPOS})$$

provided that the New Conversion Price shall be equal to or higher than the nominal value of the Approved Entity Shares, where:

"ECP" is the Conversion Price in effect on the dealing day immediately prior to the QTE Effective Date.

"NCP" is the New Conversion Price.

"VWAPAES" means the average of the Volume Weighted Average Price of the Approved Entity Shares (translated, if necessary, into sterling at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the dealing day prior to the closing date of the Takeover Event (and where references in the definition of "Volume Weighted Average Price" to "ordinary share" shall be construed as a reference to the Approved Entity Shares and in the definition of "dealing day," references to the "Relevant Stock Exchange" shall be to the relevant Recognised Stock Exchange on which the Approved Entity Shares are then listed, admitted to trading or quoted or accepted for dealing).

"VWAPOS" is the average of the Volume Weighted Average Price of the ordinary shares (translated, if necessary, into sterling at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the dealing day immediately prior to the closing date of the Takeover Event;

"**Newco**" has the meaning given 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 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; (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, 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;

"**Notice Cut-off Date**" means the date specified as such in the Conversion Shares Settlement Request Notice, which date shall be at least 40 Business Days following the Suspension Date;

"**ordinary shares**" means (a) prior to the QTE Effective Date, fully paid ordinary shares in the capital of the Issuer currently with a nominal value of 0.0001 pence each and (b) on and after the QTE Effective Date, the relevant Approved Entity Shares;

"**Parity Securities**" means any preference shares, securities or other obligations of the Issuer (including any guarantee or other support obligations) which rank, or are expressed to rank, *pari passu* with the Issuer's obligations in respect of the Capital Securities on a Winding-Up occurring prior to a Trigger Event (and, shall include any other securities qualifying at issuance as Additional Tier 1 Capital of the Issuer (if any) from time to time outstanding);

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) or other legal entity;

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

"**PRA Rulebook**" means the applicable rules made and/or enforced by the Prudential Regulation Authority under powers conferred by the Financial Services and Markets Act 2000 (as amended or replaced from time to time);

"**Prevailing Rate**" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 noon, London time, on that date as appearing on or derived from the relevant page on Bloomberg (or such other information service provider that displays the relevant information) or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon, London time, on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the relevant page on Bloomberg (or such other information service provider that displays the relevant information), the rate determined in such other manner as an Independent Financial Adviser shall in good faith prescribe;

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

"**QTE Effective Date**" means the date with effect from which the New Conversion Condition shall have been satisfied;

"Qualifying Additional Tier 1 Securities" means securities issued directly by the Issuer that:

- (a) have terms which are not materially less favourable to an investor than the terms of the Capital Securities being substituted or varied (as reasonably determined by the Issuer in consultation (if deemed necessary by the Issuer, acting reasonably) with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certificate 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 (i) contain terms which comply with the then current Regulatory Capital Requirements in relation to Additional Tier 1 Capital required to ensure that such Qualifying Additional Tier 1 Securities qualify as Additional Tier 1 Capital; (ii) provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Capital Securities; (iii) rank at least *pari passu* with the ranking of the Capital Securities; (iv) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; (v) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid (but without prejudice to the right of the Issuer to cancel the same under the terms of the Qualifying Additional Tier 1 Securities);
- (b) where the Capital Securities which have been substituted or varied had a published solicited rating from one or more rating agencies immediately prior to their substitution or variation, such rating agency(ies) will have assigned, or informed the Issuer by an announcement or otherwise of its intention to assign, an equal or higher published solicited rating; and
- (c) are (i) admitted to trading on the International Securities Market of the LSE (the "ISM"); (ii) admitted to trading on such other multilateral trading facility as is operated by a Recognised Stock Exchange or (iii) listed on such other stock exchange that is a Recognised Stock Exchange at that time as selected by the Issuer;

"Qualifying Takeover Event" means a Takeover Event where: (i) the Acquirer is an Approved Entity; and (ii) the New Conversion Condition is satisfied;

"Recognised Stock Exchange" means a Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in the United Kingdom or another OECD member state;

"Record Date" has the meaning given to it in Condition 8(a)(ii) (*Payments – Method of Payment*);

"Reference Date" means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Capital Securities have been issued pursuant to Condition 18 (*Further Issues*);

"Register" has the meaning given to it in Condition 1(b) (*Form, Denomination and Title - Title*);

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

"Regulated Market" means a regulated market as defined by Article 4.1(21) of Directive 2014/65/EC of the European Parliament and of the Council on markets in financial instruments or as defined in Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA, as each may be amended or replaced from time to time;

"Regulatory Capital Requirements" means, at any time, any requirement contained in the laws, regulations, requirements, guidelines and policies of the Relevant Authority (whether or not having the force of law) or of the United Kingdom relating to capital adequacy (whether on a risk-weighted, leverage or other basis), prudential supervision (including the requisite features of own funds instruments) and/or resolution (including any minimum requirement for own funds and eligible liabilities) and applicable to the Issuer and/or, as applicable the Group;

"Relevant Amounts" means the outstanding principal amount of the Capital Securities, together with any accrued and unpaid interest on the Capital Securities and Additional Amounts (but excluding any interest (and/or Additional Amounts) which has been cancelled or deemed cancelled in accordance with the Conditions). References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority;

"Relevant Authority" means, at any time, the Prudential Regulation Authority or such other additional or successor authority having primary supervisory authority with respect to prudential and/or resolution matters concerning the Issuer and/or the Group at such time;

"Relevant Currency" means pounds sterling or, if at the relevant time or for the purposes of the relevant calculation or determination the LSE is not the Relevant Stock Exchange, the currency in which the ordinary shares are quoted or dealt in on the Relevant Stock Exchange at such time;

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

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

"Relevant Resolution Authority" means the resolution authority with the ability to exercise any UK Statutory Loss Absorption Powers in relation to the Issuer and/or the Capital Securities (being, as at the Issue Date, the Bank of England);

"Relevant Stock Exchange" means the LSE or, if at the relevant time the ordinary shares are not at that time listed and admitted to trading on the LSE, the principal stock exchange or securities market on which the ordinary shares are then listed, admitted to trading or quoted or accepted for dealing;

"Reset Date" means the First Reset Date and each fifth anniversary date thereafter;

"Reset Determination Date" means the day falling two Business Days prior to each Reset Date;

"Reset Period" means the period from and including the First Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

"Reset Rate of Interest" has the meaning given to it in Condition 5(d) (*Interest Payments – Reset Rate of Interest*);

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

"Reset Reference Rate" means in respect of a Reset Period, the percentage rate (rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) determined by the Agent Bank on the basis of the Gilt Yield Quotations provided (upon request by or on behalf of the Issuer) by the Reset Reference Banks to the Issuer and by or on behalf of the Issuer to the Agent Bank at approximately 11:00

a.m. (London time) on the relevant Reset Determination Date in respect of such Reset Period. If at least four quotations are provided, the Reset Reference Rate will be the rounded (to the nearest 0.001 (0.0005 per cent. being rounded upwards)) arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be the rounded (to the nearest 0.001 (0.0005 per cent. being rounded upwards)) arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be 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 and having an actual or interpolated maturity date on or about the last day of the Reset Period as the Issuer (following in the Issuer's discretion, consultation with an independent investment bank or independent financial adviser of international repute), may determine to be appropriate (following any then-current guidance published by the International Capital Market Association at the relevant time, if applicable); and

"Gilt Yield Quotations" means, with respect to a Reset Reference Bank and a Reset Period, the arithmetic mean (rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered yields (on a semi-annual compounding basis) for the Benchmark Gilt in respect of such Reset Period, expressed as a percentage, as quoted by such Reset Reference Bank;

"Risk Weighted Assets" means, at any time, the aggregate amount, expressed in pounds sterling, of the total risk weighted assets of the Group at such time, as calculated by the Issuer on a consolidated basis, in accordance with the Regulatory Capital Requirements applicable to the Group at such time, but without applying any relevant transitional provisions then in effect under the Regulatory Capital Requirements (unless the Regulatory Capital Requirements otherwise require or permit (explicitly or without restricting) that such transitional provisions are applied for these purposes) (which calculation shall be binding on the Trustee and the Holders). For the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure, as determined by the Issuer, in accordance with the Regulatory Capital Requirements;

"Scheme of Arrangement" has the meaning given to it in the definition of Newco Scheme;

"secondary non-preferential debts" shall have the meaning given to it in the Insolvency Act;

"Senior Creditors" means creditors of the Issuer (i) who are unsubordinated creditors; (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; (iii) who are creditors in respect of any secondary non-preferential debts; or (iv) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, 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 those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders;

"Settlement Date" means (i) with respect to any Capital Security in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the later of (a) the date that is two Business Days after the end of the relevant Conversion Shares Offer Period and (b) the date that is two Business Days after the date on which such Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary and (ii) with respect to any Capital Security in relation to which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depositary on or before the Notice Cut-off Date, the date on which the Conversion Shares Depositary delivers the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable;

"shareholders" means the holders of ordinary shares;

"**Solvency Condition**" has the meaning given to it in Condition 4(a) (*Subordination – Winding-Up and Solvency Condition*);

"**£**", "**sterling**", "**pounds sterling**" and "**pence**" are to the lawful currency for the time being of the United Kingdom.

"**Subsidiary**" has the meaning given to it in Section 1159 of the Companies Act;

"**Substitute Obligor**" has the meaning given to it in Condition 14(c) (*Meetings of Holders, Modification, Waiver and Substitution of the Issuer – Substitution of the Issuer*);

"**successor in business**" means:

- (a) company or other entity to whom the Issuer validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, transfers the whole or substantially the whole of its business, undertaking and assets for the purpose of assuming and conducting the business of the Issuer in its place; or
- (b) any other entity which acquires in any other manner the whole or substantially the whole of the undertaking, property and assets of the Issuer and carries on as a successor to the Issuer the whole or substantially the whole of the business carried on by the Issuer prior thereto;

"**Supervisory Permission**" means, in relation to any action, such notice, permission, consent, approval, non-objection and/or waiver as is required therefor under prevailing Regulatory Capital Requirements (if any);

"**Suspension Date**" means, with respect to each Clearing System, the date specified in the Conversion Shares Offer Notice as the date on which such Clearing System shall suspend all clearance and settlement of transactions in the Capital Securities in accordance with its rules and procedures, which date shall be no later than 38 Business Days after the delivery of the Conversion Shares Offer Notice to such Clearing System (and, if the Issuer elects that a Conversion Shares Offer be made, such date shall be at least two Business Days prior to the end of the relevant Conversion Shares Offer Period);

A "**Takeover Event**" shall occur if an offer is made to all (or as nearly as may be practicable all) shareholders (or all (or as nearly as may be practicable all) such shareholders other than the offeror and/or any associate (as defined in Section 988(1) of the Companies Act) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Issuer or if any person proposes a scheme with regard to such acquisition and (such offer or scheme having become or been declared unconditional in all respects or having become effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in any person and/or any associate of that person (as defined in Section 988(1) of the Companies Act), in each case, other than in the event of a Newco Scheme;

"**Takeover Event Notice**" means the notice to the Holders in accordance with Condition 17 (*Notices*), with a copy to the Trustee, notifying them that a Takeover Event has occurred and specifying: (1) the identity of the Acquirer; (2) whether the Takeover Event is a Qualifying Takeover Event or not; (3) in the case of a Qualifying Takeover Event, if determined at such time, the New Conversion Price; and (4) if applicable, the QTE Effective Date;

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

- (a) in making any payments on the Capital Securities, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts;
- (b) the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of any payments (or its corresponding funding costs as recognised in its financial statements) in respect of the Capital

Securities in computing its taxation liabilities or the amount, or value to the Issuer, of such deduction is reduced;

- (c) the Capital Securities are, or will be, prevented from being treated as loan relationships for United Kingdom tax purposes;
- (d) 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 Reference Date or any similar system or systems having like effect as may from time to time exist);
- (e) the Issuer would be required to bring into account any amount of income, profit or gain or other tax credit or taxable item for tax purposes, or any other liability to tax would arise in respect of the occurrence of a Trigger Event or the Automatic Conversion and/or write-down of the Capital Securities (including, pursuant to these Conditions or as a result of the exercise of any regulatory powers under the Banking Act 2009); or
- (f) the Capital Securities 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 (other than a change in tax rate), 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 Capital Securities, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Reference Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted), on or after the Reference Date;

"Tier 1 Capital" has the meaning given to it (or any successor term) from time to time in, or for the purposes of, the Regulatory Capital Requirements;

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

"Trigger Event" means the Common Equity Tier 1 Capital Ratio falls below 7.00 per cent.;

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

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

"UK Statutory Loss Absorption Powers" means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investments firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of the Group, including within the context of a resolution regime in the United Kingdom under the Banking Act 2009, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, amended, transferred and/or converted into shares or other securities or obligations of the obligor or any other person;

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

"Volume Weighted Average Price" means, in respect of an ordinary share (or an Approved Entity Share, as applicable) on any dealing day, the order book volume- weighted average price of an ordinary share (or Approved Entity Share, as applicable) published by or derived from the relevant Bloomberg page or such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, **provided that** if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an ordinary share (or an Approved Entity Share, as applicable) in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or determined as an Independent Financial Adviser might otherwise determine in good faith to be appropriate; and

"Winding-Up" means:

- (a) 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 Capital Securities thereby become redeemable or repayable in accordance with these Conditions);
- (b) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or
- (c) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (a) or (b) 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.

(b) Construction of certain references

In these Conditions, unless otherwise specified or unless the context otherwise requires:

- (i) references to Capital Securities being "outstanding" shall be construed in accordance with the Trust Deed;
- (ii) references to any issue or offer or grant to shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all shareholders, as the case may be, other than shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;
- (iii) references to "ordinary share capital" has the meaning provided in Section 1119 of the Corporation Tax Act 2010 and "equity share capital" has the meaning provided in Section 548 of the Companies Act;
- (iv) references to the "issue" of Conversion Shares shall include the transfer and/or delivery of Conversion Shares by the Issuer or any of its Subsidiaries, whether newly issued and allotted or previously existing;
- (v) ordinary shares held by the Issuer or any of its Subsidiaries shall not be considered as or treated as "in issue";
- (vi) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment; and
- (vii) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

DESCRIPTION OF THE SHARES

In accordance with the Conditions, if a Trigger Event occurs at any time, then an Automatic Conversion will occur on the Conversion Date at which point all of the Issuer's obligations under the Capital Securities shall be irrevocably and automatically released by the Holders in consideration of the Issuer's issuance of the Conversion Shares (being ordinary shares of £0.000001 each in the capital of the Issuer (the "**Shares**")) to the Conversion Shares Depository on the Conversion Date. The Conversion Shares shall initially be registered in the name of the Conversion Shares Depository (which shall hold the Conversion Shares on behalf of the Holders) or the relevant recipient in accordance with the Conditions. Set out below is a description of the principal rights attaching, as at the date of this Offering Circular, to such Shares.

Share Capital

On 18 March 2025, the shareholders of the Issuer passed an ordinary resolution to obtain authority to allot and a special resolution to disapply pre-emption rights in relation to any issue of securities that automatically convert into or are exchanged for Conversion Shares of the Issuer, which authorisation expires at the end of the Issuer's Annual General Meeting to be held in 2026 or the close of business on 30 June 2026 (whichever is earlier), unless otherwise renewed or passed pursuant to a separate resolution.

The issued and fully paid share capital of the Issuer as at the date hereof is:

	Issued and fully paid		
Class	Nominal Value	Number	Amount
Ordinary	£0.000001 each	673,003,438	£673.003438
Redeemable Preference	£1 each	50,000	£50,000

Articles of Association

The Issuer's articles of association were adopted by special resolution of the Issuer passed on 26 April 2023 (the "**Articles**"). The Articles contain provisions to the following effect:

Governing Law

The laws of England and Wales and the Articles govern the relationship between the Issuer and its members.

Dividends

The Issuer may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends. A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors and no dividend may be declared or paid unless it is in accordance with members' respective rights.

Unless the members' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each member's holdings of shares at close of business of on the date of the ordinary resolution (in the case of a final dividend) or board resolution (in the case of an interim dividend) approving the payment of that dividend.

Except as otherwise provided by the Articles or the rights attached to shares, all dividends must be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

All unclaimed dividends payable in respect of any share may be invested or otherwise applied for the benefit of the Issuer until claimed. If a dividend is not claimed after 12 years from the date on which it was declared or became due for payment, it shall cease to be entitled to the person otherwise entitled to it and reverts to the Issuer.

Voting Rights

A resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is duly demanded.

Method of Payment

The Issuer may pay any dividend or other amount payable in respect of a share in the Issuer by: (i) cheque sent by post to the distribution recipient or, where there is more than one distribution recipient, to any one of them at the address shown in the Register or such address as that person notifies the Issuer in writing; (ii) bank transfer to such account specified by the distribution recipient or recipients in writing; (iii) (if so authorised by the holder of shares in uncertificated form) using the facilities of a relevant system (subject to the facilities and requirements of the relevant system); or (iv) by such other method of payment as the distribution recipient and the Directors may agree.

Transfer of Shares

Ordinary shares may be held in either certificated or uncertificated form. Certificated ordinary shares shall be transferred in writing in any usual or other form approved by the Directors and executed by or on behalf of the transferor and (if any of the shares is partly paid) the transferee. Transfers of uncertificated ordinary shares shall be made by means of a relevant system unless the CREST Uncertificated Securities Regulations 2001 provide otherwise. The transferor remains the holder of a share until the name of the transferee is entered in the register of members as the holder of it.

The directors may refuse to register the transfer of a share if: (i) the share is not fully paid; (ii) the transfer is not lodged (duly stamped if required) at the Issuer's registered office or other place as the directors have appointed; (iii) the transfer is not accompanied by the certificate for the shares to which it relates, or such other evidence as the directors may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf; (iv) the transfer is in respect of more than one class of share; or (v) the transfer is in favour of more than four transferees jointly.

Variation of Rights

Subject to the Companies Act, the rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75 per cent. in nominal value of the issued shares of that class (excluding any share of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them or by the purchase or redemption by the Issuer of any of its own shares.

Redemption

Subject to applicable legislation and the rights of the other shareholders, the Issuer may issue any shares which are to be redeemed, or are liable to be redeemed at the option of the Issuer or the holder. The Directors are authorised to determine the terms, conditions and manner of redemption of any such shares.

Winding-up

In the winding-up of the Issuer (whether voluntary or court sanctioned) the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Issuer, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of

the assets in trustees upon such trusts for the benefit of the members as he/she, with the like sanction, shall determine. For this purpose the liquidator may set the value he/she deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then-existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his/her consent an asset to which there is attached a liability or potential liability for the owner.

SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

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

Initial Issue of Certificates

The Capital Securities will upon issue be represented by the Global Certificate in registered form which will be registered in the name of a nominee of a common depository for the Clearing Systems and may be delivered on or prior to the original issue date of the Capital Securities.

Upon the registration of the Global Certificate in the name of a nominee of a common depository for the Clearing Systems, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Capital Securities equal to the principal amount thereof for which it has subscribed and paid.

Relationship of Accountholders with Clearing Systems

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

Exchange of the Global Certificate

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

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

- (a) if the Capital Securities represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) a Winding-Up occurs; or
- (c) upon or following any failure to pay principal in respect of any Capital Securities when it is due and payable; or
- (d) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (a) to (c) above, the holder of the Capital Securities represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Capital Securities represented by the Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be the Global Certificate. Where transfers are permitted in part, the Certificate issued to transferees shall not be the Global Certificate unless the transferee so requests and certifies to the

Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

Calculation of Interest

For so long as all of the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of the Clearing Systems, interest shall be calculated on the basis of the aggregate principal amount of the Capital Securities represented by the Global Certificate, and not per Calculation Amount as provided in Condition 5 (*Interest Payments*) of the relevant Capital Securities.

Cash Component

Notwithstanding Condition 9(g)(iii) (*Automatic Conversion – Settlement Procedure*), so long as the Capital Securities are represented by the Global Certificate and this Global Certificate is held on behalf of the Clearing Systems, the cash component, if any, of any Conversion Shares Offer Consideration will be delivered through the facilities of the Clearing Systems on or around the date on which the Conversion Shares Offer Period ends, subject to the applicable rules and operating procedures of the Clearing Systems in effect at such time.

Payments

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

Conversion Shares Settlement Notice

Notwithstanding Condition 9(g)(vii) (*Automatic Conversion – Settlement Procedure*), so long as the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of the Clearing System, a Conversion Shares Settlement Notice may be given by a Holder by delivering it to the Clearing Systems and, in any case, such notices shall be deemed to have been delivered to the Conversion Shares Depository on the date of delivery of such notice to the Conversion Shares Depository by the Clearing Systems and/or their depository or common depository.

Notices

So long as the Capital Securities are represented by the Global Certificate and it is held by or on behalf of a clearing system, notices to such Holders will be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the relevant Conditions, except that, so long as any Capital Securities are listed and/or admitted to trading on the ISM or on any stock exchange, notices required to be given to the Holders will also be published (if such publication is required) in a manner which complies with the rules and regulations of such stock exchange. A notice will be deemed to have been given to accountholders on the day of delivery to the relevant clearing system for delivery to entitled accountholders.

Purchase and Cancellation

Cancellation of any Capital Security surrendered for cancellation following its purchase will be effected by a reduction in the principal amount of the relevant Capital Security, and will be recorded in the Register by the Registrar.

Meetings

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

Written Resolution and Electronic Consent

So long as the Capital Securities are represented by the Global Certificate registered in the name of a nominee of a common depository for the Clearing Systems or an Alternative Clearing System, then, in respect of any resolution proposed by the Issuer or the Trustee:

- (i) where the terms of the proposed resolution proposed by the Issuer or the Trustee (as the case may be) have been notified to the Holder through the relevant clearing system(s), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Trustee in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Capital Securities outstanding ("**Electronic Consent**") by close of business on the Relevant Date (as defined in the Trust Deed). Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. None of the Issuer or the Trustee shall be liable or responsible to anyone for such reliance; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system(s) with entitlements to the relevant Global Certificate and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant Alternative Clearing System (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Capital Securities is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

The Clearing Systems

References in the Global Certificate and this summary to Euroclear and Clearstream, Luxembourg (or the Clearing Systems) shall be deemed to include references to any other clearing system approved for the purposes of the Capital Securities by the Trustee and the Registrar.

BOOK-ENTRY, DELIVERY AND FORM

The Global Certificate

The Capital Securities will upon issue be represented by the Global Certificate in registered form and will be registered on or around the Issue Date in the name of a nominee of a common depository for the Clearing Systems. Beneficial interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Book-entry Procedures for the Global Certificate*" below. By acquisition of a beneficial interest in the Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is located outside the United States.

Except in the limited circumstances described below, owners of beneficial interests in the Global Certificate will not be entitled to receive physical delivery of the definitive Certificate. The Capital Securities are not issuable in bearer form.

Exchange and Registration of Title

Owners of interests in the Capital Securities in respect of which the Global Certificate is issued will only be entitled to have title to the Capital Securities registered in their names and to receive individual definitive Capital Securities if the Global Certificate is held by or on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or upon or following any failure to pay principal in respect of any Capital Securities when it is due and payable, as more fully described in the Global Certificate.

In such circumstances, the Issuer will cause sufficient individual definitive Capital Securities to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Holders. A person with an interest in the Capital Securities in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Capital Securities.

Book-entry Procedures for the Global Certificate

Custodial and depository links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Capital Securities and cross-market transfers of the Capital Securities associated with secondary market trading.

The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to the Clearing Systems is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. The Clearing Systems provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. The Clearing Systems also deal with domestic securities markets in several countries through established depository and custodial relationships. The Clearing Systems have established an electronic bridge between their two systems across which their respective customers may settle trades with each other.

Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Global Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Book-entry Ownership

The Clearing Systems

The Global Certificate will have an ISIN and a Common Code. The Global Certificate will be registered in the name of a nominee of a common depository for the Clearing Systems.

Relationship of Participants with the Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Capital Security evidenced by the Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for their share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Capital Securities evidenced by the Global Certificate, the common depository by whom such Capital Security is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or account holders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in the Global Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Capital Securities for so long as the Capital Securities are evidenced by the Global Certificate and the obligations of the Issuer will be discharged by payment to the registered holder such Global Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Capital Securities

Subject to the rules and procedures of each applicable clearing system, purchases of Capital Securities held within a clearing system must be made by or through Direct Participants which will receive a credit for such Capital Securities on the clearing system's records. The ownership interest of each actual purchaser of each such Capital Security (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Capital Securities held within the clearing system will be affected by entries made on the books of Direct Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Capital Securities, unless and until interests in any Global Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Capital Securities held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Capital Securities are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants or by Direct Participants to Indirect Participants, and by Direct Participants or Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Certificate to such persons may be limited.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Capital Securities held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Capital Securities held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

UNITED KINGDOM TAXATION

The comments set out below do not constitute legal or tax advice and are based on the Issuer's understanding of current United Kingdom tax law as applied in England and Wales and HMRC published practice (which may not be binding on HMRC) as at the date of this Offering Circular, both of which are subject to change. They are intended as a general and non-exhaustive guide to certain United Kingdom tax considerations in respect of the Capital Securities for persons who are the absolute beneficial owners of such Capital Securities and any amounts paid in respect of them. The references to "interest" are to such term as understood for the purposes of United Kingdom tax law. Holders or prospective Holders of Capital Securities who are in doubt as to their own tax position should consult their own professional advisers.

Payments of interest by the Issuer in respect of the Capital Securities may be made without withholding or deduction for or on account of United Kingdom income tax provided the Capital Securities are and continue to be admitted to trading on a multilateral trading facility operated by a recognised stock exchange regulated in the United Kingdom, the EEA or Gibraltar within the meaning of Section 987 of the Income Tax Act 2007. The International Securities Market is a multilateral trading facility operated by a recognised stock exchange (the London Stock Exchange) which is regulated in the United Kingdom for these purposes.

In other cases, payments of yearly interest which have 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.), subject to the availability of other reliefs or exemptions under United Kingdom law or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No UK stamp duty or SDRT should be payable in the UK on the issue of the Capital Securities into the Clearing Systems. Provided that no election that applies to the Capital Securities is made under section 97A of the Finance Act 1986 (a "s. 97A Election") by the Clearing System, no stamp duty or SDRT should be payable on transfer of the Capital Securities within that clearing system without an instrument of transfer.

Provided that each Capital Security constitutes a "hybrid capital instrument" for the purposes of paragraph 20 of Schedule 20 of the Finance Act 2019, and that there are no arrangements, the main purpose, or one of the main purposes, of which is to secure a tax advantage, transfers of the Capital Securities should be exempt from stamp duty and SDRT. The Capital Securities should constitute "hybrid capital instruments" provided that:

- the Issuer is entitled to defer or cancel a payment of interest under the Capital Securities;
- the Capital Securities "have no other significant equity features"; and
- the Issuer has made an election in respect of the Capital Securities.

The Capital Securities should "have no other significant equity features" provided that:

- the Capital Securities carry neither significant voting rights in the Issuer nor a right to exercise a dominant influence over the Issuer;
- any provision in the Capital Securities for altering the amount of the debt is limited to write-down or conversion events in qualifying cases, and is not a right exercisable by the Holder; and
- any provision for the Holders to receive anything other than interest or repayment of the debt is limited to conversion events in qualifying cases, and is not a right exercisable by the Holder.

No UK stamp duty or SDRT will be payable by a Holder on a cash redemption of the Capital Securities in accordance with the Conditions.

No UK stamp duty or SDRT will be payable by a Holder on the redemption of the Capital Securities, and the issue of any Conversion Shares, under a conversion of the Capital Securities into Conversion Shares, in accordance with the Conditions.

UK stamp duty and SDRT may be payable in relation to a Conversion Shares Offer.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International plc (the "**Sole Bookrunner**") has, in a subscription agreement dated 24 March 2025 and made between the Issuer and the Sole Bookrunner (the "**Subscription Agreement**"), upon the terms and subject to the conditions contained therein, agreed to subscribe for the Capital Securities at their issue price of 100.00 per cent. of their aggregate principal amount.

The Issuer has agreed to pay the Sole Bookrunner a combined management and underwriting commission in respect of the Capital Securities. The Issuer has further agreed to reimburse the Sole Bookrunner for certain of its expenses in connection with the issue of the Capital Securities.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters.

The Sole Bookrunner is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Capital Securities, including in the event that certain conditions precedent are not delivered or met to its satisfaction on the Issue Date. In this situation, the issuance of the Capital Securities may not be completed. Investors will have no rights against the Issuer or the Sole Bookrunner in respect of any expense incurred or loss suffered in these circumstances.

United States of America

The Capital Securities and any Conversion Shares which may be delivered upon an Automatic Conversion of the Capital Securities 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 may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S.

The Capital Securities are being offered and sold outside of the United States in "offshore transactions" as defined in and in reliance on Regulation S.

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

In relation to securities which are being offered and sold outside the United States in reliance on Regulation S only (such as the Capital Securities and any Conversion Shares which may be delivered upon an Automatic Conversion of the Capital Securities), there are restrictions on the Issuer and its affiliates (including Morgan Stanley & Co. International plc (in its role as Sole Bookrunner)) making sales of securities in the United States, including for market making purposes.

United Kingdom

The Sole Bookrunner has represented, warranted and undertaken in the Subscription Agreement that, in connection with the distribution of the Capital Securities, directly or indirectly:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Capital Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

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

- (a) a retail client as defined in point (11) of 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.

Prohibition of Sales to UK Retail Investors

The Sole Bookrunner has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the United Kingdom. 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Canada

The Capital Securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal, that are "accredited investors" as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario) and are "permitted clients" as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of such Capital Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Hong Kong

The Sole Bookrunner has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (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 Capital Securities, 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 the Capital Securities 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.

Italy

The offering of the Capital Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation. The Sole Bookrunner has represented, warranted and agreed that any offer, sale or delivery of the Capital Securities or distribution of copies of the Offering Circular or any other document relating to the Capital Securities in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Capital Securities or distribution of copies of the Offering Circular or any other document relating to the Capital Securities in the Republic of Italy must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016 and 2 November 2020); and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Singapore

The Sole Bookrunner has acknowledged that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Bookrunner has represented, warranted and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Switzerland

The offering of the Capital Securities in Switzerland is exempt from requirement to prepare and publish a prospectus under Swiss Financial Services Act of 15 June 2018, as amended (the "**FinSA**"), because the Capital Securities have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more and the Capital Securities will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Capital Securities.

General

The Sole Bookrunner has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply in all material respects with all applicable laws and regulations in each country or

jurisdiction in which it purchases, offers, sells or delivers Capital Securities or possesses, distributes or publishes this Offering Circular or any other offering material relating to the Capital Securities. Persons into whose hands this Offering Circular comes are required by the Issuer and the Sole Bookrunner to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Capital Securities or possess, distribute or publish this Offering Circular or any other offering material relating to the Capital Securities, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Capital Securities and the issue of any of the Conversion Shares. The issue of the Capital Securities was authorised by a resolution of the Board of Directors of the Issuer passed on 18 March 2025.

Upon Automatic Conversion, the Capital Securities will automatically convert into Conversion Shares (being Shares) on the Conversion Date. As the Capital Securities are securities which may convert into Shares in accordance with the Conditions, the Issuer is required to obtain sufficient authority to allot equity securities on a non pre-emptive basis prior to the issuance of the Capital Securities. Such relevant authorities required in connection with the issue of any of the Conversion Shares following any such Automatic Conversion was authorised by a resolution of the shareholders of the Issuer passed on 18 March 2025.

Listing

An application will be made to the LSE for the Capital Securities to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date.

The Issuer expects the total expenses in relation to the admission to trading to be approximately £10,000.

Clearing systems

The Capital Securities have been accepted for clearance through the Clearing Systems with a Common Code of 301301260. The International Securities Identification Number ("ISIN") for the Capital Securities is XS3013012607.

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

LEI

The Legal Entity Identifier (LEI) code of the Issuer is 984500CDDEAD6C2EDQ64.

The Shares

The ordinary shares of Metro Bank Holdings PLC are listed on the Official List of the FCA and trade on the London Stock Exchange under the symbol "MTRO". The London Stock Exchange is a key element of the financial infrastructure in the UK and dates back to 1801. The ISIN for the ordinary shares of Metro Bank Holdings PLC is GB00BMX3W479. Information about the past and future performance of the ordinary shares of Metro Bank Holdings PLC and its volatility can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

On 18 March 2025, the daily number of trades on the London Stock Exchange amounted to 957,166,854 with a trading volume (in terms of value) of all order book trading equating to £4,823,193,250. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the ordinary shares of Metro Bank Holdings PLC and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List.

Litigation and Arbitration Proceedings

Save as disclosed in the section headed "*Risk Factors — Risks relating to the operation of the Group's business — Claims, investigations and litigation could adversely affect the Group's brand, reputation and earnings*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or

threatened of which the Issuer is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer's or the Group's financial position or profitability.

No significant/material adverse change

There has been:

- (i) no significant change in the financial or trading position of the Group since 30 June 2024, the date of the Group's latest unaudited consolidated financial information; and
- (ii) no material adverse change in the prospects of the Issuer or the Group since 31 December 2023, the date to which the Group's latest audited consolidated financial information was published.

Third Party Information

Where information in this Offering Circular has been sourced from third parties, the Issuer confirms it 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 which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Offering Circular, the source of such information has been identified.

Independent Auditors

The independent auditor of the Group from December 2010 is PricewaterhouseCoopers LLP, chartered accountants, whose address is at 7 More London Riverside, London SE1 2RT, United Kingdom.

The Audited 2022 Financial Statements and the Audited 2023 Financial Statements have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their reports appearing therein.

With respect to the Unaudited 2024 Interim Financial Statements incorporated by reference in this document, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated 30 July 2024 incorporated by reference herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales and is the auditor appointed by the Issuer and Metro Bank for the purposes of auditing their future financial statements.

Documents available

For so long as the Capital Securities are listed on the ISM, electronic copies of the following documents may be obtained (without charge) from the Issuer's website (<https://www.metrobankonline.co.uk/>):

- the Memorandum and Articles of Association of the Issuer;
- the Information Incorporated by Reference;
- the Trust Deed;
- the Agency Agreement; and
- this Offering Circular together with any supplement to this Offering Circular.

For so long as the Capital Securities remain outstanding, a copy of this Offering Circular may be obtained (without charge) from the Issuer's website at <https://www.metrobankonline.co.uk/>.

For so long as the Capital Securities remain outstanding, copies of the Trust Deeds and the Agency Agreements will be available as set out in the Conditions of the Capital Securities.

DEFINITIONS

Definitions

Capitalised terms which are used in this Offering Circular but which are not defined herein, shall have the same meaning given to such terms in the Conditions.

The following Definitions apply throughout this Offering Circular unless the context requires otherwise:

2022 Annual Report and Accounts	the annual report and financial statements prepared by Metro Bank for the financial year ended 31 December 2022
2023 Annual Report and Accounts	the annual report and financial statements prepared by the Issuer for the financial year ended 31 December 2023
2023 Pillar 3 Disclosure	the document entitled " <i>Metro Bank Holdings PLC – Pillar 3 2023</i> "
2024 Interim Report	the interim report prepared by the Issuer for the half year ended 30 June 2024
4MLD	Fourth Money Laundering Directive (Directive (EU) 2015/849)
5MLD	Fifth Money Laundering Directive (Directive (EU) 2018/843)
Agent Bank	Citibank, N.A., London Branch
Agents	the Principal Paying Agent, the Transfer Agent, the Registrar and the Agent Bank, and each an " Agent "
AIRB	advanced internal-ratings based approach
ALRB	additional leverage ratio buffer
Alternative Clearing System	any clearing system other than Euroclear and Clearstream, Luxembourg
Arkeyo Claim	has the meaning given to it in the section headed ' <i>Risk Factors — Risks relating to the operation of the Group's business — Claims, investigations and litigation could adversely affect the Group's brand, reputation and earnings</i> '
Audited 2022 Financial Statements	the audited consolidated financial statements (including the auditors' report thereon and the notes thereto) of Metro Bank, together with its consolidated subsidiaries, as at and for the financial year ended 31 December 2022
Audited 2023 Financial Statements	the audited consolidated financial statements (including the auditors' report thereon and the notes thereto) of the Issuer, together with its consolidated

	subsidiaries, as at and for the financial year ended 31 December 2023
Authorised Denomination	has the meaning given to it in Condition 1(a) (<i>Form, Denomination and Title</i>) of the Conditions
Authorities	HM Treasury, the Bank of England, the PRA and the FCA
Banking Act	the Banking Act 2009
Banking Reform Act	the Financial Services (Banking Reform) Act 2013
Basel Committee or BCBS	Basel Committee on Banking Supervision
Basel 3.1	the final Basel III reforms contained in the Basel Committee's December 2017 publication ' <i>Basel III – Finalising post-crisis reforms</i> '
BBLs	the UK Government's Bounce Back Loan Scheme
BCR	Banking Competition Remedies Limited
Beneficial Owner	the actual purchaser(s) of each Capital Security from time to time
Board	the board of directors of the Issuer
BRRD	the Bank Resolution and Recovery Directive 2014/59/EU
capital expenditure	has the meaning given to it in the section headed ' <i>Important Information</i> '
Capital Securities	the £250,000,000 13.875 per cent. Fixed Rate Reset Perpetual Subordinated Contingent Convertible Capital Securities
CCLB	countercyclical leverage ratio buffer
CET1	common equity tier 1
CET1 Ratio	has the meaning given to it in the section headed ' <i>Important Information</i> '
City Code	the City Code on Takeovers and Mergers
Clearing Systems	Euroclear and Clearstream, Luxembourg
Clearstream, Luxembourg	Clearstream Banking SA
CMA	Competition and Markets Authority
COBS	the FCA Conduct of Business Sourcebook
CONC	the FCA Consumer Credit sourcebook
Combined Buffer Requirement	has the meaning given to it in the section headed ' <i>Supervision and Regulation — Capital adequacy</i> ,

prudential regulation and the European regulatory landscape — Regulatory capital and risk weighted assets'

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 relevant Issuer and/or the Group

Conditions

the terms and conditions of the Capital Securities, as set out in the section headed '*Terms and Conditions of the Capital Securities*'

Controlling Shareholder Group

means the Controlling Shareholders and their respective associates (as such term is defined under the Listing Rules) from time to time (but not including members of the Group);

Controlling Shareholders

Spaldy Investments and Jaime Gilinski Bacal and each a "**Controlling Shareholder**"

Cost of Risk

has the meaning given to it in the section headed '*Important Notices*'

CONSOB

the *Commissione Nazionale per le Società e la Borsa*

Consumer Credit Regime

has the meaning given to it in the section headed '*Supervision and Regulation — Consumer credit regulation*'

Consumer Duty

has the meaning given to it in the section headed '*Risk Factors — Regulatory risks relating to the Group's business — The Group operates in a highly regulated industry that has come under increased regulatory scrutiny in recent years*'

CRD

has the meaning given to it in the section headed '*Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*'

C&I Fund

the Capability and Innovation 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

C(WUMP)O	the Companies (Winding Up and Miscellaneous Provisions Ordinance) (Cap. 32) of Hong Kong
Definitive Certificate	a Certificate representing any Capital Securities issued in definitive form
Direct Participants	holders who hold their interests in the Global Certificate directly through Euroclear or Clearstream, Luxembourg
Directors	the directors of the Issuer
DMCCA	the Digital Markets, Competition and Consumers Act 2024
DPA	the Data Protection Act 1998
DTV ratio	has the meaning given to it in the section headed ' <i>Important Information</i> '
ESG	environmental, social and governance
EU	the European Union
EUWA	European Union (Withdrawal) Act 2018
EU Capital Requirements Directive or EU CRD	has the meaning to it given in the section headed ' <i>Supervision and Regulation — Capital adequacy, prudential regulation and the European regulatory landscape — EU Capital Requirements Regulation and Directive</i> '
EU CRA Regulation	Regulation (EC) No 1060/2009
EU CRD IV	EU Capital Requirements Directive IV
EU CRD V	EU Capital Requirements Directive V
EU CRR	EU Capital Requirements Regulation
EU CRR II	EU Capital Requirements Regulation II
EU DGSD	EU Deposit Guarantee Scheme Directive
Euroclear	Euroclear Bank SA/NV
Existing MREL Intra-Group Notes	the £525,000,000 12 per cent. Fixed Rate Reset Callable Notes due 2029, issued by Metro Bank on 30 November 2023
Existing MREL Notes	the (i) £350,000,000 12 per cent. Fixed Rate Reset Callable Notes due 2029 and (ii) £175,000,000 12 per cent. Fixed Rate Reset Callable Notes due 2029, each issued by the Issuer on 30 November 2023

Existing Tier 2 Notes	the £150,000,000 14 per cent. Fixed Rate Reset Callable Subordinated Notes due 2034, issued by Metro Bank on 30 November 2023
February 2025 Portfolio Sale	the sale of the Group's portfolio of approximately £584 million of performing unsecured personal loans in February 2025
Financial Conduct Authority or FCA	the UK Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
financial promotions	has the meaning given to it in <i>'Financial Services and Markets Act 2000'</i>
FinSA	the Swiss Financial Services Act of 15 June 2018, as amended
Fitch	Fitch Ratings Ltd
Fitch Ireland	Fitch Ratings Ireland Limited
FOS	Financial Ombudsman Service
FSA	the UK Financial Services Authority
FSA 2012	the Financial Services Act 2012
FSCS	the Financial Services Compensation Scheme
FSMA	the Financial Services and Markets Act 2000, as amended
General Prohibition	has the meaning given to it in <i>'Financial Services and Markets Act 2000'</i>
Global Certificate	a global certificate representing the Capital Securities
Group	the Issuer and its subsidiary undertakings and, where the context requires, its associated undertakings
G-SII	has the meaning given to it in <i>'Risk Factors — Risks Relating to the Capital Securities —UK CRD places restrictions on distributions that will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will cancel such interest payments'</i>
H1 2024 Pillar 3 Disclosure	the document entitled " <i>Metro Bank Holdings PLC – Pillar 3 – 30 June 2024</i> "
HM Treasury	His Majesty's Treasury
HMRC	His Majesty's Revenue & Customs
IAS 34	International Accounting Standard 34 (<i>Interim Financial Reporting</i>)

Indirect Participants	holders who hold their interests in the Global Certificate indirectly through Euroclear or Clearstream, Luxembourg through organisations which are accountholders therein
Information Incorporated by Reference	the information set out in the section headed " <i>Information Incorporated by Reference</i> "
Insurance Distribution Directive	Directive (EU) 2016/97
Intra-Group Notes	has the meaning given to it in the section headed ' <i>Risk Factors — Risks relating to the Capital Securities — The Issuer is a parent financial holding company</i> '
Investor's Currency	has the meaning given to it in the section headed ' <i>Risk Factors — Risks relating to the Capital Securities — Exchange rate risks and exchange control</i> '
ISIN	International Securities Identification Number
ISM Rulebook	the International Securities Market Rulebook, published by the LSE and effective as of 1 January 2021
Issue Date	26 March 2025
Issuer	Metro Bank Holdings PLC
LCR	has the meaning given to it in the section headed ' <i>Important Information</i> '
Leverage Ratio	has the meaning given to it in the section headed ' <i>Important Information</i> '
Listing Rules	the Listing Rules made under section 73A of the FSMA
LR	has the meaning given to it in the section headed ' <i>Supervision and Regulation — Recovery and resolution — MREL Requirement</i> '
LTD Ratio	has the meaning given to it in the section headed ' <i>Important Information</i> '
London Stock Exchange	London Stock Exchange plc
MCOB	the Mortgages and Home Finance: Conduct of Business sourcebook
MDA	has the meaning given to it in the section headed ' <i>Risk Factors — Risks relating to the operation of the Group's business — The Group could fail to attract or retain senior management or other key colleagues</i> '
MDA restrictions	has the meaning given to it in the section headed ' <i>Risk Factors — Risks relating to the operation of the</i>

Group's business — The Group could fail to attract or retain senior management or other key colleagues'

Metro Bank

Metro Bank PLC

MiFID II

Markets in Financial Instruments Directive 2014/65/EU, as amended

MLRs 2017

Money Laundering Regulations 2017

MREL

has the meaning given to it in the section headed '*Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to MREL requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*'

MREL SoP

has the meaning given to it in the section headed '*Supervision and Regulation — Recovery and resolution — MREL Requirement*'

NIM

has the meaning given to it in the section headed '*Important Information*'

NSFR

has the meaning given to it in the section headed '*Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))*'

NSI Act

the National Security and Investment Act 2021

Official List

the Official List of the FCA

O-SII

has the meaning given to it in '*Risk Factors — Risks Relating to the Capital Securities —UK CRD places restrictions on distributions that will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will cancel such interest payments*'

Overseas Person

persons who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK

Payment Systems Regulator

has the meaning given to it in the section headed '*Supervision and Regulation — Payment Services Regulation*'

Payment Services Directive

Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market

Payment Accounts Directive

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
PAR	the Payment Accounts Regulations 2015
Participants	Direct Participants and Indirect Participants
Pillar 1	has the meaning given to it in the section headed ' <i>Supervision and Regulation — Capital adequacy, prudential regulation and the European regulatory landscape</i> '
Pillar 2	has the meaning given to it in the section headed ' <i>Supervision and Regulation — Capital adequacy, prudential regulation and the European regulatory landscape</i> '
Pillar 3	has the meaning given to it in the section headed ' <i>Supervision and Regulation — Capital adequacy, prudential regulation and the European regulatory landscape</i> '
PoNV Powers	has the meaning given to it in ' <i>Risk Factors — Risks Relating to the Capital Securities — Mandatory write-down and conversion of capital instruments and relevant internal liabilities may affect the Capital Securities, including outside formal resolution proceedings</i> '
PRA	the UK Prudential Regulation Authority
PRA Buffer	has the meaning given to it in the section headed ' <i>Supervision and Regulation — Capital adequacy, prudential regulation and the European regulatory landscape — Regulatory capital and risk weighted assets</i> '
PRA Policy Statements	has the meaning given to it in the section headed ' <i>Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))</i> '
PRA Remuneration Code	the Dual-regulated Remuneration Code (STSC 19D) (as amended from time to time)
PRIPs Regulation	Regulation (EU) No 1286/2014
Principal Paying Agent	Citibank, N.A., London Branch
Prospectus Regulation	Regulation (EU) 2017/1129
Protected Liabilities	has the meaning given to it in the section headed ' <i>Risk Factors — Risks Relating to the Capital Securities —</i>

	<i>The Capital Securities are not 'protected liabilities' for the purposes of any Government compensation scheme'</i>
PSD II	has the meaning given to it in the section headed ' <i>Supervision and Regulation — Payment Services Regulation</i> '
PSR	Payment Services Regulations 2017
Registrar	Citibank Europe plc
Regulation S	Regulation S under the Securities Act
Relationship Agreement	has the meaning given to in it the section headed ' <i>Directors and Senior Managers — Controlling Shareholder Group Director appointment rights under the Relationship Agreement</i> '
RFB	has the meaning given to in it ' <i>Supervision and Regulation — Capital adequacy, prudential regulation and the European regulatory landscape — Leverage ratio framework</i> '
relevant entity	a UK bank or building society
relevant clearing system	Euroclear, Clearstream, Luxembourg or any other relevant Alternative Clearing System
Resolvability Assessment Framework or RAF	the Bank of England's rules on a resolvability assessment framework
RWA	has the meaning given to it in the section headed ' <i>Important Information</i> '
Securities Act	the US Securities Act of 1933
SFA	the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time
SFO	the Securities and Futures Ordinance (Cap. 571) of Hong Kong
Shareholders	holders of Shares
Shares	ordinary shares of £0.000001 each in the capital of the Issuer (and, for the avoidance of doubt, includes Conversion Shares)
Skeoch review	has the meaning given to it in ' <i>Supervision and Regulation — UK ring-fencing regime</i> '
SMEs	small and medium-sized enterprises
Sole Bookrunner	Morgan Stanley & Co. International plc
Spaldy Investments	Spaldy Investments Limited

SRB	has the meaning given to it in <i>'Risk Factors — Risks Relating to the Capital Securities — UK CRD places restrictions on distributions that will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will cancel such interest payments'</i>
SREP	has the meaning given to it in the section headed <i>'Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to prudential regulatory capital and liquidity requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))'</i>
SRR	the special resolution regime
Subscription Agreement	the subscription agreement dated 24 March 2025 and made between the Issuer and the Sole Bookrunner
TFS	the Bank of England's Term Funding Scheme
TFSME	the Bank of England's Term Funding for Small and Medium Enterprises
TLAC	has the meaning given to it in the section headed <i>'Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to MREL requirements (applying both at the level of Metro Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))'</i>
Transfer Agent	Citibank Europe plc
Tribunal	the Upper Tribunal (Tax and Chancery Chamber)
Total Capitalisation	has the meaning given to it in the section headed <i>'Important Information'</i>
Total Capital Requirement	the amount and quality of capital a firm must maintain to comply with the Capital Requirements Regulation (575/2013) (CRR) (Pillar 1) and the Pillar 2A capital requirement
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK CRA Regulation	Regulation (EC) No 1060/2009 as it forms part of domestic law in the United Kingdom by virtue of the EUWA
UK CRD	has the meaning given to it in the section headed <i>'Risk Factors — Regulatory risks relating to the Group's business — The Group is subject to MREL requirements (applying both at the level of Metro</i>

Bank (on a solo basis) and at the level of the Issuer (on a consolidated basis))'

UK CRR	has the meaning given to it in 'Supervision and Regulation — <i>Capital adequacy, prudential regulation and the European regulatory landscape</i> — EU CRR/EU CRR II post-Brexit and current UK prudential regulatory regime'
UK IFRS	UK-adopted international accounting standards
UK MiFIR	Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law in the United Kingdom by virtue of the EUWA
UK PRIIPs Regulation	the Regulation (EU) No 1286/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA
UK Prospectus Regulation	Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the EUWA
UK Resolution Entities	UK-incorporated institutions subject to the Banking Act (i.e. UK-incorporated institutions authorised to accept deposits and PRA-designated investment firms)
Unaudited 2024 Interim Financial Statements	the unaudited condensed consolidated interim financial statements of the Issuer, together with its consolidated subsidiaries, as at and for the six months ended 30 June 2024 (which includes unaudited comparative financial information as at 30 June 2023 and for each of the six months ended 31 December 2023 and 30 June 2023)
Unaudited 2024 Preliminary Financial Statements	the unaudited preliminary consolidated financial statements of the Issuer, together with its consolidated subsidiaries, prepared as at and for the financial year ended 31 December 2024
Unaudited Pro Forma Capital Ratios	has the meaning given to it in the section headed ' <i>Important Information</i> '
Underlying general operating expenses	has the meaning given to it in the section headed ' <i>Important Information</i> '
Underlying impairment and write-offs of property, plant, equipment and intangible assets	has the meaning given to it in the section headed ' <i>Important Information</i> '
Underlying net gains/(loss) on sale of assets	has the meaning given to it in the section headed ' <i>Important Information</i> '
Underlying net interest income	has the meaning given to it in the section headed ' <i>Important Information</i> '

Underlying other income	has the meaning given to it in the section headed <i>'Important Information'</i>
Underlying profit/(loss) before tax	has the meaning given to it in the section headed <i>'Important Information'</i>
Underlying total income	has the meaning given to it in the section headed <i>'Important Information'</i>
Underlying total operating expenses	has the meaning given to it in the section headed <i>'Important Information'</i>
United States or US or U.S.	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

ISSUER

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SOLE BOOKRUNNER

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TRUSTEE

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United Kingdom

PRINCIPAL PAYING AGENT

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REGISTRAR AND TRANSFER AGENT

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METRO
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