



## DIRECTORS' REMUNERATION REPORT 2016 FOR THE YEAR ENDED 31 DECEMBER 2016

### OUR REMUNERATION POLICY

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The policy outlines the overall approach Metro Bank adopts towards managing remuneration for Executive and Non-Executive Directors. Approval for this Remuneration policy will be sought at the Company's Annual General Meeting and, if approved, will take effect from that date. It is intended that the policy will apply for the three years beginning on the date of approval. However, the Remuneration Committee will consider the policy annually to ensure it remains aligned with business strategy and the regulatory framework. Any changes needed within three years would be subject to shareholder approval, where required. Details of how the policy will be applied in 2017 are included in the Report on remuneration.

Policy details can be accessed on the Company's website: [www.metrobankonline.co.uk](http://www.metrobankonline.co.uk). In the interest of full disclosure, the Remuneration Committee has included these below to be read alongside the Remuneration report for the year ending 31 December 2016.

#### 1. Policy

Metro Bank offers banking, focused on the customer, through unparalleled levels of service and convenience. It has a simple approach to compensation which reinforces its model by rewarding the right behaviours and outcomes for customers and the business, focusing on long-term growth and discouraging unnecessary risk-taking.

Reward principles:

- Pay fair salaries and offer strong career and growth opportunities in an AMAZEING culture.
- Make everyone an owner; aligning them to the Bank's long-term vision.
- Reward colleagues based on Metro Bank's performance and how they behave and deliver; both as part of the team and as an individual.
- Keep reward as simple as possible, with one approach for all.
- Take a retail approach to variable reward; no excessive cash bonuses or linear incentives which can skew behaviours and encourage unnecessary risk-taking.

This policy has been developed taking into account the various regulatory requirements and governance principles. The Directors have regular open discussions with investors and are available for feedback on reward matters.

Pay and employment conditions of other colleagues in the Bank were taken into account when setting this Remuneration policy. In particular, base pay of Executive Directors is limited by reference to colleague pay as described on page 53. Colleagues are able to express any views on pay through regular surveys and feedback.

#### 2. Components of remuneration for Executive Directors

##### Base salary

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**Purpose and link to strategy** Base pay is part of the total proposition at Metro Bank, including career and growth opportunities and long-term reward.

We aim to set pay at a level which enables us to attract and retain the right calibre of colleagues, with the required level of skills, experience and cultural alignment to deliver and improve the model.

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##### Operation

Base salaries for Executive Directors are reviewed annually by the Remuneration Committee with any increase usually taking effect from 1 April the following year. The following key factors are taken into account:

- Company culture and delivery
- Individual behaviours and delivery as per AMAZEING reviews
- Relevant external market data
- Scope and size of role
- Individual's skills, expertise and experience and ability to grow with the role and organisation
- Level of increases for all colleagues
- Internal relativity
- Economic factors, e.g. inflation
- Affordability and available budget

Subject to the maximum opposite, we position salary levels for Executive Directors within the median range of the market, with consideration given to total compensation and the long-term growth focus of our model.

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## Base salary

<b>Maximum potential</b>	Salary increases in percentage terms for Executive Directors will normally be in line with increases awarded to other colleagues, but there may be instances where a higher amount is agreed at the discretion of the Remuneration Committee, particularly where salary level is significantly below market for the size and scope of the role as the organisation grows.
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<b>Performance measures</b>	Any salary increases for Executive Directors are based on individual behaviours and performance, growth of the role and how salaries compare to pay data for that role.
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## Pension

<b>Purpose and link to strategy</b>	Our Pension policy aims to support Executive Directors in building long-term savings for their retirement, without exposing the Bank to any unnecessary financial risk or unacceptable cost.
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<b>Operation</b>	Executive Directors are automatically enrolled into our Group Personal Pension Plan ("GPPP") when they join the Bank. If they have exceeded the Life Time Allowance or the annual pension tax-free contribution limit, they may elect to take cash in lieu of pension for all or some of the benefit.
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The amount received, before deduction of tax and NI, is broadly equivalent in value to the contribution that would have been made to the GPPP by Metro Bank.

<b>Maximum potential</b>	The maximum employer contribution (including cash in lieu) is 10% of salary.
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<b>Performance measures</b>	There are no performance measures related specifically to pension contributions.
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## Benefits

<b>Purpose and link to strategy</b>	We have a simple approach to reward and we also support the health, wellbeing and security of our Executive Directors through additional core benefits. Benefits may include those currently provided and disclosed in the Annual report on remuneration.
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<b>Operation</b>	<p><b>Core benefits include:</b></p> <ul style="list-style-type: none"> <li>• Life Assurance of 4x salary</li> <li>• Private Medical Insurance for the Executive Director, their partner and children</li> </ul>
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Additional benefits may be provided in certain circumstances such as on relocation.

### Legacy

Income Protection is in place for the two Executive Directors.

Benefit basis is: 50% of basic annual salary (at date of incapacity) up to state pension age for a period of 60 months. Maximum benefit is £350,000.

Executive Directors have access to voluntary employee-funded benefits available to all colleagues.

### Share Incentive Plan

The Executive Directors will be eligible to participate in any, new, all-employee Share Incentive Plan ("SIP") which may be operated.

<b>Maximum potential</b>	The maximum paid in respect of benefits will be the cost to Metro Bank of providing the benefits noted above. The cost may fluctuate from year to year even if the level of benefit provided remains unchanged.
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<b>Performance measures</b>	There are no performance measures specifically related to benefits.
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## DIRECTORS' REMUNERATION REPORT 2016 CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

### Variable remuneration

#### Purpose and link to strategy

Our discretionary variable reward scheme is made up of cash and deferred reward normally in the form of share options (market value), or by exception, shares awarded subject to forfeiture (together called "Share Awards"). As a growth model organisation, Share Awards form the main part of our variable compensation to encourage Executive Directors to focus on the long-term and to think and behave like owners.

The purpose of variable reward is to recognise Executive Directors for demonstrating our AMAZEING Behaviours and also for achievement against business priorities for the year.

#### Operation

We operate a discretionary variable reward scheme based on behaviours and performance over the year, paid in the form of cash and Share Awards for all colleagues including Executive Directors.

We do not operate any separate and additional Long Term Incentive Plans.

At least 50% of variable pay is deferred into long-term Share Awards, normally in the form of share options, and a further 25% is deferred into one year vesting Share Awards; again normally share options. The remaining 25% is paid as cash. This means a minimum of 75% of variable reward is deferred into Share Awards.

Options may vest early, e.g. on a takeover or other transaction or on leaving employment in certain circumstances (see below). Alternatively, on a change in control etc., Share Awards may be exchanged for awards over shares in the new company.

Options are normally exercisable for ten years from the date of grant.

Options may be satisfied on exercise by delivering shares equal to the gain.

Share Awards satisfy regulatory requirements around the deferral of variable reward and once vested, may also be subject to a holding period. Share Awards are not subject to further performance conditions on vesting since the award itself was subject to the achievement of performance conditions, but are subject to malus or claw back as explained opposite.

Variable compensation relating to the previous performance year is communicated to Executive Directors in the following February or March, annually. Cash bonuses are then paid in March and Share Awards are usually granted in March or April of that year.

We use a Black-Scholes method to inform the fair value of options at the time of award and the fair value of Share Awards will never be more than the variable remuneration deferred.

Through our Bonus Exchange Scheme, Executive Directors may be allowed to "exchange" part or all of the cash element of any variable compensation into their Metro Bank pension, or into immediate vesting Share Awards. The cash element may be exchanged for Share Awards at an exchange "price" approved by the Remuneration Committee. The exchange price offered to Executive Directors is on the same basis as for all other colleagues. The fair value of the Share Awards via Bonus Exchange will never be more than the cash element exchanged.

There are no holding periods for these Bonus Exchange Share Awards.

#### Maximum potential

Total variable remuneration, including the fair value of Share Awards, for each Executive Director for any year will not exceed 200% of their base pay at award.



## Variable remuneration

### Performance measures

The variable reward pool for any year is based on the overall performance of the Bank in terms of culture and delivery in line with the Balanced Scorecard, set out under "Performance measures" below. We also consider risk-adjusted financial performance in setting the overall pool.

Executive Directors are awarded variable remuneration for a year on a discretionary basis taking into account:

- overall culture, performance and success of Metro Bank; and
- individual behaviours and performance based on their AMAZEING Reviews – these performance targets are agreed at the beginning of the year and are reflected in the Balanced Scorecard for Metro Bank.

Behavioural framework expectations	Balanced Scorecard performance targets
<p>AMAZEING Behaviours framework covers the following behaviours:</p> <ul style="list-style-type: none"> <li>• Attend to every detail</li> <li>• Make every wrong right</li> <li>• Ask if you are not sure, bump it up</li> <li>• Zest is contagious, share it</li> <li>• Exceed expectations</li> <li>• Inspire colleagues to create FANS</li> <li>• Nurture colleagues so they grow</li> <li>• Game change because this is a Revolution</li> </ul>	<p>Fall into the following categories:</p> <ul style="list-style-type: none"> <li>• Financial</li> <li>• Risk</li> <li>• Customer</li> <li>• People and culture</li> </ul>

The Bank is focused on the right outcomes for customers and does not "incentivise" the delivery of any specific targets in a linear way.

The performance measures will be set by the Remuneration Committee at the start of each financial year. At least 25% of measures will be based on financial indicators. No more than 75% of the maximum variable remuneration (i.e. no more than 150% of base pay) will be paid for on-target performance.

We are committed to providing transparency in decision-making in respect of variable reward. We will disclose historic targets and measures together with information relating to performance against those targets in the Annual report on remuneration for the relevant year, except to the extent that this is deemed to be commercially sensitive, in which case it will be disclosed once it is deemed not to be sensitive.

### Notes

Malus and clawback apply to all deferred variable remuneration. The majority of our variable reward is focused on Share Awards – clawback is not applied to the relatively low cash element of variable pay. Vesting or exercise of Share Awards can be reduced or delayed or clawed back; including if there is a restatement of accounts or a material failure of risk management, a material downturn in financial performance or evidence of misconduct by an Executive Director.

The Remuneration Committee retains discretion with regards to variable reward. This relates to:

- the timing, size and type of awards and holding periods, subject to policy maximums;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- adjustment of targets and measures if events occur which cause it to determine that the conditions are no longer appropriate.

The Remuneration Committee also retains the right to change performance targets and measures and the weighting of measures, including following feedback from regulators, shareholders and/or other stakeholders; and

- amending the plan rules in accordance with their terms.



## DIRECTORS' REMUNERATION REPORT 2016 CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

### 3. Additional criteria for Executive Director remuneration

Executive Directors are remunerated broadly in line with the same structures that apply across the wider employee population. The performance conditions for variable pay awards are similar to those for all colleagues.

### 4. Changes to policy

As this is the first Remuneration policy of Metro Bank to be approved by shareholders, there is no policy against which changes in this policy can be identified.

### 5. Approach to remuneration when recruiting Executive Directors

When appointing a new Executive Director, the Remuneration Committee seeks to align the remuneration package for the individual with Metro Bank's Remuneration policy and takes into account the package as a whole.

The Committee has the flexibility to make compensatory awards to new Executive Directors, to compensate the Executive Director for benefits they may lose as a result of joining Metro Bank.

These awards:

- will be made up of the same inputs as the normal variable compensation for Metro Bank colleagues and Executive Directors;
- consider the value, at the time of grant, of the awards being lost;
- will be in a similar form as the awards which are being lost, where possible;
- vest over a similar or longer time period than the awards being lost; and
- are subject to comparable service and performance conditions and continued employment.

The limit on variable remuneration described on page 54 will not apply to these compensatory awards. The flexibility to offer a higher level of variable remuneration to new recruits is required to give the Company flexibility when negotiating with potential new recruits.

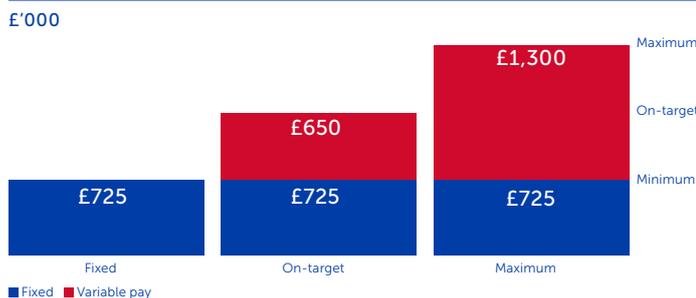
We may also choose to pay allowances to enable us to hire someone who will need to live away from home in order to be employed by us which may include assistance with children's education, periodic trips home, spouse and children's travel amongst others.

### 6. Illustration of application of Remuneration policy

The graphs below illustrate the total remuneration for 2017 for each Executive Director in office at the end of 2016 based on this policy (the first year in which this policy will apply) for minimum (fixed only) remuneration, on-target and maximum.

- Fixed element is:
  - base salary
  - pension contribution of 10%
  - benefits as outlined in the policy table for which we have assumed a value of 1.5% of salary
- Minimum (fixed only), on-target and maximum potential annual variable remuneration that may be awarded:

Craig Donaldson – CEO



Mike Brierley – CFO



Notes  
1 These illustrations are based on salaries as at April 2017 and consider the cash amount of annual variable remuneration before conversion into Share Awards as described on page 54. No account is taken of the effect of share price changes or dividends on the value received from Share Awards or shares received under them.



## 7. Remuneration on or after termination

For each component of pay, the amount paid to an Executive on termination will be determined as follows:

Component of pay	Determination
<b>Salary/fees</b>	The Executive Director is entitled to be given notice of termination of the relevant length and receive their normal base salary and benefits in that time. The Bank has discretion to make a payment in lieu of base salary in respect of any unexpired notice period and may decide to pay this in instalments, subject to reduction if the Executive Director finds alternative employment. Benefits will continue until the last day of contractual employment and the accrued but unused holiday will be paid out.
<b>Variable pay</b>	<p>Variable remuneration may accrue during a notice period however (unless decided otherwise by the Remuneration Committee at its discretion) the Executive Director has to be employed at the date that any variable remuneration is awarded in order to be eligible to receive it. No variable compensation is payable after termination and previous unvested variable reward deferred into Share Awards will usually lapse.</p> <p>However, if the Executive Director leaves for the reasons detailed in the Deferred Variable Reward Plan Rules (e.g. ill health, retirement, redundancy or death) or in other circumstances at the discretion of the Remuneration Committee, their award under that plan will continue on the same terms (subject to reduction and clawback as described in the policy) and vest at the normal time provided any performance conditions are met.</p>
<b>Pension</b>	Pension contributions continue to be made during the notice period. No further payment in lieu of pension or pension contributions can be made after termination. Any benefits will become payable in the normal course in accordance with the rules of the scheme. There is no right to early payment of benefits unless this can be done without additional contribution from the Bank.

The circumstances of an Executive Director's leaving and their behaviours and performance will be considered by the Remuneration Committee when deciding whether it should, in the circumstances, exercise its discretion to treat them as a "good" leaver or not. For example, someone voluntarily leaving to join a competitor is unlikely to be treated as a good leaver. As a general principle we do not reward failure.

The Bank's policy is that Executive Directors' contracts can be terminated by either party on giving no more than 12 months' notice.

Additional payments can be made by way of damages for breach of any legal obligation or by way of settlement or compromise of any claim raised by the Executive Director.

The Directors' service contracts and letters of appointment are available for inspection on request at the Company's registered office.

## 8. External appointments

Executive Directors are permitted to accept one appointment on a Board or Committee of a listed company so long as this does not interfere or conflict with the business of the Company. Any fees received in respect of these appointments can be retained directly by the relevant Executive Director.



## DIRECTORS' REMUNERATION REPORT 2016 CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. Components of remuneration for Non-Executive Directors

Component of pay	Determination
<b>Fees</b>	<p>All Non-Executive Directors receive a basic annual fee for fulfilling their duties as a Board member.</p> <p>Additional fees are paid for added responsibilities such as chairmanship and membership of Committees, or acting as the Senior Independent Director. Fees for Committee chairmanship are paid in addition to any fees for Committee membership.</p> <p>The Non-Executive Chairman receives an annual fee for the performance of his role. This fee is agreed by the Remuneration Committee.</p> <p>Fees for both Non-Executive Directors and the Non-Executive Chairman are paid in cash, subject to the appropriate deductions. The amount payable takes into account: the time commitment and requirements of the role; individual performance and experience; benchmark data from appropriate market sources and the financial performance of the Bank.</p> <p>The basic and additional fees are reviewed periodically, drawing on external market information for comparable financial services groups and companies. Any increase normally takes effect from April of a given year.</p> <p>The maximum aggregate annual fees that can be paid to the Chairman and Non-Executive Directors are capped at £3,000,000.</p>
<b>Benefits</b>	<p>Non-Executive Directors do not participate in any pension, bonus or long-term incentive arrangements or receive any other benefits. Travel and expenses incurred in the normal course of business, e.g. in relation to attendance at Board and Committee meetings, are met by the Bank.</p> <p>The Chairman receives a monthly allowance as a contribution towards travel to and from the US and towards living expenses whilst he is in the UK. This is currently £10,000 per month before tax and National Insurance Contributions. He does not claim any other expenses for travel to/from the UK, and subsistence, in relation to his role as Chairman.</p>
<b>Fees on recruitment</b>	<p>The fees payable to a new Non-Executive Director will be consistent with the current basic fee structure in place for all Non-Executive Directors and reflect any additional responsibilities as Chairman or member of Board committees.</p> <p>The fees payable to a new Non-Executive Chairman will be set with reference to external market data; internal relativity among other Executive and Non-Executive Directors and the requirements of the role.</p>
<b>Letters of appointment</b>	<p>The Chairman is appointed for a fixed term of two years; which renews automatically on each anniversary. Either party can stop the automatic renewal up to two months before the renewal but the Company must pay out the balance of the fixed term if it terminates his appointment. There is no provision for any other early termination compensation and no payment for loss of office.</p> <p>Appointment letters for the Non-Executive Directors provide for a notice period of one month; during which time they are entitled to be paid their normal fees or payment in lieu without liability for compensation. There is no provision for any other early termination compensation and no payment for loss of office.</p>

It is the Company's policy to honour any commitments made to a Director before they became a Director or before this policy took effect, even if it may not be consistent with this policy. For example, Metro Bank will honour the share option awards made to the Non-Executive Directors and the conditional cash award, converted to shares, paid to the Executive Directors in relation to the Listing of the Company on the London Stock Exchange, the details of which were described in the Prospectus



## ANNUAL REPORT ON REMUNERATION

This section sets out Metro Bank's remuneration of its Executive and Non-Executive Directors during the financial year ending 31 December 2016 and will, together with the annual statement by the Chairman of the Remuneration Committee, be put to shareholders as an advisory vote at the 2017 AGM to be held on 25 April 2017.

### IMPLEMENTING OUR REMUNERATION POLICY

#### Earnings in 2015 and 2016 (single figure amount) (audited)

##### Annual remuneration (£)

The following sets out the remuneration for all the Executive Directors who served during 2016

	Craig Donaldson		Mike Brierley	
	2016	2015	2016	2015
Salary	<b>£571,250</b>	£513,750	<b>£297,500</b>	£266,250
Taxable benefits <sup>1</sup>	<b>£1,072</b>	£1,105	<b>£8,709</b>	£11,216
Variable pay, including deferred element <sup>2</sup>	<b>£672,750</b>	£0	<b>£315,000</b>	£0
Pension benefits <sup>3</sup>	<b>£57,125</b>	£51,375	<b>£29,750</b>	£26,625
Other <sup>4</sup>	<b>£2,722</b>	£2,444	<b>£5,226</b>	£3,463
<b>Total remuneration excluding Listing awards</b>	<b>£1,304,919</b>	£568,674	<b>£656,185</b>	£307,554
Awards linked to Listing <sup>5</sup>		£2,092,800		£1,209,600
<b>Total remuneration including Listing awards</b>	<b>£1,304,919</b>	£2,661,474	<b>£656,185</b>	£1,517,154

##### Notes:

- 1 Taxable benefits includes: Private Medical Insurance for the CEO and CFO and a travel allowance for the CFO of £10,111 (payable in 2015) and £7,637 (payable in 2016). This allowance ceased on 30 September 2016.
- 2 75% of the total variable pay awarded is converted into share options – see award methodology below. Any share option grants awarded as outlined below are included in this figure, they are not in addition to it.
- 3 Pension contributions for the Executive Directors may be paid into a Group Personal Pension Plan or paid as a cash in lieu of pension allowance. Both have opted out of the pension scheme as they have reached the Life Time Allowance and receive a cash allowance of 10% of salary.
- 4 This is made up of non-taxable benefits provided to the Executive Directors and includes: Life Assurance; Group Income Protection and an annual health check.
- 5 As disclosed in the Prospectus, the Executive Directors received a higher variable reward for 2015 in the form of Share Awards in recognition of their significant contribution to the successful private placement and admission of Metro Bank to the London Stock Exchange, as well as their overall performance in 2015. No other normal annual variable reward for the 2015 performance year was awarded to these individuals. The Listing Share Awards were subject to continued employment and Admission occurring and were granted to the Executive Directors in March 2016 hence they were not included in note 10 to the Annual Report for the year ended 31 December 2015 but referenced in note 37 and in the Prospectus. Further details are included in the share interests table. No further performance conditions apply to vesting. To date 20% of the award has vested (March 2016) and the remaining 80% will vest annually on 30 April, 16% each year.

#### CEO five-year remuneration

	Craig Donaldson				
	2016	2015	2014	2013	2012
Total remuneration including Listing awards	<b>£1,304,919</b>	£2,661,474	£749,443	£1,294,100	£543,947

#### Calculation methodology of proposed variable pay for the Executive Directors

We are applying a weighting for Company performance of 90% for 2016 based on the following Balanced Scorecard metrics which were agreed at the start of 2016 as representing a balanced approach to overall Company performance in line with our customer service focused growth model, which are reported monthly to the Board:

Balanced Scorecard quadrants	Weightings for quadrant	Weighted performance for quadrant
Financial	30%	28%
Risk	20%	20%
Customer	35%	28%
People and culture	15%	14%
<b>Totals</b>	<b>100%</b>	<b>90%</b>



**DIRECTORS' REMUNERATION REPORT 2016 CONTINUED**  
FOR THE YEAR ENDED 31 DECEMBER 2016

The proposed variable reward for the CEO, Craig Donaldson, is calculated as follows:

"On-target" variable reward	Multiplied by Company performance weighting of 90%	Multiplied by personal behaviours and delivery multiplier	Recommended total variable reward:
£650,000	x90%	x1.15	£672,750

A discretionary personal behaviours and performance multiplier of 1.15 has been applied in recognition of Craig Donaldson's significant contribution and strong leadership in 2016; in particular his critical role in our significant growth as a newly listed FTSE 250 company and the first full quarter of profit in 2016.

This is the total variable reward Craig Donaldson will receive for the 2016 performance year as we do not operate any other awards or schemes such as Long Term Incentive Plans.

This is in line with the approach we take with all colleagues where a discretionary multiplier of between 1 and 2 is applied to variable reward for all colleagues whose behaviours and delivery are as expected or better.

This variable reward will be awarded as per our policy:

Award	Amount (cash equivalent)	Method of award	Quantum
50% of variable reward awarded as one-year vesting share options and cash bonus	£672,750 x 50% = £336,375	50% paid as cash and 50% paid as options vesting 12 months after award	Cash £168,190 <sup>1, 2</sup> 16,819 one-year vesting options <sup>2</sup> vesting fully on the first anniversary of grant
50% of variable reward awarded as share options vesting over five years	£672,750 x 50% = £336,375	Converted into share options at a current proposed fair value of £10 <sup>3</sup>	33,637 five-year vesting options with the first vest being on the anniversary of grant and annually thereafter
<b>Totals</b>	<b>£672,750</b>	<b>Awarded as:</b>	<b>£168,190 cash<sup>1</sup> 50,456 share options<sup>3</sup></b>

1 This cash can be converted into immediate vesting share options via the Company Bonus Exchange scheme at a current proposed fair exchange value of £10, i.e. 16,819 share options.

2 All share option awards rounded to nearest option and all cash rounded to nearest £5.

3 The final fair value for calculating share option numbers from the total variable reward will be approved by the Remuneration Committee after our annual results are published.

4 Any share options awarded will be granted at an option price based on the Volume Weighted Average Share Price ("VWAP") for MTR0 for 30 March 2017.

The proposed variable reward for the CFO, Mike Brierley, is calculated as follows:

"On-target" variable reward	Multiplied by Company performance weighting of 90%	Multiplied by personal behaviours and delivery multiplier	Recommended total variable reward:
£350,000	x90%	x1.00	£315,000

A discretionary personal behaviours and performance multiplier of 1.00 has been applied in recognition of Mike Brierley's contribution to Metro Bank's success and growth during 2016. He has also had responsibility for supporting investor relations as the CFO of a newly listed FTSE 250 Company.

This is the total variable reward Mike Brierley will receive for the 2016 performance year as we do not operate any other awards or schemes such as Long Term Incentive Plans.

This is in line with the approach we take with all colleagues where a discretionary multiplier of between 1 and 2 is applied to variable reward for all colleagues whose behaviours and delivery are as expected or better.



This variable reward will be awarded as per our policy:

Award	Amount (cash equivalent)	Method of award	Quantum
50% of variable reward awarded as one-year vesting share options and cash bonus	£315,000 x 50% = £157,500	50% paid as cash and 50% paid as options vesting 12 months after award	Cash £78,750 <sup>1,2</sup> 7,875 one-year vesting options <sup>2</sup> vesting fully on the first anniversary of grant
50% of variable reward awarded as share options vesting over five years	£315,000 x 50% = £157,500	Converted into share options at a current proposed fair value of £10 <sup>3</sup>	15,750 five-year vesting options with the first vest being on the anniversary of grant and annually thereafter
<b>Totals</b>	<b>£315,000</b>	<b>Awarded as:</b>	<b>£78,750 cash<sup>1</sup> 23,625 share options<sup>3</sup></b>

- 1 This cash can be converted into immediate vesting share options via the Company Bonus Exchange scheme at a current proposed fair value of £10, i.e. 7,875 options.
- 2 All share option awards rounded to nearest 5 options and all cash rounded to nearest £5.
- 3 The final fair value for calculating share option numbers from the total variable reward will be approved by the Remuneration Committee after our annual results are published.
- 4 Any share options awarded will be granted at an option price based on the Volume Weighted Average Share Price ("VWAP") for MTRO for 30 March 2017.

There were no payments made during 2016 either through loss of office or to past Directors.

#### Non-Executive Directors' fees (audited)

The following sets out the amounts earned by the Non-Executive Directors during the same period<sup>1</sup>

	Vernon W. Hill, II		Stuart Bernau		Keith Carby		Roger Farah	
	2016	2015	2016	2015	2016	2015	2016	2015
Fees	£285,000	£285,000	£77,500	£55,000	£60,000	£45,000	£50,625	£32,500
Taxable benefits <sup>2</sup>	£120,000	£120,000	£0	£0	£0	£0	£0	£0
<b>Total</b>	<b>£405,000</b>	<b>£405,000</b>	<b>£77,500</b>	<b>£55,000</b>	<b>£60,000</b>	<b>£45,000</b>	<b>£50,625</b>	<b>£32,500</b>

	Howard Flight		Alastair (Ben) Gunn		Gene Lockhart		Sir Michael Snyder <sup>3</sup>	
	2016	2015	2016	2015	2016	2015	2016	2015
Fees	£70,000	£55,000	£77,500	£55,000	£77,500	£55,000	£58,125	£9,801
Taxable benefits	£0	£0	£0	£0	£0	£0	£0	£0
<b>Total</b>	<b>£70,000</b>	<b>£55,000</b>	<b>£77,500</b>	<b>£55,000</b>	<b>£77,500</b>	<b>£55,000</b>	<b>£58,125</b>	<b>£9,801</b>

- 1 These figures include all fees paid to the Senior Independent Director and to Non-Executive Directors for Board Committee memberships and Committee chairmanships – see table below.
- 2 This is a gross allowance which is paid to the Chairman monthly via PAYE as a contribution towards his travel to/from the UK and accommodation and subsistence whilst here. He does not claim any expenses in relation to this.
- 3 Sir Michael Snyder joined the Board during 2015.

Fees are reviewed annually. The fees are benchmarked against financial services companies and other FTSE 250 companies and the new structure agreed at the time the Company was listed on the London Stock Exchange. Recommendations were put into effect from April 2016.

The Non-Executive Directors are paid a basic fee, with further fees payable to reflect Board Committee memberships and chairmanships and/or, additional responsibilities such as Senior Independent Director as follows:

Role	£'000
Non-Executive Director – basic fee	45
Senior Independent Director	30
Chairman of Audit Committee	20
Chairman of Nomination Committee	10
Chairman of Remuneration Committee <sup>1</sup>	10
Chairman of Risk Committee	20
Member of Audit Committee	10
Member of Nomination Committee	5
Member of Remuneration Committee <sup>1</sup>	5
Member of Risk Committee	10

- 1 These fees increase from 1 April 2017 – as outlined in the Statement by the Chairman of the Remuneration Committee.



## DIRECTORS' REMUNERATION REPORT 2016 CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

### Directors' shareholdings and outstanding options and awards (audited)

Executive Directors are not required to build up a holding of shares but it is in line with our approach to build up a holding of Share Awards. At least 75% of variable reward is deferred into Share Awards to support this.

No dividends or dividend equivalents are payable on any share options or on any unvested Share Awards held.

The table below shows, for each Executive Director, as at 31 December 2016:

- the total number of Share Awards, shares granted or interests in shares granted and the award price, if applicable; and
- the total number of outstanding Share Awards.

The table on pages 63 to 64 shows, for each Non-Executive Director, as at 31 December 2016:

- the total number of Share Awards, shares granted or interests in shares granted and the award price, if applicable; and
- the total number of outstanding Share Awards.

Note – we have not awarded share options to Non-Executive Directors since 2015 (relating to the 2014 performance year).

#### Vernon W. Hill, II

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>2</sup>
CSOP2015	15,000	04/11/15	£16.00	31/10/16	31/10/20	3,000	0	£203,251
CSOP2014	60,000	31/10/14	£13.50	31/10/15	31/10/19	24,000	0	£963,003
CSOP2013	5,000	11/11/13	£12.00	11/11/16	11/11/18	1,500	0	£87,750
CSOP2012	2,000	31/10/12	£10.00	31/10/13	31/10/15	2,000	0	£39,100
CSOP2011	4,000	07/10/11	£9.00	07/10/12	07/10/14	4,000	0	£82,200
<b>Total</b>	<b>86,000</b>					<b>34,500</b>	<b>0</b>	<b>£1,375,304</b>

#### Craig Donaldson

Scheme name	Share options granted	Shares awarded	Award date	First vesting date	Last vesting date	Award price	No. of share options vested	No. of shares vested	No. of Share Awards exercised	Indicative value <sup>2</sup>
CSOP2016 Pension Exchange <sup>1</sup>	4,541		04/03/16	21/03/16	21/03/16	£20.00	4,541		0	£43,367
CSOP2015	30,000		04/11/15	31/10/16	31/10/20	£16.00	6,000		0	£406,502
CSOP2015 Bonus Exchange	20,000		20/03/15	20/03/15	20/03/15	£14.00	20,000		0	£311,001
CSOP2014	130,000		31/10/14	31/10/15	31/10/19	£13.50	52,000		0	£2,086,507
CSOP2014 Bonus Exchange	13,077		21/03/14	21/03/14	21/03/14	£13.00	13,077		0	£216,425
CSOP2013	30,000		11/11/13	11/11/16	11/11/18	£12.00	9,000		0	£526,502
CSOP2012	50,000		31/10/12	31/10/13	31/10/15	£10.00	50,000		0	£977,503
CSOP2011	11,000		07/10/11	07/10/12	07/10/14	£9.00	11,000		0	£226,051
Listing awards		55,459	04/03/16					11,091	0	£1,638,816
<b>Total</b>	<b>288,618</b>	<b>55,459</b>					<b>165,618</b>	<b>11,091</b>	<b>0</b>	<b>£6,432,674</b>

#### Mike Brierley

Scheme name	Share options granted	Shares awarded	Award date	First vesting date	Last vesting date	Award price	No. of share options vested	No. of shares vested	No. of Share Awards exercised	Indicative value <sup>2</sup>
CSOP2015	15,000		04/11/15	31/10/16	31/10/20	£16.00	3,000		0	£203,251
CSOP2015 Bonus Exchange	12,637		20/03/15	20/03/15	20/03/15	£14.00	12,637		0	£196,506
CSOP2014	32,500		31/10/14	31/10/15	31/10/19	£13.50	13,000		0	£521,627
CSOP2013	14,000		11/11/13	11/11/16	11/11/18	£12.00	4,200		0	£245,701
CSOP2012	10,000		31/10/12	31/10/13	31/10/15	£10.00	10,000		0	£195,501
CSOP2011	5,000		07/10/11	07/10/12	07/10/14	£9.00	5,000		0	£102,750
Listing awards		32,054	04/03/16					6,410	0	£947,197
<b>Total</b>	<b>89,137</b>	<b>32,054</b>					<b>47,837</b>	<b>6,410</b>	<b>0</b>	<b>£2,412,533</b>

1 No share options in relation to variable pay were awarded to Craig Donaldson in 2016. These options were awarded via salary sacrifice in exchange for Craig Donaldson's pension contribution cash alternative.

2 Indicative value is based on Volume Weighted Average Price for Metro Bank PLC shares on 30 December 2016 of 2,955.0052p. It includes all granted Share Awards still outstanding plus any exercised during 2016.



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*Alastair (Ben) Gunn*

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>1</sup>
CSOP2015	7,500	04/11/15	£16.00	31/10/16	31/10/20	1,500	0	£101,625
CSOP2014	15,000	31/10/14	£13.50	31/10/15	31/10/19	6,000	0	£240,751
CSOP2013	5,000	11/11/13	£12.00	11/11/16	11/11/18	1,500	0	£87,750
CSOP2012	2,000	31/10/12	£10.00	31/10/13	31/10/15	2,000	0	£39,100
CSOP2011	4,000	07/10/11	£9.00	07/10/12	07/10/14	4,000	0	£82,200
<b>Total</b>	<b>33,500</b>					<b>15,000</b>	<b>0</b>	<b>£551,426</b>

*Stuart Bernau*

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>1</sup>
CSOP2015	7,500	04/11/15	£16.00	31/10/16	31/10/20	1,500	0	£101,625
CSOP2014	15,000	31/10/14	£13.50	31/10/15	31/10/19	6,000	0	£240,751
CSOP2013	5,000	11/11/13	£12.00	11/11/16	11/11/18	1,500	0	£87,750
CSOP2012	2,000	31/10/12	£10.00	31/10/13	31/10/15	2,000	2,000	£26,500
CSOP2011	4,000	07/10/11	£9.00	07/10/12	07/10/14	4,000	4,000	£45,200
<b>Total</b>	<b>33,500</b>					<b>15,000</b>	<b>6,000</b>	<b>£501,826</b>

*Gene Lockhart*

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>1</sup>
CSOP2015	7,500	04/11/15	£16.00	31/10/16	31/10/20	1,500	0	£101,625
CSOP2014	15,000	31/10/14	£13.50	31/10/15	31/10/19	6,000	0	£240,751
CSOP2013	5,000	11/11/13	£12.00	11/11/16	11/11/18	1,500	0	£87,750
CSOP2012	2,000	31/10/12	£10.00	31/10/13	31/10/15	2,000	0	£39,100
CSOP2011	4,000	07/10/11	£9.00	07/10/12	07/10/14	4,000	0	£82,200
<b>Total</b>	<b>33,500</b>					<b>15,000</b>	<b>0</b>	<b>£551,426</b>

*Howard Flight*

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>1</sup>
CSOP2015	7,500	04/11/15	£16.00	31/10/16	31/10/20	1,500	0	£101,625
CSOP2014	15,000	31/10/14	£13.50	31/10/15	31/10/19	6,000	0	£240,751
CSOP2013	5,000	11/11/13	£12.00	11/11/16	11/11/18	1,500	0	£87,750
CSOP2012	2,000	31/10/12	£10.00	31/10/13	31/10/15	2,000	0	£39,100
CSOP2011	4,000	07/10/11	£9.00	07/10/12	07/10/14	4,000	0	£82,200
<b>Total</b>	<b>33,500</b>					<b>15,000</b>	<b>0</b>	<b>£551,426</b>

*Keith Carby*

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>1</sup>
CSOP2015	7,500	04/11/15	£16.00	31/10/16	31/10/20	1,500	0	£101,625
CSOP2014	15,000	31/10/14	£13.50	31/10/15	31/10/19	6,000	0	£240,751
CSOP2013	5,000	11/11/13	£12.00	11/11/16	11/11/18	1,500	0	£87,750
CSOP2012	2,000	31/10/12	£10.00	31/10/13	31/10/15	2,000	0	£39,100
CSOP2011	4,000	07/10/11	£9.00	07/10/12	07/10/14	4,000	0	£82,200
<b>Total</b>	<b>33,500</b>					<b>15,000</b>	<b>0</b>	<b>£551,426</b>

*Roger Farah*

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>1</sup>
CSOP2015	7,500	04/11/15	£16.00	31/10/16	31/10/20	1,500	0	£101,625
<b>Total</b>	<b>7,500</b>					<b>1,500</b>	<b>0</b>	<b>£101,625</b>

1 Indicative value is based on Volume Weighted Average Price of Metro Bank PLC shares on 30 December 2016 of 2,955.0052p.



**DIRECTORS' REMUNERATION REPORT 2016 CONTINUED**  
FOR THE YEAR ENDED 31 DECEMBER 2016

Michael Snyder

Scheme name	Share options granted	Award date	Award price	First vesting date	Last vesting date	No. of share options vested	No. of Share Awards exercised	Indicative value <sup>1</sup>
CSOP2015	5,000	04/11/15	£16.00	31/10/16	31/10/20	1,000	0	£67,750
<b>Total</b>	<b>5,000</b>					<b>1,000</b>	<b>0</b>	<b>£67,750</b>

<sup>1</sup> Indicative value is based on Volume Weighted Average Price of Metro Bank PLC shares on 30 December 2016 of 2,955.0052p.

The proposed share option awards to be made in 2017 in respect of the 2016 performance year are already included in the single figure table for 2016 variable pay in the table above and are as follows<sup>1</sup>:

Vesting period	Craig Donaldson	Mike Brierley
Immediate <sup>1</sup>	16,819	7,875
After one year	16,819	7,875
After five years	33,637	15,750
<b>Total<sup>2</sup></b>	<b>67,275</b>	<b>31,500</b>

<sup>1</sup> This assumes the Director decides to exchange their cash bonus in its entirety for share options.

<sup>2</sup> This is estimated. The final amount will be approved by the Remuneration Committee after the Company's annual results are published.

#### Shareholding

These are the total shareholdings as at 31 December 2016 for each of the Non-Executive Directors and Executive Directors and any related connected persons. This will not include share options, except where these have been converted into shares by the Director.

There was no movement in any share interests between the end of the year and 23 February 2017.

Director	Holding	Number of shares	Percentage of issued share capital
Vernon W. Hill, II	Held directly	2,869,912	
Vernon W. Hill, II	Held indirectly	1,689,319	5.67
Craig Donaldson <sup>1</sup>		288,342	0.36
Michael Brierley <sup>2</sup>		105,165	0.13
Stuart Bernau		57,654	0.08
Keith Carby		178,223	0.22
Lord Flight		39,920	0.05
Alastair (Ben) Gunn		69,364	0.08
Gene Lockhart		77,689	0.10
Roger Farah		650,523	0.81
Sir Michael Snyder		12,500	0.02
<b>Total</b>		<b>6,044,591</b>	<b>7.52</b>

<sup>1</sup> 44,368 of Craig Donaldson's shares which were awarded in connection with the Listing have not yet vested and are conditional on his ongoing employment with Metro Bank.

<sup>2</sup> 25,644 of Mike Brierley's shares which were awarded in connection with the Listing have not yet vested and are conditional on his ongoing employment with Metro Bank.

#### Dilution limits

The rules of the Metro Bank PLC Deferred Variable Reward Plan contains limits on the dilution of capital. These limits are monitored to ensure that we do not exceed 10% of the issued share capital in any rolling ten-year period.



## CEO reward v. employee reward

The table below sets out the percentage change between the 2015 and 2016 years in salary and variable reward.

% change 2015–2016 <sup>1</sup> Employee group	Median		Average	
	FTE salary	Variable reward	FTE salary	Variable reward
All employees <sup>2</sup>	14.7%	18.8%	9.0%	-25.2%
CEO	19.3%	-67.9%	19.3%	-67.9%
Executive Directors	21.2%	-70.1%	21.2%	-70.1%
Executive Leadership Team	13.2%	-55.5%	18.7%	-61.3%

### 1 Year-on-year change in variable reward 2015–2016

Average and median variable reward has reduced from 2015 to 2016 for some employee groups as a result of the one-off awards for the Listing of the Company on the London Stock Exchange which were granted to certain employees and the Executive Directors for 2015.

### 2 Colleagues included in data

Due to the significant growth at Metro Bank, data has been calculated using the same colleagues over the two-year period. This only includes colleagues who were employed by Metro Bank on or before 1 January 2015 and still employed on or after 31 December 2016. Any colleagues who joined or left the Bank within this period have been excluded from the analysis.

The ratio of CEO salary versus average for all employees was 15.63 in 2016 (2015: 14.28).

## Benefits

### Private Medical Insurance ("PMI")

All colleagues are eligible for PMI funded at different rates of cover depending on their level of seniority within the Company. The maximum benefit available, which all the Executive Directors and Executive Leadership Team receive, is full family cover. The cost of this for each of the Executive Directors in 2016 was £1,072. The cost in 2015 was £1,105. As a comparison, the cost of single cover was £429 in 2016 and £442 in 2015.

### Life assurance

All colleagues, including the Executive Directors, receive a benefit of death in service life cover of four times their base salary. This is a Group scheme.

### Income protection

The two Executive Directors receive cover for income protection. This is a legacy scheme and is not offered to any other employees with the exception of one member of the Executive Leadership Team. It would not be provided to any new Executive Directors. The cost in 2016 for the Executive Directors was £1,386 for Craig Donaldson and £4,275 for Mike Brierley. The cost in 2015 was £1,521 for Craig Donaldson and £3,463 for Mike Brierley.



## DIRECTORS' REMUNERATION REPORT 2016 CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

### Pension contributions

The following shows the minimum and maximum employer pension contributions payable by Metro Bank year-on-year.

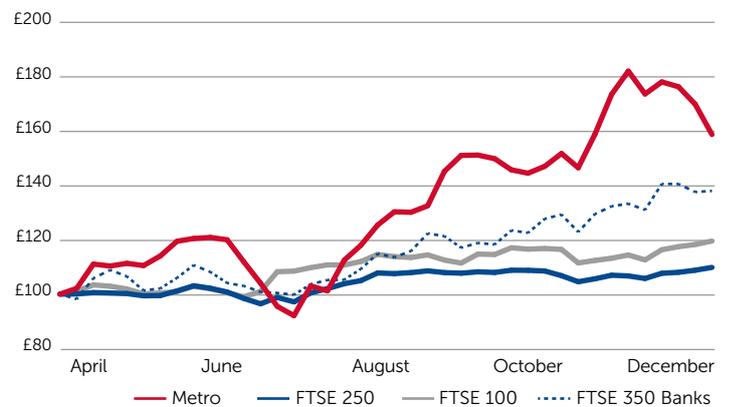
Employer contribution as a % of salary	2016		2015		% change	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
CEO	10%	10%	10%	10%	0%	0%
Executive Directors	10%	10%	10%	10%	0%	0%
Executive Leadership Team	10%	10%	10%	10%	0%	0%
Senior leaders and experts	7%	10%	6%	10%	17%	0%
Managers and specialists	6%	8%	5%	8%	20%	0%
Entry-level roles	5%	6%	4%	6%	25%	0%

### Relative importance of spend on pay

The Company has made no distributions by way of dividend or share buy-back during the relevant year, or made any other significant distributions, and therefore considers that at this time there is no information or data which would assist shareholders in understanding the relative importance.

### Total shareholder return

The chart shows Metro Bank's total shareholder return ("TSR") relative to the FTSE 250, FTSE 100 and the FTSE 350 banks (which is the capitalisation-weighted index of all bank stocks in the FTSE 100 and FTSE 250). We believe the broad equity market is a more relevant reference point rather than financial services only, where growth in the comparator group may be limited.



This chart shows the total return to Metro Bank investors since the Bank's Listing on the London Stock Exchange in March 2016, compared with the total return of an investment made in the FTSE 250, FTSE 100 or FTSE 350 over the same period assuming an initial investment of £100.

### Implementation of policy in 2017

In 2017, the Remuneration policy will be implemented as described. The weighting of targets for variable reward (cash bonus and share options) for the 2017 year will be as follows:

	Weightings for each quadrant
Financial	30%
Risk	20%
Customer	35%
People and culture	15%
<b>Totals</b>	<b>100%</b>

The actual targets are undisclosed as they are considered commercially sensitive. Actual targets will be disclosed in the Implementation Report for 2017.



The total variable reward opportunity (combined cash bonus and share options) for 2017, expressed as a percentage of 2017 salary, is as follows:

Director	Minimum variable reward	On-target variable reward	Maximum variable reward
Craig Donaldson	0%	100%	200%
Mike Brierley	0%	100%	200%

Further information on how the policy will be implemented in 2017 are set out in the Committee Chairman's letter.

As mentioned, we are committed to providing transparency in decision-making in respect of variable reward and will disclose historic targets and measures together with information relating to performance against those targets in the annual report on remuneration for the relevant year, except to the extent that this information is deemed to be commercially sensitive, in which case it will be disclosed once it is deemed not to be sensitive.

## STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING

The Company will be proposing resolutions to shareholders in respect of the Remuneration policy, the Remuneration Committee Chair's statement and the annual report on remuneration for the first time at the Annual General Meeting to be held on 25 April 2017. The percentage of votes cast for and against and the number of votes withheld will therefore be reported in the Remuneration report for 2017.