

Metro Bank PLC

Audit Committee

Terms of Reference

1. Constitution

The Metro Bank PLC (the “Bank”) Board of Directors (the “Board”) has established a Committee of the Board, known as the Audit Committee (the “Committee”), with Terms of Reference as set out below.

2. Purpose

The Committee shall be accountable to the Board and will assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

2.1. Financial Reporting

The Committee should carry out the duties below for the Bank and subsidiary undertakings, as appropriate.

The Committee shall monitor the integrity of the financial statements of the Bank, including its annual and half-yearly reports, interim management statements and any other formal announcements relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and any material judgements which they contain having regard to matters communicated to it by the Bank’s auditors. The Committee shall also review summary financial statements, significant ad hoc or exceptional reports to regulators and any financial information contained in other public documents.

The Committee will review and challenge where necessary:

- the appropriateness, consistency of and any changes to accounting policies both on a year on year basis and across the Company;
- the appropriateness of the going concern basis of accounting;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Bank has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

- the clarity and completeness of disclosure in the financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement.

2.2. Narrative Reporting

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

2.3 Internal Controls and Risk Management Systems

The Committee shall:

- keep under review the effectiveness of internal controls and risk management systems including systems for ensuring compliance with the regulatory environment within which the Bank operates; and
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

2.4 Whistleblowing

The Committee shall

- review the arrangements for colleagues and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- review the Bank's procedures for detecting fraud;
- review the Bank's systems and controls for the prevention of bribery and receive reports on non-compliance;
- review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Bank's anti-money systems and controls; and
- review regular reports from the Chief Risk Officer and keep under review the adequacy and effectiveness of the Bank's compliance function.

2.4. Internal Audit

The Committee shall:

- monitor and review the effectiveness of the Internal Audit function and approve the charter of the Internal Audit function;
- approve the appointment and removal of the Director of the Internal Audit function;
- consider and approve the remit of the Internal Audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- review and assess the annual Internal Audit plan;
- review all reports to the Committee on the Bank from the Internal Auditors;
- review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor; and
- meet the Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the Internal Audits carried out. In addition, the Head of Internal Audit shall be given the right of direct access to the Chairman of the Board and to the Committee.
- At least once per year, review the performance of the Director of Internal Audit in conjunction with the CEO and concur with the annual compensation and salary adjustment.]Review the effectiveness of the Internal Audit function in the context of the Bank's overall risk management system, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.

2.5. External Audit

The Committee shall oversee the relationship with the External Auditor including, but not limited to:

2.5.1 Engagement Terms and Fees

- consider and make recommendations to the Board, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the Bank's External Auditors.
- The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required. If the Board does not accept the Committee's recommendation , it should include in the annual report, and in any papers recommending appointment or re-

appointment, a statement from the Committee explaining the recommendation and should set out reasons why the Board has taken a different position;

- ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- approval of the auditor's remuneration, whether fees for audit or non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
- approval of the terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

2.5.2 Independence and Quality Control

- assessing annually the auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Bank (other than in the ordinary course of business which could adversely affect the auditor's independence and objectivity;
- agreeing with the Board a policy on the employment of former employees of the Bank's auditor, then monitoring the implementation of this policy;
- developing and implementing a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- undertaking an annual review of the effectiveness of external audit, including assessing their qualifications, expertise and resources and the effectiveness of the audit process
- monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Bank compared to the overall fee income of the firm, office and partner and other related requirements;:
- meeting regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit; and
- evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.

2.5.3 Conduct and Results of Audit

- reviewing and approving the annual audit plan and ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- reviewing the findings of the audit with the external auditor. This shall include but not be limited to a discussion of any major issues which arose during the audit; any accounting and audit judgements; and levels of errors identified during the audit;
- reviewing any representation letter(s) requested by the external auditor before they are signed by management;
- reviewing the effectiveness of the audit process; and
- reviewing the management letter and management's response to the auditor's findings and recommendations.

2.6. Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit, including audit process effectiveness, significant issues and where action or improvement is needed.

The Committee shall produce a report on its activities to be included in the Bank's annual report. The reports should include:

- an explanation of how the Committee has addressed the effectiveness of the external audit process;
- the approach taken to the appointment or re-appointment of the external auditor;
- information on the length of tenure of the current audit firm and when a tender was last considered;
- the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

In compiling the reports referred to above under this section, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's

assessment of whether the company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

2.7. Other Matters

The Committee shall:

- have access to sufficient resources in order to carry out its duties including access to the company secretariat for assistance as required;
- ensure that its members take individual responsibility for identifying training appropriate to their needs;
- be provided with appropriate and timely training including an induction programme for new members and on an ongoing basis for all members;
- be responsible for co-ordination of the internal and external auditors
- give due consideration to laws and regulations and the provisions of the Combined Code as appropriate the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- oversee any investigation of activities which are within its terms of reference;
- work and liaise as necessary with all other Board Committees;
- at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and report the results of this review to the Board, including recommendations of changes it considers necessary for approval; and
- Confirm annually that all responsibilities outlined in this charter have been carried out.

3. Authority

The Committee is authorised to:

- seek any information it requires from any employee of the Bank in order to perform its duties;
- obtain, at the Bank's expense, outside legal or other professional advice on any matter within its terms of reference;
- call any employee to be questioned at a meeting of the Committee as and when required; and
- have the right to publish in the Bank's annual report details of any issues that cannot be resolved between the Committee and the Board.

4. Membership

Members of the Committee shall be appointed by the Board on the recommendation of nomination committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three members. Membership shall include at least one member of the Risk Oversight Committee.

All members of the Committee shall be independent non-executive directors at least two of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.

Only members of the Committee and the Committee Secretary or their nominee have the right to attend Committee meetings, however, other individuals may be invited to attend all or part of any meeting as and when appropriate.

The External Auditors shall be invited to attend meetings of the Committee on a regular basis.

Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional three year periods, provided the director remains independent.

The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

5. Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee.

6. Quorum

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee, at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

7. Frequency of Meetings

The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle, and otherwise as required.

8. Notice of Meetings

Meetings of the Committee shall be summoned by the Committee Secretary at the request of the Committee Chairman, or at the request of External or Internal Auditors if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

9. Annual General Meeting

The Chairman should attend the annual general meeting to answer questions from shareholders on the Committee's activities and responsibilities.

10. Minutes and Reporting

The secretary shall minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.

The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

The Chairman of the Committee shall be responsible for reporting to the Board. The minutes of all meetings and resolutions of the Committee shall be circulated to the members of the Committee and, once agreed, to the Board. The Company Secretary will retain copies of the minutes and papers.