Q2 2016 Results

Long Live the Revolution

27th July 2016

our disruptive model goes from strength to strength

	Q2 2016	Q1 2016	QoQ% Increase	YoY% Increase	On Target
Customer deposits	£6.6B	£5.9B	+12%	+74%	✓✓
Net average deposits per store month	£5.7M	£6.6M	-13%	+44%	✓✓✓
Net customer loans	£4.6B	£4.1B	+12%	+110%	✓✓
Loan to deposit ratio	70%	69%	+1pp	+12pp	✓✓
Underlying loss after tax	£4.1M	£7.9M	Improved 48%	Improved 45%	✓✓

✓✓✓ Outperform
✓✓ On target
✓ Underperform

Our culture and model continue to differentiate us

- 80% brand recognition*
- Awarded Most Trusted Financial Provider in the UK by Moneywise
- 77% Net Promoter Score for 1H 2016
- 87% of colleagues recommend Metro Bank as an employer

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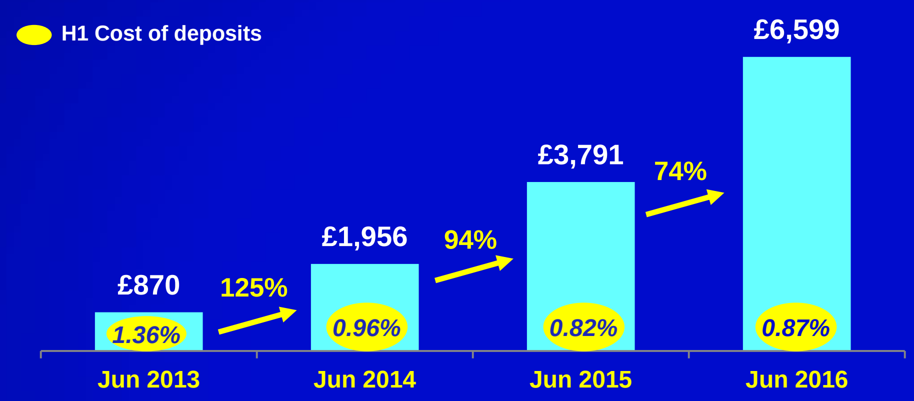
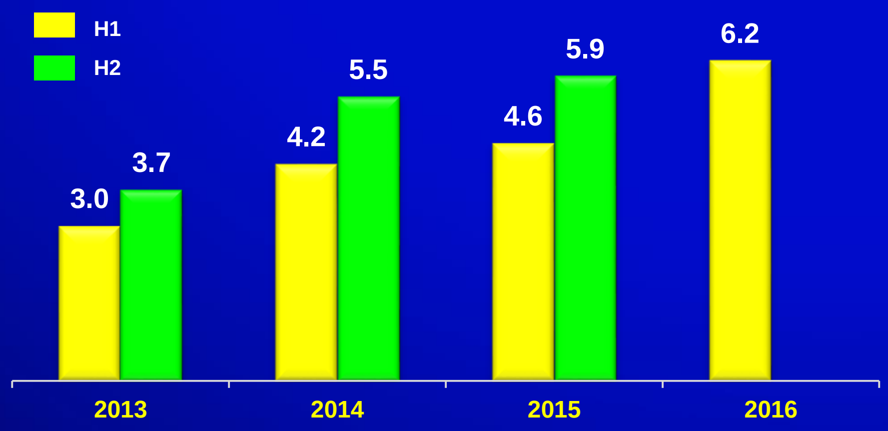
* Source: YouGov July 2016.

we continue to grow with low cost, sticky deposits

Customer deposits (m)



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



- Annual deposit growth of 74%
  - Retail 82% growth
  - Commercial 68% growth
- Deposit mix: commercial 52% and retail 48%
- H1 2016 deposit per store per month average of £6.2M is c.£74M per year (c.$98M+ per year)
- Current accounts represent 27% (28% H2 2015) of total deposits. Fixed represents 30% (25% in H1 2015)
- Action taken to reduce cost of deposits following change in mix

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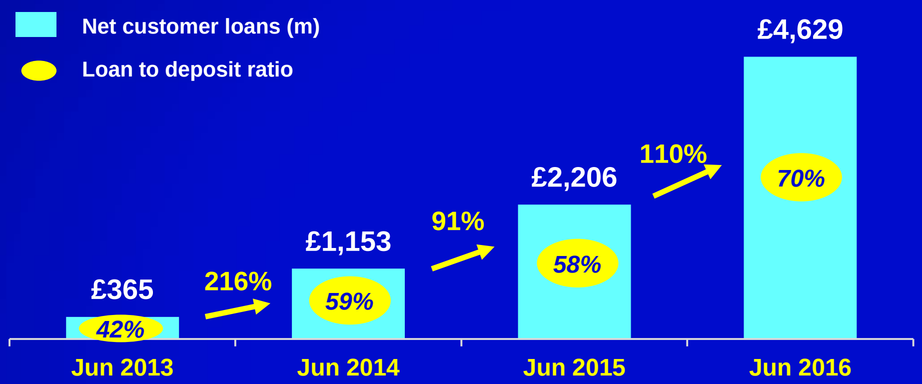
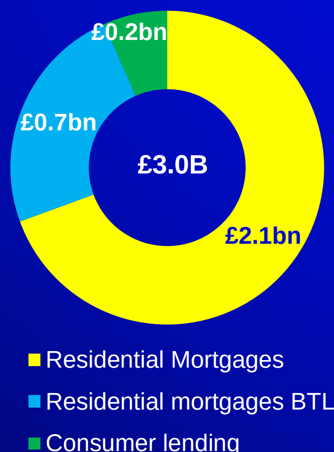
enabling us to grow our lending at low risk

High growth, low risk driving our LTD towards 80%

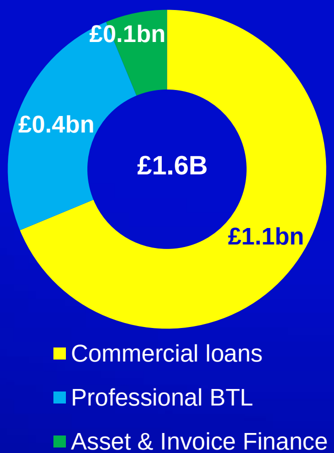


Portfolio

Retail: 65% of portfolio



Commercial: 35% of portfolio



- Non-performing loans (90 days+ in arrears) 0.12% of loan balances at end H1; an improvement from H2 2015 due to lower commercial arrears
- The loan loss reserve represents 146% of non-performing loans
- Cost of risk is 0.12% at end H1; compared to 0.29% for 2015
- Average debt to value on residential mortgage lending is 60%
- Average debt to value on commercial lending is 58%
- Buy-to-Let is c.25% of total lending with an average debt to value of 59%
- No commercial property development loans and only £2M of residential property development lending

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delivering a strong and simple highly liquid deposit funded balance sheet

£'m	Q2 2016	Q1 2016	Quarter Growth
Cash and equivalents	498	489	+2%
Investments	2,853	2,417	+18%
Customer lending	4,629	4,129	+12%
Fixed, intangible and other assets	371	353	+5%
Total Assets	**8,351**	**7,388**	**+13%**
Customer deposits	6,599	5,898	+12%
Repo funding	862	593	+45%
Other liabilities	96	98	-2%
Total Liabilities	**7,557**	**6,589**	**+15%**
Shareholders' funds	794	799	-1%
Total equity and liabilities	**8,351**	**7,388**	**+13%**
Capital adequacy ratios:			
CET1 ratio	21%	25%	-
Total capital ratio	21%	25%	-
Regulatory leverage ratio	8%	9%	-

- With a 70% loan to deposit ratio, the balance sheet is intrinsically liquid
- 86% of the liquidity and investment portfolio is cash, AAA, UK gilts and T bills
- No reliance on wholesale funding
- Investment portfolio grew 70% year on year due to capital raise, deposit growth and additional FLS drawings
- FLS drawings increased to £1B from £0.5B at 31 Dec 2015
- LCR ratio at 30 June of 110%
- Move towards advanced risk based (AIRB) approach in the medium term represents opportunity to achieve greater capital efficiency

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with income growth continuing to outpace cost growth

£'m	Q2 2016	Q1 2016	Quarter Growth	Annual Growth
Net interest income	36.2	30.5	+19%	+82%
Fees and other income	8.6	7.2	+19%	+37%
Net gains on sale of securities	1.6	0.0	nm	-30%
Total revenue	**46.3**	**37.8**	**+23%**	**+63%**
Operating expenses	-43.2	-41.4	+4%	+30%
Depreciation and amortisation	-5.3	-4.9	+8%	+18%
Impairment charges	-1.3	-1.1	+16%	+78%
Underlying loss before tax	**-3.4**	**-9.6**	**-64%**	**-64%**
Underlying taxation	-0.7	1.7	-	-
Underlying loss after tax	**-4.1**	**-7.9**	**-48%**	**-45%**
Ratios:				
Average asset yield	2.76%	2.84%	-	-
Average cost of deposits	0.87%	0.88%	-	-
Net interest margin	1.93%	1.96%	-	-
CoR	0.12%	0.12%	-	-

- 48% reduction in quarterly losses (Q1 £7.9M, Q2 £4.1M)
- Positive income (+63%) and operating expense (+30%) jaws - Q2 2015 to Q2 2016
- Net interest income growth driven by higher lending balance and favourable LTD ratio
- Annual operating costs per £1M of deposits down by 27% (H1 2015 £39K, H1 2016 £29k) as economies of scale impact
- Tax impacted by one-off changes to R&D and AFS Gains tax regime and Share Option true-up.
- Cost of deposits reducing as front & back book repriced

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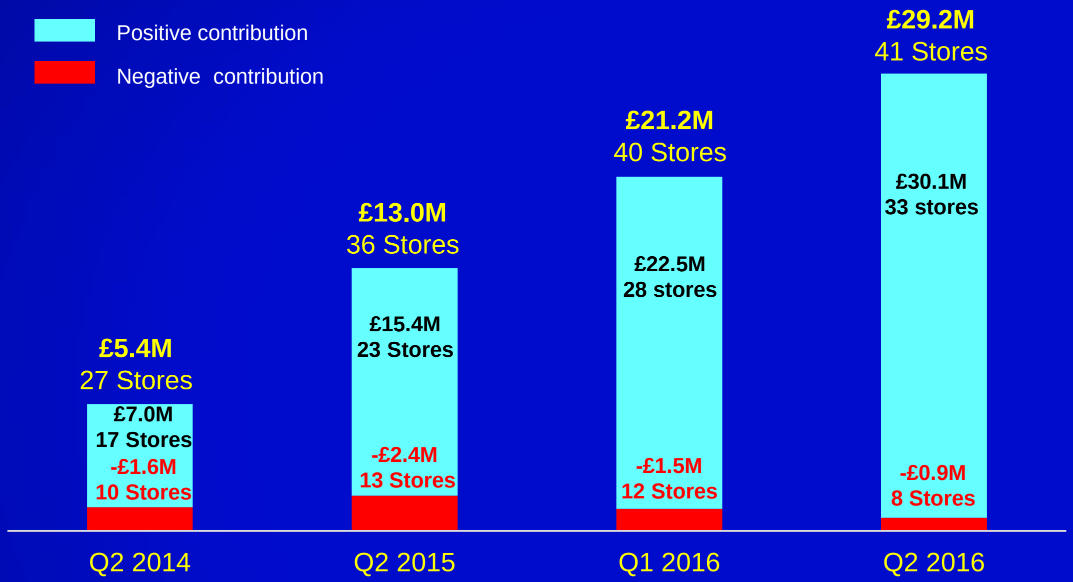
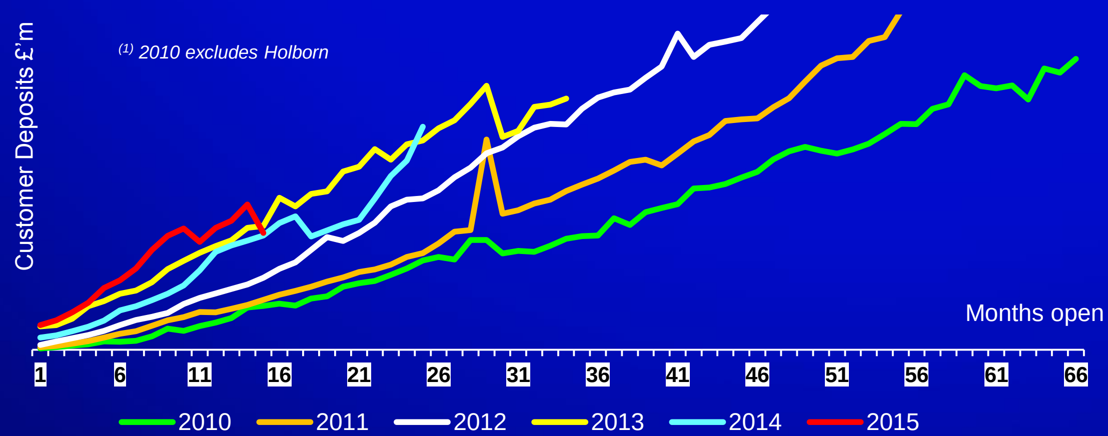
as store contribution and performance increases

Store contribution increases for new and existing stores

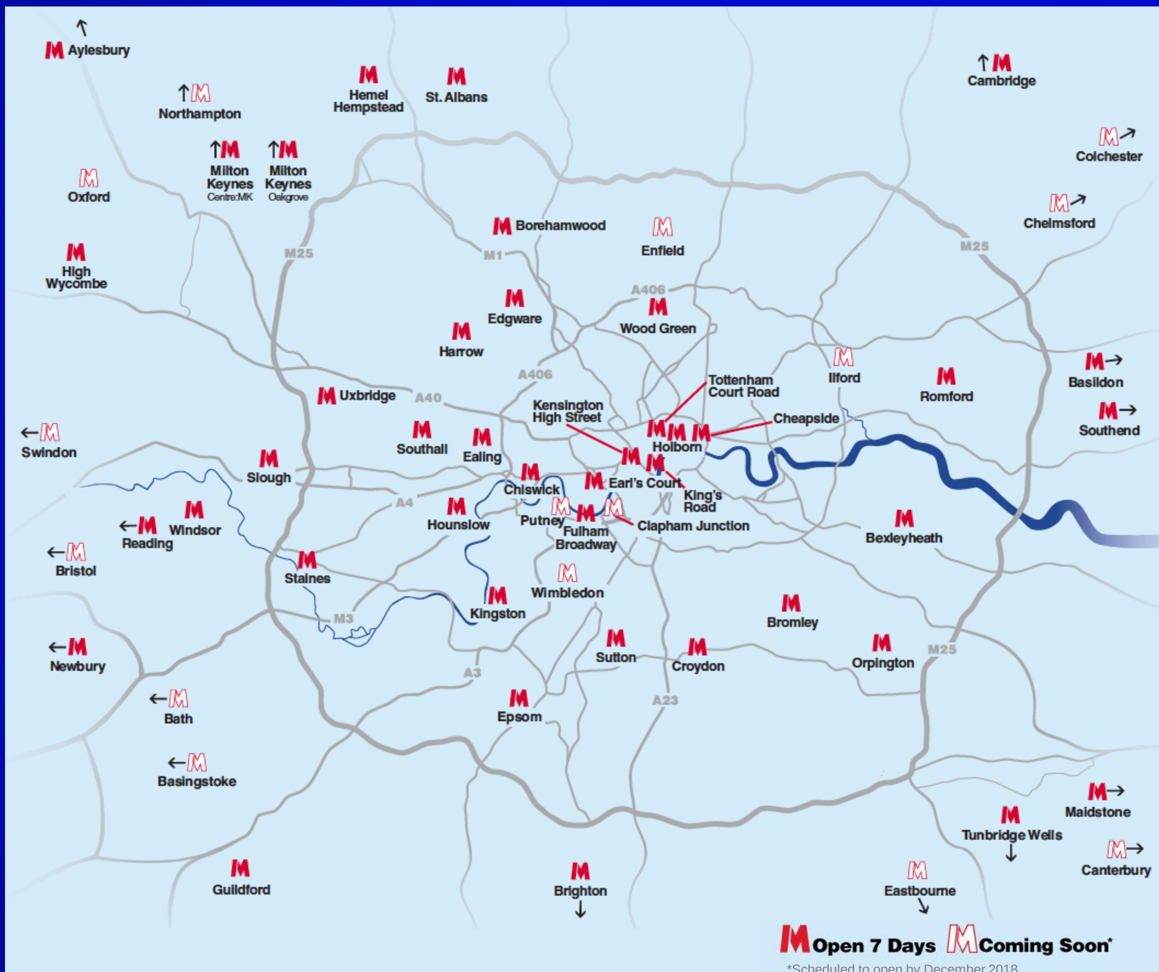


As annual cohorts start and grow faster[1]



- All stores open 18 months or more in positive contribution
- Stores open with more deposits and grow faster as each annual cohort benefits from increased network effect and organisational learnings
- Safe deposit boxes cover 81% of rent in stores open 12 months+
- 66% comp store growth in deposits for stores open 12 months+

and we continue to expand our store network



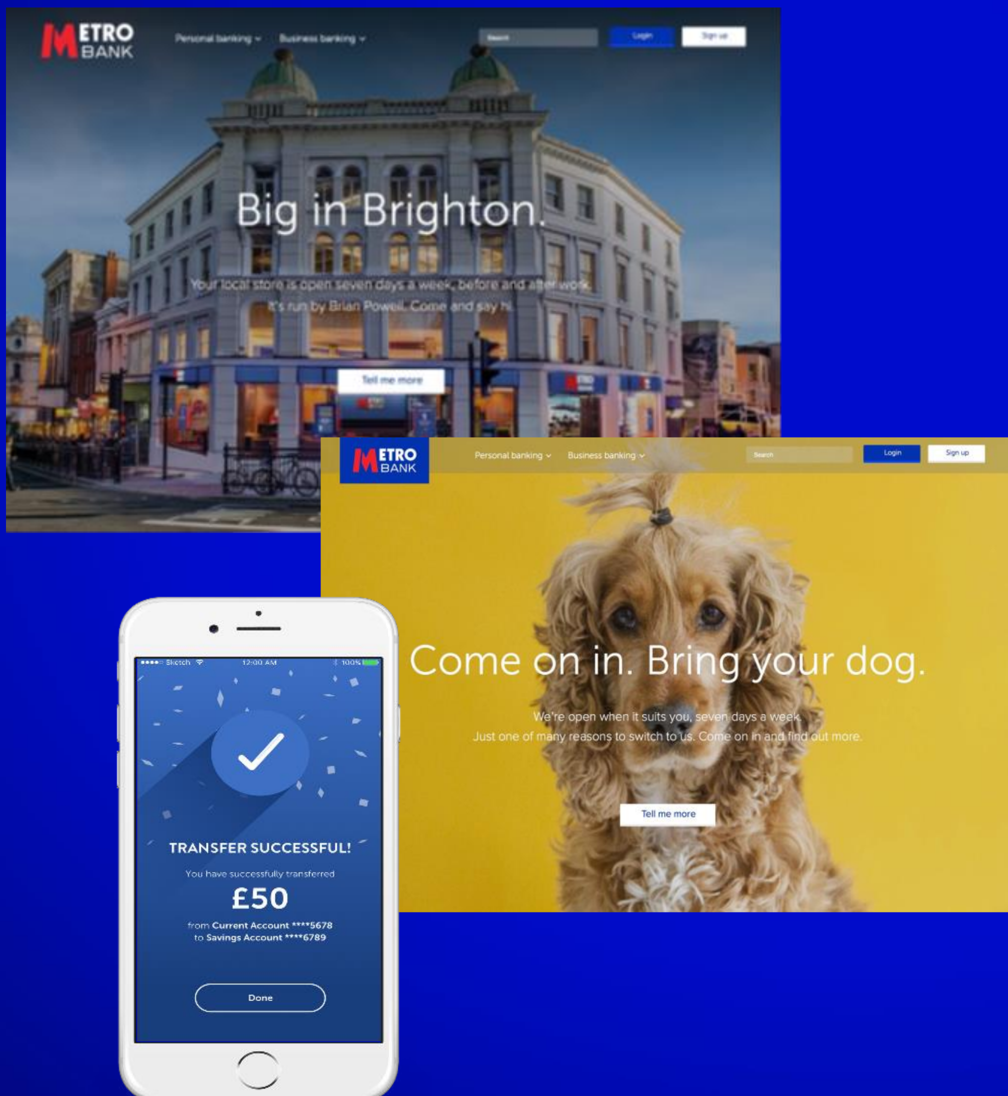
42 stores open
8 stores opening in 2016

Chelsea	*April*
Bexleyheath	*July*
Wimbledon	*In construction*
Clapham	*In construction*
Chelmsford	*In construction*
Eastbourne	*In construction*
Colchester	*In construction*
Basingstoke	*In construction*

with a strong pipeline

Bath	Liverpool St.
Bristol	Luton
Canterbury	Northampton
Peterborough	Oxford
Enfield	Putney
Greenwich	Swindon
Ilford	Leicester

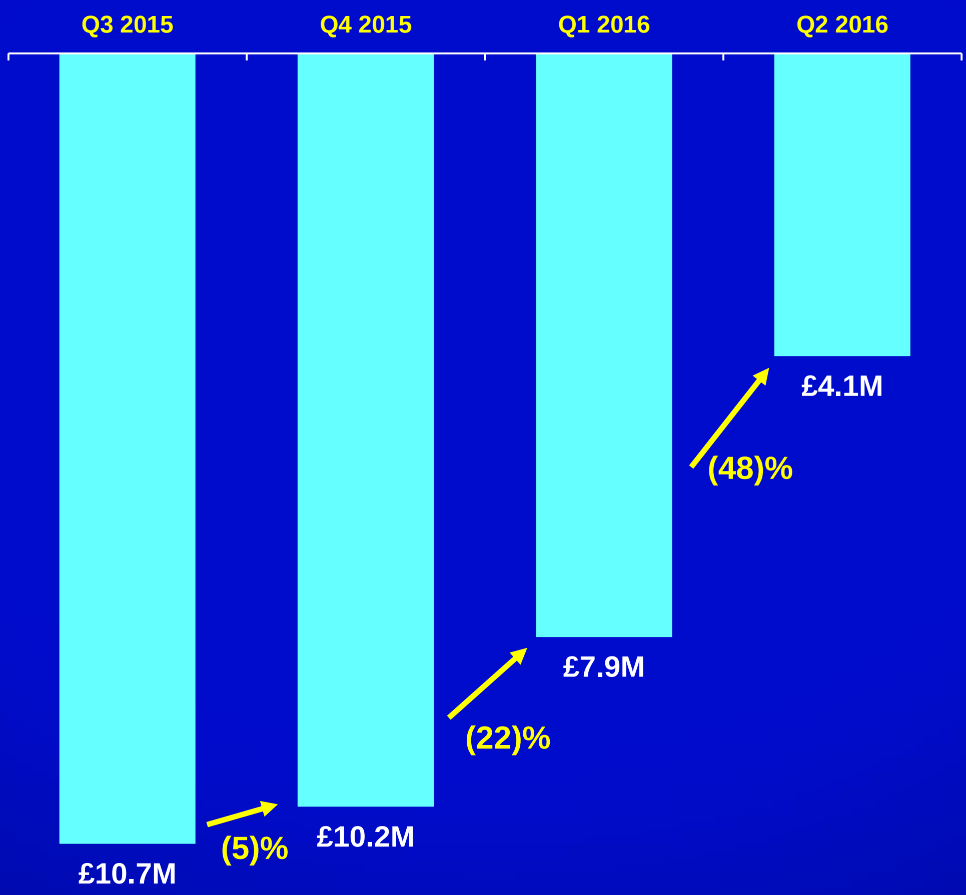
and invest in & accelerate our digital offerings



• New online Commercial banking platform	Live
• New public website with new geo user interface	Q3 2016
• New mobile app for Personal and Small Business Customers	Q4 2016
• Online application suite build out – including new to franchise current accounts and unsecured lending	H1 2017
• Click & Collect	H1 2017

whilst still delivering a continued reduction in quarterly losses

Underlying loss after tax



so we reiterate our current and 2020 guidance

Month-on-month profitability by the end of 2016

Full year profitability for 2017

UK Deposit Market in 2020: c.£2.3trn(1)

Metro Bank Deposits: c.£27.5B, c.1.2%(2)

2020 Targets:

c.110 stores,

c.£5.25M deposits per month

Loan to Deposit: c.80%

NIM + Fees: c.3%

Cost : Income: c.60%

Cost of Risk(3): c.0.20%

Leverage ratio: >4.0%

ROE: c.18%

(1) UK Deposit market based on Bank of England Data for 2015, assumed to grow in line with UK GDP forecasts of the World Bank until 2017, held flat from 2017E onwards at 2.5% annual growth.

(2) UK Deposit market based on Bank of England Data for Illustrative scenario, assuming deposits grow from 2015-2020 at a CAGR of c.40%.

(3) Calculated based on average gross loan balances.

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questions?

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