JOIN THE REVOLUTION

METRO BANK

21 February 2018

the revolution goes from strength to strength

	FY 2017	FY 2016	QoQ% Change	YoY% Increase	On Target
Customer deposits	£11.7b	£8.0b	+8%	+47%	✓✓
Net average deposits per store month	**£6.3m**	£5.7m	-11%	+11%	✓✓✓
Net customer loans	£9.6b	£5.9b	+12%	+64%	✓✓✓
Loan to deposit ratio	**82%**	74%	+2pp	+8pp	✓✓✓
Underlying profit/ (loss) before tax	£20.8m	£(11.7m)	+15%	-	✓✓

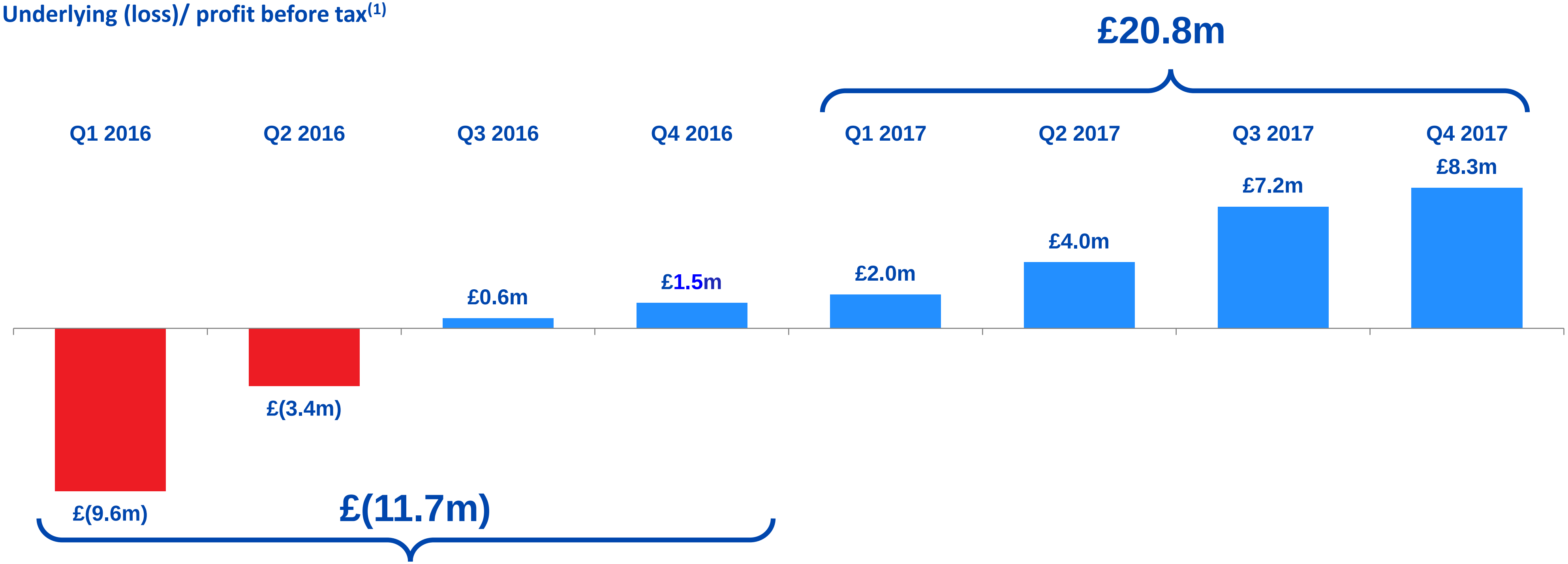
Outperform ✓✓✓
On target ✓✓
Underperform ✓

- Awarded Moneywise Most Trusted Financial Provider for the second consecutive year and Best Mobile Banking App 2017
- Fulfilled our commitment of over £1bn new net lending to SMEs. Awarded Best Business Lender of the Year by Corporate LiveWire
- Voice of the Colleague results rose across every metric[(1)] vs 2016, named a Glassdoor top 50 employer
- Almost 600 jobs created
- Over 600 colleagues promoted
- Over 27,000 children benefited from our Money Zone education programme

(1) One metric remained constant

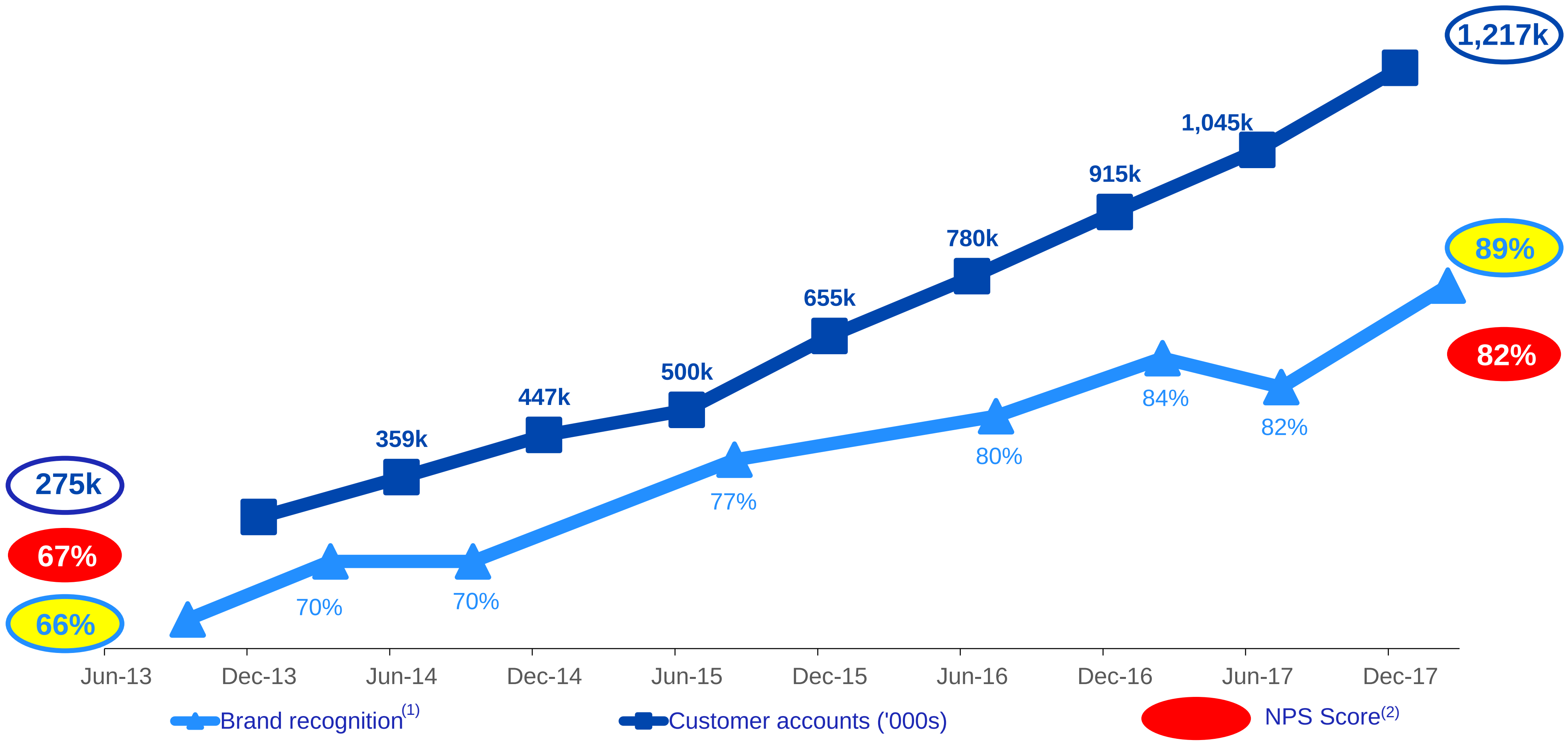
delivering our sixth consecutive quarter of rising profitability through our award winning model and culture

Underlying (loss)/ profit before tax[(1)]



(1) Quarterly underlying profit/(loss) before tax excludes the FSCS Levy of £0.6m (2016: £0.7m) which is included in the full year underlying profit/(loss) before tax

leading to increasing Net Promoter Score, brand recognition and customer accounts as we create FANS

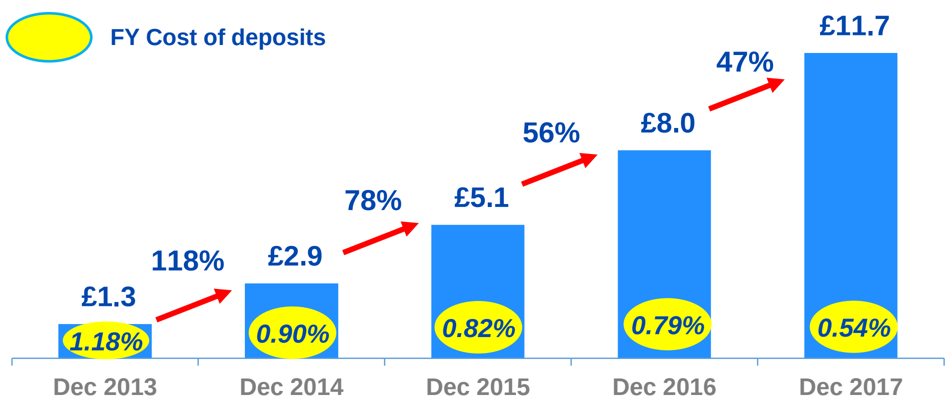


- Zero incentives or teaser rates
- <£100k advertising spend

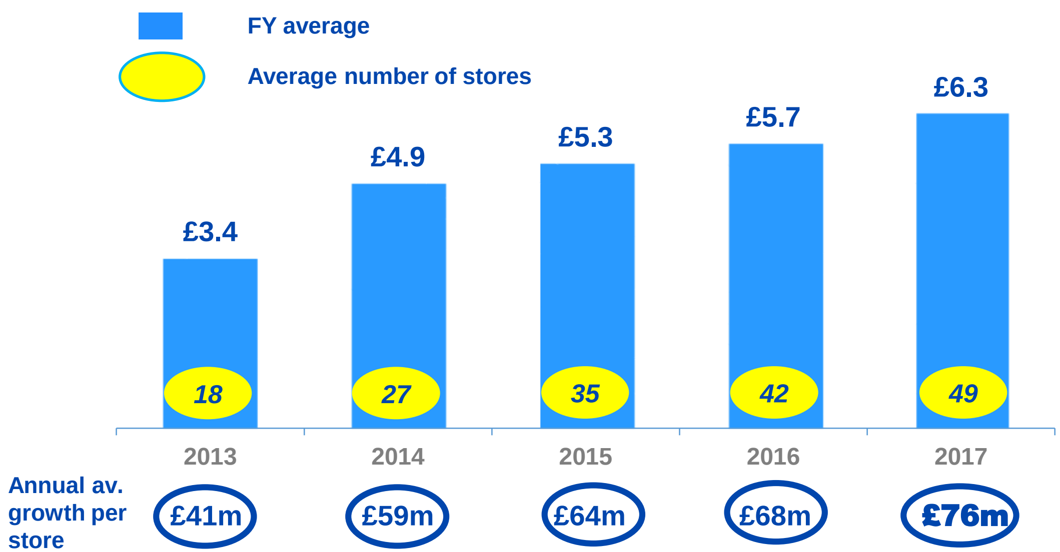
(1) In London. Source: YouGov
(2) Whole bank annual NPS

more and more FANS trust us with their low cost, sticky deposits

Customer deposits (£'b)



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

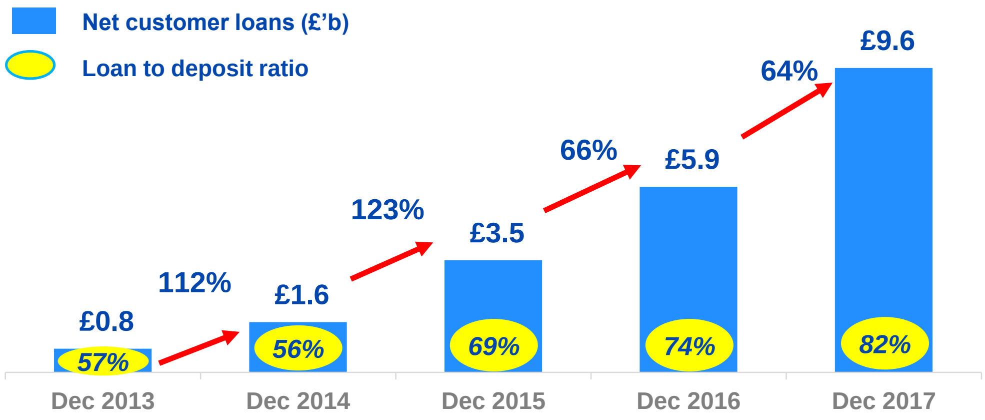


- Record £6.3m deposit growth per store per month in FY 2017 (2016: £5.7m)
- Annual deposit growth per store increased to **£76m** (\$103m[(1)]) from **£68m** (\$92m[(1)]) in 2016
- Cost of deposits increased marginally to 0.52% in 4Q17 from 0.50% in 3Q17 due to November rate rise
- Current account (non-interest bearing) growth of **61%** YoY, now **32%** of deposits
- Annual deposit growth of 47%
  - Retail 39% growth
  - Commercial 55% growth
- Deposit mix: commercial 53% and retail 47%

(1) FX $/£ 1.35

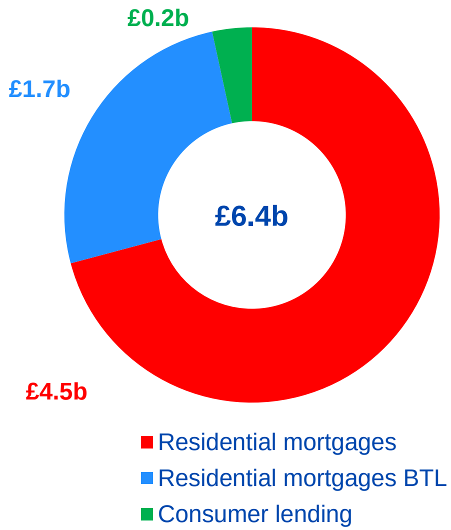
enabling us to grow our lending at low risk

High growth, low risk lending increasing our LTD ratio

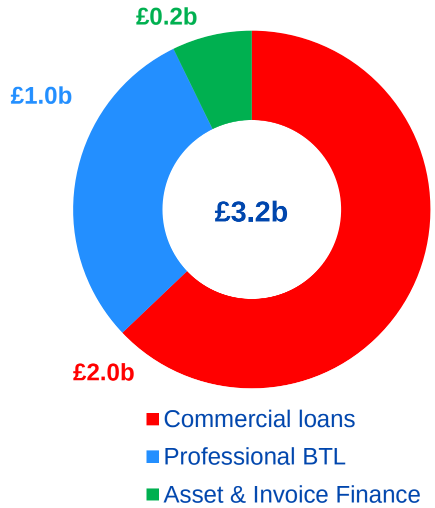


Portfolio

Retail: 67% of portfolio



Commercial: 33% of portfolio



- Strong momentum in lending across all asset classes
  - Loan to deposit ratio of 82% in 4Q17
  - Annual loan growth of 64%
    - Retail 70% growth
    - Commercial 53% growth
- Non-performing loans (90 days+ in arrears) are 0.27% of loan balances for FY 2017 (2016: 0.12%)
- Cost of risk remained low and stable at 0.11% in FY 2017 (2016: 0.10%)
- Average debt to values remain at c.60%
  - 60% on residential lending
  - 58% on commercial lending
  - 61% on BTL
- Buy-to-Let represents 27% of total lending

delivering a highly liquid, deposit funded balance sheet

£'m	FY 2017	FY 2016	Annual Growth
Loans and advances to customers	9,620	5,865	64%
Treasury assets[1]	6,127	3,727	64%
Other assets[2]	608	465	31%
Total Assets	**16,355**	**10,057**	**63%**
Deposits from customers	11,669	7,951	47%
BoE funding scheme drawings	3,321	543	512%
Other liabilities	269	759	(64%)
Total Liabilities	**15,259**	**9,253**	**65%**
Shareholders' funds	1,096	804	36%
Total equity and liabilities	**16,355**	**10,057**	**63%**
Capital adequacy & liquidity coverage ratios:			
CET1 risk capital ratio	15.3%	18.1%	-
Regulatory leverage ratio	5.5%	6.5%	-
Risk weighted assets	5,882	3,590	-
Liquidity coverage ratio	141%	136%	-

- With a 82% loan to deposit ratio, the balance sheet is intrinsically liquid
- 91% of the liquidity and investment portfolio is cash, government bonds and AAA-rated instruments[3]
- The bank is running little interest rate or FX risk. **32% current accounts provide a funding advantage in a rising rate environment**
- TFS drawings of £3.3b. All FLS drawings fully repaid in November
- Strong capital adequacy ratios, assisted by a c.£280m equity raise in July at market price
- IFRS 9 adopted from 1 January 2018. Immaterial impact on CET1 after transitional relief
- We estimate raising c.£750m of MREL qualifying debt by 1 January 2020
- We will maintain a CET 1 ratio >12% and leverage >4%

(1) Comprises investment securities, cash & balances with the Bank of England, and loans and advances to banks. (2) Comprises property, plant & equipment, intangible assets and other assets (3) Remainder is all investment grade

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and achieving our first full year of profitability

£'m	FY 2017	**FY 2016**	Annual Growth
Net interest income	241.0	154.2	56%
Fees and other income	49.1	35.5	38%
Net gains on sale of securities	3.7	5.4	(31%)
Total revenue	**293.8**	**195.1**	**51%**
Operating expenses	(231.4)	(179.7)	29%
Depreciation and Amortisation	(33.4)	(22.4)	49%
Operating Cost(1)	**(264.8)**	**(202.1)**	**31%**
Credit impairment charges	(8.2)	(4.7)	74%
Underlying profit (loss) before tax	**20.8**	**(11.7)**	**-**
Underlying taxation	(4.9)	0.4	-
Underlying profit (loss) after tax	**15.9**	**(11.3)**	**-**
Underlying earnings per share	18.8p	(14.7p)	-
Ratios			
Net interest margin	1.93%	1.97%	-
Customer net interest margin(2)	2.19%	2.13%	-
Customer net interest margin(2) + fees	2.69%	2.67%	-
Underlying cost to income ratio	90%	104%	-
Cost of Risk	0.11%	0.10%	-

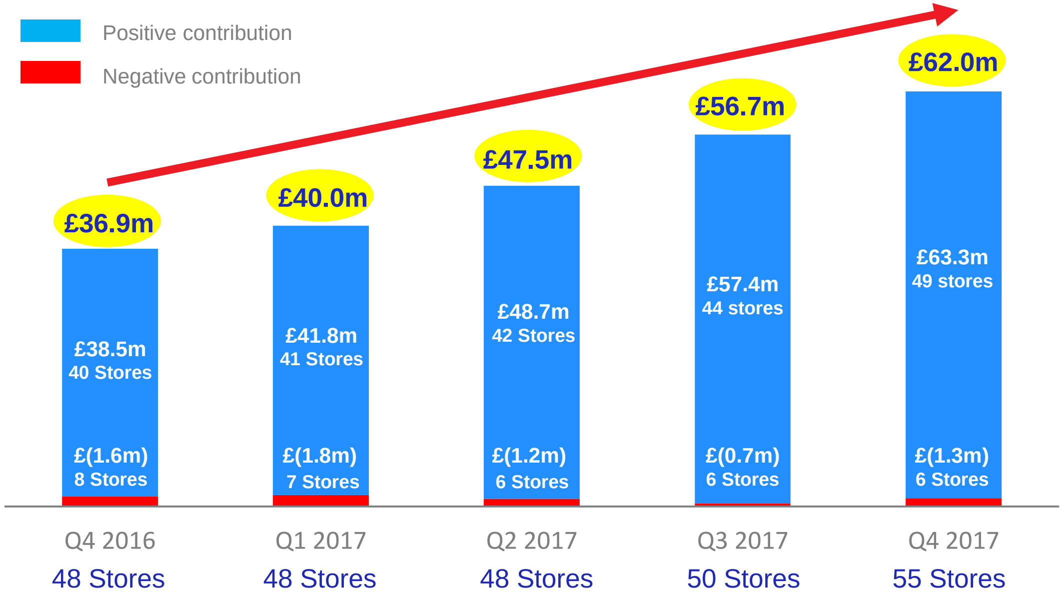
- £20.8m profit in 2017 compared to a £11.7m loss in 2016; a £32.5m positive move
- Annual operating costs per £1m of deposits down from £25k in 2016 to £23k in 2017, an improvement of 11% and a reflection of strengthening economies of scale
- Strong and positive income (+51%) and cost(1) (+31%) growth differential
- Depreciation and amortisation line (+49%) reflects investment in stores and digital technology (mobile app, current account online)
- Increase in Customer NIM driven by higher Loan to Deposit ratio
- NIM impacted by incremental TFS drawings

(1) Underlying costs including Depreciation and Amortisation

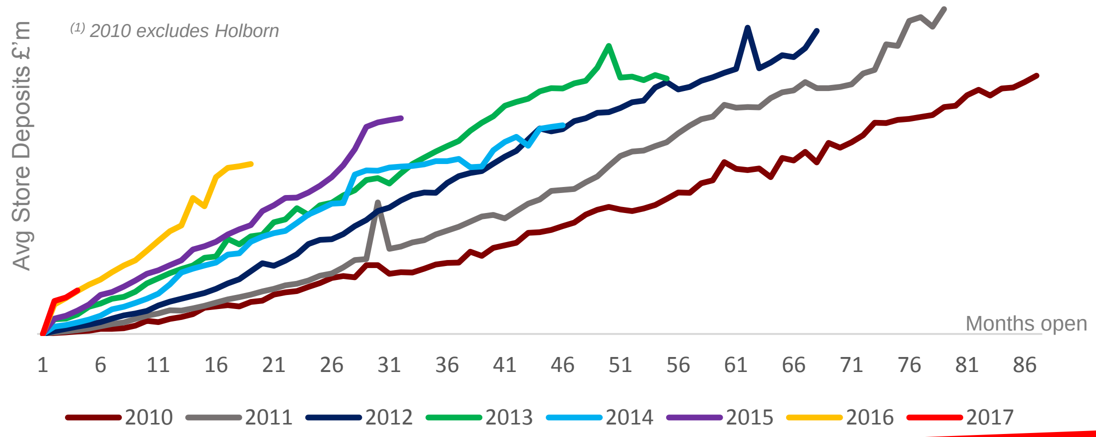
(2) Customer Deposit NIM eliminates the distortions created by TFS drawings and provides a real measure of how effectively the customer deposits are being put to work. As TFS unwinds (repayments are due four years from drawdown) the simple NIM calculation will move closer to Customer Deposit NIM.

with store contribution and performance continuing to increase

Store contribution increases for new and existing stores (quarterly)



Annual cohorts start and grow faster[1]



- All stores open 18 months or more make a positive contribution
- New stores open with more deposits and grow faster as each annual cohort benefits from:
  - Increased network effect
  - Organisational learnings
  - Brand recognition 89% in London[2]
- The existing network is the engine of growth
  - **43%** comp store growth in deposits for stores open 12 months+
  - 39% and 35% for stores open 24 months+ and 36 months+
- In stores open 12 months+ safe deposit boxes cover over 80% of the store rent

(1) 2010 excludes Holborn. (2) In London. Source: YouGov

*Source: YouGov

with Ealing an example of how store contribution grows

£'000	Y1	Y2	Y3	Y4
Number of customer accounts	10,399	17,603	24,949	31,870
Deposits	44,581	153,232	226,255	290,347
Average deposit growth per month	*£3.7m*	*£9.1m*	*£6.1m*	*£5.3m*
Total income[(1)]	**812**	**2,903**	**4,498**	**6,931**
People costs	647	669	699	702
Property costs	837	776	795	841
Other costs	162	126	111	195
Store operating expenses[(2)]	**1,646**	**1,571**	**1,605**	**1,738**
Store contribution	**(834)**	**1,332**	**2,893**	**5,193**

+117% **+80%**

- Grand opening in June 2013
- Positive contribution within 14 months
- Contribution to profit increasing year-on-year, with costs remaining largely static as store now well established
- 92% of the store's safety deposit boxes are currently occupied and cover all of the store's rental costs

(1) Total income includes store specific fee income (such as revenue from Safe Deposit Boxes), together with a share of the whole bank's net interest margin, allocated based on the store's deposit balance as a proportion of the whole bank's deposit balance.

(2) Store operating expenses do not include any share of Head Office costs

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and continuing investment in our multi-channel experience, the future of high growth retail

Legacy-free IT and state-of-the art stores offer best-in-class service however, wherever and whenever the customer chooses.

ONLINE
Simple and secure

- State of the art current account online opening in **just 10 minutes**, including selfie ID&V
- Choice to click and collect cards or receive in post
- All set to now revolutionise Business Current Account opening online

IN STORE
Open early 'til late, 7 days a week

- >80% of retail accounts opened in under 30 mins
- SME accounts opened same day
- M-welcome program with predictive wait times to see a colleague

ON THE APP
Customer-led digital journey

- Create new beneficiaries and open savings accounts, with international payments coming soon
- AI-led personal finance nudges and alerts coming very soon

OVER THE PHONE
Open 24/7, 365 days a year

- Skill based routing connecting FANS to Colleagues instantly
- Enhanced customer ID&V analytics

with more stores opening in new and existing markets

55 stores open, 12 opening in 2018 and 200 to 250 for national coverage

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as we refine and grow into our 2020 targets

UK Deposit Market in 2020: c.£2.4trn(1)

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

2020 Targets:

c.100 stores

£5.5 – 6.5m deposits per month

Loan to Deposit: 85-90%

Customer NIM + Fees(3): c.3%

Cost : Income: c.60%

Cost of Risk(4): c.0.20%

Leverage(5) ratio: >4.0%

ROE: c.14%

- Following sustained outperformance, we **increase** deposits per store per month from c.£5.25m to £5.5-6.5m. We adjust the store outlook from c.110 to c.100
- To reflect the momentum of our lending and the market opportunities we see, we **increase** our Loan to Deposit ratio from c.85% to 85-90%
- TFS has had a distorting effect on NIM + fees impacting it by 37bps so we have introduced 'Customer NIM + fees' which more accurately reflects underlying business performance

(1) UK Deposit market based on Bank of England Data for 2017, assumed to grow in line with UK GDP forecasts of the World Bank until 2020. (2) Assuming deposits grow from 2017-2020 at a CAGR of c.33%. (3) Assumes two base rate increases 2018-2020 (4) Calculated based on average gross loan balances. (5) Regulatory leverage.

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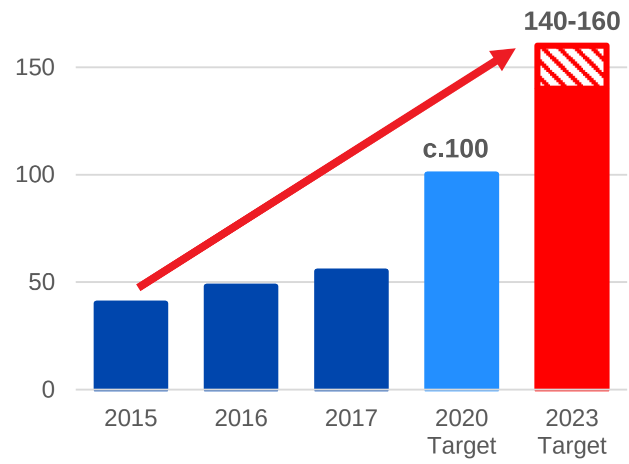
and introduce 2023 targets as the revolution continues to grow, with the best yet to come…

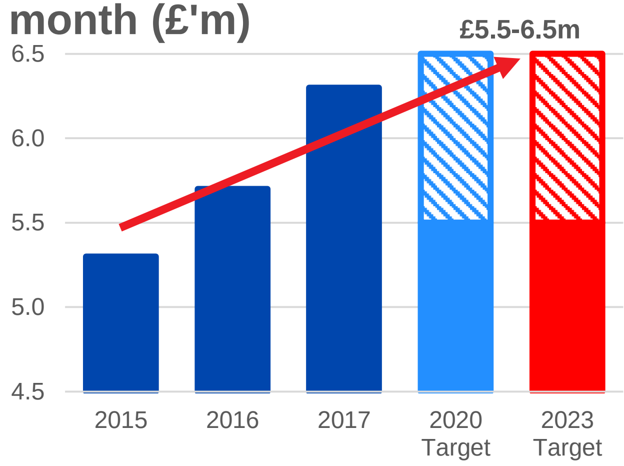
2023 Targets:

Metro Bank Deposits: £50-55b
140-160 stores
£5.5-6.5m deposits per month
Loan to Deposit: 85-90%
Customer NIM + Fees[1]: c.3%
Cost : Income: 55-58%
Cost of Risk[2]: 0.15-0.30%
Leverage[3] ratio: >4.0%
ROE[4]: 17-19%

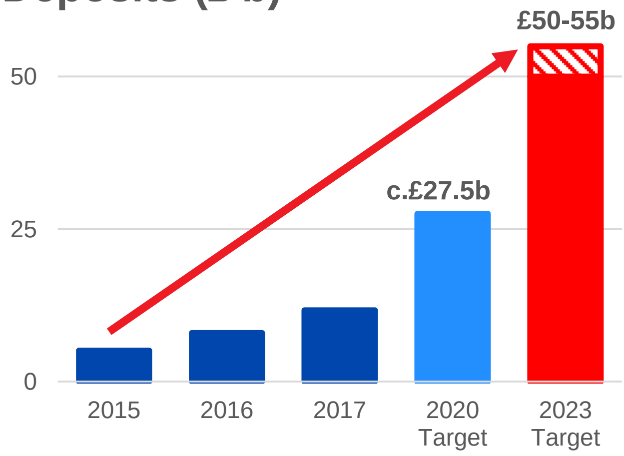
Stores



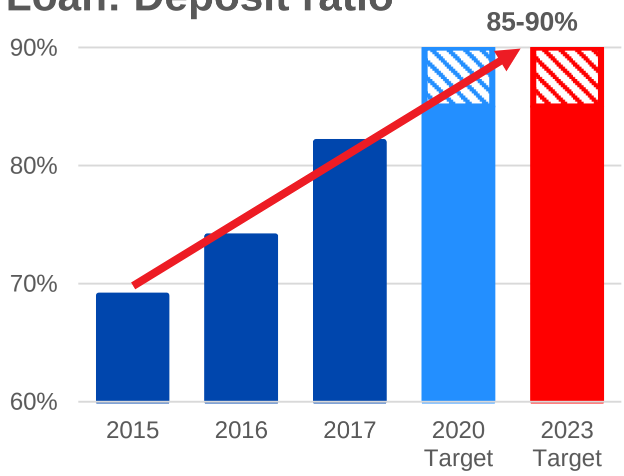
Deposit growth per store per month (£'m)



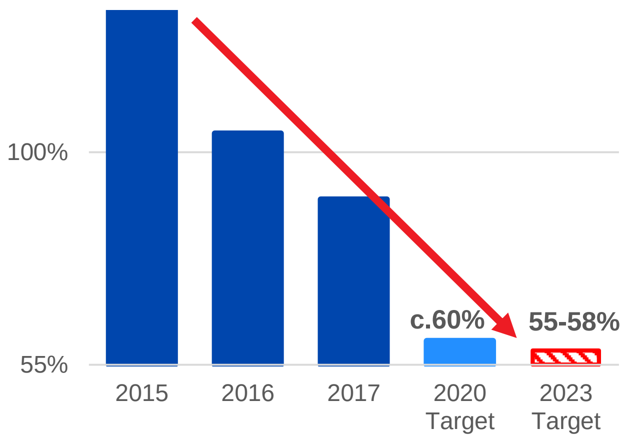
Deposits (£'b)



Loan: Deposit ratio



Cost: Income ratio



(1) Assumes three base rate increases 2018-2023. (2) Calculated based on average gross loan balances (3) Regulatory leverage. (4) 2022 ROE target of 18% remains

because its all about creating FANS

Paul Dulieu @Paul_Dulieu · Oct 4
Replying to @watsoncomedian @Barclays
There's a good reason @Metro_Bank is winning lots of awards & expanding. 1st class customer service & actual people to deal with!

Ricardo Varela @phobeo · Oct 4
One more instance of outstanding business service from @Metro_Bank - seriously, all banks should be like this (PS: not a sponsored tweet :P)
2 1 3

"The most inspirational employer I have ever worked for"
Current Employee - Anonymous Employee in London, England
Recommends Positive Outlook Approves of CEO

Susie Verrill @susiejverrill · Jun 28
I've turned in to one of those people who recommends banks. @Metro_Bank fo' serious, they're such a pleasure to go with.
2 2 16

Catherine SouthonAuct @SouthonAuction · Apr 4
Amazing customer service @MetroBank_Help today -the others @VirginMoney @AskHalifaxBank etc were very unhelpful - well done metro Bromley 👏👏
6 1 10

Will Millard @willmillard1
6 hours ago
I'm going to sound evangelical here but you'll also get that from @Metro_Bank If you call, you'll speak to a (shock horror) real person!

gavinjones @gavinjones73 · Feb 13
@SirDuffield @Metro_Bank
New business account opened today and thank you to @Kelly_Purvor two new mascots

"Genuinely love coming to work every day"
Current Employee - Human Resources Manager in Holborn, England
Recommends Positive Outlook Approves of CEO

Allison Fraiberg @AllisonFraiberg · May 4
A bank with a sense of humor AND a deep commitment to customers? Who knew? 😉 @Metro_Bank #bankingrevolution

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