Agenda

1 Introduction Daniel Frumkin (CEO)
2 1H20 Financial results David Arden (CFO)
3 Strategy & Operational update Daniel Frumkin (CEO)
4 Q&A
Introduction

Daniel Frumkin (CEO)
Supporting our customers, communities and colleagues through COVID-19

Community banking has never been more relevant

Customers

- 100% of store network remained open
- Contact centre open daily
- Digital services available 24/7
- Opened stores in two new communities

Communities

- Store support for local communities e.g. NHS collections, fundraising activities
- Colleagues given 5 Days to AMAZE to volunteer/support in their local communities

Retail

- Supported vulnerable customers
- >9,000 mortgage payment deferrals granted
- Total app/website logins up 8% vs 2H19

Business

- Capital repayment deferrals, interest roll-ups, covenant waivers
- >25,000 BBLS applications
- >£100m of CBILS
- CLBILS accredited

Colleagues

- Additional COVID-19 leave granted
- No use of government furlough scheme
- £2m ‘Thank You’ fund for colleagues
- Central functions equipped to work from home
- Launched Health and Wellbeing Hub supporting physical and mental wellbeing

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(1) Since the start of the pandemic (2) Includes PBTL (3) As at 27 July 2020
Impact of COVID-19

- Operational
- Credit Provisioning
- Fee Income
- Margin Compression
Strategic priorities reaffirmed

1. Costs
   - Tight cost control through back office efficiencies, organisational simplification and disciplined property footprint

2. Infrastructure
   - Investment in integrated channels and core infrastructure

3. Revenue
   - Meeting more customer needs and development of new capabilities

4. Balance sheet optimisation
   - Enhanced focus on risk-adjusted returns and growing tangible book value

5. Internal and external comms
   - Improve our approach to communication

Becoming the UK’s best community bank
1H20 Financial results

David Arden (CFO)
### 1H 2020 key performance indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer accounts</td>
<td>2.0m</td>
<td>2.1m</td>
<td>5%</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>£14.5b</td>
<td>£15.6b</td>
<td>8%</td>
</tr>
<tr>
<td>Total capital + MREL ratio</td>
<td>22.1%</td>
<td>21.3%</td>
<td>(80bps)</td>
</tr>
<tr>
<td>Underlying loss before tax</td>
<td>£25.1m</td>
<td>£183.4m</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Statutory loss before tax</td>
<td>£134.2m</td>
<td>£240.6m</td>
<td>79%</td>
</tr>
<tr>
<td>Net fee and other income¹</td>
<td>£44.0m</td>
<td>£36.1m</td>
<td>(18%)</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>1.40%</td>
<td>1.15%</td>
<td>(25bps)</td>
</tr>
<tr>
<td>Liquidity coverage ratio</td>
<td>197%</td>
<td>226%</td>
<td>29pp</td>
</tr>
<tr>
<td>Customer deposits (2019: £14.5b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital + MREL ratio (2019: 22.1%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying loss before tax (2H19: £25.1m loss)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory loss before tax (2H19: £134.2m loss)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Includes c.£109m of impact directly related to COVID-19

- Strong deposit growth, particularly in current accounts
- ‘Run the bank’ costs controlled, 2% growth
- ‘Change the Bank’ accelerated with change initiatives brought forward

(1) Disclosed on an underlying basis
Revenue reduction reflects base rate repricing lag as well as lower fee income from reduced transaction volumes

NIM Bridge (bps)

<table>
<thead>
<tr>
<th></th>
<th>2H19</th>
<th>Lending yield</th>
<th>Cost of deposits</th>
<th>Loan to deposit ratio</th>
<th>Other</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>115</td>
<td></td>
<td>(11)</td>
<td>2</td>
<td>(10)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| NIM impacted by lower loan to deposit ratio, sustained mortgage market competition and repricing lag effect following base rate cut |

Net fee and other income¹ (£m)

<table>
<thead>
<tr>
<th></th>
<th>1H19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX gains and other travel money impacted by lockdown</td>
<td>6.4</td>
<td>7.4</td>
</tr>
<tr>
<td>ATM and interchange lower transaction volumes</td>
<td>14.0</td>
<td>12.7</td>
</tr>
<tr>
<td>Service charges removal of overdraft fees</td>
<td>11.1</td>
<td>6.5</td>
</tr>
<tr>
<td>Safe deposits boxes new stores and utilisation</td>
<td>14.9</td>
<td>9.5</td>
</tr>
</tbody>
</table>

¹ Disclosed on an underlying basis
Disciplined cost growth

Improved cost discipline and successful delivery of planned initiatives contained ‘Run the Bank’ cost growth to 2%

**Run the Bank**
- £201m in 2H19
- £179.7m in 1H20

**Change the Bank**
- £225m in 1H20
- £184.1m in 1H20

**Contained growth**
- Growth contained despite:
  - 6 store openings
  - First advertising campaign
  - COVID-19 costs: WFH/PPE equipment; ‘Thank You’ fund
- Improved cost discipline supported by:
  - Accelerated central London property decision
  - Reduced size of Senior Leadership Team
  - Implementation of preferred supplier lists
  - IT outsourcing at lower cost and greater flexibility
  - Improved Management Information enabling greater accountability

**Investment on track**
- Front loaded investment spend attracting a lower average capitalisation rate
- Investment spend focused on:
  - Regulatory programmes
  - AIRB
  - Infrastructure
  - Cost transformation

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### Macroeconomic scenarios and COVID-19 provisioning

#### Application of scenarios and weighting

- **M** 3 probability weighted scenarios: Baseline (40%); Upside (30%) and Downside (30%)
- **M** Macro-economic projections provided by Moody's Analytics
  - underlying portfolio uses pre-COVID19 scenarios (Dec19)
  - COVID19 impact assessed using latest scenarios (Jun 20)
- **M** COVID-19 impact combines
  - modelled impact
  - expert judgement to capture potential impact of payment deferrals and other relief measures

#### Modelled scenarios

<table>
<thead>
<tr>
<th>Macroeconomic variable</th>
<th>Scenario</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment (%)</td>
<td>Baseline</td>
<td>8.4%</td>
<td>8.4%</td>
<td>7.9%</td>
<td>6.9%</td>
</tr>
<tr>
<td></td>
<td>Upside</td>
<td>7.7%</td>
<td>6.8%</td>
<td>6.4%</td>
<td>5.7%</td>
</tr>
<tr>
<td></td>
<td>Downside</td>
<td>9.9%</td>
<td>10.8%</td>
<td>10.4%</td>
<td>9.2%</td>
</tr>
<tr>
<td>House price index (YoY%)</td>
<td>Baseline</td>
<td>(14.6%)</td>
<td>(4.9%)</td>
<td>5.8%</td>
<td>10.0%</td>
</tr>
<tr>
<td></td>
<td>Upside</td>
<td>(12.1%)</td>
<td>1.3%</td>
<td>7.2%</td>
<td>8.3%</td>
</tr>
<tr>
<td></td>
<td>Downside</td>
<td>(19.4%)</td>
<td>(14.4%)</td>
<td>2.0%</td>
<td>10.4%</td>
</tr>
<tr>
<td>UK GDP (YoY%)</td>
<td>Baseline</td>
<td>(7.7%)</td>
<td>3.9%</td>
<td>5.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td></td>
<td>Upside</td>
<td>(4.7%)</td>
<td>3.9%</td>
<td>5.0%</td>
<td>3.4%</td>
</tr>
<tr>
<td></td>
<td>Downside</td>
<td>(10.6%)</td>
<td>4.4%</td>
<td>5.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Mortgage 5 year interest rates (%)</td>
<td>Baseline</td>
<td>1.7%</td>
<td>1.9%</td>
<td>2.2%</td>
<td>2.8%</td>
</tr>
<tr>
<td></td>
<td>Upside</td>
<td>2.0%</td>
<td>2.4%</td>
<td>2.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td></td>
<td>Downside</td>
<td>1.8%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

1. Moody's Analytics published 20 June 2020
## Expected credit loss expense

### ECL expense and Cost of Risk

<table>
<thead>
<tr>
<th>ECL expense (£m)</th>
<th>1H20</th>
<th>1H19</th>
<th>Change</th>
<th>Cost of Risk (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Mortgages</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>0.06</td>
</tr>
<tr>
<td>Commercial Lending</td>
<td>10</td>
<td>1</td>
<td>9</td>
<td>0.59</td>
</tr>
<tr>
<td>Consumer Lending</td>
<td>2</td>
<td>3</td>
<td>(1)</td>
<td>1.84</td>
</tr>
<tr>
<td><strong>Underlying ECL</strong></td>
<td><strong>15</strong></td>
<td><strong>4</strong></td>
<td><strong>11</strong></td>
<td><strong>0.23</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ECL provision movement (£m)</th>
<th>34</th>
<th>7</th>
<th>7</th>
<th>112</th>
<th>4</th>
<th>108</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-19</td>
<td>Single names</td>
<td>Portfolio charge</td>
<td>Underlying £14m</td>
<td>COVID-19 single names</td>
<td>COVID-19 Macroeconomic outlook</td>
<td>Jun-20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COVID-19 impact assessment has leveraged a combination of modelled results and expert judgement:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model driven analysis, in particular reflecting the impact of deterioration in unemployment and HPI on mortgage portfolio</td>
</tr>
<tr>
<td>Expert judgment analysis to reflect the impact of payment deferrals</td>
</tr>
<tr>
<td>Detailed assessment of individual exposures:</td>
</tr>
<tr>
<td>• Commercial portfolio &gt;£3m</td>
</tr>
<tr>
<td>• Commercial Real Estate &gt;£5m</td>
</tr>
<tr>
<td>Expert judgement analysis to apply industry based sector scalers within the Commercial portfolio</td>
</tr>
</tbody>
</table>

(1) Annualised  (2) The difference between ECL expense and ECL provision movement relates to write offs and other movements
**Asset quality**

### Lending portfolio

- **£15.0b**
  - Retail mortgages: £3.8b (26%)
  - Commercial: £10.2b (68%)
  - CBILS / BBLS: £0.2b (1%)

### Non-performing loans

- **Retail mortgages**: £0.2b (26%)
- Commercial: £15.0b (84%)
  - FY19: £0.24b (1.2%)
  - 1H20: £0.39b (1.3%)
- Consumer: £3.8b (25%)
  - FY19: £4.30b (5.74%)
  - 1H20: £0.53b (0.96%)

### Cost of risk

- **Retail mortgages**: £0.66b (0.66%)
- Commercial: £3.49b (3.49%)
  - FY19: £0.06b (0.06%)
  - 1H20: £3.49b (3.49%)
- Consumer: £7.35b (7.35%)
  - FY19: £1.84b (1.84%)
  - 1H20: £5.51b (5.51%)
  - COVID-19 impact: £1.55b (1.55%)

### ECL coverage ratio

- **FY19**: 0.23%
- **1H20**: 0.96%

### Balance by IFRS9 stages

- **Stage 1**: Underlying 95% (1H20), 93% (FY19)
  - COVID-19 4%
  - 17.2% (20.1%)
- **Stage 2**: Underlying 6% (1H20), 2% (FY19)
  - COVID-19 6%
  - 0.7% (1.4%)
- **Stage 3**: Underlying 0% (1H20), 1% (FY19)
  - COVID-19 0%
  - 10% (10%)

### Average debt-to-value

- **M Retail mortgage**: 59%
- **M Commercial term loan**: 60%

### Debt-to-value

- **FY19**
  - < 50%: 30%
  - 51-60%: 17%
  - 61-70%: 24%
  - 71-80%: 18%
  - 81-90%: 21%
  - > 100%: 23%
- **1H20**
  - < 50%: 37%
  - 51-60%: 17%
  - 61-70%: 24%
  - 71-80%: 18%
  - 81-90%: 21%
  - > 100%: 11%

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(1) Commercial term loans excluding BILS and CBILS
6,419 retail mortgage payment deferrals active at 30 June, totalling £1.8bn, representing 16% of the portfolio.

Active deferrals have since reduced by >45%

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(1) Debt-to-value

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Commercial lending

Commercial lending portfolio

- £4.6b
- £3.4b
- £0.8b
- £0.2b
- 73%
- 17%
- 6%
- 4%
- Term loans
- BBLS & CBILS
- Asset & Invoice Finance
- Overdrafts & Credit Cards

M Detailed assessment of individual exposures:
  - Commercial portfolio >£3m
  - Commercial Real Estate >£5m

M £730m of BBLS and £50m of CBILS loans approved, across c.20,000 customers as at 30 June 2020.

M Government underwrite 100% BBLS, 80% CBILS.

Commercial lending industry sectors

<table>
<thead>
<tr>
<th>Industry sector (£m)</th>
<th>30 Jun 2020</th>
<th>31 Dec 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate (PBTL)</td>
<td>1,167</td>
<td>1,219</td>
</tr>
<tr>
<td>Real estate (other term loans)</td>
<td>1,070</td>
<td>1,155</td>
</tr>
<tr>
<td>Hospitality</td>
<td>323</td>
<td>308</td>
</tr>
<tr>
<td>Health &amp; Social Work</td>
<td>243</td>
<td>263</td>
</tr>
<tr>
<td>Legal, Accountancy &amp; Consultancy</td>
<td>202</td>
<td>236</td>
</tr>
<tr>
<td>Other</td>
<td>384</td>
<td>365</td>
</tr>
</tbody>
</table>

ECL coverage ratio

<table>
<thead>
<tr>
<th>ECL Coverage Ratio</th>
<th>FY19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying</td>
<td>0.28%</td>
<td>0.47%</td>
</tr>
<tr>
<td>COVID-19 scenario</td>
<td>1.79%</td>
<td></td>
</tr>
</tbody>
</table>

Balance by IFRS9 stage

<table>
<thead>
<tr>
<th>Stage</th>
<th>FY19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>97%</td>
<td>94%</td>
</tr>
<tr>
<td>Stage 2</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Stage 3</td>
<td>1%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Commercial lending debt-to-value

<table>
<thead>
<tr>
<th>Debt-to-value</th>
<th>FY19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50%</td>
<td>36%</td>
<td>37%</td>
</tr>
<tr>
<td>51-60%</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>61-70%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>71-80%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>81-90%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>91-100%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>&gt; 100%</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Average commercial DTV: 60%

(1) Debt-to-value (2) Commercial term loans only
**P&L impacted by lower revenues and higher ECL expense**

<table>
<thead>
<tr>
<th>£m</th>
<th>1H20</th>
<th>2H19</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>116.2</td>
<td>141.9</td>
<td>(18%)</td>
</tr>
<tr>
<td>Net fees and other income</td>
<td>36.1</td>
<td>44.0</td>
<td>(18%)</td>
</tr>
<tr>
<td>Net gains on sale of assets</td>
<td>1.0</td>
<td>(2.5)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td><strong>Total underlying revenue</strong></td>
<td><strong>153.3</strong></td>
<td><strong>183.4</strong></td>
<td>&gt;100%</td>
</tr>
<tr>
<td>‘Run the bank’ costs</td>
<td>(184.1)</td>
<td>(179.7)</td>
<td>2%</td>
</tr>
<tr>
<td>‘Change the Bank’ costs</td>
<td>(40.6)</td>
<td>(21.5)</td>
<td>89%</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(224.7)</td>
<td>(201.2)</td>
<td>12%</td>
</tr>
<tr>
<td>COVID-19 macro expense</td>
<td>(96.8)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Underlying ECL expense</td>
<td>(15.2)</td>
<td>(7.3)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Expected credit loss expense</td>
<td>(112.0)</td>
<td>(7.3)</td>
<td>&gt;100%</td>
</tr>
<tr>
<td><strong>Underlying loss before tax</strong></td>
<td><strong>(183.4)</strong></td>
<td><strong>(25.1)</strong></td>
<td></td>
</tr>
<tr>
<td>Exceptionals</td>
<td>(57.2)</td>
<td>(109.1)</td>
<td>(52%)</td>
</tr>
<tr>
<td>Statutory taxation</td>
<td>1.1</td>
<td>(49.7)</td>
<td>(&gt;100%)</td>
</tr>
<tr>
<td><strong>Statutory loss after tax</strong></td>
<td><strong>(239.5)</strong></td>
<td><strong>(183.9)</strong></td>
<td></td>
</tr>
<tr>
<td>Underlying EPS basic</td>
<td>(108.8p)</td>
<td>(14.9p)</td>
<td>&gt;100%</td>
</tr>
</tbody>
</table>

**Ratios**

- Net interest margin: 1.15% (1.40%) (25bps)
- Cost of deposits: 0.82% (0.85%) (3bps)
- Underlying cost to income ratio: 147% (110%) 37%
  - CoR - COVID-19\(^1\): 1.32%
  - CoR – Underlying\(^1\): 0.23% (0.10%) 13bps
- Cost of risk\(^1\): 1.55% (0.10%) 1.45%

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- Impairment and write-off of PP&E £27m: primarily relates to exit of a central London office space
- Remediation costs £18m: ongoing remediation programmes in relation to sanctions procedures and RWA
- Transformation costs £12m: delivery of the cost transformation programme, includes some costs of exiting London office space

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(1) Calculated on an annualised basis
Balance sheet robust and liquid

<table>
<thead>
<tr>
<th>£m</th>
<th>Jun 2020</th>
<th>Dec 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>14,857</td>
<td>14,681</td>
<td>1%</td>
</tr>
<tr>
<td>Treasury assets1</td>
<td>6,101</td>
<td>5,554</td>
<td></td>
</tr>
<tr>
<td>Other assets2</td>
<td>1,176</td>
<td>1,165</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>22,134</strong></td>
<td><strong>21,400</strong></td>
<td><strong>3%</strong></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>15,577</td>
<td>14,477</td>
<td>8%</td>
</tr>
<tr>
<td>Deposits from central banks</td>
<td>3,801</td>
<td>3,801</td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>599</td>
<td>591</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>810</td>
<td>948</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>20,787</strong></td>
<td><strong>19,817</strong></td>
<td><strong>5%</strong></td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td>1,347</td>
<td>1,583</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>22,134</strong></td>
<td><strong>21,400</strong></td>
<td><strong>3%</strong></td>
</tr>
</tbody>
</table>

**Capital adequacy & liquidity coverage ratios:**

- CET1 capital ratio 14.5% 15.6%
- Total capital ratio 17.3% 18.3%
- Regulatory leverage ratio 5.8% 6.6%
- Risk weighted assets 8,605 9,147
- Loan to deposit ratio 95% 101%
- Liquidity coverage ratio 226% 197%

**Approach to TFS and TFSME**

- Strong deposit growth and lower new business volume (ex-BBLS and CBILS) reduced LTD to 95%
- Other liabilities reduction of £138m includes £50m C&I repayment
- RWA density reduced due to capital-light government-backed business lending
- 83% of treasury assets LCR eligible, 97% rated AA or above
- LCR at 226% remains strong

- TFSME regime introduced in March provides access to significant additional funding
- Introduces further flexibility to our funding plans, including the repayment of TFS

---

(1) Comprises investment securities and cash & balances with the Bank of England  
(2) Comprises property, plant and equipment, intangible assets and other assets
Strong deposit growth in H1 with favourable mix shift

Continued growth core personal and SME deposits, including balances funded by BBLS

Deposits by customer type (£b)

<table>
<thead>
<tr>
<th></th>
<th>1H19</th>
<th>2H19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail (ex Retail Partnerships)</td>
<td>13.8</td>
<td>14.5</td>
<td>15.6</td>
</tr>
<tr>
<td>SME</td>
<td>2.0</td>
<td>2.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Retail Partnerships</td>
<td>3.1</td>
<td>3.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Commercial</td>
<td>5.6</td>
<td>6.9</td>
<td>7.4</td>
</tr>
</tbody>
</table>

63% 70% 73%

13% growth in retail and SME core deposits in H1

Favourable mix shift to 34% current accounts

Cost of Deposits in circle

<table>
<thead>
<tr>
<th></th>
<th>2H19</th>
<th>1H20</th>
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</thead>
<tbody>
<tr>
<td>32% Fixed term: savings accounts</td>
<td>85bps</td>
<td>82bps</td>
</tr>
<tr>
<td>29% Demand: current accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28% Fixed term: savings accounts</td>
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<tr>
<td>34% Demand: current accounts</td>
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</tbody>
</table>

13% growth in retail and SME core deposits in H1

Current accounts (000s)

<table>
<thead>
<tr>
<th></th>
<th>1H19</th>
<th>2H19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>996</td>
<td>1,077</td>
<td>1,117</td>
</tr>
<tr>
<td>Business</td>
<td>143</td>
<td>150</td>
<td>151</td>
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<tr>
<td>853</td>
<td>927</td>
<td>966</td>
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</tbody>
</table>

Base rate cut supported exit COD of 60bps

69 72 78 87 89 88 60


Cost of deposits Base rate
Capital position at 1H20 reflects profit and loss dynamics, offset by regulatory actions to alleviate the effects of ECL charges and enhancing the SME support factor.

### Total capital + MREL ratio bridge

<table>
<thead>
<tr>
<th></th>
<th>18.3%</th>
<th>(0.3%)</th>
<th>(0.3%)</th>
<th>(1.6%)</th>
<th>(1.2%)</th>
<th>0.6%</th>
<th>0.8%</th>
<th>17.3%</th>
<th>4.0%</th>
<th>21.3%</th>
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<tbody>
<tr>
<td>Total capital Dec 2019</td>
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<td>Annual operational risk</td>
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<td>Intangibles investment and other</td>
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<tr>
<td>Profit &amp; loss account ex-ECL</td>
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<td>Profit &amp; loss account ECL</td>
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<td>Quick-fix ECL Add-back</td>
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<tr>
<td>Quick Fix SME Supp. Factor</td>
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<tr>
<td>Lending volume &amp; mix</td>
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<tr>
<td>Pro forma Total capital Jun 2020</td>
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<tr>
<td>MREL Qualifying Debt</td>
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<tr>
<td>Total capital + MREL Jun 2020</td>
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</table>

### Regulatory changes in period - CRR 2.5 ‘Quick Fix’

- **IFRS9 transitional agreement** revision
- **SME supporting factor** changes

### Other regulatory items subject to review

- **EBA software proposal**, subject to finalisation of EBA regulatory technical standards and PRA assessment
- **MREL framework review**

### MREL issuance considerations

- Bank of England MREL framework review expected by end 2020. Depending on the outcome, we may consider raising £200-300m further MREL in 1H21. Ahead of this, MREL resources may fall below the sum of the firm’s MREL requirement and buffers (the loss absorbing capacity) for a period of time.
1H20 Operational and Strategic Update

Daniel Frumkin (CEO)
Impact of COVID-19

**Operational**
- 100% stores open, temporarily with reduced hours
- Absence\(^1\) peaked at 8.2% in Mar recovering to 1.5% in June
- Opex profile not impacted

**Fee Income**
- Lower ATM and card transaction volumes during lockdown
- FX transactions reduced
- Fee and Other income 18\(^2\)% lower HoH

**Credit Provisioning**
- ECL expense recognised under IFRS9
- >85% of ECL expense due to COVID-19
- Moody’s macro-economic forecasts applied

**Margin Compression**
- 65bps cut in March to 0.1%
- Treasury floating rate asset yields impacted
- Lagged effect of lending re-pricing faster than deposits

---

\(^1\) Across the Bank  \(^2\) On an underlying basis
Customer activity trends throughout the COVID-19 pandemic

Where are we now compared to pre-COVID?

- Card transactions >90%
- Account openings, ATM & teller transactions c.80%
- Store footfall, counter transactions and SDB visits c.70%
- Recovery slowed in recent weeks but still trending positive

(1) Indexed against pre-COVID-19 average volumes for January and February 2020
On track with our strategic priorities whilst adapting for COVID-19

Becoming the UK’s best community bank

1. **Costs**
   - Tight cost control through back office efficiencies, organisational simplification and disciplined property footprint

2. **Infrastructure**
   - Investment in integrated channels and core infrastructure

3. **Revenue**
   - Meeting more customer needs and development of new capabilities

4. **Balance sheet optimisation**
   - Enhanced focus on risk-adjusted returns and growing tangible book value

5. **Internal and external comms**
   - Improve our approach to communication

**Response to COVID-19**

- **M** Re-phased implementation of cost programmes
- **M** Accelerating property strategy
- **M** Resource allocated to deliver government schemes
- **M** Brought forward customer support capability investment
- **M** Re-prioritised initiatives to enhance and broaden existing product offering
- **M** Fees impacted by lower transaction volumes, FX
- **M** RateSetter and specialist mortgages
- **M** Capital light SME growth through BBLs, CBILS and CLBILS
- **M** Capital relief measures applied
- **M** Access to TFSME
- **M** Increased customer and colleague communication

**On track**

1. Costs
2. Infrastructure
3. Revenue

**Ongoing**

4. Balance sheet optimisation
5. Internal and external comms

---

1H20 Operational and Strategic Update | 22
On track with strategic priorities (1/2)

1. Costs

Cost initiatives on track, but total costs negatively impacted by macro assumptions under IFRS9

- **Cost discipline**
  - ‘Run the bank’ costs contained at 2% growth
  - Investment spend on track

- **Procurement transformation**
  - Resourcing preferred supplier list delivering 15% reduction
  - Cost optimisation programme expected to deliver ahead of target

- **Accelerating property strategy**
  - Exited one Central London office
  - Exploring lease options for stores
  - Re-designing property for central functions given working from home experience

- Store opening profile complete for 2020, only one new store to be delivered by 2021

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022-2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business as usual</td>
<td>4</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>C&amp;I</td>
<td>2</td>
<td>1</td>
<td>11</td>
</tr>
</tbody>
</table>

2. Infrastructure

Infrastructure initiatives on track despite delivery of additional services in response to COVID-19

- **Accelerating use of automation and digital**
  - First digital cloud-based e-form rapidly deployed to capture mortgage deferral requests - avoids future cost growth and presents opportunity to leverage in future

- **Significant IT outsourcing arrangement**
  - Strategic multi-year contract to deliver and transform Quality Engineering and Environment Services
  - Lower cost, greater flexibility and efficiency for future digital enhancements

- **Continued investment in**
  - IT resilience and cyber security
  - Financial crime improvements and controls
  - Financial systems and controls
  - Regulatory projects

1H20 Operational and Strategic Update | 23
On track with strategic priorities (2/2)

Revenue

Revenue initiatives on track, but NII and fees negatively impacted by COVID-19 in 1H20

- Customer growth
  - Deposit and account growth
  - BAO online beta launch
  - 6 new stores in H1

- Service offerings launched
  - Mobile receipt-capture capability
  - SME direct debit origination
  - ‘Sweeps’ automated funds movement online

- Broadened existing product offering
  - BBLS, CBILS and CLBILS accredited
    - BBLS end to end digital journey with innovative queuing system to support customer service
  - Specialist mortgages offering
  - RateSetter provides platform and expertise for growth in unsecured lending

Balance sheet optimisation

Continual assessment of market opportunities

- Structural initiatives
  - Continually monitored and reviewed
  - COVID-19 caused disruption

- Capital light SME growth reducing RWA density
  - Enhanced by BBLS, CBILS and CLBILS

- Lending yield – accelerating shift in asset mix
  - Unsecured personal lending
  - Specialist mortgages
RateSetter acquisition will accelerate the planned shift in asset mix

- £2.5m initial purchase price, followed by up to £0.5m after 12 months and an earn out of up to £9m after 3 years
- Acquisition of RateSetter’s capability, but not business model or existing loans:
  - Future RateSetter loans will be funded by Metro Bank’s deposit base
  - Existing RateSetter portfolio will continue to be managed by RateSetter with no liability for Metro Bank
- Rhydian Lewis joins the Metro Bank Executive Committee

Strengths
- Low cost of funds
- Stable deposit book
- Industry leading for service (#1 for service in-store and digital banking¹)

Seeking
- Expansion in unsecured personal finance
  - Enhances NIM and broadens customer product offering
- Requires
  - Scalable platform with digital origination
  - Operations capability

RateSetter
- Expertise in unsecured consumer lending (£3.9b in lending since 2010)
- Average total gross yield of c.8%²
- Established technology platform
- Online origination via multiple channels (aggregator, website)

- Lower cost of funds
- Lending volumes unconstrained by investor inflows

- More profitable entity with higher margins driven by higher average yield and low cost, sticky deposit funding
- NIM enhancing
- Scalable consumer loans platform with opportunity to significantly enhance RateSetter’s origination volumes
- Rapid and cost-efficient route to market with digital origination capabilities

(1) As the latest CMA ranking  (2) Comprises investor rate, credit rate and RateSetter rate
Summary and Outlook

Daniel Frumkin (CEO)
## 2024 Outlook

Given the uncertainty caused by the pandemic in the medium term, it is too early to establish if there is any impact on our 2024 financial targets.
Summary

- Unwavering support for customers, communities and colleagues in response to COVID-19

- Financial results challenging over short term given effect of COVID-19

- Deposit growth (8% HoH, 14% YoY) and favourable shift to current accounts (34%)

- Strategic plan still appropriate and on track

- Accelerating asset mix shift in response to historically low rates

- RateSetter acquisition at an attractive price and no back book provides scalable platform to originate consumer unsecured lending

- Cost discipline remains a focus

- Strengthened Board and Management
Capital and MREL requirements

Significant surplus to capital requirements

- CET1, 14.5%
- Tier 1 surplus
- 4.9% RWAs
- Tier 1 surplus

MREL requirements

- MREL eligible liabilities, 4.0%
- Tier 2, 2.8%
- CET1, 14.5%

- MREL requirement, 18.0%
- CBR^2, 2.5%

- Expected end-state MREL requirement & buffers
  (1 Jan 2022)
- CBR^2, 2.5%

1H20 Tier 1 position

1H20 minimum Tier 1 requirements^1

Interim MREL requirement & buffers
(1 Jan 2020)

(1) Shown on a Tier 1 basis: Tier 1 requirement is binding on CET1 resources as Metro Bank has filled its Tier 2 regulatory bucket; total Pillar 2A ("P2A") requirement is 1.52%; Combined Buffer Requirement ("CBR") comprises 2.5% capital conservation buffer ("CCB") and 0% UK countercyclical capital buffer ("CCyB").

(2) The CCyB rate is expected to remain at 0% for at least 12 months from July 2020, with any subsequent increase not expected to take effect until March 2022 at the earliest.

(3) Assumes P2A at current 1.52%. The PRA’s proposal to reduce variable P2A capital requirements by 50% of the firm specific increase in the UK CCyB pass-through rate in a standard risk environment is expected to apply on or before 16 December 2020. Bank of England PS15/20, July 2020.
High quality and liquid balance sheet

83% of treasury assets LCR¹ eligible

97% Rated AA or above

Primarily deposit-funded balance sheet

Liquidity coverage ratio

Loan to deposit ratio

(1) Liquidity coverage ratio
Retail mortgages

Owner occupied retail mortgages

**Debt-to-value profile**

- Average owner occupied DTV\(^{(1)}\): 58.7%

**Repayment type**

- FY19
- 1H20
- Interest only: 30% 31%
- Capital and interest: 70% 69%

Retail buy-to-let mortgages

**Debt-to-value profile**

- Average buy-to-let DTV\(^{(1)}\): 59.9%

**Repayment type**

- FY19
- 1H20
- Interest only: 95% 95%
- Capital and interest: 5% 5%

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\(^{(1)}\) Debt-to-value
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