### 2019 is a year of transition, positioning for the future

#### Challenging H1 for Metro Bank

<table>
<thead>
<tr>
<th>RWA adjustment</th>
<th>• Implementing detailed remediation plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intense speculation</td>
<td>• Net outflows in February and May, returned to growth in June and July</td>
</tr>
<tr>
<td>impacted deposit</td>
<td>• Managed lending volumes and deposit initiatives</td>
</tr>
<tr>
<td>flows</td>
<td></td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td>• IFRS 16 and Tier 2 debt costs weighed on performance year-on-year</td>
</tr>
</tbody>
</table>

#### Actions taken to strengthen balance sheet

<table>
<thead>
<tr>
<th>Robust capital position</th>
<th>• CET1 ratio up to 16.1% (FY18:13.1%) supported by £375m equity raise and sale of £521m non-strategic loan portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly liquid</td>
<td>• Liquidity Coverage Ratio up to 163% (FY18:139%)</td>
</tr>
<tr>
<td>Strong asset quality</td>
<td>• Cost of risk improved to 6bps (H1 18: 8bps)</td>
</tr>
</tbody>
</table>

#### Platform for long-term profitable growth

<table>
<thead>
<tr>
<th>Governance and leadership changes</th>
<th>• Search for an independent Chairman to commence; new NED appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Strengthened management team with new CIO and CTO</td>
</tr>
<tr>
<td>Momentum in core franchise</td>
<td>• Grown to over 1.8m accounts, with current accounts up 21% y-o-y</td>
</tr>
<tr>
<td></td>
<td>• Won 18% of business switchers in London and the South East(^{(1)})</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Focus on strategic initiatives</th>
<th>1 Increased cost savings identified at lower cost to achieve</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 Fees up 61% y-o-y and C&amp;I will accelerate reach and offering to SMEs</td>
</tr>
<tr>
<td></td>
<td>3 Rebalanced lending underway</td>
</tr>
</tbody>
</table>

---

\(^{(1)}\) MarketVue Business Banking from Savanta (Survey Period: Q3 2018 - Q2 2019). Main bank for business banking - Switching Gains based upon 318 respondents of which 59 were in London/SE. Data is weighted by region and turnover to be representative of businesses in GB.
Stable performance of retail and SME deposit base despite intense speculation

Net deposit flows

- Deposits have returned to growth with net inflows of £700m across June and July following the successful completion of the capital raise.

Deposits by customer type

- Growth in retail deposits and stable SME deposit performance, with headline numbers impacted by withdrawals primarily from a limited number of commercial customers.
- Q2 current accounts 31% of total deposits (Q1: 30%), with demand savings 40% (Q1: 44%) and fixed term savings accounts 28% (Q1: 26%).

(1) Month to date (2) SME defined as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million, and have aggregate deposits less than €1 million.
With continued customer momentum underpinned by personal and business current account growth

Total customer accounts (‘000)

Current accounts (‘000)

CAGR (2015 – 2018) in BCA market share (1)

<table>
<thead>
<tr>
<th>Metro Bank</th>
<th>2018</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 1</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Bank 2</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Bank 3</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Bank 4</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Bank 5</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Bank 6</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Bank 7</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Bank 8</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>Bank 9-4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Winning Business Current Account switchers in London and the South East (2)

Dec ‘18 15% Jun ‘19 18%
Action taken to maintain a strong and resilient balance sheet

**Equity raise completed**
- June 2019 issuance upsized from £350m to £375m to meet demand. Pro forma CET1 ratio of 16.1%⁽¹⁾ up from 13.1%

**Asset disposals**
- LCR increased to 163% from 139% following £1.5bn sale of non-LCR eligible investment securities, primarily RMBS, corporate bonds, and covered bonds
- Executed £521m loan portfolio disposal, acquired 2017, delivering £181m RWA reduction and 30pbs uplift in CET1⁽¹⁾

**Managing lending volumes**
- Repriced residential mortgages and retail BTL products
- Fulfilled committed pipeline and continued to support existing and new relationship customers
- Scaled back high RWA commercial lending e.g. real estate

**Continued focus on low risk lending**
- Reflected in cost of risk at 6bps reduced from 8bps

**Deposit gathering initiatives**
- Launched savings campaigns in-store, on website and social media
- Competitively priced fixed term savings accounts

---

**Loan to deposit ratio elevated to 109% at H1**

**Managing towards targeted loan to deposit range 85-90% over medium term**

**Expecting c.100% by year-end**

⁽¹⁾ Pro forma at 30 June 2019, loan portfolio disposal classified as held for sale at 30 June 2019
Successful equity raise provides CET1 headroom for controlled growth over the medium-term

Strong CET1 ratio supported by £375 million equity capital raise

Dec-18  | One-off IFRS 16 adoption | Annual operational risk increment | Lending growth | Intangibles / Other | Treasury portfolio | 2019 equity raise | Jun-19 | Loan portfolio disposal | Pro forma Jun-19

13.1% | 0.5% | 0.3% | 0.7% | 0.3% | 0.6% | 3.8% | 15.8% | 0.3% | 16.1%

10.6% minimum Tier 1 requirement
## Strong, liquid balance sheet

<table>
<thead>
<tr>
<th>£'m</th>
<th>Unaudited H1 2019</th>
<th>Unaudited H1 2018</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers(^{(1)})</td>
<td>14,989</td>
<td>12,013</td>
<td>25%</td>
</tr>
<tr>
<td>Treasury assets(^{(2)})</td>
<td>4,668</td>
<td>6,453</td>
<td>(28%)</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>521</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other assets(^{(3)})</td>
<td>1,179</td>
<td>669</td>
<td>76%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>21,357</strong></td>
<td><strong>19,135</strong></td>
<td><strong>12%</strong></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>13,703</td>
<td>13,736</td>
<td>-</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>249</td>
<td>249</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,837</td>
<td>252</td>
<td>626%</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>19,590</strong></td>
<td><strong>18,038</strong></td>
<td><strong>9%</strong></td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td>1,767</td>
<td>1,097</td>
<td>61%</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>21,357</strong></td>
<td><strong>19,135</strong></td>
<td><strong>12%</strong></td>
</tr>
</tbody>
</table>

### Capital adequacy & liquidity coverage ratios:

- **CET1 capital ratio\(^{(4)}\)**: 16.1% vs 12.7%, 340bps
- **Total capital ratio\(^{(4)}\)**: 18.8% vs 16.2%, 260bps
- **Regulatory leverage ratio\(^{(4)}\)**: 7.2% vs 4.6%, 260bps
- **Risk weighted assets\(^{(4)}\)**: 9,372 vs 6,944, 35%
- **Loan to deposit ratio** | 109% vs 87%, 22pp
- **Liquidity coverage ratio** | 163% vs 141%, 22pp

**Highly liquid, with Liquidity Coverage Ratio exceeding minimum requirements**

- Increase in other assets primarily reflects the recognition of the right of use asset under IFRS 16
- Increase in other liabilities reflects an increase in repo funding and the adoption of IFRS 16 as outlined at 1Q19
- Quality of liquidity resources high, with 99% held as cash, government bonds and AAA-rated instruments\(^{(5)}\)
- We will issue MREL eligible debt in H2 to satisfy our interim MREL requirement by 1 January 2020
- Credit rating anticipated H2 2019

---

\(^{1}\) Excludes loan book disposal as it is held for sale  
\(^{2}\) Investment securities, cash & balances with the Bank of England, and loans & advances to banks  
\(^{3}\) Property, plant & equipment, intangible assets and other assets  
\(^{4}\) Pro forma for July 2019 mortgage book disposal  
\(^{5}\) Remainder is all investment grade
Focus on low risk lending is unchanged, with continued strong asset quality and low cost of risk

Low cost of risk

- **8bps**: H1 2018
- **6bps**: H2 2018
- **6bps**: H1 2019

High risk lending portfolio

- Retail: 71% of portfolio
- Commercial: 29% of portfolio

- £10.7b
- £8.4b
- £0.3b

- Residential mortgages
- Retail mortgages BTL
- Consumer lending

Strong asset quality

- **0.15%**: FY 2018
- **0.17%**: H1 2019

Non-performing loans

- £21m
- £28m

NPL Ratio

Conservative debt to value profile

- Average retail mortgage DTV: 61%
- Average commercial term loan DTV: 60%

- Less than 50%
- 51-60%
- 61-70%
- 71-80%
- 81-90%
- 91-100%

- FY 2018
- H1 2019

- 29% 28%
- 20% 18%
- 20% 19%
- 16% 18%
- 11% 12%
- 1% 2%
- 3% 3%
Strong fee and revenue growth offset by lower NIM and continued investment

<table>
<thead>
<tr>
<th>£’m</th>
<th>Unaudited H1 2019</th>
<th>Unaudited H1 2018</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>166.2</td>
<td>156.3</td>
<td>6%</td>
</tr>
<tr>
<td>Fees and other income</td>
<td>46.4</td>
<td>28.8</td>
<td>61%</td>
</tr>
<tr>
<td>Net gains on sale of assets</td>
<td>4.1</td>
<td>4.6</td>
<td>(11%)</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>216.7</strong></td>
<td><strong>189.8</strong></td>
<td><strong>14%</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(161.7)</td>
<td>(141.1)</td>
<td>15%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(37.0)</td>
<td>(20.5)</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Operating Cost</strong></td>
<td><strong>(198.7)</strong></td>
<td><strong>(161.6)</strong></td>
<td><strong>23%</strong></td>
</tr>
<tr>
<td>Expected credit loss expense</td>
<td>(4.4)</td>
<td>(4.1)</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Underlying profit before tax</strong></td>
<td><strong>13.6</strong></td>
<td><strong>24.1</strong></td>
<td>(44%)</td>
</tr>
<tr>
<td>Underlying taxation</td>
<td>(3.7)</td>
<td>(5.9)</td>
<td>(37%)</td>
</tr>
<tr>
<td><strong>Underlying profit after tax</strong></td>
<td><strong>9.9</strong></td>
<td><strong>18.2</strong></td>
<td>(46%)</td>
</tr>
<tr>
<td>Adjustments</td>
<td>(8.6)</td>
<td>(3.0)</td>
<td>187%</td>
</tr>
<tr>
<td><strong>Statutory profit after tax</strong></td>
<td><strong>1.3</strong></td>
<td><strong>15.2</strong></td>
<td>(91%)</td>
</tr>
</tbody>
</table>

**Ratios**
- Net interest margin
  - 1.62%  vs 1.85%  (23bps)
- Net interest margin + fees
  - 2.07%  vs 2.19%  (12bps)
- Cost of Deposits
  - 0.70%  vs 0.57%  +13bps
- Underlying cost to income ratio
  - 92%  vs 85%  +7pp
- Cost of Risk
  - 0.06%  vs 0.08%  (2bps)

- **Solid revenue growth**, primarily driven by fees and other income up 61%
- Operating expenses increase reflects **continued growth in regulation, people and technology costs**
- Increase in depreciation driven by investment and IFRS 16 adoption
- Underlying PBT and NIM lower due to IFRS 16, Tier 2 debt costs, management action on balance sheet and mortgage margin compression
- Higher adjustments reflect restructuring and remediation costs
- **Balance sheet actions taken in H1 will impact H2 profitability**
<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>FY 2019 Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Store growth</strong></td>
<td>2 Stores</td>
<td>Total of c.8 stores plus 2 C&amp;I</td>
</tr>
<tr>
<td><strong>Deposit growth</strong></td>
<td>0% YoY</td>
<td>In keeping with deposit growth in June and July, expected to be broadly in line with 31 December 2018 at £15.7b</td>
</tr>
<tr>
<td><strong>Loan to Deposit ratio</strong></td>
<td>109%</td>
<td>c.100%, managing back in a measured way towards our medium term target of 85-90%</td>
</tr>
<tr>
<td><strong>NIM + fees</strong></td>
<td>2.07%</td>
<td>H2 expected to be below H1 reflecting higher deposit costs, loan portfolio disposal and treasury asset sales in H1, together with MREL-eligible debt issuance in H2. Partially offset by strong fee growth</td>
</tr>
<tr>
<td><strong>Operating costs(1)</strong></td>
<td>£198.7m</td>
<td>Cost growth to moderate with low single digit growth in H2 compared to H1 2019</td>
</tr>
<tr>
<td><strong>Cost to income(1)</strong></td>
<td>92%</td>
<td>&gt;90%</td>
</tr>
<tr>
<td><strong>Cost of risk</strong></td>
<td>0.06%</td>
<td>Continued strong credit performance</td>
</tr>
</tbody>
</table>

FY 2019 Expectations:

- **Store growth**: Total of c.8 stores plus 2 C&I
- **Deposit growth**: In keeping with deposit growth in June and July, expected to be broadly in line with 31 December 2018 at £15.7bn.
- **Loan to Deposit ratio**: c.100%, managing back in a measured way towards our medium term target of 85-90%.
- **NIM + fees**: H2 expected to be below H1 reflecting higher deposit costs, loan portfolio disposal and treasury asset sales in H1, together with MREL-eligible debt issuance in H2. Partially offset by strong fee growth.
- **Operating costs(1)**: Cost growth to moderate with low single digit growth in H2 compared to H1 2019.
- **Cost to income(1)**: >90%.
- **Cost of risk**: Continued strong credit performance.
## Continued progress on the strategic initiatives announced in February

1. **Balance controlled growth, profitability and capital efficiency through our integrated customer experience**

   2. **Improve cost efficiency**
      - 2019 exit run rate forecast savings at upper-end of range
      - Restructured teams

   3. **Expand range of services to create new sources of income**
      - Upgraded banking platform enables roll out of additional services
      - Continued growth in fees

   4. **Rebalance lending mix to optimise capital allocation and returns**
      - Reduced appetite for high RWA commercial lending
      - Repriced mortgages and tightened criteria

**Immediate Impact**
- Review of future store formats
- Bank-wide efficiency programme initiated
- Extended upper estimate of cost savings in 2020 and 2022

**Delivery**
- 2019 exit run rate forecast savings at upper-end of range
- Restructured teams

**Long-term Impact**
- C&I programme mobilised and delivery of on track
- Creating current account 'bolt-ons'

- Commenced delivery of new SME lending platform and credit cards
Expansion North to SME hotspots combined with new products and digital services will power future growth

Significant opportunity as we move North

- Midlands - 4 new stores in the Birmingham area
- North - Manchester 2019, Liverpool 2019 and Sheffield Q1 2020
- Expecting c.10 new store openings in 2019

Increasing our geographical coverage\(^{(1)}\)

<table>
<thead>
<tr>
<th>SME footprint</th>
<th>Currently</th>
<th>Post-expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>c.30%</td>
<td>c.66%</td>
</tr>
</tbody>
</table>

Expansion into new markets + New products and services = Customer account and deposit growth

- To support our expansion and brand recognition in new markets, we will:
  - Increase brand promotional activity
  - Price products competitively
- Flexible store format in line with strategic pivot:
  - Smaller format stores tailored to the demand from the local community
  - Review new store layouts

---

(1) Charterhouse SME Finance and Banking Report, 2016. Increased coverage includes incremental growth from C&I funding and planned growth
2 Exit run-rate savings expected at the top-end of range for 2019 and have already captured 60% of the benefits to date

Targeted actions to maximise value in 2019

**Back office**
- Right-size lending operations teams in line with revised lending mix and volume forecasts
- Lean workflow improvements
- Enhanced fraud detection and prevention solutions
- Initiate Robotic Process Automation in select teams and products

**Front office**
- Right-size Commercial team to reflect new lending mix

**Stores**
- Rationalise in-store roles by piloting multi-skilled bankers performing cashier and CSR\(^{(2)}\) activities
- Optimise in store scheduling and rotas
- In addition, refine management responsibilities and spans of control

**Head Office**
- Centralise procurement responsibilities to drive greater control and scrutiny of third party spend
- Roll out flexible working opportunity for colleagues

**IT & Change**
- Reduce unit salary costs by shifting to greater share of in-house colleagues in IT & Change, given critical scale being reached
- Renegotiate select contracts for IT services

---

**Total 2019 exit run-rate benefit\(^{(1)}\)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opex, £m</td>
<td>15-19</td>
</tr>
<tr>
<td>Capex, £m</td>
<td>2-3</td>
</tr>
</tbody>
</table>

Captured to date 60-70%
Significant operating cost and capex savings identified and a cost transformation program in place

Upgraded savings targets
- Expected top-end of 2019 £15-19m range
- Extended 2022 target to £70-80m from £70-75m

Reduced cost to achieve
- Lowered to £125m from £150m
- Cost to achieve mainly comprises capex investment over a 3 year period

Operating expense savings
Pre-leakage\(^{(1)}\) (exit run-rate) vs. 2018 cost base, £m\(^{(2)}\)

Capex savings vs. 2018 cost base, £m\(^{(1)}\)

(1) Savings identified at this level to account for potential leakage of 25-30%  
(2) Company estimates
Continued fee growth will be powered by a focus on our card proposition as well as new product pricing and features

### Initiatives focused on driving fee growth

- Evolve our **card proposition** for business customers
- Embed and develop **FX capability**
- Develop **paid-for services for retail customers**, including tech-enabled smart insurance propositions, alongside new current account propositions
- **Smart pricing approach to residual Safe Deposit Box capacity** to drive utilisation; new geographies expected to bring strong demand

### Performance driven by continued momentum from new FANS and initiatives implemented in H2 2018 including:

- Implemented **dynamic currency conversion**
- Repriced **safety deposit boxes**
- Optimised transaction fees from **business debit cards**

### 2019

#### H1 2019
- Performance driven by continued momentum from new FANS and initiatives implemented in H2 2018 including:
  - Implemented dynamic currency conversion
  - Repriced safety deposit boxes
  - Optimised transaction fees from business debit cards

#### H2 2019
- Move to **Business Debit** delivering a higher rate of interchange alongside a new card design and payments limits for business customers
  - Trade finance and FX enhancements
  - Mobile cash collection/drop off
  - Address fee leakage opportunities across existing products

### 2020

- Deliver **Business Debit World** alongside launch of C&I initiatives
- Review and consolidate **Business Account proposition**
- Develop **enhanced FX capability**
- Safety deposit box dynamic pricing

### 2021+

- Continue to expand retail current account capabilities and offering
- Mobile-enabled next generation insurance bolt-ons
- Develop referral journey for unsecured lending products

---

**+61%**

**Other Income & Fees Growth YoY**

---

Performance driven by continued momentum from new FANS and initiatives implemented in H2 2018 including:
- Implemented dynamic currency conversion
- Repriced safety deposit boxes
- Optimised transaction fees from business debit cards

Move to Business Debit delivering a higher rate of interchange alongside a new card design and payments limits for business customers
- Trade finance and FX enhancements
- Mobile cash collection/drop off
- Address fee leakage opportunities across existing products

Deliver Business Debit World alongside launch of C&I initiatives
- Review and consolidate Business Account proposition
- Develop enhanced FX capability
- Safety deposit box dynamic pricing

Continue to expand retail current account capabilities and offering
- Mobile-enabled next generation insurance bolt-ons
- Develop referral journey for unsecured lending products
3 Capability & Innovation Fund investment in new digital innovations will make life easier for SMEs and generate new revenue streams

Supporting businesses as they grow with market-leading digital innovations...

Open an account at a time that’s convenient to them. At home, at work, at our store
Business Current Account Online

Save time visiting the bank
Mobile cash collection/Drop off

Integrate bookkeeping and banking: simplifying invoicing/receipt/VAT
MFlow

Reconcile receivables automatically
MPay

Receive alerts to manage cash flow
Business Insights

Full integration with accounting software, open banking
MFlow+

…backed by the very best physical infrastructure and service model

Building on our existing SMEs service offering: Open early ‘til late
Dedicated local business manager
Card payment terminal collection in-store
Specialist sector teams
24 hr phone banking

MetroBank
Rebalancing our lending mix and growth to optimise capital efficiency and ROE

Implementation of initiatives on track

- Continue to build lending around low risk cost-efficient and higher ROE mortgages

- Scaled back high RWA lending (incl. commercial real estate) and PBTL in line with our evolved strategy

- Committed to supporting SMEs
  - Unsecured capability on track for roll-out in 2020:
    - Small Business Loan platform giving loan finance through best in class fintech partnership
    - Enhanced SME overdraft proposition with a straightforward preapproved limit
    - New ‘MCard’ credit card allowing businesses to manage expenditure in a controlled and flexible way
  - Revolving Credit Facility with flexible payment
  - Developing digital end-to-end secured lending for 2021

Target lending mix reaffirmed

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>H1 2019</th>
<th>2023+(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>67%</td>
<td>69%</td>
<td>70-75%</td>
</tr>
<tr>
<td>Business and</td>
<td>31%</td>
<td>29%</td>
<td>20-25%</td>
</tr>
<tr>
<td>commercial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer</td>
<td>2%</td>
<td>2%</td>
<td>3-7%</td>
</tr>
<tr>
<td>unsecured</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Company estimates (2) Risk density and yields for business and commercial represent estimated blended figures for business and commercial, asset finance and invoice finance and calculated as a weighted average (3) Assuming residential mortgage risk weighting of 20%
Model remains strong

- Deposit flows returned to growth with over £700m of inflows June-July MTD
- Rebalancing of asset base on track with low cost of risk at 6bps from 8bps at H1 18
- Upgraded cost targets and reduced cost to achieve
- Continued fee income growth, up 61% y-o-y with more services in build
- Delivery of C&I capability on-track to deliver new digital services
- Northern expansion underway with Birmingham sites, Manchester and Liverpool opening in H2
- Continued strength in personal current accounts (up 23%) and business current accounts (up 19%) y-o-y
## Medium-term guidance reaffirmed

<table>
<thead>
<tr>
<th>Category</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit growth</td>
<td>c.20% per annum, c.2% share of the market by 2023</td>
</tr>
<tr>
<td>Store growth</td>
<td>c.8 new stores a year plus C&amp;I funded store growth</td>
</tr>
<tr>
<td>Average deposits per store per month</td>
<td>&gt;£4m</td>
</tr>
<tr>
<td>Loan to deposit</td>
<td>85% – 90%</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>15bps – 30bps through the cycle</td>
</tr>
<tr>
<td>Cost to income</td>
<td>55% – 60% by 2023</td>
</tr>
<tr>
<td>Capital</td>
<td>12% minimum CET1 ratio and leverage ratio &gt;4%</td>
</tr>
<tr>
<td>RoE</td>
<td>Low double digit RoE by 2023</td>
</tr>
</tbody>
</table>
QUESTIONS
APPENDIX
### Capital, funding and liquidity

**CET1 target vs requirements as percentage of RWAs**

- Target CET1 ratio of c.12%
- 10.6%
- 1.0% Countercyclical buffer
- 2.5% Capital Conservation buffer
- 1.1% Tier 1 component of P2A
- 6.0% Tier 1 component of P1
- End-state minimum Tier 1 requirement

**TFS contractual repayment profile (£b)**

- TFS to be repaid through combination of:
  - Deposit growth to exceed lending growth over period to repayment
  - MREL
  - Pay-down/sale of non-LCR investment securities

**Funding split as at H1 2019**

- £0.2b Debt Securities
- £1.2b Repo
- £3.8b TFS
- £13.7b Deposits from customers

**Split of deposits as at H1 2019**

- £3.9b Fixed term: savings accounts
- £4.3b Demand: current accounts
- £5.5b Demand: savings accounts

---

(1) Refers to Tier 1 requirement vs CET1 capital target because we currently have no AT1 in our capital stack. 6.0% Tier 1 component of P1 = 4.5% CET1 requirement + 1.5% AT1 allowance (currently all CET1). 1.1% Tier 1 component of P2A = 75% of total 1.5% P2A (2) Excludes equity
Retail mortgage portfolio (1/2)

Total retail mortgages – Owner occupied and BTL split

- **£9.6b**
  - 2018: 76%
  - 2019: 81%
- **£10.4b**
  - 2018: 24%
  - 2019: 19%

Owner Occupied  Buy-to-let

Total retail mortgages repayment type

- **£9.6b**
  - 2018: 46%
  - 2019: 54%
- **£10.4b**
  - 2018: 58%
  - 2019: 42%

Interest only  Capital and interest

Total retail mortgages debt-to-value profile

- **>80% are less than 80%LTV**
  - 2018: 27%
  - H1 2019: 27%
  - Less than 50%
  - 51-60%
  - 61-70%
  - 71-80%
  - 81-90%
  - 91-100%
  - More than 100%

Average retail mortgage lending DTV is 61%, flat YoY

Total retail mortgages geographical split (1)

- Greater London: 44.5%
- South east: 9.1%
- South west: 6.3%
- East of England: 5.3%
- North west: 3.8%
- West Midlands: 2.3%
- Rest of UK: 1.9%

(1) At 30 June 2019
Retail mortgage portfolio (2/2)

Owner occupied retail mortgages

Debt-to-value profile

- 2018
- H1 2019
- 2018
- H1 2019
- 2018
- H1 2019
- 2018
- H1 2019

Repayment type

- Interest only
- Capital and interest
- Interest only
- Capital and interest

Geography

- Greater London
- South east
- South west
- East of England
- North west
- West Midlands
- Rest of UK

Retail buy-to-let

Debt-to-value profile

- 2018
- H1 2019
- 2018
- H1 2019
- 2018
- H1 2019
- 2018
- H1 2019

Repayment type

- Interest only
- Capital and interest
- Interest only
- Capital and interest

Geography

- Greater London
- South east
- South west
- East of England
- North west
- West Midlands
- Rest of UK
Commercial lending

Debt-to-value profile

- 33%-34% 24%-23% 21%-21%
- 7%-8% 3%-2% 1%-1%
- <50% 51-60% 61-70% 71-80% 81-90% 91-100% >100%

- 2018
- H1 2019

Geography

- Greater London
- South east
- South west
- East of England
- North west
- West Midlands
- Rest of UK

Industry sector

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>30 Jun 2019 (£m)</th>
<th>31 Dec 2018 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate (rent, buy and sell)</td>
<td>2,354</td>
<td>2,547</td>
</tr>
<tr>
<td>Legal, accountancy and consultancy</td>
<td>408</td>
<td>384</td>
</tr>
<tr>
<td>Health and social work</td>
<td>274</td>
<td>217</td>
</tr>
<tr>
<td>Hospitality</td>
<td>265</td>
<td>235</td>
</tr>
<tr>
<td>Retail</td>
<td>93</td>
<td>72</td>
</tr>
<tr>
<td>Real estate (management of)</td>
<td>123</td>
<td>99</td>
</tr>
<tr>
<td>Construction</td>
<td>75</td>
<td>60</td>
</tr>
<tr>
<td>Recreation, cultural and sport</td>
<td>45</td>
<td>1</td>
</tr>
<tr>
<td>Investment and unit trusts</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Education</td>
<td>22</td>
<td>52</td>
</tr>
<tr>
<td>Real estate (development)</td>
<td>53</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>96</td>
<td>127</td>
</tr>
</tbody>
</table>
## Quarter on quarter performance

<table>
<thead>
<tr>
<th>£'m</th>
<th>Unaudited Q2 2019</th>
<th>Unaudited Q1 2019</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>82.4</td>
<td>83.8</td>
<td>-2%</td>
</tr>
<tr>
<td>Fees and other income</td>
<td>24.0</td>
<td>22.4</td>
<td>7%</td>
</tr>
<tr>
<td>Net gains on sale of assets</td>
<td>2.8</td>
<td>1.3</td>
<td>54%</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>109.2</strong></td>
<td><strong>107.5</strong></td>
<td><strong>2%</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(81.2)</td>
<td>(80.5)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>(19.1)</td>
<td>(17.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Cost</strong></td>
<td><strong>(100.3)</strong></td>
<td><strong>(98.4)</strong></td>
<td><strong>2%</strong></td>
</tr>
<tr>
<td>Expected credit loss expense</td>
<td>(2.2)</td>
<td>(2.2)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Underlying profit before tax</strong></td>
<td><strong>6.7</strong></td>
<td><strong>6.9</strong></td>
<td><strong>(3%)</strong></td>
</tr>
<tr>
<td>Underlying taxation</td>
<td>(1.8)</td>
<td>(1.9)</td>
<td>(5%)</td>
</tr>
<tr>
<td><strong>Underlying profit after tax</strong></td>
<td><strong>4.9</strong></td>
<td><strong>5.0</strong></td>
<td><strong>(2%)</strong></td>
</tr>
<tr>
<td>Adjustments</td>
<td>(6.1)</td>
<td>(2.5)</td>
<td>144%</td>
</tr>
<tr>
<td><strong>Statutory profit after tax</strong></td>
<td><strong>(1.2)</strong></td>
<td><strong>2.5</strong></td>
<td><strong>(148%)</strong></td>
</tr>
</tbody>
</table>

### Ratios

- Net interest margin: 1.61% (1.64% (3bps))
- Net interest margin + fees: 2.07% (2.08% (1bp))
- Cost of Deposits: 0.71% (0.70% 1bp)
- Underlying cost to income ratio: 92% (92%)
- Cost of Risk: 0.06% (0.06%)

- Total revenue growth of 2% reflects **7% growth in fees and other income growth**, as well as the gains on sale of treasury assets
- Strong fee growth **offset by lower net lending growth** in the quarter and a **3bps reduction in NIM** reflecting continued mortgage market competition and a 1bp increase in cost of deposits
- Operating expenses increase reflects **continued growth in regulation, people and technology costs**
- Higher adjustments reflect restructuring and remediation costs in Q2
CET1 ratio compares well against UK peer group

<table>
<thead>
<tr>
<th></th>
<th>Big 5</th>
<th>Mid-Size</th>
<th>Speciality Lenders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-Forma Jun-19 for Metro Bank. Latest available information for UK peer group</td>
<td>16.1%</td>
<td>16.2%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Median</td>
<td>13.9%</td>
<td>13.3%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Big 5</td>
<td>13.3%</td>
<td>14.3%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Mid-Size</td>
<td>12.6%</td>
<td>14.5%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Speciality Lenders</td>
<td>14.3%</td>
<td>16.3%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

(1) Pro-Forma Jun-19 for Metro Bank. Latest available information for UK peer group
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