the revolution goes from strength to strength

- One million FANS and rising
- Awarded Moneywise Most Trusted Financial Provider for the second consecutive year and Best Mobile Banking App 2017
- Voice of the Colleague results rose across every metric vs 2016
- Doubled quarter on quarter profitability to £4.0m* in 2Q17
- Acquisition of a c.£600m mortgage BTL portfolio
- £278m / 10% successful equity offering at market price

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>2Q16</th>
<th>QoQ% Increase</th>
<th>YoY% Increase</th>
<th>On Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer deposits</td>
<td>£9.8B</td>
<td>£6.6B</td>
<td>+9%</td>
<td>+49%</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Net average deposits</td>
<td>£5.5M</td>
<td>£5.7M</td>
<td>-25%</td>
<td>-4%</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Net customer loans</td>
<td>£7.8B</td>
<td>£4.6B</td>
<td>+20%</td>
<td>+67%</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Loan to deposit ratio</td>
<td>79%</td>
<td>70%</td>
<td>+7pp</td>
<td>+9pp</td>
<td>✓ ✓ ✓</td>
</tr>
</tbody>
</table>


- One million FANS and rising
- Awarded Moneywise Most Trusted Financial Provider for the second consecutive year and Best Mobile Banking App 2017
- Voice of the Colleague results rose across every metric vs 2016
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*underlying profit before tax
delivering our fourth consecutive quarter of rising profitability

Underlying (loss)/profit before tax

Q1 2016  Q2 2016  Q3 2016  Q4 2016  Q1 2017  Q2 2017

-£9.6M  -£3.4M  £0.6M  £1.5M  £2.0M  £4.0M
with an integrated service proposition offering the best of every channel

Outstanding customer focussed retailers like Apple, Amazon/Wholefoods and Metro Bank understand that the future of retail is the combination of the best in store, online and mobile, and all invest in integrating the customer experience

- Legacy-free IT platforms deliver seamless service to customers and colleagues across multiple channels and systems
- Real time data processing allowing instant fulfilment - “walk out working”
- Open architecture ready for PSD2

We continue to invest in technology

- State-of-the-art online account applications, including “selfie” IDV and “click & collect” cards
- Personalised mobile alerts with appropriate prompts to support customer financial management
- Market-leading AI based behaviour metrics platform supporting fraud analytics and authentication
- Use of machine learning to help detect fraudulent activity to protect our customers
- Building out new industry leading Asset Finance platform
- Bank-wide API layer to support client data requests and open banking revolution

*Moneywise Awards 2017

Stores
Open Early 'til Late

Online Banking

Mobile Banking

Co-located
Contact Centers open 24/7

Best Branch Service*
Best Mobile App*
Highly Commended Telephony*

Over 80% of retail accounts opened in under 30 mins
Over 60% of SME accounts opened in under 60 mins

65% of all current account customers now use online banking

Mobile customers consistently logging in 22-23 times per month each

Skill based routing: available 24/7, 365 days a year
which continues to bring low cost, sticky deposits

Customer deposits (£’m)

- £1,315 in Dec 2013
- £2,867 in Dec 2014
- £5,108 in Dec 2015
- £7,951 in Dec 2016
- £9,805 in Jun 2017

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

- £1,315 in Dec 2013
- £2,867 in Dec 2014
- £5,108 in Dec 2015
- £7,951 in Dec 2016
- £9,805 in Jun 2017

- £6.4M deposit growth per store per month in 1H17 (1Q17: £7.3M, 2Q17: £5.5M)

- Cost of deposits continued the downward trend to 0.53% in 2Q17
  - Current account (non-interest bearing) growth of 71% YoY, now 31% of total deposits
  - Natural back book re-pricing as fixed rates expired

- Annual deposit growth of 49%
  - Retail 51% growth
  - Commercial 47% growth

- Deposit mix: commercial 52% and retail 48%

*Half year
enabling us to grow our lending at low risk

High growth, low risk driving our LTD towards 80%

- Strong momentum in lending across all asset classes
  - New volume loan to deposit ratio of 85% in 2Q17 excluding portfolio acquisition
  - Annual loan growth of 67%
    - Retail 71% growth
    - Commercial 61% growth

- Loan mix: commercial 34% and retail 66%
  - Unsecured consumer lending is c.£127m

- Buy-to-Let rose to 30% of total lending post portfolio acquisition which will trend back to 25% over coming 18mths

- Non-performing loans (90 days+ in arrears) 0.26% of loan balances at 2Q17

- The loan loss reserve represents 50% of non-performing loans

- Cost of risk remained low and stable in 2Q17 at 0.12% compared to 0.11% in 1Q17 and 0.12% in FY16

- Average debt to values remain at or below 60%
  - 58% on residential lending
  - 57% on commercial lending
  - 60% on BTL

Portfolio AS AT 30 JUNE 2017

- Retail: 66% of portfolio
  - £5.2B
  - £0.2bn
  - £1.5bn
- Commercial: 34% of portfolio
  - £2.6B
  - £0.2bn
  - £1.6bn

- Residential mortgages BTL
- Residential mortgages
- Consumer lending
- Commercial loans
- Professional BTL
- Asset & Invoice Finance

Net customer loans (m)
Loan to deposit ratio

Dec 2013 £751 112% 57%
Dec 2014 £1,590 123% 56%
Dec 2015 £3,543 66% 69%
Dec 2016 £5,865 32% 74%
Jun 2017 £7,750 79%
delivering a strong and simple highly liquid deposit funded balance sheet

<table>
<thead>
<tr>
<th>£'m</th>
<th>2Q17</th>
<th>1Q17</th>
<th>QoQ Growth</th>
<th>Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>7,750</td>
<td>6,482</td>
<td>+20%</td>
<td>+67%</td>
</tr>
<tr>
<td>Treasury assets¹</td>
<td>4,827</td>
<td>4,637</td>
<td>+4%</td>
<td>+44%</td>
</tr>
<tr>
<td>Other assets²</td>
<td>517</td>
<td>505</td>
<td>+2%</td>
<td>+39%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>13,094</td>
<td>11,624</td>
<td>+13%</td>
<td>+57%</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>9,805</td>
<td>9,010</td>
<td>+9%</td>
<td>+49%</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>1,823</td>
<td>1,235</td>
<td>+48%</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>654</td>
<td>571</td>
<td>+15%</td>
<td>-32%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>12,282</td>
<td>10,816</td>
<td>+14%</td>
<td>+63%</td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td>812</td>
<td>808</td>
<td>-</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>13,094</td>
<td>11,624</td>
<td>13%</td>
<td>+57%</td>
</tr>
</tbody>
</table>

**Capital adequacy ratios:**

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>1Q17</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 ratio</td>
<td>13.5%</td>
<td>15.9%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regulatory leverage ratio</td>
<td>4.9%</td>
<td>5.6%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

- With a 79% loan to deposit ratio, the balance sheet is intrinsically liquid
- 80% of the liquidity and investment portfolio is cash, AAA, UK gilts and T bills
- FLS drawings of £0.5bn
- TFS drawings of £1.8bn
- LCR ratio of 114%
- As at 30th June 2017 proforma ratios including £278m equity raise
  - CET1: 19.4%
  - Leverage: 7.0%

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
We continue to experience strong and accelerating organic lending growth supplemented by c.£600m portfolio acquisition in 2Q17.

To support this momentum and future growth ambitions, we brought forward our plans to raise equity.

As we grow we will consider issuing other forms of capital when we have a longer track record and more clarity about the regulatory changes.

The £278m equity raise brings substantial benefits today…

• Enhances capital position to support our growth ambitions
• Allows flexibility to access debt markets at appropriate time to ensure efficient capital structure
• Positions us well for potential future regulatory capital requirements
• The only impact on the 2020 guidance is delaying the ROE of c.18% to 2022
• Going forward we expect to maintain a minimum regulatory leverage of >4% and CET1 ratio of >11%

… whilst we plan the right capital base for the future

• We are currently working on two things with the regulator, neither of which will impact in 2017 but will impact on what debt we need to raise, how much and when in the future:
  1. **AIRB**: we expect the waiver for residential mortgages to be submitted later this year
  2. **PILLAR 2A offset**: we await the outcome of the consultation paper. Expected implementation during 2018
## enabling income growth to continue to outpace cost growth

### Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>1Q17</th>
<th>FY 2016</th>
<th>QoQ Growth</th>
<th>Q2 to Q2 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>57.0</td>
<td>50.4</td>
<td>154.2</td>
<td>+13%</td>
<td>+58%</td>
</tr>
<tr>
<td>Fees and other income</td>
<td>11.5</td>
<td>10.9</td>
<td>35.5</td>
<td>+5%</td>
<td>+33%</td>
</tr>
<tr>
<td>Net gains on sale of securities</td>
<td>0.7</td>
<td>0.6</td>
<td>5.4</td>
<td>+22%</td>
<td>-53%</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>69.2</td>
<td>61.9</td>
<td>195.1</td>
<td>+12%</td>
<td>+49%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(63.1)</td>
<td>(58.4)</td>
<td>(202.1)</td>
<td>+8%</td>
<td>+30%</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>(2.1)</td>
<td>(1.5)</td>
<td>(4.7)</td>
<td>+34%</td>
<td>+64%</td>
</tr>
<tr>
<td>Underlying profit (loss) before tax</td>
<td>4.0</td>
<td>2.0</td>
<td>(11.7)</td>
<td>+104%</td>
<td>-</td>
</tr>
<tr>
<td>Underlying taxation</td>
<td>1.0</td>
<td>0.5</td>
<td>0.4 (1)</td>
<td>+121%</td>
<td>-</td>
</tr>
<tr>
<td>Underlying profit (loss) after tax</td>
<td>3.0</td>
<td>1.5</td>
<td>(11.3)</td>
<td>+99%</td>
<td>-</td>
</tr>
</tbody>
</table>

### Ratios

- **Average cost of deposits**: 0.53% (2017) vs 0.61% (2016)
- **Net interest margin**: 1.92% (2017) vs 2.02% (2016)
- **Cost of Risk**: 0.12% (2017) vs 0.11% (2016)

*Note: Operating costs include D&A.

### Key Points

- **Doubled pre tax profit to £4.0m in Q2 from £2.0m in Q1**
- **Positive income (+56%) and operating costs (+28%) jaws**
- **Annual operating costs per £1M of deposits down by 15% (2017 **£23K, 2016** £27K) as economies of scale impact**
- **NIM in 2Q17 of 1.92% due to build of £600m liquidity end Q1 / early Q2 to fund portfolio acquisition in June**
- **Portfolio acquisition is NIM accretive as the portfolio was purchased at a discount**

*H1 2017 vs H1 2016
**12 months to 30 June

(1) Tax impacted by one-off changes to R&D and AFS Gains tax regime and Share Option true-up.
as store contribution and performance increases

Store contribution increases for new and existing stores

- Positive contribution
- Negative contribution

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Stores</th>
<th>Contribution (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>41</td>
<td>£29.2M</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>42</td>
<td>£35.4M</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>48</td>
<td>£36.9M</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>48</td>
<td>£40.0M</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>48</td>
<td>£47.5M</td>
</tr>
</tbody>
</table>

- All stores open 18 months or more in positive contribution

- New stores open with more deposits and grow faster as each annual cohort benefits from:
  - Increased network effect
  - Organisational learnings
  - Brand recognition over 80% in Greater London*

- In stores open 12 months+ safe deposit boxes cover over 80% of the rent

- 45% comp store growth in deposits for stores open 12 months+ (43% and 40% for stores open 24 months+ and 36 months+)

*Source: YouGov

As annual cohorts start and grow faster\(^{(1)}\)

\(^{(1)}\) 2010 excludes Holborn

\[\begin{array}{c|c|c}
\hline
\text{Years} & 2010 & 2011 \\
\hline
1 & 1 & 1 \\
6 & 6 & 6 \\
11 & 11 & 11 \\
16 & 16 & 16 \\
21 & 21 & 21 \\
26 & 26 & 26 \\
31 & 31 & 31 \\
36 & 36 & 36 \\
41 & 41 & 41 \\
46 & 46 & 46 \\
51 & 51 & 51 \\
56 & 51 & 51 \\
61 & 51 & 51 \\
66 & 51 & 51 \\
71 & 51 & 51 \\
\hline
\end{array}\]
and we continue to expand our store network

48 Stores open, a further 8-10 opening this year, and a strong pipeline for 2018
and refine our 2020 targets

- Increase our 2020 loan to deposit target to c.85% from c.80%
- Move our 2020 ROE target of c.18% to 2022 with an interim 2020 target of c.14%
- Full year profitability for 2017

UK Deposit Market in 2020: c.£2.3trn

Metro Bank Deposits: c.£27.5B, c.1.2%

2020 Targets:
- c.110 stores,
- c.£5.25M deposits per month
- Loan to Deposit: c.85%
- NIM + Fees: c.3%
- Cost : Income: c.60%
- Cost of Risk: c.0.20%
- Leverage ratio: >4.0%
- ROE: c.14%

(1) UK Deposit market based on Bank of England Data for 2016, assumed to grow in line with UK GDP forecasts of the World Bank until 2019, held flat from 2019E onwards at 1.5% annual growth.

(2) UK Deposit market based on Bank of England Data for Illustrative scenario, assuming deposits grow from 2016-2020 at a CAGR of c.40%.

(3) Calculated based on average gross loan balances.

(4) Regulatory leverage.
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