METRO BANK

INVESTOR PRESENTATION

October 2019

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MREL issuance: summary transaction terms

Issuer	Metro Bank PLC
Notes	Senior Non-Preferred Notes
Documentation	The Issuer's EMTN Programme dated 17 September 2019, as supplemented by the supplement expected to be dated on or around 2 October 2019
Size	GBP300m
Format	RegS Registered
Issuer Ratings	BB
Expected Issue Ratings	BB
Tenor	6NC5
Coupon	Fixed rate, semi-annual, reset on the call date to the 1yr Gilt rate plus the initial margin
Substitution of Metro Bank	Permissible (I) in the case of a Newco Scheme occurring (as described in the Base Prospectus), or (II) provided such substitution will not be materially prejudicial to the interests of the Holders and certain other conditions
Denominations	£100,000 x £1,000
Expected Listing	London Stock Exchange
Governing Law	English law
Sole Bookrunner	BofA Merrill Lynch

This information has been prepared solely for information purposes only; for full and binding terms and conditions please refer to the Base Prospectus dated 17 September 2019, and as supplemented by the supplement expected to be dated on or around 2 October 2019

Metro Bank PLC current and future organisational structure

Current Organisational Structure

Metro Bank PLC

- £250m 2028nc2023 Tier 2
- Sep-19 issuance of Senior Non-Preferred Notes

Post Newco scheme

Newco

- Sep-19 issuance of Senior Non-Preferred Notes
- Future MREL and capital issuance

Metro Bank PLC

- £250m 2028nc2023 Tier 2

- By 1 January 2022, Metro Bank will be required to establish a non-operating bank holding company (“Newco”)
- Upon a Newco scheme occurring (as described in the Base Prospectus) the contemplated Sep-19 issuance will move to Newco and rank equally with all future Newco senior issuance
- Once in place, Newco will be the issuing entity for all future external capital and MREL transactions

Metro Bank Overview

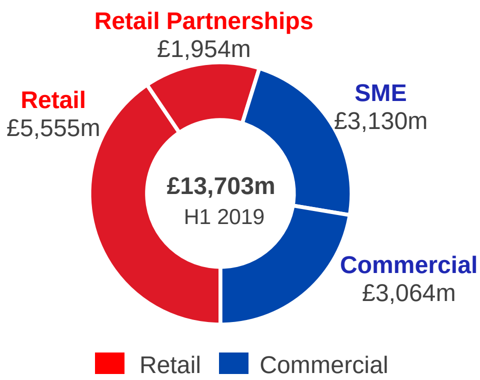
A full service retail & commercial bank

Simple business model

- Customer proposition differentiated on **service & convenience**
- Drives **low-cost, sticky and diversified customer deposits**
- Supporting growth of **low-risk lending**
- Delivering **high-quality earnings**

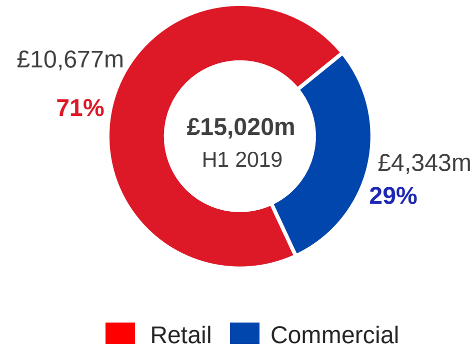
Deposits

- Current accounts
- Cash management
- Deposits – term & variable
- £, $, € accounts (vast majority of business is in sterling)



Lending [1]

- Mortgage lending (incl. BTL)
- Private banking[2]
- Consumer credit
- Commercial term loans
- Asset & invoice finance



Product offering supported by integrated multi-channel distribution

Store network

- 68 full-service stores with distinctive design and locations
- c.80% retail accounts opened in under 30 mins in 2018
- In-store safe deposit boxes generate fee income

Online

Phone

Mobile

Partnerships & Intermediaries

- Partnerships with wealth management and pension firms
- Intermediary distribution (mortgages, asset & invoice finance)

(1) Gross carrying amount
(2) Private Banking offering includes larger sized mortgages and Money Management Accounts

With an integrated physical & digital footprint

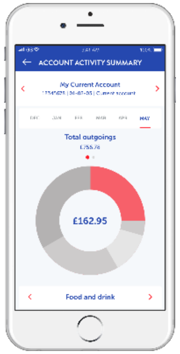
Unique stores

- High-visibility, high-specification stores, in prime locations where people live, work and play to achieve an interconnected “network effect”
- Stores are open seven days a week with longer hours than competitors
- 87% brand recognition. Our stores drive brand awareness(1)

c. 8 new stores in 2019 plus 2 C&I stores

Digital investments

- Insights launched for personal customers
- International payments through the app
- Current Account opening online launched
- Instant Access Savings application
- Pindrop



2nd highest rated banking app overall(2)

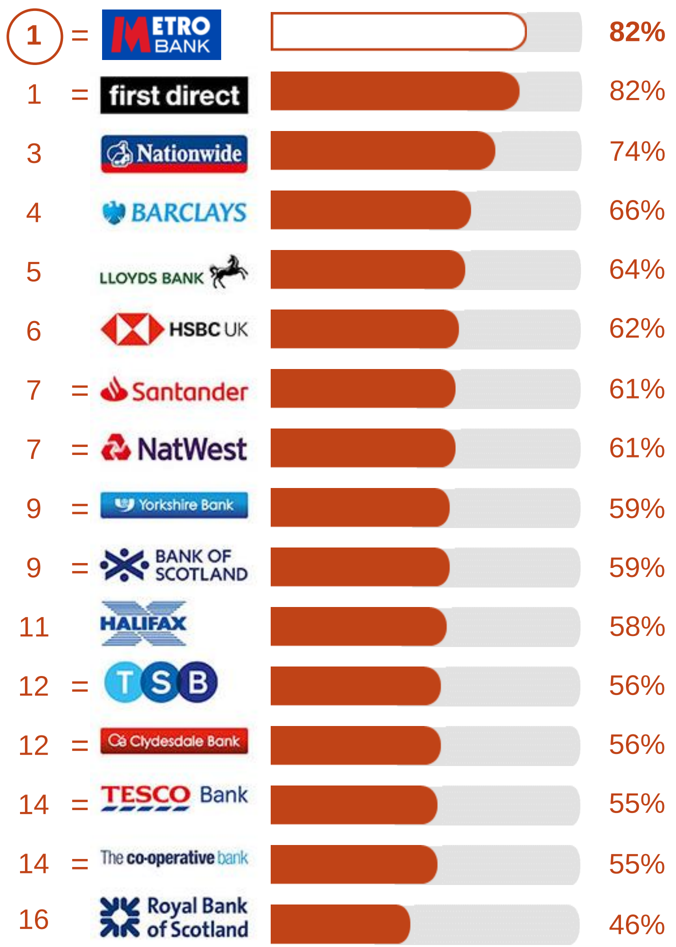
36% of current account holders used physical & digital in the last 90 days

(1) YouGov Plc. Total sample size was in London was 1,004 adults. Fieldwork was undertaken between 9-12 July 2019. The figures have been weighted and are representative of all London adults (aged 18+). (2) iOS app store

Continuing to create FANS

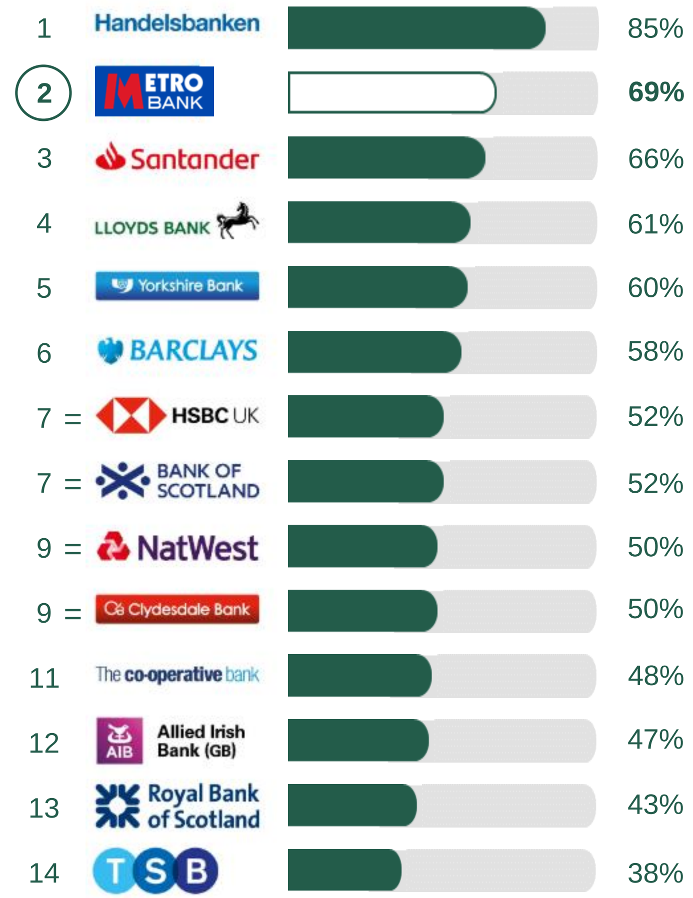
Number one service for personal customers…

Personal Current Accounts: Overall Quality of Service[1]



…and well positioned to challenge for the top spot in SME

Business Current Accounts: Overall Quality of Service[1]



(1) Source: CMA Service Quality Surveys published August 2019

H1 2019 Update

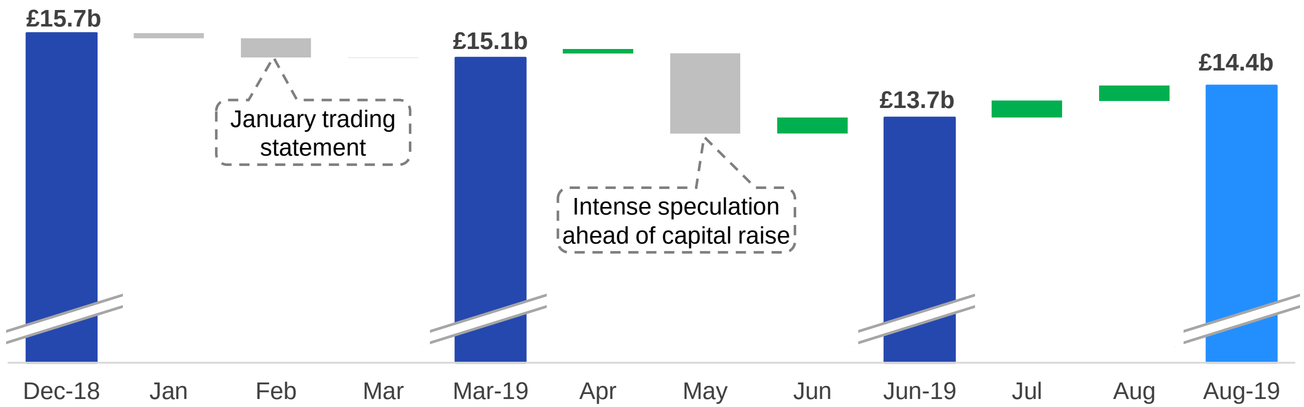
2019 is a year of transition, positioning for the future

Challenging H1 for Metro Bank	**RWA adjustment**	• Implementing detailed remediation plan
	Intense speculation impacted deposit flows	• Net outflows in February and May, returned to growth in June, July and August supported by competitively priced fixed-term savings accounts • Managed lending volumes and deposit initiatives
	Profitability	• IFRS 16 and Tier 2 debt costs weighed on performance year-on-year
Actions taken to strengthen balance sheet	**Robust capital position**	• CET1 ratio up to 16.1% pro forma at H1 19 (FY18:13.1%) supported by £375m equity raise and sale of £521m non-strategic loan portfolio
	Highly liquid	• Liquidity Coverage Ratio up to 163% at H1 19 (FY18:139%)
	Strong asset quality	• Cost of risk improved to 6bps at H1 19 (H1 18: 8bps)
Platform for long-term profitable growth	**Governance and leadership changes**	• Search for an independent Chairman commenced; new NED appointed • Strengthened management team(1) with new CIO and CTO
	Momentum in core franchise	• Grown to over 1.8m accounts, with current accounts up 22% y-o-y • Won 18% of business switchers in London and the South East(2)
	Focus on strategic initiatives	1 Increased cost savings identified at lower cost to achieve 2 Fees and other income in H1 19 up 61% y-o-y and C&I will accelerate reach and offering to SMEs 3 Rebalanced lending underway

(1) Chief Information Officer and Chief Transformation Officer (2) 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.

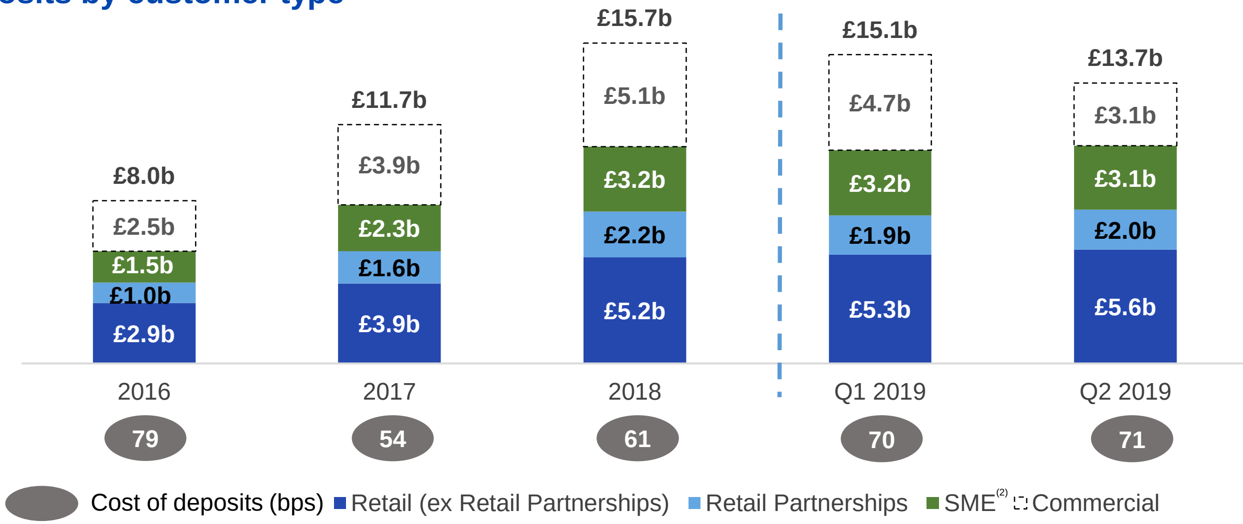
Stable performance of retail and SME deposit base despite intense speculation

Net deposit flows



- **Deposits have returned to growth with net inflows of over £1b across June, July and August following the successful completion of the capital raise**

Deposits by customer type

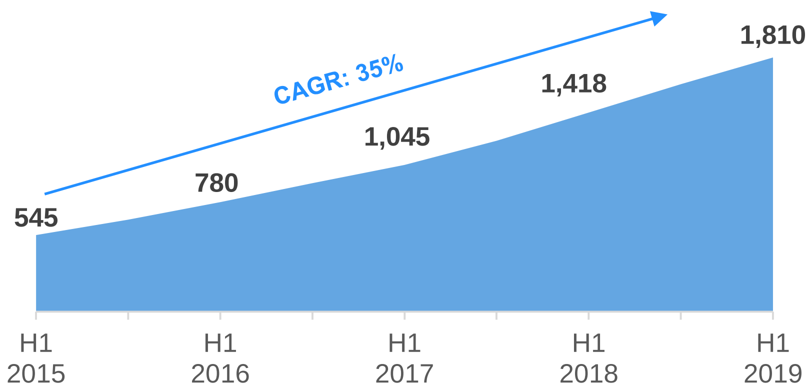


- **Growth in retail deposits and stable SME[1] deposit performance, with headline numbers impacted by withdrawals primarily from a limited number of commercial customers**
- **Q2 current accounts 31% of total deposits (Q1: 30%),** with demand savings 40% (Q1: 44%) and fixed term savings accounts 28% (Q1: 26%)

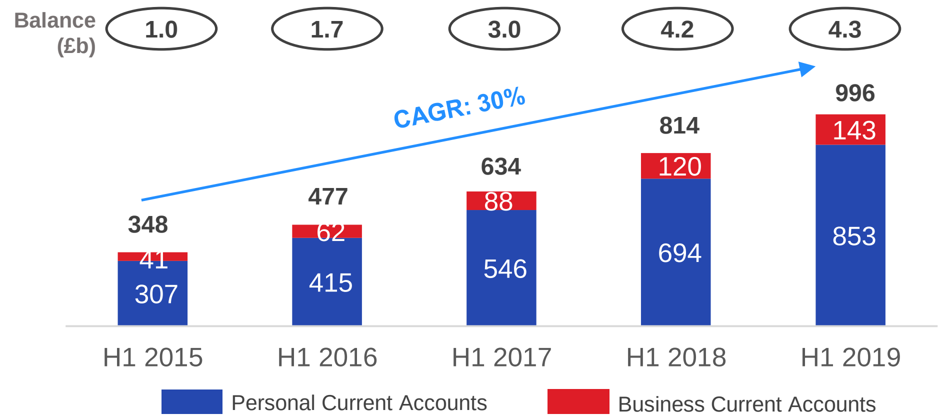
(1) SME defined as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million, and have aggregate deposits less than €1 million.

With continued customer momentum underpinned by personal and business current account growth

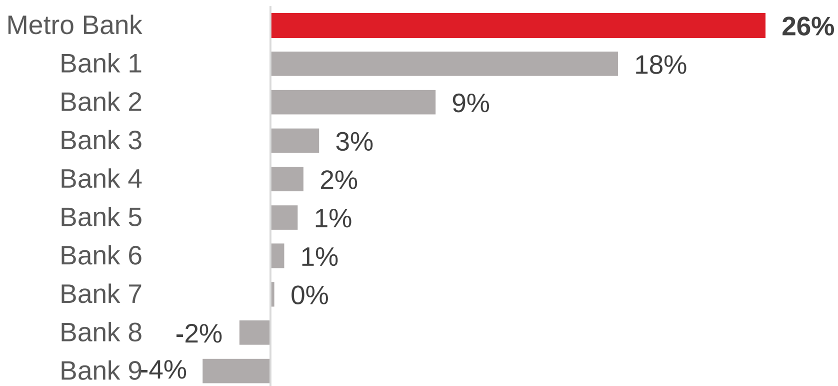
Total customer accounts ('000)



Current accounts ('000)



CAGR (2015 – 2018) in Business Current Account market share (1)



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

Dec '18: **15%**

Jun '19: **18%**

(1) MarketVue Business Banking from Savanta (Survey Period: 2015-2018). The Compound Annual Growth Rate is the average annual increase in the Market Share percentage over time, calculated using the Metro bank market share for year end 2015 and 2018. (2) 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.

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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

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

Loan to deposit ratio 104% at 31 August 2019, from 109% at H1 2019

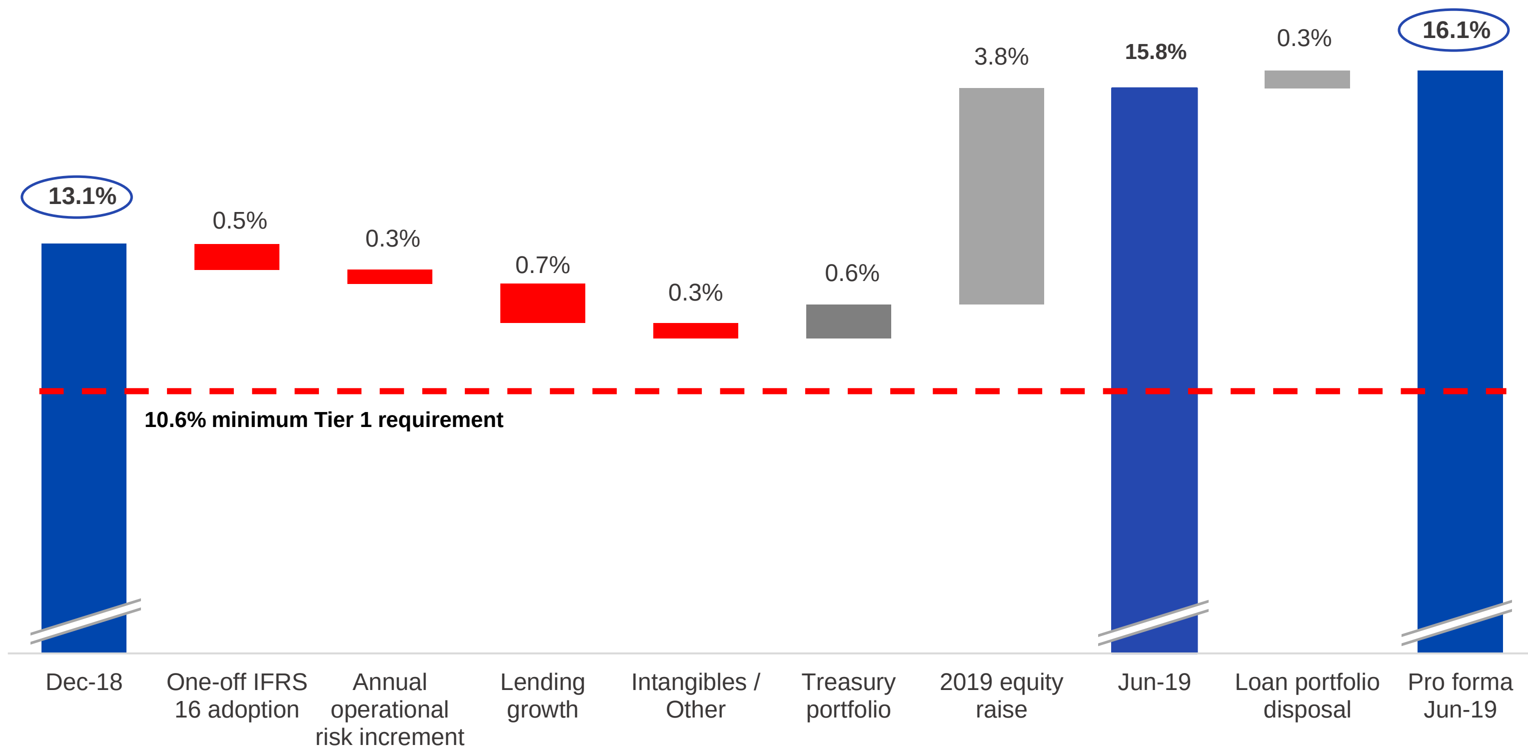
Managing towards targeted loan to deposit range 85-90% over medium term

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

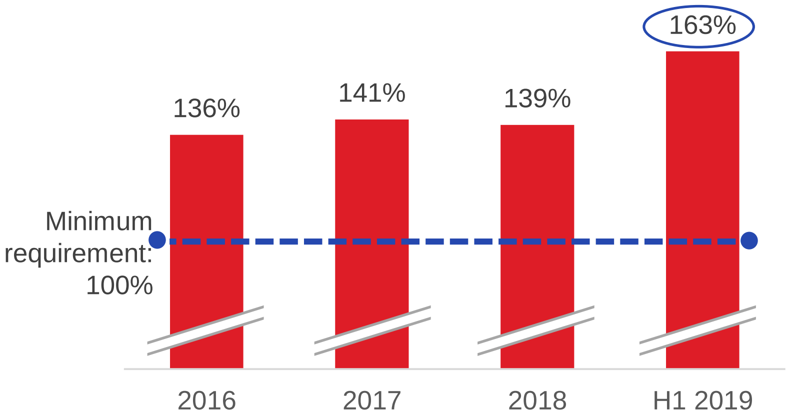
Strong CET1 ratio supported by £375 million equity capital raise



Strong, liquid balance sheet

£'m	Unaudited H1 2019	Unaudited H1 2018	Growth
Loans and advances to customers(1)	14,989	12,013	*25%*
Treasury assets(2)	4,668	6,453	*(28%)*
Assets classified as held for sale	521	-	-
Other assets(3)	1,179	669	*76%*
Total assets	**21,357**	**19,135**	***12%***
Deposits from customers	13,703	13,736	-
Deposits from central banks	3,801	3,801	-
Debt securities	249	249	-
Other liabilities	1,837	252	*626%*
Total liabilities	**19,590**	**18,038**	***9%***
Shareholders' funds	1,767	1,097	*61%*
Total equity and liabilities	**21,357**	**19,135**	***12%***
Capital adequacy & liquidity coverage ratios:			
CET1 capital ratio(4)	16.1%	12.7%	*340bps*
Total capital ratio(4)	18.8%	16.2%	*260bps*
Regulatory leverage ratio(4)	7.2%	4.6%	*260bps*
Risk weighted assets(4)	9,372	6,944	*35%*
Loan to deposit ratio	109%	87%	*22pp*
Liquidity coverage ratio	163%	141%	*22pp*

Highly liquid, with Liquidity Coverage Ratio exceeding minimum requirements

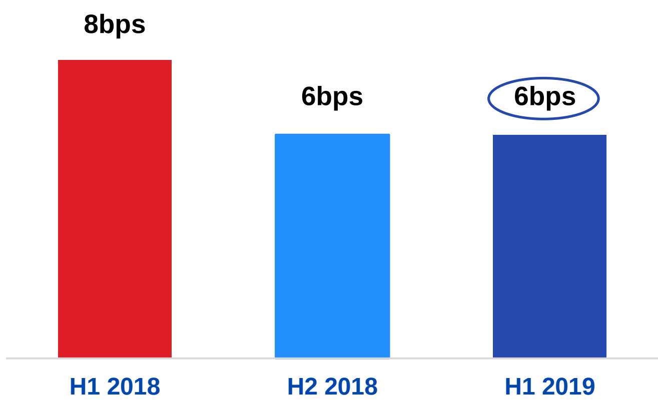


- Increase in other assets primarily reflects the recognition of the right of use asset under IFRS 16
- Increase in other liabilities reflects an increase in repo funding and the adoption of IFRS 16 as outlined at 1Q19
- Quality of liquidity resources high, with 99% held as cash, government bonds and AAA-rated instruments(5)

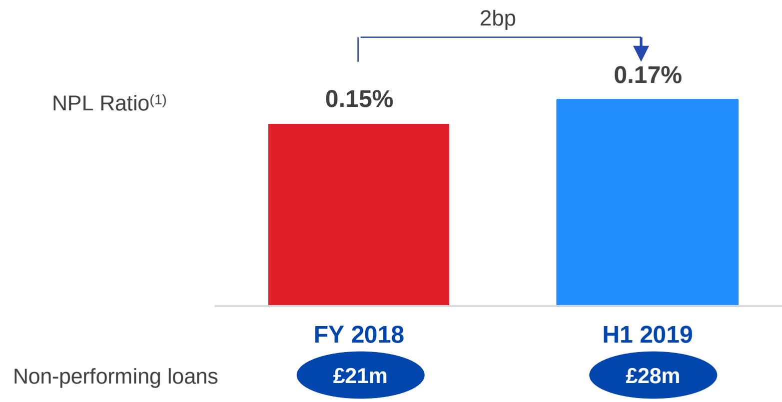
(1) Excludes loan book disposal as it is held for sale (2) Investment securities, cash & balances with the Bank of England, and loans & advances to banks (3) Property, plant & equipment, intangible assets and other assets (4) Pro forma for July 2019 mortgage book disposal (5) Remainder is all investment grade

Focus on low risk lending is unchanged, with continued strong asset quality and low cost of risk

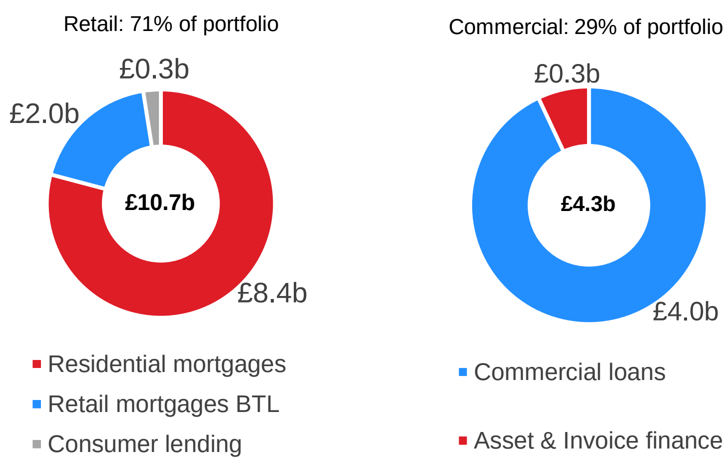
Low cost of risk



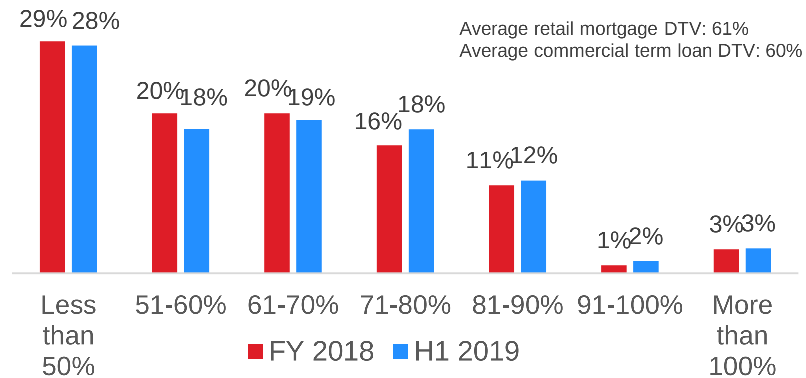
Strong asset quality



Low risk lending portfolio(2)



Conservative debt to value profile



(1) Non-performing loan ratio (2) As at 30 June 2019

Strong fee and revenue growth offset by lower NIM and continued investment

£'m	Unaudited H1 2019	Unaudited H1 2018	Growth
Net interest income	166.2	156.3	*6%*
Fees and other income	46.4	28.8	*61%*
Net gains on sale of assets	4.1	4.6	*(11%)*
Total revenue	**216.7**	**189.8**	***14%***
Operating expenses	(161.7)	(141.1)	*15%*
Depreciation and amortisation	(37.0)	(20.5)	*80%*
Operating Cost	**(198.7)**	**(161.6)**	***23%***
Expected credit loss expense	(4.4)	(4.1)	*7%*
Underlying profit before tax	**13.6**	**24.1**	***(44%)***
Underlying taxation	(3.7)	(5.9)	*(37%)*
Underlying profit after tax	**9.9**	**18.2**	***(46%)***
Adjustments	(8.6)	(3.0)	*187%*
Statutory profit after tax	**1.3**	**15.2**	***(91%)***
Ratios			
Net interest margin	1.62%	1.85%	*(23bps)*
Net interest margin + fees	2.07%	2.19%	*(12bps)*
Cost of Deposits	0.70%	0.57%	*+13bps*
Underlying cost to income ratio	92%	85%	*+7pp*
Cost of Risk	0.06%	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**

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Strategic Initiatives

Continued progress on the strategic initiatives announced in February

Strategic initiatives

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

		2 Improve cost efficiency	3 Expand range of services to create new sources of income	4 Rebalance lending mix to optimise capital allocation and returns
Delivery	Immediate Impact	▪ 2019 exit run rate forecast savings at upper-end of range ▪ Restructured teams	▪ Upgraded banking platform enables roll out of additional services ▪ Continued growth in fees	▪ Reduced appetite for high RWA commercial lending ▪ Repriced mortgages and tightened criteria
	Long-term Impact	▪ Review of future store formats ▪ Bank-wide efficiency programme initiated ▪ Extended upper estimate of cost savings in 2020 and 2022	▪ C&I programme mobilised and delivery on track ▪ Creating current account ‘bolt-ons’	▪ Commenced delivery of new SME lending platform and credit cards

1 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 (3 already opened)

Increasing our geographical coverage[1]

SME footprint	Currently c.30% →	Post-expansion c.66%

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

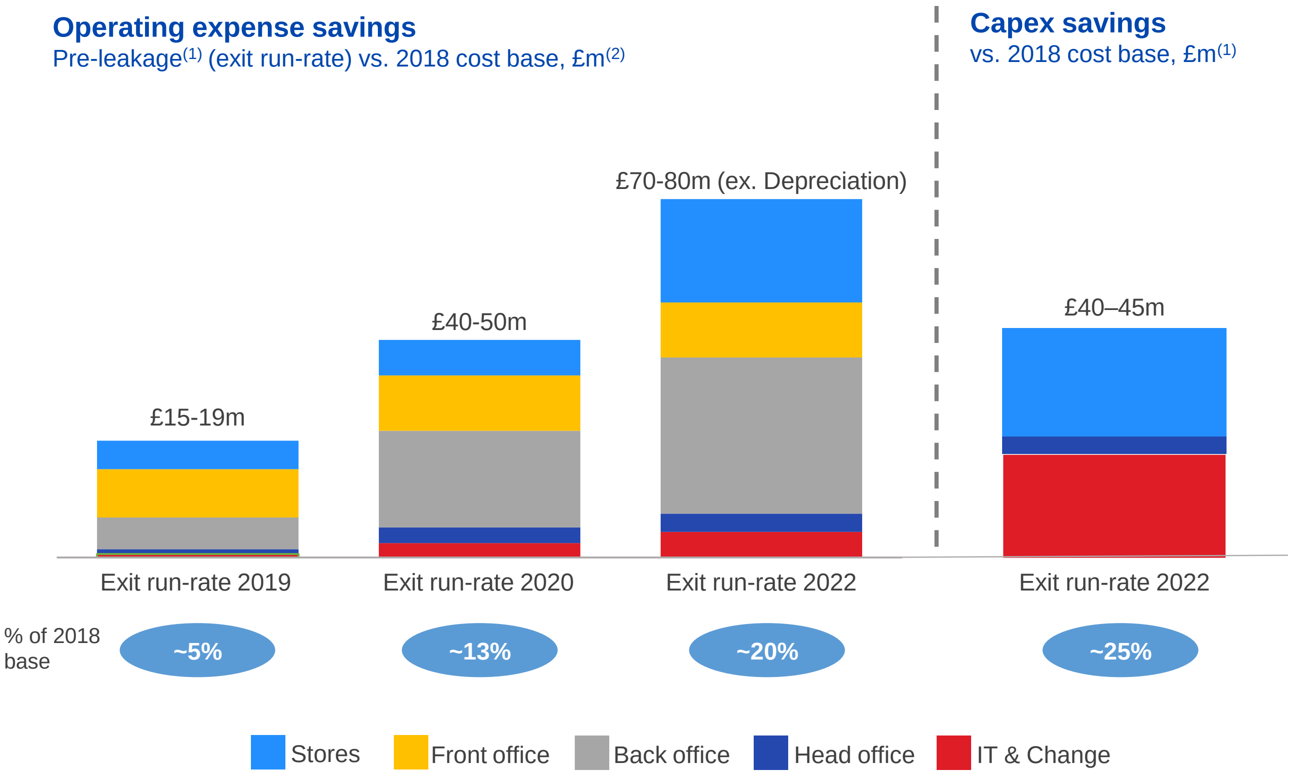
2 Significant operating cost and capex savings identified and a cost transformation program in place

Upgraded savings targets

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

Reduced cost to achieve

- Estimate lowered to £125m from £150m
- Cost to achieve mainly comprises capex investment over a 3 year period



(1) Savings identified at this level to account for potential leakage of 25-30% (2) Company estimates

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3 Continued fee growth will be powered by a focus on our card proposition as well as new product pricing and features

+61%
Fees and other income Growth YoY

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

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

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

Receive alerts to manage cash flow
Business Insights

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

Reconcile receivables automatically
MPay

Save time visiting the bank
Mobile cash collection/Drop off

Full integration with accounting software, open banking
MFlow+

…backed by the very best physical infrastructure and service model

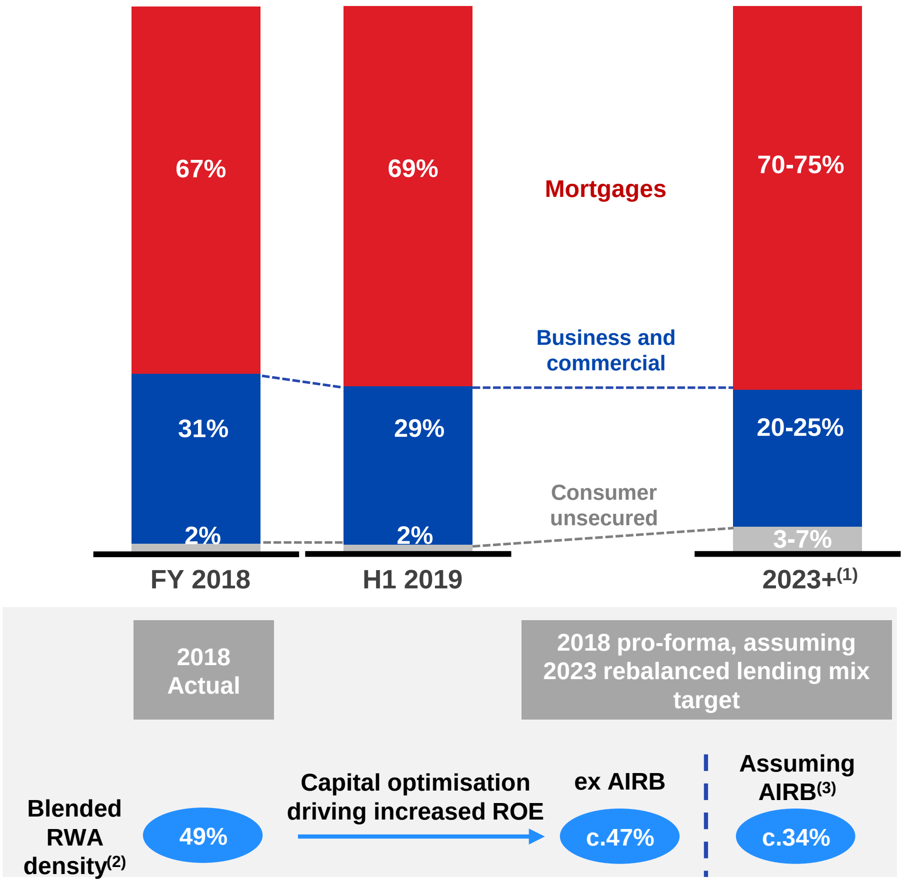
Building on our existing SMEs service offering:	Open early 'til late	Dedicated local business manager	Card payment terminal collection in-store	Specialist sector teams	24 hr phone banking

4 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 higher risk density** commercial real estate and PBTL lending 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 straight forward 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



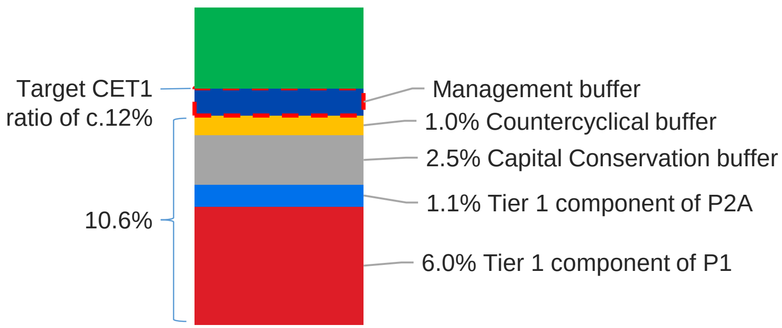
(1) Company estimates (2) Risk density and yields for business and commercial represent estimated blended figures for business and commercial, asset finance and invoice finance and calculated as a weighted average (3) Assuming residential mortgage risk weighting of 20%

MREL, Capital and Funding

Capital, funding and liquidity

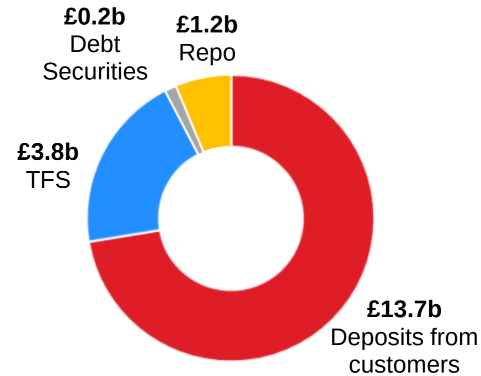
CET1 target vs requirements as percentage of RWAs[1]

16.1% CET1 pro forma ratio at H1 2019

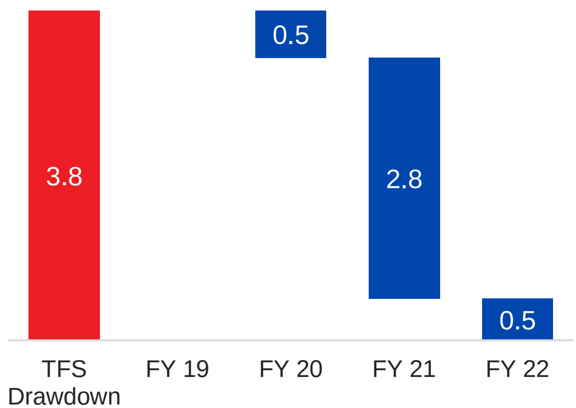


End-state minimum Tier 1 requirement

Funding split as at H1 2019[2]



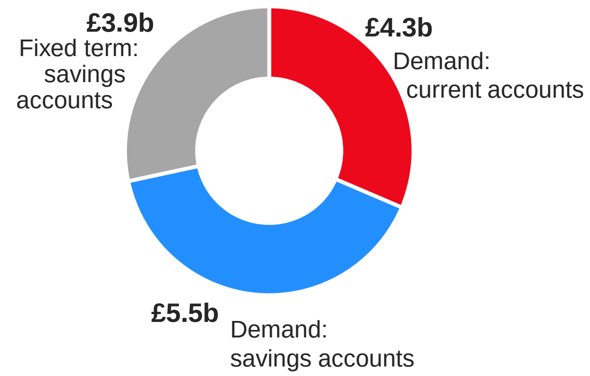
TFS contractual repayment profile (£b)



TFS to be repaid through combination of:

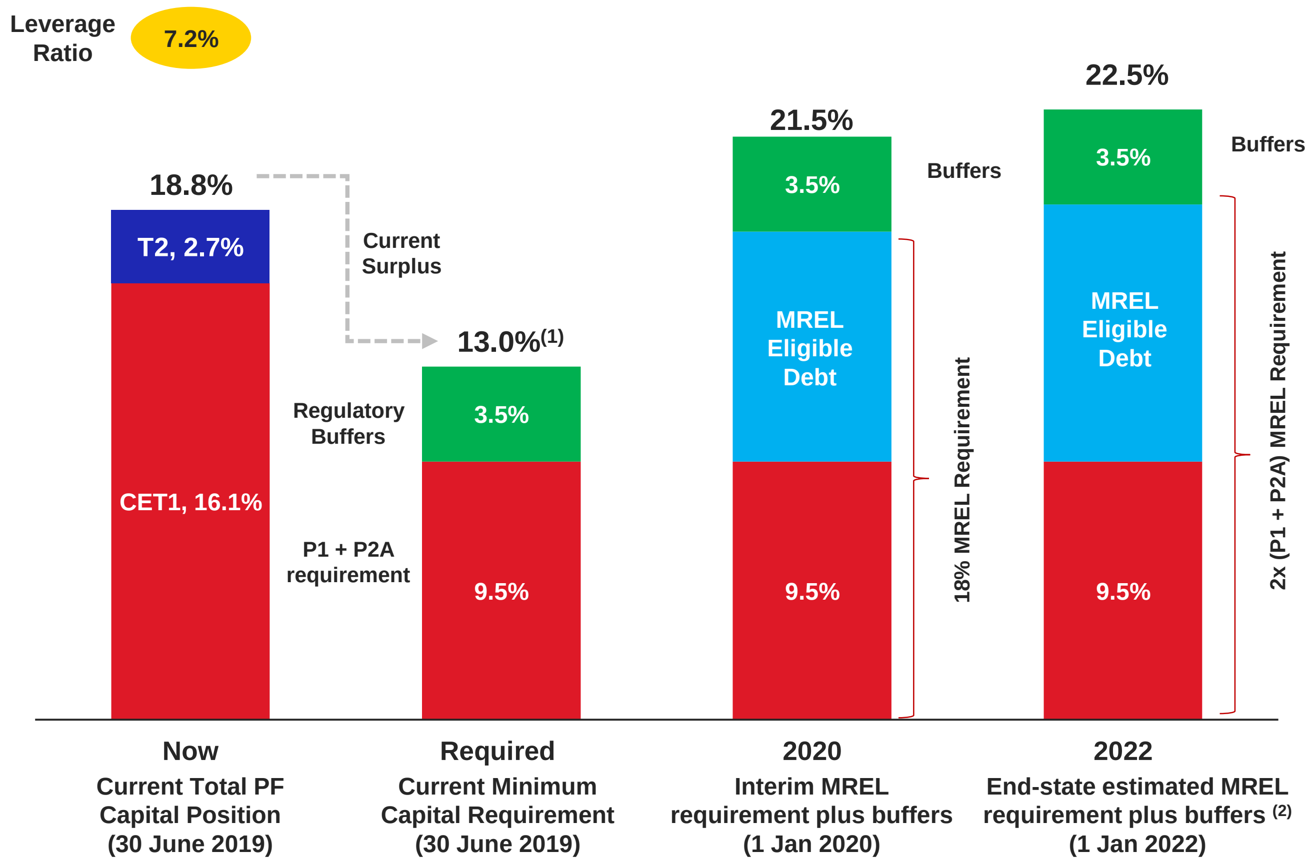
- Deposit growth to exceed lending growth over period to repayment
- MREL
- Pay-down/sale of non-LCR investment securities

Split of deposits as at H1 2019



(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 1.52% P2A (2) Excludes equity

Robust capital position



- Committed to maintaining a strong capital position
  - Minimum CET1 ratio of c.12%
  - Regulatory leverage ratio greater than 4%
- Interim MREL requirement plus buffers of 21.5% by 1 January 2020
- End-state estimated MREL requirement plus buffers of 22.5%[2] from 1 Jan 2022
- RWAs at H1 2019 of £9,372m[3]

(1) Total capital requirement comprises 8.0% Pillar 1; 1.52% Pillar 2A; 3.5% Capital Conservation buffer (CCB) and Countercyclical buffer (CCyB).
(2) Assuming P2A remains constant at 1.52% of RWAs and 1% Countercyclical buffer
(3) Pro forma for July 2019 mortgage book disposal

Summary

Model remains strong

- ✓ Deposit flows returned to growth with over £1 billion of inflows in June-August
- ✓ Rebalancing of asset base on track
- ✓ Upgraded cost targets and reduced cost to achieve
- ✓ Continued fee income growth in H1 19, up 61% y-o-y with more services in build
- ✓ Delivery of C&I capability on-track to deliver new digital services
- ✓ Northern and Midlands 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

Deposit growth	c.20% per annum, c.2% share of the market by 2023
Store growth	c.8 new stores a year plus C&I funded store growth
Average deposits per store per month	>£4m
Loan to deposit	85% – 90%
Cost of risk	15bps – 30bps through the cycle
Cost to income	55% – 60% by 2023
Capital	12% minimum CET1 ratio and leverage ratio >4%
RoE	Low double digit RoE by 2023

Key credit highlights

- ✓ Following a challenging H1, actions taken to strengthen the balance sheet
- ✓ Implementation of strategic initiatives underway to balance growth, profitability and capital efficiency
- ✓ Resilience and significant momentum in the customer franchise with continued strong current account growth
- ✓ Deposit flows returned to growth with over £1 billion of inflows June-August
- ✓ Liquid balance sheet, funded with low cost deposits
- ✓ Conservative, low risk and diversified lending portfolio
- ✓ Strong asset quality with 6bps cost of risk in H1 19
- ✓ Robust capital position with CET1 ratio at 16.1%[1]
- ✓ Governance and leadership changes
- ✓ Unique, award-winning customer-centric model supported by new, scalable and adaptable IT platform

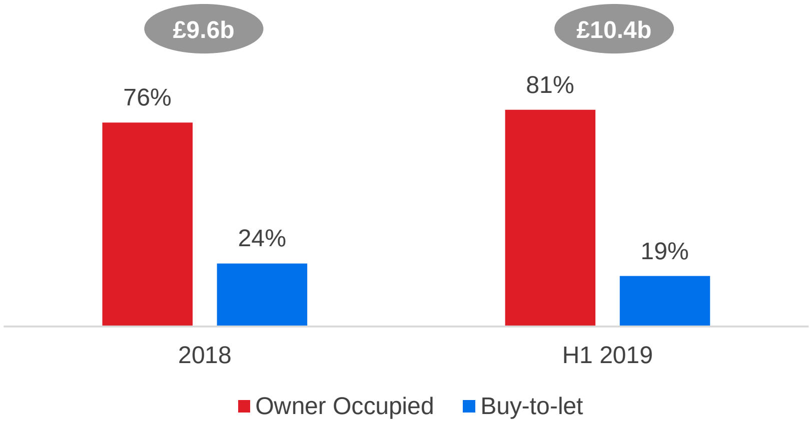
(1) Pro forma at 30 June 2019

METRO BANK

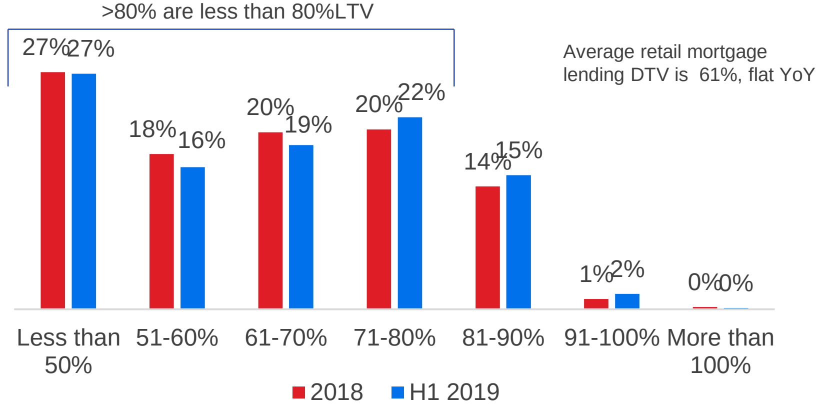
Appendix

Retail mortgage portfolio

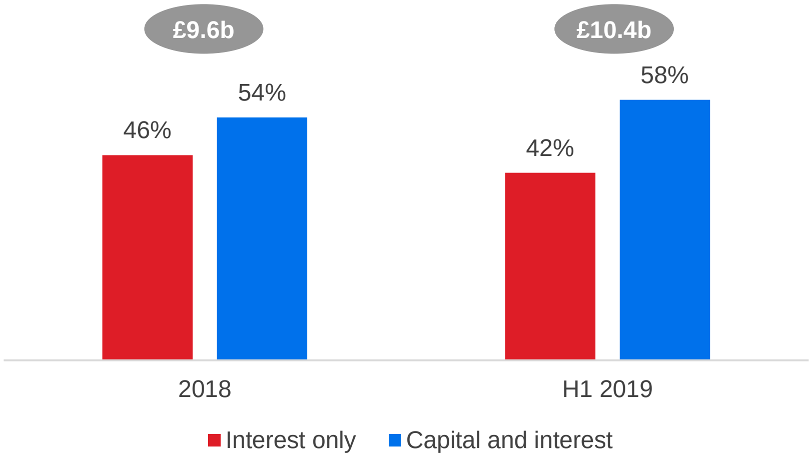
Total retail mortgages – Owner occupied and BTL split



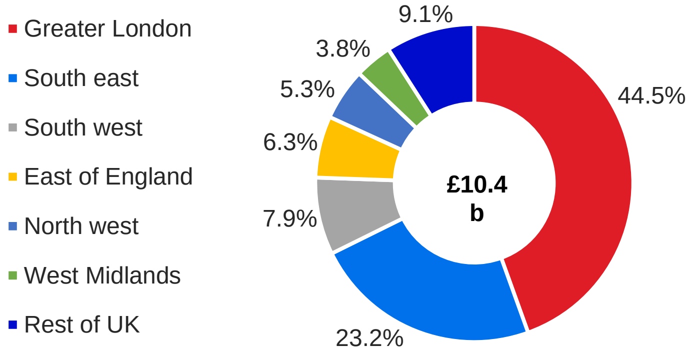
Total retail mortgages debt-to-value profile



Total retail mortgages repayment type



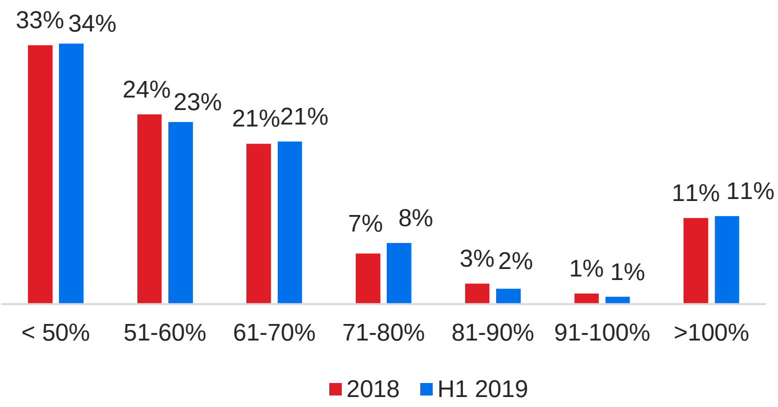
Total retail mortgages geographical split(1)



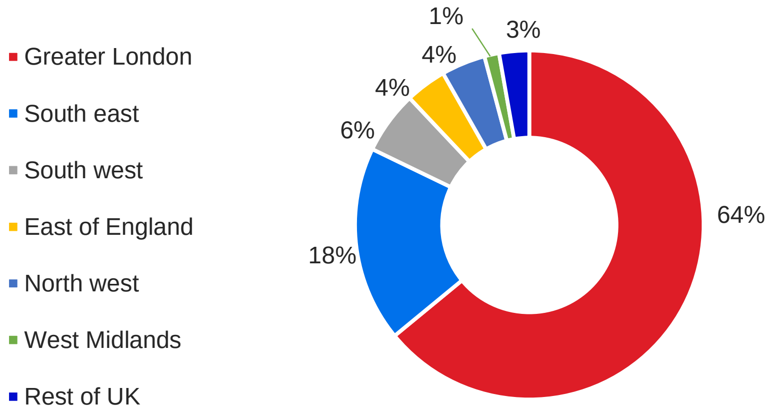
(1) At 30 June 2019

Commercial lending

Debt-to-value profile



Geography



Industry sector

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

At 30 June 2019