JOIN THE REVOLUTION

METRO BANK

US Roadshow Presentation
October 2018

the Metro Bank revolution

Metro Bank is the revolution in British Banking

- A full service retail & commercial bank
- Britain's first new High Street bank in over 100 years
- Founded by Vernon W. Hill, II, founder of Commerce Bancorp (CBH) in the US

Key highlights

- Unique customer-service led model, offering 7-Day store banking with mobile, internet and telephony
- 60 state-of-the-art stores, targeted to grow to 200-250 nationally over time
- New, scalable IT platform with no legacy issues
- No legacy, regulatory, credit or funding issues

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in a huge market ripe for disruption

- Total UK Deposit market is £2.3trillion(1)
- Highly concentrated market, dominated by 'Big 6' in retail and 'Big 5' in business

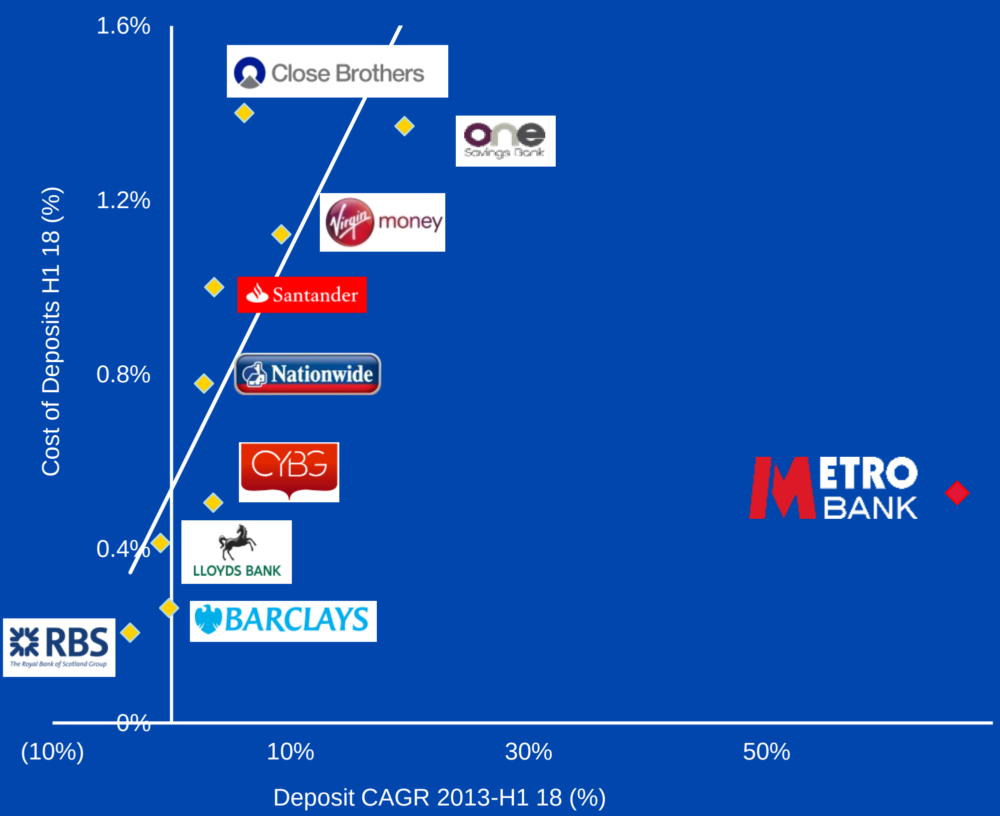
A model focused on creating FANS…

Overall Quality of Service

Retail rank	Retail bank	Retail score	Business rank	Business bank	Business score
1	first direct	85%	1	Handelsbanken	84%
2	Metro Bank	83%	2	Metro Bank	73%
3	Nationwide	73%	3	Santander	66%
4	Coventry Building Society	68%	4	Barclays	62%
5 =	Santander	64%	5	Lloyds Bank	61%
5 =	Barclays	64%	6	NatWest	57%
7 =	Halifax	61%	7	Bank of Scotland	54%
7 =	Yorkshire Bank	61%	8	Yorkshire Bank	53%
9 =	Lloyds Bank	60%	9 =	HSBC UK	51%
9 =	NatWest	60%	9 =	Allied Irish Bank (GB)	51%
9 =	TSB	60%	9 =	TSB	51%
12	Bank of Scotland	57%	9 =	The co-operative bank	51%
13 =	HSBC UK	55%	13	Clydesdale Bank	50%
13 =	The co-operative bank	55%	14	Royal Bank of Scotland	47%
15 =	Clydesdale Bank	49%			
15 =	Royal Bank of Scotland	49%			

Source: CMA Service Quality Surveys 2018 (3)

… highest growth rates with lowest deposits(2)



(1) June 2018, Bank of England. (2) Deposit CAGR shown to FY 17 (Dec-17) for Barclays and OSB; FY 18 (Apr-18) for Nationwide; H1 18 (Jun-18) for Lloyds, RBS, Santander, Virgin Money and Metro Bank; and H1 18 (Mar-18) for CYBG. Cost of Deposits calculated based on FY 17 (Dec-17) for Barclays, Lloyds and OSB; FY 16 (Dec-16) for Santander UK; H1 18 (Jun-18) for Metro Bank, RBS and Virgin Money; H1 18 (Mar-18) for CYBG; and FY 18 (Apr-18) for Nationwide; RBS figures based on the values of customer accounts (3) 16012 adults across Great Britain interviewed between Sept 2017 and June 2018.

it's all about building the brand

FANS!

not customers

Legendary Brands

(Experiences)

Emotional Brands

(Feelings)

Basic Brands

(Brand Promise)

and creating fans

Model *Value Differentiating*

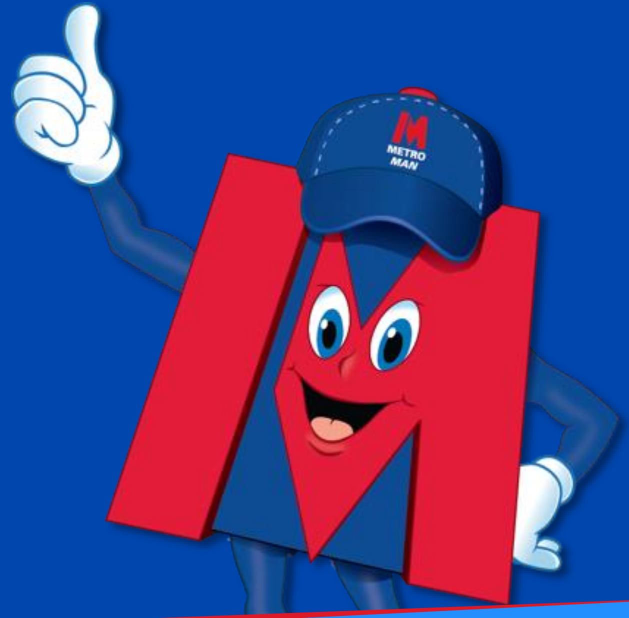
\+ **Culture** *Unique*

\+ **Execution** *Fanatical*

= **FANS!**
not customers

the Metro Bank model

- Growth retailers ***NOT*** bankers
- Unique deposit driven/retail focus
- Customers will trade lower rates for a better ***RETAIL EXPERIENCE***
- Great business creates ***FANS NOT CUSTOMERS***
- Growth is essential to success & value
- Become a power retailer



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the Metro Bank culture

- Create a culture to match your model
- Culture must be very clear & pervasive
  "Buy in or opt out"
- Hire for attitude, train for skills
- Over-train
- Over-reinforce
- Make everyone an owner

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with fanatical execution

- **Believe** in your model
- **Over-invest** in facilities & people
- **Demand** 100% execution
- One person to say **YES**,
  two to say **NO**
- **Best** of every delivery channel
- **No** stupid rules

Best Current Account Provider for Branch Service

Highly Commended
Most Trusted Overall Financial Services Provider

Most Trusted Current Account Provider

Best Mobile Banking App

Best Current Account Provider for Call Centre Service

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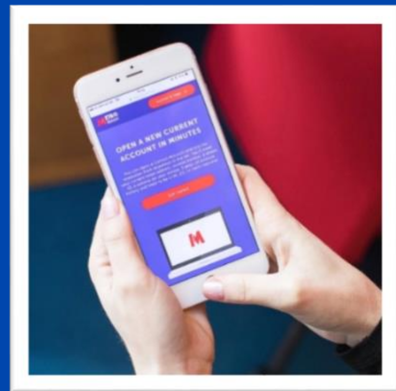
no stupid rules

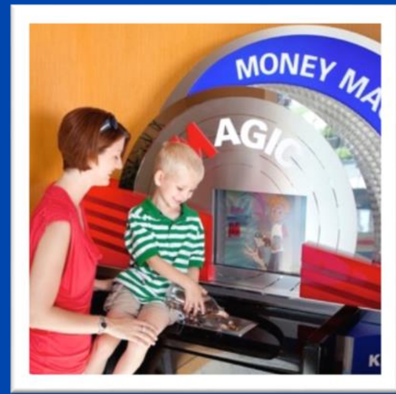
7 Day store banking



Instant account opening
in store or online

Free pens

Instant debit/credit card
printing in store



Free coin counting

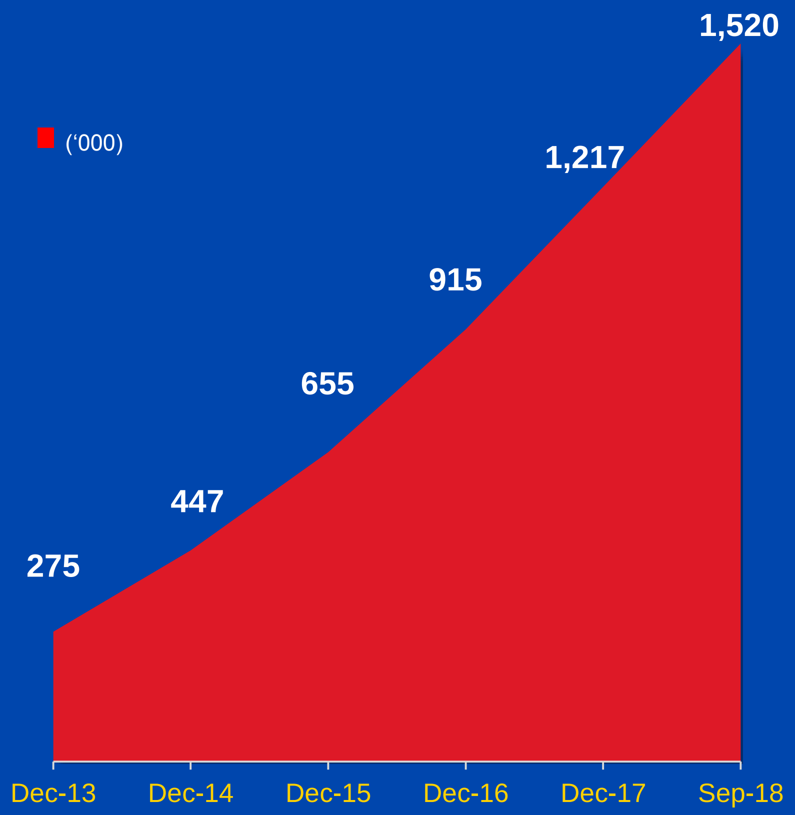
Block and unblock
card on mobile app

delivers a unique culture and model to create fans

Our NPS score, brand awareness and service recognition…

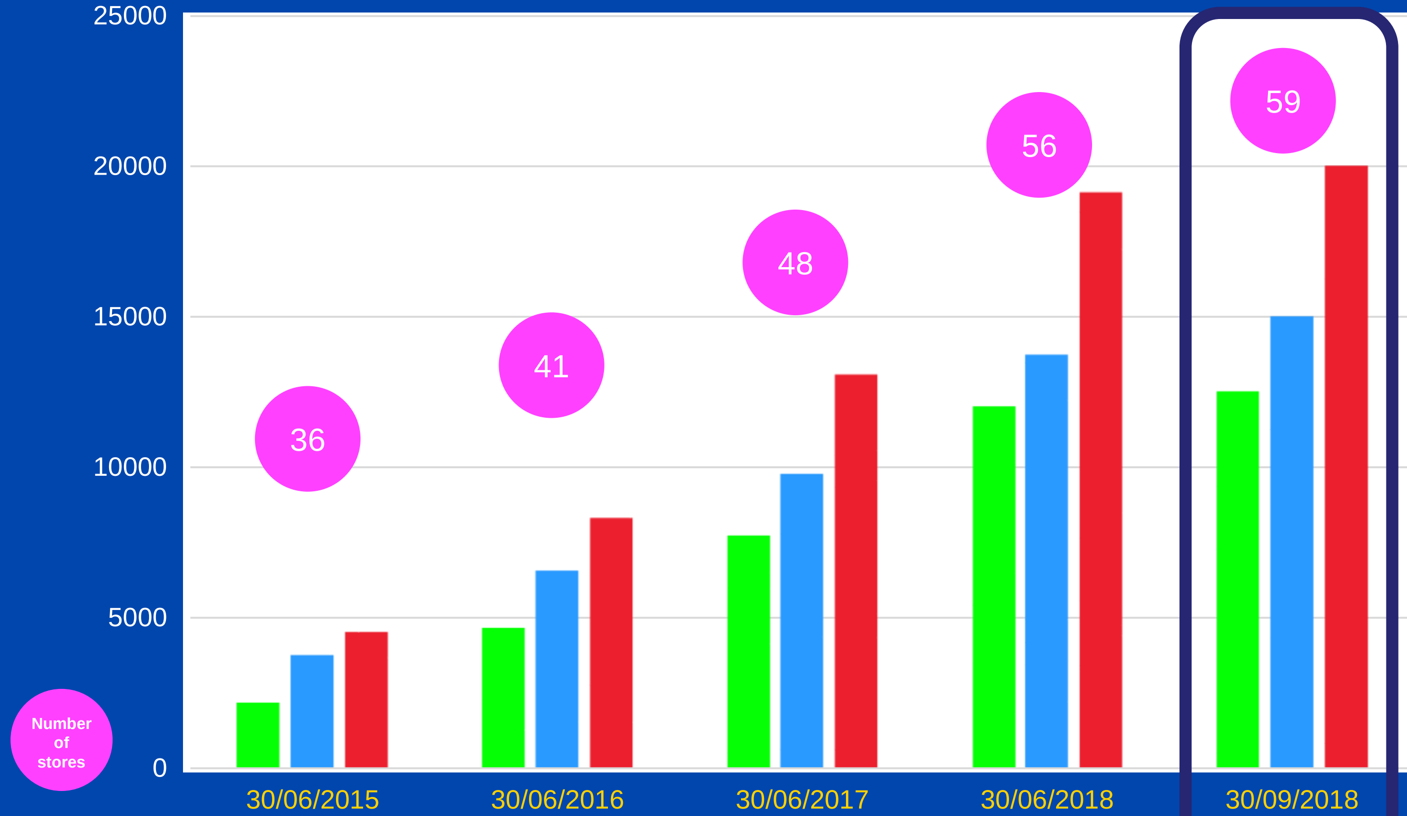
- Net Promoter Score (NPS) at **c.80%**[(1)]
- Brand recognition at **88%**[(2)]
- Competition and Markets Authority's (CMA) inaugural service quality rankings:
  - **Second overall** for service quality in both **personal** and **business** banking
  - Only provider to be ranked **top five** for qualifying business and personal services

…wins a growing number of customer accounts



(1) Whole bank rolling 12 month annual NPS (Jul 18)
(2) In London. Source:YouGov (Jul18)

which drives our loan, deposit and asset growth



Loans	£2.2bn	£4.6bn	£7.8bn	£12.0bn	£13.1bn
Deposits	£3.8bn	£6.6bn	£9.8bn	£13.7bn	£14.8bn
Assets	£4.6bn	£8.4bn	£13.1bn	£19.1bn	£20.6bn

Annual growth rate (1)

Loans	**77%**
Deposits	**54%**
Assets	**62%**

(1) Annual growth rates calculated as at 30th June 2018

it's about the EXPERIENCE integrated across every channel and continuously evolving

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

Developer portal enables us to form partnerships & innovative services to harness the opportunities of open banking.

ONLINE
Simple and secure

- State of the art current account online opening in **just 10 minutes**, including selfie ID&V

Best digital onboarding strategy 2018 (1)

IN STORE
Open 7 days, early 'till late

- >80% of retail accounts opened in under 30 mins*
- SME accounts opened same day

#1 for Service in branches (2)

ON THE APP
Customer-led digital journey

- Instant in-app card blocking/unblocking
- AI-powered "Insights" money management tool launched

Best Banking App (highly commended) (3)

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

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

Best Current Account Provider for Call Centre Service (highly commended) (3)

(1) Retail Banker International Global Awards 2018 (2) CMA Service Quality Surveys 2018 (3) Moneywise Customer Service Awards 2018

** December 2017*

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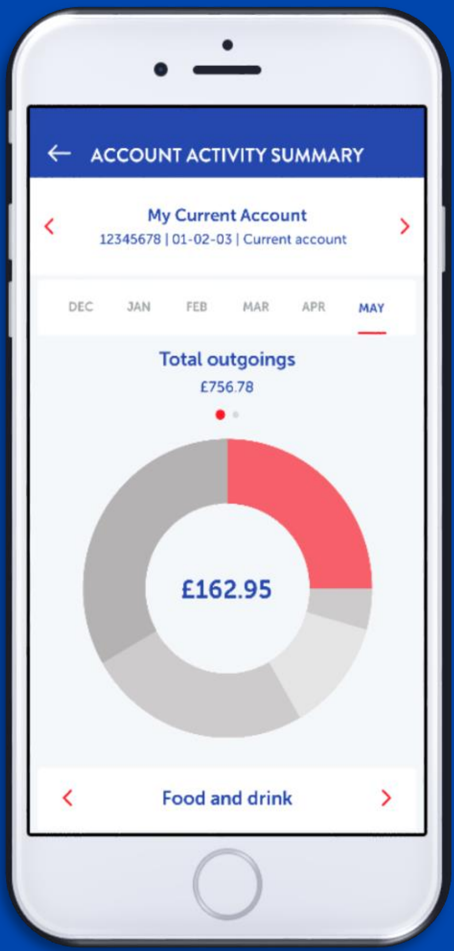
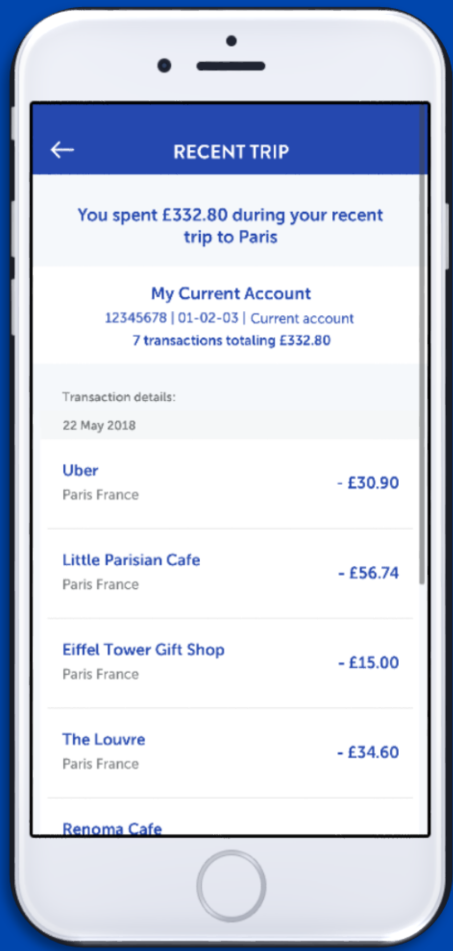
combining the best of digital





- **Insights**: Best in-class AI-powered personal financial management
- Live for **retail customers**
- **Market-leading** customer service
- Uses **AI** to drive spending insight
- Offers **spend analysis and alerts** to help customers make smarter financial decisions
- **Personalised** service – customers can rate the insights to see more of the ones find helpful
- Launch for **business customers** in 2019
- **Gateway for further broadening** our service offering

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with our uniquely branded state-of-the-art stores

Bristol

Watford

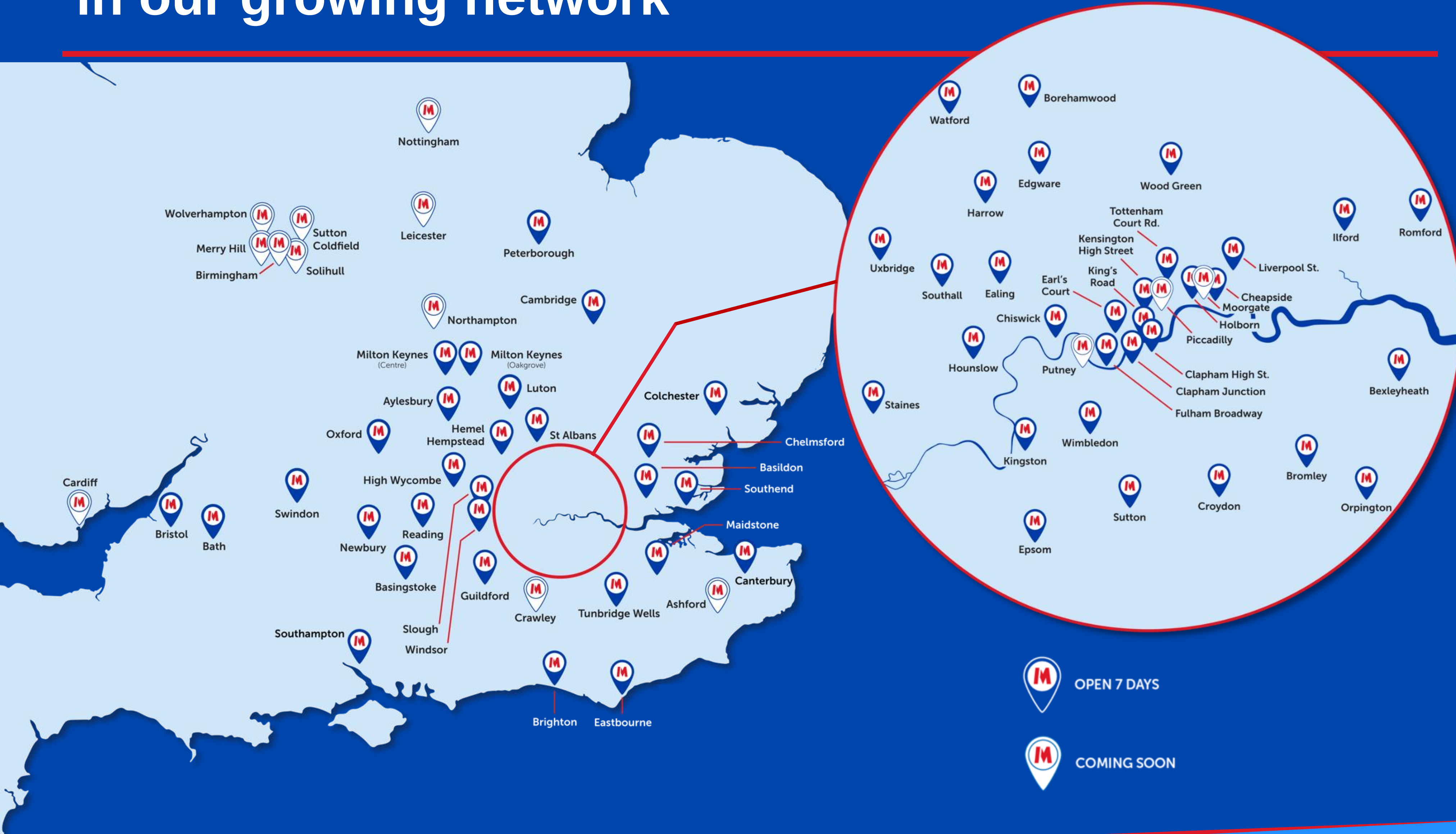
Southampton

Luton

Bexleyheath

Brighton

in our growing network



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where safe deposit boxes provide regular reliable income

Stores open more than 1 year

safe deposit box income covers **80%** of base store rent

with Ealing an example of how store contribution grows

£'000	Y1 May-14	Y2 May-15	Y3 May-16	Y4 May-17	Y5 May-18
Number of customer accounts	10,399	17,603	24,949	31,870	38,784
Deposits	**44,581**	**153,232**	**226,255**	**290,347**	**402,444**
Average deposit growth per month	*£3.7m*	*£9.1m*	*£6.1m*	*£5.3m*	*£9.3m*
Total income(1)	**812**	**2,903**	**4,498**	**6,931**	**9,519**
People costs	647	669	699	702	834
Property costs	837	776	795	841	829
Other costs	162	126	111	195	168
Store operating expenses(2)	**1,646**	**1,571**	**1,605**	**1,738**	**1,831**
Store contribution	**(834)**	**1,332**	**2,893**	**5,193**	**7,687**

+117% +80% +48%

- **Grand opening in June 2013**

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

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

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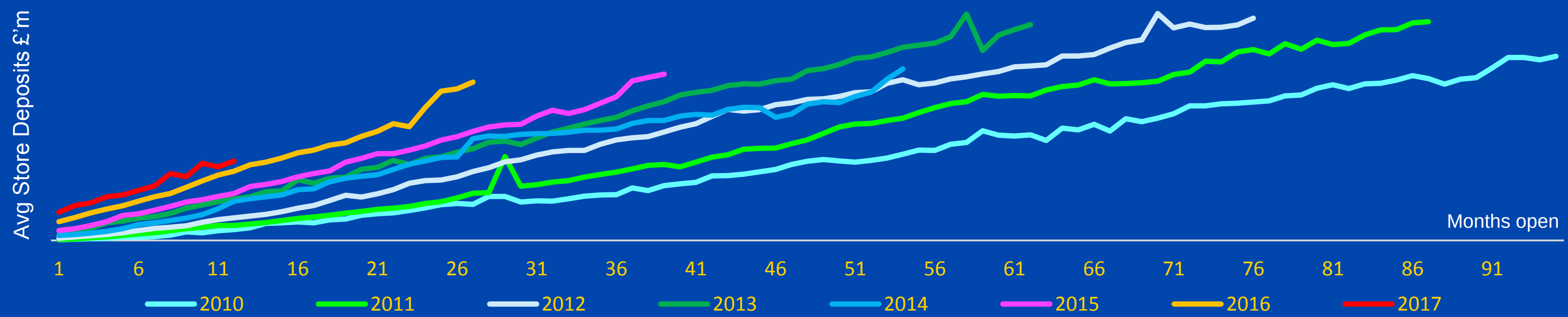
with strong average deposit growth per store

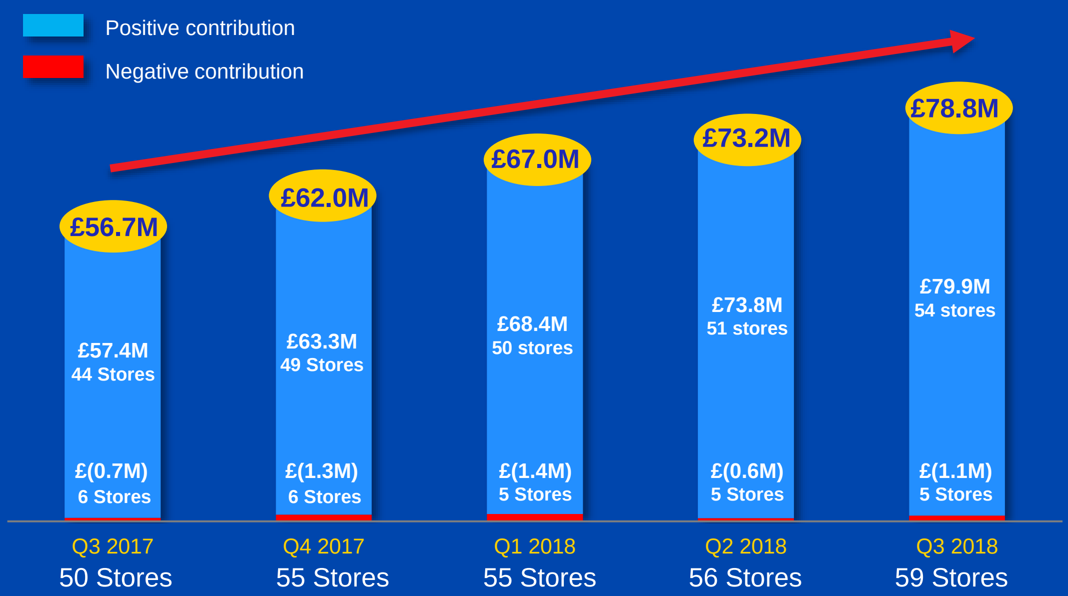
GBP to USD average exchange rate used 1.30
(1) Quarterly deposit growth per store, annualised (2) 9M 2018

increasing store contribution and performance

Annual cohorts start and grow faster(1)



Store contribution increases for new and existing stores (quarterly)



- **For stores open 12 months + average deposits per store is £283.4m ($368.4m)**
- All stores open 18 months or more in positive contribution
- The existing network is the engine of growth
  - **33%** comp store growth in deposits for stores open 12 months+
  - 30% and 30% for stores open 24 months+ and 36 months+

(1) 2010 excludes Holborn

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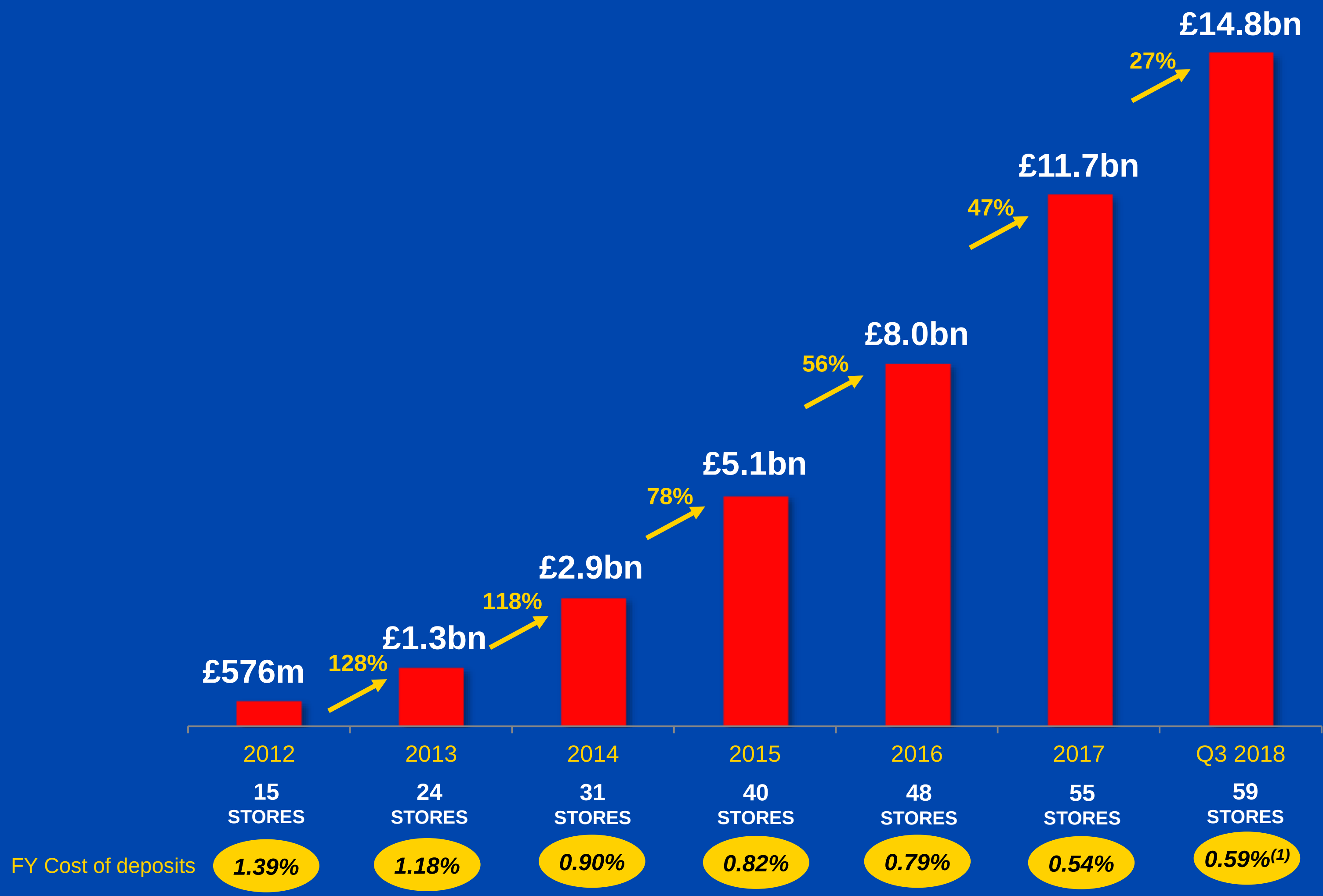
as we continue to win low cost sticky deposits



- Current account growth of **38%** YoY, now **30%** of deposits
- Annual deposit growth of **38%**
  - Retail **32%** growth
  - Commercial **42%** growth
- Deposit mix: commercial **54%** and retail **46%**
- Cost of deposits at 59bps 9M 2018 and 61bps Q3 2018, an increase from 59bps Q2 2018, reflecting the base rate rise from 0.50% to 0.75% in August

(1) 9M 2018

leading to a simple, liquid, predominantly deposit-funded balance sheet

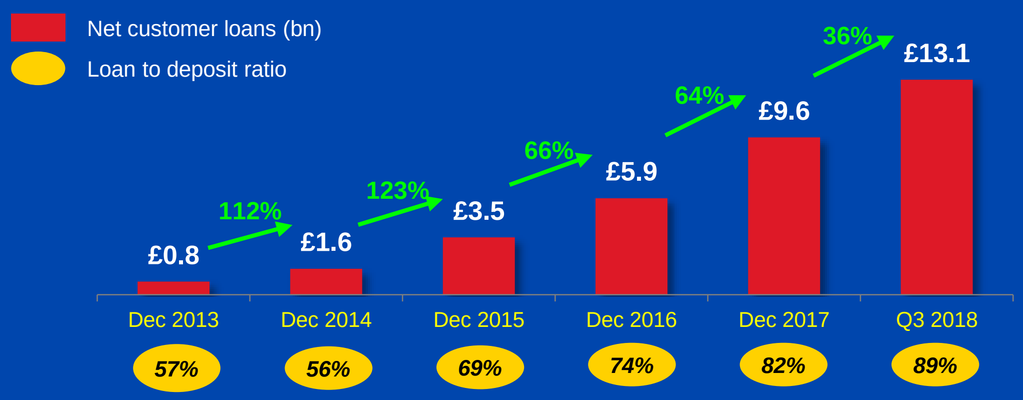
	Q3 2018 (£'m)	Q2 2018 (£'m)	*QoQ Growth*	*Annual Growth*
Loans and advances to customers	13,121	12,013	*9%*	*52%*
Treasury assets[1]	6,698	6,453	*4%*	*24%*
Other assets[2]	748	669	*12%*	*31%*
Total assets	**20,567**	**19,135**	***7%***	***41%***
Deposits from customers	14,813	13,736	*8%*	*38%*
BoE funding scheme drawings	3,801	3,801	*0%*	*79%*
Debt securities	249	249	*0%*	-
Other liabilities	300	252	*19%*	*-50%*
Total liabilities	**19,163**	**18,038**	***6%***	***42%***
Shareholders' funds	1,404	1,097	*28%*	*28%*
Total equity and liabilities	**20,567**	**19,135**	***7%***	***41%***

- With an 89% loan to deposit ratio at 30 September 2018, the balance sheet is intrinsically liquid
- Stable deposits, with a long behavioural life and no "hot money"
- £3.8bn TFS drawings, invested in liquidity
- 129% LCR ratio at 30 June 2018 (31 December 2017: 141%)
- As at 30 June 2018, 91% of the liquidity portfolio was cash, government bonds and AAA-rated instruments[3]

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

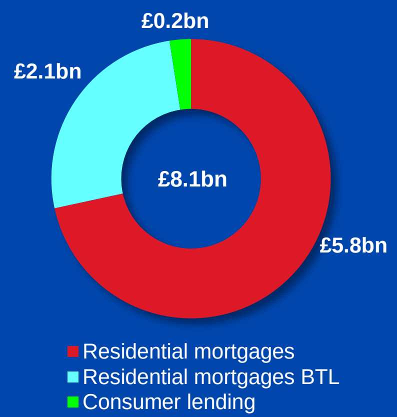
enabling us to grow our lending at low risk

High loan growth at low risk increasing our LTD ratio

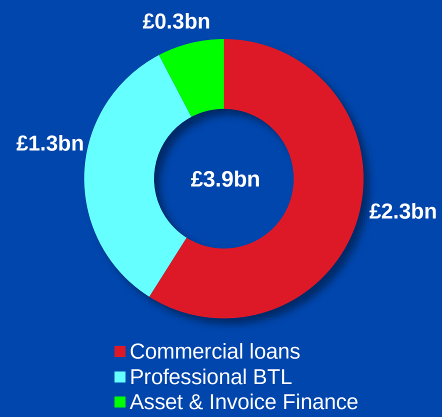


Lending portfolio split as at 30 June 2018 (total £12.0bn)

Retail: 68% of portfolio



Commercial: 32% of portfolio



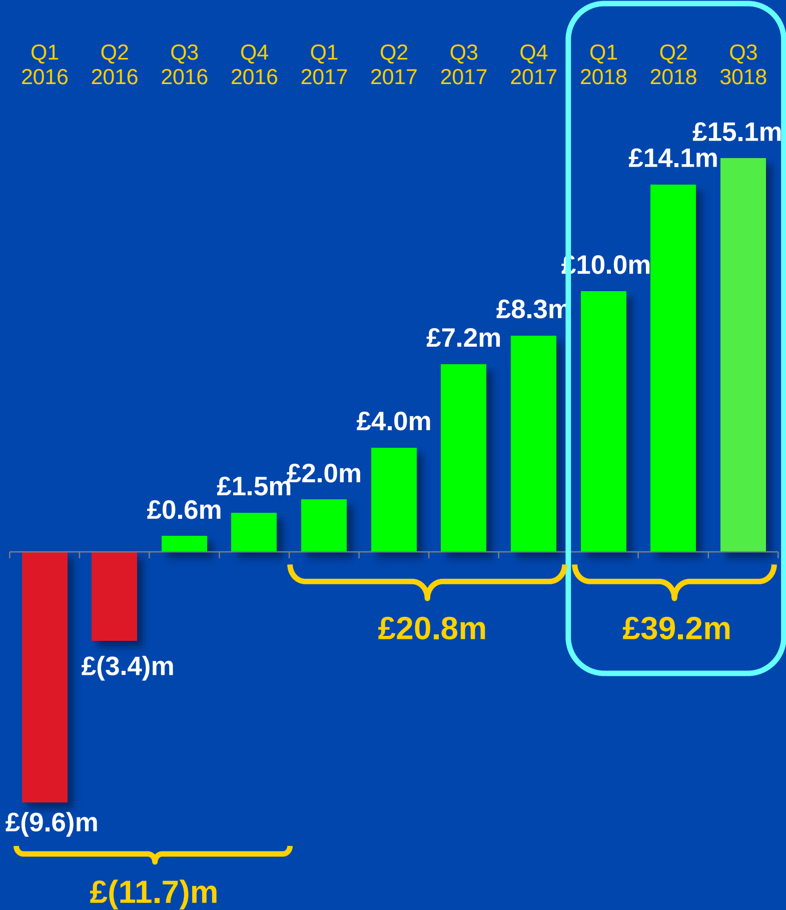
- **Strong organic momentum** in lending across all asset classes
  - 89% loan to deposit ratio in Q3 2018, increasing from 82% in FY 2017
  - 52% YoY loan growth in Q3 2018
- **Supplemented by purchase** of seasoned UK mortgage portfolio for £523m in Q1 2018. 3 seasoned mortgage portfolios have been purchased for a total consideration of £1.47bn
- **Loan portfolio remains highly collateralised**, with average debt to value at June 18 of c.60%
- Non-performing loans (90 days+ in arrears) reduced to 0.15% of loan balances for Q3 2018 (Q2 2018 0.17%)
- Cost of risk remained low at 0.07% in 9M 2018 (9M 2017 0.10%)

driving strong results with 9 quarters of increasing profitability

Our Progress

	9M 2018	9M 2017	Change
Customer accounts	1,520k	1,124k	+35%
Customer deposits	£14.8bn	£10.8bn	+38%
Net average deposit growth per store /month	£6.3m	£6.5m	-3%
Net customer loans	£13.1bn	£8.6bn	+52%
Loan to deposit ratio	89%	80%	+9pp
Underlying profit before tax (1)	£39.2m	£13.2m	+197%
Underlying EPS	32.6p	11.7p	+179%

Underlying (loss)/profit before tax (2)



(1) Underlying profit before tax excludes Listing Share Awards, the FSCS levy, impairment of property, plant & equipment ("PPE") and intangible assets, and costs relating to the RBS alternative remedies package application

(2) Quarterly underlying (loss)/profit excludes the costs of the FSCS levy which are including in the full year total. In 2017 the FSCS levy was £0.6m (2016: £0.7m)

generating increasing returns

	9M 2018 (£'m)	9M 2017 (£'m)	*Growth*
Net interest income	241.1	171.7	*40%*
Fees and other income	45.0	35.2	*28%*
Net gains on sale of assets	8.7	2.3	*278%*
Total revenue	**294.8**	**209.2**	***41%***
Operating expenses	(217.4)	(166.7)	*30%*
Depreciation and amortisation	(32.2)	(24.3)	*33%*
Operating Cost	**(249.6)**	**(191.0)**	***31%***
Credit impairment charges	(6.0)	(5.0)	*20%*
Underlying profit before tax	**39.2**	**13.2**	***197%***
Underlying taxation	(9.4)	(3.5)	*169%*
Underlying profit after tax	**29.8**	**9.7**	***207%***
Ratios:			
Customer net interest margin	2.21%	2.19%	*+2bps*
Customer net interest margin + fees	**2.67%**	**2.69%**	***-2bps***
Net interest margin	1.82%	1.97%	*-15bps*
Underlying cost to income ratio	85%	91%	*-6pp*

- 9M 2018 pre-tax profits up 197% over 9M 2017 to £39.2m
- **Positive operating jaws** with revenue up **41%** YoY and opex up **31%** led to 85% C:I ratio
- Customer NIM at 2.21% YTD and 2.21% 3Q, a 1bps improvement QoQ, reflects LTD increase from 87% to 89%
- Competitive pressure in the mortgage market is a headwind to asset yields
- Fees present an opportunity to bridge to c3.0% NIM plus fees
- 9M 2018 NIM reduced YoY due to incremental TFS drawings, and in the quarter, NIM was impacted by debt servicing of the Tier 2

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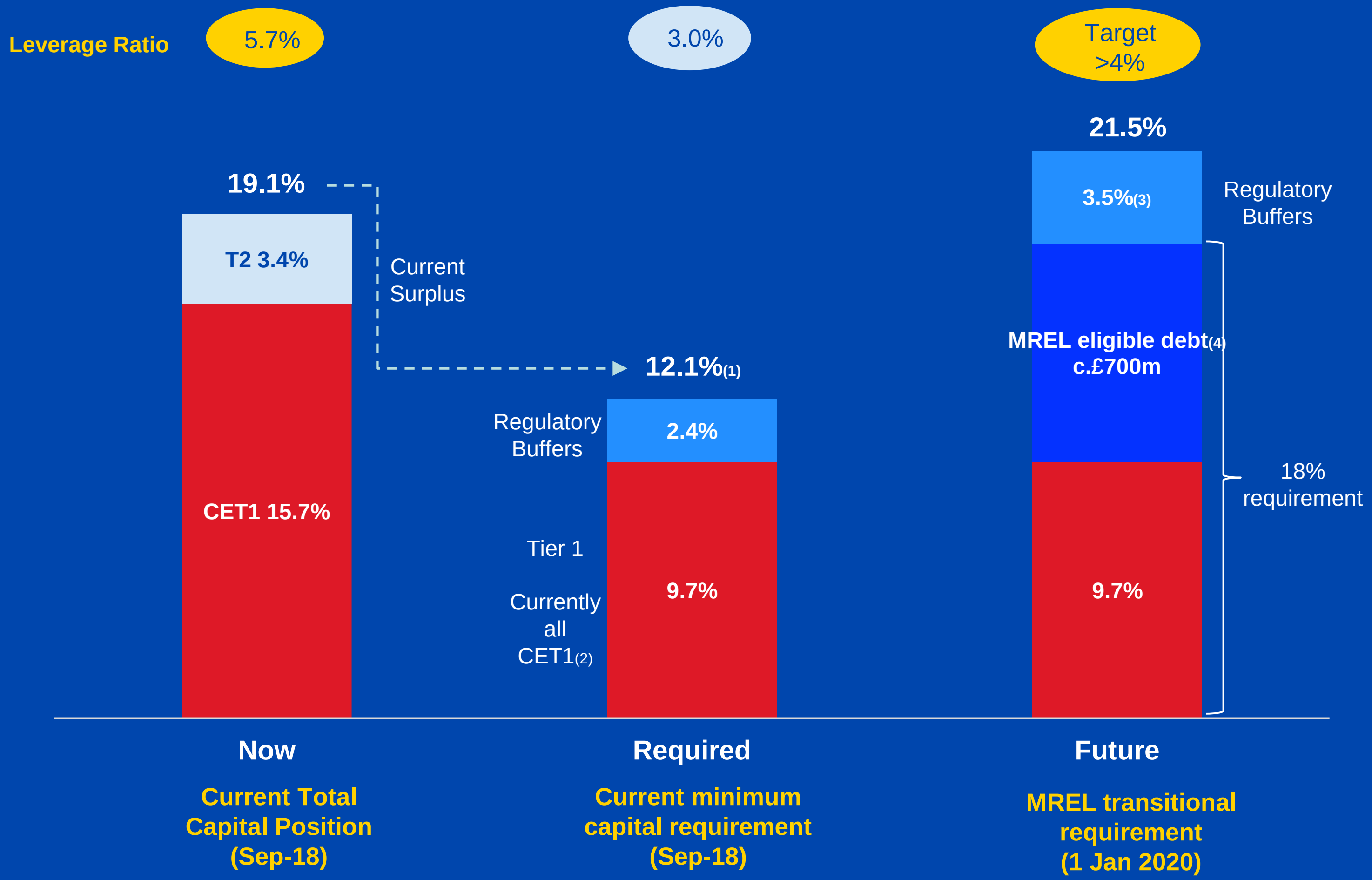
with proactive management of regulatory requirements

Well above minimum capital requirements… **…and on track to meet MREL requirements with debt**



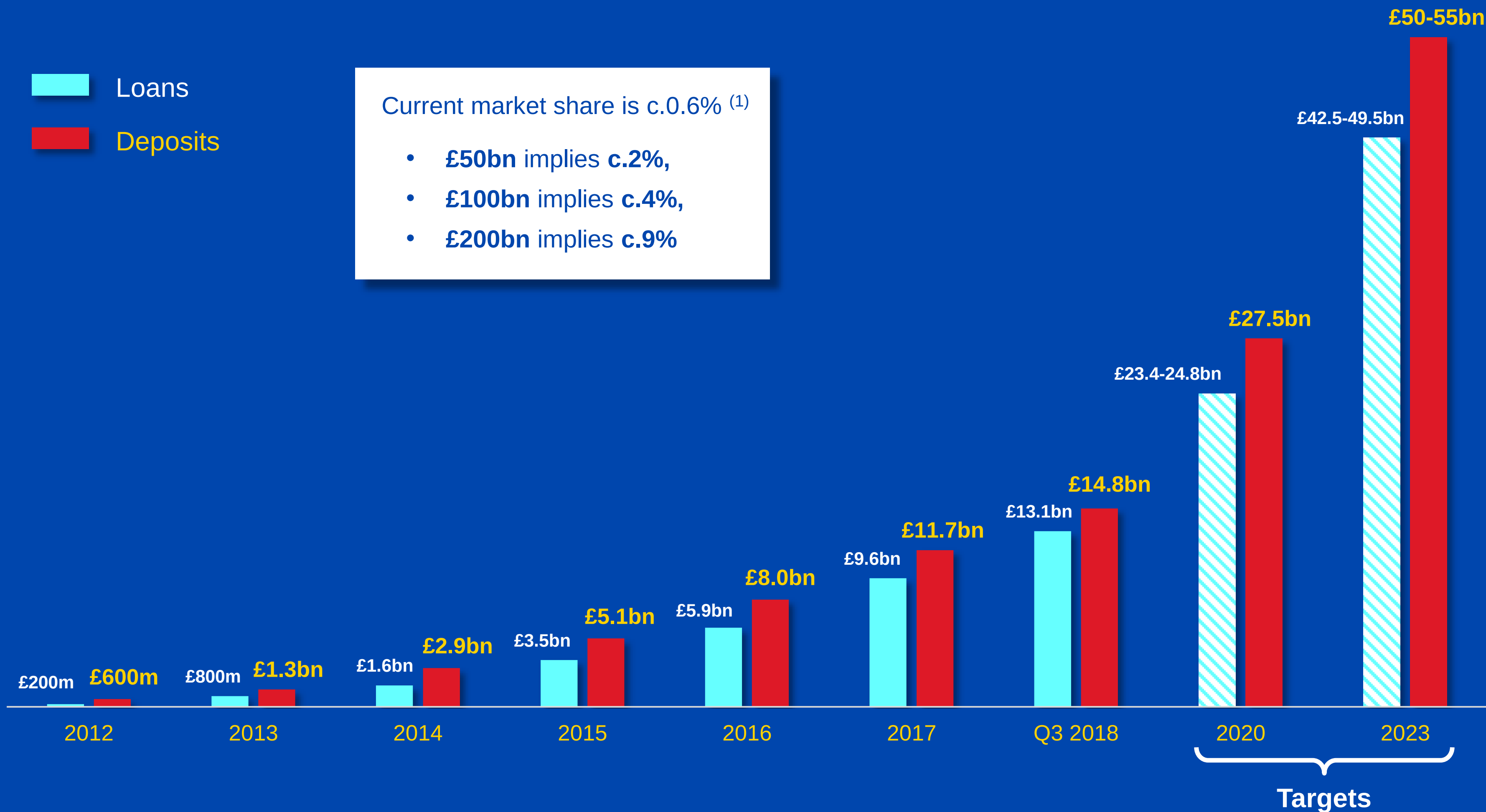
- We will **optimise and further diversify** our capital base as we grow
- We will raise **appropriate debt** to satisfy our transitional MREL requirement by 1st January 2020
    - MREL is a "bail-in" debt framework, similar to TLAC in the US
- **AIRB** migration for residential mortgages is expected during 2H19, with appropriate provision in place if this slips

(1) Total capital requirement comprises 8.0% Pillar 1; 1.7% Pillar 2A; 2.4% Capital Conservation buffer (CCB) and Countercyclical buffer (CCyB); excludes any confidential buffers, if applicable (2) Currently all satisfied with CET1, but 1.8% can be AT1 (3) Assumes an increase in CCB and CCyB (4) Can be made up of CET1, AT1, T2, and other MREL eligible capital. MREL—minimum requirement for own funds and eligible liabilities.

which enables significant further growth in both deposits and lending

Current market share is c.0.6% (1)

- **£50bn** implies **c.2%,**
- **£100bn** implies **c.4%,**
- **£200bn** implies **c.9%**



(1) Based on total UK Deposit market size of £2.3tr

Source: Bank of England Data, June 2018

as we progress towards our mid-term targets

Our Targets	2020 Targets	2023 Targets
Deposits	c.£27.5bn	£50-55bn
Stores	c.100	140-160
Monthly deposit growth /store	£5.5–6.5m	£5.5-6.5m
Loan to Deposit Ratio	85-90%	85-90%
Customer NIM + Fees(1)	c.3%	c.3%
Cost:Income Ratio	c.60%	55-58%
Cost of Risk	c.0.20%	0.15-0.30%
Leverage Ratio(2)	>4.0%	>4.0%
ROE	**c.11.5%**	17-19%

Note: Equity raise impacts 2020 ROE target but not 2023

(1) Assumes one further 25bps base rate increase to 2020, and an additional 25bps increase to 2023 (2) BoE Tier 1 Leverage calculation

Glossary

Basel III Framework: Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision. The measures aim to strengthen the regulation, supervision and risk management of banks. The standards were implemented in the EU in January 2014.

Risk weighted assets (RWA): A measure of our assets adjusted for their associated risk. Risk weightings are applied in accordance with the Basel Capital Accord as implemented by the Prudential Regulation Authority ('PRA').

Common equity tier 1 capital (CET1): The highest quality form of regulatory capital under CRD IV that comprises common shares issued and related share premium, retained earnings and other reserves less specified regulatory adjustments.

CET1 Ratio: CET1 capital as a percentage of risk-weighted assets.

Tier 1 Capital: It captures Core Tier 1 capital plus other Tier 1 securities in issue but is subject to certain deductions as defined by the PRA.

Tier 1 Ratio: Tier 1 capital as a percentage of risk weighted assets. It is a measure of a bank's financial strength defined by the PRA.

Tier 2 Capital: It includes qualifying subordinated debt and other Tier 2 securities in issue, eligible collective impairment allowances, unrealised available for sale equity gains and revaluation reserves. It is subject to certain deductions as defined by the PRA.

Regulatory leverage ratio: The ratio of our common equity tier 1 capital compared to our total assets.

Standardised approach: A method for calculating credit risk and operational risk capital requirements under CRD IV. Credit risk capital requirements are calculated using External Credit Assessment Institutions ratings and supervisory risk weights. Operational risk capital requirements are calculated by the application of a supervisory defined percentage charge to our gross income.

Internal Ratings-Based approach (IRB): A methodology of estimating the credit risk within a portfolio by utilising internal risk parameters to calculate credit risk regulatory capital requirements. There are two approaches to IRB: Foundation IRB and Advanced IRB.

Minimum Requirements for own funds and Eligible Liabilities (MREL): The Bank of England uses its statutory powers to require banks to hold MREL qualifying debt to be 'bailed-in' and assist in resolving a bank if it were to enter resolution.

Liquidity Coverage Ratio (LCR): The LCR promotes the short-term resilience of a bank's liquidity risk profile. It does this by ensuring that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash easily and immediately in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

Term funding scheme (TFS): A scheme implemented by the Bank of England which provides funding to banks and building societies at rates close to Base Rate. It is designed to encourage lenders to reflect cuts in Base Rate in the interest rates faced by households and businesses.

IFRS 9: A new accounting standard adopted from 1 January 2018. It specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

IFRS 16: A new accounting standard adopted from 1 January 2019. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Financial Conduct Authority (FCA): The FCA focuses on the regulation of conduct by both retail and wholesale financial services firms. Its objective it to maintain the integrity of the UK's financial markets.

Prudential Regulation Authority (PRA): As a prudential regulator, the PRA has a general objective of promoting the safety and soundness of banks, building societies, credit unions, insurers and major investment firms.

Financial Services Compensation Scheme (FSCS): The UK's statutory fund of last resort for customers of authorised financial services firms.

Net Promoter Score (NPS): A standard loyalty metric which is calculated based on customers providing a rating on a 0 to 10 scale. Those who respond with a score of 9 to 10 are labelled 'promoters', 0 to 6 labelled 'detractors' and 7 or 8 labelled 'passives'. The NPS is then calculated by taking the percentage of respondents classified as detractors away from those identified as promoters. NPS can be as low as −100 (everybody is a detractor) or as high as +100 (everybody is a promoter).

IMPORTANT: YOU MUST READ THE FOLLOWING. The following applies to this document (the "Information").