METRO BANK UPDATE Q1 2019

May 2019

The Metro Bank revolution

Metro Bank is the revolution in British Banking

- A full service retail, business & commercial bank
- Britain's first new High Street bank in over 100 years
- Listed on the London Stock Exchange in 2016

Key highlights

- Unique customer-service led model, offering 7-Day store banking with mobile, internet and telephony
- 66 state-of-the-art stores and expanding
- 1.7million customers accounts opened
- New, scalable IT platform

Metro Bank continues to create FANs

No1 service for personal customers

Personal current accounts: overall quality of service

No2 service for business customers

Business current accounts: overall quality of service

"We are extremely proud to have secured the top spot for our personal current account and maintained our position for our business current account. Our offering is simple. We believe in providing the very best in service and convenience for both consumers and businesses, and this latest set of results from the CMA speaks for itself." Craig Donaldson, CEO Metro Bank

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

Winner of top award of £120m from the C&I Fund

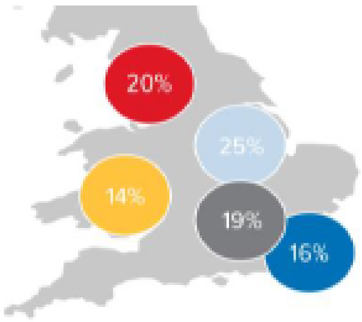
The Capability & Innovation (C&I) funding brings the future forward...

Metro Bank is winner of the top award for the C&I fund, a £120m grant that accelerates Metro Bank's growth to become an "at scale" SME challenger by 2025

What does this mean for Metro Bank?

Accelerate national store coverage, launch game changing digital capabilities in addition to those required to serve larger, more complex SMEs.

Craig Donaldson, CEO at Metro Bank said *"Securing this award from BCR Ltd allows us to accelerate our plans to revolutionise banking for SMEs. It will help us bring much needed competition to the underserved SME hotspots in the North, while investing in our digital capabilities and creating new jobs. We already provide tens of thousands of businesses with market-leading service and convenience, and these funds will enable us to introduce new services and products for more SME customers across the country."*



UK SME hot spots[1]

Increase coverage to over **two-thirds** of UK SME hot spots from c.30% currently[1]

(1) Charterhouse SME Finance and Banking Report, 2016. Increased coverage includes incremental growth from C&I funding and planned growth

Successfully raised gross proceeds of £375m to support growth

Results of Placing

Following strong demand from both existing and new shareholders, Metro Bank PLC is pleased to announce that it has successfully raised gross proceeds of approximately £375 million through its placing launched 16 May 2019 (the "Placing"), upsizing from an initial target of £350 million. The Placing Price of 500 pence per Placing Share represents a 5.2% discount to the preceding five day average closing price as at 16 May 2019.

The Detail

A total of 75,000,000 new ordinary shares of 0.0001 pence each in Metro Bank have been underwritten and conditionally placed by RBC Capital Markets, Jefferies International Limited and Keefe, Bruyette & Woods with existing and new investors at a price of 500 pence per Placing Share.

Vernon Hill, Chairman of Metro Bank said *"I am really pleased with the support we have received from both existing and new shareholders, and for their confidence and belief in Metro Bank's strategy. The Placing was significantly oversubscribed and as a consequence we raised a total of £375 million. Although we've faced challenges in the past few months, we remain fully focused on providing the outstanding service and convenience that our customers expect of us. This growth capital will enable us to continue to expand the business and implement our strategic initiatives."*

METRO BANK STRATEGY & FINANCIALS

Metro Bank Today

The Revolution continues…	• Creating FANS by opening new Stores, entering new markets, expanding digital capabilities, growing deposits and lending to UK households and businesses
…delivering profitability…	• Supported by fulfilling a robust lending pipeline despite a challenging quarter for deposits…
…within an evolving environment…	• Continue to operate in a highly competitive environment which has put pressure on our margins
…so Metro Bank is evolving its strategy…	• Optimise the balance between growth, profitability and capital efficiency while increasing our focus on SMEs underpinned by our Capability & Innovation Fund win
…whilst maintaining a robust financial standing.	• Announced a £375m equity raise on 17 May, plus plans to issue £500m of MREL eligible debt in 2019 to ensure a well capitalised Bank to support our evolution

Metro Bank Q1 2019 Results

- **Customers**: 1.7million customer accounts, and ranked No1 by the CMA for overall quality of service to personal customers and No 2 for business
- **Deposits**: Growth in deposits of 19% YoY to £15.1bn with cost of deposits at 70bps. One third of funding is from sticky current accounts
- **Lending**: Net customer loans of £15.2bn, growing 38% YoY across a diverse portfolio, rebalancing the lending mix towards more cost efficient residential mortgages
- **Profitability**: Underlying profit before tax of £6.9m, a reduction from Q1 2018 due to adopting IFRS 16 and the interest expense on Tier 2 debt issued in June 2018.
- **Risk**: Conservative lending results in a low cost of risk (6bps) and low Non-Performing Loans (0.18% of net customer loans)
- **Capital**: Total Capital Ratio of 14.7%, CET1 Ratio of 12.1% and Leverage Ratio of 5.2%, with an equity raise of £375m (subject to Shareholder approval on 3 June)

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Metro Bank's integrated customer experience

As Metro Bank expands our physical network & digital footprint to deliver an integrated customer experience

Stores + Digital = Increasing Customer Acquisition

+10 Stores in 2018

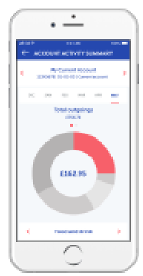
~c.8 Stores in 2019 excl. C&I funded stores

New Market Expansion
Bristol, Southampton and Northampton in 2018, with Birmingham and the Midlands an opportunity in 2019

66% of customers used a store in 2018

Digital Investment in 2018

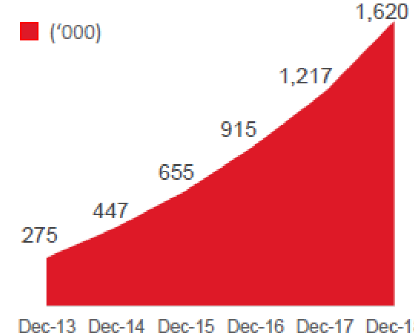
- Insights launched
- International payments functionality added
- Current Account opening online launched
- Instant Access Savings application



2nd highest rated banking app overall(1)

33% of current account holders used physical & digital in the last 90 days

Customer Accounts



Average 10% market share of new business current accounts in London(2)

&

15% of SME switchers in London(2)

86% brand awareness in London(3)
54% brand awareness in the UK(4)

(1) iOS app store (2) MarketVueBusiness Banking from Savanta, YE Q1 2018 –YE Q4 2018. Base size: new BCAs 162-266, switchers 33-47. Data weighted by region and turnover to be representative of businesses in Great Britain. (3) Figures from YouGovPlc. Total sample size was 1,002 adults. Fieldwork was undertaken between 19-21 February 2019. The figures have been weighted and are representative of all London adults (aged 18+). (4) Figures from YouGovPlc. Total sample size was 2,095 adults. Fieldwork was undertaken between 19-20 February 2018. The figures have been weighted and are representative of all GB adults (aged 18+).

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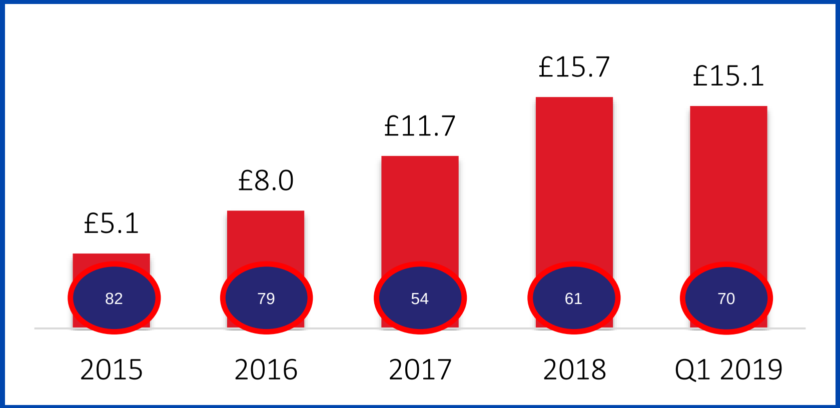
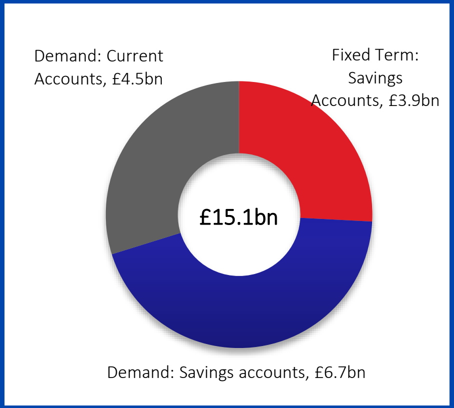
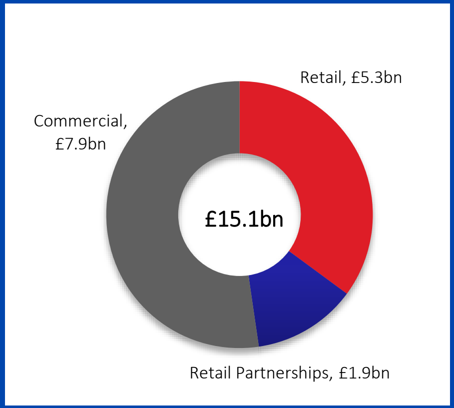
Driving 19% YoY Growth in Deposits despite a challenging Q1

Total Deposits (£billion) & Cost of Deposits (bps)



Diversification of Deposits by Channel (Q1 2019)





Commentary

As of 31 March total deposits were £15,095m, up 19% from £12,702m in the prior year. Impact of sentiment following January's trading update resulted in a modest 3.6% reduction in total deposits, principally across a small number of large commercial and partnership accounts in January and February. This resulted in a net deposit reduction per store per month of £2.9m, compared to £4.7m growth in Q4 2018.

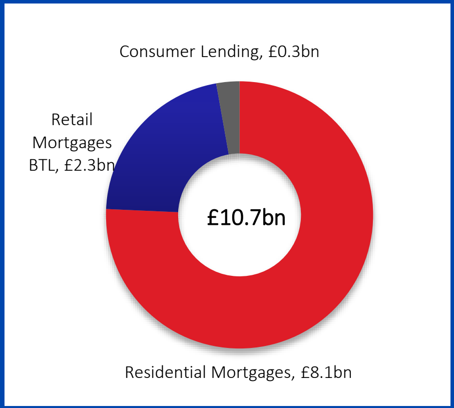
Core deposits demonstrated resilience, reflecting the continued strength of the franchise with deposits from retail customers (excluding retail partnership deposits) increasing by £118m during Q1. Deposits stabilised in March and returned to growth in April. We remain committed to our medium term guidance of 20% deposit growth per annum, however given the challenging first quarter, expect a slower rate of growth in 2019.

Cost of deposits during the quarter was 70bps, in line with expectations. The increase of 3bps from Q4 2018 and 9bps since Q3 2018 remains materially lower than the 25bps Bank of England base rate increase in August 2018. Our low-cost deposit model, supported by a high proportion of current accounts, has delivered total cost of deposits that remains below the current base rate of 75bps.

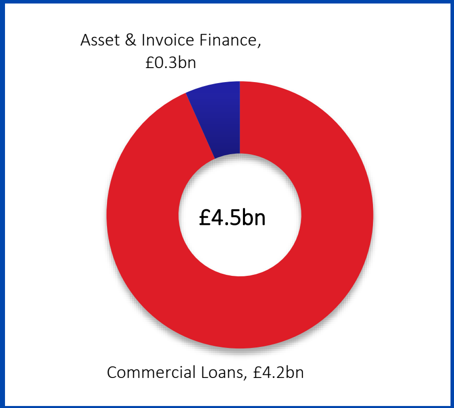
With Strong Growth in Lending in Q1 2019

Total Lending (£billion)

Retail Q1 2019 (71%)



Commercial Q1 2019 (29%)



Commentary

Total net loans as of 31 March were £15,167m, up 38% from £10,974m in the prior year. Total net loans increased by £932m in the quarter, an increase of 7%. In line with our target to rebalance the lending mix towards more cost efficient and higher return on equity residential mortgages, loans to commercial customers reduced to 29% of total lending as of 31 March 2019, from 31% at Q4 2018 and 32% at Q1 2018.

Growth in higher risk-density commercial real estate lending slowed during the quarter to 3% (Q4 2018: 5%), with continued strong growth of 9% in capital efficient residential mortgage lending (Q4 2018: 10%)

That drives continued profitability

Underlying profit before tax of £6.9million

Profit & Loss Account	Annual Growth Rate	2019 Q1	2018 Q4	2018 Q1
Net interest income		£83.8m	£88.9m	£75.0m
Fee & other income		£22.4m	£18.3m	£14.1m
Net gains on sale of assets		£1.3m	£2.0m	£2.7m
Total Revenue	**17%**	**£107.5m**	**£109.2m**	**£91.8m**
Operating expenses	24%	(£98.4m)	(£96.0m)	(£79.5m)
Expected credit loss expense		(£2.2m)	(£2.0m)	(£2.3m)
Underlying profit before tax*	**(31%)**	**£6.9m**	**£11.2m**	**£10.0m**
Underlying taxation		(£1.9m)	(£4.2m)	(£2.2m)
Underlying profit after tax	**(36%)**	**£5.0m**	**£7.0m**	**£7.8m**

Underlying profit before tax* of £6.9m compares to £10.0m in Q1 2018. Statutory profit before tax of £4.3m compares to £8.6m in Q1 2018. The reduction reflects a net £2.0m effect of adopting IFRS 16 from 1 January 2019, and £3.5m interest expense on the Tier 2 debt issued in June 2018.

*Underlying profit before tax excludes costs associated with listing and the Listing Share Awards, impairment of property, plant & equipment ("PPE") and intangible assets, costs relating to the RBS alternative remedies package and transformation and remediation costs.

Net Interest Margin

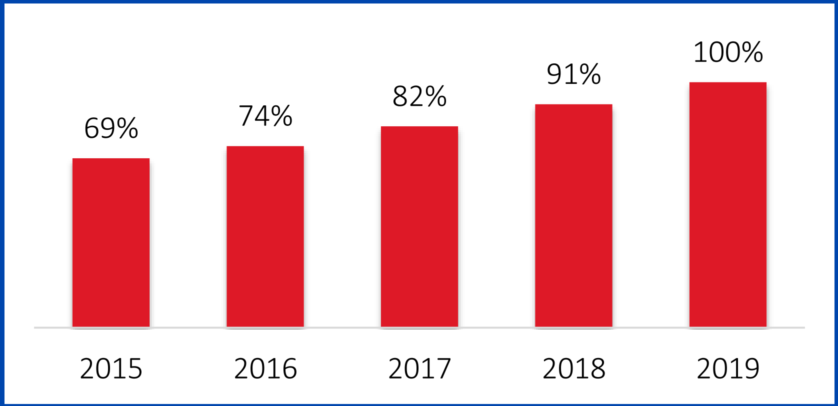
Net interest margin reduced by 12bps quarter-on-quarter, reflecting an interest charge on the IFRS16 lease liability and the fulfilment of lower-yielding lending originated in Q4, particularly mortgages.

Customer net interest margin increased by 1 basis point to 2.20% (Q4 2018: 2.19%), demonstrating the continued resilient performance of the underlying business.

Customer net interest margin + fees increased for the second successive quarter to 2.80%, up 13 bps from Q4 2018. Fee and other income was £22.4m in Q1, up 22% from £18.3m in Q4 2018, and up 59% year-on-year from £14.1m in Q1 2018. The increase in fee income reflects deepening customer relationships, improving customer propositions, and optimising fee structures.

Whilst continuing to operate a low risk model

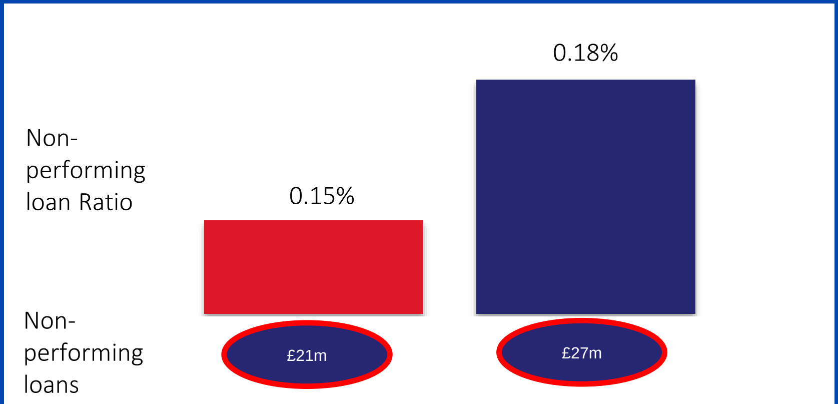
Loan to Deposit Ratio – target range 85 to 90%



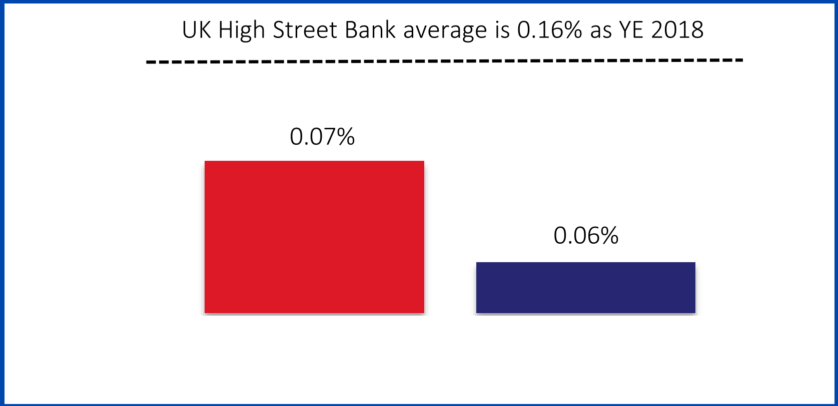
Loan to deposit ratio increased to 100% from 91% at year-end as a result of fulfilling our Q4 committed lending pipeline. Management of our lending growth through adjusting front-book pricing, and growth in deposits will ensure we sustainably progress towards our medium-term loan to deposit ratio guidance of 85%-90%.

Asset quality remains robust reflecting our continued low-risk lending. Cost of risk remained low at 6bps, down from 7bps for full year 2018. Non-performing loans were 0.18% of the portfolio (0.15% at Q4 2018). High quality growth in low risk assets remains a key focus, which management believes will preserve cost of risk in the long-term.

Strong Asset Quality (2018 2019 Q1)



Low Cost of Risk (2018 2019 Q1)



And maintaining a solid capital and liquidity position

Capital – pre and post equity raise

Ratio	31 March 2019	Pro-Forma Q1 2019
CET1	12.1%	15.8%
CET1 Minimum	*10.6%*	*10.6%*
Leverage	5.2%	6.7%

Liquidity

Liquidity Coverage Ratio of 142% as at 31 March 2019.

c.100% of the liquidity and investment portfolio is cash, government bonds and AAA-rated investments, with Treasury Assets of £5.9bn:

- £2.4bn Cash & balances at the Bank of England
- £0.2m Loans to Banks
- £3.3bn Investment securities

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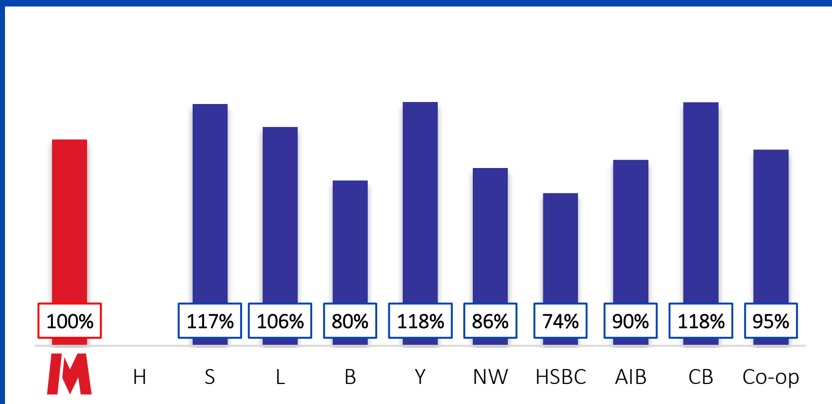
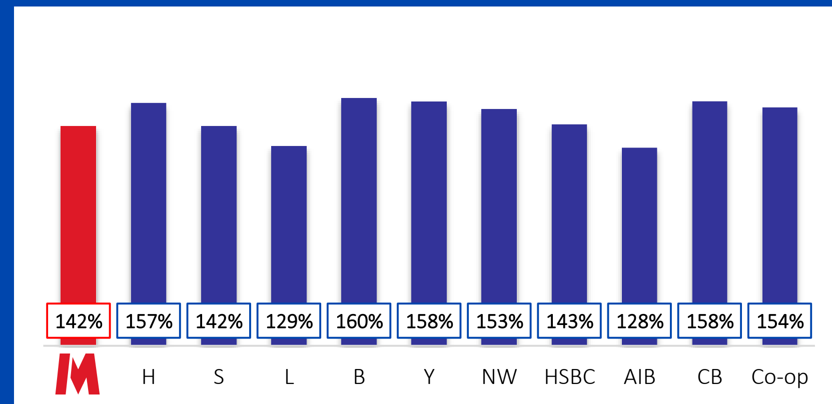
How does Metro Bank compare to the CMA Top 10 (business)?

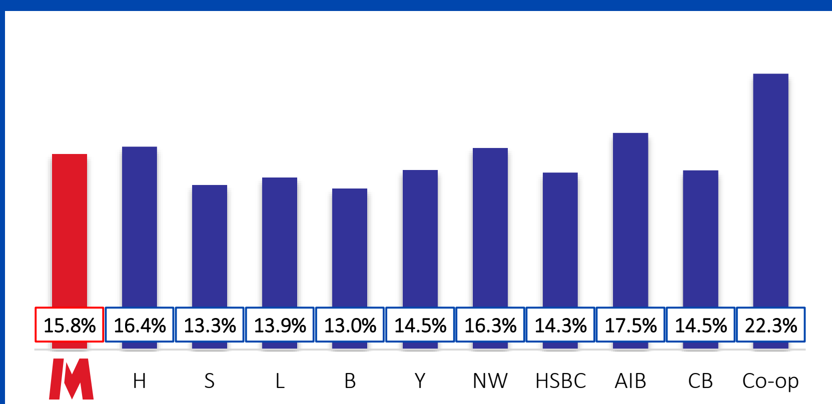
Loan to Deposit Ratio



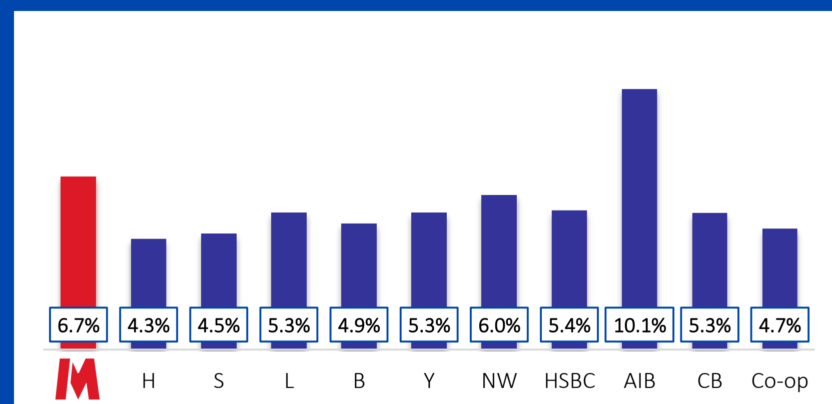
Liquidity Coverage Ratio



CET1 Ratio (Pro-forma Q1 2019)



Leverage Ratio (Pro-forma Q1 2019)



Source: company accounts and trading statements. H = Handelsbanken, S = Santander, L = Lloyds Bank, B = Barclays, Y = Yorkshire Bank, NW = NatWest, HSBC = HSBC UK, AIB = Allied Irish Bank (UK), CB = Clydesdale Bank, Co-op = The Co-operative Bank. All as at 31 March 2019 excluding AIB and Co-op which are 31 December 2018.

ADDITIONAL INFORMATION

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.

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 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.

Risk Weighted Asset (RWA) Adjustment

What happened

- Risk-weights assigned to certain exposures under the Credit Risk Standardised Approach were revised. This is not an "accounting error", these adjustments have been included in reported RWAs as at 31 December 2018
- This resulted in a one-off increase in RWAs of £900m, with c. two-thirds of this increase resulting from commercial loans secured on property as a secondary source of repayment and one-third from certain professional buy-to-let exposures to portfolio landlords/houses in multiple occupation
- Quality of assets is unchanged. The PRA and FCA announced they intend to investigate the circumstances that led to the adjustment.
- c£95m of capital surplus was utilised in the adjustment, with Metro Bank maintaining capital surplus exceeding both internal and regulatory limits (12% and 10.6% respectively for CET1)

How has the Bank evolved

- Completed a review of classification and risk-weighting across the commercial loan portfolio, supported by a "big four" accountancy firm to review the way in which the loan book is classified, implementing changes to our internal procedures:
- External assurance firm will conduct a regular review of our risk-weightings going forward

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