



1H 2020 RESULTS PRESENTATION

5 August 2020

Agenda

- | | | |
|----------|--|----------------------|
| 1 | Introduction | Daniel Frumkin (CEO) |
| 2 | 1H20 Financial results | David Arden (CFO) |
| 3 | Strategy & Operational update | Daniel Frumkin (CEO) |
| 4 | Q&A | |

Introduction

Daniel Frumkin (CEO)

Supporting our customers, communities and colleagues through COVID-19

Community banking has never been more relevant

Customers

- ✓ 100% of store network remained open
- ✓ Contact centre open daily
- ✓ Digital services available 24/7
- ✓ Opened stores in two new communities¹

Retail

- M Supported vulnerable customers
- M >9,000 mortgage payment deferrals granted²
- M Total app / website logins up 8% vs 2H19

Business

- M Capital repayment deferrals, interest roll-ups, covenant waivers
- M >25,000 BBLS applications³
- M >£100m of CBILS³
- M CLBILS accredited

Communities

- ✓ Store support for local communities e.g. NHS collections, fundraising activities
- ✓ Colleagues given 5 Days to AMAZE to volunteer / support in their local communities

Colleagues

- ✓ Additional COVID-19 leave granted
- ✓ No use of government furlough scheme
- ✓ £2m 'Thank You' fund for colleagues
- ✓ Central functions equipped to work from home
- ✓ Launched Health and Wellbeing Hub supporting physical and mental wellbeing

Impact of COVID-19

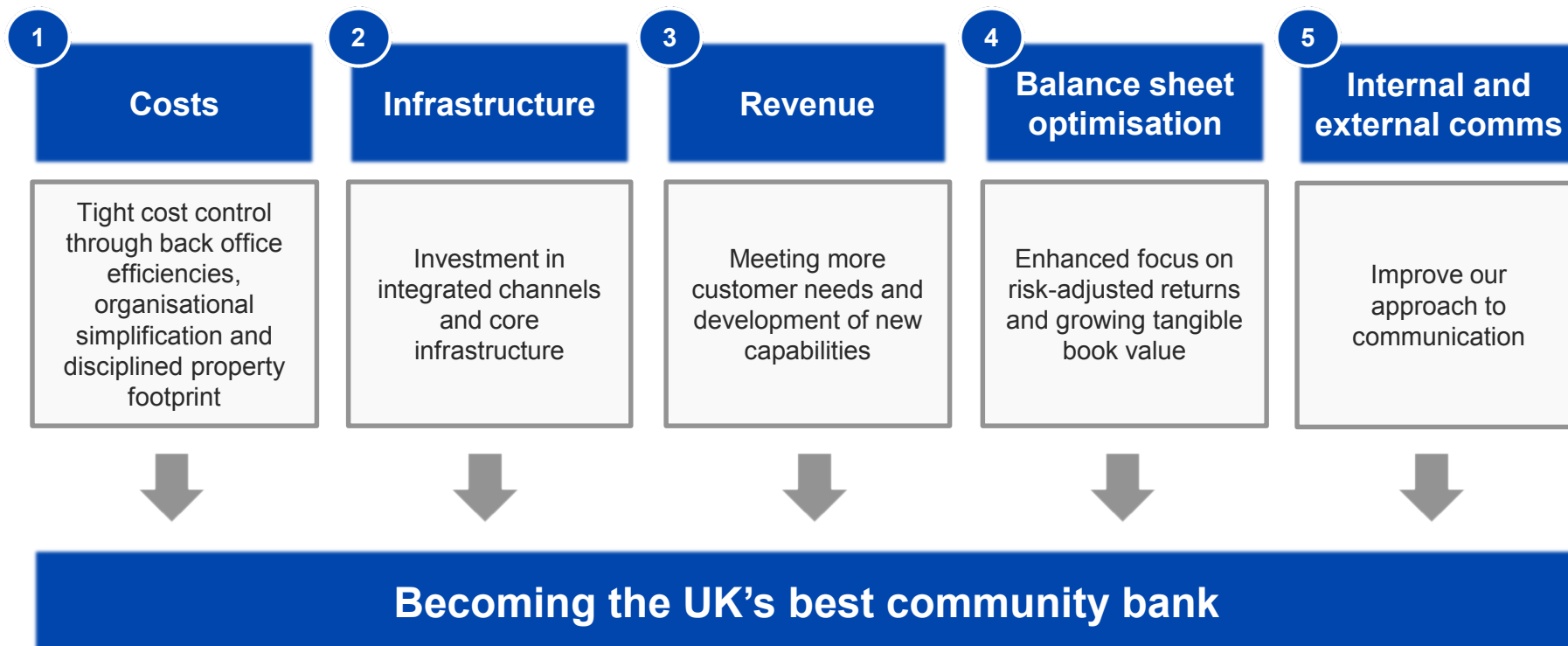
Operational

**Credit
Provisioning**

**Fee
Income**

**Margin
Compression**

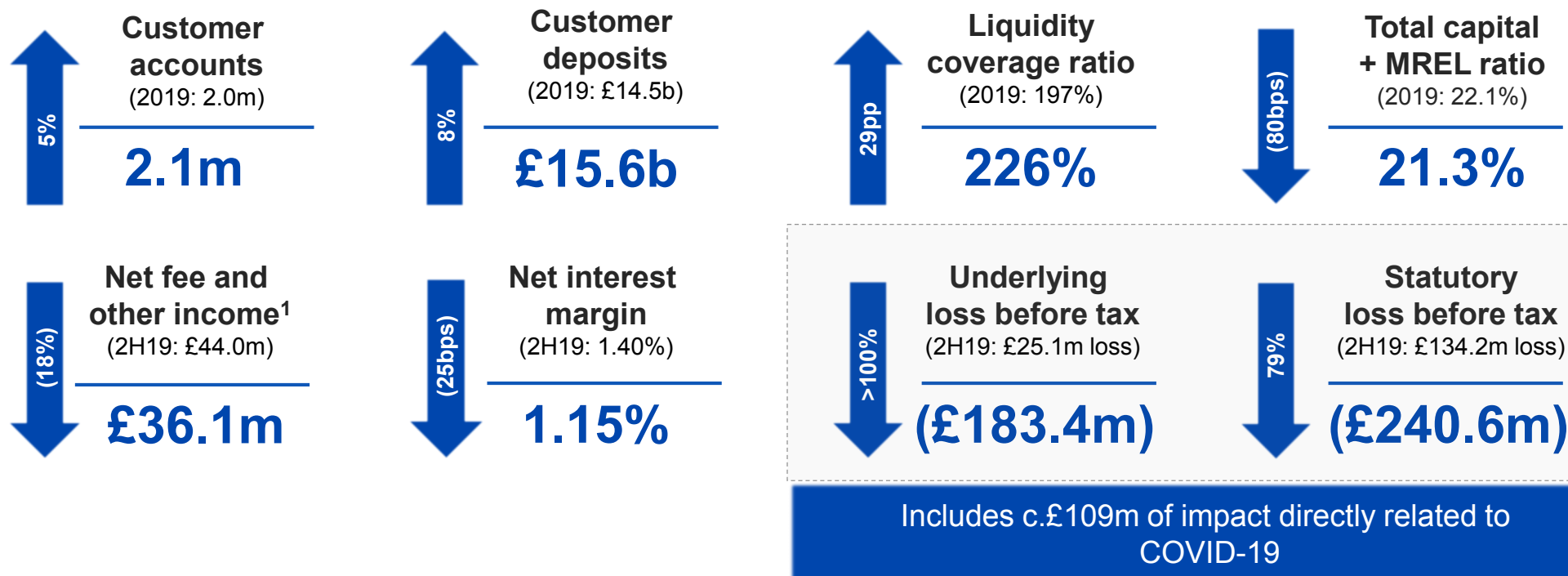
Strategic priorities reaffirmed



1H20 Financial results

David Arden (CFO)

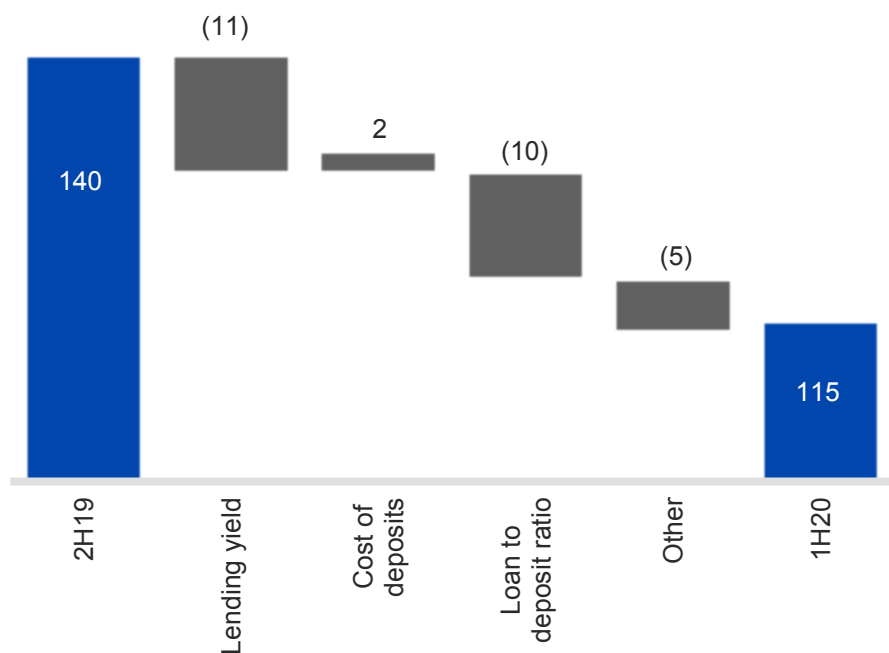
1H 2020 key performance indicators



- ✓ Strong deposit growth, particularly in current accounts
- ✓ 'Run the bank' costs controlled, 2% growth
- ✓ 'Change the Bank' accelerated with change initiatives brought forward

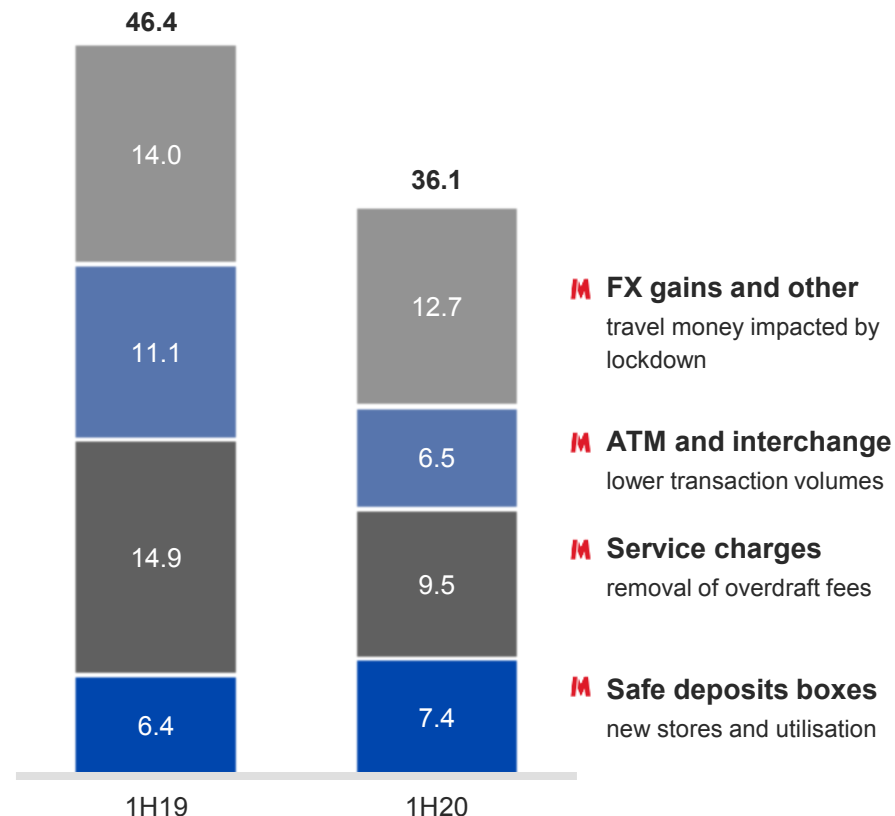
Revenue reduction reflects base rate repricing lag as well as lower fee income from reduced transaction volumes

NIM Bridge
(bps)



M NIM impacted by lower loan to deposit ratio, sustained mortgage market competition and repricing lag effect following base rate cut

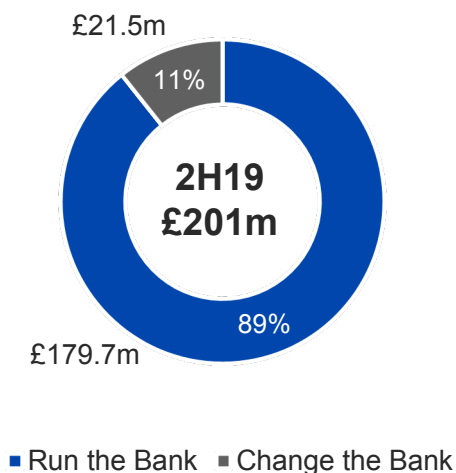
Net fee and other income¹
(£m)



- M FX gains and other**
travel money impacted by lockdown
- M ATM and interchange**
lower transaction volumes
- M Service charges**
removal of overdraft fees
- M Safe deposits boxes**
new stores and utilisation

Disciplined cost growth

Improved cost discipline and successful delivery of planned initiatives contained 'Run the Bank' cost growth to 2%



Run the Bank

Contained growth

M Growth contained despite:

- ✓ 6 store openings
- ✓ First advertising campaign
- ✓ COVID-19 costs: WFH/PPE equipment; 'Thank You' fund

M Improved cost discipline supported by:

- ✓ Accelerated central London property decision
- ✓ Reduced size of Senior Leadership Team
- ✓ Implementation of preferred supplier lists
- ✓ IT outsourcing at lower cost and greater flexibility
- ✓ Improved Management Information enabling greater accountability

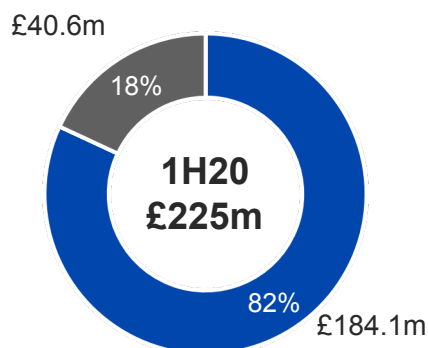
Change the Bank

Investment on track

M Front loaded investment spend attracting a lower average capitalisation rate

M Investment spend focused on:

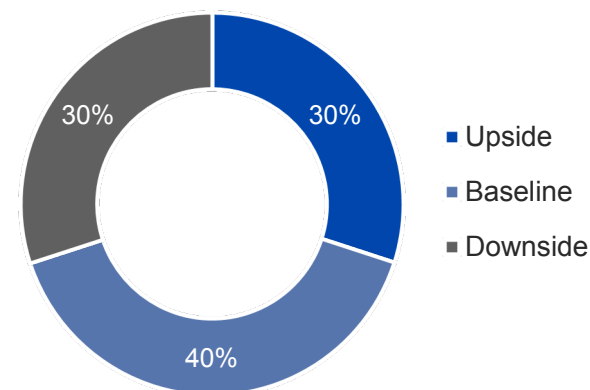
- ✓ Regulatory programmes
- ✓ AIRB
- ✓ Infrastructure
- ✓ Cost transformation



Macroeconomic scenarios and COVID-19 provisioning

Application of scenarios and weighting

- M** 3 probability weighted scenarios: Baseline (40%); Upside (30%) and Downside (30%)
- M** Macro-economic projections provided by Moody's Analytics
 - underlying portfolio uses pre-COVID19 scenarios (Dec19)
 - COVID19 impact assessed using latest scenarios (Jun 20)
- M** COVID-19 impact combines
 - modelled impact
 - expert judgement to capture potential impact of payment deferrals and other relief measures



Modelled scenarios¹

Macroeconomic variable	Scenario	2020	2021	2022	2023
Unemployment (%)	Baseline	8.4%	8.4%	7.9%	6.9%
	Upside	7.7%	6.8%	6.4%	5.7%
	Downside	9.9%	10.8%	10.4%	9.2%
House price index (YoY%)	Baseline	(14.6%)	(4.9%)	5.8%	10.0%
	Upside	(12.1%)	1.3%	7.2%	8.3%
	Downside	(19.4%)	(14.4%)	2.0%	10.4%
UK GDP (YoY%)	Baseline	(7.7%)	3.9%	5.2%	3.5%
	Upside	(4.7%)	3.9%	5.0%	3.4%
	Downside	(10.6%)	4.4%	5.3%	3.4%
Mortgage 5 year interest rates (%)	Baseline	1.7%	1.9%	2.2%	2.8%
	Upside	2.0%	2.4%	2.9%	3.3%
	Downside	1.8%	1.9%	1.9%	2.1%

Expected credit loss expense

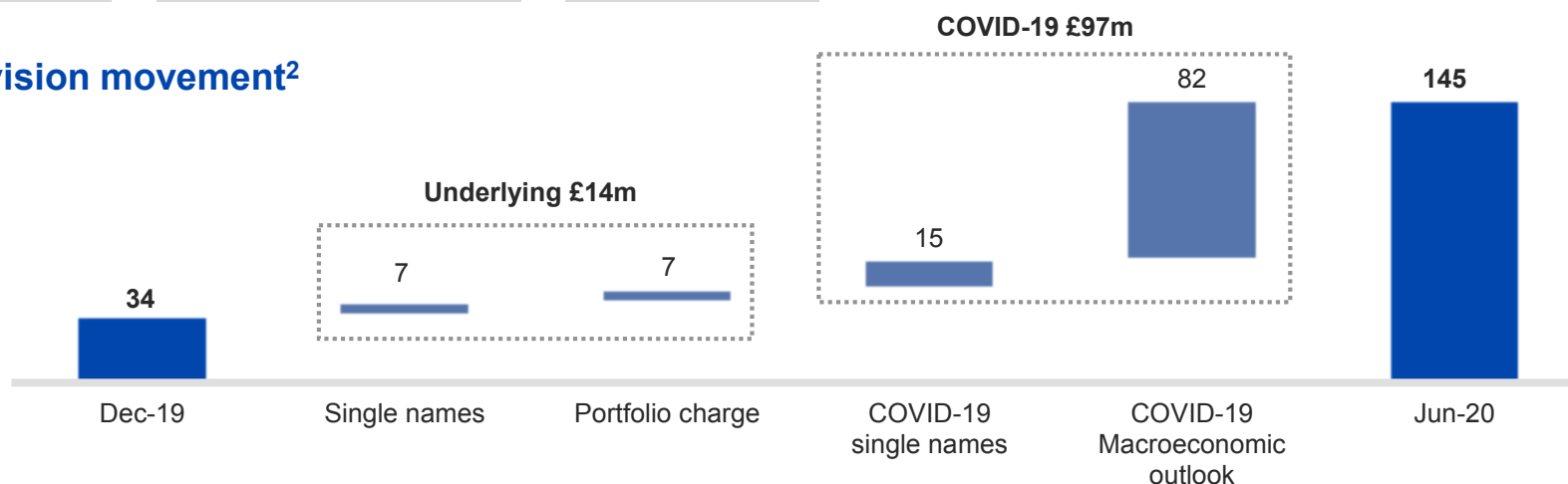
ECL expense and Cost of Risk

	ECL expense (£m)			Cost of Risk (%)	
	1H20	1H19	Change	1H20 ¹	FY19
Retail Mortgages	3	-	3	0.06	0.01
Commercial Lending	10	1	9	0.59	0.11
Consumer Lending	2	3	(1)	1.84	1.92
Underlying ECL	15	4	11	0.23	0.08
Retail Mortgages	29	-	29	0.60	-
Commercial Lending	61	-	61	2.90	-
Consumer Lending	7	-	7	5.51	-
COVID-19 ECL	97	-	97	1.32	-
Total ECL	112	4	108	1.55	0.08

COVID-19 impact assessment has leveraged a combination of modelled results and expert judgement:

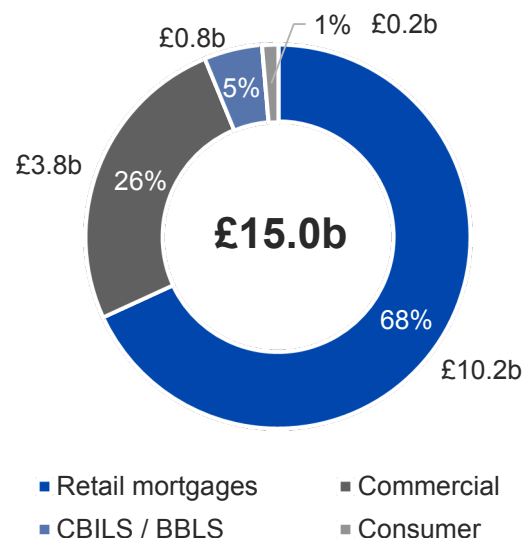
- M Model driven analysis, in particular reflecting the impact of deterioration in unemployment and HPI on mortgage portfolio
- M Expert judgment analysis to reflect the impact of payment deferrals
- M Detailed assessment of individual exposures:
 - Commercial portfolio >£3m
 - Commercial Real Estate >£5m
- M Expert judgement analysis to apply industry based sector scalars within the Commercial portfolio

ECL provision movement² (£m)

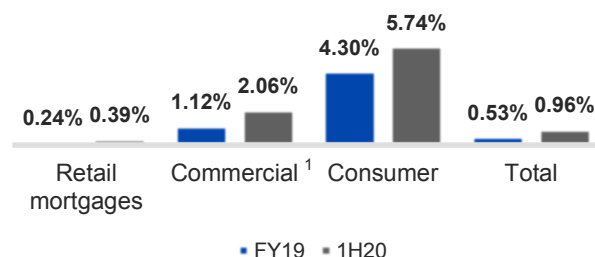


Asset quality

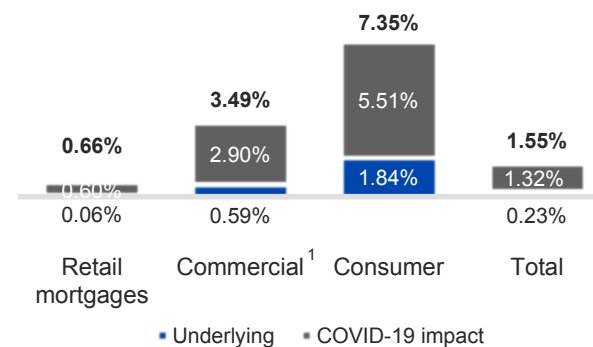
Lending portfolio



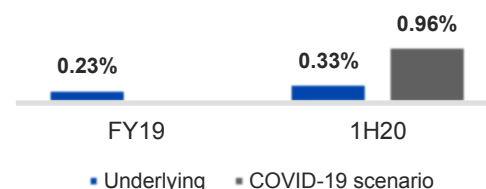
Non-performing loans



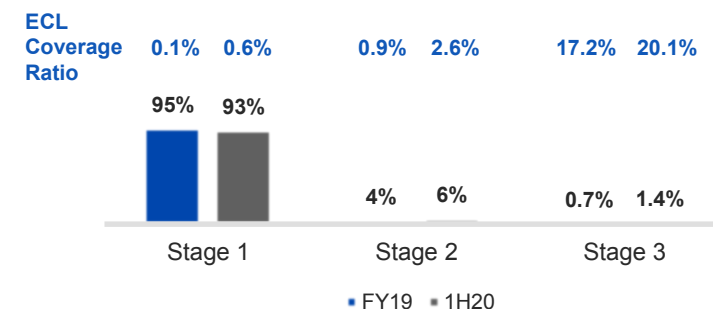
Cost of risk



ECL coverage ratio



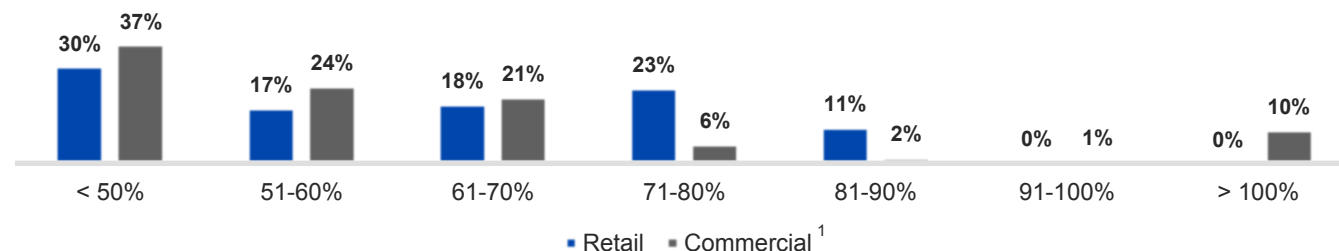
Balance by IFRS9 stages



Average debt-to-value

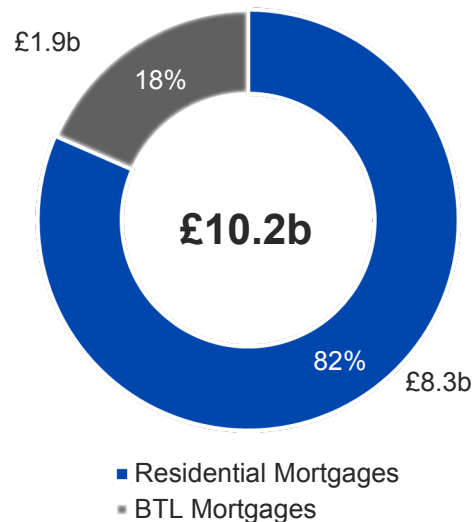
- Retail mortgage 59%
- Commercial term loan 60%

Debt-to-value



Retail mortgages

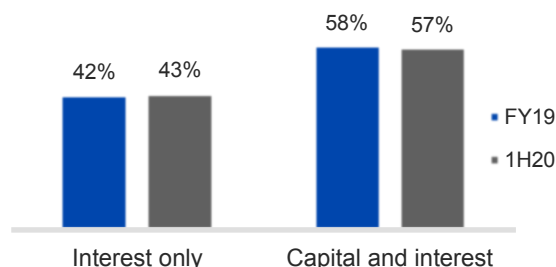
Retail lending portfolio



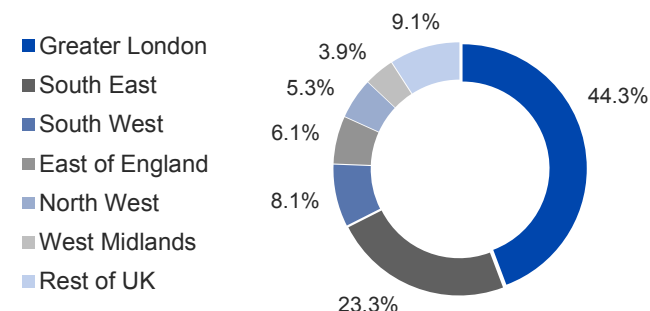
M 6,419 retail mortgage payment deferrals active at 30 June, totalling £1.8bn, representing 16% of the portfolio.

M Active deferrals have since reduced by >45%

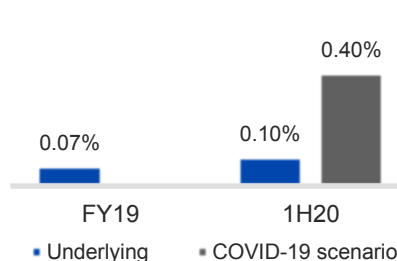
Retail mortgages repayment type



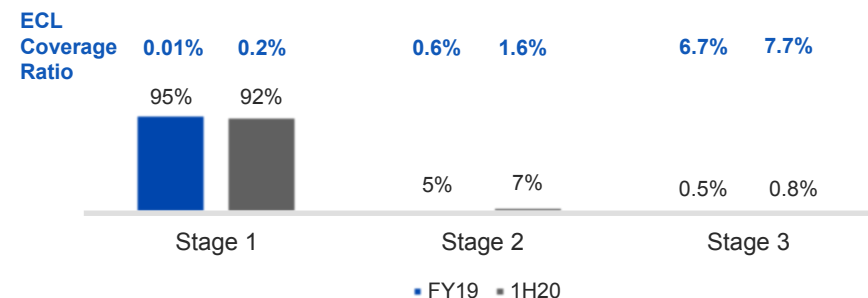
Retail mortgages geographical split



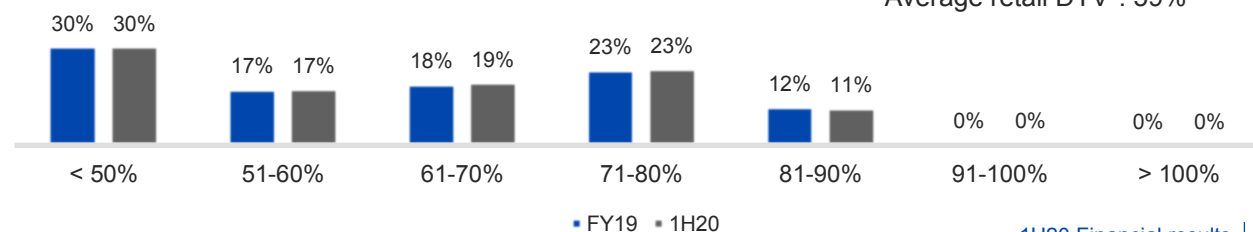
ECL coverage ratio



Balance by IFRS9 stage



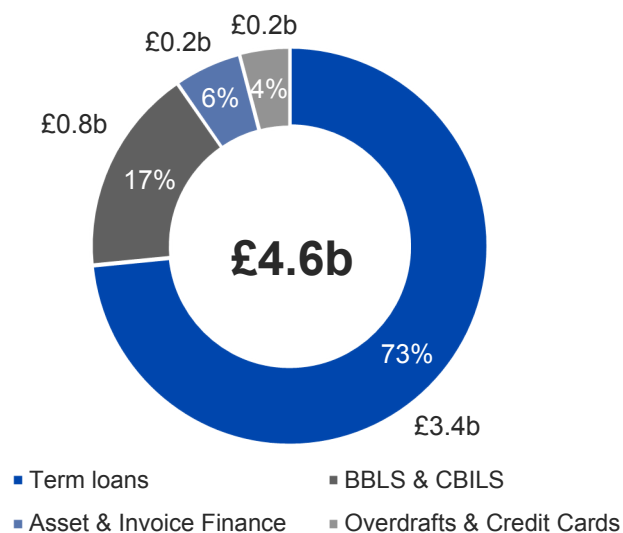
Retail mortgages debt-to-value



Average retail DTV¹: 59%

Commercial lending

Commercial lending portfolio



Detailed assessment of individual exposures:

- Commercial portfolio >£3m
- Commercial Real Estate >£5m

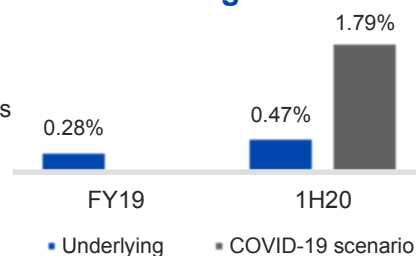
£730m of BBLS and £50m of CBILS loans approved, across c.20,000 customers as at 30 June 2020.

Government underwrite 100% BBLS, 80% CBILS.

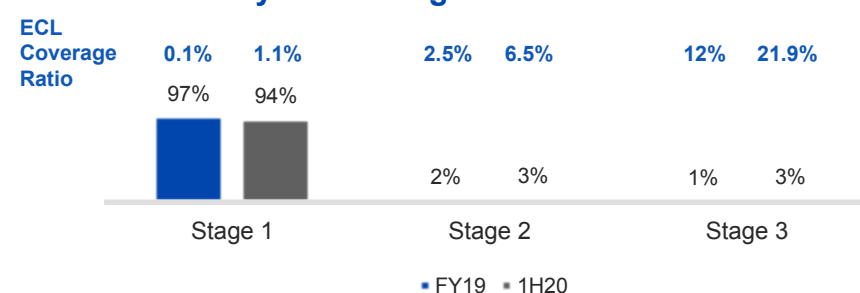
Commercial lending industry sectors²

Industry sector (£m)	30 Jun 2020	31 Dec 2019
Real estate (PBTL)	1,167	1,219
Real estate (other term loans)	1,070	1,155
Hospitality	323	308
Health & Social Work	243	263
Legal, Accountancy & Consultancy	202	236
Other	384	365

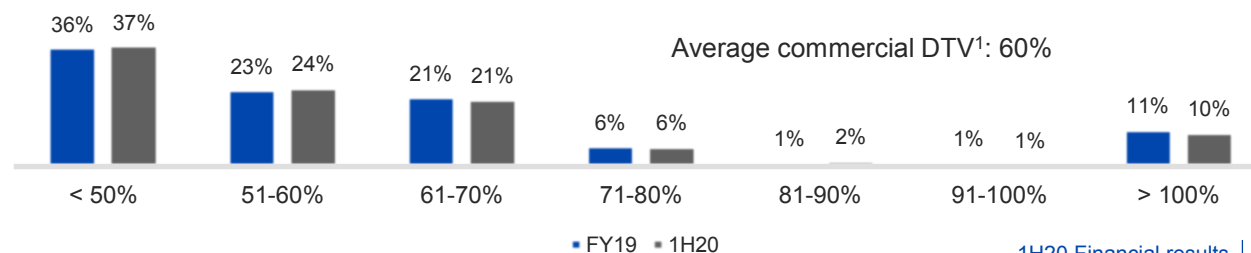
ECL coverage ratio²



Balance by IFRS9 stage²



Commercial lending debt-to-value²



P&L impacted by lower revenues and higher ECL expense

£m	1H20	2H19	Change
Net interest income	116.2	141.9	(18%)
Net fees and other income	36.1	44.0	(18%)
Net gains on sale of assets	1.0	(2.5)	>100%
Total underlying revenue	153.3	183.4	
'Run the bank' costs	(184.1)	(179.7)	2%
'Change the Bank' costs	(40.6)	(21.5)	89%
Operating costs	(224.7)	(201.2)	12%
COVID-19 macro expense	(96.8)	-	-
Underlying ECL expense	(15.2)	(7.3)	>100%
Expected credit loss expense	(112.0)	(7.3)	>100%
Underlying loss before tax	(183.4)	(25.1)	
Exceptionals	(57.2)	(109.1)	(52%)
Statutory taxation	1.1	(49.7)	(>100%)
Statutory loss after tax	(239.5)	(183.9)	
Underlying EPS basic	(108.8p)	(14.9p)	>100%
Ratios			
Net interest margin	1.15%	1.40%	(25bps)
Cost of deposits	0.82%	0.85%	(3bps)
Underlying cost to income ratio	147%	110%	37%
CoR - COVID-19 ¹	1.32%	-	-
CoR – Underlying ¹	0.23%	0.10%	13bps
Cost of risk ¹	1.55%	0.10%	1.45%

M Impairment and write-off of PP&E £27m: primarily relates to exit of a central London office space

M Remediation costs £18m: ongoing remediation programmes in relation to sanctions procedures and RWA

M Transformation costs £12m: delivery of the cost transformation programme, includes some costs of exiting London office space

Balance sheet robust and liquid

£m	Jun 2020	Dec 2019	Change
Loans and advances to customers	14,857	14,681	1%
Treasury assets ¹	6,101	5,554	
Other assets ²	1,176	1,165	
Total assets	22,134	21,400	3%
Deposits from customers	15,577	14,477	8%
Deposits from central banks	3,801	3,801	
Debt securities	599	591	
Other liabilities	810	948	
Total liabilities	20,787	19,817	5%
Shareholders' funds	1,347	1,583	
Total equity and liabilities	22,134	21,400	3%

Capital adequacy & liquidity coverage ratios:

CET1 capital ratio	14.5%	15.6%
Total capital ratio	17.3%	18.3%
Regulatory leverage ratio	5.8%	6.6%
Risk weighted assets	8,605	9,147
Loan to deposit ratio	95%	101%
Liquidity coverage ratio	226%	197%

- M** Strong deposit growth and lower new business volume (ex-BBLS and CBILS) reduced LTD to 95%
- M** Other liabilities reduction of £138m includes £50m C&I repayment
- M** RWA density reduced due to capital-light government-backed business lending
- M** 83% of treasury assets LCR eligible, 97% rated AA or above
- M** LCR at 226% remains strong

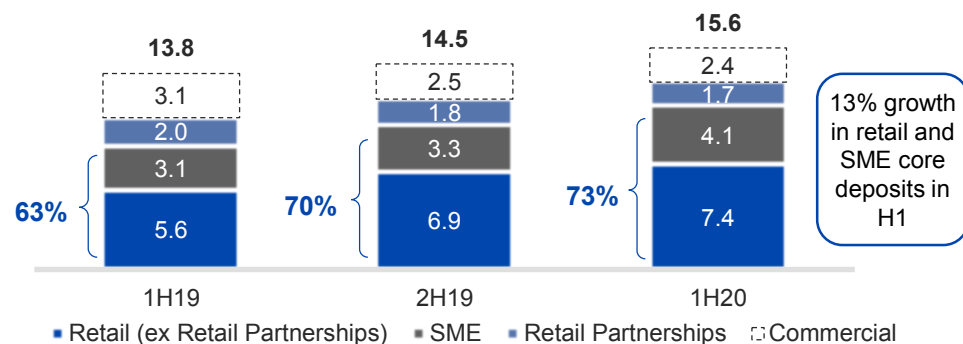
Approach to TFS and TFSME

- M** TFSME regime introduced in March provides access to significant additional funding
- M** Introduces further flexibility to our funding plans, including the repayment of TFS

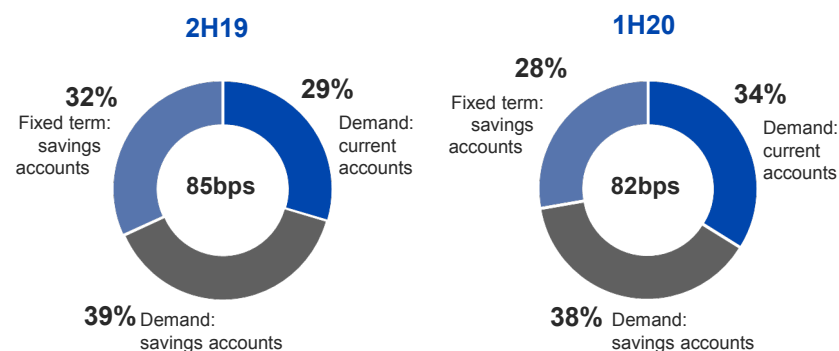
Strong deposit growth in H1 with favourable mix shift

Continued growth core personal and SME deposits, including balances funded by BBLS

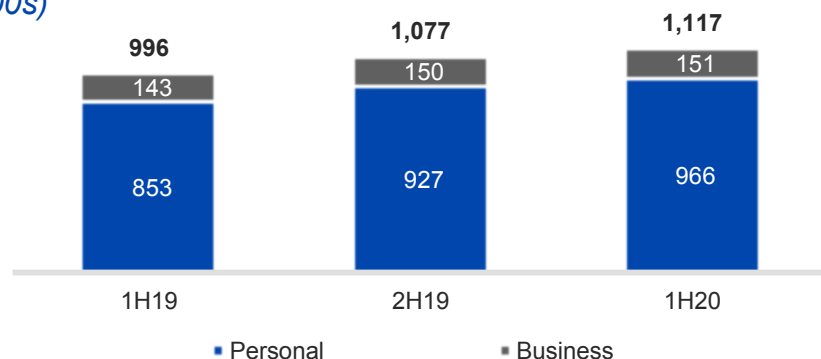
Deposits by customer type (£b)



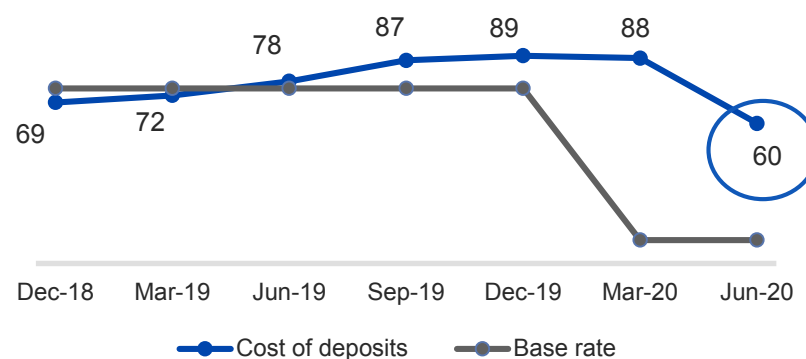
Favourable mix shift to 34% current accounts *Cost of Deposits in circle*



Current accounts (000s)



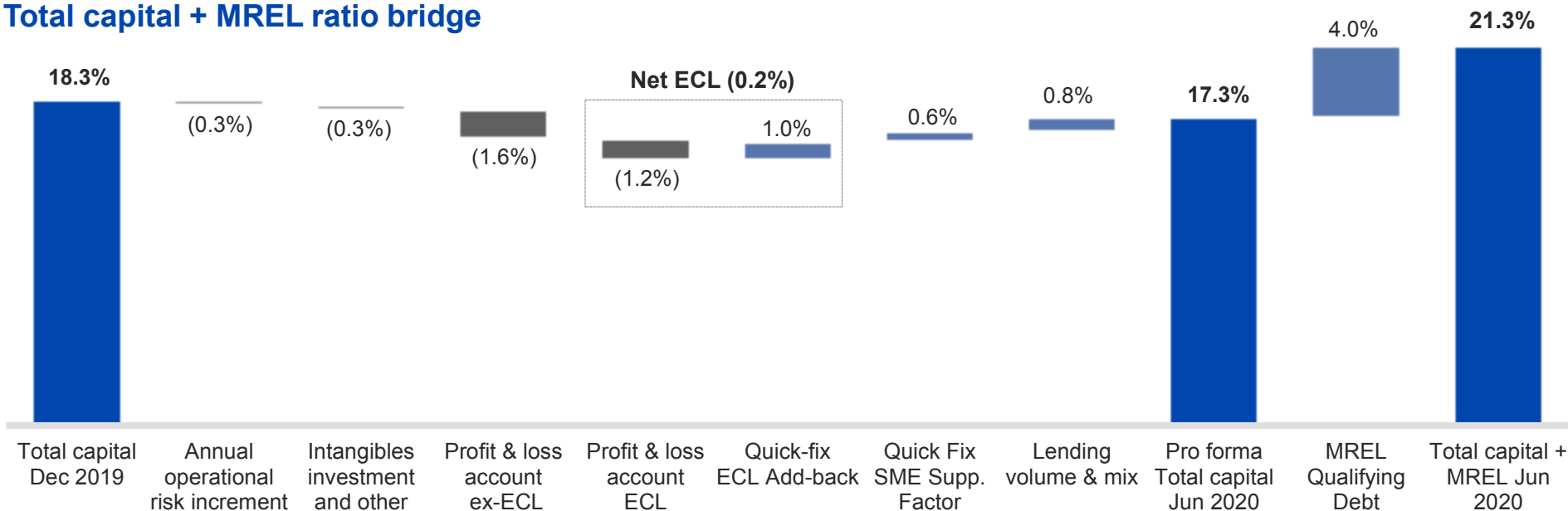
Base rate cut supported exit COD of 60bps



Capital

Capital position at 1H20 reflects profit and loss dynamics, offset by regulatory actions to alleviate the effects of ECL charges and enhancing the SME support factor

Total capital + MREL ratio bridge



Regulatory changes in period - CRR 2.5 'Quick Fix'

- IFRS9 transitional agreement revision
- SME supporting factor changes

Other regulatory items subject to review

- EBA software proposal, subject to finalisation of EBA regulatory technical standards and PRA assessment
- MREL framework review

MREL issuance considerations

- Bank of England MREL framework review expected by end 2020. Depending on the outcome, we may consider raising £200-300m further MREL in 1H21. Ahead of this, MREL resources may fall below the sum of the firm's MREL requirement and buffers (the loss absorbing capacity) for a period of time.

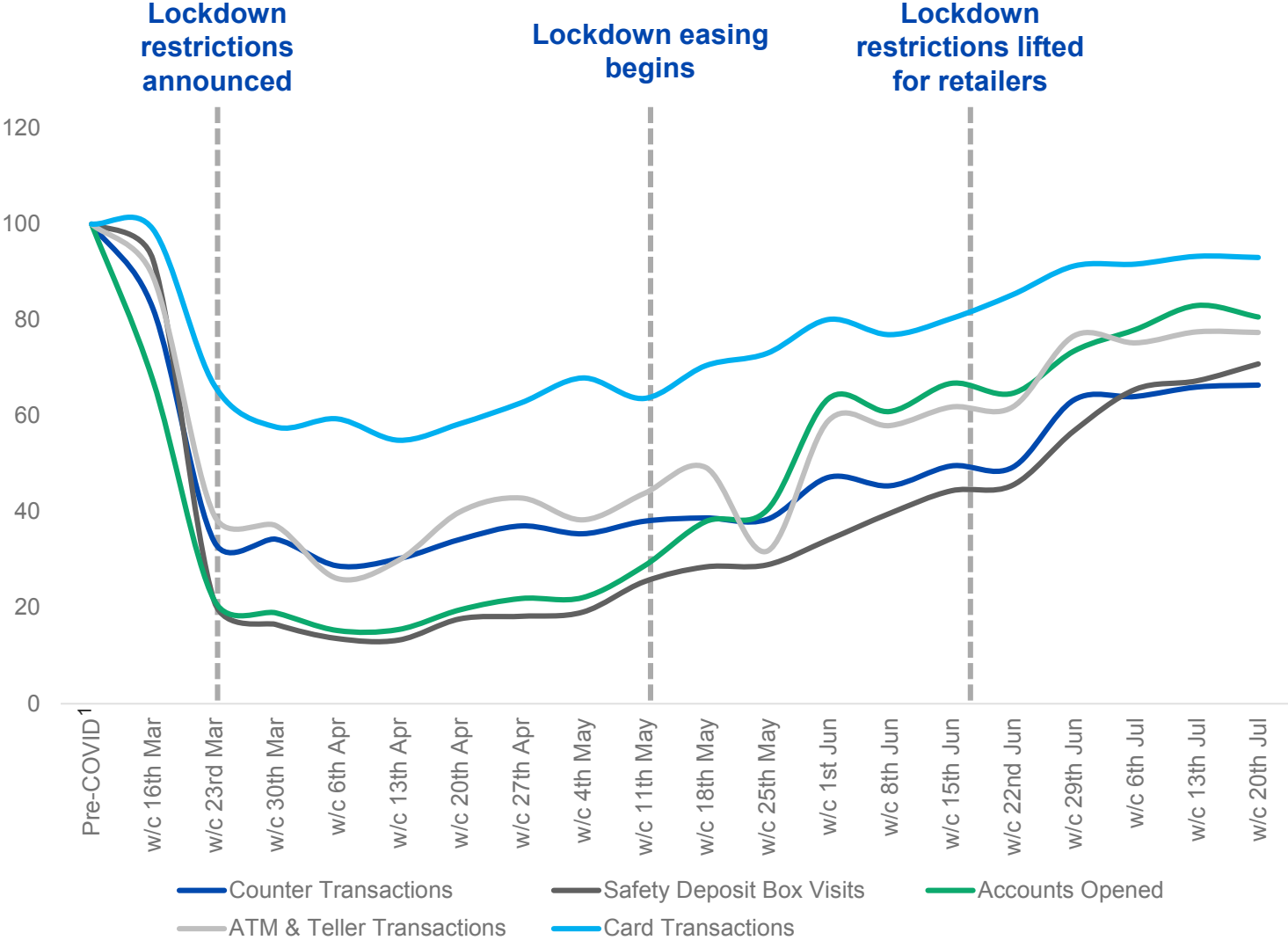
1H20 Operational and Strategic Update

Daniel Frumkin (CEO)

Impact of COVID-19

Impact	Operational	Fee Income	Credit Provisioning	Margin Compression
	100% stores open, temporarily with reduced hours - Absence¹ peaked at 8.2% in Mar recovering to 1.5% in June - Opex profile not impacted	- Lower ATM and card transaction volumes during lockdown - FX transactions reduced - Fee and Other income 18%² lower HoH	- ECL expense recognised under IFRS9 >85% of ECL expense due to COVID-19 - Moody's macro-economic forecasts applied	65bps cut in March to 0.1% - Treasury floating rate asset yields impacted - Lagged effect of lending re-pricing faster than deposits
	Short term P&L impact offset by improved cost discipline	Medium or short term P&L impact expected	Medium or short term P&L impact expected	Medium term P&L impact expected
Response				
	- Accelerated move out of central London office space - Launched BBLS, CBILS and CLBILS products	- Activity levels recovering - Intention to return to normal overdraft fees in the near term	- Monitoring closely - not anticipating 1H20 charge to annualise in 2H20 - Dependent on macro economic assumptions	- Accelerating mix shift to improve yield - RateSetter - Specialist mortgages

Customer activity trends throughout the COVID-19 pandemic

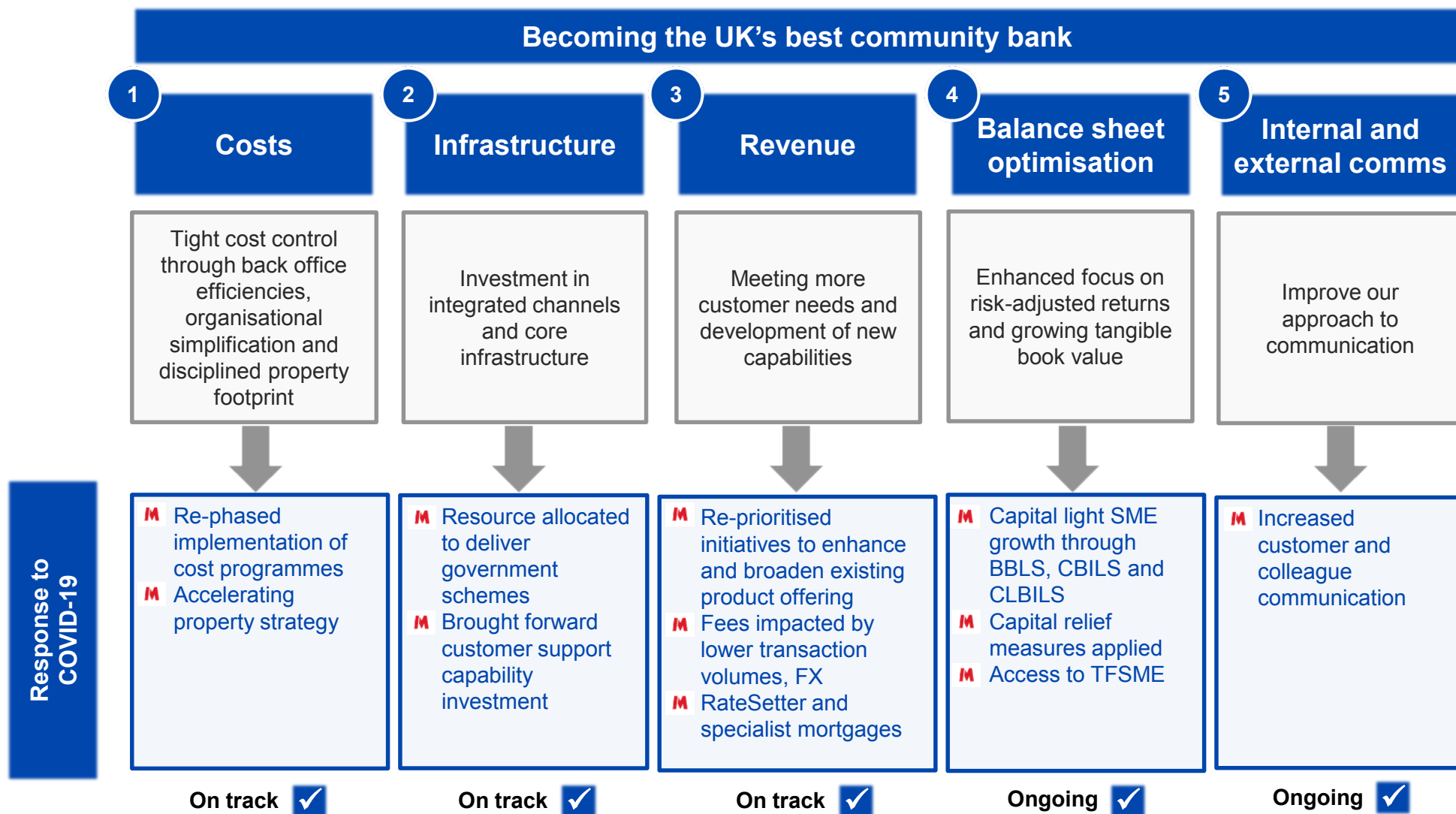


Where are we now compared to pre-COVID?

- Card transactions >90%
- Account openings, ATM & teller transactions c.80%
- Store footfall, counter transactions and SDB visits c.70%
- Recovery slowed in recent weeks but still trending positive

(1) Indexed against pre-COVID-19 average volumes for January and February 2020

On track with our strategic priorities whilst adapting for COVID-19



On track with strategic priorities (1/2)

1

Costs

Cost initiatives on track, but total costs negatively impacted by macro assumptions under IFRS9

- ✓ Cost discipline
 - ⚠ 'Run the bank' costs contained at 2% growth
 - ⚠ Investment spend on track
- ✓ Procurement transformation
 - ⚠ Resourcing preferred supplier list delivering 15% reduction
 - ⚠ Cost optimisation programme expected to deliver ahead of target
- ✓ Accelerating property strategy
 - ⚠ Exited one Central London office
 - ⚠ Exploring lease options for stores
 - ⚠ Re-designing property for central functions given working from home experience
- ✓ Store opening profile complete for 2020, only one new store to be delivered by 2021

	2020	2021	2022-2024
Business as usual	4	-	6
C&I	2	1	11

2

Infrastructure

Infrastructure initiatives on track despite delivery of additional services in response to COVID-19

- ✓ Accelerating use of automation and digital
 - ⚠ First digital cloud-based e-form rapidly deployed to capture mortgage deferral requests - avoids future cost growth and presents opportunity to leverage in future
- ✓ Significant IT outsourcing arrangement
 - ⚠ Strategic multi-year contract to deliver and transform Quality Engineering and Environment Services
 - ⚠ Lower cost, greater flexibility and efficiency for future digital enhancements
- ✓ Continued investment in
 - ⚠ IT resilience and cyber security
 - ⚠ Financial crime improvements and controls
 - ⚠ Financial systems and controls
 - ⚠ Regulatory projects

On track with strategic priorities (2/2)

3

Revenue

Revenue initiatives on track, but NII and fees negatively impacted by COVID-19 in 1H20

- ✓ Customer growth
 - M Deposit and account growth
 - M BAO online beta launch
 - M 6 new stores in H1
- ✓ Service offerings launched
 - M Mobile receipt-capture capability
 - M SME direct debit origination
 - M 'Sweeps' automated funds movement online
- ✓ Broadened existing product offering
 - M BBLS, CBILS and CLBILS accredited
 - BBLS end to end digital journey with innovative queuing system to support customer service
 - M Specialist mortgages offering
 - M RateSetter provides platform and expertise for growth in unsecured lending

4

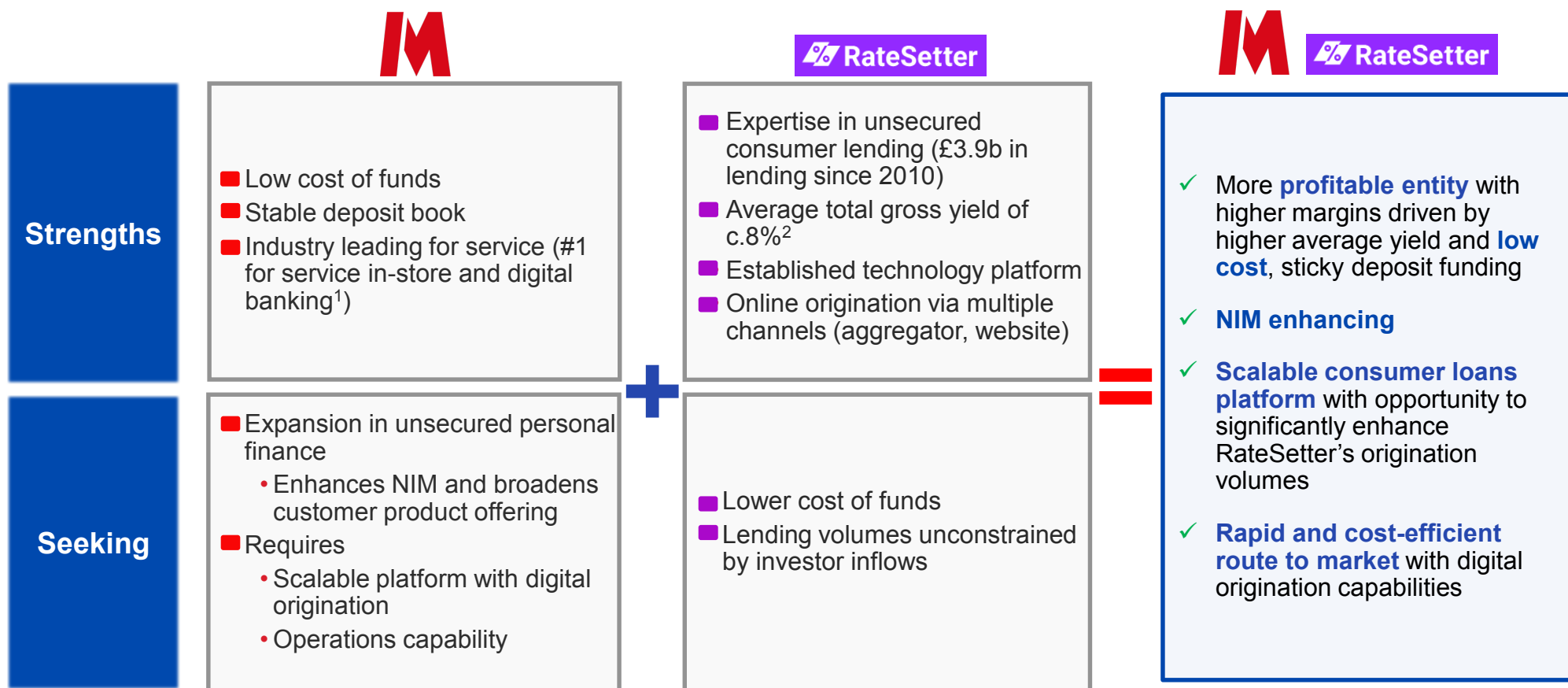
Balance sheet optimisation

Continual assessment of market opportunities

- ✓ Structural initiatives
 - M Continually monitored and reviewed
 - M COVID-19 caused disruption
- ✓ Capital light SME growth reducing RWA density
 - M Enhanced by BBLS, CBILS and CLBILS
- ✓ Lending yield – accelerating shift in asset mix
 - M Unsecured personal lending
 - M Specialist mortgages

RateSetter acquisition will accelerate the planned shift in asset mix

- M** £2.5m initial purchase price, followed by up to £0.5m after 12 months and an earn out of up to £9m after 3 years
- M** Acquisition of RateSetter's capability, but not business model or existing loans:
 - Future RateSetter loans will be funded by Metro Bank's deposit base
 - Existing RateSetter portfolio will continue to be managed by RateSetter with no liability for Metro Bank
- M** Rhydian Lewis joins the Metro Bank Executive Committee



Summary and Outlook

Daniel Frumkin (CEO)

Outlook

	February Guidance	1H20 Performance	2H20 Commentary
Deposits	Mid-single digit growth in 2020	£15.6b +8% ¹	H1 benefited from BBLS deposits and lower spending during lockdown, expect H2 to be broadly flat
LTD	2024 Target <100%	95%	Government-backed lending (CBILS and BBLS) gives confidence to support higher LTD
NIM	2020 NIM in-line with Q4 2019 (1.30%)	1.15%	Expected to benefit from lower cost of deposits due to increased NIBLs and FTD roll off
Fees	Fee and other income to increase as proportion of revenue mix	£36.1m	Marginal recovery in transaction volumes so far
Operating costs	Mid-high single digit growth in 2020 excl. investment opex	Run the Bank +2% ¹	On track to contain growth to mid-single digit in 2020 Reflects increased customer support functions
	New investment opex £250-300m front-end loaded through the plan	Change the Bank +89% ¹	YoY change reflects front loading investment spend with lower average capitalisation rate Flexible approach to expenditure in 2H20 and 2021
Cost of Risk	15-30bps	1.55%	Not anticipating 1H20 charge to annualise in 2H20
Capital	MREL issuance up to £300m before 1 Jan 2022	Total Capital + MREL 21.3%	Bank of England MREL framework review expected by end 2020. Depending on the outcome, we may consider raising £200-300m further MREL in 1H21. Ahead of this, MREL resources may fall below the sum of the firm's MREL requirement and buffers (the loss absorbing capacity) for a period of time.

2024 Outlook

M Given the uncertainty caused by the pandemic in the medium term, it is too early to establish if there is any impact on our 2024 financial targets

Summary

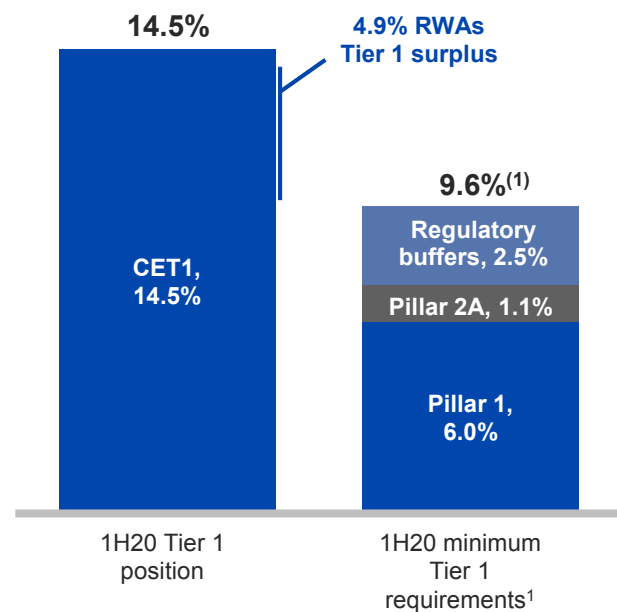
- M** Unwavering support for customers, communities and colleagues in response to COVID-19
- M** Financial results challenging over short term given effect of COVID-19
- M** Deposit growth (8% HoH, 14% YoY) and favourable shift to current accounts (34%)
- M** Strategic plan still appropriate and on track
- M** Accelerating asset mix shift in response to historically low rates
- M** RateSetter acquisition at an attractive price and no back book provides scalable platform to originate consumer unsecured lending
- M** Cost discipline remains a focus
- M** Strengthened Board and Management

Q&A

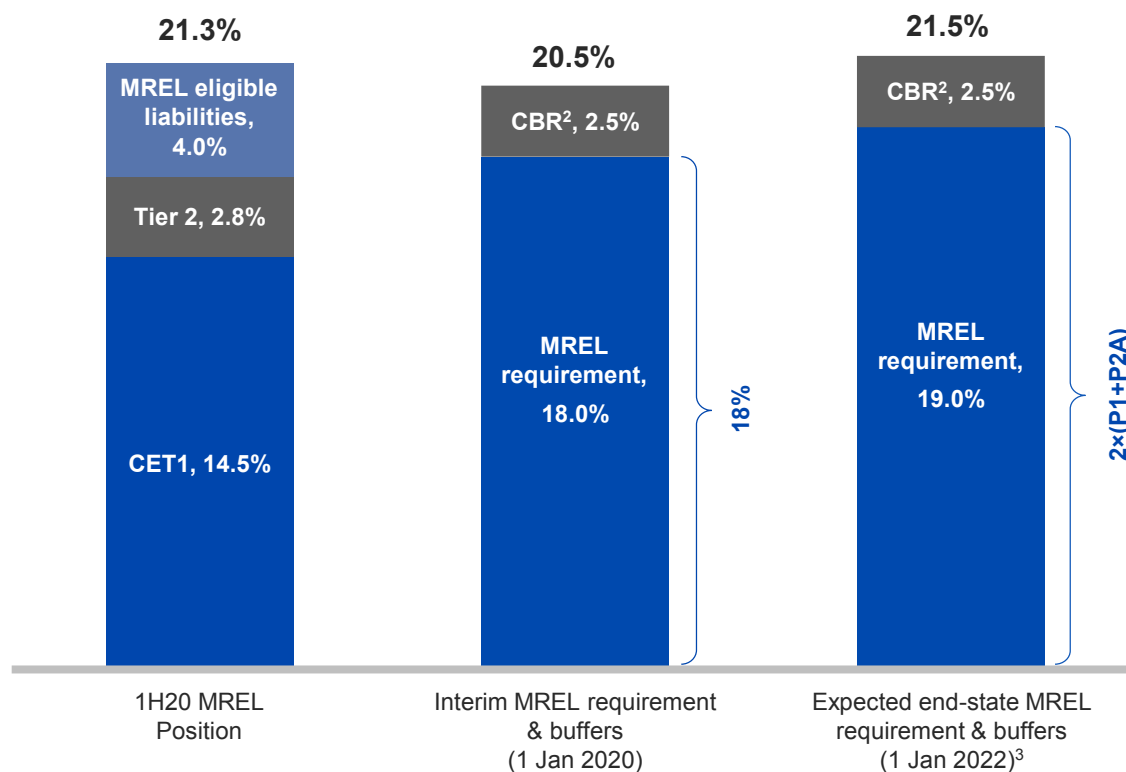
Appendices

Capital and MREL requirements

Significant surplus to capital requirements



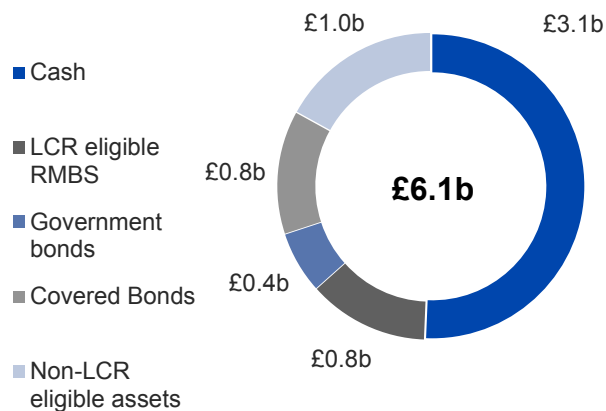
MREL requirements



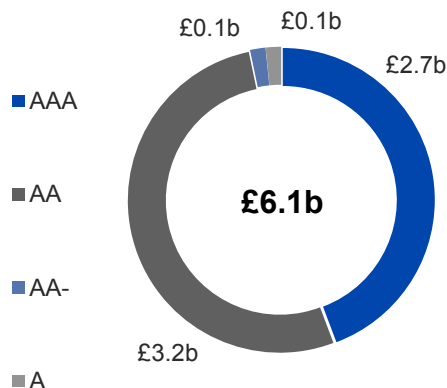
(1) Shown on a Tier 1 basis: Tier 1 requirement is binding on CET1 resources as Metro Bank has filled its Tier 2 regulatory bucket; total Pillar 2A ("P2A") requirement is 1.52%; Combined Buffer Requirement ("CBR") comprises 2.5% capital conservation buffer ("CCB") and 0% UK countercyclical capital buffer ("CCyB") (2) The CCyB rate is expected to remain at 0% for at least 12 months from July 2020, with any subsequent increase not expected to take effect until March 2022 at the earliest (3) Assumes P2A at current 1.52%. The PRA's proposal to reduce variable P2A capital requirements by 50% of the firm specific increase in the UK CCyB pass-through rate in a standard risk environment is expected to apply on or before 16 December 2020. Bank of England PS15/20, July 2020

High quality and liquid balance sheet

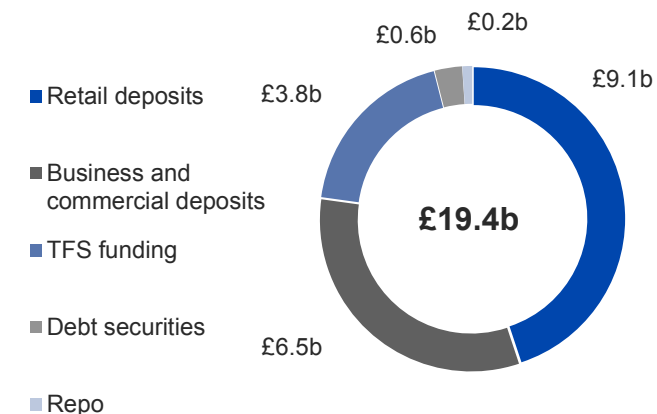
83% of treasury assets LCR¹ eligible



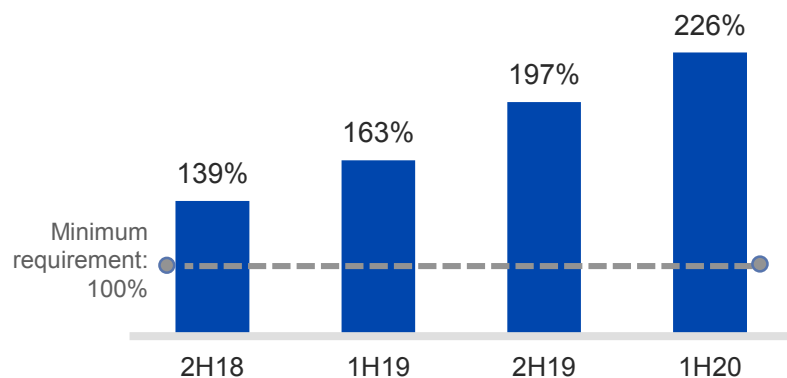
97% Rated AA or above



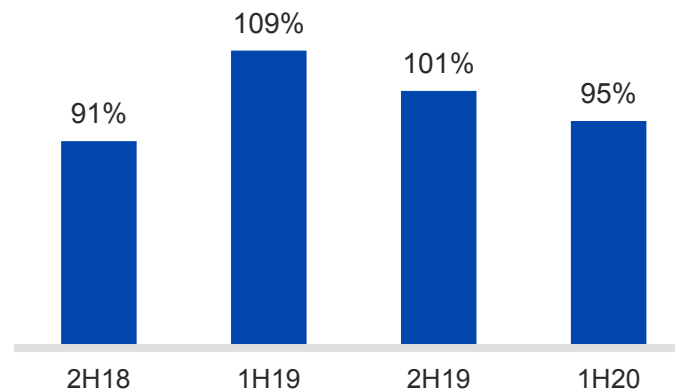
Primarily deposit-funded balance sheet



Liquidity coverage ratio



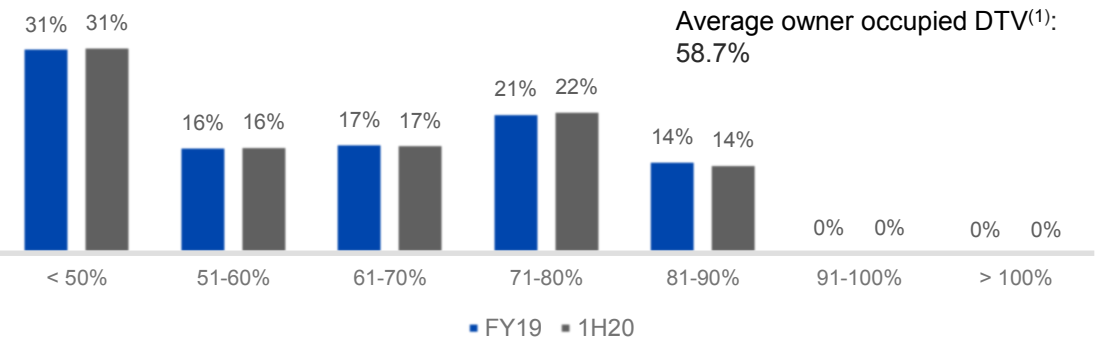
Loan to deposit ratio



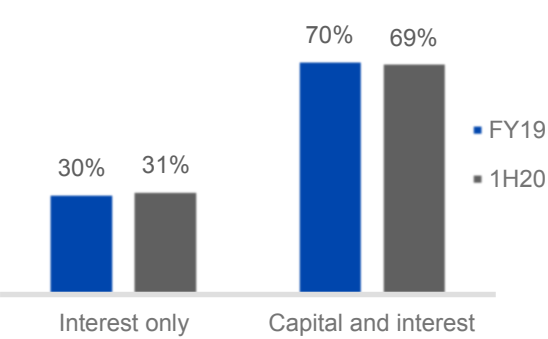
Retail mortgages

Owner occupied retail mortgages

Debt-to-value profile

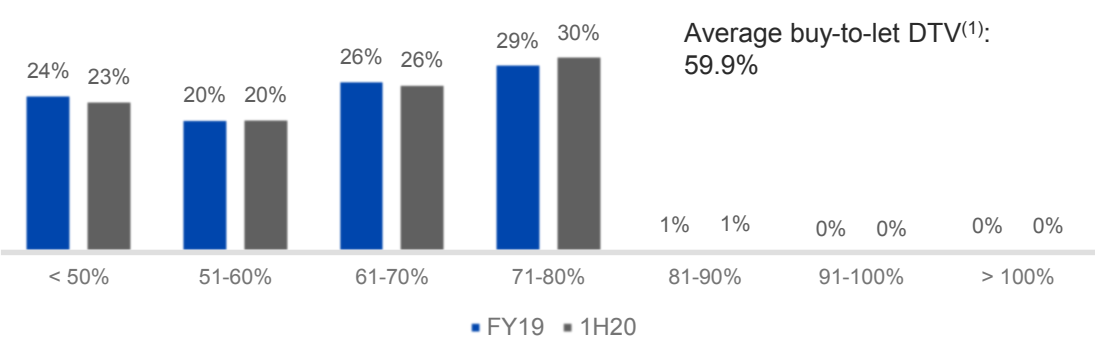


Repayment type

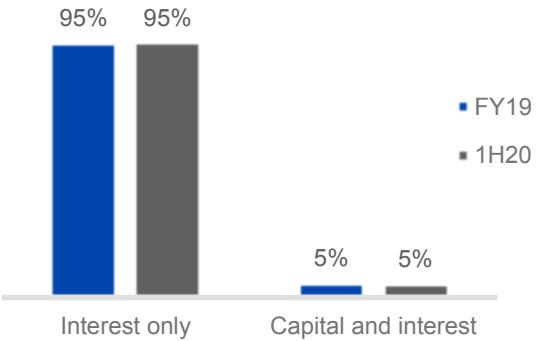


Retail buy-to-let mortgages

Debt-to-value profile



Repayment type



(1) Debt-to-value

Disclaimer

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