2019 RESULTS PRESENTATION

26 February 2020

Agenda

1	**Introduction**	Dan Frumkin (CEO)
2	**2019 Financial results**	David Arden (CFO)
3	**Strategy update**	Dan Frumkin (CEO)
4	**Q&A**	

Introduction

Dan Frumkin (CEO)

Comprehensive business evaluation

What works?

- ✓ Customer-centric culture
- ✓ Differentiated customer proposition
- ✓ Retail and SME deposit balances up year on year
- ✓ 2 million accounts and growing
- ✓ Robust balance sheet

What do we need to address?

External	Internal
• Lower for longer rate environment presents income challenges • Ring-fencing implications for mortgage market competition	• Negative operating jaws • Existing stores have consumed capital and are driver of fixed costs • Improve in-store processes • Meet more customer needs through products and services • More automated decisioning and risk-based pricing • More investment in people, processes and platforms

Strategy

1. Costs
2. Revenue
3. Infrastructure
4. Balance sheet optimisation
5. Internal and external comms

Becoming the UK's best community bank

Core foundations continue to deliver

Customer service proposition

- Open 362 days a year, 7 days a week, early 'till late
- At the heart of our local communities – hosted more than 1,500 Money Zones, teaching 45,000 children

c.90% NPS[(1)]

c.90% brand awareness[(2)]

- Colleagues deliver superior service and are at the heart of our people-people banking

80% of store managers and **75%** of assistant store managers have been promoted

92% of colleagues believe Metro Bank is a great place to work

3.5k colleagues

- Money Zone, Magic Money Machines, lollies, dog-friendly

Customer service validation

Service in stores[(3)]

Ranking		
1	Metro Bank	84%
2	Nationwide	80%
3	Lloyds Bank	71%
4	HSBC UK	70%
5	TSB	69%

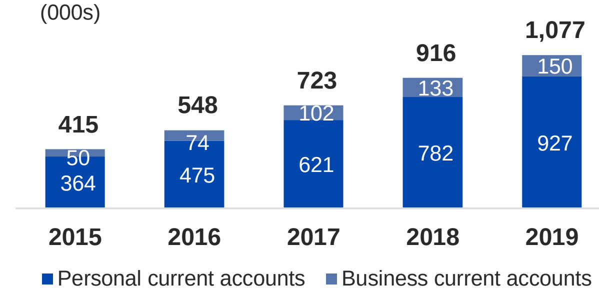
Online and mobile banking services[(3)]

Ranking		
1	Metro Bank	85%
2 =	Barclays	83%
2 =	first direct	83%
4	Halifax	80%
5	Nationwide	79%

Customer accounts growth

2.0m total customer accounts

+385k 2019 customer accounts



33% retail deposit 2019 growth

30% total deposit CAGR (2015 – 2019)

(1) 2019 new personal account opening net promoter score. (2) YouGov plc, brand awareness survey. Total sample size in London was 1,014 adults. Fieldwork was undertaken between 27-29 January 2020. The figures have been weighted and are representative of all London adults (aged 18+). (3) CMA Service Quality Surveys published 17 February 2020

Straightforward strategy – execution is key

1 Costs

Tight cost control through back office efficiencies, organisational simplification and disciplined property footprint

2 Revenue

Meeting more customer needs and development of new capabilities

3 Infrastructure

Investment in integrated channels and core infrastructure

4 Balance sheet optimisation

Enhanced focus on risk-adjusted returns and growing tangible book value

5 Internal and external comms

Improve our approach to communication

Becoming the UK's best community bank

Delivering >8.5% RoTE by 2024

2019 Financial results

David Arden (CFO)

2019 key performance indicators

Customer accounts
(2018: 1.6m)
+25%
2.0m

Net fee and other income
(2018: £63.3m)
+43%
£90.4m

Liquidity coverage ratio
(2018: 139%)
+58pp
197%

Total capital + MREL ratio
(2018: 15.9%)
+6.2pp
22.1%

Customer deposits
(2018: £15.7b)
(8%)
£14.5b

Net interest margin
(2018: 1.81%)
(30bps)
1.51%

Underlying loss before tax
(2018: £50m profit)
(123%)
(£11.7m)

Statutory loss before tax
(2018: £41m profit)
(422%)
(£130.8m)

Statutory loss primarily driven by one-off write-down of intangibles and derecognition of deferred tax asset

£m	Underlying	Intangibles write-down	DTA derecognition	Remediation	Net BCR costs	Transformation	Impairment and write-down of PPE	Listing share awards	Statutory
Net interest income	**308.1**	-	-	-	-	-	-	-	**308.1**
Fee and other income	**90.4**	-	-	-	15.5	-	-	-	**105.9**
Net gains on sale of assets	**1.6**	-	-	-	-	-	-	-	**1.6**
Total revenue	**400.1**	**-**	**-**	**-**	**15.5**	**-**	**-**	**-**	**415.6**
Operating costs	**(400.1)**	(68.4)	-	(26.8)	(18.1)	(11.5)	(9.3)	(0.6)	**(534.7)**
Impairments	**(11.7)**		-	-	-	-	-	-	**(11.7)**
Loss before tax	**(11.7)**	**(68.4)**	**-**	**(26.8)**	**(2.6)**	**(11.5)**	**(9.3)**	**(0.6)**	**(130.8)**
Tax	**(4.3)**	1.8	(52.7)	0.7	0.5	2.2	-	-	**(51.8)**
Loss after tax	**(16.0)**	**(66.6)**	**(52.7)**	**(26.1)**	**(2.1)**	**(9.3)**	**(9.3)**	**(0.6)**	**(182.6)**

No impact on regulatory capital

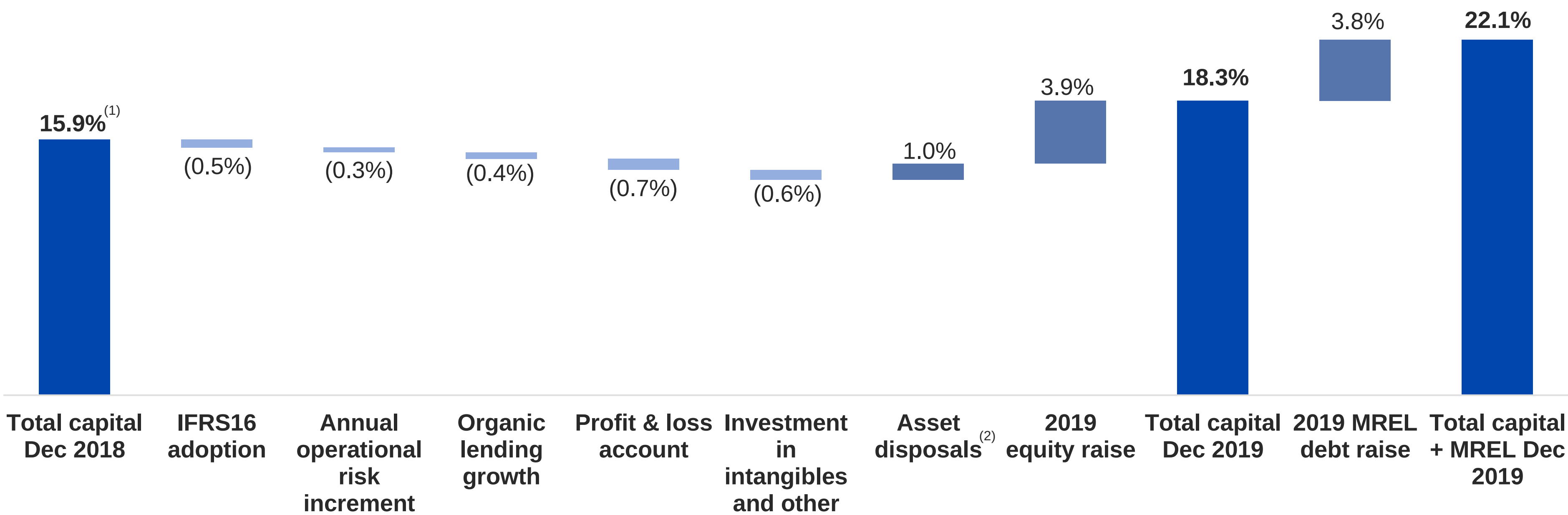
Intangibles write-down: includes to the discontinuation of certain work-in-progress or older projects that do not form part of the Bank's revised strategy

Deferred tax asset derecognition: derecognition for unused tax losses, reflecting the impact on the Bank's short-term profit of its long term investment in cost, revenue and infrastructure transformation

Capital above requirements

Capital position in 2019 supported by the equity capital raise and MREL issuance, optimisation of the treasury portfolio, a loan portfolio disposal and lower lending volumes

Total capital + MREL ratio bridge



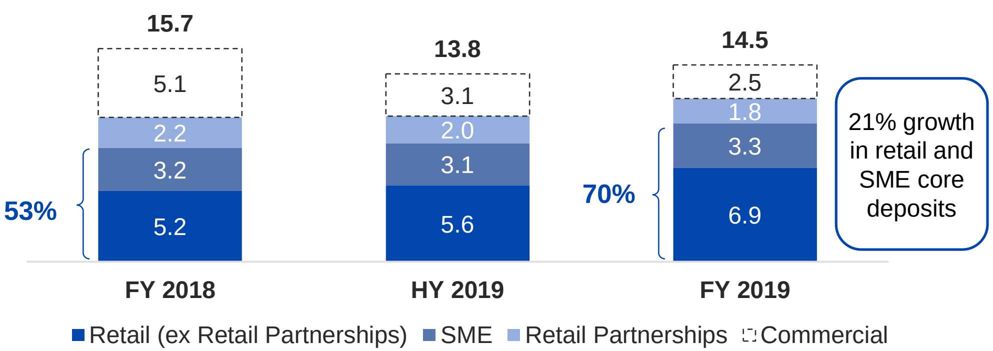
(1) RWA adjustment included in Dec 2018 position. (2) Includes loan portfolio disposal and treasury portfolio sale

Resilient deposit base and strong current account growth

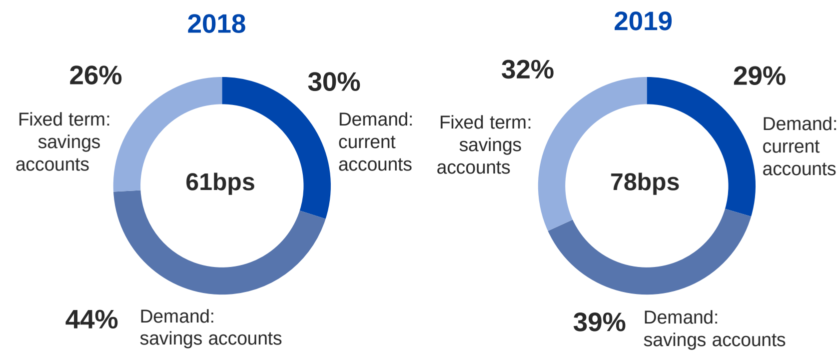
Deposit flow challenges experienced in H1 2019 stabilised in H2 2019 and provide a solid foundation for 2020

Deposits by customer type

(£b)

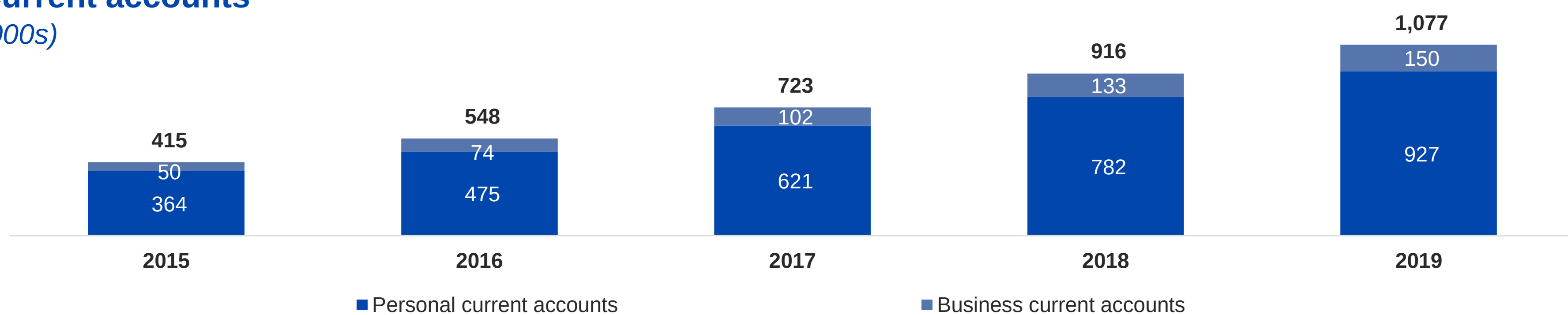


Cost of deposits



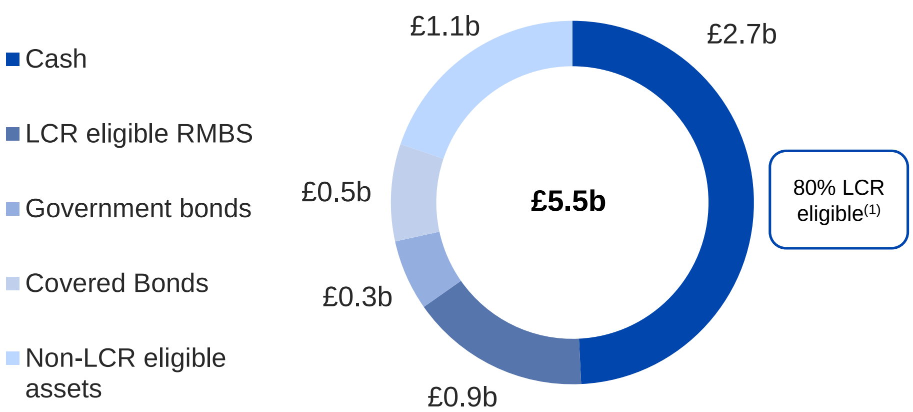
Current accounts

(000s)

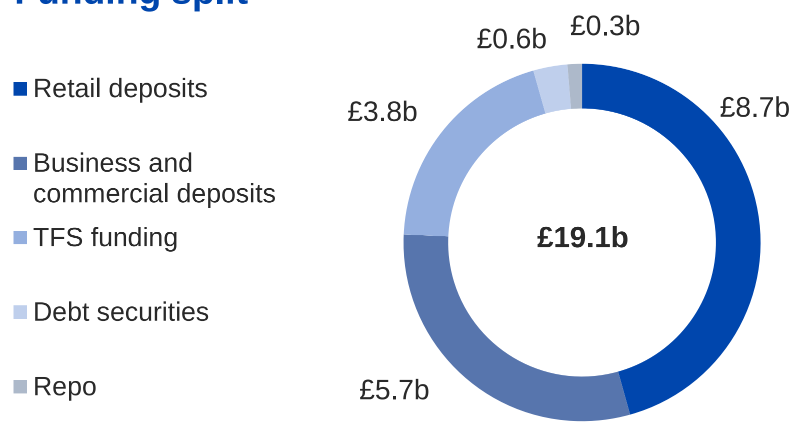


High quality and liquid balance sheet

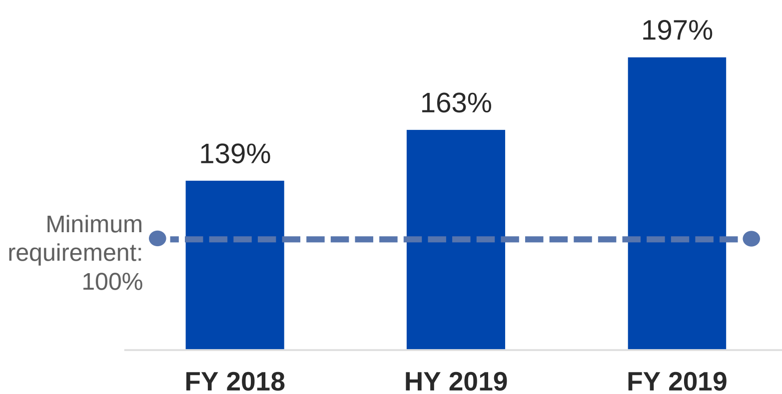
Treasury assets



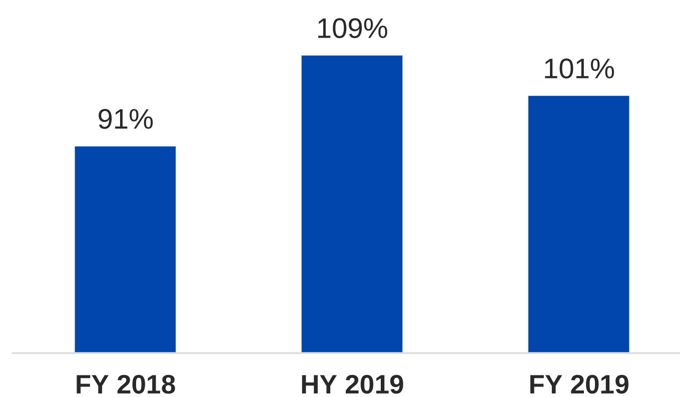
Funding split



Liquidity coverage ratio



Loan to deposit ratio



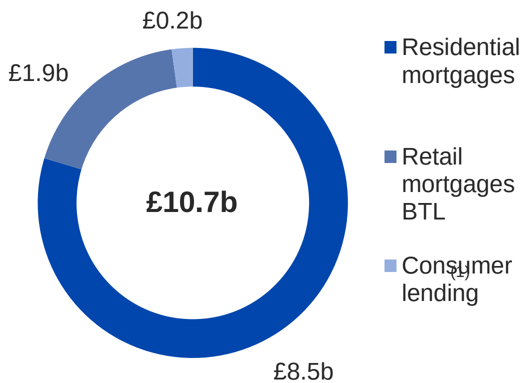
(1) Liquidity coverage ratio

Conservative underwriting and strong asset quality

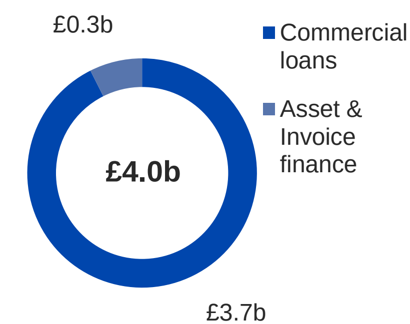
We continue to have a low risk, simple product offering, supported by our prudent approach to credit underwriting and lending

Low risk lending portfolio

Retail: 72% of portfolio

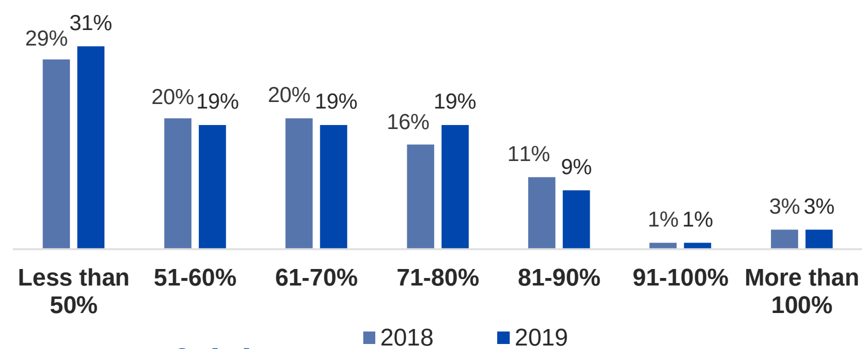


Commercial: 28% of portfolio



Conservative debt to value profile

- Average retail mortgage DTV[4]: 59%
- Average commercial term loan DTV[4]: 60%



Strong asset quality

NPL ratio[2]

Collateral coverage ratio [3]

159% 195%

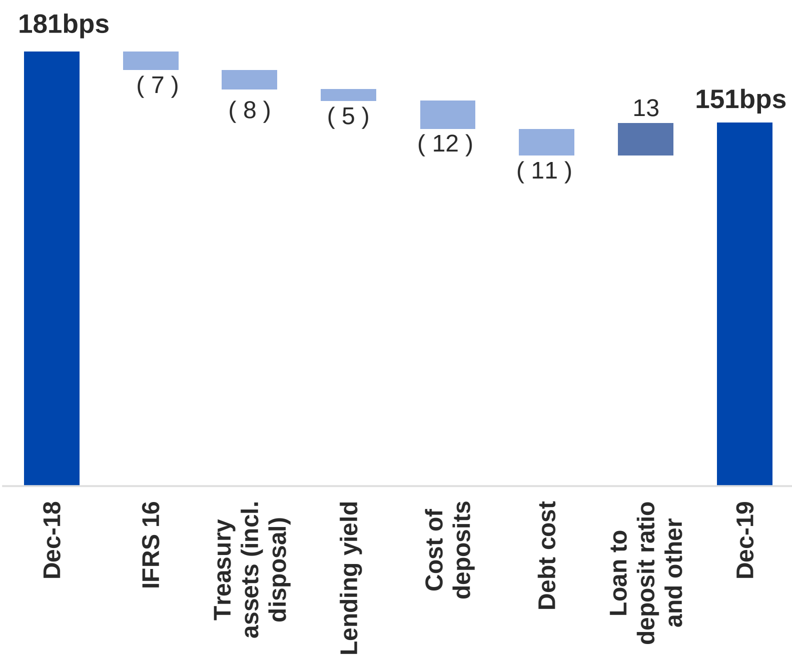
Low cost of risk

(1) Buy-to-let. (2) Non-performing loan ratio. (3) 77% of NPLs are collateralised. Of NPLs that are not collateralised, 56% relate to retail consumer lending. Collateral coverage ratio calculated as gross collateral value divided by total outstanding loan balance. (4) Debt to value

Pressure on interest income mitigated by significant growth in non-interest income

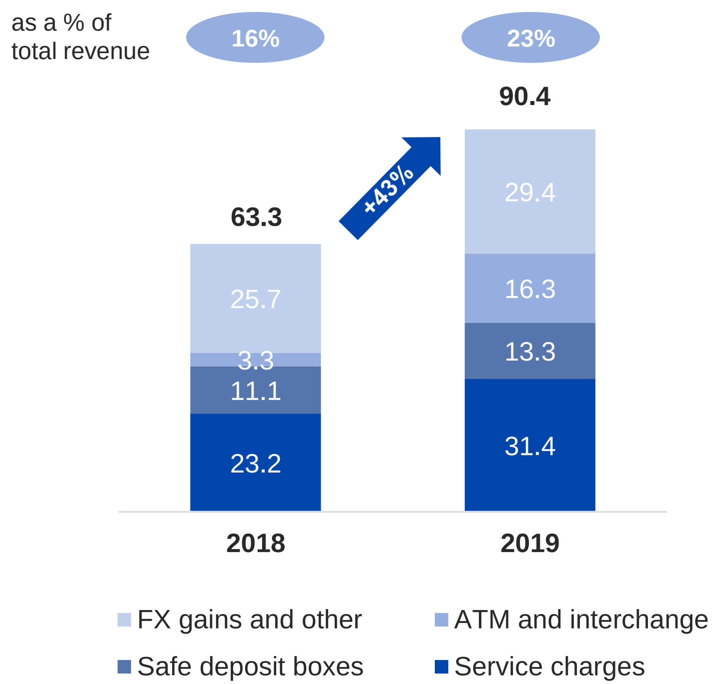
NIM reduction reflects actions taken to protect the balance sheet, offset through strong growth in fee income

NIM bridge



- NIM reduced to 151bps following sustained mortgage market competition, a reduction in treasury assets, rising deposit costs and interest expense on MREL eligible debt resulting in Q4 2019 NIM of 130bps

Net fee and other income
(£m)



- ✓ Growth of +385k customer accounts
- ✓ Addressing fee leakage opportunities
- ✓ Repriced safety deposit boxes
- ✓ Trade finance and FX enhancements
- ✓ Implemented dynamic currency conversion

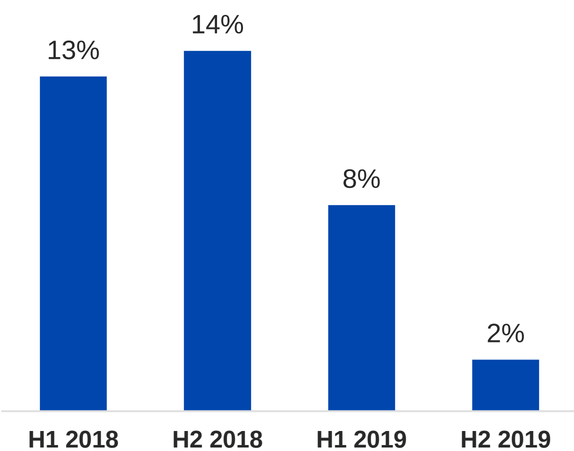
- Strong growth in other income and fees driven by growth in customer accounts, optimisation of fee structures and development of new services

Run-the-bank cost growth is moderating; a key focus for 2020

Growth in operating expenses slowed in 2019 reflecting initial delivery of bank-wide cost transformation programme

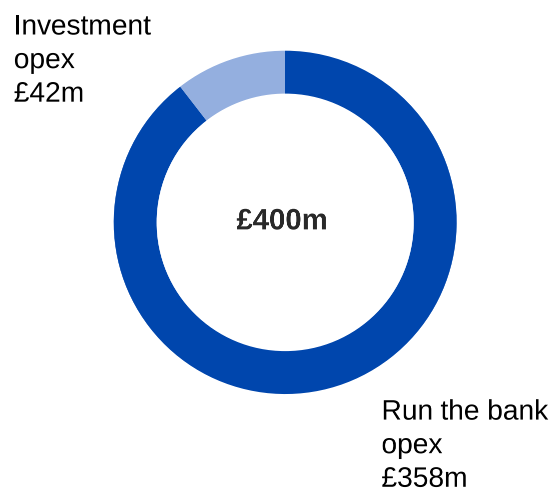
Sequential cost growth

Significant reduction in the pace of cost growth in 2019[1]



Cost drivers

Investment includes opex spend on growth projects, depreciation and amortisation



2019 cost actions

- ✓ Restructured Commercial
- ✓ Right-sized lending operations
- ✓ Centralised procurement responsibilities

Offset by cost growth in specific areas

- New store openings
- Increased capability in Risk and Finance
- Customer growth driven increase in transaction volumes/costs

(1) Q4 2019 includes a reallocation of costs to 'net fee and other income' that were presented within 'operating costs' in Q1-Q3 2019. Excluding the reallocation, cost growth would have been 4% in H2 2019

Strategy update

Dan Frumkin (CEO)

Straightforward strategy – execution is key

1 Costs	2 Revenue	3 Infrastructure	4 Balance sheet optimisation	5 Internal and external comms
Tight cost control through back office efficiencies, organisational simplification and disciplined property footprint	Meeting more customer needs and development of new capabilities	Investment in integrated channels and core infrastructure	Enhanced focus on risk-adjusted returns and growing tangible book value	Improve our approach to communication

Becoming the UK's best community bank

Delivering >8.5% RoTE by 2024

1

Analysis of cost base

Largely fixed cost base will deliver operating leverage as the Bank continues to scale

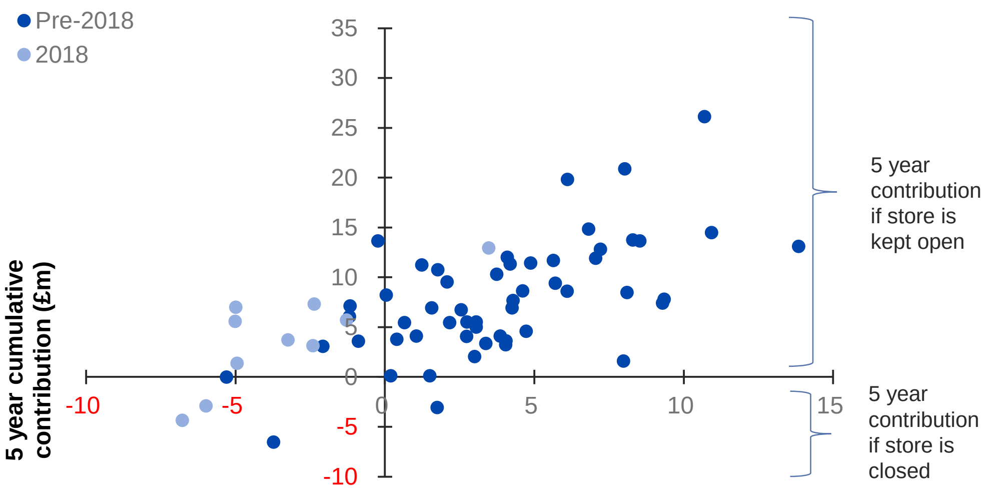
2019 cost base by type

- Fixed cost base allows us to drive scale and operating leverage
- Store network primary driver for fixed cost base
  - Store optimisation strategy underway to limit future fixed cost growth
- Initiatives in place to ensure controllable cost base growth continues to moderate

Our store network has been carefully assessed

Conclusion at present that it is not economic to close any stores

Store performance forecast based on 2019 average performance[1]



Taking into account cost of closure, there are only 4 stores that provide a higher NPV from closure rather than keeping the store open, 2 of which of are 2018 openings

What works

- ✓ Excellent service in stores
- ✓ Stores become more profitable each day
- ✓ Integrated 'bricks-and-clicks' experience makes a difference
- ✓ High brand awareness

Constraints of current store model

- Expensive to close
- One size fits all approach not efficient
- High fit-out cost
- Long leases, often without breaks
- Stores too large

What we will do

- **Increase revenue potential of stores by offering more customer services**
- **Slow new store openings**
- **Introduce flexible store formats on new stores**
- **Monitor store performance**

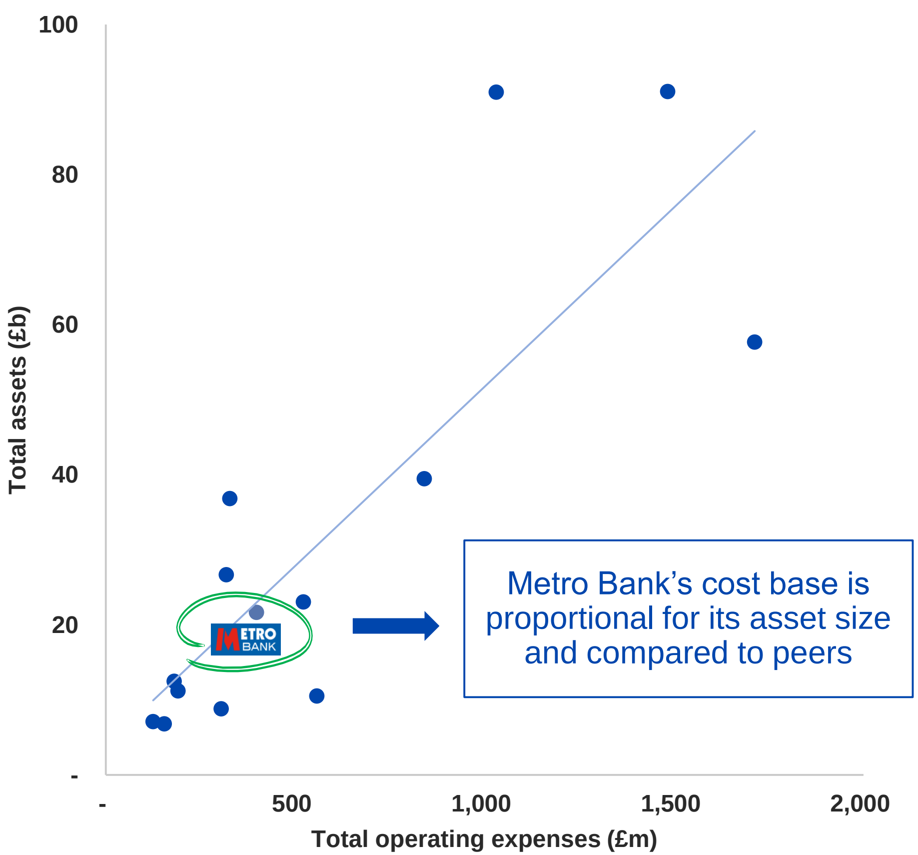
Store opening profile	2019	2020	2021	2022-2024
Business as usual (old)	8	9	10	32
C&I (old)	2	8	11	9
Business as usual (revised)	**5**	**4**	**-**	**6**
C&I (revised)	**1**	**2**	**1**	**11**

(1) Excludes Holborn

1

Efficiency and simplification initiatives underway

UK banks' total assets (£5b – £100b) vs. total operating expenses[1]



Addressable cost initiatives

Back-office efficiency

- Increased use of automation and digitisation across the bank
- Re-engineering processes to reduce colleague work
- Investment in digital channels to give more customer choice

Simplification and cost control

- Relocation to cost effective locations
- Reduced organisational layers across the bank
- Migrate away from consultants and contractors

- **Low-single digit 'run the bank' cost growth CAGR 2020 – 2024 creating room for operating leverage**
- **New investment[2] opex spend more than offset by cost savings over the period**

(1) Based on most recently published full year financials (2) Excludes depreciation and amortisation

2

Revenue initiatives – meeting more customer needs through better execution

Initiatives

Continue to deliver growth in core deposits across all teams and channels

Enhance products

- Unsecured personal loans
- Overdrafts
- Credit cards
- Niche mortgages

Broaden existing product offering

- Saving products
- SME lending

Enablers

Outstanding customer service through community banking model

New geographies

Enhancing store processes and digital journeys

Investing in store colleagues and training

Investment in marketing and brand campaigns

Develop digital origination journeys

BAO online(1)

PCA to mobile(2)

Improved credit scoring

New credit decisioning engine

Risk based-pricing

Product partnerships

Increased SME focus

MCard, MCash

(1) Business account opening online. (2) Personal current account to mobile

2

C&I commitments aligned to new strategy

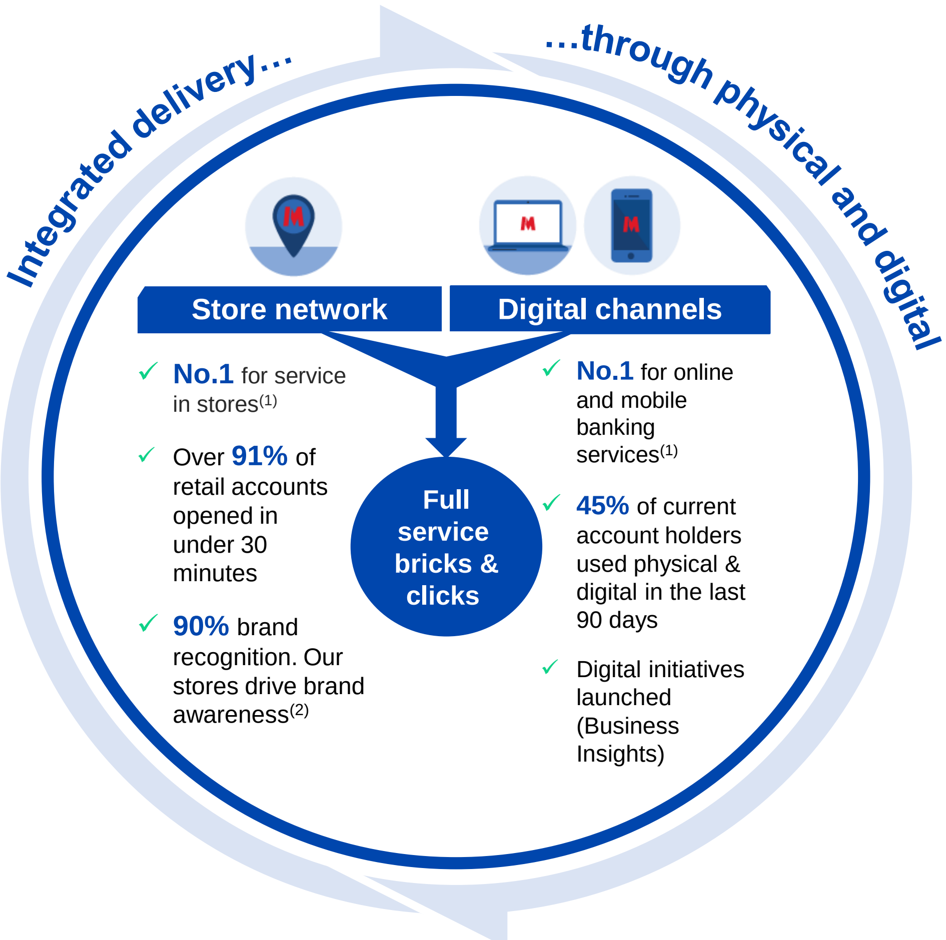
c.6% BCA market share by 2025 with more than 395,000 SME current accounts

	Original commitments By end-2025	Revised commitments By end-2025
C&I funding	£120m	**£70m**
Metro Bank co-investment	c. £240m (£2 for every £1)	**c. £140m (£2 for every £1)**
New stores	30 in the North	**15 in the North**
Products and capabilities	c. 16 new product and capability initiatives	**c. 13 new product and capability initiatives (removed 3 niche initiatives)**

3

Investment spend to bring the physical and digital world together

Making life easier for FANS and colleagues



Going further to enhance the infrastructure to support our community banking model

- Start in one channel, finish in another
- New or improved digital journeys across all products
- Improved in-store processes to make journeys easier
- New customer authentication to allow more customer choice of access
- New stores in new geographies

Underpinned by greater automation, further use of Cloud and enhanced investment in cyber, risk and finance systems

(1) CMA Service Quality Surveys published 17 February 2020. (2) YouGov plc, brand awareness survey. Total sample size in London was 1,014 adults. Fieldwork was undertaken between 27-29 January 2020. The figures have been weighted and are representative of all London adults (aged 18+)

Execution plan developed

3

Plan underway to deliver the financial results of our transformation strategy

Investment plan spend

	Investment category	2020	2021	2022
Revenue	Existing products			
	New products			
	Lending (unsecured)			
	Mortgages			
	Asset finance / invoice finance			
	Risk engine			
	Marketing			
Cost	Location			
	Digital			
	Authentication			
Infrastructure	Technology infrastructure			
	Finance transformation			
	Risk			
	Regulatory change			

Mobilising our transformation plan

- ✓ Every initiative is sponsored by a member of the executive management team
- ✓ Senior executives allocated full time to deliver the programme
- ✓ Transformation delivery group now operational
- ✓ New change governance and programme office in place
- ✓ Improvements being delivered to end-to-end change process
- ✓ External resource augmentation underway (onshore / nearshore / offshore options)
- ✓ C&I programme well established and projects on track for delivery

4

Focus on risk-adjusted returns and growing our tangible book value

We will optimise our balance sheet and asset mix

Balance sheet optimisation initiatives

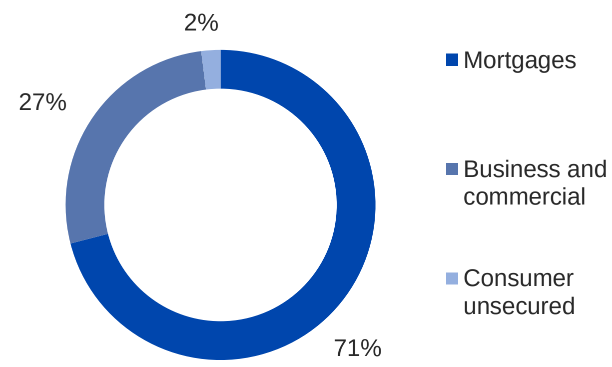
Short-term tactical → Asset disposals

Long-term strategic → Securitisation funding programme; Forward flow agreements; Capital stack optimisation; Risk transfer solutions

- ✓ Optimisation allows growth to be managed within available equity capital
- ✓ Provides diversification of the bank's funding options
- ✓ Possible use of inorganic transactions to accelerate meeting strategic plan
- ✓ Develops strategic partnerships

Strategy to rebalance the lending mix

2019 mix



- ↑ **Develop product capabilities to allow participation in better yielding specialist mortgages**
- ↑ **Continued commitment to supporting SMEs in both our secured and unsecured proposition**
- ↑ **Reshape our unsecured personal loans, credit card and overdrafts**

5

Internal and external communications

Refreshed strategy focuses on providing colleagues, shareholders and stakeholders a clear message

Internal

- ✓ Help colleagues understand their role in helping the Bank to achieve its new objectives
- ✓ Regular communication to maintain high colleague engagement and ensure we continue to deliver award-winning customer service

External

- ✓ New leadership to set realistic expectations of the future direction of Metro Bank
- ✓ Re-evaluating guidance, KPIs, messages, tone and frequency of reporting

Our new people-people marketing campaign will continue to remind colleagues, shareholders and stakeholders of the successes of our brand

Measuring our performance

	2020	2024		
	Guidance	Targets		Guidance
Deposits	**Growth** Mid-single digit	**Growth** <10% CAGR '20-'24	**LTD** <100%	**Cost of deposits** To reduce over time as the mix of current accounts increases
Revenue	**NIM** In-line with Q4 2019	**NIM + fees** NIM expansion vs. 2019 Fee and other income to increase as proportion of revenue mix	**Cost of risk** 15-30bps	**Target lending mix** 75% 20% 5% Mortgages / SME / Unsecured
Operating costs	**Growth** Mid-high single digit excl. investment opex	**New investment spend** £250-£300m opex(1) and c.£100m capex by 2024, front-end loaded	**Cost income ratio** 70-75% by 2024 (incl. new investment spend, depreciation and amortisation)	**'Run the bank' cost** Low single digit CAGR 2020 - 2024
Capital	**CET1 ratio** >12%	**Capital ratios** Minimum 12% CET1 >22.5% TCR + MREL	**MREL issuance** Up to £500m before 1 Jan 2022	**MREL issuance** Additional issuance post Jan 2022 in line with regulatory requirements

>8.5%
Statutory RoTE by 2024

(1) Excludes depreciation and amortisation

We continue to surprise and delight our FANS

Our unique model remains valuable and our customers love us…

Big shout out to Tish @Metro_Bank #Manchester branch for superb service in helping me change our local village hall's bank account over to them. Tish was professional, friendly and efficient, which made the whole experience so much better than I envisaged - thank you!

Went into the bank yesterday to open an account. Yes, on a Sunday. And they were super helpful. That's @Metro_Bank for you.

Year 4 at Metro Bank - when hearing it was Thomas' birthday, they went and bought him a cake! Happy Birthday Thomas! #welovemetrobank

Metro bank are by far the BEST bank I have ever dealt with. The customer service is superb. When you phone them a person answers not a machine and the call centres are in the uk. When I go to a branch the staff are the politest people in human history (Croydon, Reading and Brighton branches are the only ones I've visited) they can't do enough to help you re-solve your problem. The app is so user friendly and simple to use it should be a bench mark other banks use when designing an app. Metro 100%

Great app. does everything, has metrics. Also phone number related security confirmation codes. Much better than most of the competition. Shop service is great too.

The best service yet

Honestly I have not met members of staff that make you feel so welcome, I did not at any time feel like a customer, I felt like family. The patience, service delivery and communication was excellent and to think I had only gone to open accounts for the children. I will definitely be moving MY banking to Metro bank. Paige, Sam, Liam and Louise, thank you for an excellent 5 star service. You have gained a loyal customer.

Highly recommended

Opened an account in minutes. Super efficient online service. I have another account with metro bank and the staff are great, they really go that extra mile to help. 5 star customer service! Highly recommended.

…and it is clearly working through tangible demonstration in customer service rankings, awards and colleague engagement

1 Leading service scores for our community banking customers

Service in stores(1)

1	Metro Bank	84%
2	Nationwide	80%
3	Lloyds Bank	71%

Online and mobile banking services(1)

1	Metro Bank	85%
2 =	Barclays	83%
2 =	first direct	83%

2 Awards & increasing brand recognition

Best All Round Personal Finance Provider (2019)

moneynet

Best branch strategy (2019)

RETAIL BANKER INTERNATIONAL

Current account rated 5 stars (2019)

Moneyfacts ☆☆☆☆☆ Standard Current Account 2019 - 2020

c.90% 2019 new account opening NPS

c.90% brand awareness(2)

3 Award-winning colleague engagement and satisfaction

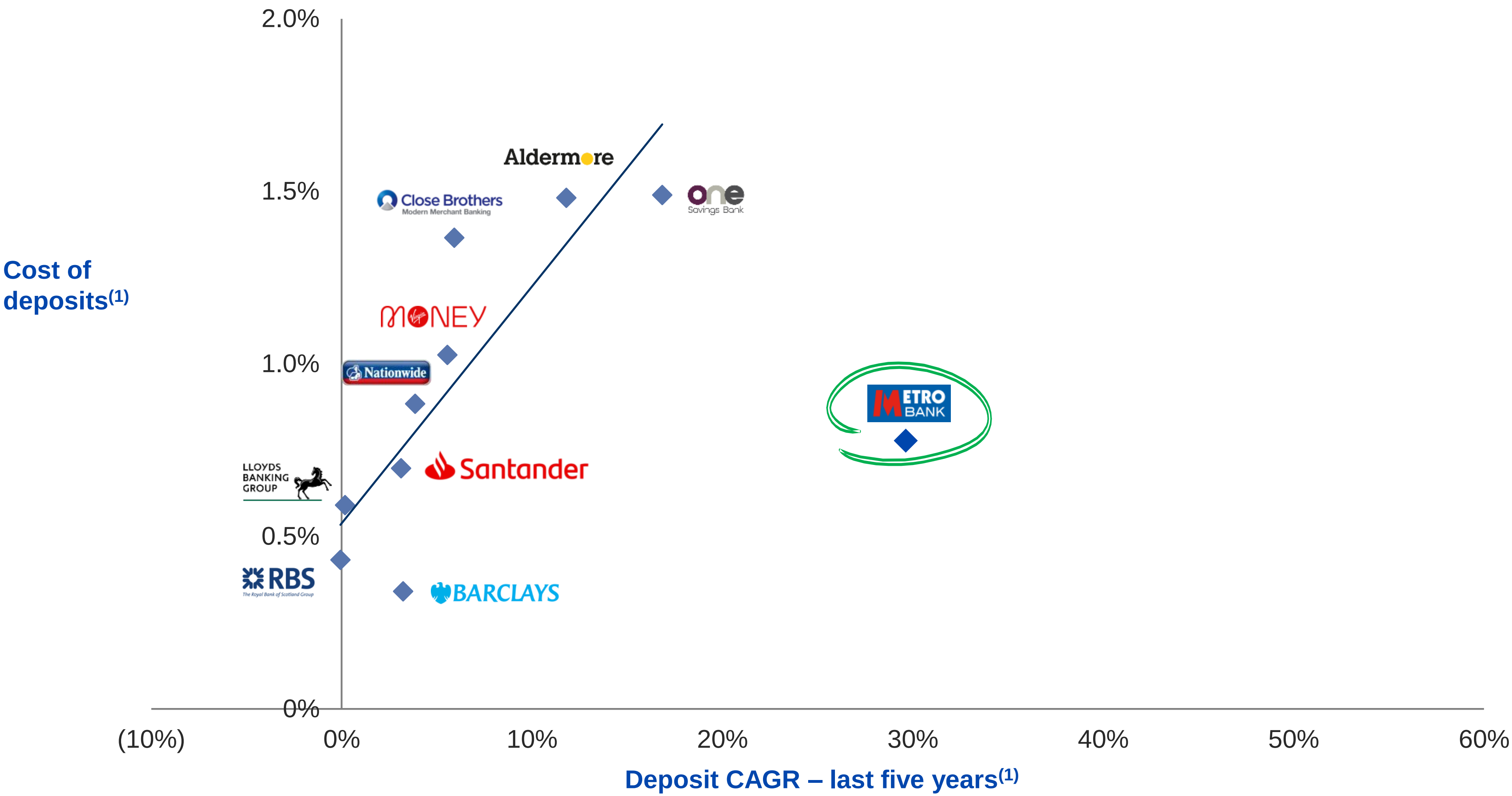
92% of colleagues think Metro Bank is a **great place to work** in our annual voice of the colleague survey(3)

91% of colleagues believe Metro Bank is **an inclusive employer** and are **comfortable to be themselves at work**(3)

Source: Twitter reviews, Google Play reviews, Trustpilot reviews. (1) CMA Service Quality Surveys published 17 February 2020. (2) YouGov plc, brand awareness survey results. Total sample size in London was 1,014 adults. Fieldwork was undertaken between 27-29 January 2020. The figures have been weighted and are representative of all London adults (aged 18+). (3) Metro Bank internal survey

This is a liability led strategy

Proven liability generation capability



(1) Based on latest full year reported financials. CAGR between 2015 to 2019 shown for Metro Bank, Aldermore, Barclays UK, Close Brothers, Lloyds Banking Group, Nationwide, RBS and Virgin Money; 2014 to 2018 shown for OneSavings Bank and Santander UK. Cost of deposits calculated as interest expense related to customer deposits divided by average customer deposits during the year. Cost of deposits based on 2019 for Metro Bank, Aldermore, Barclays UK, Close Brothers, Lloyds Banking Group, Nationwide, RBS and Virgin Money; 2018 for OneSavings Bank and Santander UK. Virgin Money figures for 2015 comprises pro forma of Virgin Money and CYBG. OneSavings Bank figures not adjusted for combination with Charter Court Financial Services

Targets are achievable

Realistic and achievable targets

2024		
Targets		**Why targets are achievable**
Deposit growth <10% CAGR ‘20-‘24	**LTD** <100%	30% deposit CAGR ‘15-‘19 21% total current accounts CAGR ‘15-‘19
Revenue NIM expansion vs. 2019 Fees to increase as proportion of revenue mix	**Cost of risk** 15-30bps	Upside to current consumer unsecured origination (Average of 2 unsecured loans per store per month / c.3% of PCA base has credit card with Metro Bank) 29% fee and other income CAGR ‘15-’19
New investment spend £250-£300m opex[(1)] and c.£100m capex by 2024, front-end loaded	**Cost income ratio** 70-75% by 2024 (incl. new investment spend, depreciation and amortisation)	Significant reduction in pace of cost growth in 2019 Clear set of addressable cost initiatives including slower pace of store growth
Statutory RoTE >8.5% by 2024		Target prudently excludes impact of AIRB approval

(1) Excludes depreciation and amortisation

Becoming the UK's best community bank

Appendix

Balance sheet

£'m	2019	2018	Annual Growth
Loans and advances to customers	14,681	14,235	3%
Treasury assets[1]	5,554	6,604	
Other assets[2]	1,165	808	
Total assets	**21,400**	**21,647**	**(1%)**
Deposits from customers	14,477	15,661	(8%)
Deposits from central banks	3,801	3,801	
Debt securities	591	249	
Other liabilities	948	533	
Total liabilities	**19,817**	**20,244**	**(2%)**
Shareholders' funds	1,583	1,403	
Total equity and liabilities	**21,400**	**21,647**	**(1%)**

Capital adequacy & liquidity coverage ratios:

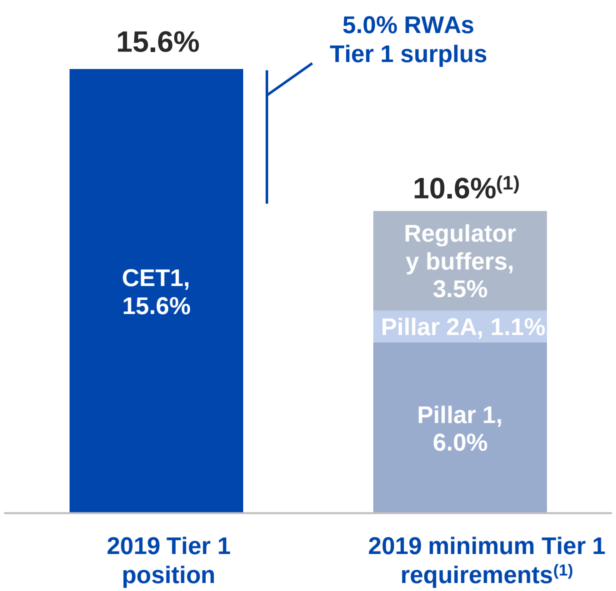
	2019	2018
CET1 capital ratio	15.6%	13.1%
Total capital ratio	18.4%	15.9%
Regulatory leverage ratio	6.6%	5.4%
Risk weighted assets	9,147	8,936
Loan to deposit ratio	101%	91%
Liquidity coverage ratio	197%	139%

- Strong liquidity and funding position maintained, reflecting Q4 2019 deposit growth of £249 million
- Common equity Tier 1 capital ("CET1") of £1,427m as at 31 December 2019 is 15.6% of risk-weighted assets (2018: 13.1% and Q3 2019: 16.2%), materially exceeding the bank's Tier 1 regulatory minimum of 10.6%
- Risk-weighted assets at 31 December 2019 were £9,147 million (2018: £8,936 million and Q3 2019: £9,242 million) reflecting the loan portfolio disposal and continued rebalancing of the loan book
- Asset quality remains strong, and cost of risk remained low at 0.08%

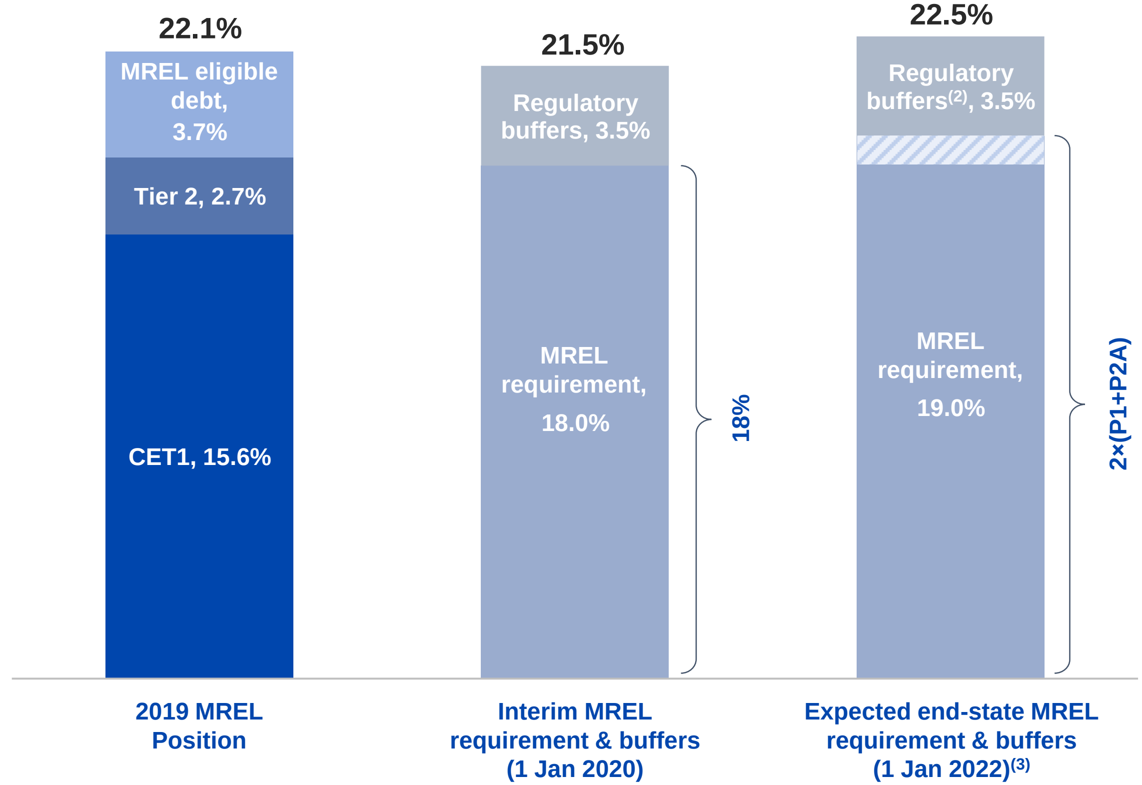
(1) Comprises investment securities and cash & balances with the Bank of England. (2) Comprises property, plants and equipment, intangible assets and other assets

Capital and MREL requirements

Significant surplus to capital requirements



Met 1 January 2020 interim MREL requirement



(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%; Regulatory Buffers comprise 2.5% capital conservation buffer ("CCB") and 1.0% UK countercyclical capital buffer ("CCyB"). (2) The Bank of England ("BoE") announced in December 2019 that the UK CCyB will increase to 2.0% with binding effect from December 2020; during 2020, the BoE is expected to consult on proposals to reduce minimum capital requirements (via P2A) such that overall loss absorbing capacity remains broadly unchanged. (3) Shown assuming P2A remains constant at 1.52% of RWAs; the BoE is expected to review the calibration of MREL and the final compliance date of MREL during 2020, prior to setting the end-state MRELs

Lower net income reflects actions to strengthen balance sheet

£'m	FY 2019	FY 2018	Annual Growth
Net interest income	308.1	330.1	
Net fees and other income	90.4	63.3	
Net gains on sale of assets	1.6	10.7	
Total revenue	**400.1**	**404.1**	**(1%)**
Operating cost	(400.1)	(346.1)	16%
Credit impairment charges	(11.7)	(8.0)	
Underlying profit before tax	**(11.7)**	**50.0**	**(123%)**
Underlying taxation	(4.3)	(13.4)	
Underlying profit after tax	**(16.0)**	**36.6**	**(144%)**
Underlying EPS basic	(10.8p)	39.4p	
Ratios			
Net interest margin	1.51%	1.81%	
Cost of deposits	0.78%	0.61%	
Underlying cost to income ratio	100%	86%	
Cost of risk	0.08%	0.07%	

- Underlying loss before tax reflects actions taken to maintain a resilient balance sheet, IFRS 16, the cost of new debt issuance, and continued pressure in the mortgage market
- Fee and other income grew by 43% driven by newly launched fee earning products
- Cost to income ratio increased to 100% year-on-year from 86% in 2018, largely reflecting net interest income headwinds
- Underlying loss before tax for the year was £11.7 million, a decrease from a profit of £50.0 million in 2018, reflecting the income challenges and cost pressures outlined above

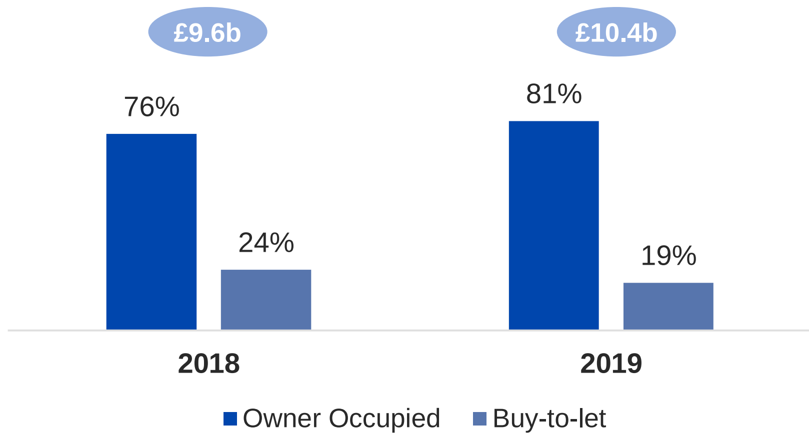
Quarterly performance

£'m	Q4 2019	Q3 2019	QoQ Growth
Net interest income	65.3	76.6	
Net fees and other income	18.7	25.3	
Net gains on sale of assets	-	(2.5)	
Total revenue	**84.0**	**99.4**	**(22%)**
Operating cost	(101.5)	(99.7)	
Credit impairment charges	(5.4)	(2.0)	
Underlying profit before tax	**(22.9)**	**(2.2)**	**(304%)**
Underlying taxation	(1.6)	1.1	
Underlying profit after tax	**(24.5)**	**(1.2)**	**(450%)**
Underlying earnings per share	(14.2p)	(0.7p)	
Ratios			
Net interest margin	1.30%	1.50%	
Cost of deposits	0.87%	0.84%	
Underlying cost to income ratio	120%	100%	
Cost of risk	0.14%	0.05%	

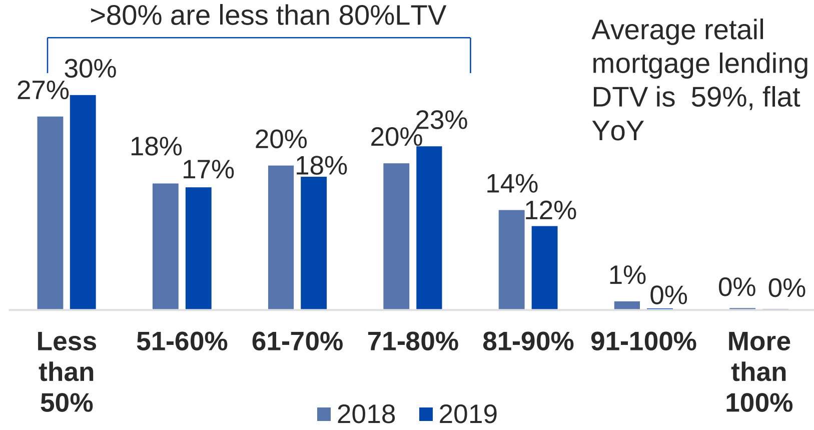
- Actions taken in Q4 taken to maintain a resilient balance sheet, including a moderation of loan growth, reduced revenue by c.£15m in the quarter
- In Q4, cost to income ratio increased to 120% as a result of negative operating jaws with income decreasing 22% compared to the third quarter in 2019 and a 18% increase in costs

Retail mortgage portfolio (1/2)

Total retail mortgages – Owner occupied and BTL split

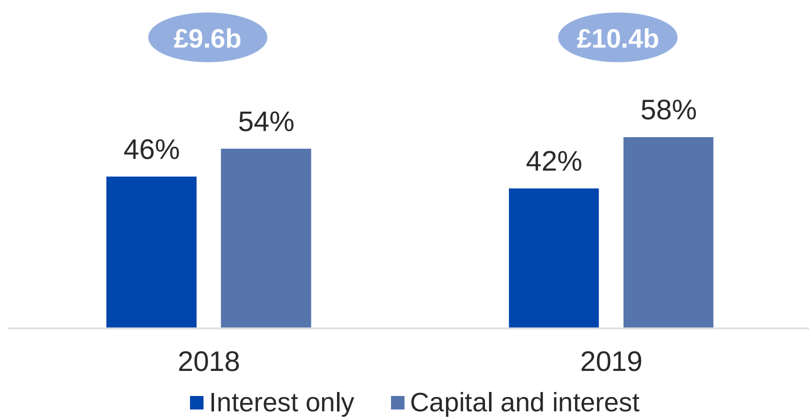


Total retail mortgages debt-to-value profile

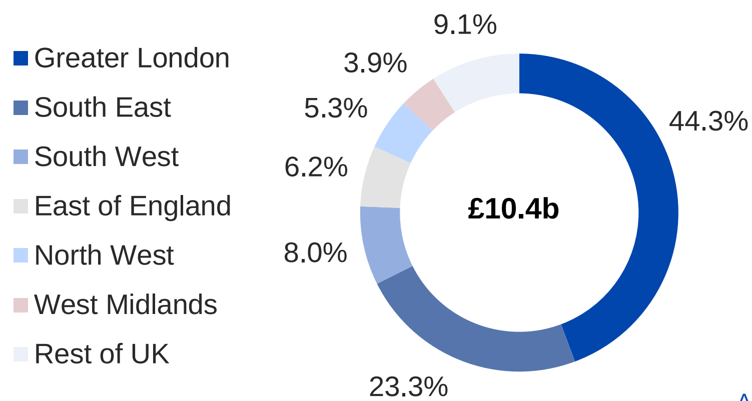


Average retail mortgage lending DTV is 59%, flat YoY

Total retail mortgages repayment type



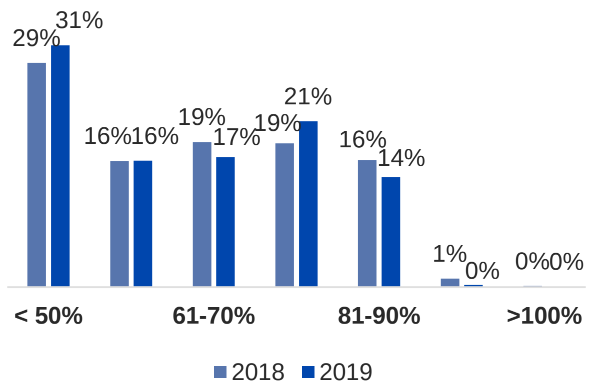
Total retail mortgages geographical split[1]



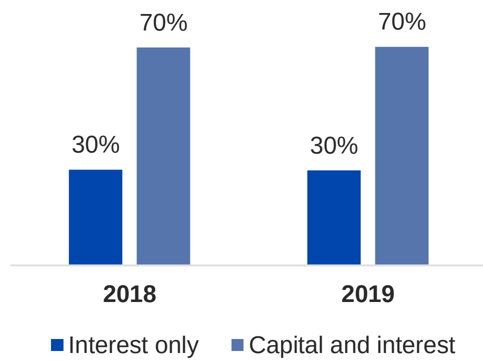
Retail mortgage portfolio (2/2)

Owner occupied retail mortgages

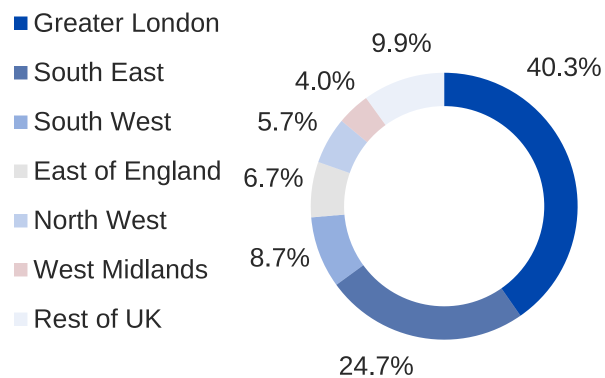
Debt-to-value profile



Repayment type

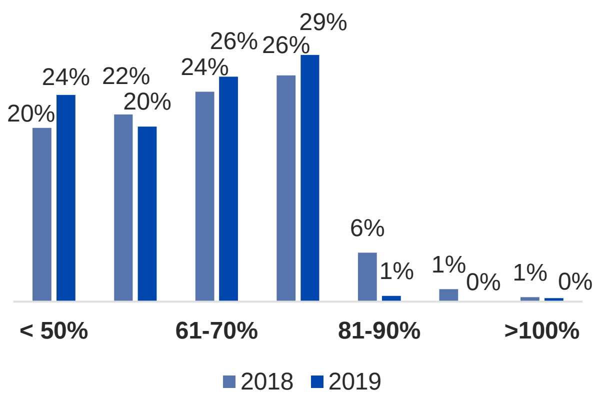


Geography

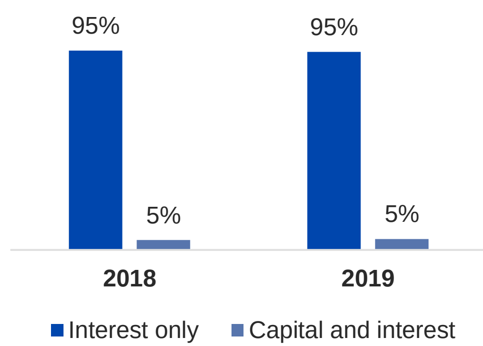


Retail buy-to-let

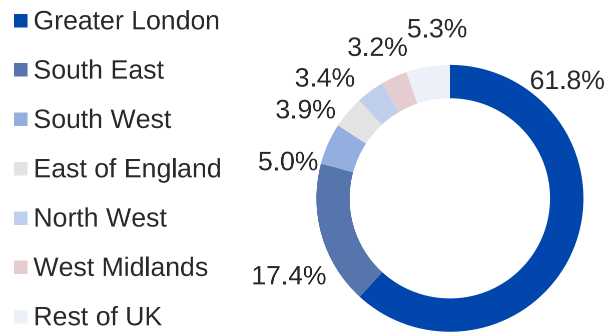
Debt-to-value profile



Repayment type

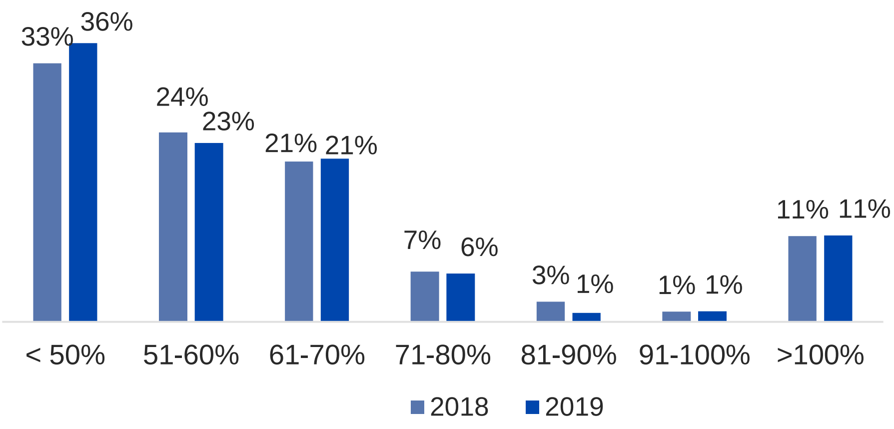


Geography

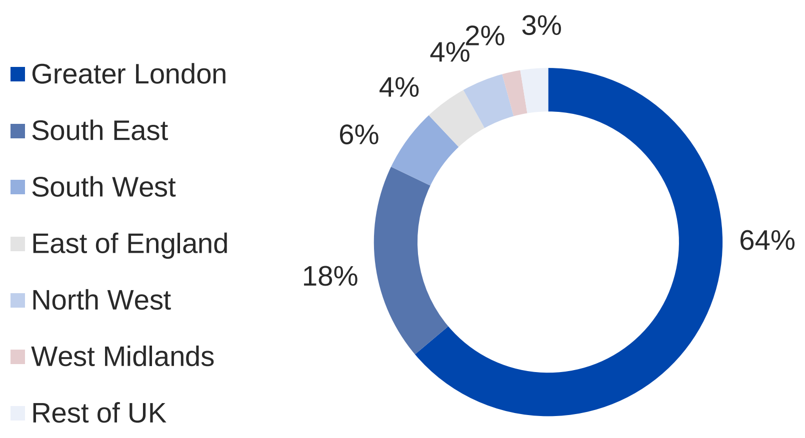


Commercial lending

Debt-to-value profile



Geography



Industry sector

Industry sector	31 Dec 2019 (£m)	31 Dec 2018 (£m)
Real estate (rent, buy and sell)	2,374	2,547
Legal, accountancy and consultancy	234	384
Health and social work	263	217
Hospitality	308	235
Retail	11	72
Real estate (management of)	100	99
Construction	35	60
Recreation, cultural and sport	51	19
Investment and unit trusts	8	1
Education	62	52
Real estate (development)	30	15
Other	68	127

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