



H1 2024 Interim Results

31 July 2024



Agenda

Overview

Daniel Frumkin, Chief Executive Officer

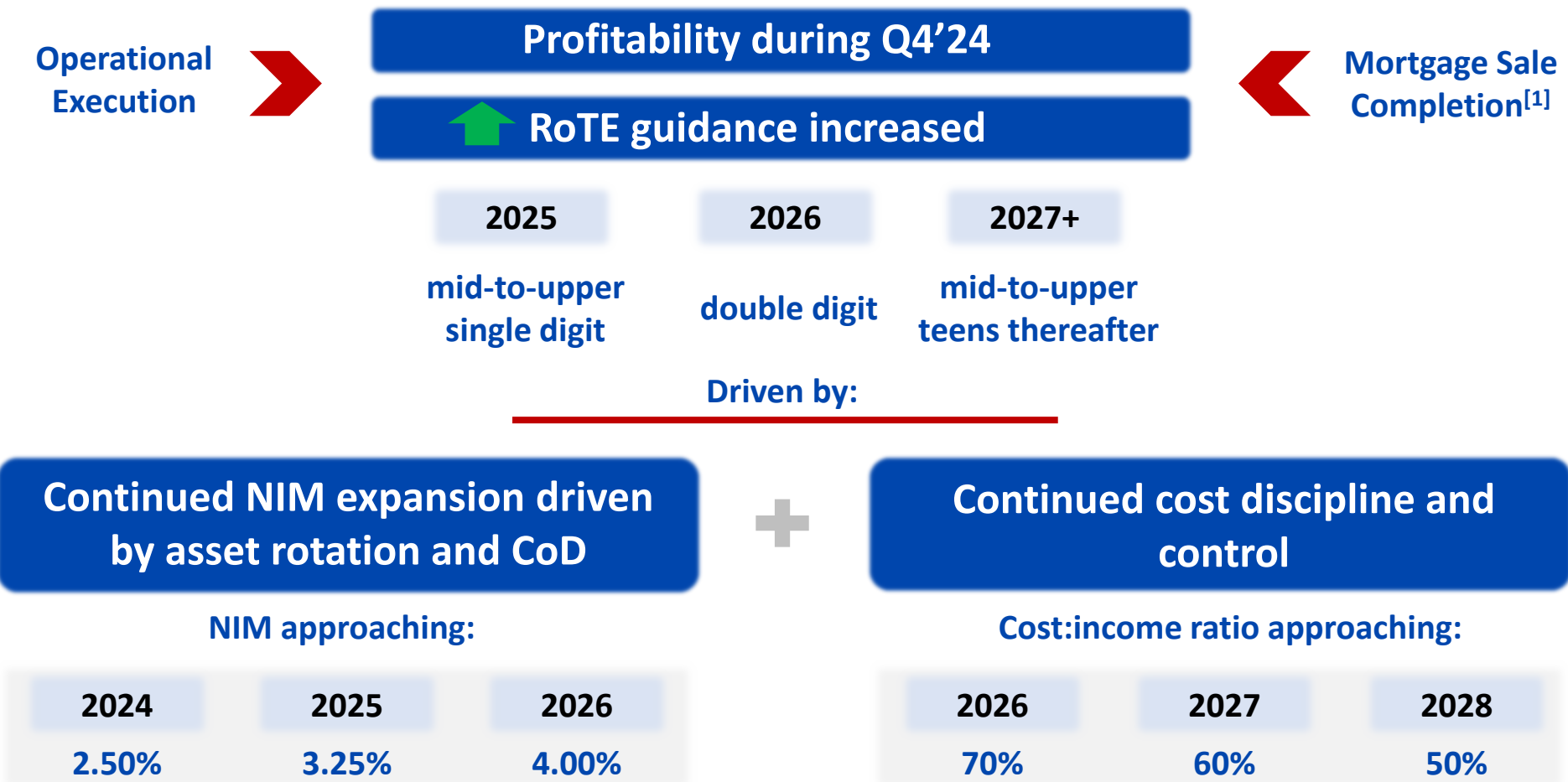
Financial performance

Cristina Alba Ochoa, Chief Financial Officer

Strategy

Daniel Frumkin, Chief Executive Officer

Upgraded Guidance



By 2027, Metro Bank will be generating one of the **highest returns on capital** of any UK High Street Bank

Strategy remains unchanged

Delivering mid-to-high teen RoTE by 2027

Cost Discipline

- Continued cost discipline with **£80 million of annualised run-rate savings** on track to be delivered by Q4'24
- Reduced colleague numbers by > 1,000 or c.22% of FTE
- Repositioned our store and call centre propositions

Asset Rotation

- £2.5 billion mortgage portfolio sale** accelerates balance sheet repositioning
- TFSME to be repaid from proceeds of mortgage sale** eliminating any industry wide deposit funding headwinds going forward
- Upon completion, a **structurally higher NIM**, with **continued NIM expansion** driven by asset rotation, and expect NIMs in 2024, 2025 and 2026 to be approaching 2.50%, 3.25% and 4.00%, respectively
- Strong commercial pipeline at H1'24:**

Commercial Teams	H1'24 credit approved pipeline % of FY'23 drawdowns	H1'24 drawdowns % of FY'23 lending
Corporate	139%	76%
Regional Commercial	178%	143%
Asset Finance	60%	60%
Invoice Finance	168%	159%
Total	116%	81%

Reduce Liquidity and Improve CoD

- Deposits** at H1'24 of £15.7 billion, actively managed down c.£0.8 billion since Feb'24 peak
- LCR** remains strong at 365%, with c.£4 billion of cash providing further opportunity to continue optimisation of funding

Asset Repricing

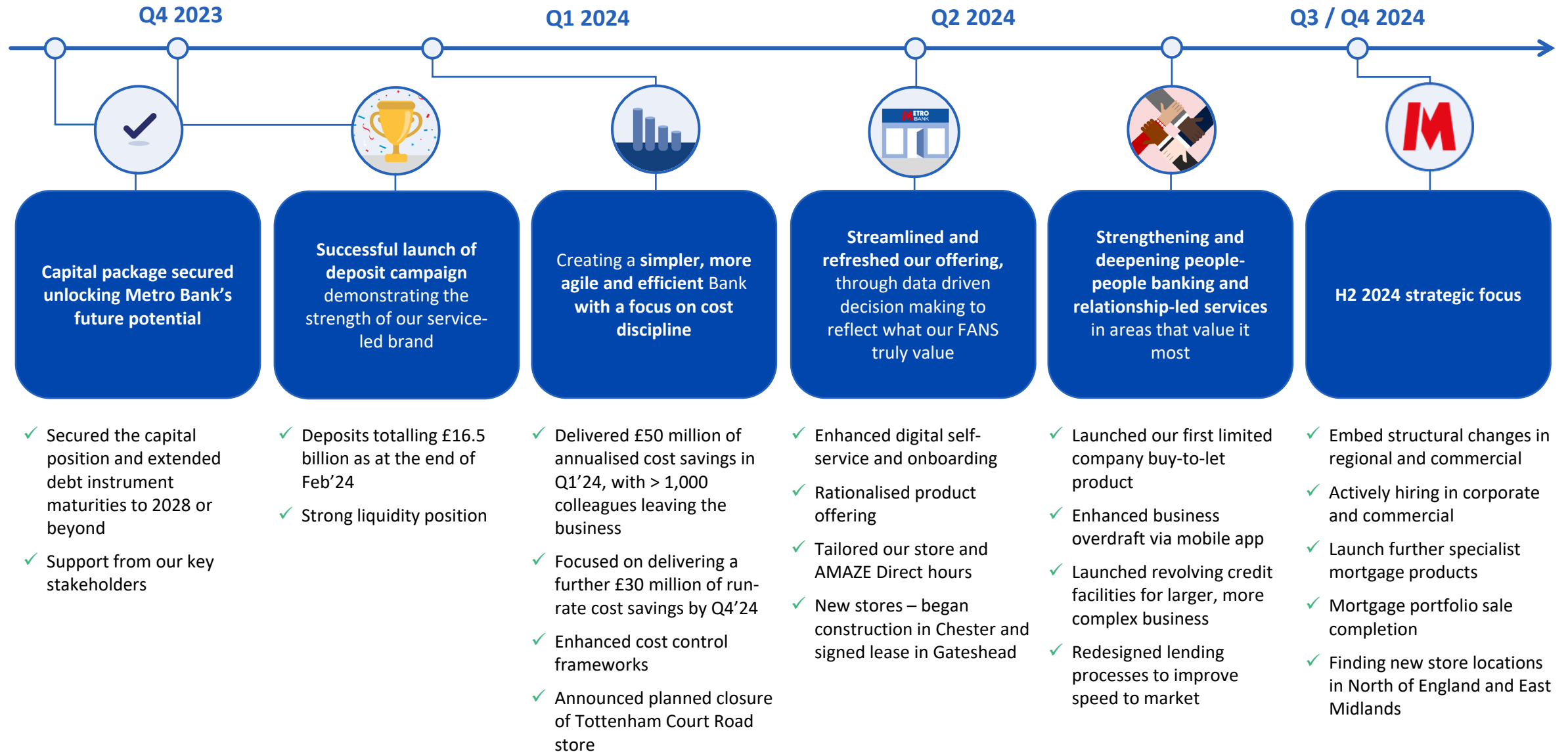
- Passage of time benefiting repricing of treasury assets and maturity of lower yielding residential mortgages
- Annualised **RoTE improves c.450 bps** from c.£1.5 billion of treasury assets rolling off in 2025 and 2026 assuming reinvestment in cash^[1]

Delivering RoTE of mid-to-upper single digit in 2025, double digit in 2026 and mid-to-upper teens thereafter

^[1] Base rate estimated at c.4.2% for 2025 and c.3.6% for 2026 based on latest market expectation as of 29 July 2024



Significant progress across the last 9 months

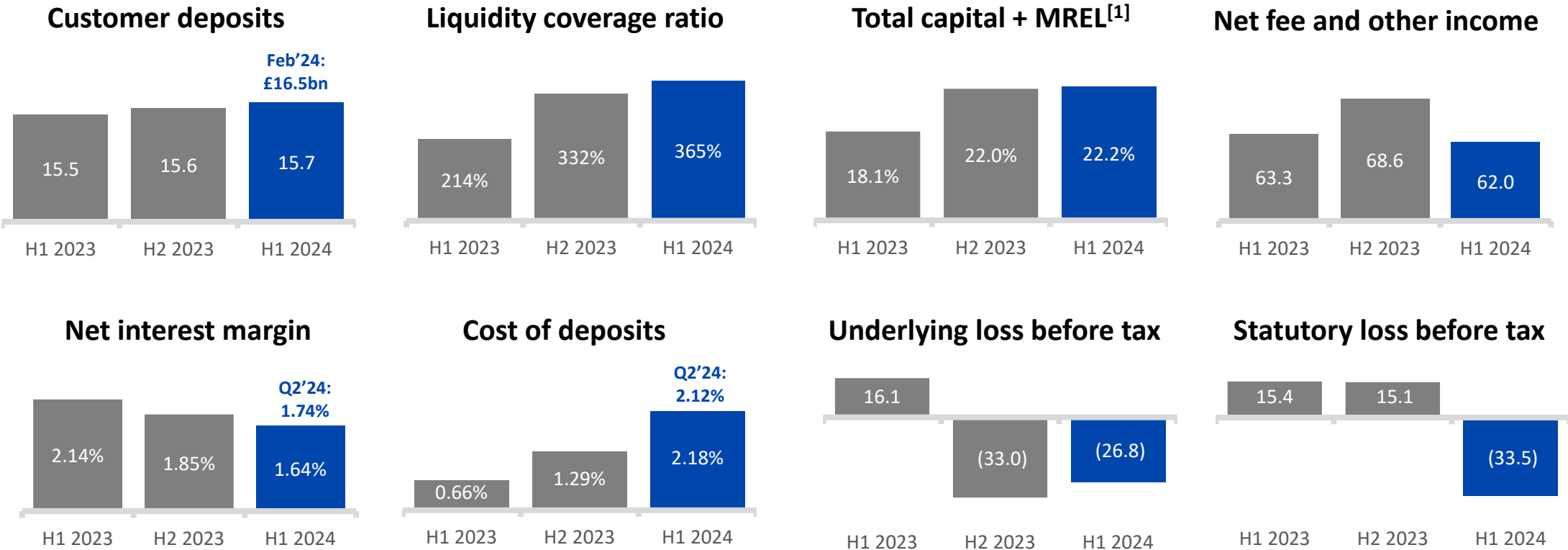




Financial performance

Cristina Alba Ochoa
Chief Financial Officer

H1'24 results are on track, reflecting period of transition



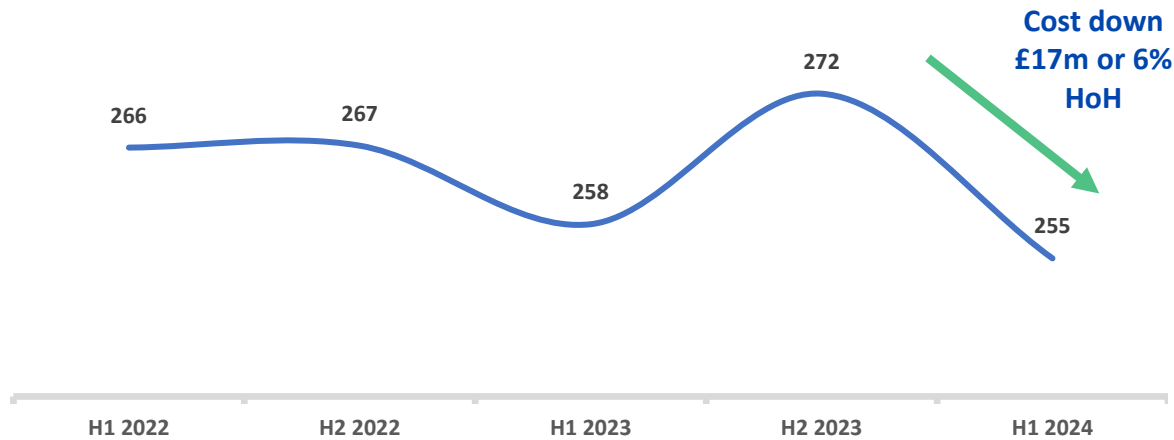
- Half-on-half NIM reduction driven by an elevated cost of deposits that peaked in Feb'24
- Underlying losses reduced half-on-half, but were impacted by transient funding cost pressures due to elevated cost of deposits and lower lending balances
- Capital accretion across the period reflects focus on capital management

^[1] Excludes any impact from the mortgage portfolio sale

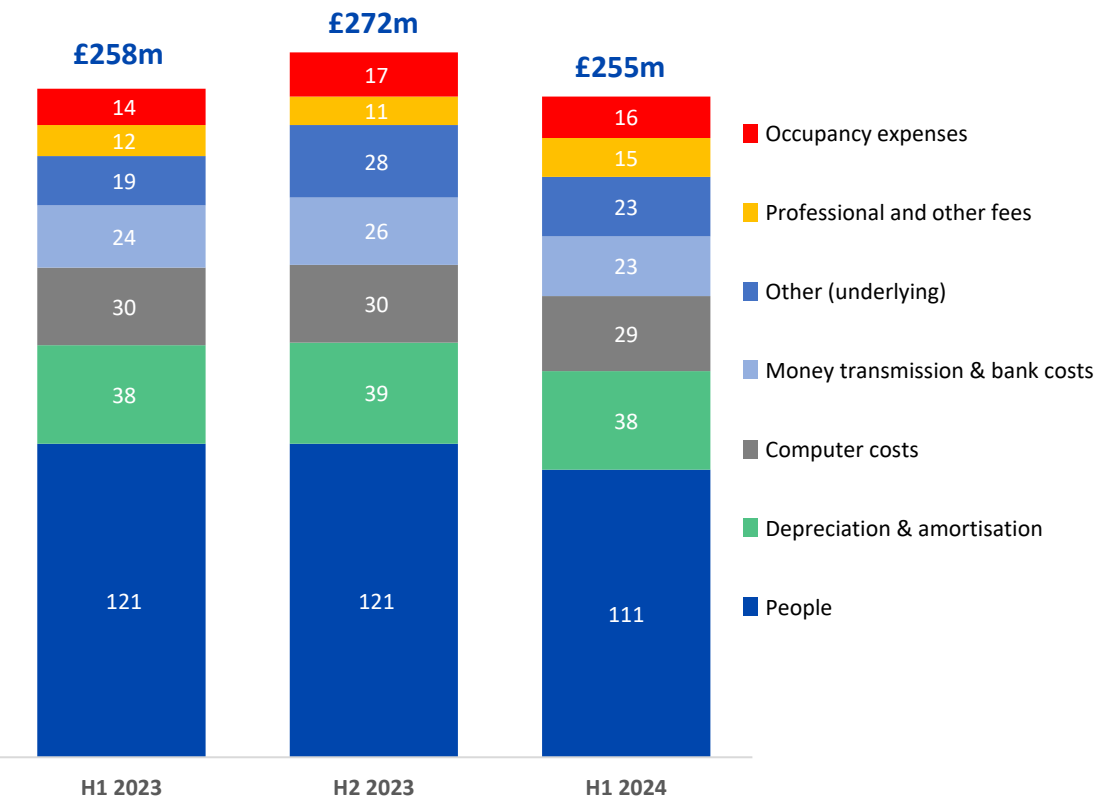
Cost initiatives on track

Cost discipline

Total underlying operating expenses
£m



Underlying operating expenses

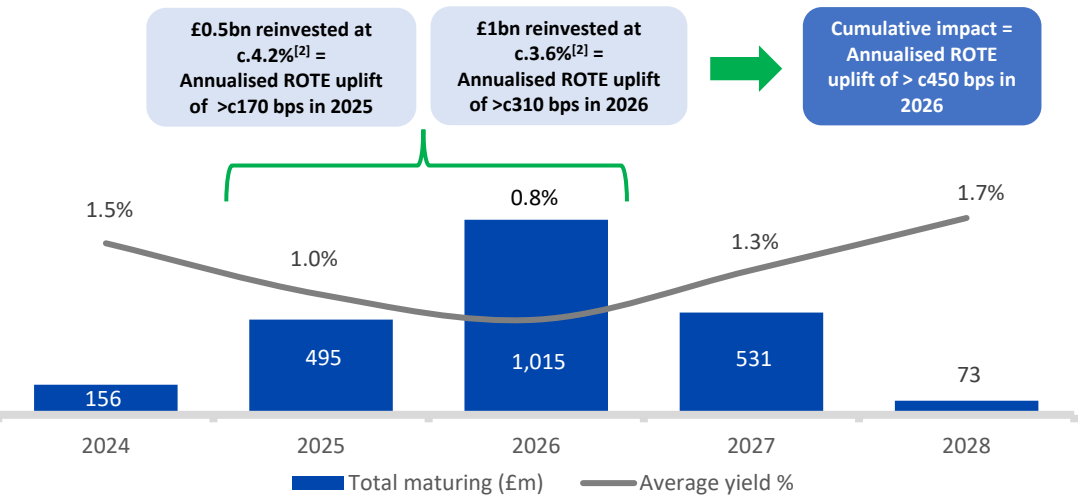


On track to deliver cost savings despite inflationary pressure

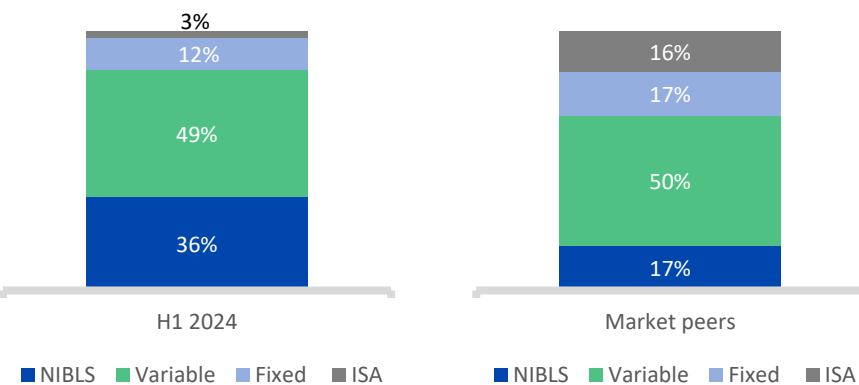
- Delivered £50 million of annualised run-rate savings in Q1'24
- Further £30 million of annualised run-rate savings on track to be delivered by Q4'24
- Significant management focus on the cost environment:
 - Operational excellence function targeting process simplification
 - Decommissioning under-utilised platforms, from product to services rationalisation

Treasury asset repricing provides tailwinds to RoTE

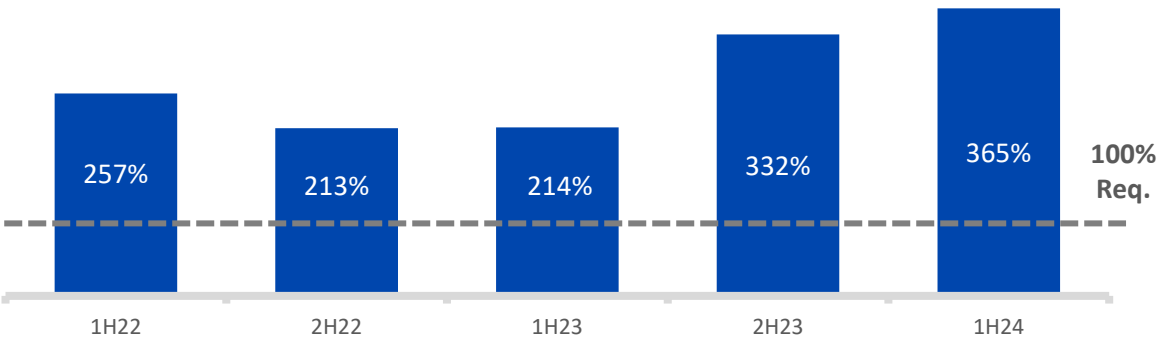
Future benefit from Treasury asset repricing^[1]



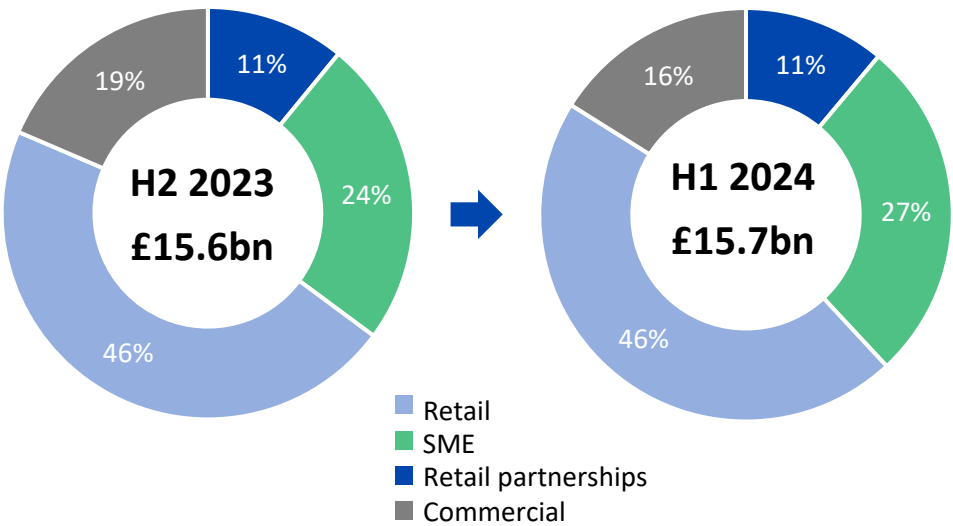
NIBLs^[3] remain double the market average



Liquidity coverage ratio



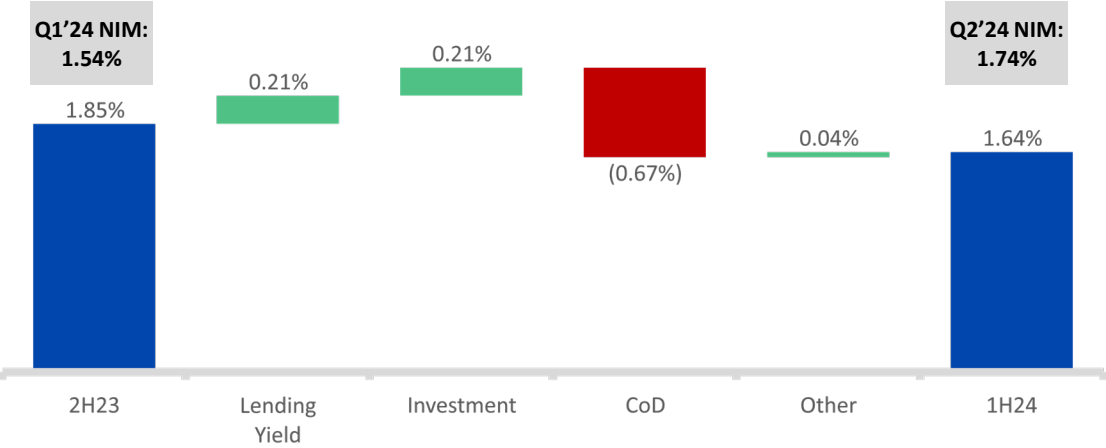
Deposits by customer type



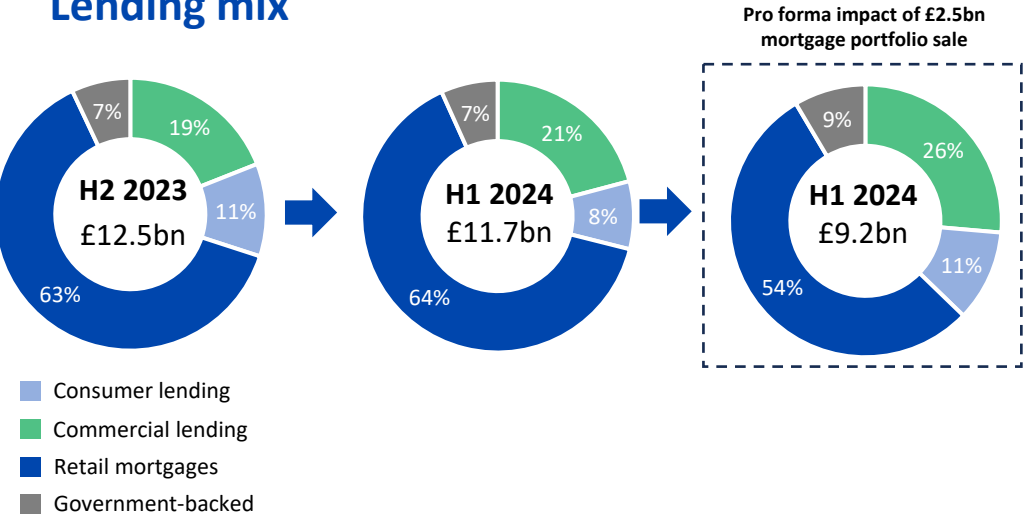
^[1] Compiled on a contractual basis, excluding behavioural assumptions
^[2] Base rate estimated at c.4.2% for 2025 and c.3.6% for 2026 based on latest market expectation as of 29 July 2024
^[3] BoE Bank stats publicly available data as at end of June 2024

Improving yields and returns on capital, with H1'24 exit momentum

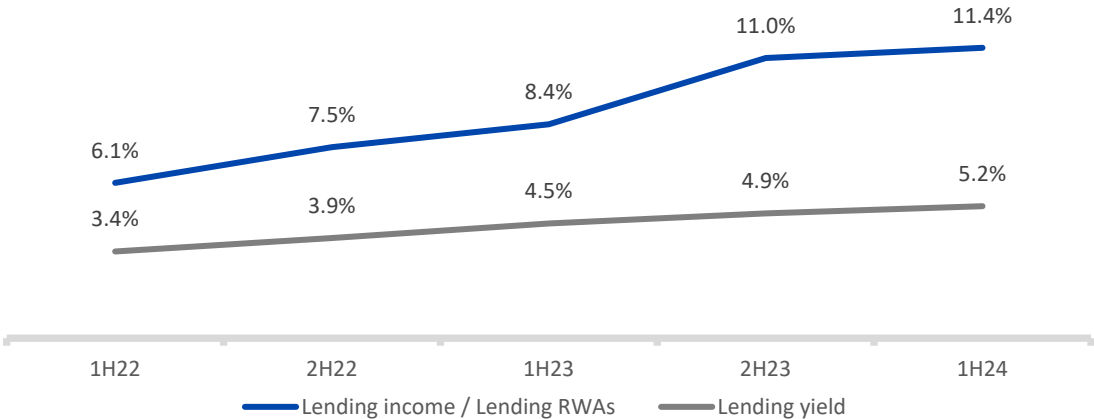
NIM bridge



Lending mix



Improved yield and returns on capital

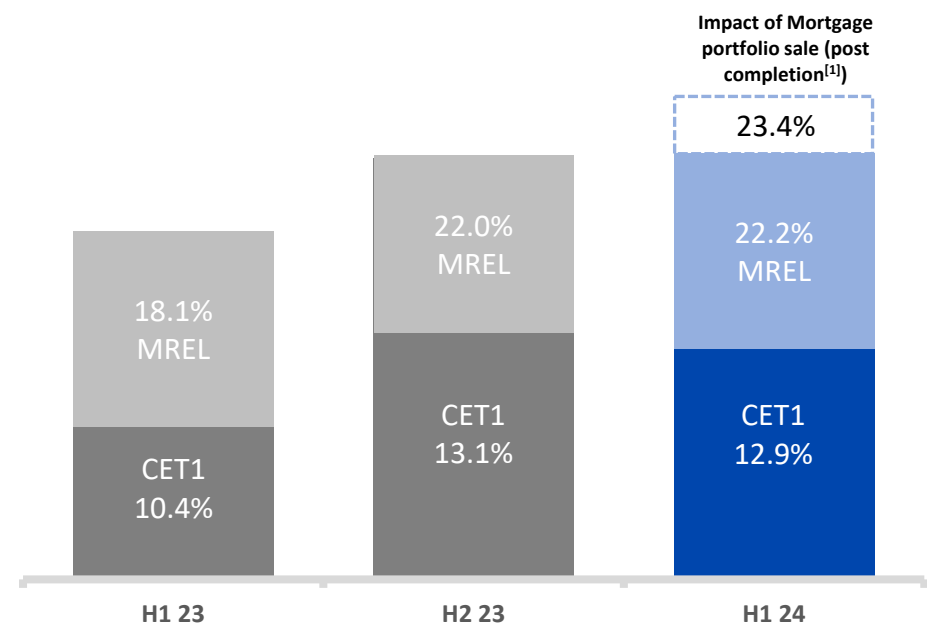


Lending mix shift

- **Future lending book composition by early 2029:**
 - Back book mortgages (c.£5bn) will run-off
 - Mortgages as a % of total lending declines to c.30%
 - Commercial as a % of total lending grows to c.70%
- Future **mortgage lending** originations > 200bps above prevailing reference rate SWAP from H1'25
- **Commercial lending** originations already > 350bps above prevailing Bank of England base rate

Low-risk balance sheet supported by a robust capital position

Continued capital accretion across H1'24

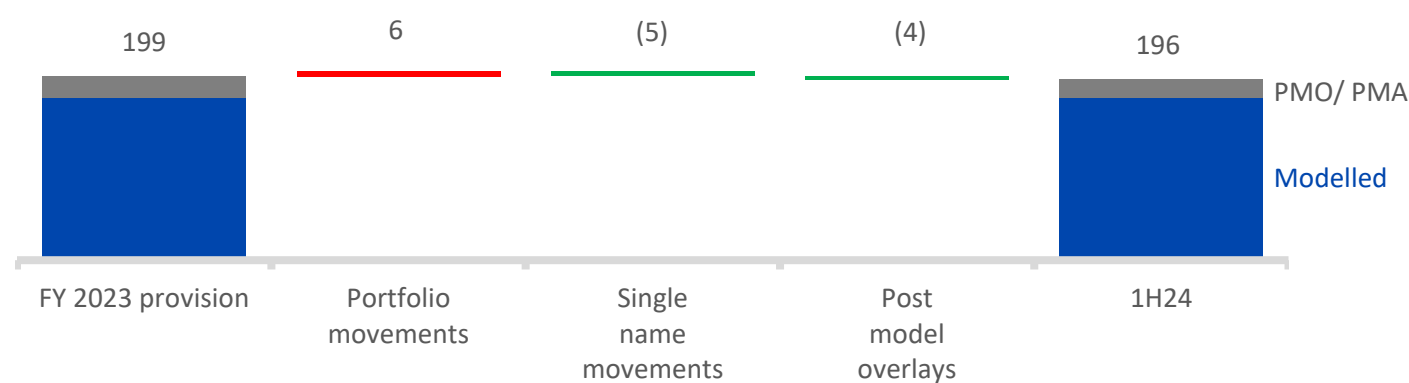


Low risk balance sheet

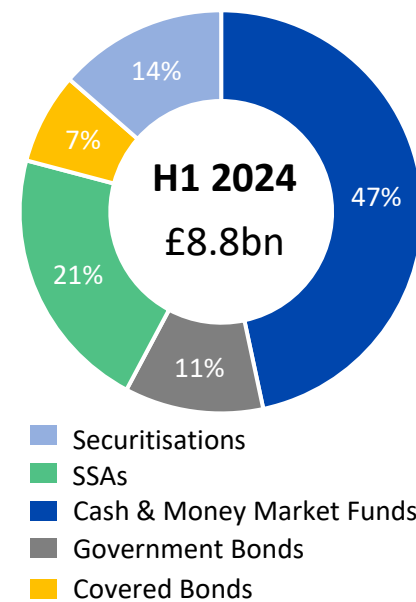
- Year-on-year MREL ratio increased + c.530bps (inc. post mortgage portfolio sale completion)
- 20bps MREL ratio accretion from 1 Jan'24, despite IFRS9 quick fix reversal and losses
- The loan portfolio remains highly collateralised and prudently provisioned
- Treasury portfolio remains highly liquid and primarily AAA rated

^[1] Completion of the transaction is conditional on a satisfactory response from the Competition & Markets Authority
^[2] The difference between ECL expense and ECL provision movement relates to write-offs adjustments

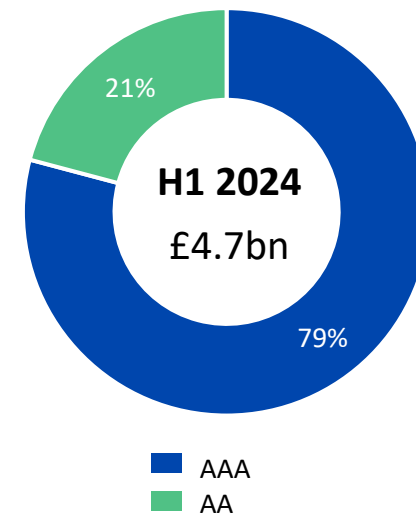
Provision levels remain appropriate^[2]



Treasury portfolio composition



High quality non-cash portfolio



Upgraded guidance

KPIs	Updated Guidance	Previous Guidance
ROTE	Increased to mid-to-upper single digit in 2025, double digit in 2026 and mid-to-upper teens thereafter	Low-single digit in 2025, increasing to high-single digit in 2026 and low-mid teens thereafter
NIM	- Continued NIM expansion driven by asset rotation, and NIMs in 2024, 2025 and 2026 to be approaching 2.5%, 3.25% and 4.00%, respectively - Mortgage lending originations > 200bps above prevailing reference rate SWAP from H1'25 - Commercial lending originations already > 350bps above prevailing Bank of England base rate - Benefit from fixed rate treasury and mortgage maturities across 2025-2028	- Marginal reduction in 2024; - Headwinds in H1 2024 following the deposit campaign, marginally offset by; - Momentum generated in H2 2024 as assets reprice, lending pivots towards higher yielding assets, and the elevated liquidity position enables focus on reducing cost of funding 2024 exit rate will support accretion through 2025 and 2026, coupled with a continuation of asset repricing, lending pivot and a rising loan-to-deposit ratio
Costs	£80m of annualised run-rate cost savings on track to be delivered by Q4'24 2024 costs are expected to be below 2023, with further reductions in 2025 reflecting the benefit of the full £80 million annualised cost savings - Cost to income ratios in 2026, 2027 and 2028 to be approaching 70%, 60% and 50%, respectively	£80m of annualised cost savings, of which; £50 million of annualised cost savings to be delivered in Q1 2024 £30 million of annualised cost savings to be delivered by Q4 2024 2024 costs are expected to be below 2023, with further reductions in 2025 reflecting the benefit of the full £80 million annualised cost savings - Low single digit annual growth from 2025 onwards, nearing 60% cost: income ratio by 2028
Lending	- Total lending to grow at an 8 – 11% CAGR (after drop due to mortgage portfolio sale) over the next few years - Future lending book composition by early 2029: - Back book mortgages (c.£5bn) will run-off - Mortgages as a % of total lending declines to c.30% - Commercial as a % of total lending grows to c.70% - All other lending broadly runs-off during the period	- Loan growth of mid-single digit CAGR from 2024 to 2028 - Total blended risk weight density on a standardised basis (total RWA/ total assets) 35-45%
Deposits	- Ongoing optimisation on deposits to reduce cost of funding continues, with CoD expected to consistently reduce across H2'24 - Deposits broadly flat from 2024 to 2026, followed by mid-to-upper single digit growth thereafter	- Low-mid single digit reduction in 2024 to optimise cost of funding - Mid-single digit growth across 2025 and 2026

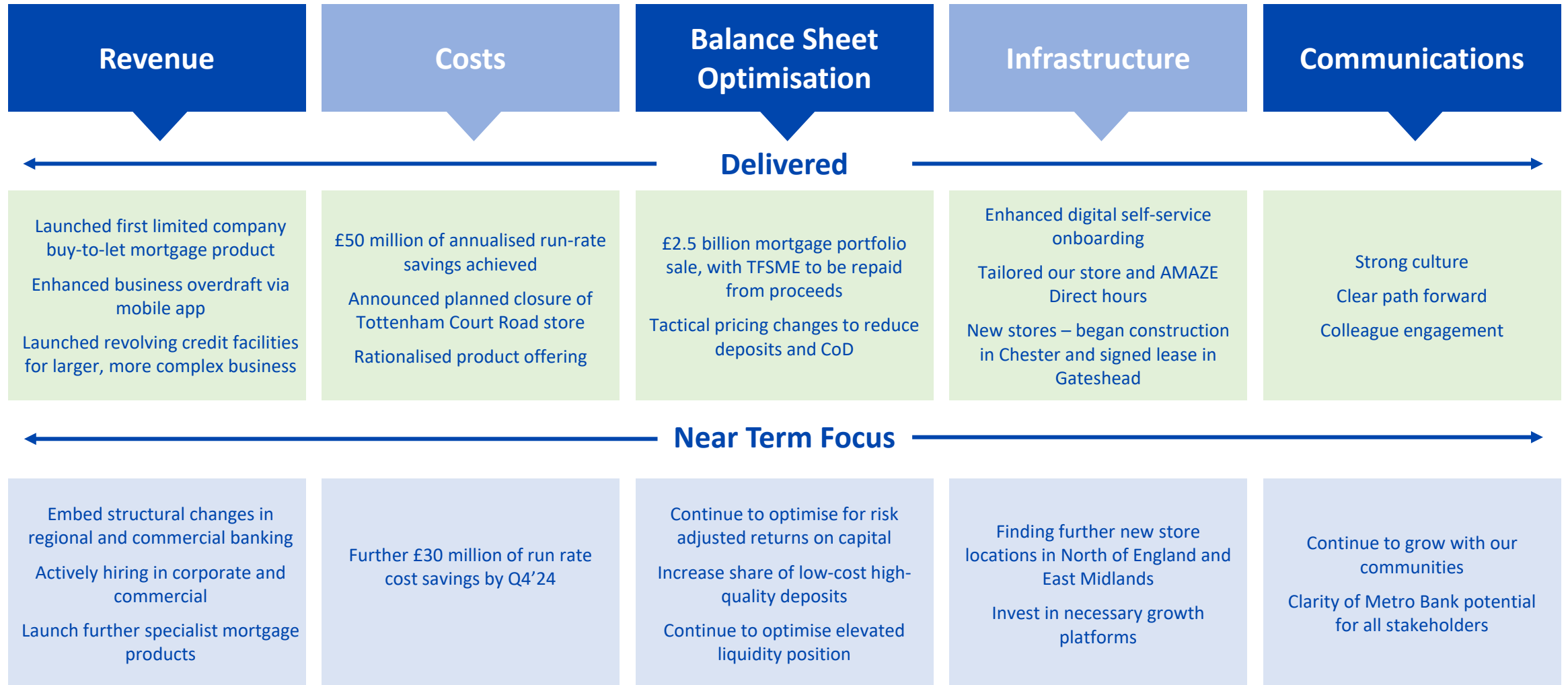


Strategy

Daniel Frumkin

Chief Executive Officer

Strategic pillars remain the roadmap for future growth



Our strategic pivot is supported by existing products and capabilities

Strength and depth within our corporate and commercial full-service offering

Corporate Team	Regional commercial	SME	Real Estate	Private Banking	Partnerships (Cash management)	Asset Finance	Invoice Finance
Caters for larger, more complex corporate clients	Regionally based Relationship managers ("RM"), service small corporate businesses, focusing on supporting local communities	Small business customers are supported by colleagues based in their local communities, with a focus on deposits and lending	Servicing Commercial Real Estate and Professional Buy to Let lending needs	Dedicated relationship management provided for high-net-worth personal customers	Deposit-led team managing Pension Funds, Trust Accounts, and companies with overseas ownership	Traditional asset finance with 80% from brokers and 20% from Metro Bank customers	Invoice discounting, factoring and asset-based lending, with 60% from Metro Bank channels, 27% from brokers and 13% direct into the team

Relationship-first proposition delivered by colleagues with a wealth of experience

Market advantage

- ✓ Relationship-first proposition appeals to owner-run businesses, who **value strong relationships** with their Bank and RMs
- ✓ Our relationship model with **experienced RMs** sets us apart; in the future, a digitally-enabled, relationship-first model will be our source of distinctiveness in the market
- ✓ Our **credit approved pipeline** lending reflects our existing strength and capabilities
- ✓ **Market opportunity** ^[1]: The U.K. market has seen total corporate lending balances reach c.£580 billion (£1.5 trillion incl. deposit balances) in 2023

Combining industry experience and specialisms

- ✓ **Corporate Team - 49 colleagues:** RM team avg. of 20 years' experience
- ✓ **Regional Commercial - 74 colleagues:** RM team avg. of 14 years' industry experience
- ✓ **Local Directors - 54 colleagues:** Avg. 18 years' experience
- ✓ **Local Business Managers - 102 colleagues:** Avg. 5 years' industry experience
- ✓ **Invoice Finance - 47 colleagues:** Business Development and RM: Avg. 26 years' industry experience
- ✓ **Asset Finance - 48 colleagues:** Business Development Managers: Avg. 10 years' industry experience
- ✓ **Credit Risk Underwriting and Business and Credit support - 35 colleagues:** avg. 25 years' industry experience

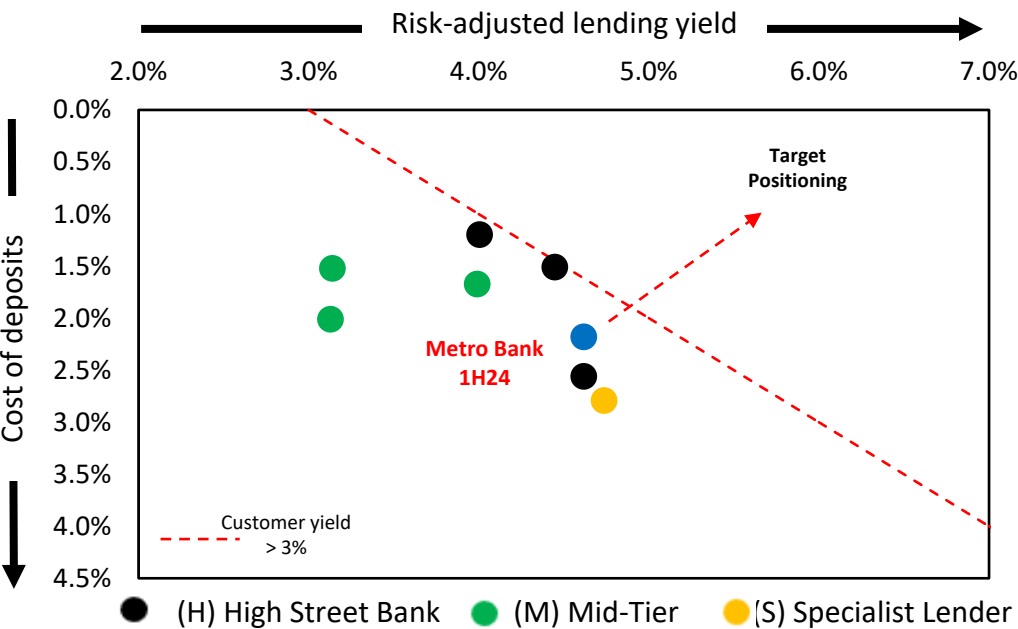
Dedicated expert support via customers channel of choice

- ✓ **Dedicated RMs** as a first point-of-contact
- ✓ Stores provide a **local hub** for our small business customers, who are supported by Local Directors and Local Business Managers
- ✓ Transactional banking supported by our **business experts** in our contact centre, with telephony-based relationship management for smaller businesses
- ✓ Our Business Internet Banking, Business Online Plus, and Commercial Online Banking platforms, with mobile banking offered to small business customers

^[1] Source: Bank of England; McKinsey PFIC - Global Banking Pools

Positioned for growing returns

Strategic focus to deliver target positioning



Delivering mid-to-upper teens RoTE by 2027

- Cost discipline**
- Asset rotation**
- Continue to reduce liquidity and improve cost of deposits**
- Asset repricing from naturally hedged balance sheet**

Returning to profitability during Q4'24;
Improved cost guidance; Enhanced NIM Guidance; Increased ROTE guidance



Q&A

Daniel Frumkin

Chief Executive Officer

Cristina Alba Ochoa

Chief Financial Officer



Appendix

P&L

£m	1H23	2H23	1H24	YoY	HoH
Net interest income	221	190	172	(22%)	(10%)
Net fees and other income	63	69	62	(2%)	(10%)
Net gains/(losses) on sale of assets	1	2	0	(88%)	(95%)
Total underlying revenue	285	261	234	(18.1%)	(10%)
Underlying operating costs	(258)	(272)	(255)	(1%)	(6%)
Expected credit loss expense	(11)	(22)	(6)	(45%)	(72%)
Underlying profit/ (loss) before tax	16	(33)	(27)	(>100%)	(19%)
Non-underlying items	(1)	48	(6)	>100%	(>100%)
Statutory taxation	(2)	2	0	(100%)	(100%)
Statutory profit/ (loss) after tax	13	17	(33)	(>100%)	(>100%)
Net interest margin	2.14%	1.85%	1.64%	(50bps)	(21bps)
Cost of deposits	0.66%	1.29%	2.18%	152bps	89bps
Underlying cost to income ratio	90%	104%	109%	19pp	5pp
Cost of risk ^[1]	0.18%	0.34%	0.10%	(8bps)	(24bps)

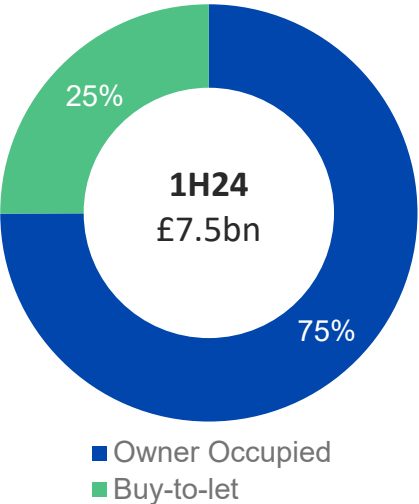
^[1] Cost of Risk (CoR) is the annualised credit impairment charge, expressed as a percentage of average gross lending.

Balance sheet

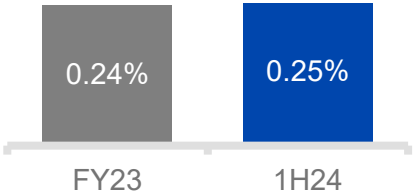
£m	1H23	2H23	1H24	YoY	HoH
Loans and advances to customers	12,572	12,297	11,543	(8%)	(6%)
Treasury assets	8,023	8,770	8,819	10%	1%
Other assets	1,152	1,178	1,127	(2%)	(4%)
Total assets	21,747	22,245	21,489	(1%)	(3%)
Deposits from customers	15,529	15,623	15,726	1%	1%
Deposits from central banks	3,800	3,050	3,050	(20%)	0%
Debt securities	573	694	675	18%	(3%)
Other liabilities	875	1,744	934	7%	(46%)
Total liabilities	20,777	21,111	20,385	(2%)	(3%)
Shareholders' funds	970	1,134	1,104	14%	(3%)
Total equity and liabilities	21,747	22,245	21,489	(1%)	(3%)
Risk weighted assets	7,802	7,533	7,239	(7%)	(4%)
Loan to deposit ratio	81%	79%	73%	(8pp)	(6pp)
Tangible book value per share	£4.42	£1.40	£1.37	(69%)	(2%)
Liquidity coverage ratio	214%	332%	365%	151pp	33pp

Retail mortgages – overview^[1]

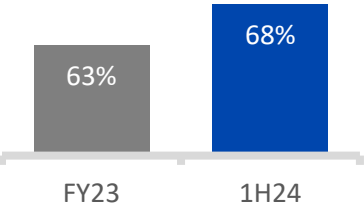
Retail mortgage portfolio



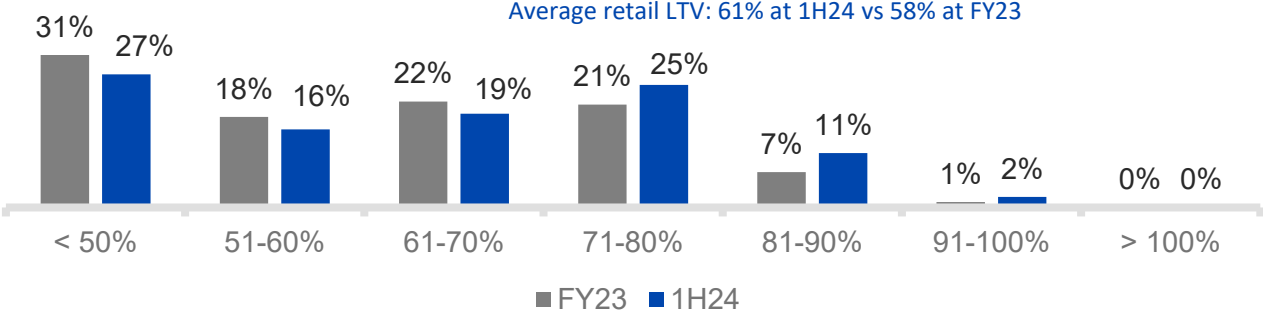
ECL coverage ratio



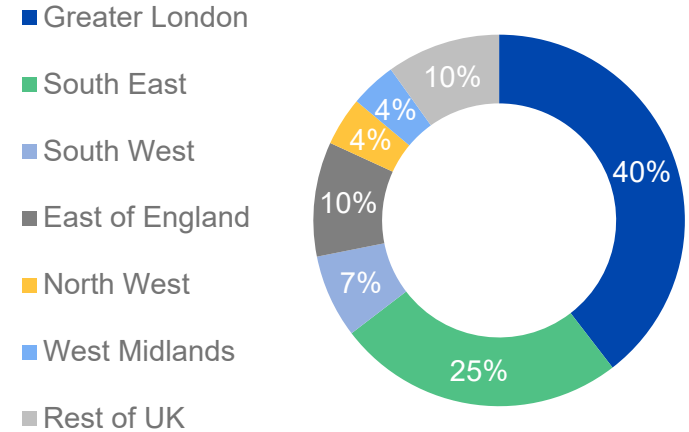
New lending loan-to-value %



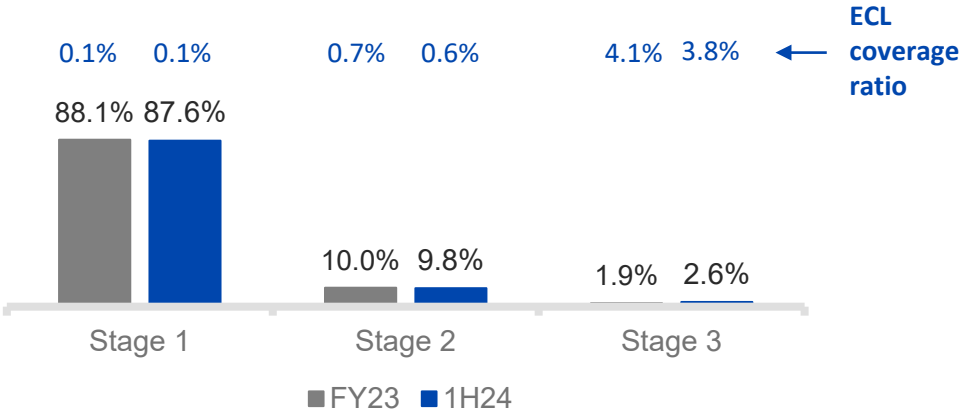
Retail mortgages loan-to-value



Retail mortgages geographical split



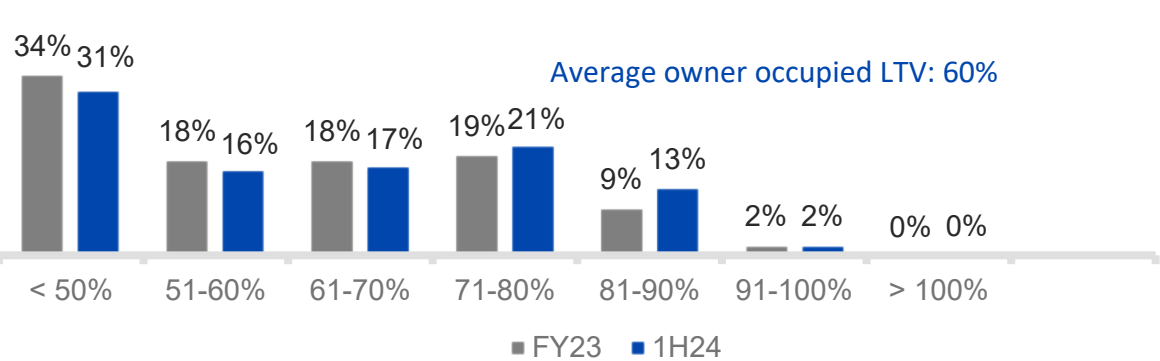
Balance by IFRS9 stage



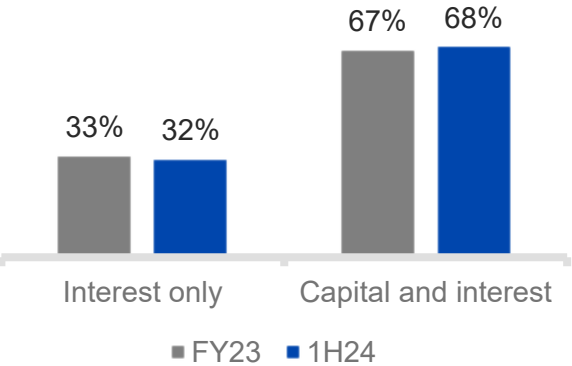
^[1] The figures exclude any impact from the mortgage portfolio sale

Retail mortgages – LTV and repayment type^[1]

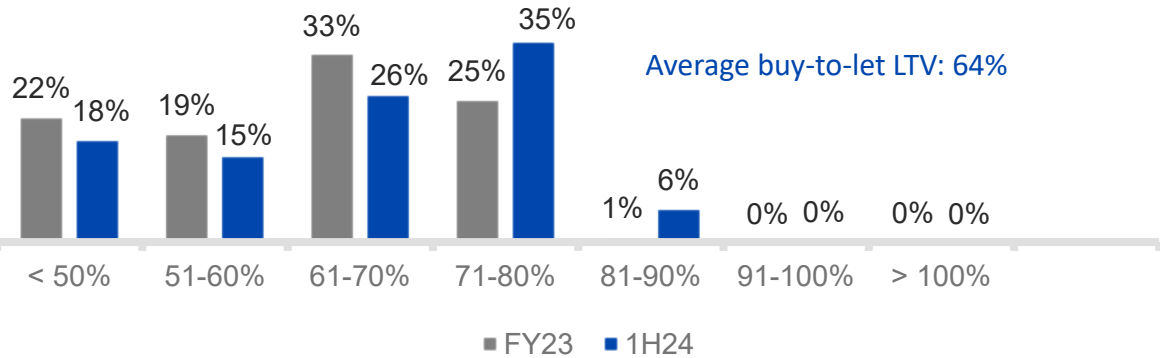
Owner Occupied Loan-to-value profile



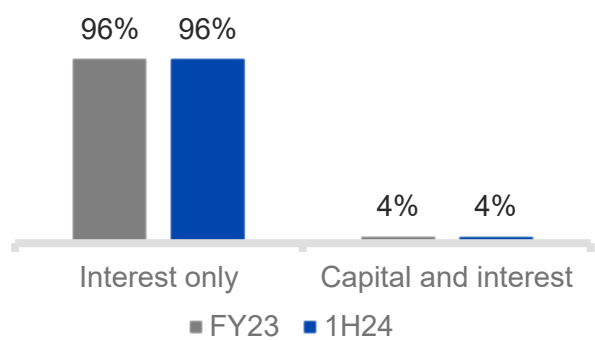
Owner Occupied Repayment type



Buy to Let Loan-to-value profile



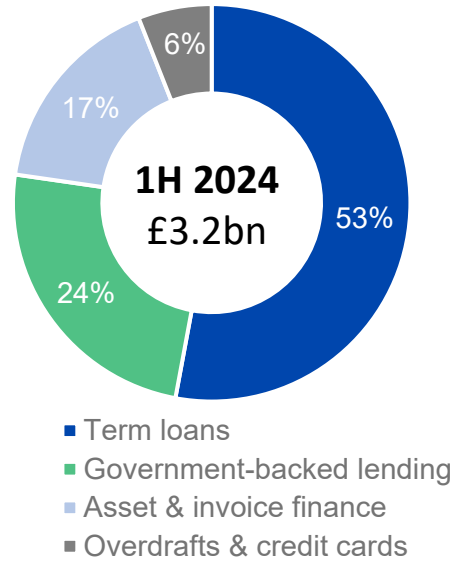
Buy to Let Repayment type



^[1] The figures exclude any impact from the mortgage portfolio sale

Commercial – overview

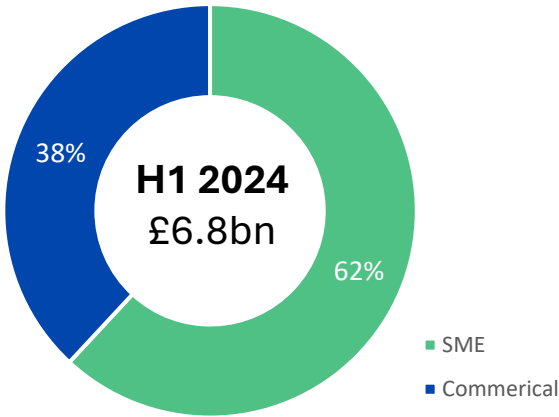
Commercial lending portfolio



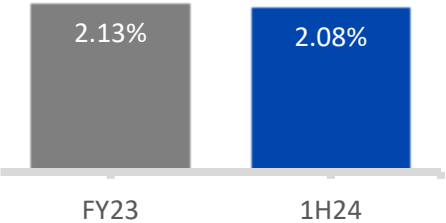
Term loans by industry sector

Industry sector (£m)	30 Jun 2024	31 Dec 2023
Real estate (PBTL)	365	465
Real estate (other term loans)	440	509
Hospitality	395	368
Health & Social Work	346	298
Legal, Accountancy & Consultancy	123	150
Other	405	430

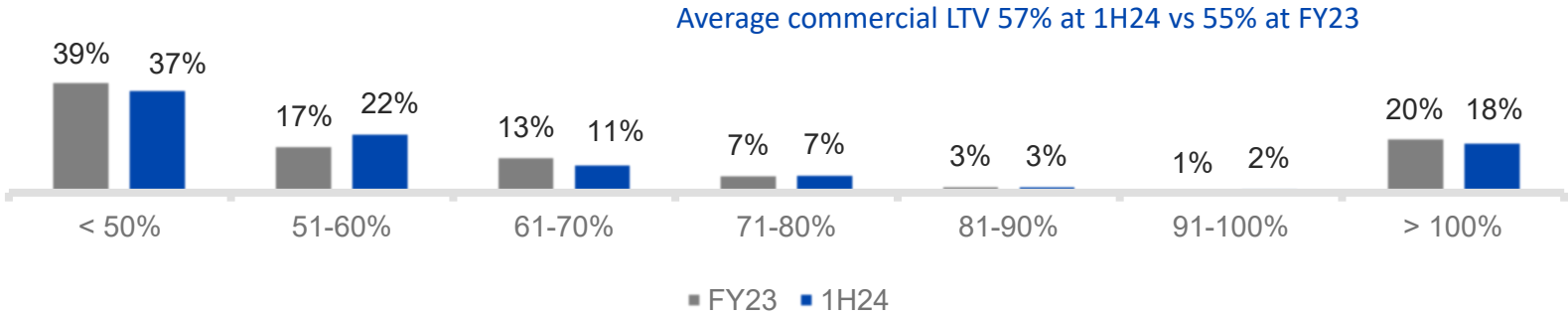
Commercial customer deposits



ECL coverage ratio



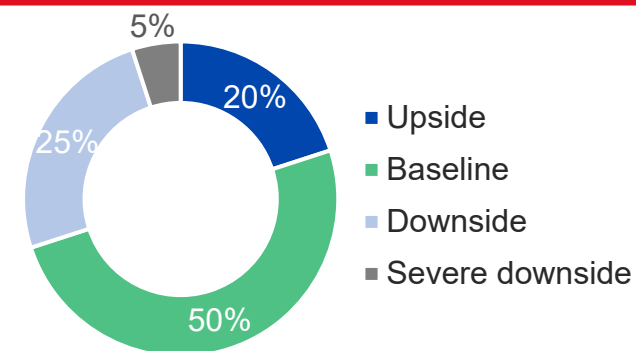
Commercial term lending (excluding BBLs) loan-to-value



Macroeconomic scenarios feeding into provisioning models

Application of scenarios and weighting

- Four probability weighted scenarios: Baseline (50%); Upside (20%), Downside (25%) and Severe Downside (5%)
- Macroeconomic forecasts provided by Moody's Analytics (as at Jun'24)



Macroeconomic scenarios

Macroeconomic variable	Scenario	2024	2025	2026	2027	2028
Unemployment (%)	Baseline	4.42%	4.53%	4.62%	4.71%	4.77%
	Upside	4.03%	3.85%	3.75%	4.00%	4.26%
	Downside	5.35%	7.24%	7.39%	7.24%	6.65%
	Severe Downside	5.58%	8.56%	8.29%	8.22%	7.75%
House Price Index (YoY%)	Baseline	0.94%	3.17%	4.71%	2.62%	1.47%
	Upside	7.34%	13.33%	4.58%	-1.39%	-1.99%
	Downside	-3.90%	-9.20%	-0.07%	4.05%	5.01%
	Severe Downside	-5.84%	-16.40%	-0.89%	3.73%	3.55%
UK GDP (YoY%)	Baseline	1.34%	0.98%	1.26%	1.42%	1.64%
	Upside	3.57%	2.48%	1.29%	1.35%	1.81%
	Downside	-1.74%	-2.78%	3.07%	2.00%	1.57%
	Severe Downside	-2.34%	-4.59%	3.11%	3.57%	1.93%
5-year Mortgage Rate (%)	Baseline	4.68%	4.44%	4.30%	4.22%	4.22%
	Upside	4.91%	4.53%	4.30%	4.22%	4.22%
	Downside	3.21%	2.33%	2.42%	2.58%	2.71%
	Severe Downside	2.95%	1.85%	1.90%	2.16%	2.22%
Commercial Real Estate (CRE) Index (YoY%)	Baseline	-0.81%	0.73%	1.75%	-0.62%	-1.46%
	Upside	8.37%	8.63%	1.04%	-4.79%	-4.69%
	Downside	-10.88%	-10.03%	0.06%	2.23%	2.92%
	Severe Downside	-15.25%	-18.85%	1.77%	2.05%	2.36%

Statutory vs Underlying reconciliation

Half year to 30 Jun 2024	Statutory basis £'million	Impair/WO's PPE/intangible assets £'million	Net C&I costs £'million	Transformation costs £'million	Remediation costs £'million	Capital raise and refinancing £'million	Underlying basis £'million
Net interest income	171.9	-	-	-	-	-	171.9
Net fee and commission income	45.9	-	-	-	-	-	45.9
Net gains on sale of assets	0.1	-	-	-	-	-	0.1
Other income	18.2	-	(2.1)	-	-	-	16.1
Total income	236.1	-	(2.1)	-	-	-	234.0
General operating expenses	(225.0)	-	2.1	4.5	1.8	0.1	(216.5)
Depreciation and amortisation	(38.1)	-	-	-	-	-	(38.1)
Impairment and write offs of property, plant & equipment and intangible assets	(0.3)	0.3	-	-	-	-	-
Total operating expenses	(263.4)	0.3	2.1	4.5	1.8	0.1	(254.6)
Expected credit loss expense	(6.2)						(6.2)
Loss before tax	(33.5)	0.3	0.0	4.5	1.8	0.1	(26.8)