



Full Year Results 2023

13 March 2024



Significant progress in 2023

- ✓ Statutory profit before tax of £30.5 million, the first time since 2018
- ✓ Deposits of £15.6 billion up 1% from June 2023, continued growth into 2024 with February deposits at c£16.5 billion
- ✓ Continued cost reduction despite inflationary pressures
- ✓ £50 million of annualised savings on track to be delivered in Q1 2024 with 22% headcount reduction
- ✓ Further £30 million of run rate cost savings targeted by Q4 2024
- ✓ Opened 246k PCA and BCA accounts during 2023, 6.5% more than 2022 and over 117k in the second half
- ✓ Asset rotation has been effective at increasing yields and lending margins continue to improve
- ✓ 2% growth in net interest income and 12% growth in capital efficient fee and other income
- ✓ Capital position solidified and all debt instrument maturities extended to 2028 or beyond

People-people banking remains at the heart of what we do

Supporting local communities



Community banking

Stores remain at the heart of what we do
New locations planned covering SME hotspots
Full service offering with simple products



SME/ Commercial and specialist mortgages

Local Business Managers in every store
Addressing markets not served by mainstream lenders



Giving back

Proud champion of women and girls' cricket
Educated over 250,000 children via Money Zone Programme
757 Colleague charitable Days to AMAZE

Award winning customer service and colleague engagement

#1 Service in store for
Personal and Business
CMA Results 2024

Best Lender of the
Year
**M&A Today Global
Awards 2023**

Best Business Credit
Card
**Forbes Advisor Best
of 2023**

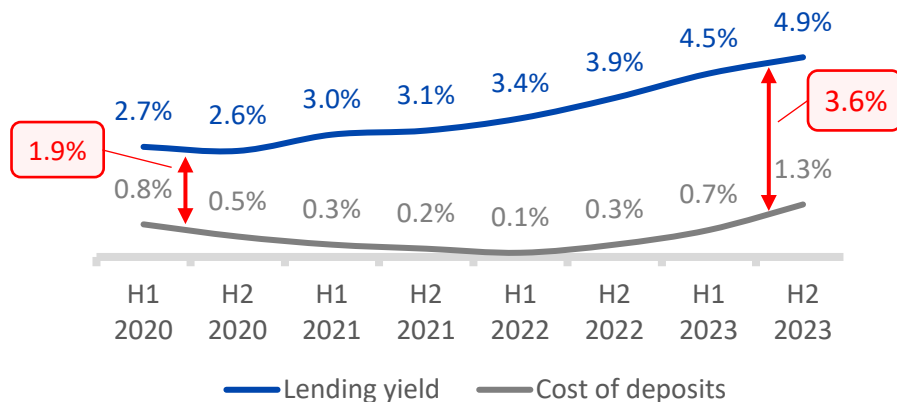
Large Loans Mortgage
Lender of the Year
**MoneyAge Mortgage
Awards 2023**

Top 10 UK Most Loved
Workplace
Newsweek

Diversity Lead of the
Year
**Women in Finance
Awards 2023**

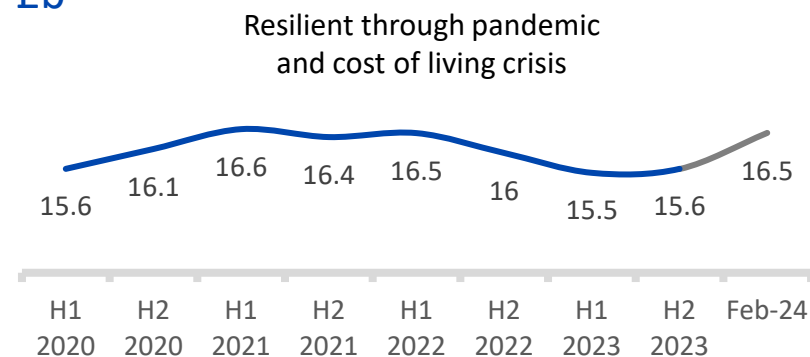
The service-led low-cost deposit franchise continues to show resilience

Improved lending margin

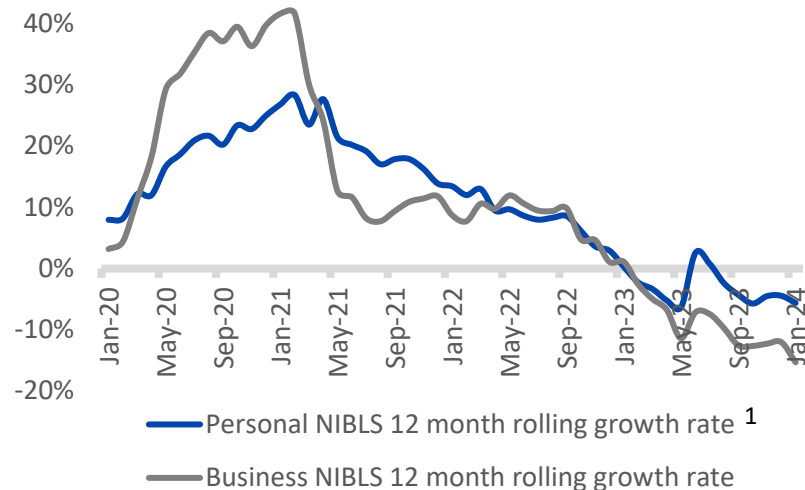


- Increased lending yield reflects asset pivot
 - Engines built to lend according to best risk adjusted returns
 - Lending growth constrained in first three quarters to manage capital requirements
- Cost of deposits contained despite rising rate environment

Resilient customer deposits £b



Despite market pressures



Elevated liquidity position Feb 2024

Customer deposits
c£16.5 billion

Liquidity coverage ratio
> 360%

Loan to deposit ratio
< 75%

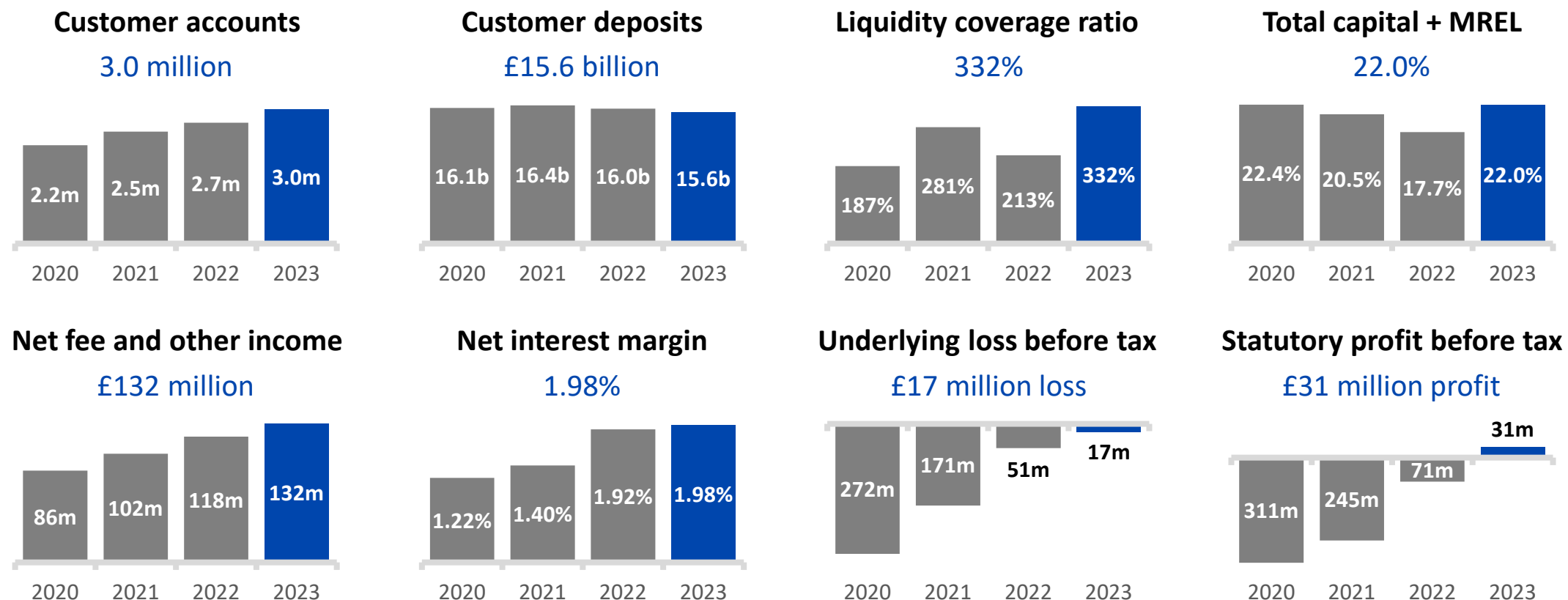
Cash balances
c£5.1 billion



Financial performance

Cristina Alba Ochoa
Chief Financial Officer

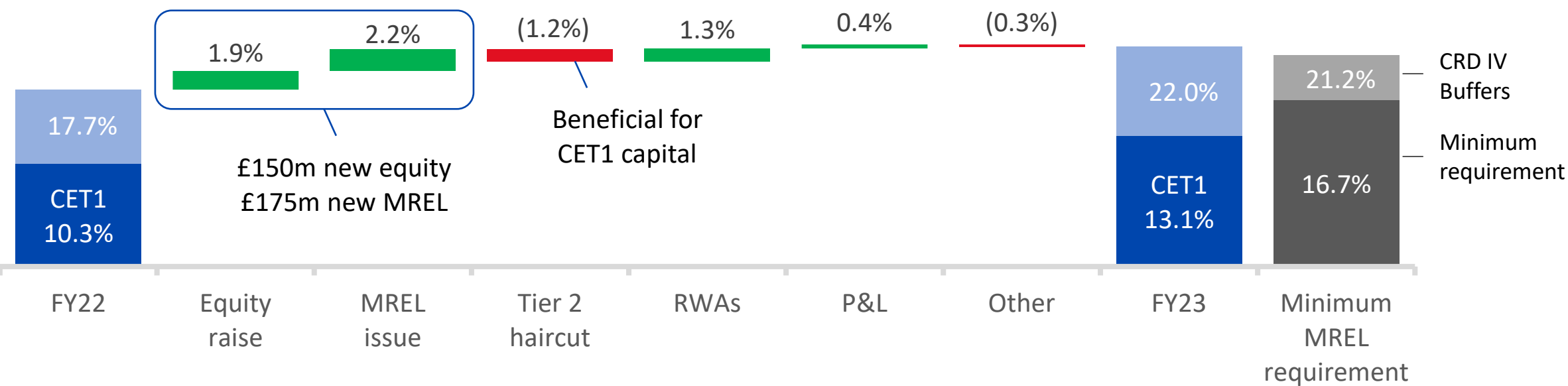
Strong operating and financial performance in 2023



- Profitable on statutory basis for the year, underlying loss reduced by 67%
- Deposits up 1% from June, continued growth in customer accounts to 3 million
- Liquidity levels elevated following successful Q4 deposit campaign that recovered all outflows
- Secured balance sheet, capital above minimum requirements including CRD IV buffers

Secured the balance sheet with £325m capital raise and £600m debt refinancing

Capital requirements met



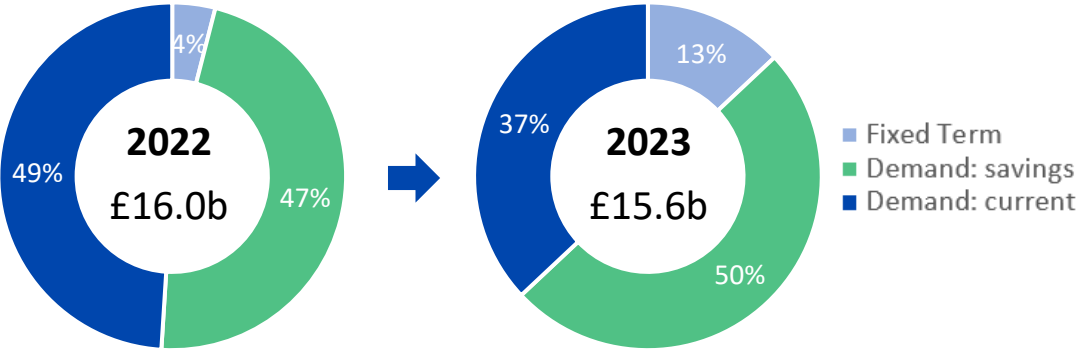
	Capital position	Min. req. including buffers ¹	Min. req. excluding buffers ¹
CET1	13.1%	9.2%	4.7%
Tier 1	13.1%	10.8%	6.3%
Total Capital	15.1%	12.9%	8.4%
Total Capital + MREL	22.0%	21.2%	16.7%

Capital planning

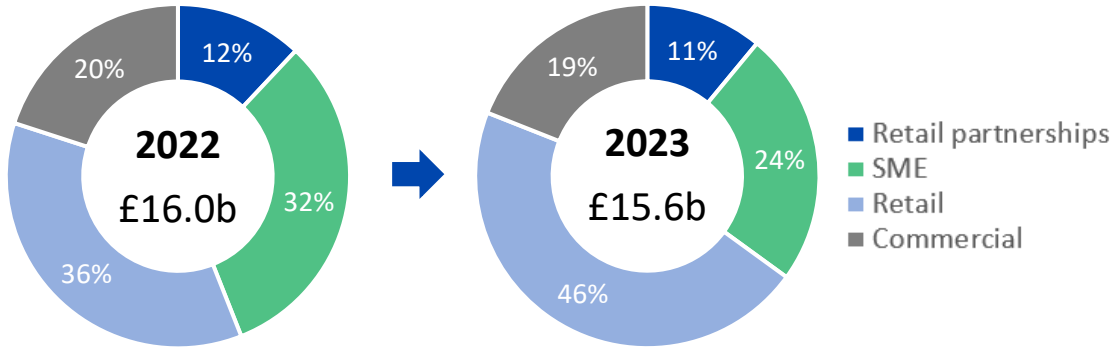
- Existing MREL instrument extended to April 2029 with a call date in April 2028, new MREL aligned
- Existing Tier 2 instrument extended to April 2034 with a call date in April 2029

Customer deposits continue to provide low cost of funding

Deposits by product

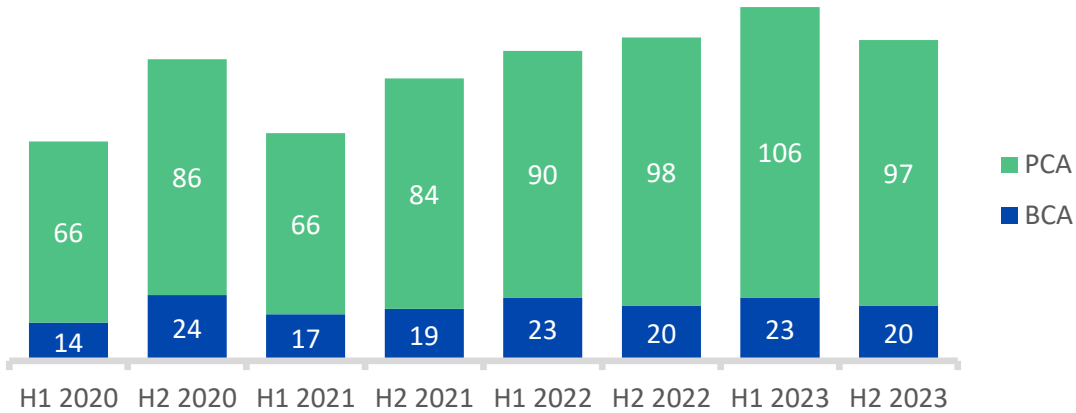


Deposits by customer type

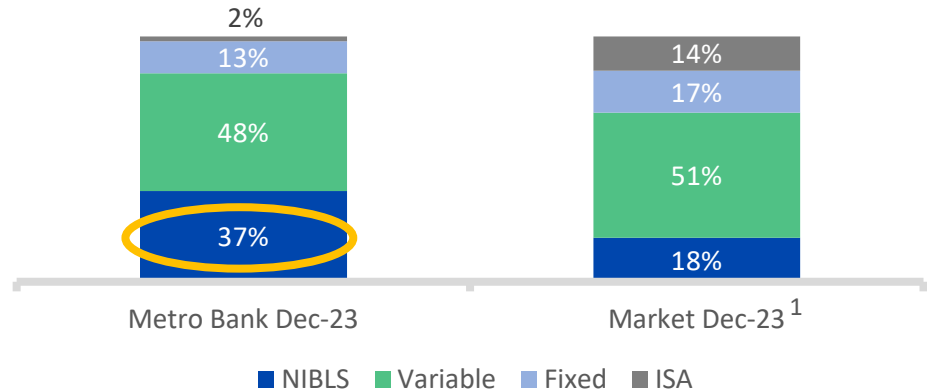


Momentum continues in current account openings

Account openings (000's)

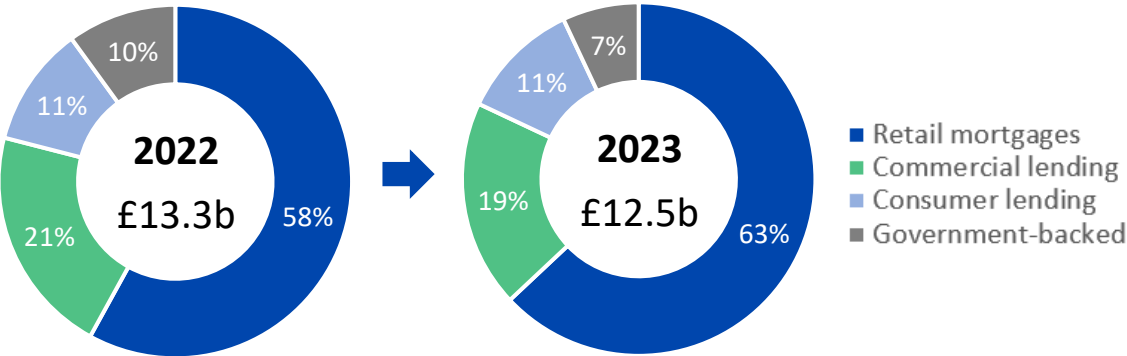


Double the market average NIBLS

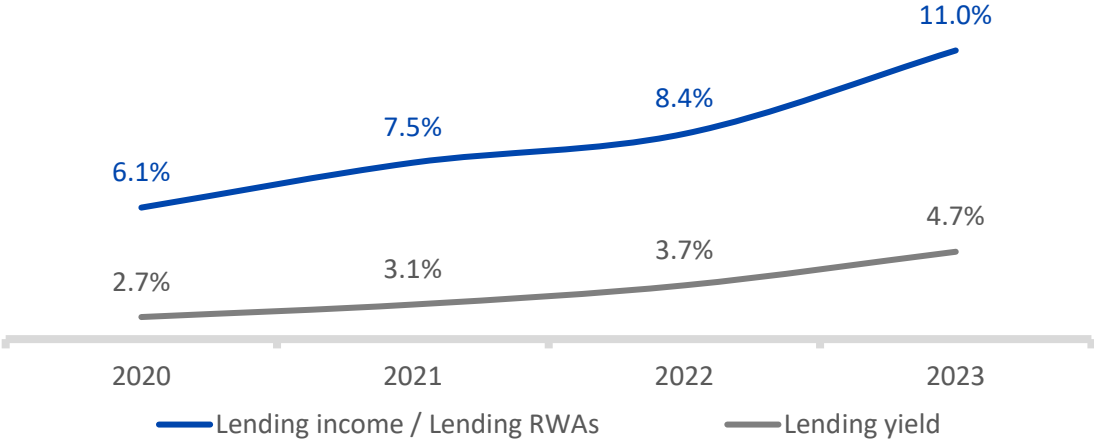


Customer lending in segments that deliver attractive risk adjusted returns

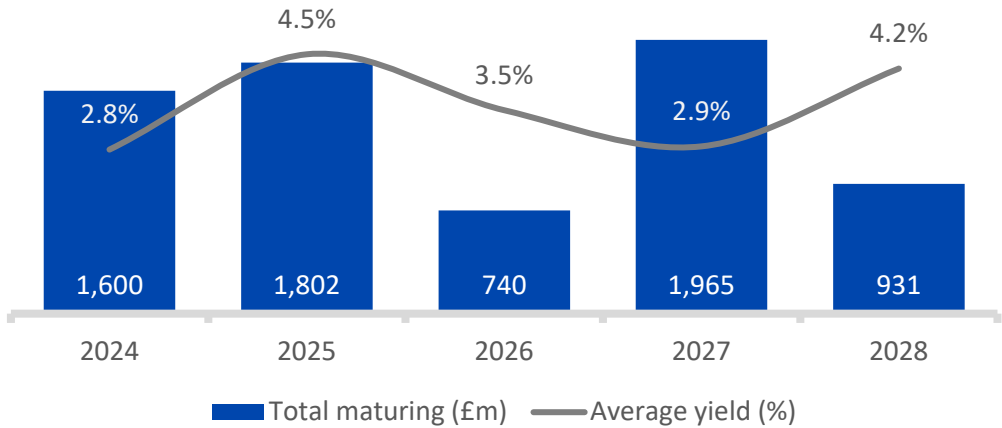
Lending mix



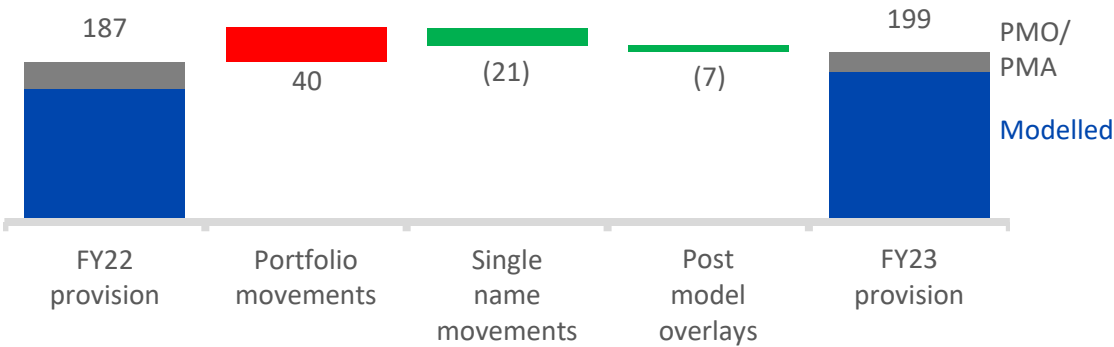
Improved yield and returns on capital



Fixed rate mortgage maturity and repricing¹



Provision levels remain appropriate



Revenue improvement driven by asset rotation and fee income growth

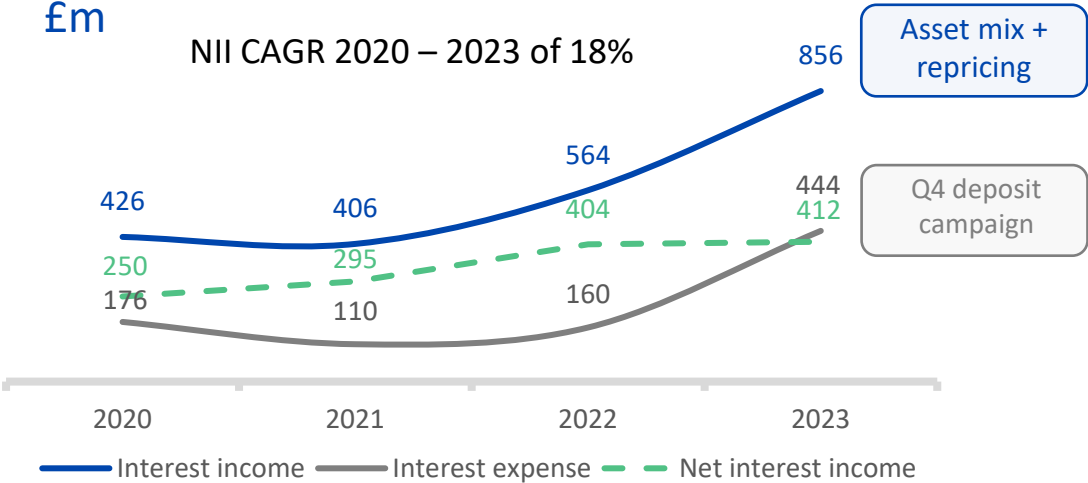
Net interest income

£m

NII CAGR 2020 – 2023 of 18%

Asset mix + repricing

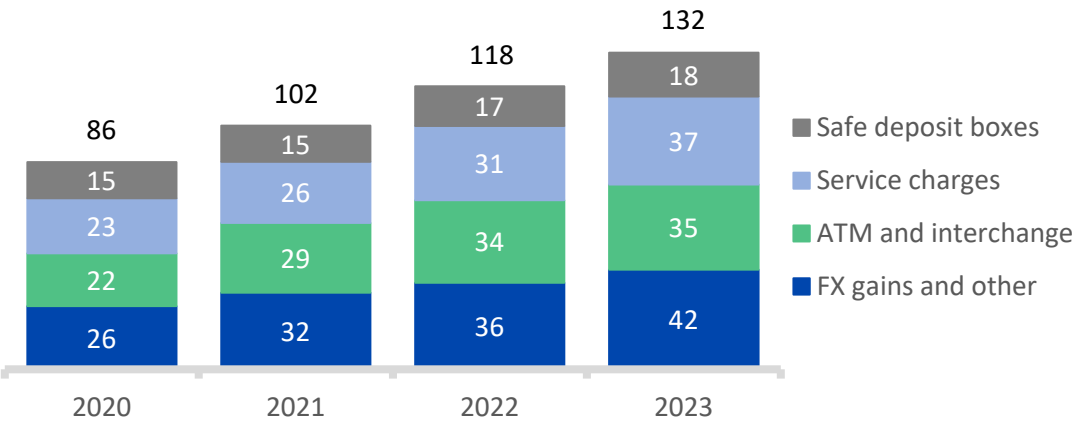
Q4 deposit campaign



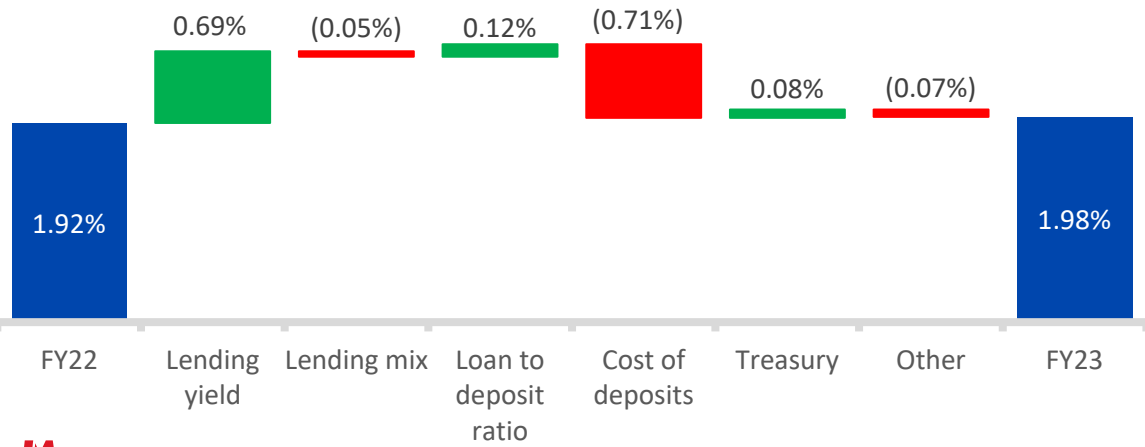
Other income and fees

£m

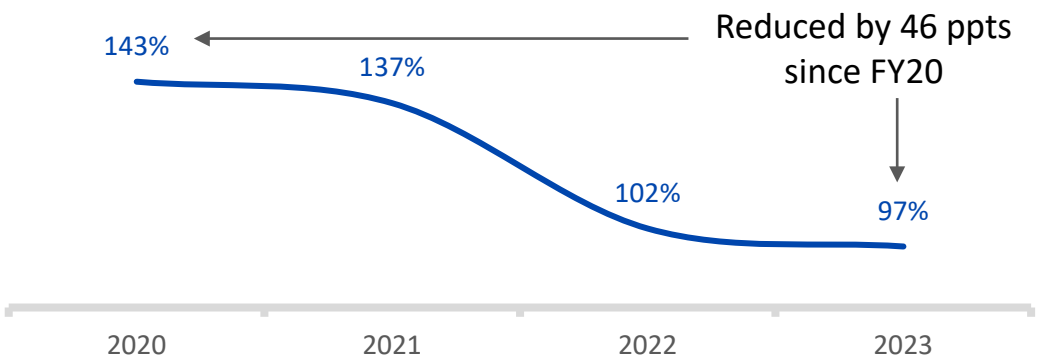
Fees CAGR 2020 – 2023 of 15%



NIM bridge



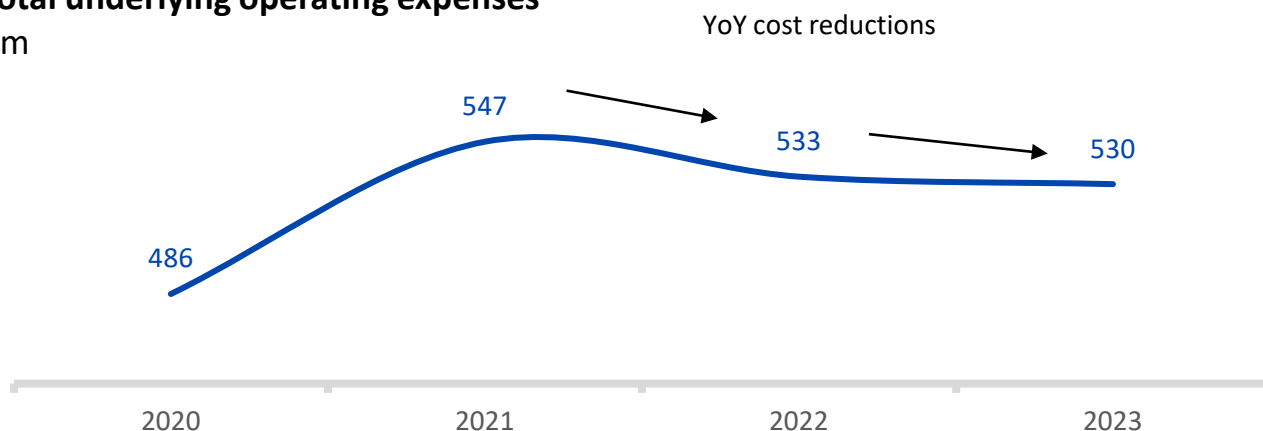
Cost:income ratio continues to improve



Disciplined approach to costs and actions taken limited cost inflation

Cost management has offset inflationary pressures

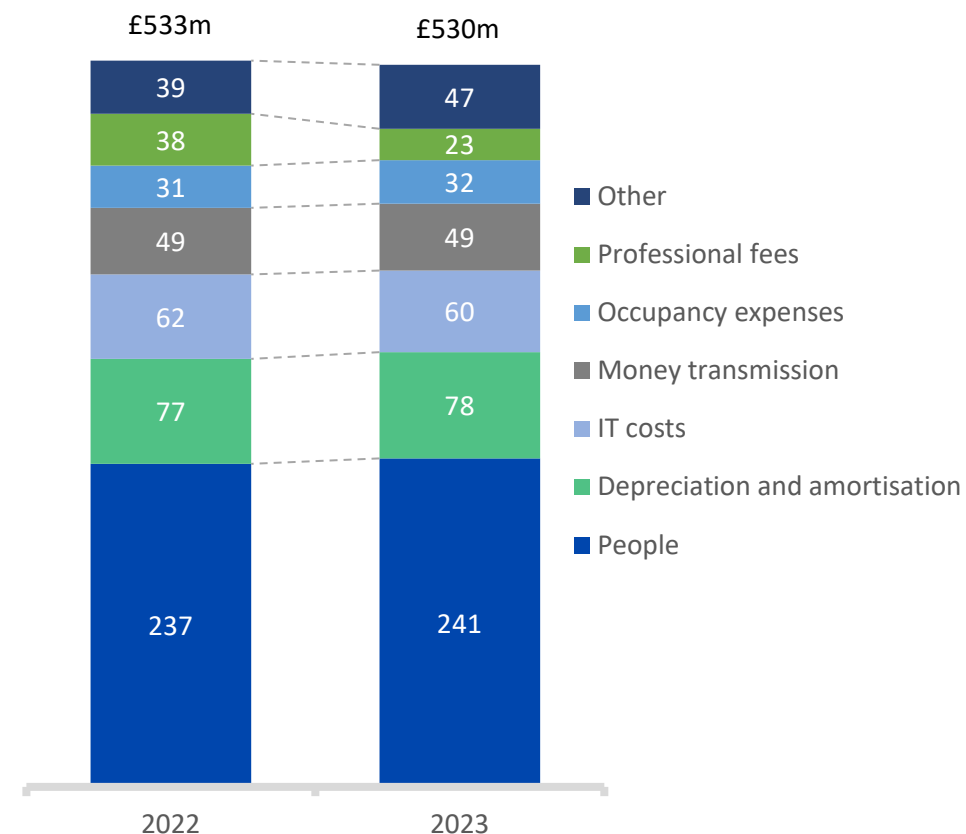
Total underlying operating expenses
£m



Upgraded cost saving guidance to £80 million annualised cost savings

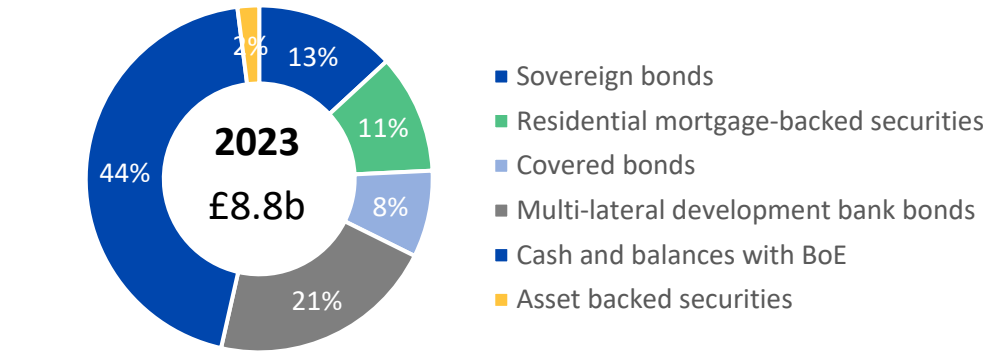
- On track to deliver annualised cost savings of £50 million in Q1
- Reduced headcount by 22% or c.1,000 colleagues across the business
- Transitioning to a more cost-effective operating model
- Expect to deliver additional £30 million annualised cost savings by Q4 2024

Operating expenses down £3m YoY



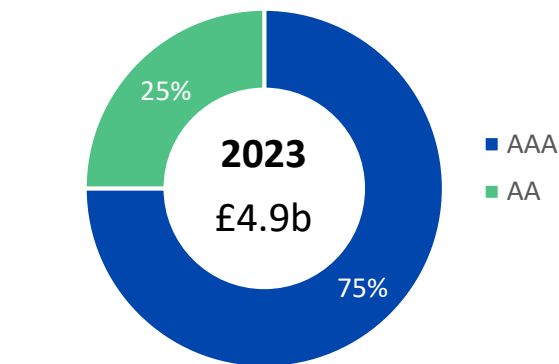
Highly liquid Treasury portfolio and asset repricing present revenue tailwinds

Portfolio composition and central bank eligibility



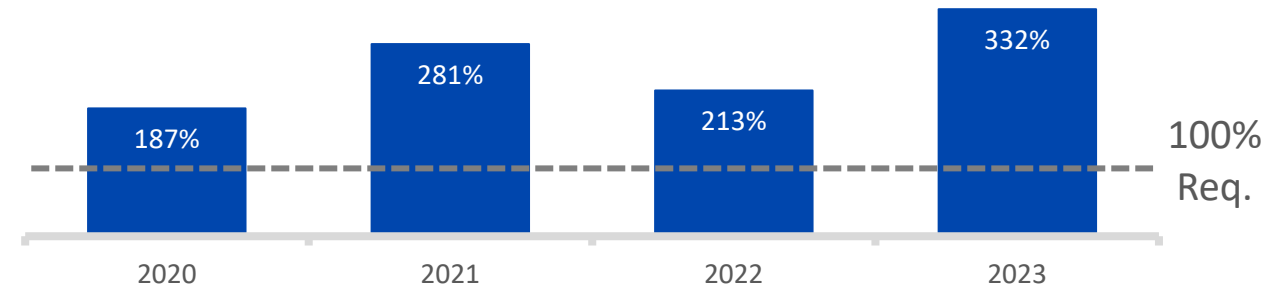
- 92% BoE eligible and a further 6% pending

High quality non-cash portfolio

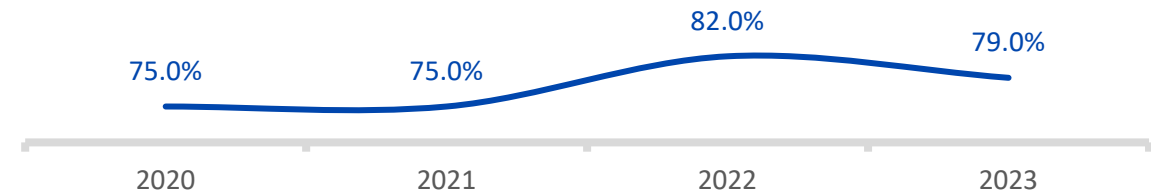


- 25% AA assets reflect the fact that the UK is AA rated

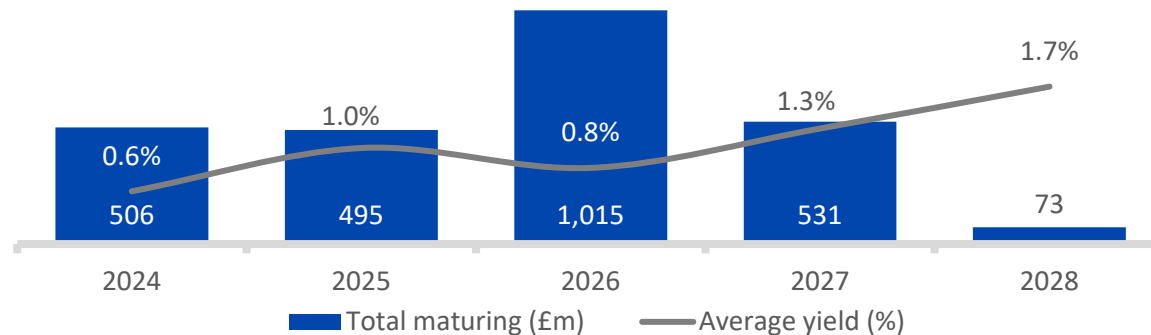
Liquidity coverage ratio



Loan to deposit ratio



Future benefit from Treasury asset repricing¹



Positioning the bank for future growth

	2023	Guidance
Lending	£12.3 billion	- 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	£15.6 billion	- Low-mid single digit reduction in 2024 to optimise cost of funding - Mid-single digit growth across 2025 and 2026
NIM	1.98%	- 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 specialist mortgages and SME/ Commercial, 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	£530 million	£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
ROTE	4%	Low-single digit in 2025, increasing to high-single digit in 2026 and low-mid teens thereafter



Looking ahead

Daniel Frumkin

Chief Executive Officer

Pivoting to underserved markets which play to our competitive strengths

- The turnaround plan delivered scalable asset generating platforms primed for growth
- Increasing capital allocation in these segments will enable us to serve more customers and deliver attractive risk adjusted returns

SME / Commercial / Corporate

✓ Infrastructure in place to serve this segment

- Local Business Manager in every store
- Local Directors
- Regional Commercial teams
- Corporate teams

✓ Relationship driven with dedicated relationship managers for every size of business

✓ Full product offering

- Cash management
- Invoice Finance / Asset Finance / Loans
- Foreign Exchange

➡ Drivers for further growth

- Expand sector specialisms
- Lending process simplification
- Regional management enablement

Specialist Mortgages

✓ Fits current operating model

- In-house expertise, knowledge and experience
- Manual underwriting
- Currently occupy space between specialist and mainstream lending
- Leverage existing capabilities by increasing focus

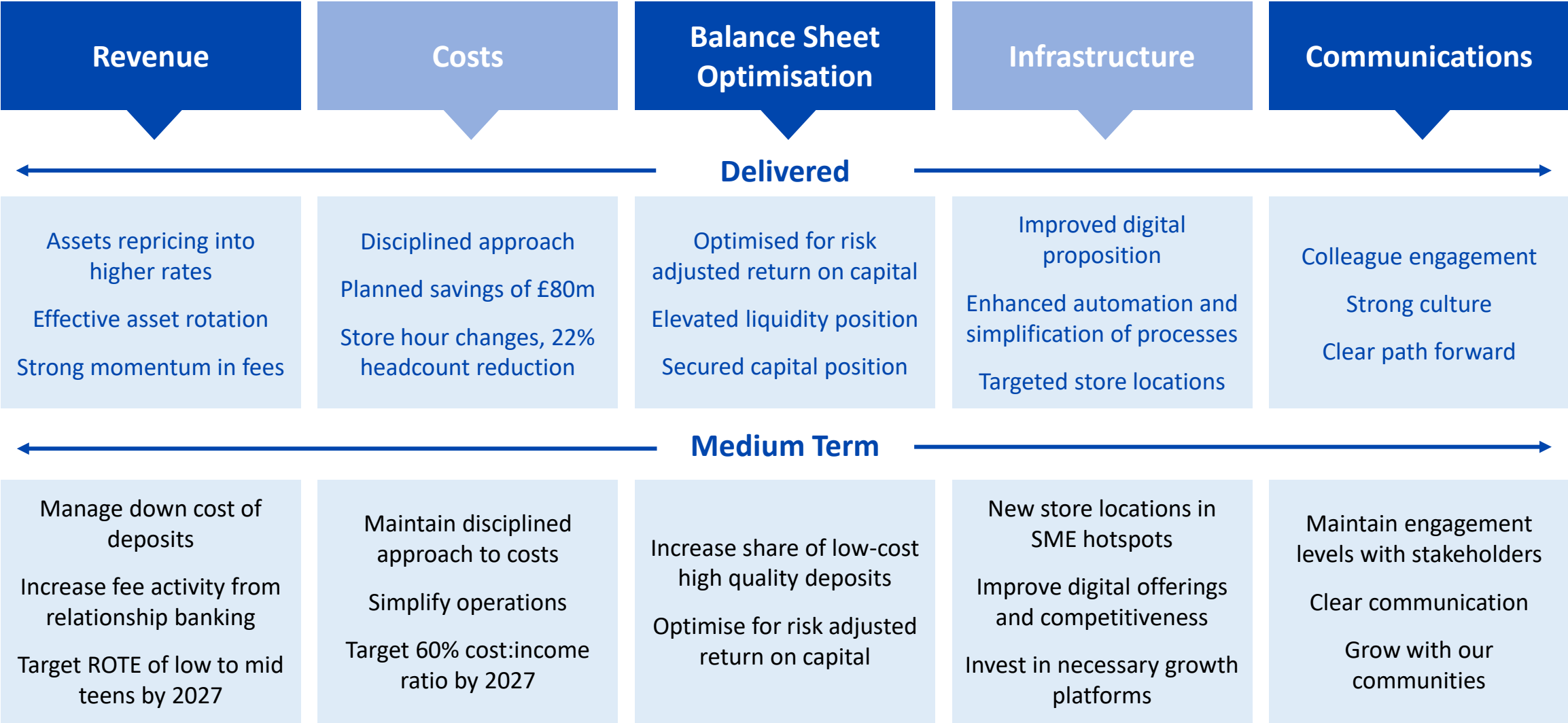
➡ Scope to expand product offering

- Increase complexity of product mix in residential and BTL (larger loans, complex income, multi-unit flats and HMO)

➡ Enhance customer experience whilst reducing cost to serve

- Streamline journeys with greater automation and decisioning
- Differentiate with reputation for service

Strategic pillars provide roadmap for further growth and efficiencies to deliver sustainable returns

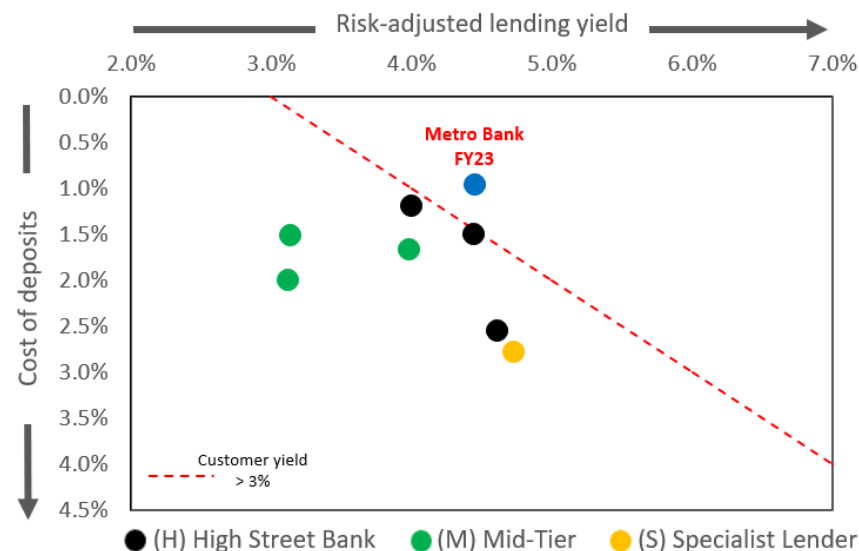


2023 performance positions Metro Bank for growth

Re-positioning the balance sheet for a higher risk adjusted return on regulatory capital

- Aligning convenience model with customer needs and focus on cost discipline to ensure every penny spent is value accretive
- SME/Commercial banking and specialist lending will be the growth engine to capitalise on relationship led model
- Shifting focus toward high yield assets in niche and underserved markets to become a specialist lender of choice using standardised RWA approach
- Growing current accounts and NIBLs which provides an advantage with low cost deposits and long term customer relationships
- Elevated liquidity level provides an opportunity to focus on low-cost relationship deposits and reduce cost of funding
- Naturally hedged balance sheet provides further income upside from asset repricing

Structural funding advantage vs peers



Delivering low-mid teens ROTE in 2027

- 1 **Cost discipline:** continued YoY reduction in 2024 and 2025
- 2 **Asset rotation:** commercial/corporate credit approvals YTD 2024 already 140% of 2023 lending
- 3 **Reduce liquidity and improve cost of deposits**
- 4 **Asset repricing from naturally hedged balance sheet:** eg £2.6b fixed rate Treasury assets yielding <90bps roll off 2026



Q&A

Daniel Frumkin

Chief Executive Officer

Cristina Alba Ochoa

Chief Financial Officer



Appendix

P&L

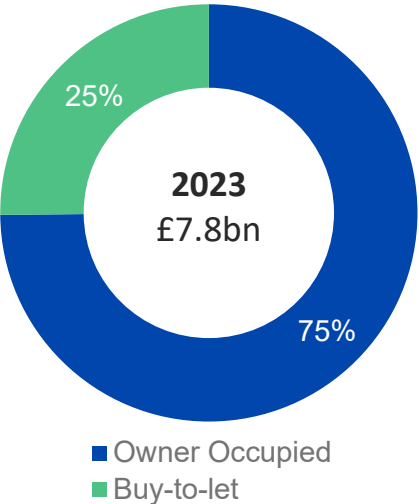
£m	FY23	FY22	YoY	2H23	1H23	HoH
Net interest income	411.9	404.2	2%	190.4	221.5	(14%)
Net fees and other income	131.9	117.9	12%	68.6	63.3	(8%)
Net gains/(losses) on sale of assets	2.7	-	100%	1.9	0.8	>100%
Total underlying revenue	546.5	522.1	5%	260.9	285.6	(9%)
Underlying operating costs	(530.2)	(532.8)	-	(272.0)	(258.2)	5%
Expected credit loss expense	(33.2)	(39.9)	(17%)	(21.9)	(11.3)	94%
Underlying profit/ (loss) before tax	(16.9)	(50.6)	67%	(33.0)	16.1	(>100%)
Non-underlying items	47.4	(20.1)	>100%	48.1	(0.7)	>100%
Statutory taxation	(1.0)	(2.0)	50%	1.7	(2.7)	>100%
Statutory profit/ (loss) after tax	29.5	(72.7)	>100%	16.8	12.7	32%
Underlying EPS	(8.4p)	(30.5p)	22.1p	(12.2p)	7.8p	(20.0p)
Net interest margin	1.98%	1.92%	6bps	1.85%	2.14%	(29bps)
Cost of deposits	0.97%	0.20%	77bps	1.29%	0.66%	63bps
Underlying cost to income ratio	97%	102%	(5ppts)	104%	90%	14ppts
Cost of risk ¹	0.26%	0.32%	(6bps)	0.34%	0.18%	16ppts

Balance sheet

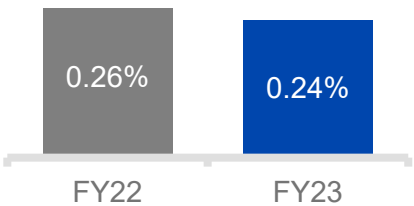
£m	FY23	FY22	YoY	1H23	HoH
Loans and advances to customers	12,297	13,102	(6%)	12,572	(2%)
Treasury assets	8,770	7,870	11%	8,023	9%
Other assets	1,178	1,147	3%	1,152	2%
Total assets	22,245	22,119	1%	21,747	2%
Deposits from customers	15,623	16,014	(2%)	15,529	1%
Deposits from central banks	3,050	3,800	(20%)	3,800	(20%)
Debt securities	694	571	22%	573	21%
Other liabilities	1,744	778	124%	875	99%
Total liabilities	21,111	21,163	-	20,777	2%
Shareholders' funds	1,134	956	19%	970	17%
Total equity and liabilities	22,245	22,119	1%	21,747	2%
Risk weighted assets	7,533	7,990	(6%)	7,802	(3%)
Loan to deposit ratio	79%	82%	(3ppts)	81%	(2ppts)
Tangible book value per share	£1.40	£4.29	(67%)	£4.42	(68%)
Liquidity coverage ratio	332%	213%	119ppts	214%	118ppts

Retail mortgages – overview

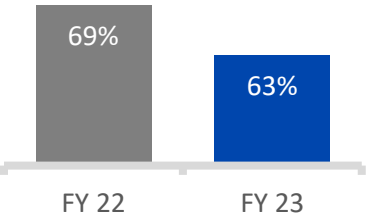
Retail mortgage portfolio



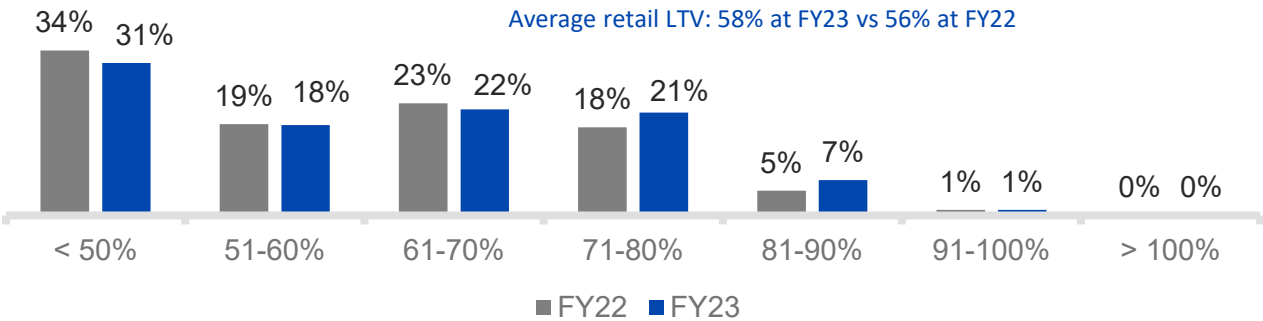
ECL coverage ratio



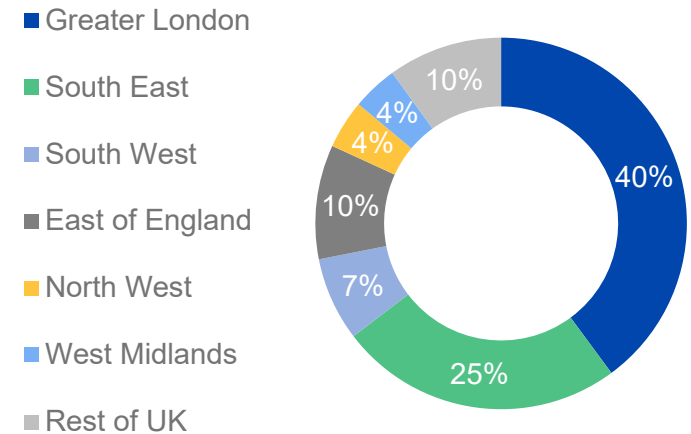
New lending loan-to-value %



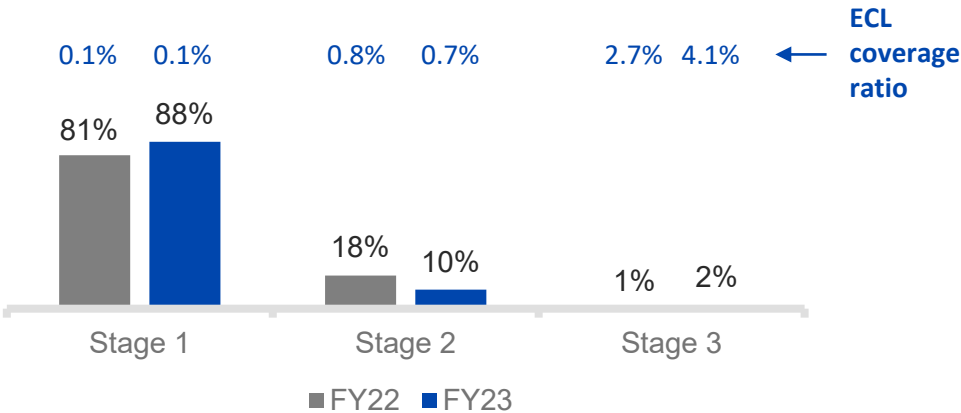
Retail mortgages loan-to-value



Retail mortgages geographical split

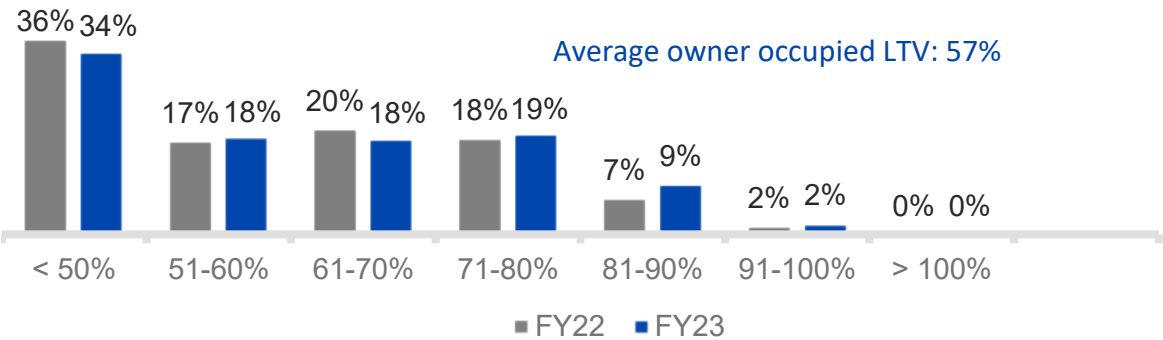


Balance by IFRS9 stage

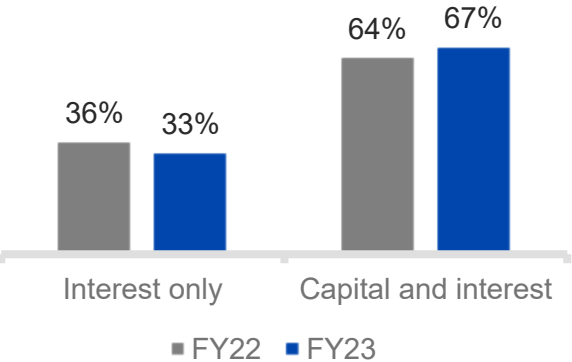


Retail mortgages – LTV and repayment type

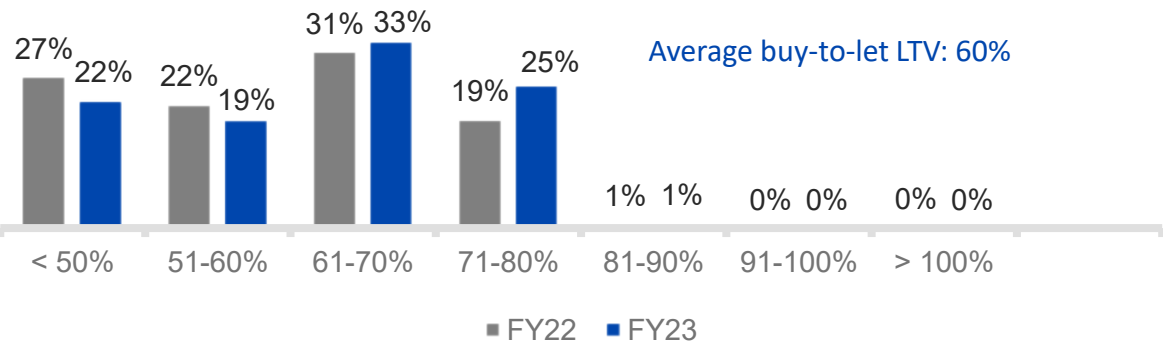
Owner Occupied Loan-to-value profile



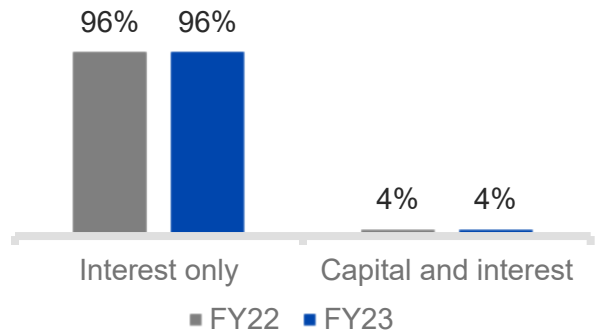
Owner Occupied Repayment type



Buy to Let Loan-to-value profile

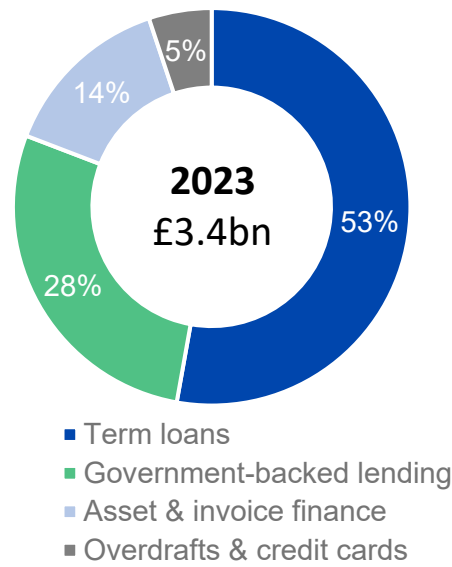


Buy to Let Repayment type



Commercial – overview

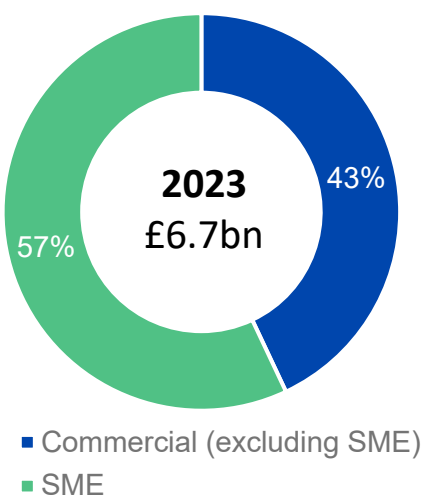
Commercial lending portfolio



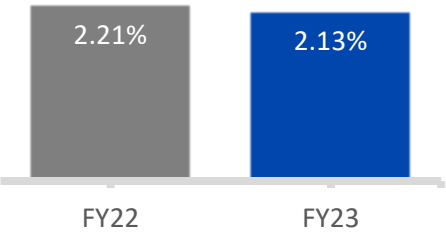
Term loans by industry sector

Industry sector (£m)	31 Dec 2023	31 Dec 2022
Real estate (PBTL)	465	731
Real estate (other term loans)	509	683
Hospitality	368	372
Health & Social Work	298	334
Legal, Accountancy & Consultancy	150	196
Other	430	506

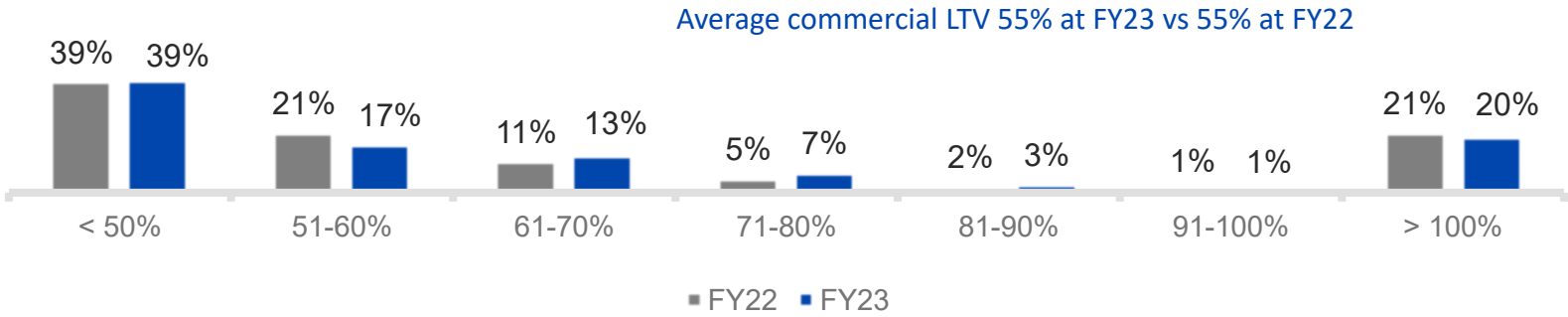
Commercial customer deposits



ECL coverage ratio



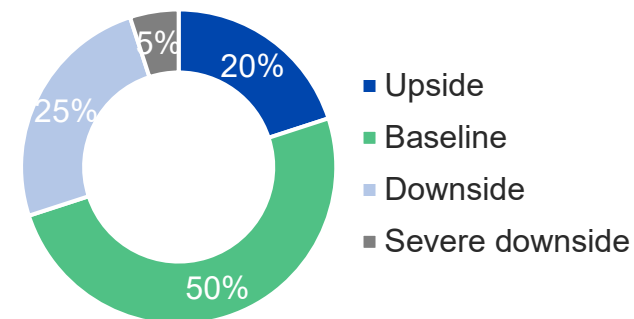
Commercial term lending (excluding BBLs) loan-to-value



Macroeconomic scenarios and provisioning

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 (December 2023)
- House Price Index (HPI) and Commercial Real Estate Index (CRE) adjusted across all scenarios to reflect further uncertainty in residential & commercial property prices held as overlays



Macroeconomic scenarios¹

Macroeconomic variable	Scenario	2024	2025	2026	2027	2028
Unemployment (%)	Baseline	4.58%	4.69%	4.75%	4.81%	4.86%
	Upside	4.14%	3.83%	3.94%	4.20%	4.46%
	Downside	6.49%	7.39%	7.41%	7.02%	6.37%
	Severe Downside	7.72%	8.51%	8.35%	8.13%	7.43%
House Price Index (YoY%) ¹	Baseline	-6.21%	3.13%	4.71%	2.62%	1.47%
	Upside	6.98%	6.25%	2.10%	-1.47%	-0.86%
	Downside	-16.53%	-6.31%	3.96%	5.40%	4.74%
	Severe Downside	-22.21%	-10.25%	4.37%	4.07%	4.02%
UK GDP (YoY%)	Baseline	0.44%	0.95%	1.31%	1.40%	1.64%
	Upside	3.95%	1.20%	1.26%	1.43%	1.85%
	Downside	-5.63%	1.30%	2.64%	1.41%	1.55%
	Severe Downside	-7.09%	-0.23%	4.17%	2.36%	1.61%
5-year Mortgage Rate (%)	Baseline	5.06%	4.65%	4.32%	4.20%	4.15%
	Upside	5.29%	4.67%	4.32%	4.20%	4.15%
	Downside	3.72%	2.67%	2.61%	2.61%	2.88%
	Severe Downside	3.27%	2.20%	2.19%	2.16%	2.38%
Commercial Real Estate (CRE) Index (YoY%) ¹	Baseline	-4.22%	0.83%	1.74%	-0.41%	-1.24%
	Upside	10.10%	3.28%	-1.28%	-4.34%	-3.27%
	Downside	-18.71%	-5.27%	2.97%	3.44%	2.72%
	Severe Downside	-26.93%	-7.39%	4.90%	2.57%	3.27%

Statutory vs Underlying reconciliation

Year ended 31 December 2023 £m	Statutory basis	Impairment and write-off of PPE and intangible assets	Net C&I costs	Transformation costs	Holding company insertion	Capital raise and refinancing	Underlying basis
Net interest income	411.9	-	-	-	-	-	411.9
Net fee and commission income	90.4	-	-	-	-	-	90.4
Net gains on sale of assets	2.7	-	-	-	-	-	2.7
Other income	143.9	-	(2.4)	-	-	(100.0)	41.5
Total income	648.9	-	(2.4)	-	-	(100.0)	546.5
General operating expenses	(502.9)	-	2.4	20.2	1.8	26.0	(452.5)
Depreciation and amortisation	(77.7)	-	-	-	-	-	(77.7)
Impairment and write-offs of PPE and intangible assets	(4.6)	4.6	-	-	-	-	-
Total operating expenses	(585.2)	4.6	2.4	20.2	1.8	26.0	(530.2)
Expected credit loss expense	(33.2)	-	-	-	-	-	(33.2)
Profit/ loss before tax	30.5	4.6	-	20.2	1.8	(74.0)	(16.9)

Disclaimer

Basis of preparation

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