



1H21 RESULTS PRESENTATION

28 July 2021

Agenda

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



Overview

Daniel Frumkin (CEO)

Delivering our strategy

Strategic plan on track	- Drivers of improved financial performance showing signs of progress: Lending margin improving: accelerating pivot to higher yielding assets Cost of deposits reducing, with meaningful mix shift in deposits toward current accounts and instant access Cost focus maintained, three further store freeholds being acquired Adjusted³ underlying revenue increased 14% HoH¹ and 47% YoY² Adjusted³ underlying loss before tax decreased £7.6m or 6% HoH¹ - Meeting more customer needs with better service capability and product offering - Demonstrated ability to take decisive action to manage our capital position	HoH Financial Performance¹
Continued focus on Customers, Colleagues and Communities	New product roll-out (including RateSetter lending in store; SME and pet insurance; Multi-director digital business current account; and new platform for online banking) - Returned to 7 days a week opening as part of our COVID-19 recovery #1 high street bank for service Feb'21 CMA survey - Supported colleagues and local communities	Consumer lending  >100% £704m
Delivering balance sheet optimisation	Consumer finance: RateSetter lending now across all channels; back book acquisition completed; exited non-core sub-segments Enhanced existing mortgages and expanded specialist range Repositioning commercial lending towards full relationship trading businesses and exiting transactional real estate lending	Lending yield  36bps 2.99%
		Customer deposits  3% £16.6b
		Cost of deposits  18bps 0.31%

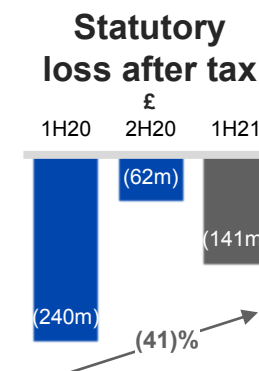
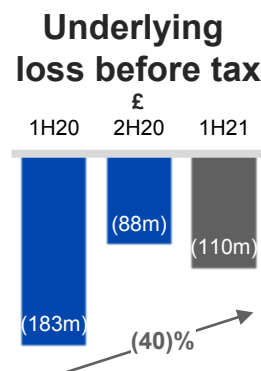
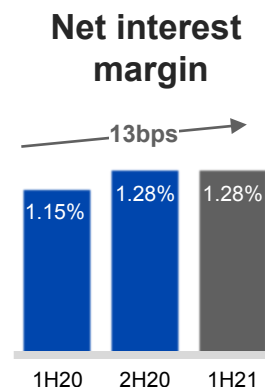
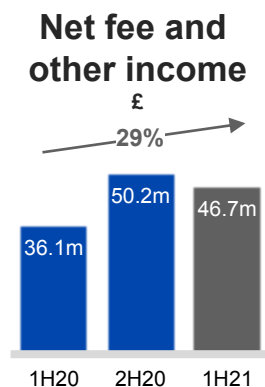
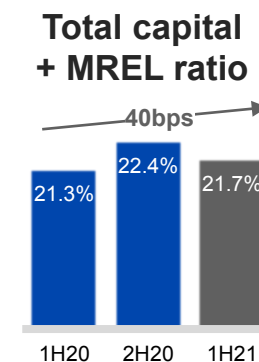
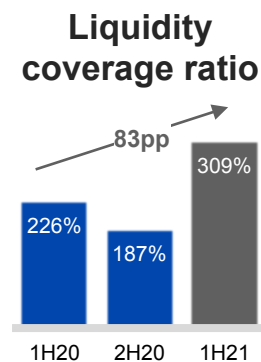
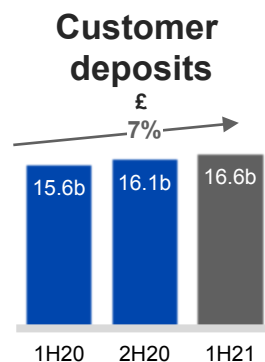
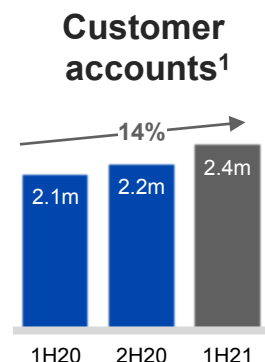
(1) 2H20 vs 1H21
 (2) 1H20 vs 1H21
 (3) Adjusted total underlying revenue and loss before tax adjusts underlying numbers on a like for like basis by excluding loan income from the mortgage portfolio disposal announced December 2020



Financial results

David Arden (CFO)

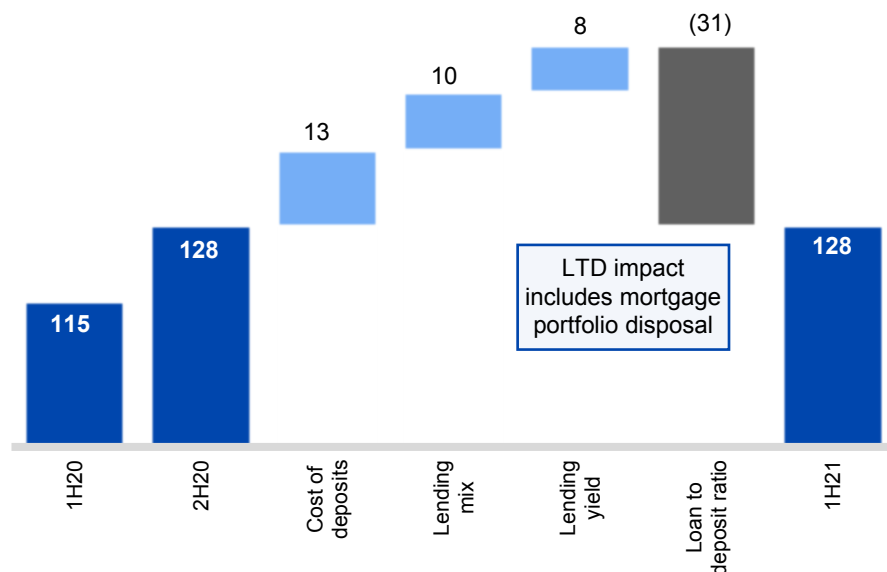
1H 2021 Key performance indicators



- Customer accounts stable in H1 reflecting managed reduction in fixed term deposits, with incremental growth from RateSetter
- Deposit growth exceeded expectations and continued trend towards higher quality mix
- Mortgage portfolio disposal in December increased capital and elevated liquidity further
- Adjusting for the portfolio sale Net interest income (NII) increased 27% and revenue increased 14% HoH
- HoH profitability reflects the mortgage sale. Adjusting for the disposal, underlying loss improved 49% YoY and 6% HoH

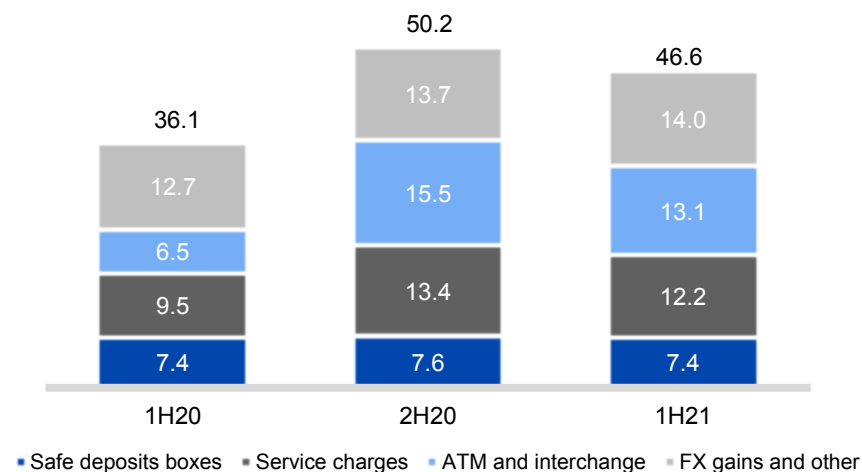
Revenue and NIM

NIM bridge bps



- M** NIM held flat HoH despite the income foregone of the capital accretive mortgage portfolio disposal. Action taken to reduce cost of deposits, improve lending mix and increase lending yield offset the excess liquidity created by the sale

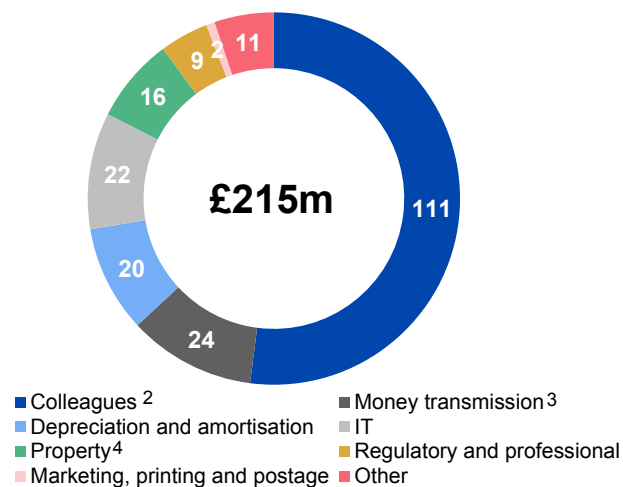
Fee and other income¹ £m



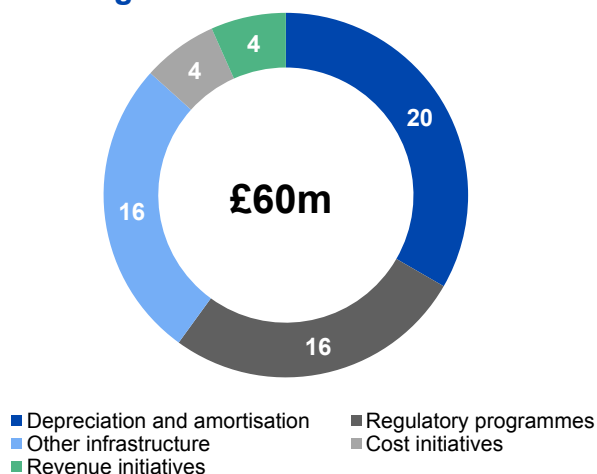
- M** Fee income levels remained subdued by the impact of lockdown control measures on customer activity
- M** FX income remains below pre-pandemic levels, with customers largely prevented from travelling internationally

Operating costs

Run the Bank¹



Change the Bank¹

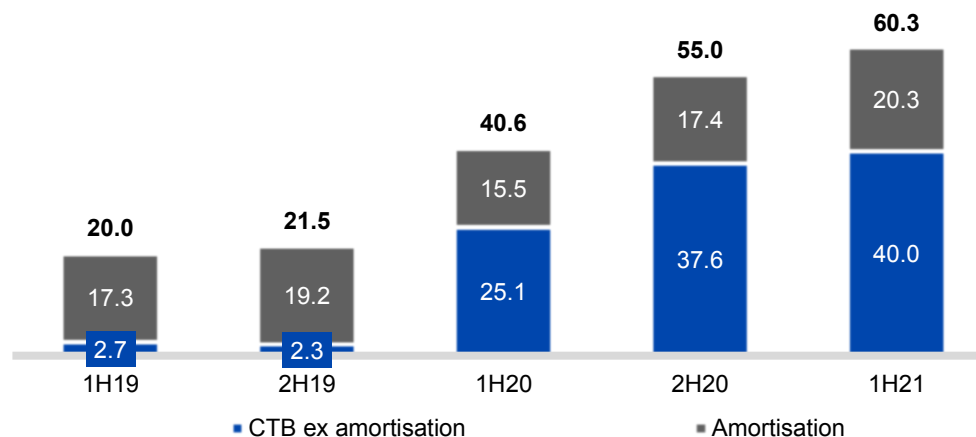


Run the Bank (RTB) cost growth reflects cost focus

M RTB costs increased <2% on a like for like basis as shown below



Change the Bank (CTB) spend

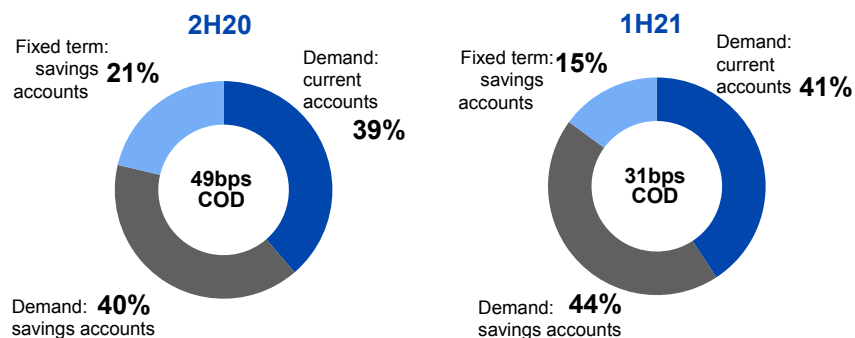


- (1) Operating expense only
- (2) Includes non-permanent colleagues and travel expenses
- (3) Cards, payments and other banking related costs
- (4) Leases and running costs

Deposits and lending

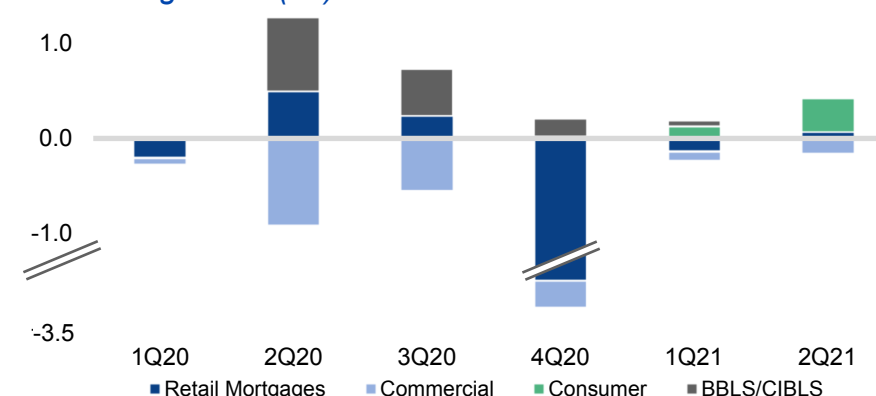
Improved mix and deposit repricing delivered lower cost of deposits, while a focus on risk adjusted return on lending has increased average yields

Deposit mix

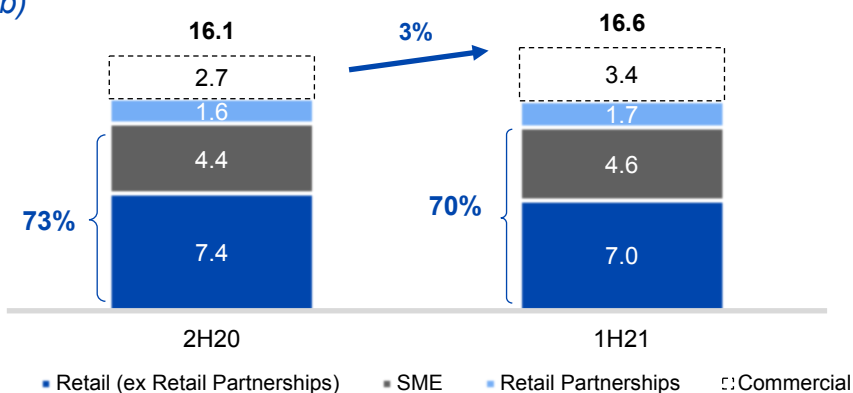


Balance sheet mix shift

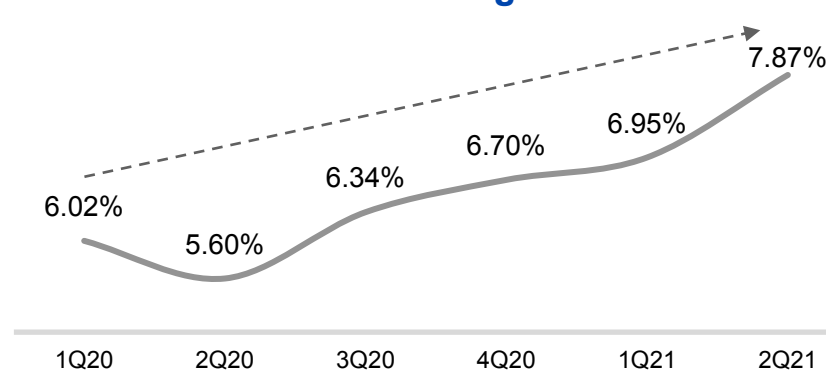
Net lending – flow (£b)



Deposits by customer type (£b)



Loan interest income/Lending RWAs¹



(1) Average RWA

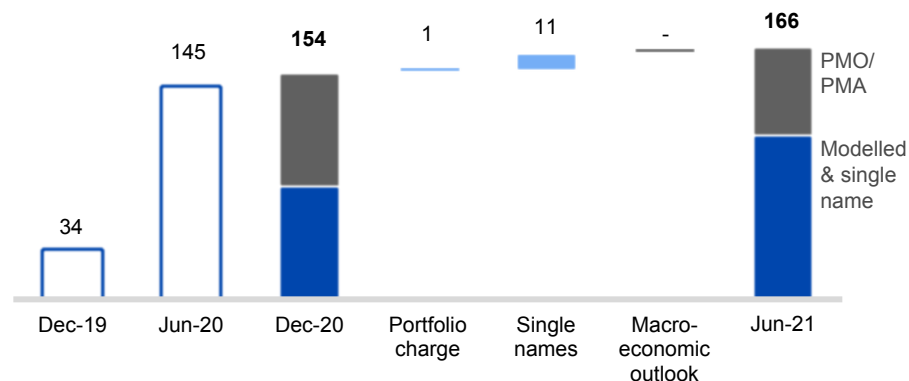
Expected credit loss expense and asset quality

Some improvement in macroeconomic outlook but a cautious level of management overlay retained given continued uncertainty

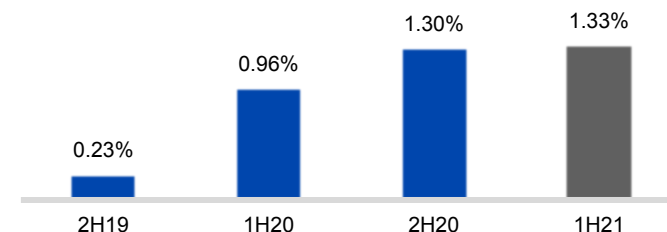
ECL expense and Cost of Risk

	ECL expense (£m)			Cost of Risk ¹ (%)		Coverage Ratio ² (%)		
	1H21	2H20	Change	1H21	2H20	1H21	2H20	Change
Retail Mortgages	(11)	(8)	(3)	(0.33)	(0.18)	0.22%	0.38%	(0.16%)
Commercial Lending	8	20	(12)	0.32	0.75	2.19%	1.98%	0.21%
Consumer Lending ³	17	3	14	7.22	4.42	5.98%	12.3%	(6.27%)
Total ECL	15	15	-	0.24	0.20	1.33%	1.30%	0.03%

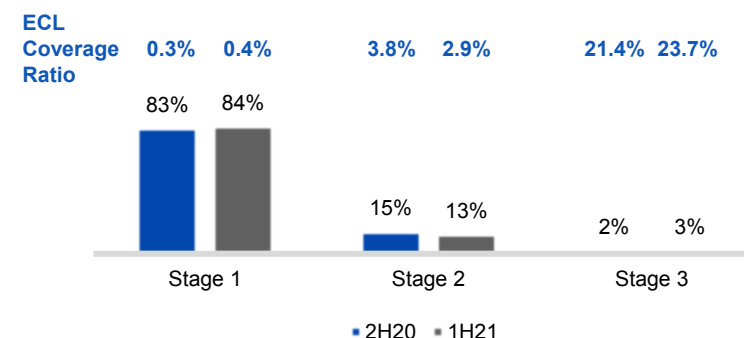
ECL provision movement⁴ (£m)



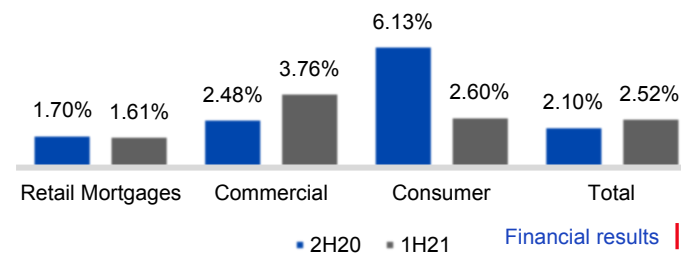
ECL coverage ratio



Balance by IFRS9 stages



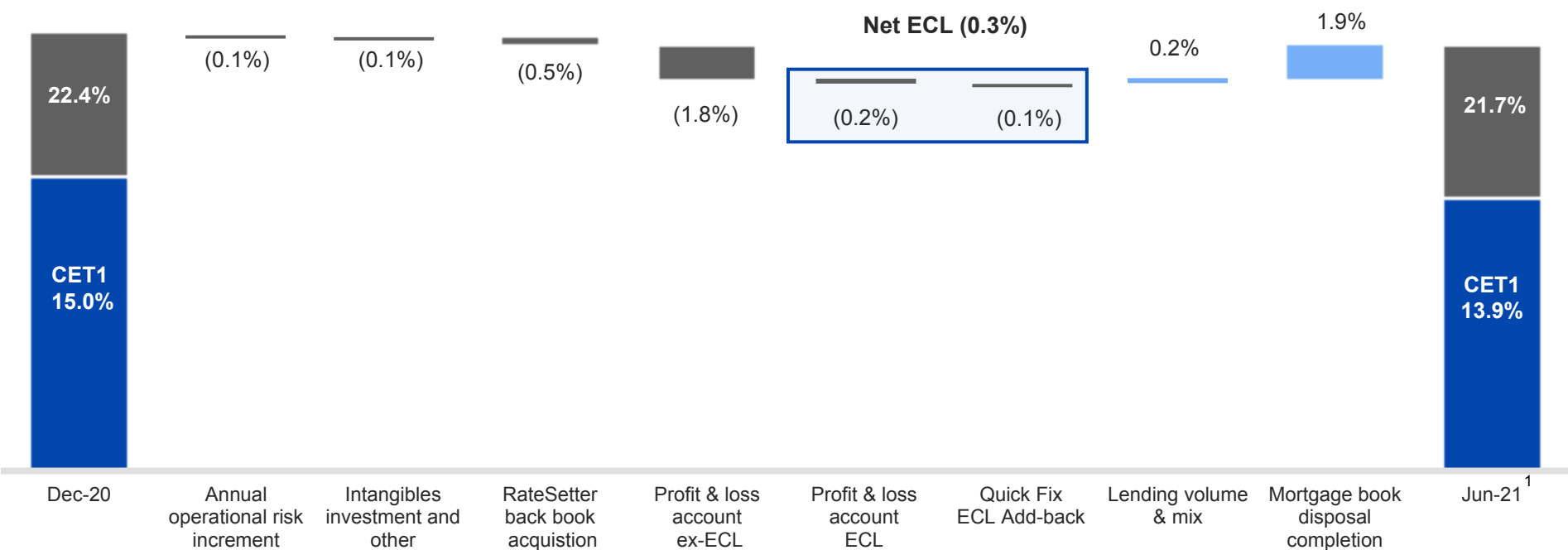
Non-performing loans



- (1) Cost of Risk (CoR) is the annualized credit impairment charge, expressed as a percentage of average gross lending.
- (2) Coverage Ratio is the calculated as stock divided by the gross lending balances.
- (3) CoR for Consumer is inflated due to the material growth in the balance sheet in 1H21.
- (4) The difference between ECL expense and ECL provision movement relates to write offs adjustments amounting to £2.6m.

Capital

Total capital + MREL ratio bridge



- As in 2020, MREL resources may fall below the sum of the firm’s MREL requirement and buffers (the loss absorbing capacity) for a period of time
- We note the Bank of England’s Consultation Paper on MREL

(1) EBA software adjustment contributed 1.0% to the CET1 ratio. Interim MREL requirement of 20.5% comprises of 18% RWAs plus 2.5% current Combined Buffer Requirement

P&L

£m	1H21	2H20	Change
Net interest income	133.6	134.1	-
Net fees and other income	46.7	50.2	(7%)
Net gains on sale of assets	(0.5)	3.3	(>100%)
Total underlying revenue	179.8	187.6	(4%)
'Run the Bank' costs	(214.9)	(206.3)	4%
'Change the Bank' costs	(60.3)	(55.0)	9%
Operating costs	(275.2)	(261.3)	5%
Expected credit loss expense	(14.6)	(14.7)	(1%)
Underlying loss before tax	(110.0)	(88.4)	24%
Non-underlying items	(28.9)	17.4	(>100%)
Statutory taxation	(2.2)	8.6	(>100%)
Statutory loss after tax	(141.1)	(62.4)	>100%
Underlying EPS basic	(65.1p)	(42.9p)	
Ratios			
Net interest margin	1.28%	1.28%	-
Cost of deposits	0.31%	0.49%	(18bps)
Underlying cost to income ratio	153%	139%	14pp
Cost of risk ¹	0.24%	0.20%	4bps

- M** £8.4m residual net gain on sale of the mortgage portfolio disposal
- M** £7.5m impairment of RateSetter peer-to-peer intangible assets
- M** £25.4m remediation costs primarily related to sanctions procedures

Balance Sheet

£m	Jun 2021	Dec 2020	Change
Loans and advances to customers	12,325	12,090	2%
Treasury assets ¹	9,474	6,406	48%
Other assets ²	1,214	4,083	(70%)
Total assets	23,013	22,579	2%
Deposits from customers	16,620	16,072	3%
Deposits from central banks	3,800	3,808	-
Debt securities	596	600	(1%)
Other liabilities	850	810	5%
Total liabilities	21,866	21,290	3%
Shareholders' funds	1,147	1,289	(11%)
Total equity and liabilities	23,013	22,579	2%
CET1 capital ratio	13.9%	15.0%	(1.1pp)
Total capital ratio	17.2%	18.1%	(0.9pp)
MREL ratio	21.7%	22.4%	(0.7pp)
Regulatory leverage ratio	4.9%	5.6%	(0.7pp)
Risk weighted assets	7,563	7,957	(394)
Loan to deposit ratio	74%	75%	(1pp)
Liquidity coverage ratio	309%	187%	122pp

(1) Comprises investment securities and cash & balances with the Bank of England

(2) Comprises property, plant and equipment, intangible assets and other assets



Operational & strategic update

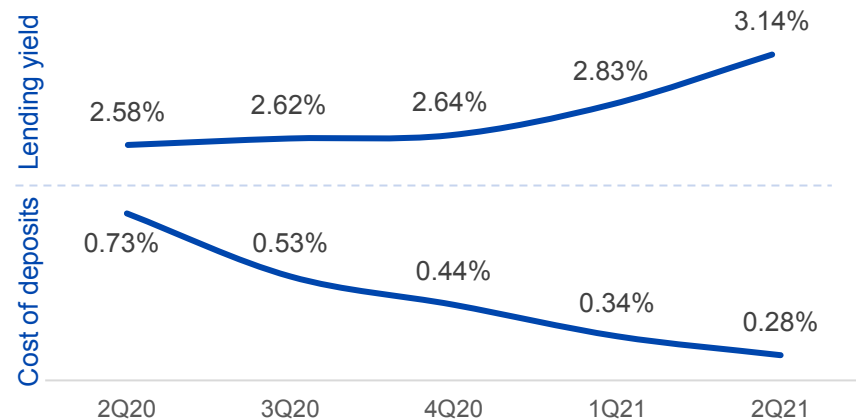
Daniel Frumkin (CEO)

Liability-led strategy supplemented by acceleration of asset mix shift

Driving risk adjusted return on regulatory capital

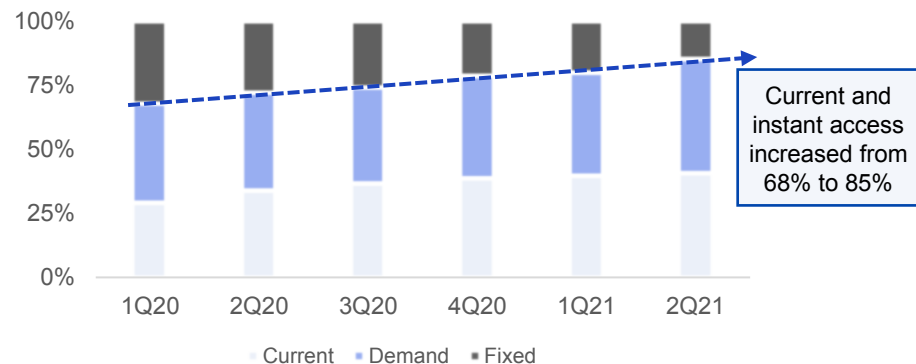
Consumer finance	■ Acquired RateSetter platform
	■ >£300m organic growth + back book acquired
Mortgages	■ Enhanced existing range to elevate yields
	■ Launched more specialised mortgages
	■ £3bn mortgage portfolio disposal
Government backed lending	■ >£1.5bn CBILS/BBLS
	■ Accredited for the Recovery Loan Scheme

Balance sheet mix shift delivering higher yields and lower cost of deposits



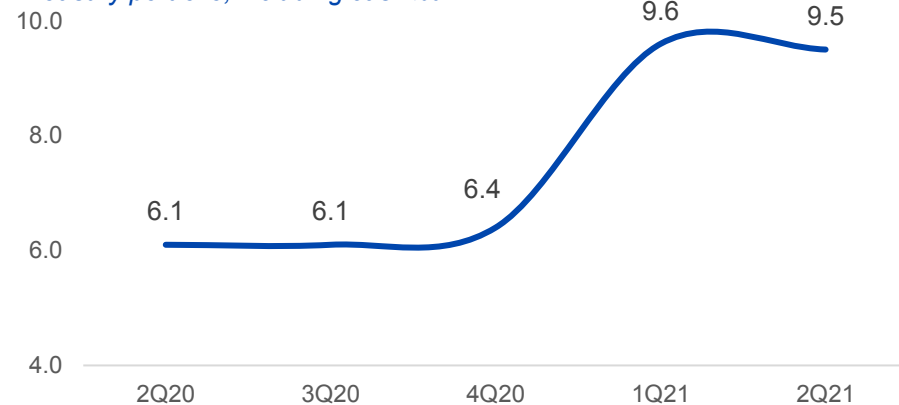
An increased proportion of non-interest bearing current accounts and low-cost instant access deposits

% of total deposits



Liquidity increased by mortgage portfolio disposal and net deposit inflows

Treasury portfolio, including cash £b



Delivering balance sheet optimisation through shifting the asset mix

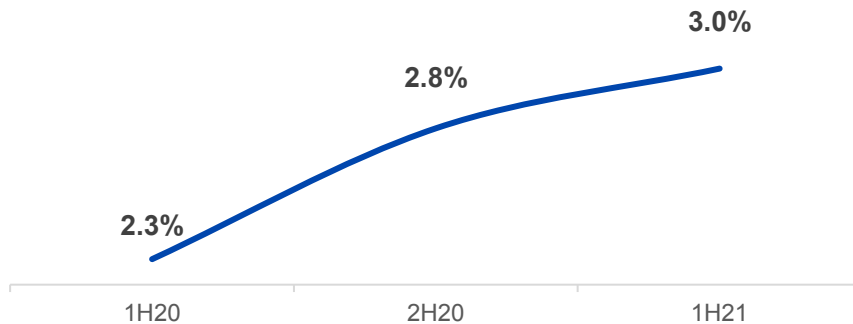
Evolving mortgage products

Enhanced existing mortgage offering to focus on risk adjusted returns on regulatory capital

Broad existing portfolio	Significant expansion in 1H21		Further products
Buy-to-let	95% Residential	Near Prime	Ltd Co. BTL
Residential	Contractors	Professionals/ High earners	New Build
High net Worth	New intermediaries added	Criteria enhancements	Affordable housing solutions
Interest only			Inter-generational

System upgrade

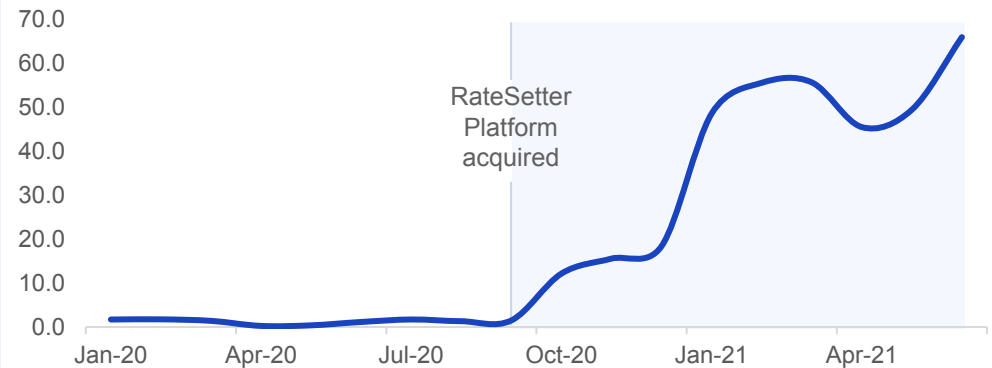
Blended mortgage yield - completions



Accelerating consumer finance

Leveraging RateSetter capability to drive higher margin growth

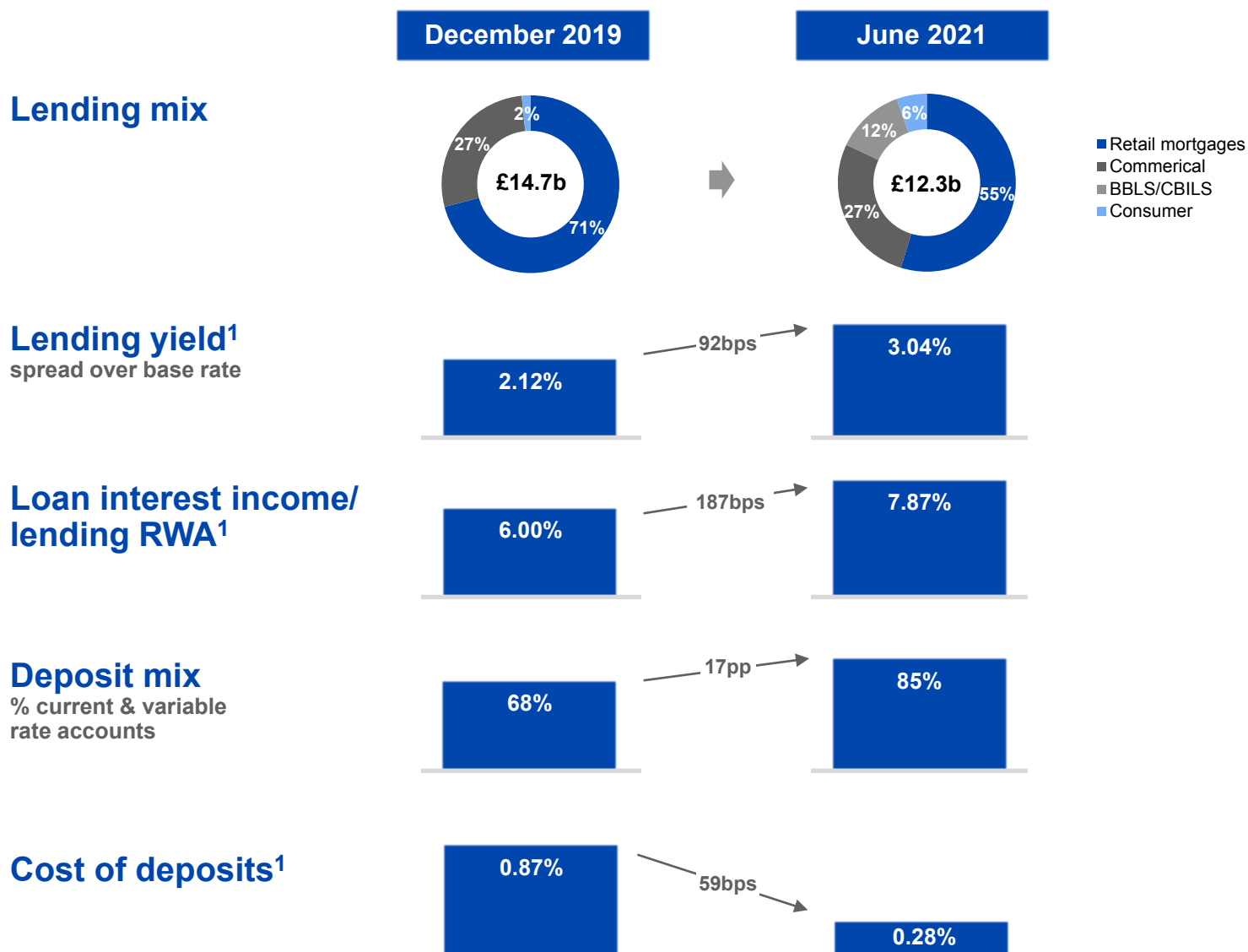
Organic unsecured lending origination monthly £m



Metro Consumer Finance

- M Expanding distribution to a wider range of aggregators and brokers
- M Colleagues enhancing the proposition - store conversion rate exceeding online
- M Industry leading API offering instant quotes
 - M Increasing underwriting credit decisioning automation
 - M Automating data capture and income verification through open banking
- M Improving credit card offering
- M Launching online small business loan

Reshaping the balance sheet for risk adjusted returns





Q&A

Daniel Frumkin

Chief Executive Officer

David Arden

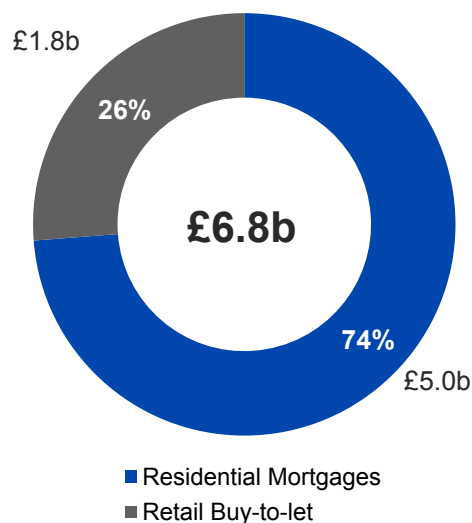
Chief Financial Officer



Appendix

Retail mortgages

Retail mortgage portfolio



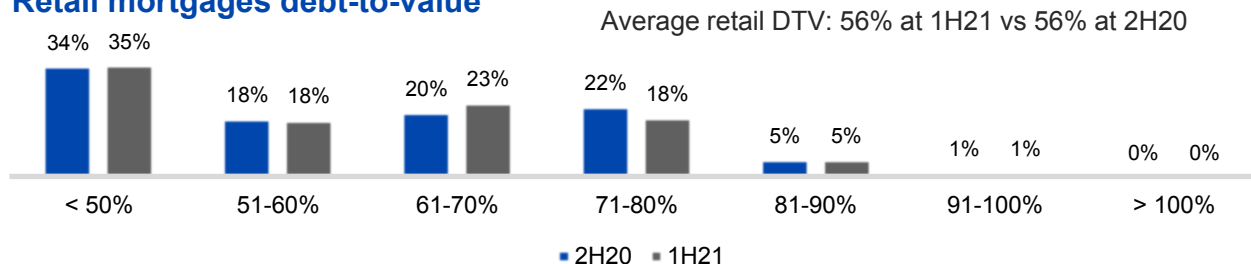
M Only 0.1% of payment deferrals are active as at 30 June 2021

M ECL coverage ratio has reduced due to:

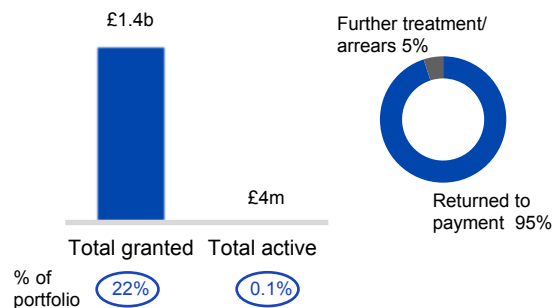
M Reduction in modelled ECL for Mortgages due to implementation of new Loss Given Default (LGD) model

M Management overlay for customers benefiting from payment deferrals reduced as customers have returned to contractual monthly payments

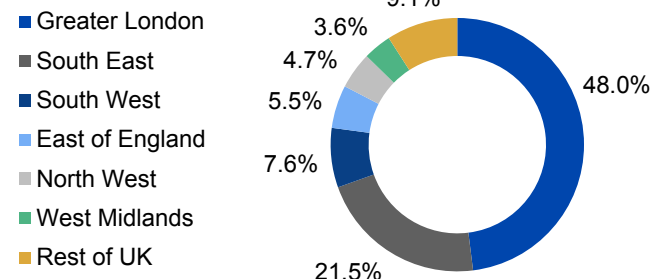
Retail mortgages debt-to-value



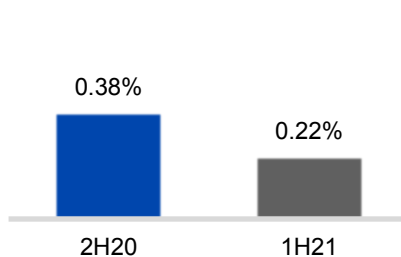
Mortgage payment deferrals



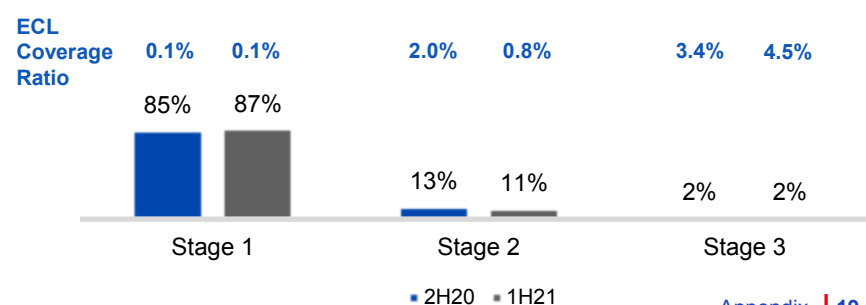
Retail mortgages geographical split



ECL coverage ratio



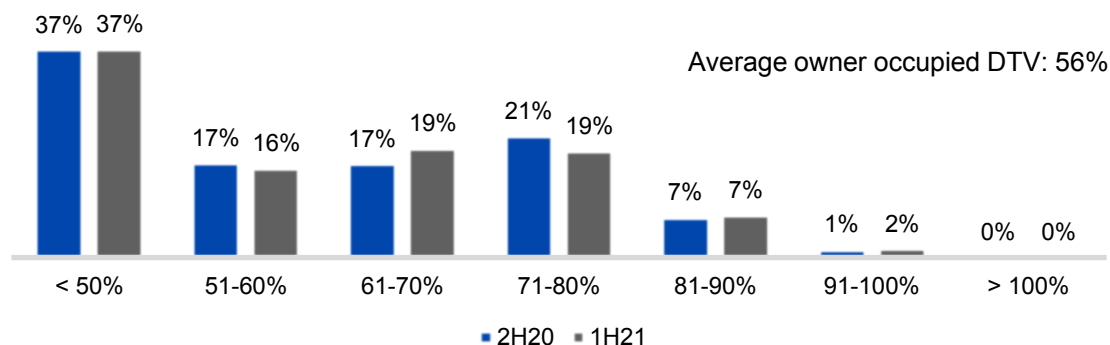
Balance by IFRS9 stage



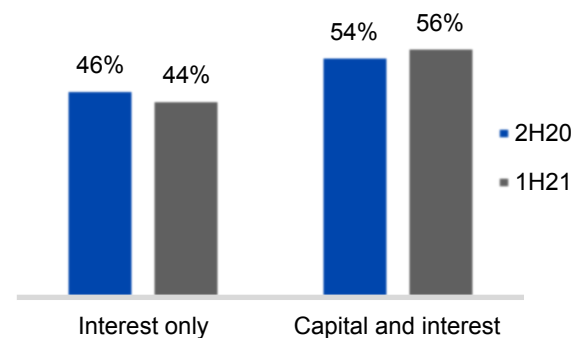
Retail mortgages

Owner occupied retail mortgages

Debt-to-value profile

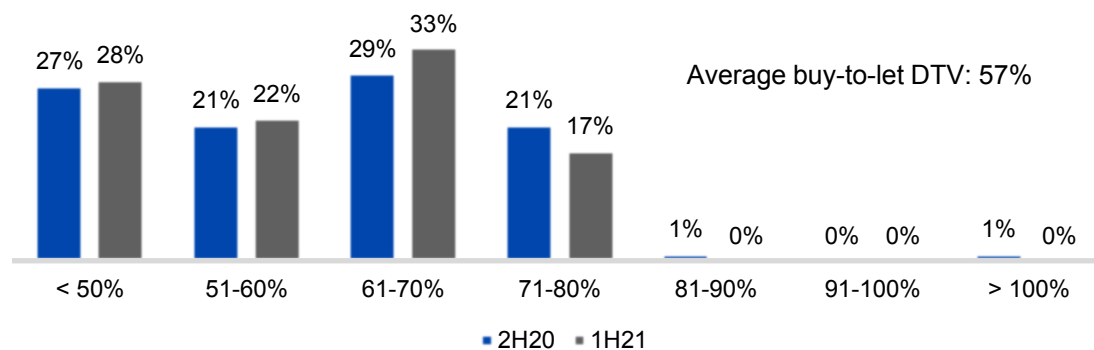


Repayment type

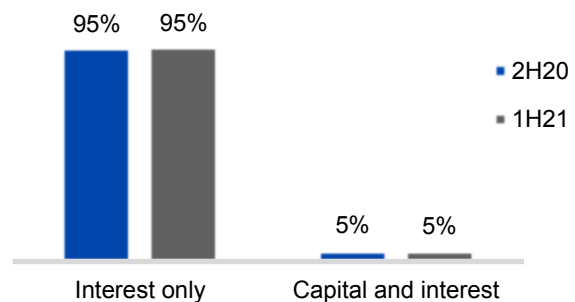


Retail buy-to-let mortgages

Debt-to-value profile

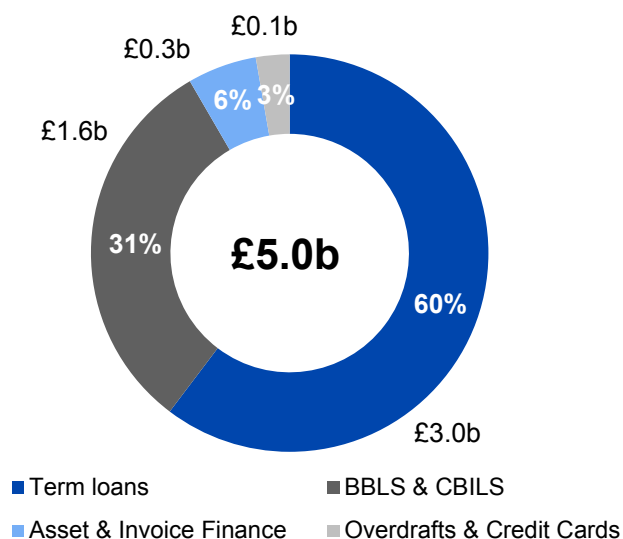


Repayment type



Commercial lending

Commercial lending portfolio

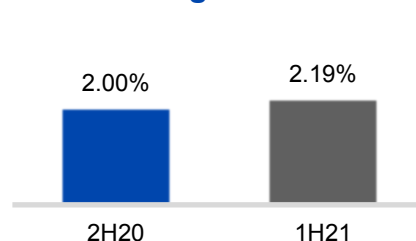


M £1,394m of BBLS and £162m of CBILS loans approved, across c.39,000 customers as at 30 June 2021

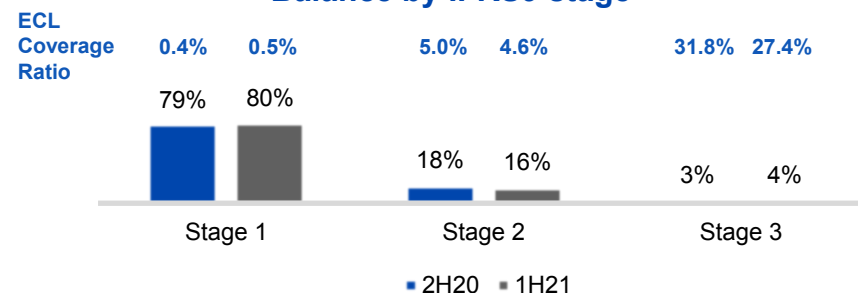
Commercial lending industry sectors¹

Industry sector (£m)	30 June 2021	31 Dec 2020	30 Jun 2020
Real estate (PBTL)	1,037	1,117	1,167
Real estate (other term loans)	889	1,032	1,070
Hospitality	370	376	323
Health & Social Work	226	248	243
Legal, Accountancy & Consultancy	207	208	202
Other	433	388	384

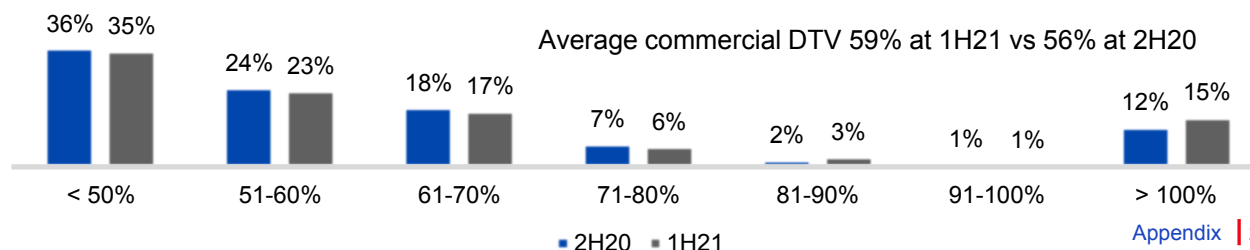
ECL coverage ratio



Balance by IFRS9 stage

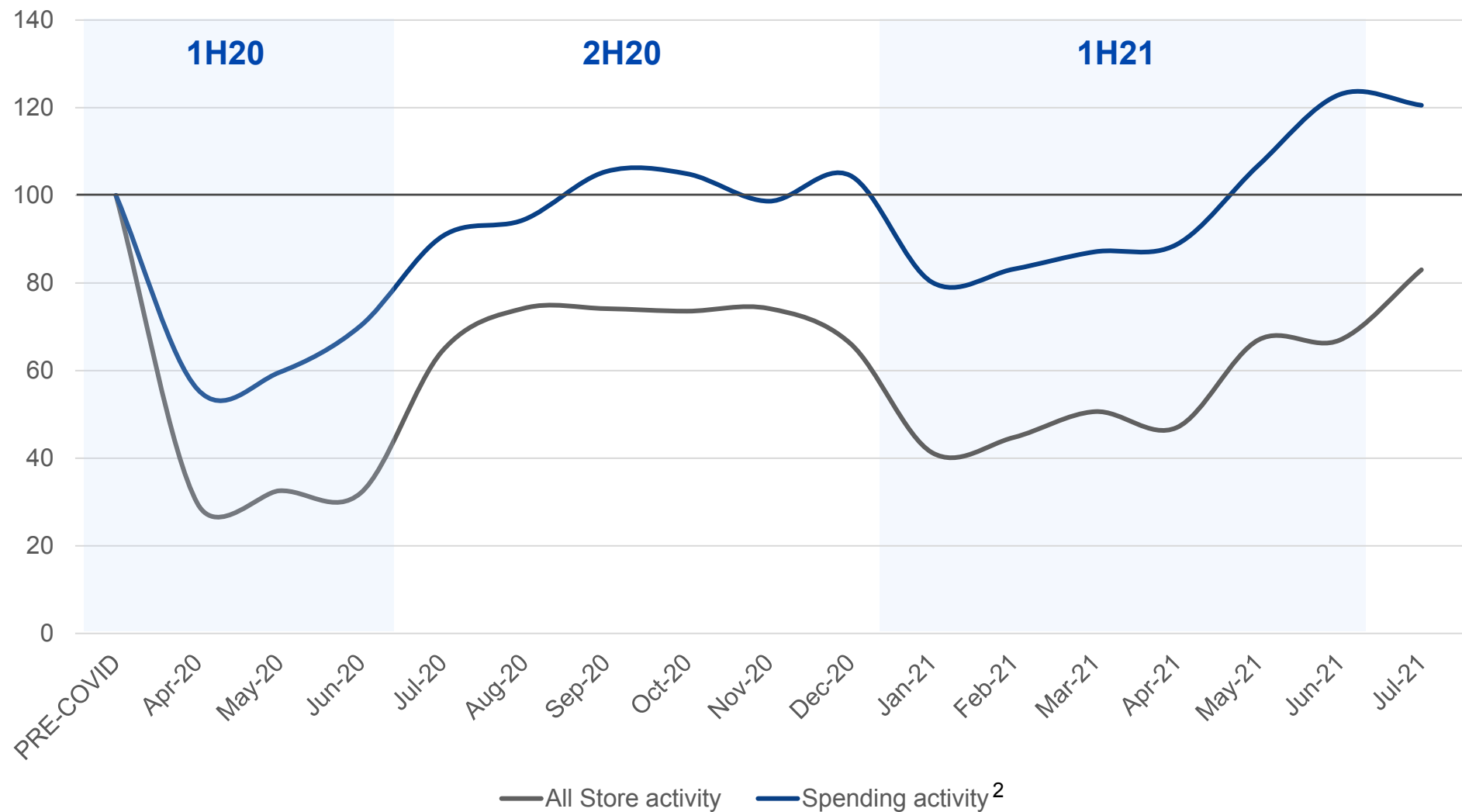


Commercial lending debt-to-value²



(1) CLBILS loans are included as term loans and amount to £39 million of lending at 30 June 2021
 (2) Commercial term loans excluding BBLS

Improving customer activity trends¹



(1) Activity levels shown as a percentage of pre-pandemic levels in 1st week commencing each month
(2) Metro Bank customer activity only

YoY P&L

£m	1H21	1H20	Change
Net interest income	133.6	116.2	15%
Net fees and other income	46.7	36.1	29%
Net gains on sale of assets	(0.5)	1.0	(>100%)
Total underlying revenue	179.8	153.3	17%
'Run the Bank' costs	(214.9)	(184.1)	17%
'Change the Bank' costs	(60.3)	(40.6)	50%
Operating costs	(275.2)	(224.7)	22%
Expected credit loss expense	(14.6)	(112.0)	(87%)
Underlying loss before tax	(110.0)	(183.4)	(40%)
Non-underlying items	(28.9)	(57.2)	(51%)
Statutory taxation	(2.2)	1.1	(>100%)
Statutory loss after tax	(141.1)	(239.5)	(41%)
Underlying EPS basic	(65.1p)	(108.8p)	
Ratios			
Net interest margin	1.28%	1.15%	13bps
Cost of deposits	0.31%	0.82%	(51bps)
Underlying cost to income ratio	153%	147%	6pp
Cost of risk ¹	0.24%	1.55%	131bps

YoY Balance Sheet

£m	Jun 2021	Jun 2020	Change
Loans and advances to customers	12,325	14,857	(17%)
Treasury assets ¹	9,474	6,101	55%
Other assets ²	1,214	1,176	3%
Total assets	23,013	22,134	4%
Deposits from customers	16,620	15,577	7%
Deposits from central banks	3,800	3,801	-
Debt securities	596	599	(1%)
Other liabilities	850	810	5%
Total liabilities	21,866	20,787	5%
Shareholders' funds	1,147	1,347	(15%)
Total equity and liabilities	23,013	22,134	4%
CET1 capital ratio	13.9%	14.5%	(0.6pp)
Total capital ratio	17.2%	17.3%	(0.1pp)
Total capital + MREL ratio	21.7%	21.3%	0.4pp
Regulatory leverage ratio	4.9%	5.8%	(0.9pp)
Risk weighted assets	7,563	8,605	(1,042)
Loan to deposit ratio	74%	95%	(21pp)
Liquidity coverage ratio	309%	226%	83pp

(1) Comprises investment securities and cash & balances with the Bank of England

(2) Comprises property, plant and equipment, intangible assets and other assets