H1 2022 RESULTS PRESENTATION

28 July 2022

Committed to being the UK's best Community Bank

Customer service remains at the heart of what we do

Customer recognition

- We remain the highest rated high street bank for overall service quality for the 8th time running in the CMA's latest Service Quality Survey[1]

#1 high street bank for overall service quality

+

#1 bank for service in stores and business centres

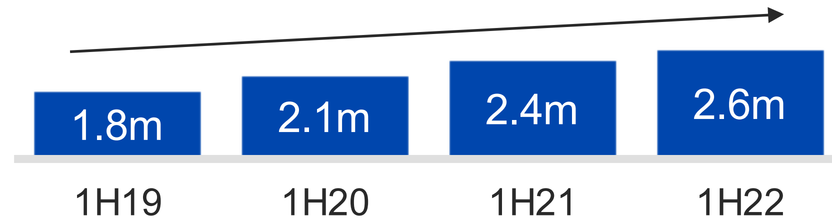
Industry awards

Forbes 2022
Best Current Account for Overseas Use

Moneynet 2022
Best Business Credit Card

Moneyage 2022
Best Mortgage Provider

Driving continued customer growth



With colleagues supporting our local communities

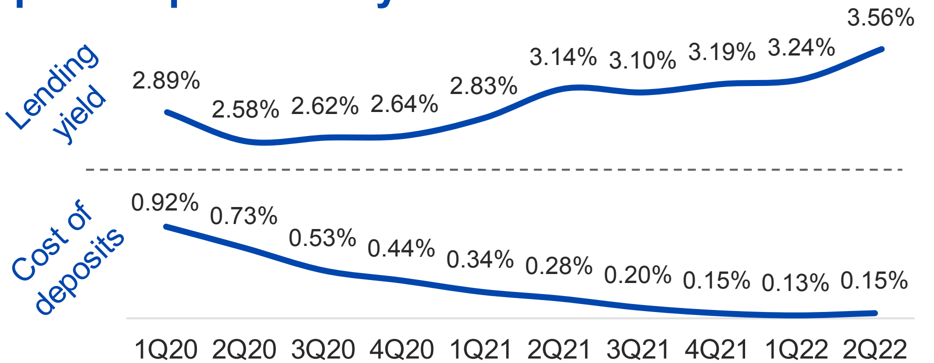
- Days to Amaze for colleagues to help their local communities in a way that means something to them.
- Store events and brand activation in local communities to celebrate Chinese New Year, Easter, LGBTQ+ History Month and the Platinum Jubilee.
- 40 stores supported Vaisakhi collecting hundreds of items for local foodbanks.
- Opened Leicester Store with a local marketing campaign and a Grand Opening event for the local community.
- Launched local area marketing campaigns in 5 key local communities.

(1) Competition and Market Authority Service Quality Survey February 2022.

Monthly breakeven expected during Q1 2023

Monthly breakeven now expected during Q1 2023[1]

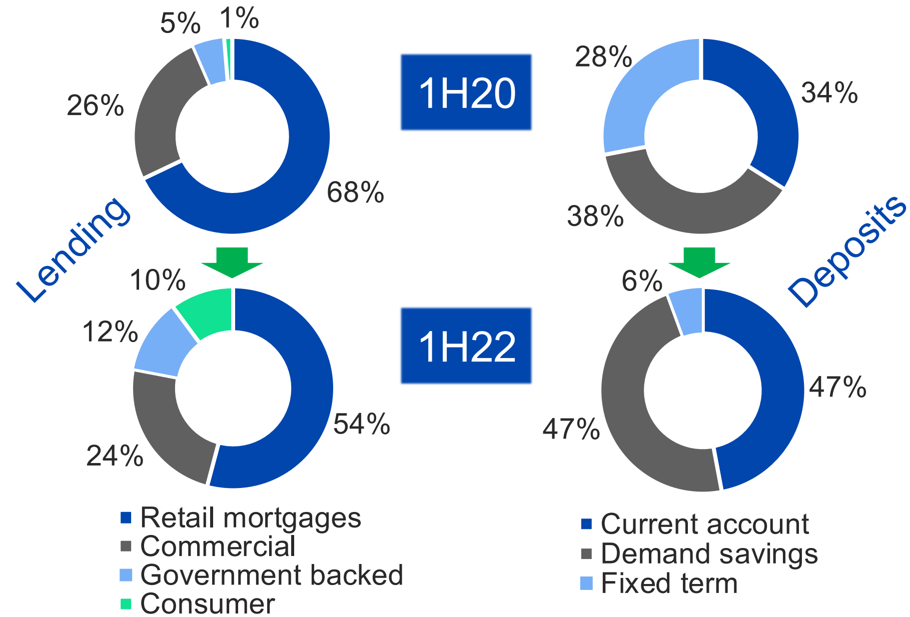
Margins and profitability metrics highlight the path to profitability

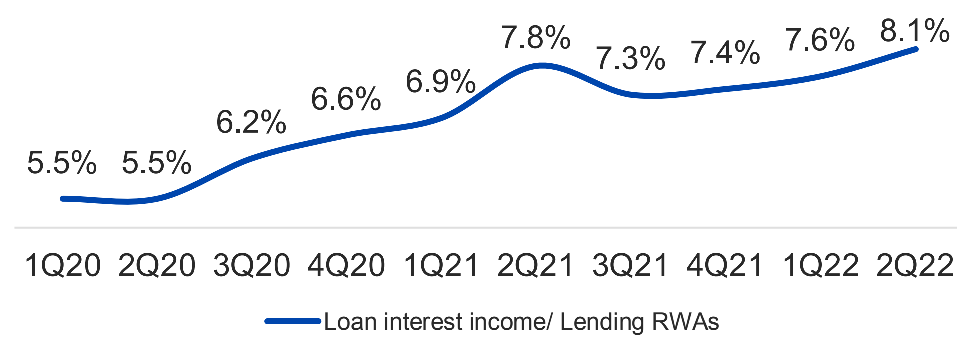


Key metrics over last 2 years

NIM[2]	COD[3]	Lending Yield[3]	Cost:Income Ratio[4]
↑ 76bps	↓ 58bps	↑ 98bps	↓ 34pps

Balance sheet optimised to drive greater returns on regulatory capital





(1) Assumes no material deterioration in the macroeconomic environment.
(2) Compares 2H20 to 1H22 for NIM and adjusts 2H20 for impacts of the mortgage sale; LTD impact to NIM of 31bps reduced NIM to 0.97% in 2H20.
(3) Compares 2Q20 with 2Q22 for COD and Yield, per charts above.
(4) Compares 1H20 with 1H22 for Cost:Income Ratio.

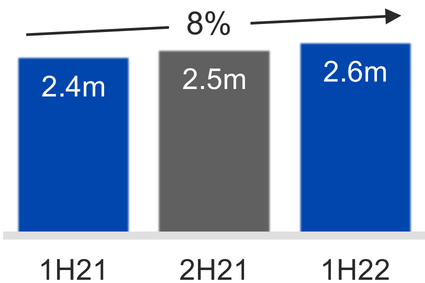
Continued progress on our Strategic Pillars

	Cost	Infrastructure	Revenue	Balance sheet optimisation	Internal and external comms
Strategy *Feb-20*	Tight cost control through back office efficiencies, organisational simplification and disciplined property footprint	Investment in integrated channels and core infrastructure	Meeting more customer needs and development of new capabilities	Enhanced focus on risk-adjusted returns and growing tangible book value	Improve our approach to communication
Progress *H1 2022*	Opex reduced 3% YoY and 2% HoH through improved discipline and decisive action; selected Store closures reduce ongoing run-rate, future cost growth limited	Closed out a number of remediation programmes, improved resilience and also invested in automation to drive efficiency and support scalable growth	Revenue growth 31% YoY or 8% HoH, inflection point met whereby revenue growth > cost growth and that is sustainable	Successfully shifted asset mix, geared towards higher return on capital as evidenced by improving profitability metrics; NIM and Yield growing whilst COD continues to fall, margins widening	Range of PR and marketing campaigns including local area marketing, business overdraft and community activity Guiding to monthly breakeven during Q1 2023[1]

(1) Assumes no material deterioration in the macroeconomic environment.

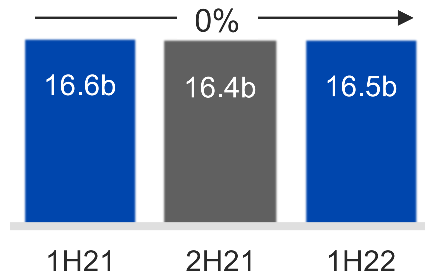
Strategy continues to deliver improving financial KPIs

Customer accounts

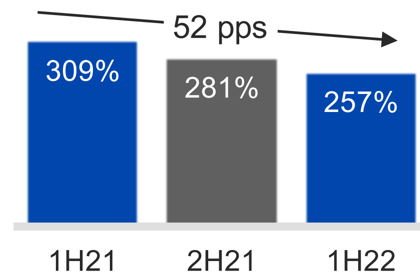


Customer deposits

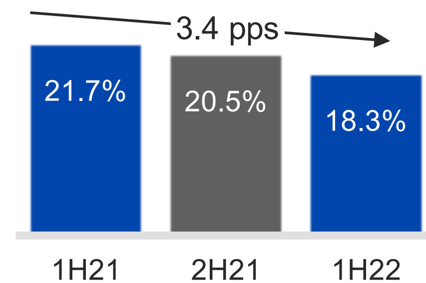
£



Liquidity coverage ratio

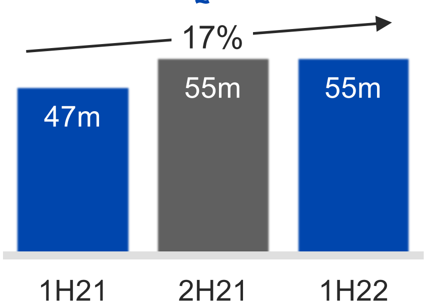


MREL ratio

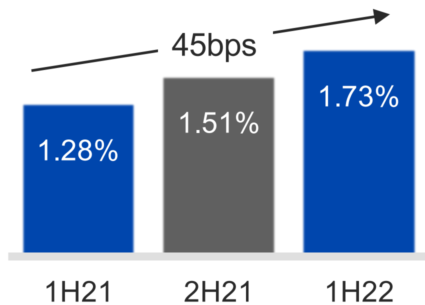


Net fee and other income

£

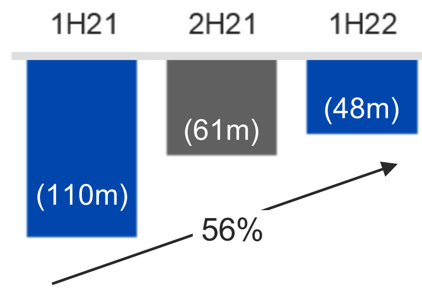


Net interest margin



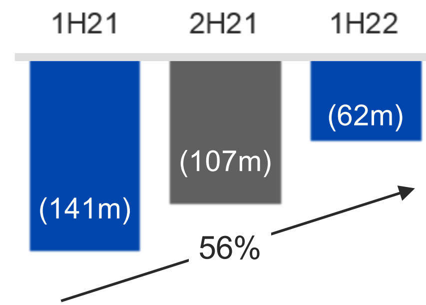
Underlying loss before tax

£



Statutory loss after tax

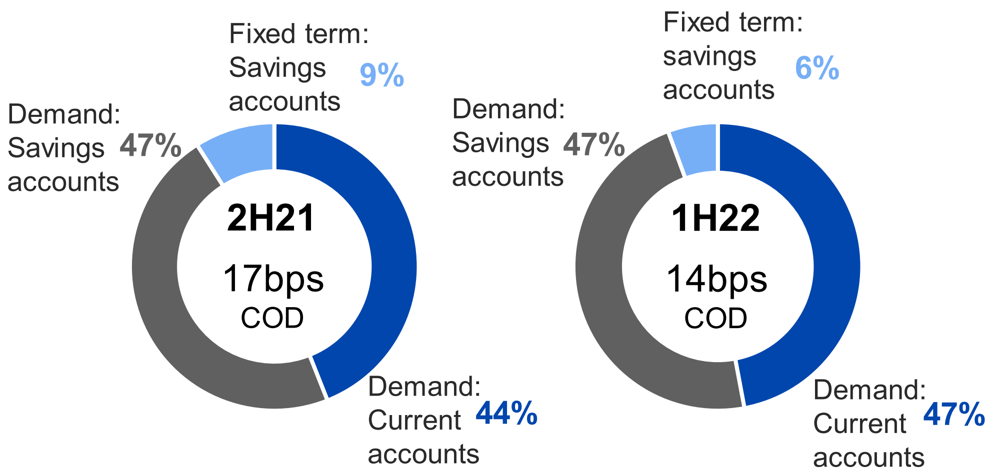
£



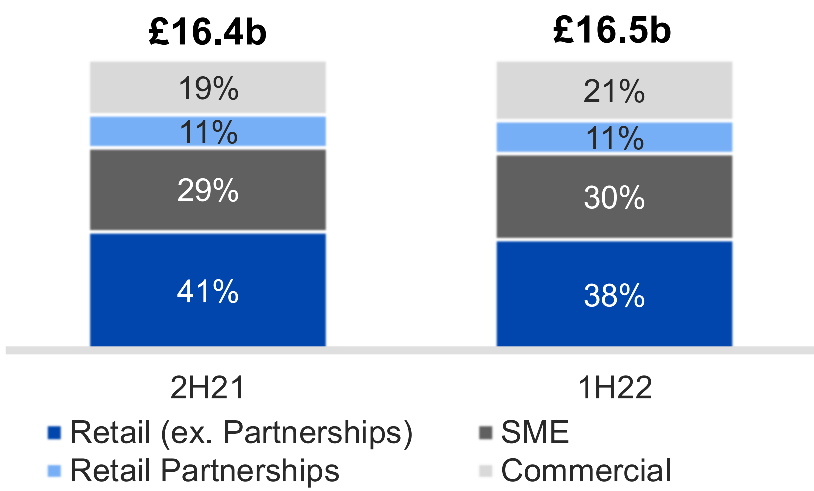
- Deposit mix continued to improve with non-interest bearing liabilities increasing 15% YoY, offset by further roll-off of fixed term deposits.
- NIM widening as the effects of shifting the lending mix to higher yielding assets flows through.
- Underlying and statutory losses reducing, evidencing positive operating jaws and the trajectory towards profitability.
- Capital remains above regulatory minimum, comfortable operating in buffers.

Favourable shift in deposit mix supports NIM

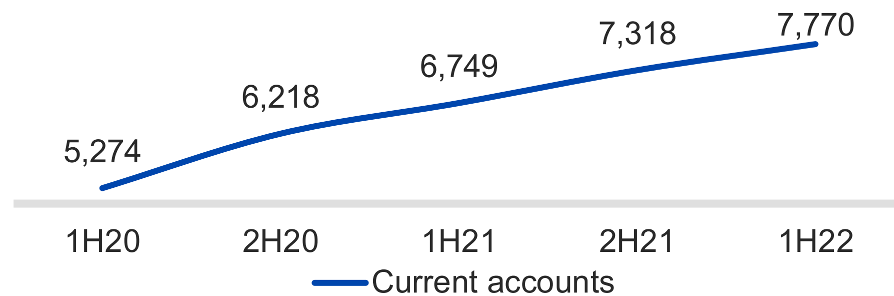
Deposit mix



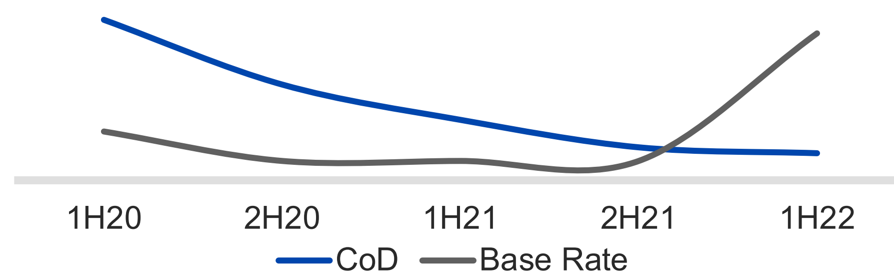
Deposits by customer type



Continued growth in non-interest bearing liabilities despite slower Store roll out



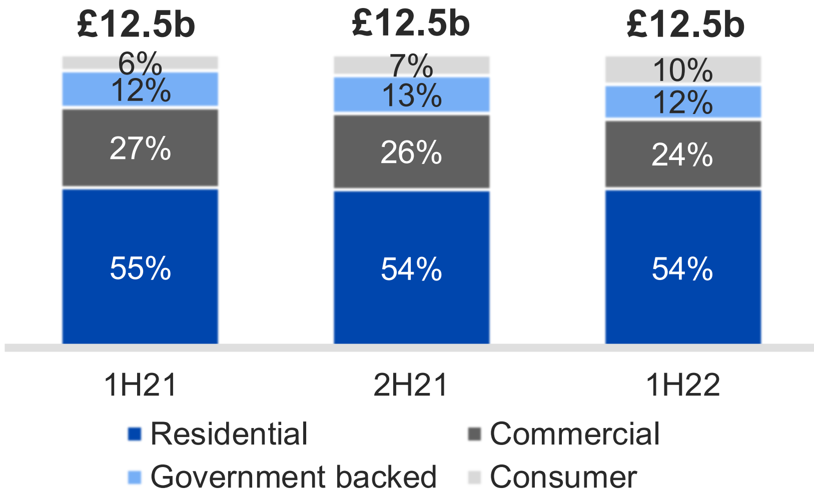
Improved mix offsets impact of rate rises



- Continued focus on mix improvement led to further reduction in cost of deposits supporting NIM.
- Non-interest bearing liabilities grew 15% YoY as more expensive fixed term deposits continue to roll off.

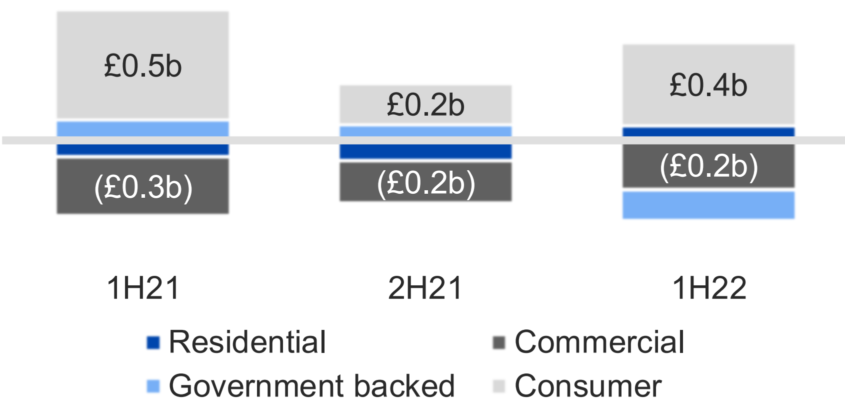
Lending demonstrates focus on risk adjusted returns

Lending mix[1]



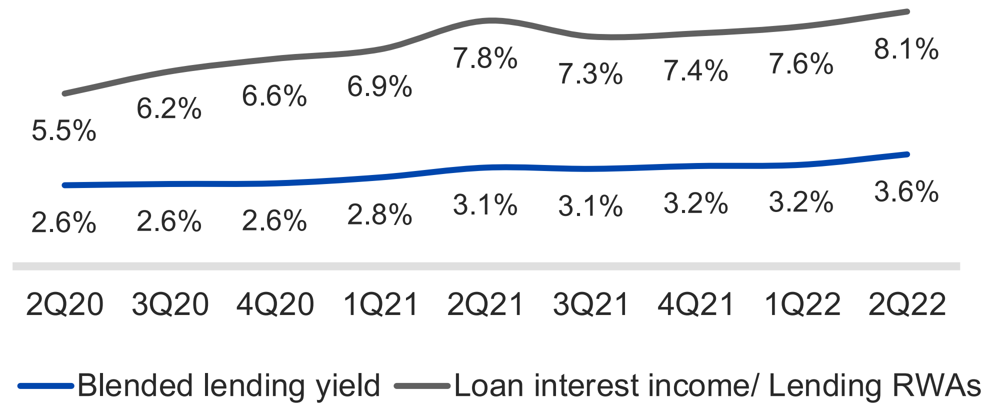
Movement in lending balances HoH

£ billions



Continued yield improvement, generating higher return on regulatory capital

%



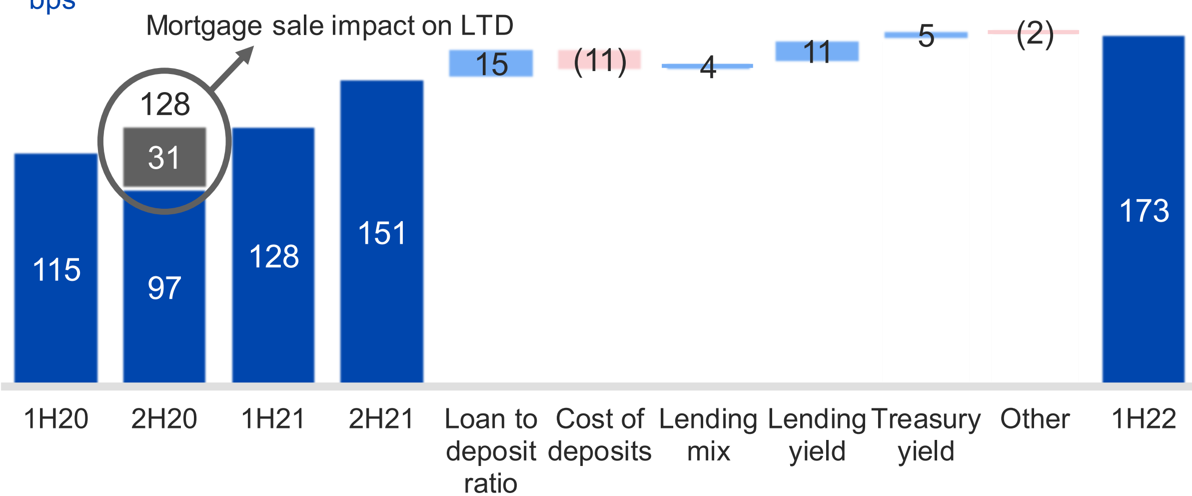
- Actively managing the loan portfolio to maximise return on regulatory capital.
- Asset quality remains conservative, greater yields achieved from mix as opposed to moving up risk profile.
- Consumer lending reached £1 billion milestone in the first half, with the average monthly origination during the period increasing to £105 million. An approval rate of less than a third (29%) during the period shows the focus on selective credit quality.
- Transactional Commercial lending and lower yielding Residential mortgages continue to roll off as part of the balance sheet optimisation strategy.

(1) Total gross lending.
(2) Average lending RWAs.

Revenue growth gaining momentum

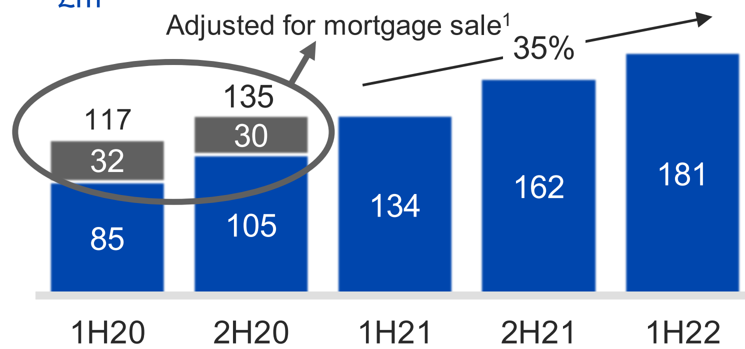
NIM bridge

bps



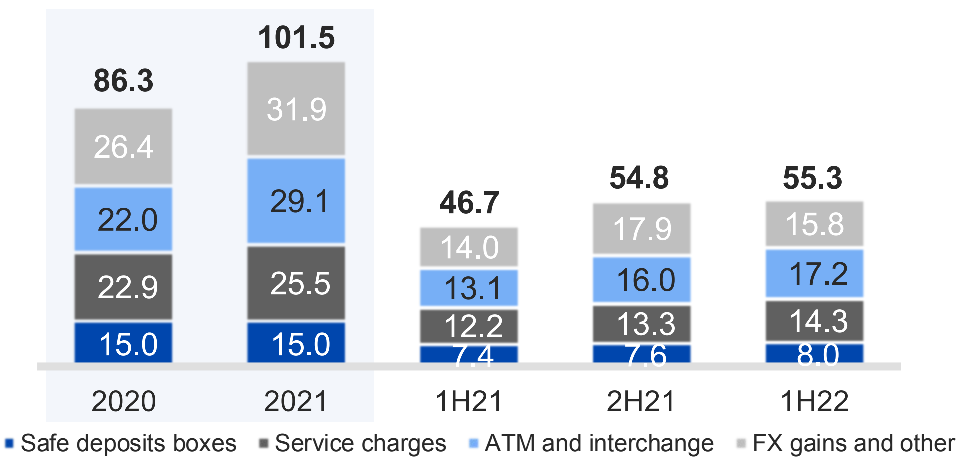
Underlying net interest income growth continues

£m



Fees recovering with activity

£ million

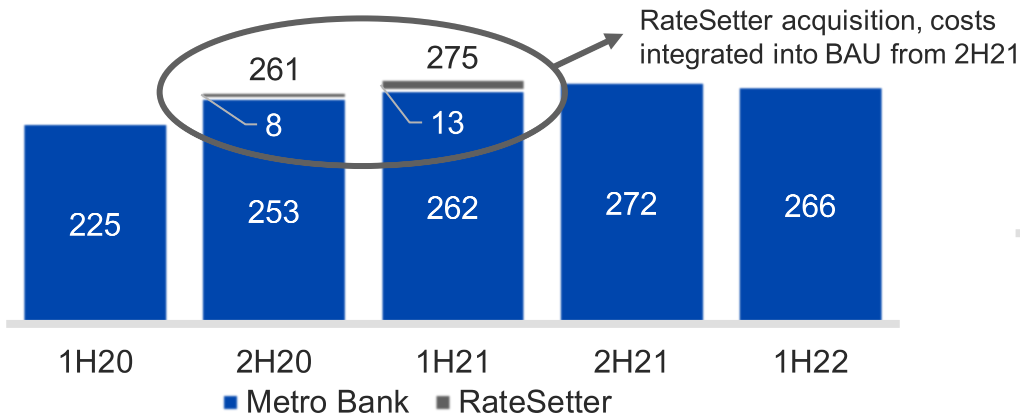


- Reduction in FX, gains and other in 1H22 is offset by growth on all other lines, fees expected to continue recovering.
- Yield benefitting as mix improvement continues with focus on Consumer lending and Specialist mortgages.
- Investment portfolio (including cash) becoming more beneficial as rates increase, the repricing duration is <1.4 years.

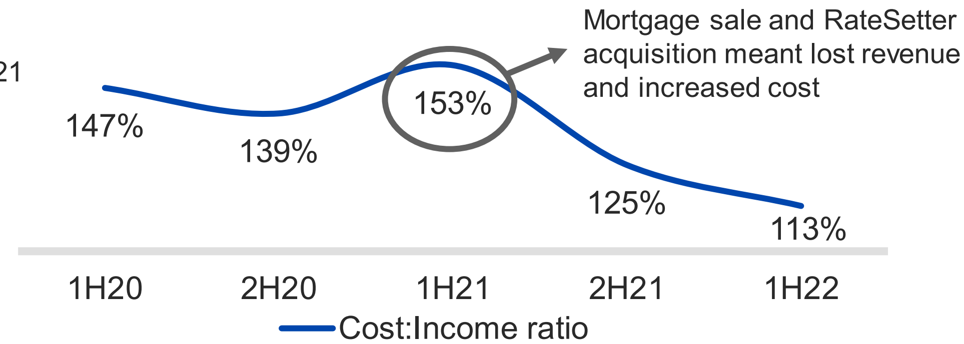
(1) Adjusts 1H20 and 2H20 underlying revenue numbers on a like for like basis by excluding loan income from the mortgage portfolio disposal announced December 2020

Cost efficiency improving with scale

Operating cost run-rate reduced



Cost:Income ratio

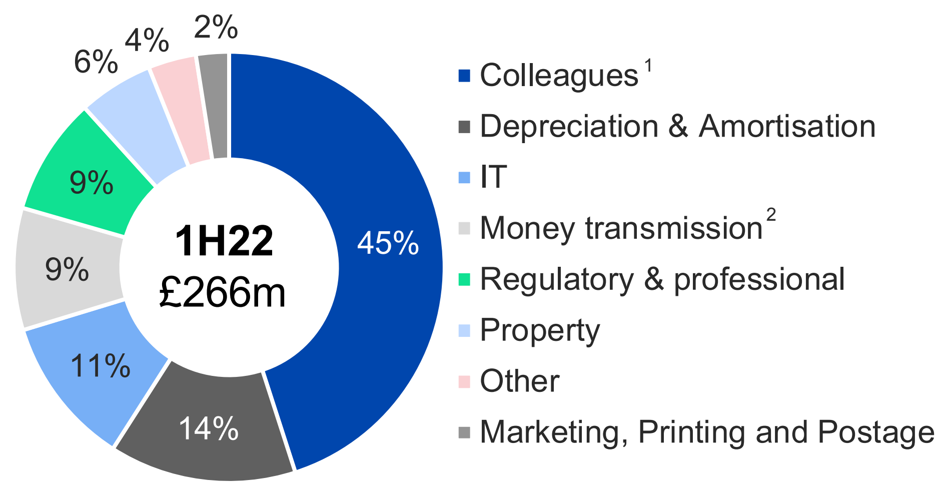


3% cost reduction despite inflationary pressures

Actions taken to reduce current run-rate and limit future cost growth – growth expected in variable costs as the bank continues to scale

- Property portfolio (including Store and Office space) and headcount numbers have been optimised.
- More than 25% of Stores are now freehold, reducing ongoing lease costs and limiting impact of inflation on property leases to just 3 Stores.
- Continued to invest in automation and efficiency to enable the bank to continue to scale profitably.

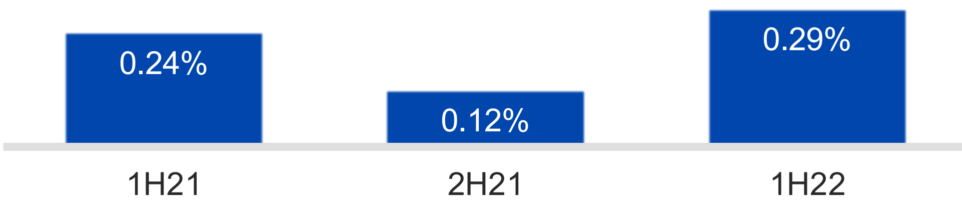
Underlying operating expense by type



(1) Includes non-permanent colleagues and travel expenses.
(2) Cards, payments and other banking related costs.

Expected credit losses and asset quality

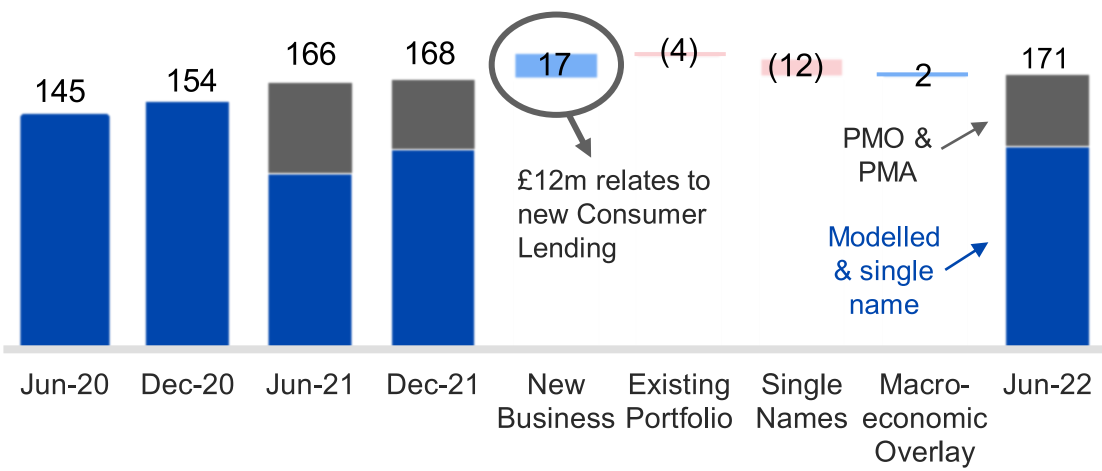
Cost of Risk[1]



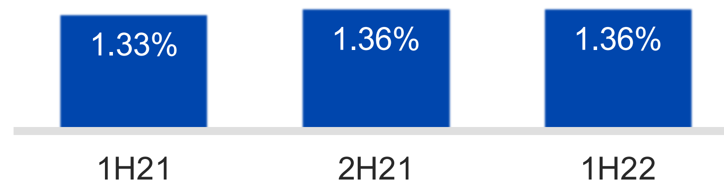
- Provisions for new Consumer lending have increased in line with portfolio growth and loan maturation profile.

ECL provision movement[3]

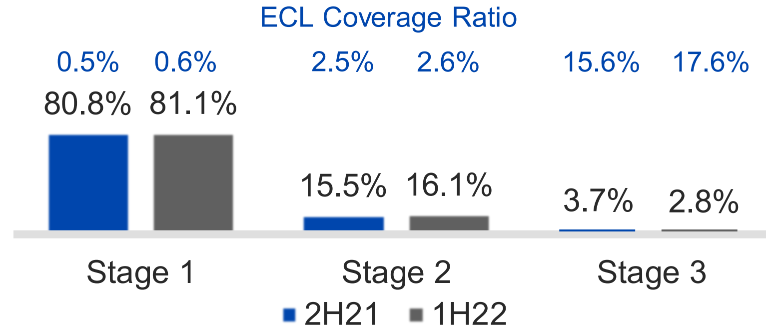
£m



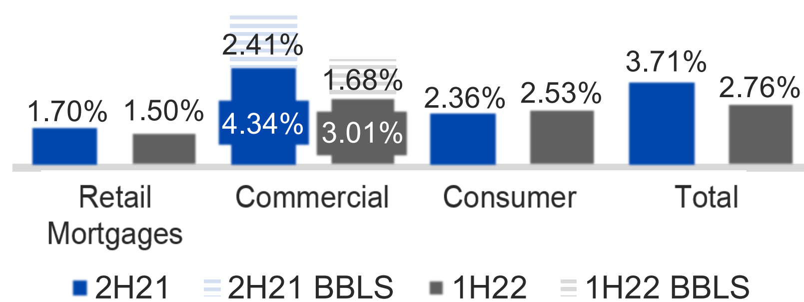
ECL coverage ratio[2]



Balance by IFRS9 stages



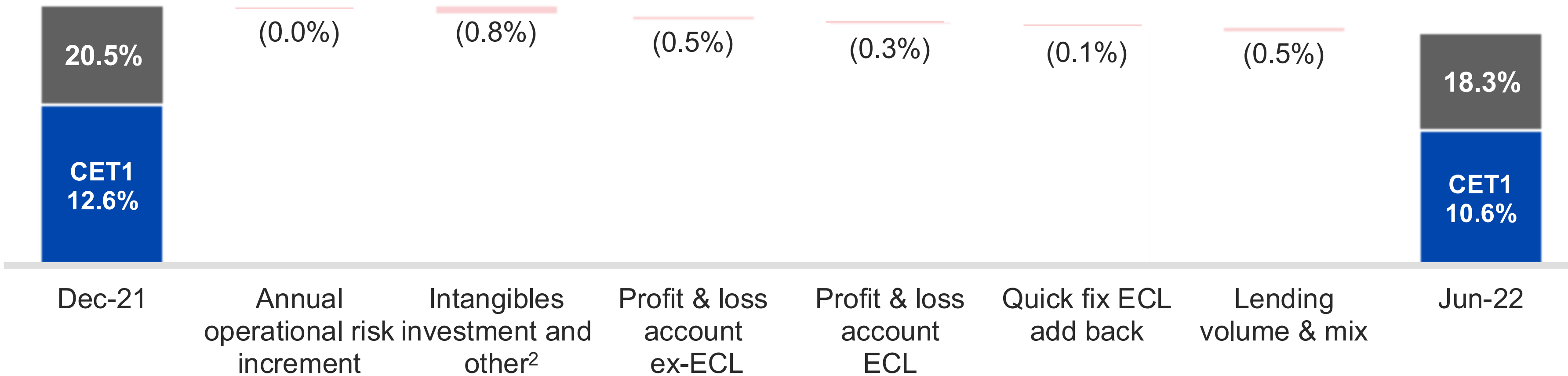
Non-performing loans



(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) The difference between ECL expense and ECL provision movement relates to write-offs adjustments.

Robust capital management to conserve capital and balance lending growth for risk adjusted returns

MREL ratio bridge



Capital management

- Operating within buffers and will remain above minimum capital requirement
- Holdco implemented by June 2023
- AIRB application progressing
- With breakeven approaching, loan growth is expected to absorb capital rather than losses

Proven ability to optimise balance sheet to create capital

- Roll off transactional commercial and lower yielding residential mortgages, making room for specialist and consumer lending
- Target portfolios for potential sales to create capital headroom for new lending, maximising return within constraints
- Consider forward flow agreements, securitisations and other non-capital intensive options

Current requirements

- The Bank's Pillar 2A requirement was reduced from 1.11% to 0.50% effective 27 June 2022, following this change the Bank's requirements are as follows:

30 June 2022	Current position	Minimum requirement	Including buffers[1]
CET1	10.6%	4.8%	7.3%
Tier 1	10.6%	6.4%	8.9%
Total Capital	13.8%	8.5%	11.0%
MREL	18.3%	17.0%	19.5%

(1) Capital conservational buffer (CCoB) of 2.5% and Countercyclical buffer (CCyB) of 0% at 30 June 2022.
(2) Includes 0.7% of EBA software adjustment reversal on 1 January 2022.

Significant opportunity for growth

Near Term	Medium Term

Well positioned for rising rates

- Treasury portfolio £9 billion with a repricing duration of <1.4 years
- Rate sensitivity analysis updated with further benefits expected

Fulfil existing lending opportunities

Application volumes and yields are elevated and expect that trend to continue:

- Mortgage applications volumes in Q2 2022 were 87% higher than Q1 and 133% higher than Q4 2021 and yields continued to improve
- Consumer lending monthly originations averaged £105 million in H1 2022, with an approval rate below a third (29%) showing a focus on selective credit quality

New product launches

- Auto lending is expected to launch in Q4 2022
- Digital SME lending launched in Q1 2022

Rate sensitivity[1]

	Year 1	Year 2
+100bps	c £2m	c £30m
+50bps	c £1m	c £15m
+25bps	c £0m	c £7m
-25bps	c (£0m)	c (£7m)

Asset generation

		Infrastructure
Increase mortgage and consumer unsecured volumes	✓ ✓	Built and scalable
Increase commercial lending	✓	Built but investment needed to scale
Increase SME lending including Invoice and Asset Finance	✓ ✓	Built and scalable

Opportunities also exist through regional commercial in new locations

Liability engine

- BCR commitment stores in the North and other targeted regions
- Expand fixed term deposits when capital is available to leverage the deposits

(1) Pass through rate of 60% assumed in line with sensitivity disclosed for FY21, actual pass through rate has been materially lower in 1H22.

Outlook and Guidance

2022 outlook re-affirmed

Balance sheet	Higher growth than 2021 (2021: 2%), with continued focus on mix improvement
Margin	A 1.56% FY21 exit-NIM holds us in good stead for 2022 with continued focus on lending mix and improved yields, potentially tempered by higher cost of deposits
Fees	Influenced by pace of recovery
Cost	Low single digit % reduction in total underlying operating expenses Exceptionals less than 20% of 2021 as remediation costs fall away
Capital	Operating in buffers and will remain above regulatory minima (MREL: 17.0%) Alternative capital actions remain available

Clear path to profitability

- Momentum in balance sheet growth and mix continues to improve
- Further margin benefits from cost control and rate rises and the strong lending volumes are expected to continue
- Risk adjusted return on regulatory capital improving
- **Monthly breakeven expected during Q1 2023[1]**
  - Not reliant on AIRB accreditation or other capital injection
  - Assumes broadly flat base rates into 2023

(1) Assumes no material deterioration in the macroeconomic environment.

Q&A

Appendix

Balance Sheet

£m	30 Jun 2022	31 Dec 2021	30 Jun 2021	Change HoH	Change YoY
Loans and advances to customers	12,364	12,290	12,325	1%	-
Treasury assets[1]	9,036	9,142	9,474	(1%)	(5%)
Other assets[2]	1,155	1,155	1,214	-	(5%)
Total assets	**22,555**	**22,587**	**23,013**	**-**	**(2%)**
Deposits from customers	16,514	16,448	16,620	-	(1%)
Deposits from central banks	3,800	3,800	3,800	-	-
Debt securities	577	588	596	(2%)	(3%)
Other liabilities	695	716	850	(3%)	(18%)
Total liabilities	**21,586**	**21,552**	**21,866**	**-**	**(1%)**
Shareholders' funds	969	1,035	1,147	(6%)	(16%)
Total equity and liabilities	**22,555**	**22,587**	**23,013**	**-**	**(2%)**
CET1 capital ratio	10.6%	12.6%	13.9%	(2.0pps)	(3.3pps)
Total capital ratio	13.8%	15.9%	17.2%	(2.1pps)	(3.4pps)
MREL ratio	18.3%	20.5%	21.7%	(2.2pps)	(3.4pps)
Regulatory leverage ratio[3]	4.3%	4.4%	4.9%	(0.1pps)	(0.6pps)
Risk weighted assets	7,702	7,454	7,563	3%	2%
Risk density – lending	49%	48%	47%	1pps	2pps
Loan to deposit ratio	75%	75%	74%	-	1pp
Liquidity coverage ratio	257%	281%	309%	24pp	52pp

(1) Comprises investment securities and cash & balances with the Bank of England.
(2) Comprises property, plant and equipment, intangible assets and other assets.
(3) The PRA Policy Statement 21/21 took affect from 1 January 2022 which required the exclusion of certain central bank claims from the total exposure measure. Had the central bank exposures been included the Leverage Ratio would have been 3.8%.

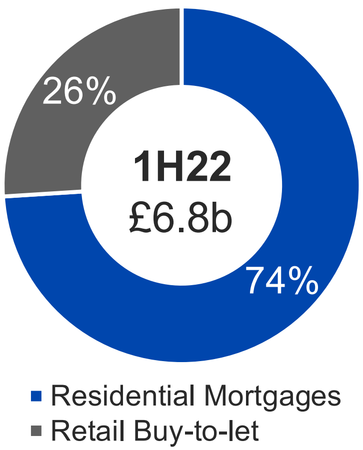
P&L

£m	Half year ended 30 Jun 2022	31 Dec 2021	30 Jun 2021	Change HoH	YoY
Net interest income	180.9	162.1	133.6	12%	35%
Net fees and other income	55.3	54.8	46.7	1%	18%
Net gains on sale of assets	-	1.2	(0.5)	(100%)	100%
Total underlying revenue	**236.2**	**218.1**	**179.8**	**8%**	**31%**
Operating costs	(266.3)	(271.6)	(275.2)	(2%)	(3%)
Expected credit loss expense	(17.9)	(7.8)	(14.6)	>100%	23%
Underlying loss before tax	**(48.0)**	**(61.3)**	**(110.0)**	**(22%)**	**(56%)**
Non-underlying items	(12.2)	(44.9)	(28.9)	(73%)	(58%)
Statutory taxation	(1.5)	(0.9)	(2.2)	67%	(32%)
Statutory loss after tax	**(61.7)**	**(107.1)**	**(141.1)**	**(42%)**	**(56%)**
Underlying EPS basic	(28.5p)	(36.0p)	(65.1p)	(21%)	(56%)
Net interest margin	1.73%	1.51%	1.28%	22bps	45bps
Cost of deposits	0.14%	0.17%	0.31%	(3bps)	(17bps)
Underlying cost to income ratio	113%	125%	153%	(12pps)	(40pps)
Cost of risk[1]	0.29%	0.12%	0.24%	17bps	5bps

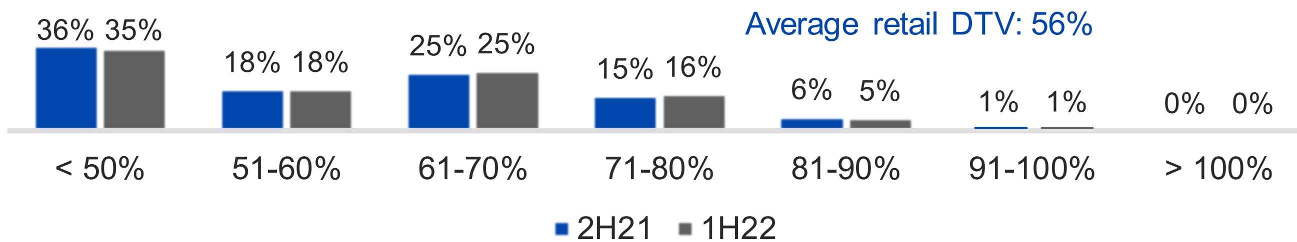
(1) Calculated on an annualised basis.

Retail Mortgages 1/2

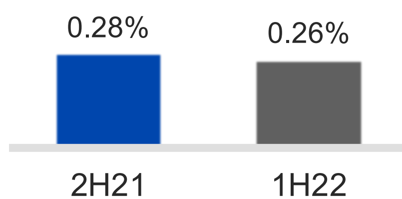
Retail Mortgages portfolio



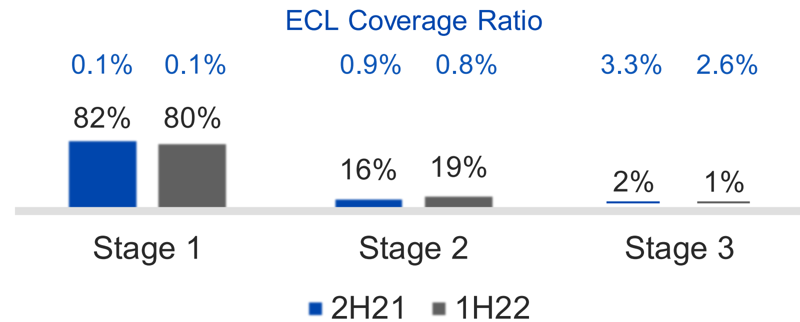
Retail mortgages debt-to-value



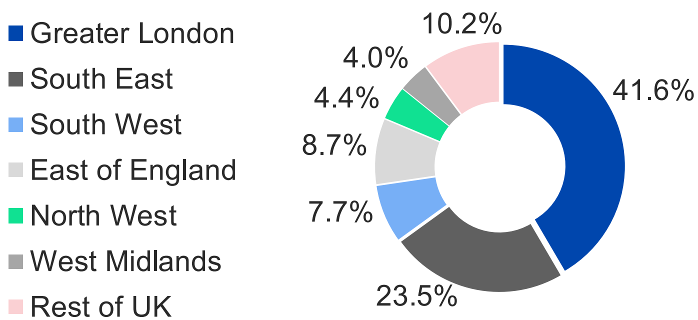
ECL coverage ratio



Balance by IFRS9 stage



Retail mortgages geographical split

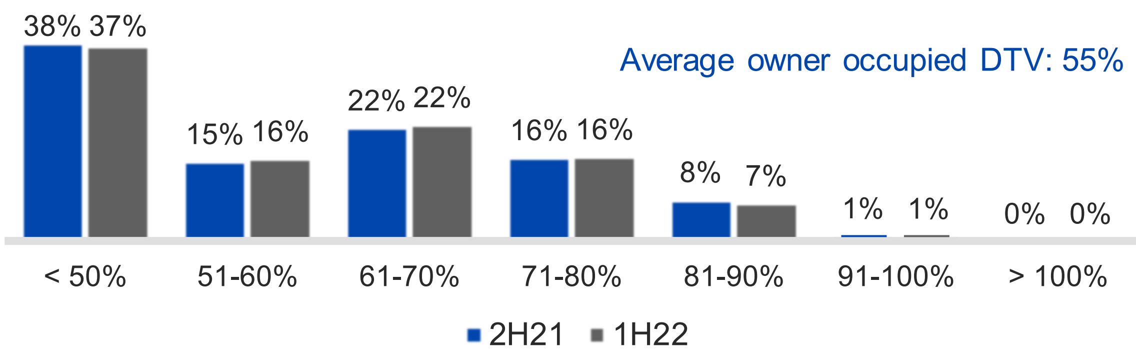


- Stable credit performance in the first half.
- ECL coverage has reduced, primarily driven by HPI improvements.

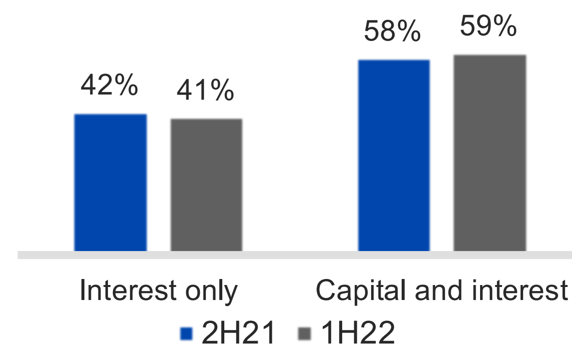
Retail Mortgages 2/2

Owner occupied retail mortgages

Debt-to-value profile

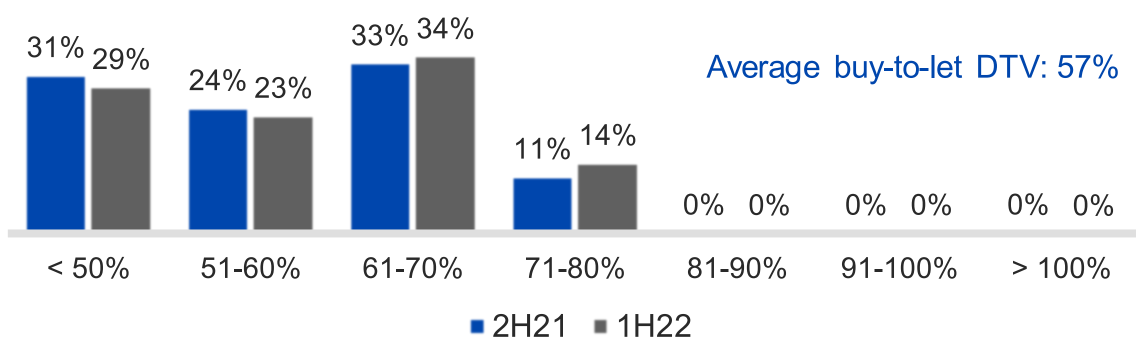


Repayment type

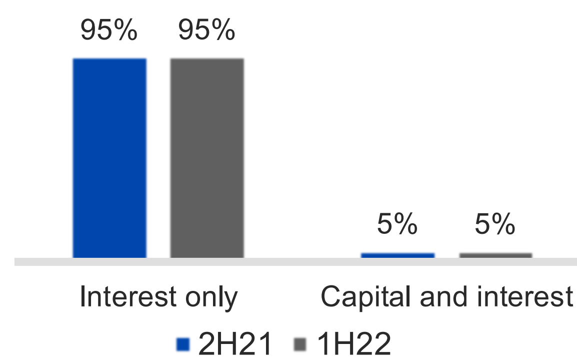


Retail buy-to-let mortgages

Debt-to-value profile

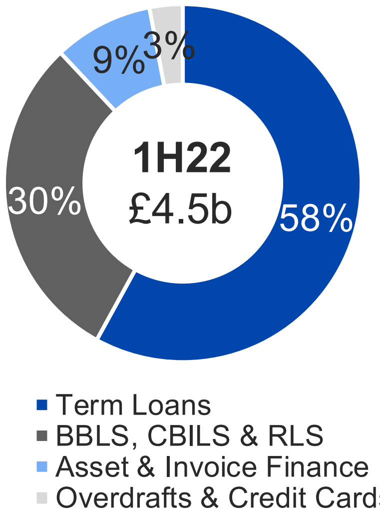


Repayment type



Commercial Lending

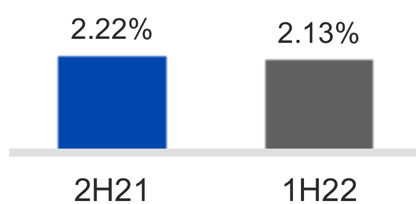
Commercial Lending portfolio



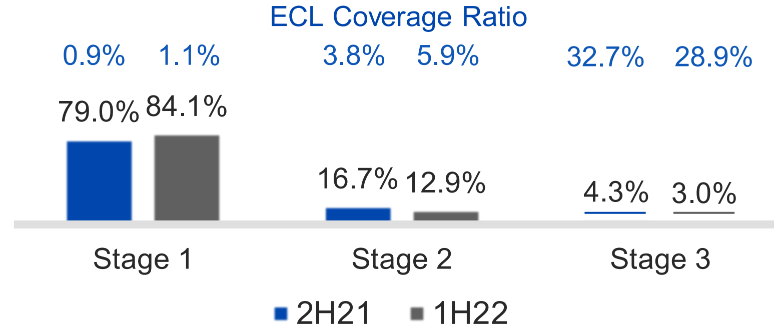
- Government lending has reduced as customers repay, partially offset by new lending under the governments Recovery Loan Scheme.
- The increase in DTV>100% in 2022 reflects the increase in RLS lending.

Term Loans by Industry Sector £m	30 Jun 2022	31 Dec 2021
Real estate (PBTL)	853	950
Real estate (other term loans)	807	887
Hospitality	359	365
Health & Social Work	243	232
Legal, Accountancy & Consultancy	208	290
Other	523	498

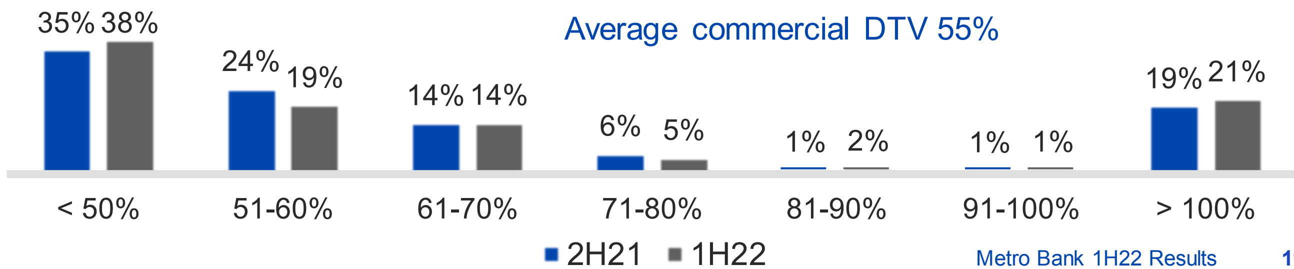
ECL coverage ratio



Balance by IFRS9 stage[1]



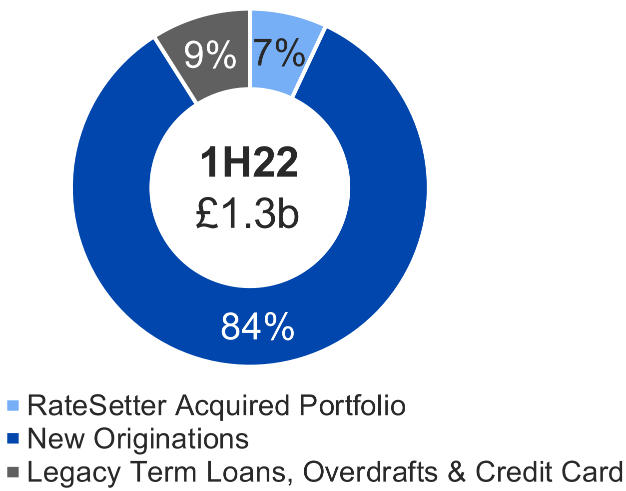
Commercial lending debt-to-value[1]



(1) Commercial portfolio excluding BBLS.

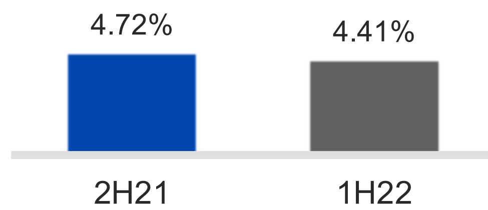
Consumer Lending

Consumer Lending portfolio

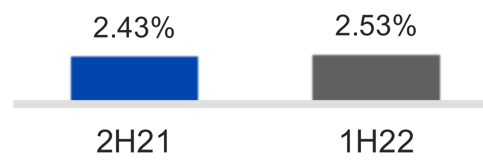


- 84% of the Consumer portfolio now comprises new lending originated through the acquired RateSetter platform.
- Provisions for new lending have increased as expected, in line with portfolio growth and loan maturation profile.
- The contractual average length of term, weighted based on originations, of loans booked in H1 2022 was 4.33 years.

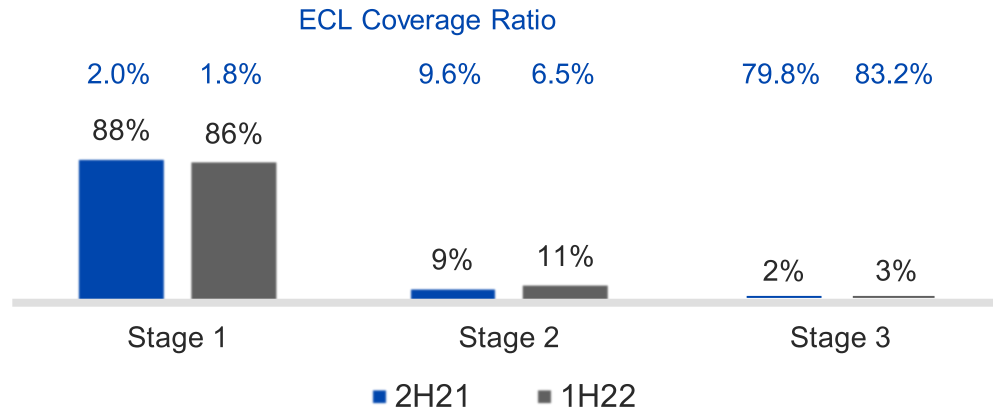
ECL coverage ratio



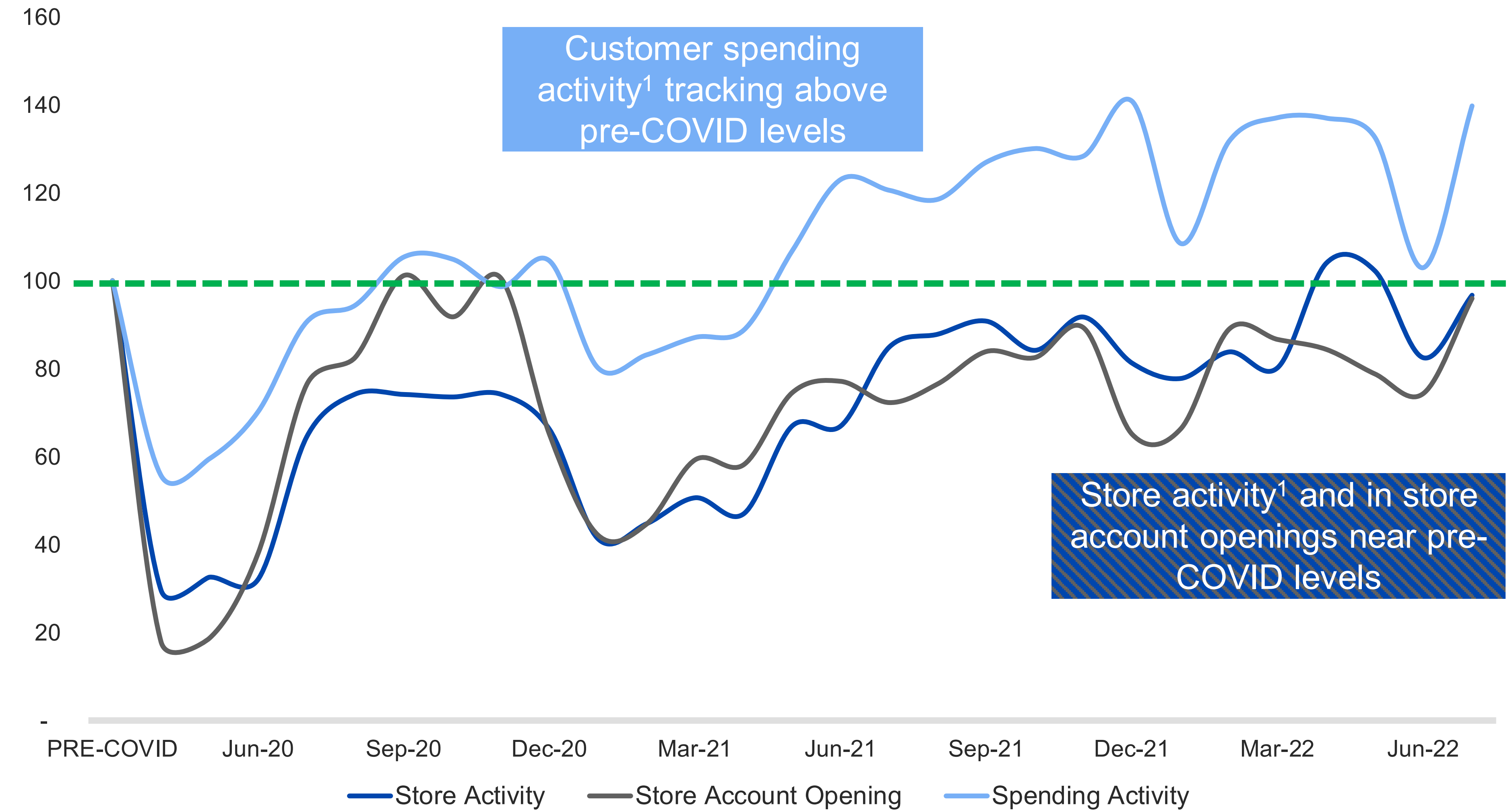
Non-performing loans



Balance by IFRS9 stage



Customer activity



(1) Activity levels shown as a percentage of pre-pandemic levels in 1st week commencing each month. Metro Bank customer activity only. Store activity relates to footfall into Stores; counter transactions, Store ATM transactions and SDB visits. Spending activity relates to card transaction volumes.

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