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

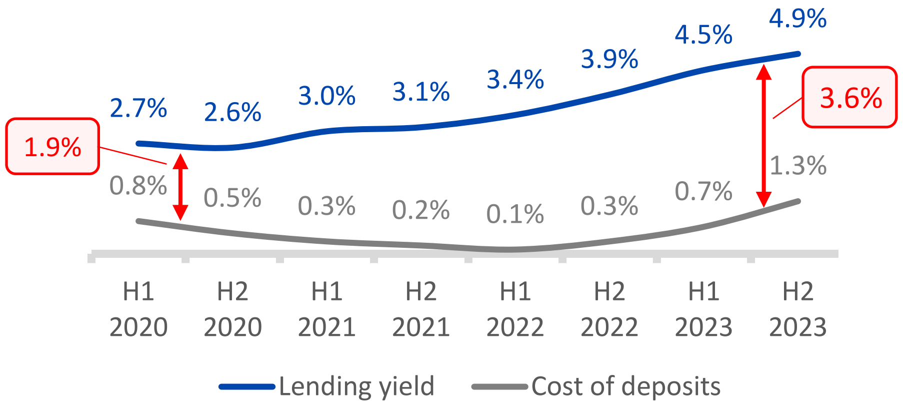
Large Loans Mortgage Lender of the Year
MoneyAge Mortgage Awards 2023

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

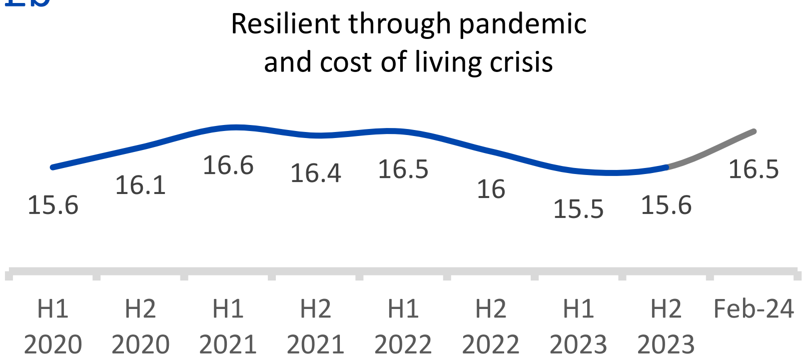
Improved lending margin



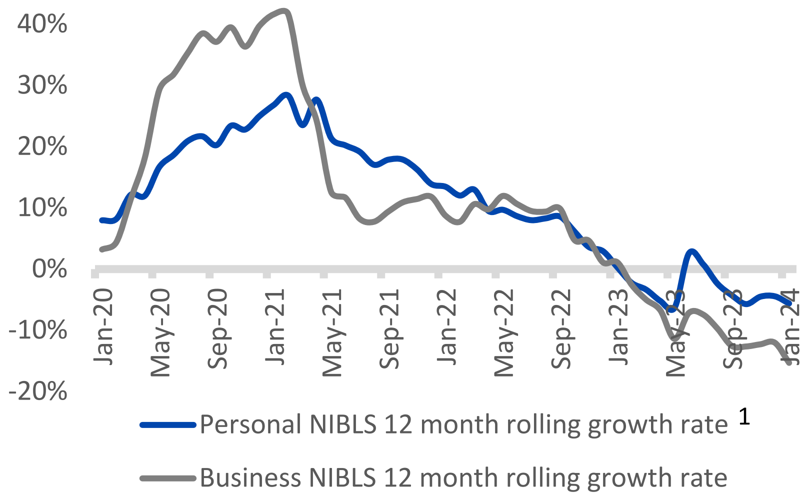
- Increased lending yield reflects asset pivot
  - Engines built to lend according to best risk adjusted returns
  - Lending growth constrained in first three quarters to manage capital requirements
- Cost of deposits contained despite rising rate environment

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

1. BoE Bankstats publicly available data

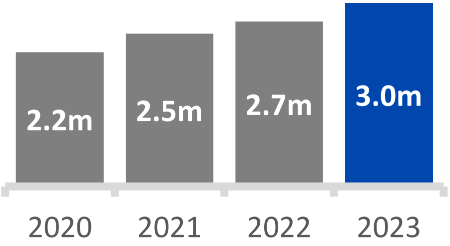
Financial performance

Cristina Alba Ochoa
Chief Financial Officer

Strong operating and financial performance in 2023

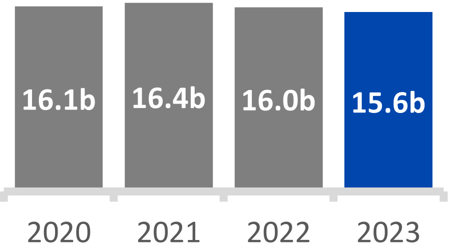
Customer accounts

3.0 million



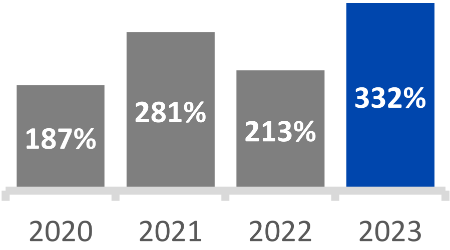
Customer deposits

£15.6 billion



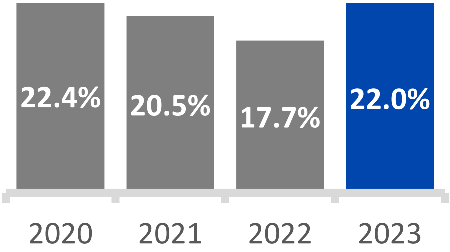
Liquidity coverage ratio

332%



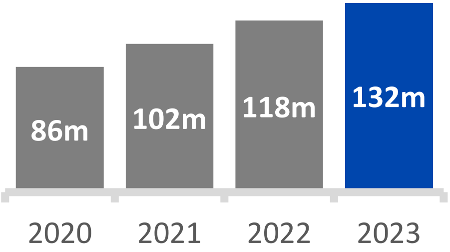
Total capital + MREL

22.0%



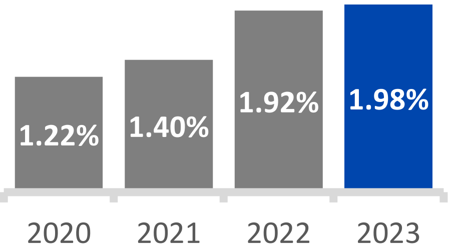
Net fee and other income

£132 million



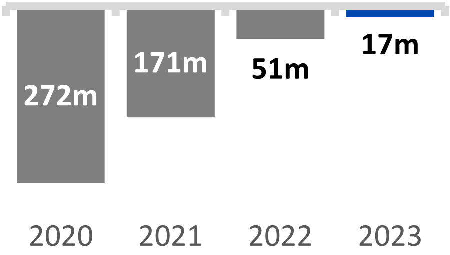
Net interest margin

1.98%



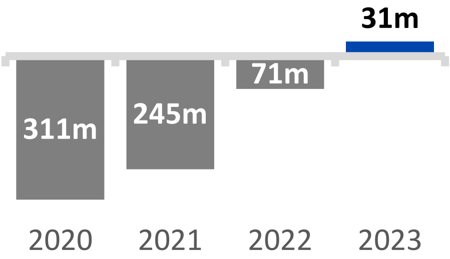
Underlying loss before tax

£17 million loss



Statutory profit before tax

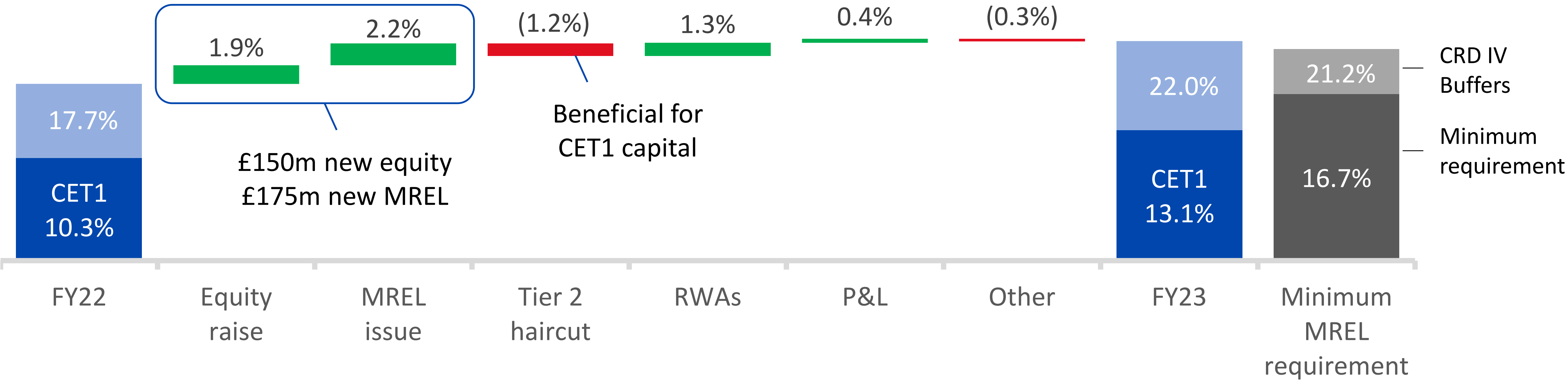
£31 million profit



- 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%

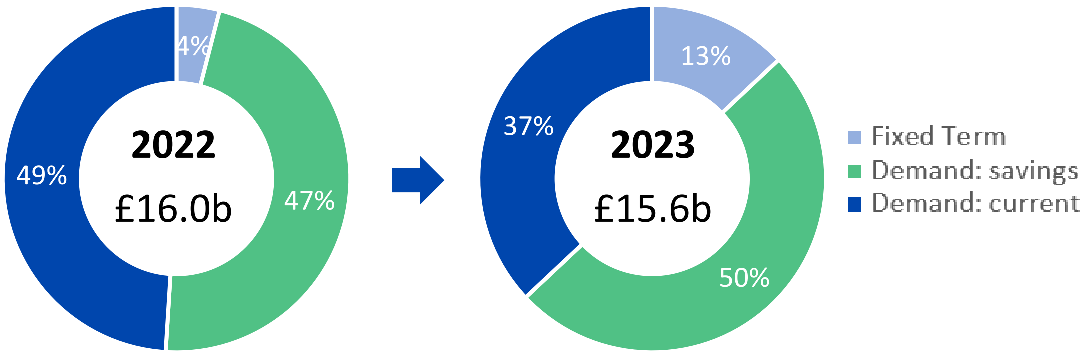
Capital planning

- ✓ 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

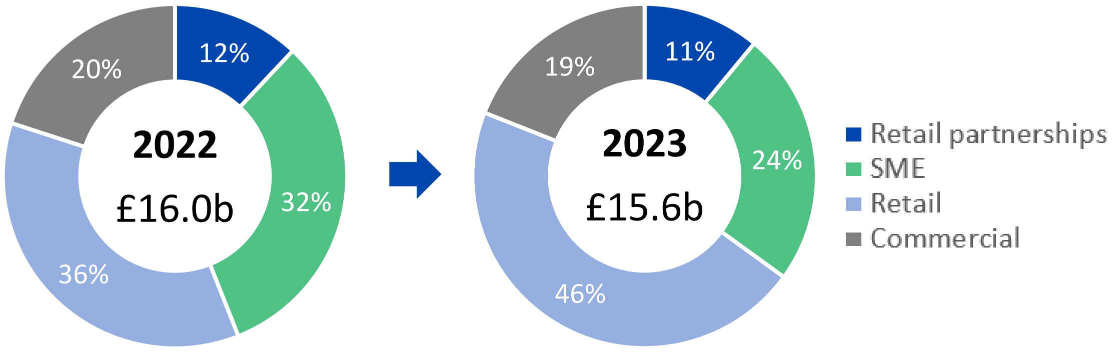
1. CRD IV buffers

Customer deposits continue to provide low cost of funding

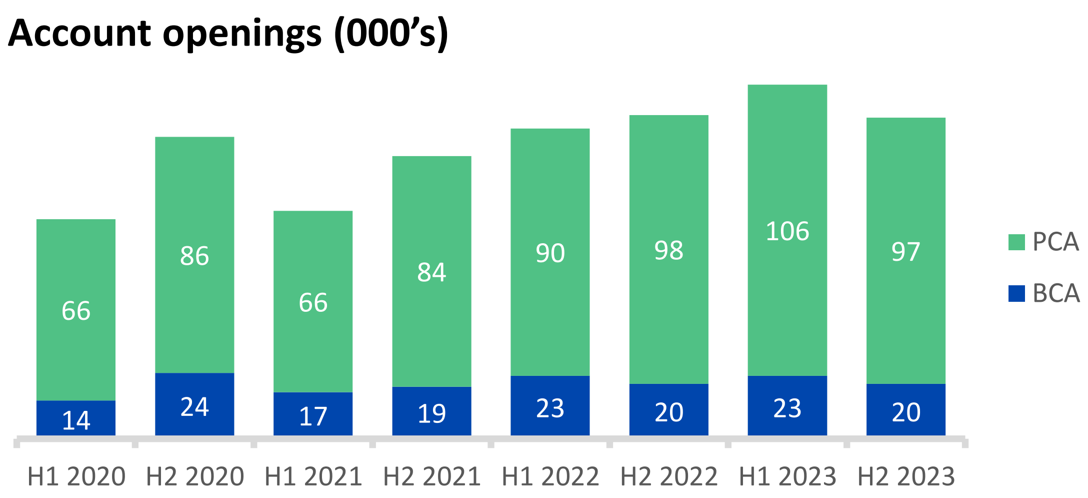
Deposits by product



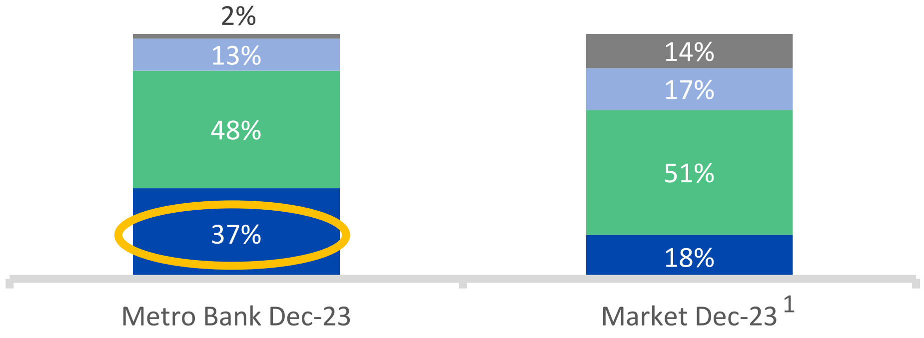
Deposits by customer type



Momentum continues in current account openings



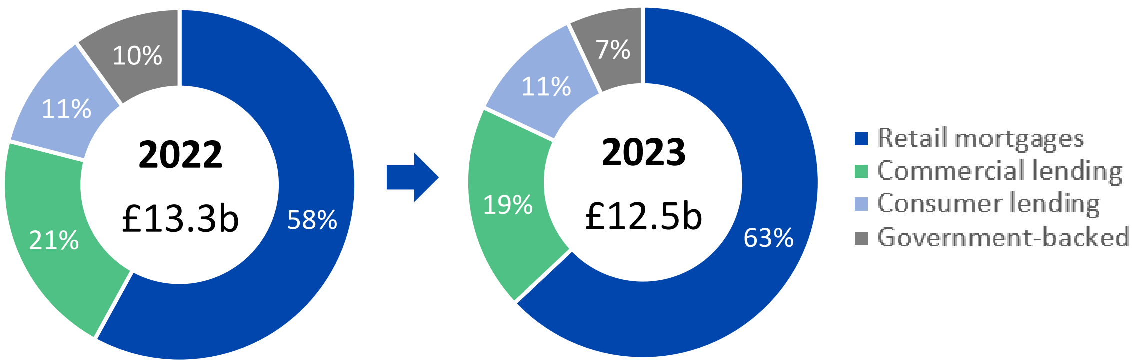
Double the market average NIBLs



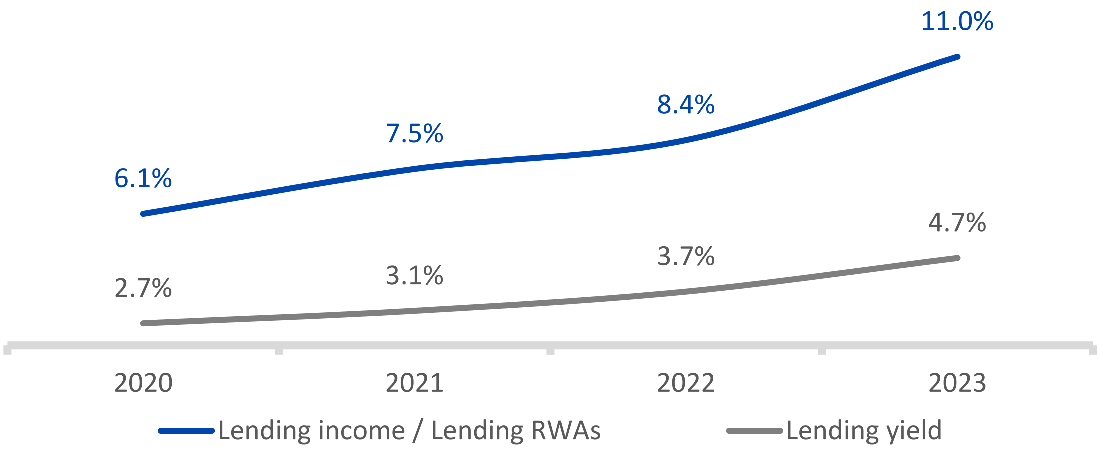
1. BoE Bankstats publicly available data

Customer lending in segments that deliver attractive risk adjusted returns

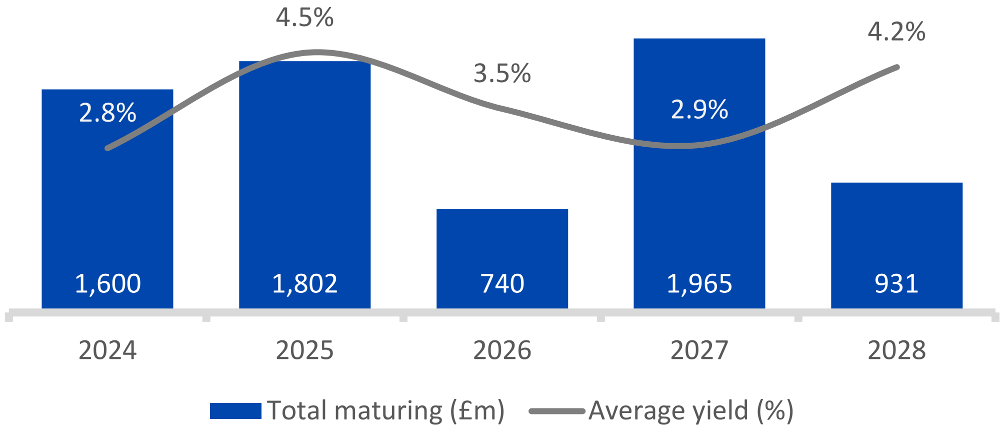
Lending mix



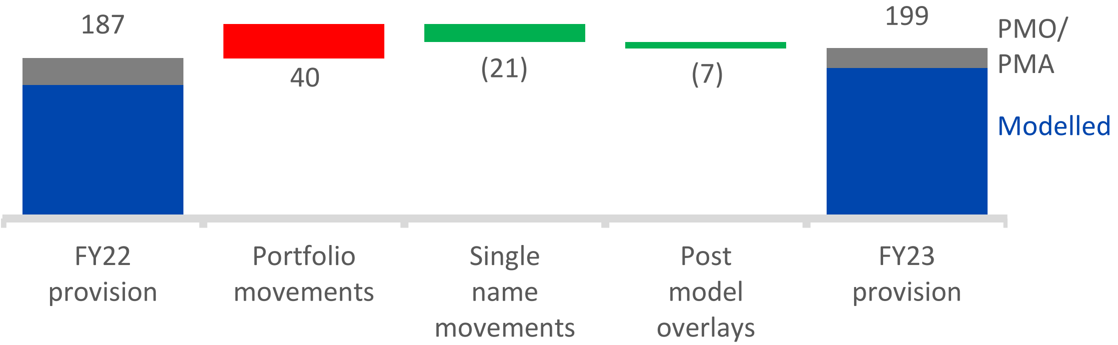
Improved yield and returns on capital



Fixed rate mortgage maturity and repricing[1]



Provision levels remain appropriate

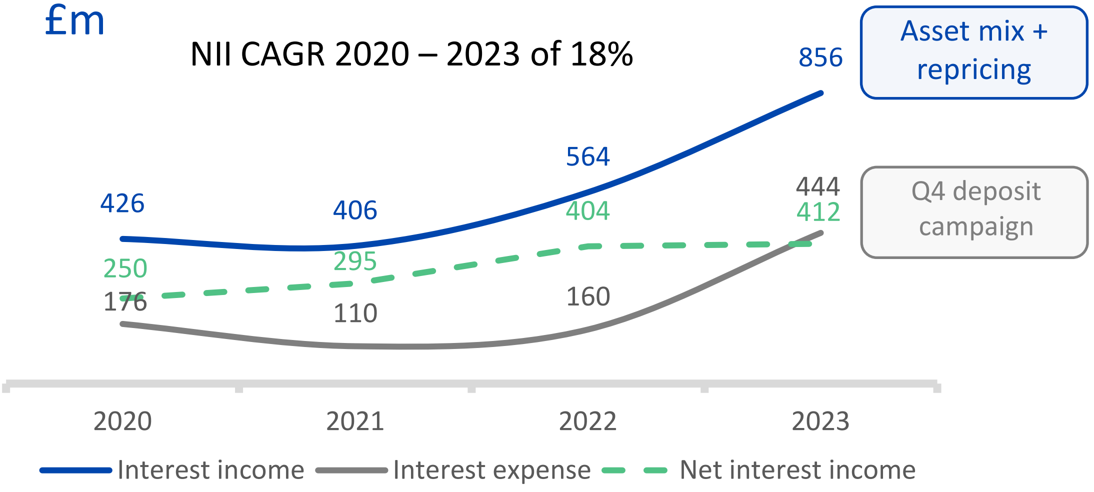


1. Compiled on a contractual basis, excluding behavioural assumptions

Revenue improvement driven by asset rotation and fee income growth

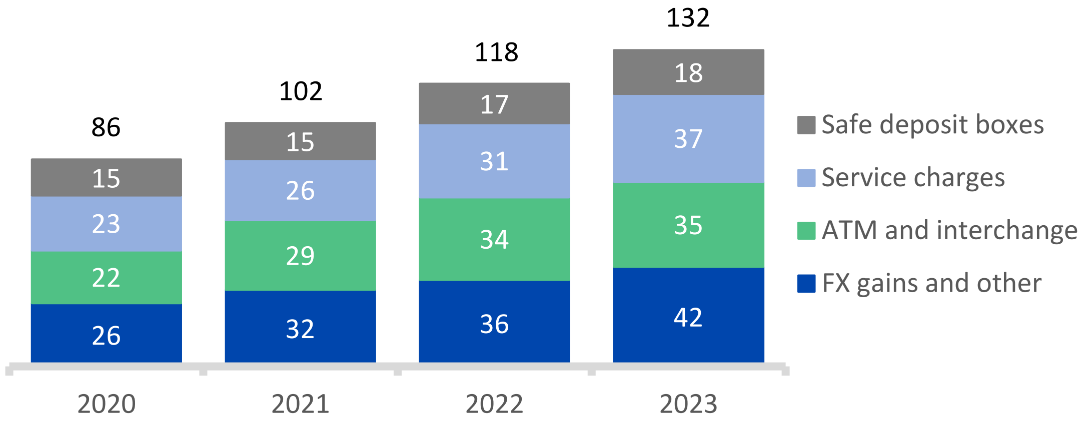
Net interest income

£m

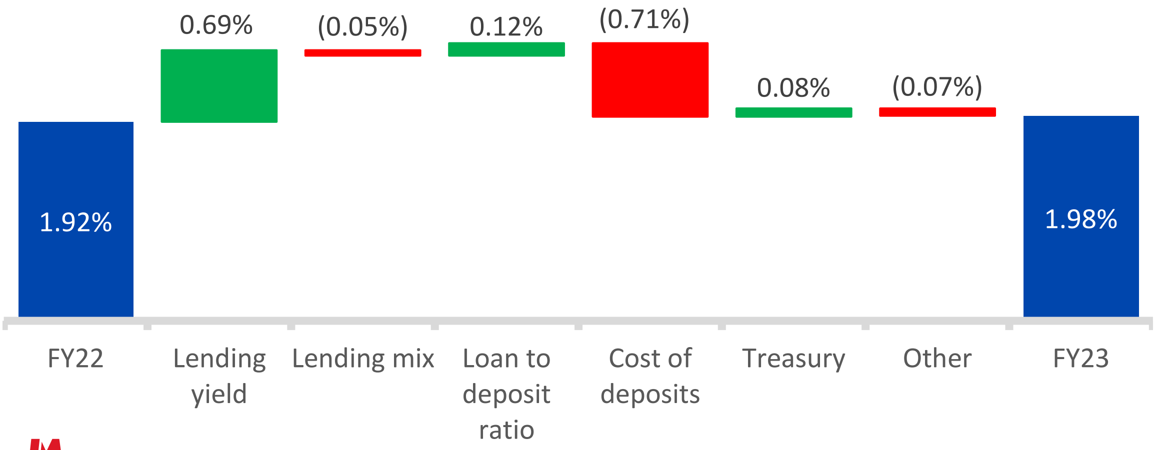


Other income and fees

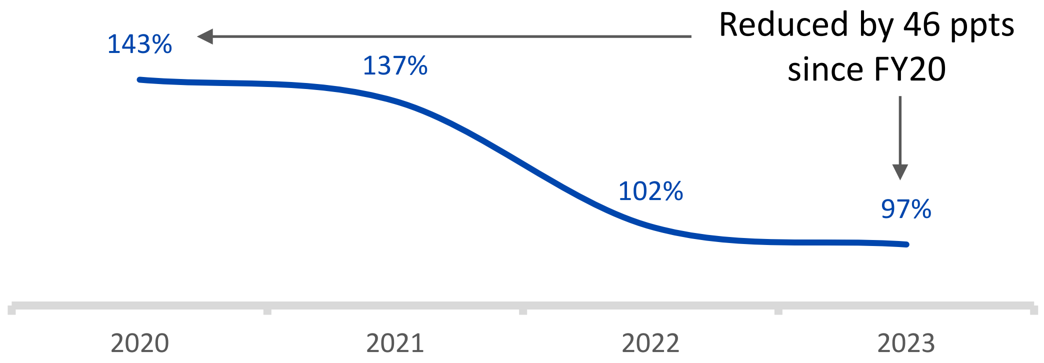
£m



NIM bridge



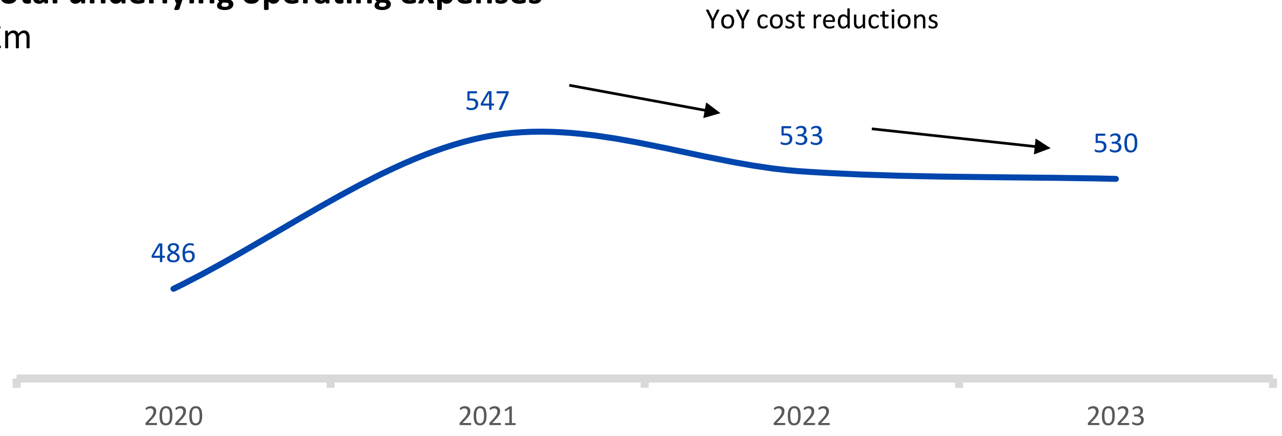
Cost:income ratio continues to improve



Disciplined approach to costs and actions taken limited cost inflation

Cost management has offset inflationary pressures

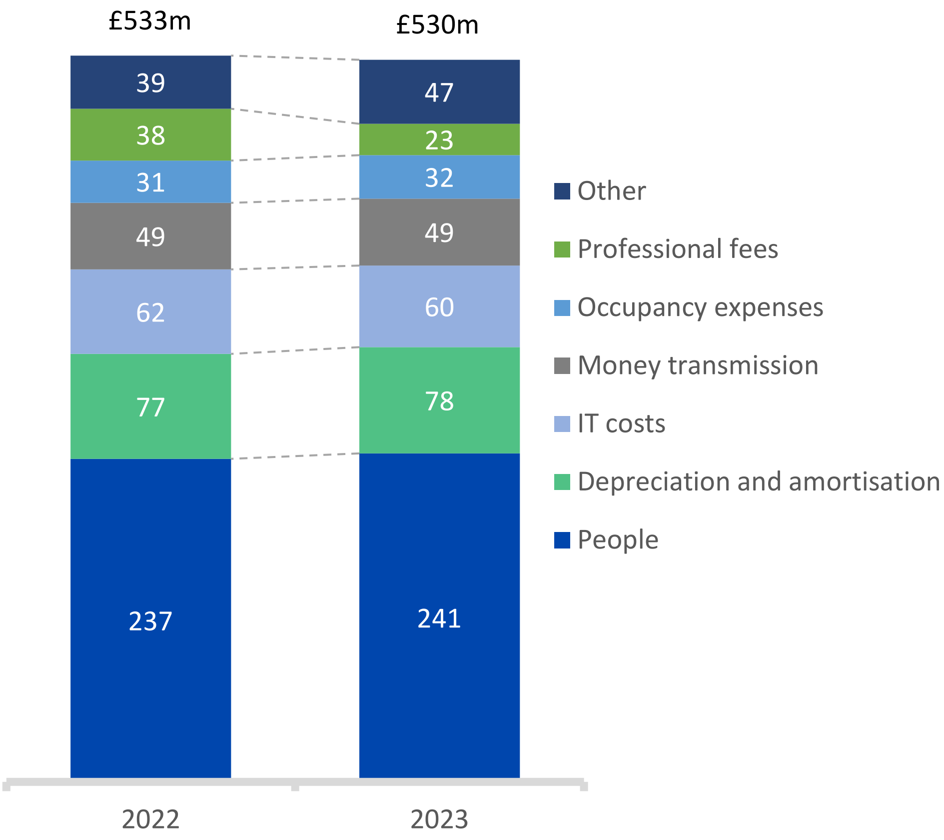
Total underlying operating expenses
£m



Upgraded cost saving guidance to £80 million annualised cost savings

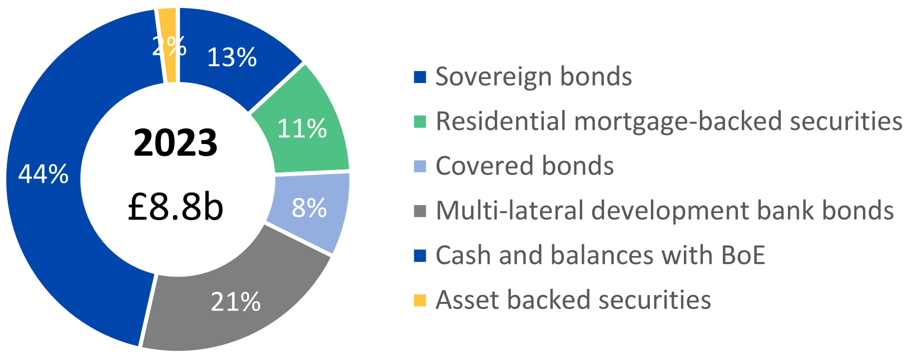
- On track to deliver annualised cost savings of £50 million in Q1
- Reduced headcount by 22% or c.1,000 colleagues across the business
- Transitioning to a more cost-effective operating model
- Expect to deliver additional £30 million annualised cost savings by Q4 2024

Operating expenses down £3m YoY



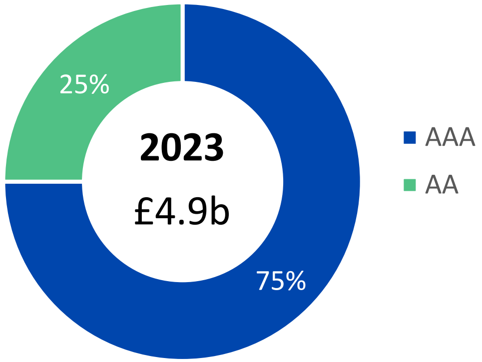
Highly liquid Treasury portfolio and asset repricing present revenue tailwinds

Portfolio composition and central bank eligibility



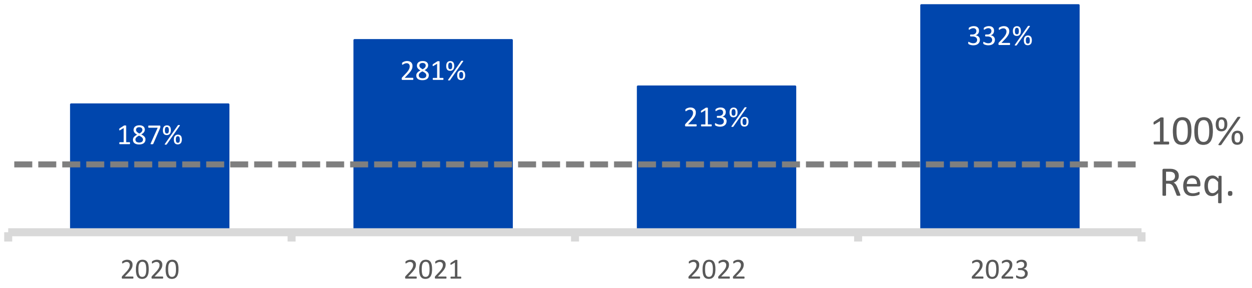
- 92% BoE eligible and a further 6% pending

High quality non-cash portfolio

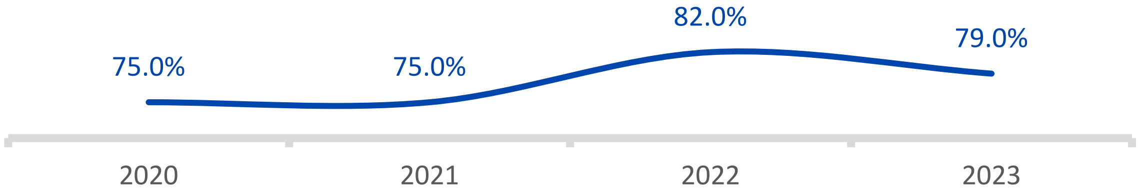


- 25% AA assets reflect the fact that the UK is AA rated

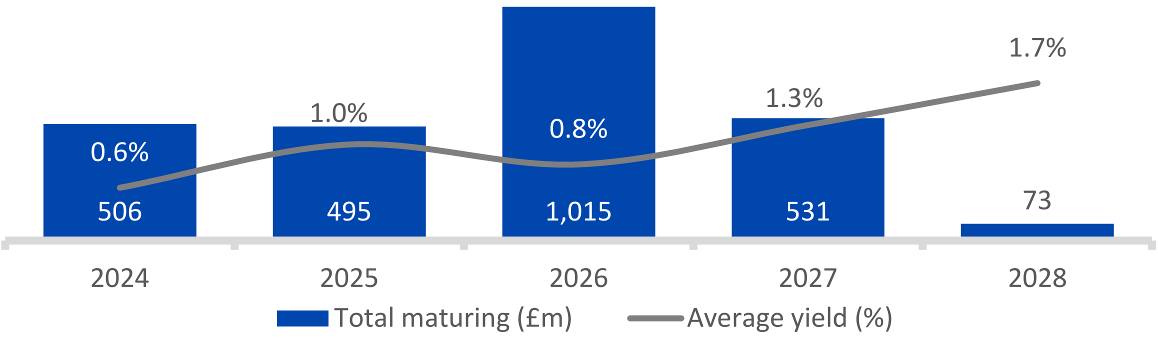
Liquidity coverage ratio



Loan to deposit ratio



Future benefit from Treasury asset repricing[1]



1. Compiled on a contractual basis, excluding behavioural assumptions

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

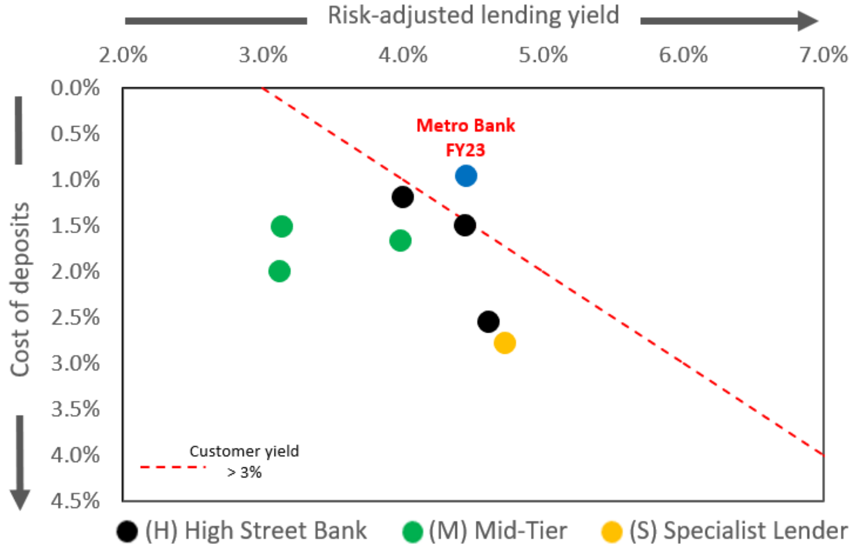
	Revenue	Costs	Balance Sheet Optimisation	Infrastructure	Communications
Delivered	Assets repricing into higher rates Effective asset rotation Strong momentum in fees	Disciplined approach Planned savings of £80m Store hour changes, 22% headcount reduction	Optimised for risk adjusted return on capital Elevated liquidity position Secured capital position	Improved digital proposition Enhanced automation and simplification of processes Targeted store locations	Colleague engagement Strong culture Clear path forward
Medium Term	Manage down cost of deposits Increase fee activity from relationship banking Target ROTE of low to mid teens by 2027	Maintain disciplined approach to costs Simplify operations Target 60% cost:income ratio by 2027	Increase share of low-cost high quality deposits Optimise for risk adjusted return on capital	New store locations in SME hotspots Improve digital offerings and competitiveness Invest in necessary growth platforms	Maintain engagement levels with stakeholders Clear communication Grow with our communities

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*

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

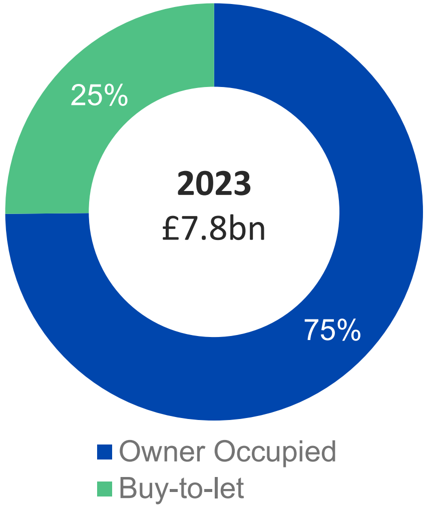
Balance sheet

£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%*

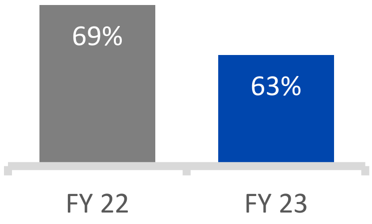
Risk weighted assets	7,533	7,990	*(6%)*	7,802	*(3%)*
Loan to deposit ratio	79%	82%	*(3ppts)*	81%	*(2ppts)*
Tangible book value per share	£1.40	£4.29	*(67%)*	£4.42	*(68%)*
Liquidity coverage ratio	332%	213%	*119ppts*	214%	*118ppts*

Retail mortgages – overview

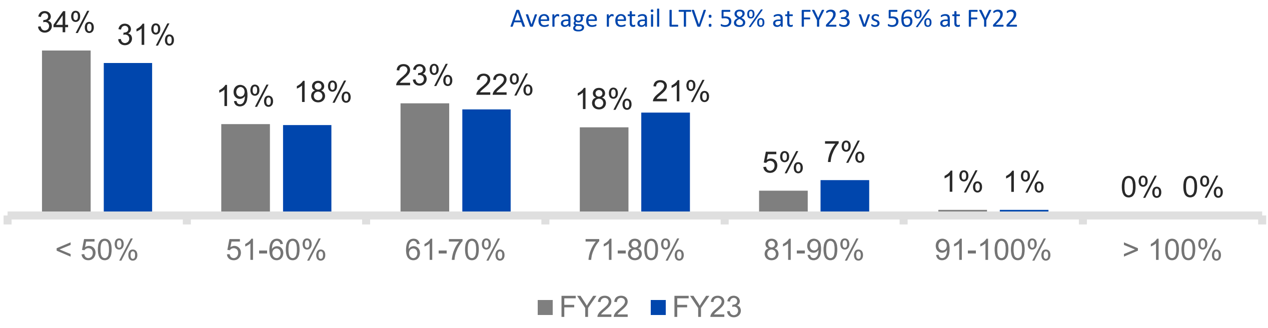
Retail mortgage portfolio



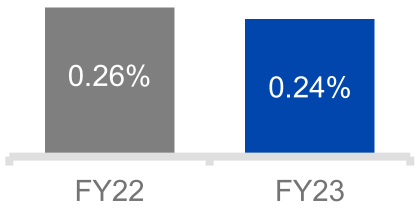
New lending loan-to-value %



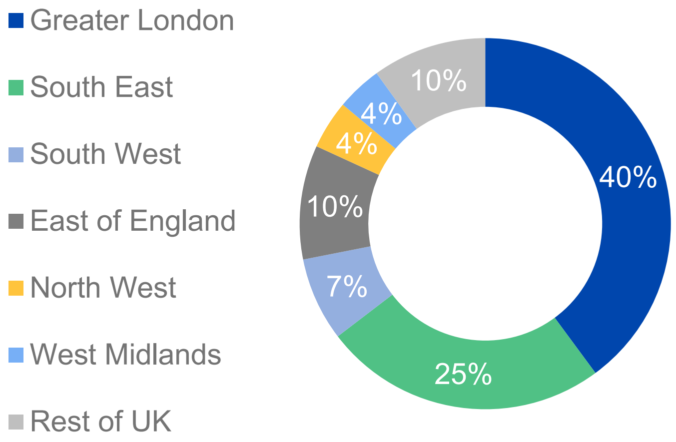
Retail mortgages loan-to-value



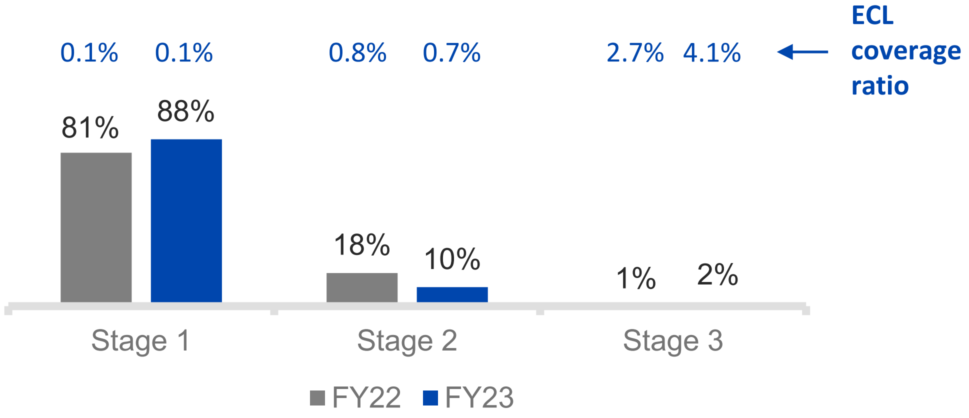
ECL coverage ratio



Retail mortgages geographical split

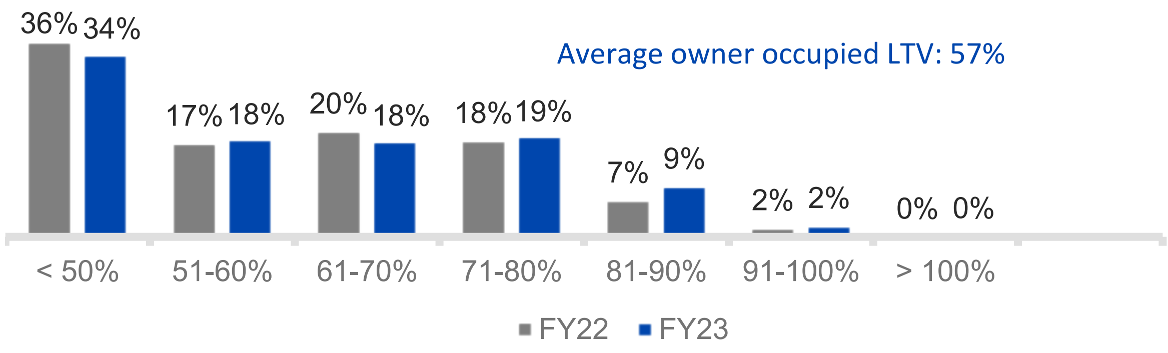


Balance by IFRS9 stage

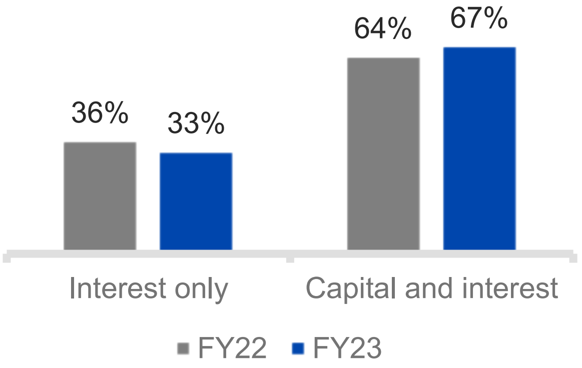


Retail mortgages – LTV and repayment type

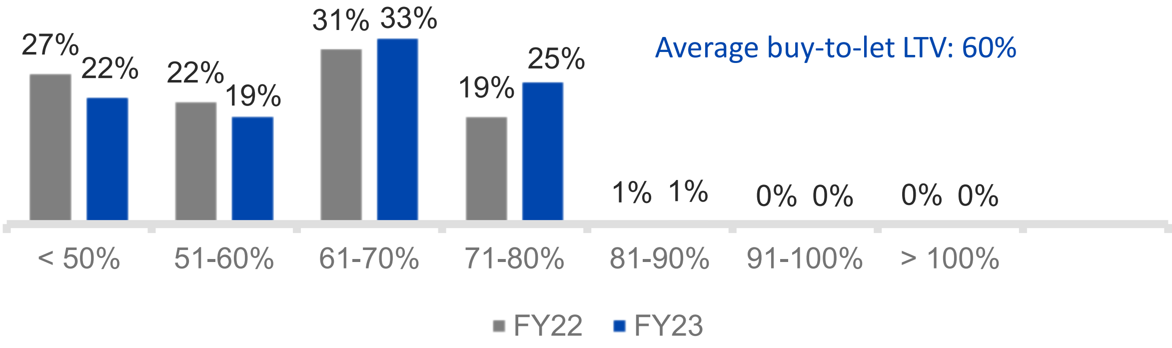
Owner Occupied Loan-to-value profile



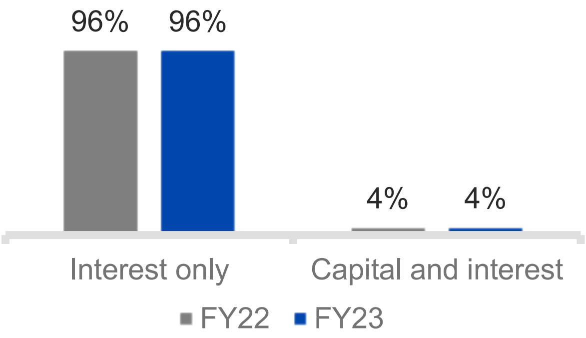
Owner Occupied Repayment type



Buy to Let Loan-to-value profile

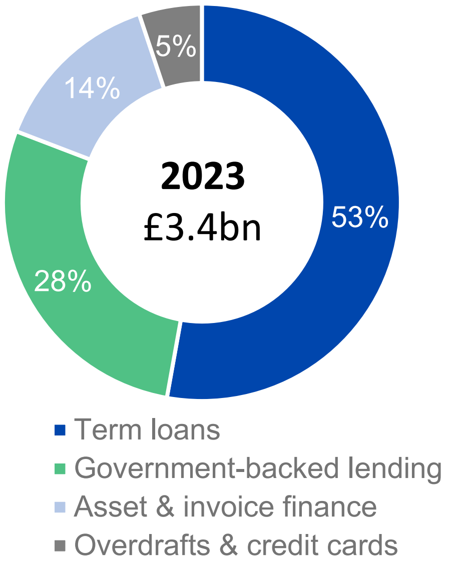


Buy to Let Repayment type



Commercial – overview

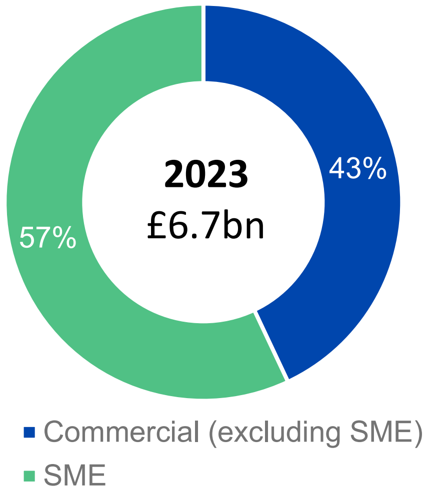
Commercial lending portfolio



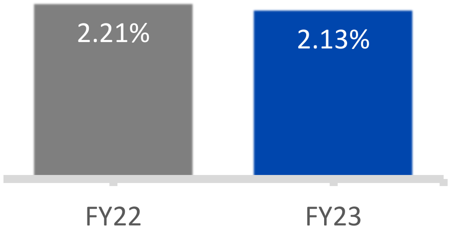
Term loans by industry sector

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

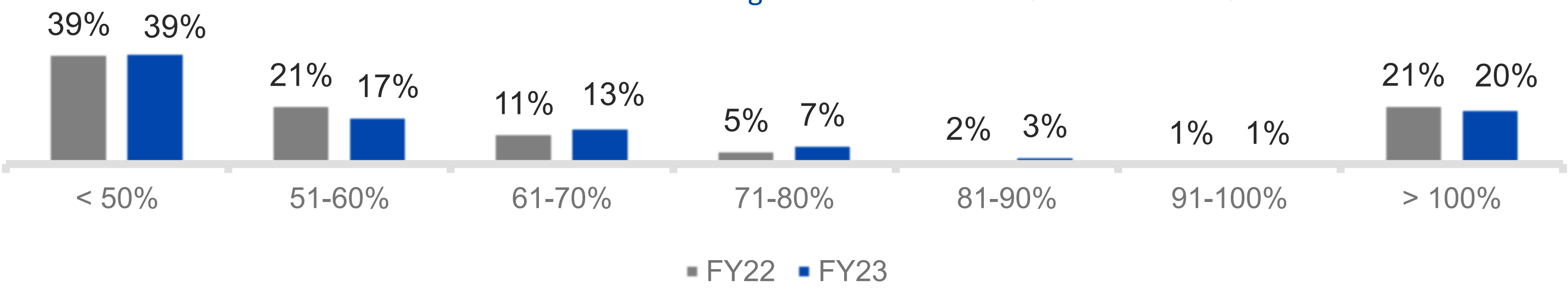


ECL coverage ratio



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

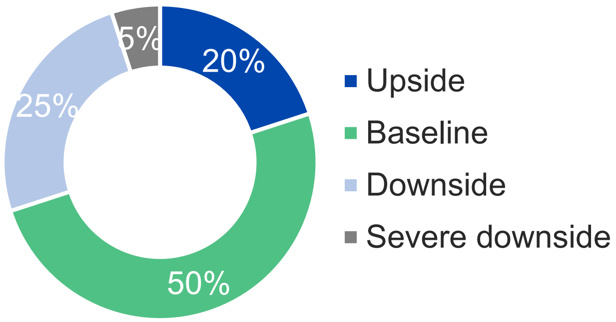
Average commercial LTV 55% at FY23 vs 55% at FY22



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 scenarios[1]

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%

1. Moody's Analytics published December 2023 scenarios have been used with adjustments made to HPI and CRE, which have been stressed to account for economic uncertainty reflected in PMOs.

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)**

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