Metro Bank PLC
Full Year 2022 Results

2 March 2023

Overview

Daniel Frumkin

Chief Executive Officer

Turnaround complete

Profitable on an underlying basis for Q4 2022

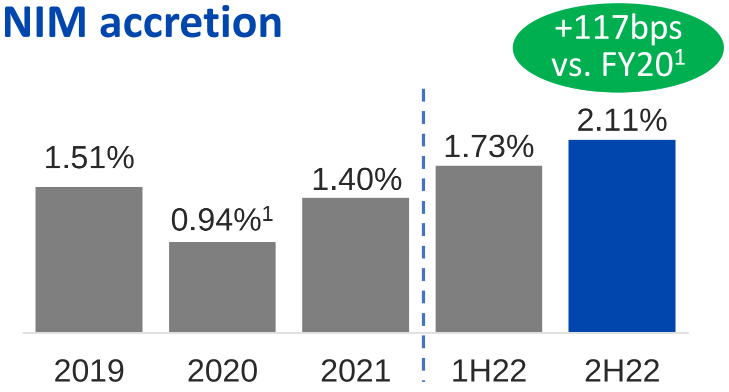
1 Enhanced stability and resilience

Significant investment in control environment

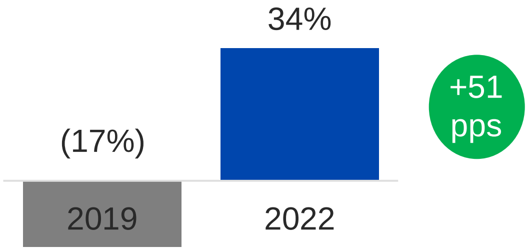
- +67% FTEs across Risk and Regulatory vs 2019
- Focus on governance with new leadership at Board and ExCo
- Closed legacy RWA and OFAC investigations

2 Transformed financial performance

Repositioned balance sheet driving NIM accretion



Cost discipline and revenue focus creating positive operating jaws

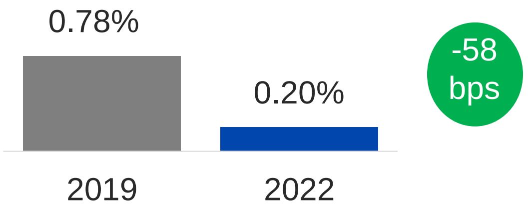


3 Created diversified growth opportunities

- Scalable and dynamic asset generating engines
- Win market share in existing and new locations

Funded by service-led core deposit model advantaged through the cycle

Cost of deposits, %



1. Adjusted FY20 NIM for impacts of the £3.1b mortgage portfolio disposal announced December 2020; reported NIM was 1.22%.

Emerged from the turnaround as a stronger bank

Strategic priority	Delivers	Key outcomes
Cost	• Disciplined cost growth • Investment has built scalable asset generating platforms ✓	• Investment in digital and automation reduced store and Amaze Direct headcount • Selected store closures, new stores build cost reduced 40%, purchased freehold to increase flexibility • Robust programme of renegotiations with suppliers saving £15m annually • Targeted opex reduction projects across the bank • Exited central London office space pre-Covid
Revenue	• Dynamic, diversified revenue base • 100bps+ increase in yield ✓	• Acquired RateSetter consumer lending platform and accelerated into unsecured market • Developed other lending products eg auto-finance, SME overdraft, government lending schemes • Investment in digital capabilities underpin ability to deliver PCA and BCA growth • Participated in the government lending schemes delivering £1.7b of lending to support customers
Infrastructure	• Technology platforms, Risk and IT resilience enhanced ✓	• FCA and PRA RWA investigations resolved • OFAC investigation remediated and closed • Significant investment in financial crime improvement programme • 67% increase in Risk and Regulatory FTE since 2019 • Significant investment in arrears management, customer outcome management and controls
Balance Sheet optimisation	• Flexible asset levers though the cycle • Deposit pricing discipline embedded ✓	• Dynamic balance sheet (82% LDR), ability to shift asset mix fast • Above par disposal of £3.1b residential mortgage portfolio • Acquisition of RateSetter consumer finance platform and portfolio • Targeted reduction of CRE/PBTL book • Progressed AIRB submission • Disciplined capital management
Communication	• Preserved unique culture and customer service rankings (#1 high street bank for overall quality) ✓	• People-People banking marketing campaign launched • Hyper-local marketing to drive footfall into stores • Colleague engagement continues to increase, and exceed global benchmarks

Metro Bank post turnaround

Great Colleagues who are engaged
- 95% of our Voice of the Colleague scores are above Glint Global Benchmark[1]
- All scores are better or at par with our 2021 results

Best in class service
- #1 on the high street for the 10th time running[2]

Deep commitment to communities
- Days to Amaze for volunteering, >250k children educated via Money Zone
- Local Business Manager in every store

Still growing and creating FANS
- Significant growth momentum since 2019: PCA CAGR +11%; BCA CAGR +9%
- 0.2m new customer accounts in 2022, opened 188,000 PCAs and 42,000 BCAs

Built strong commercial edge
- 2H22 NIM of 2.11% up 117bps vs. FY20 0.94%[3]

Strategic optionality
- New locations will increase population coverage
- Scalable asset platforms provide ability to leverage existing cost base

Underlying profitability achieved in Q4

Targeting mid-single digit RoTE by 2024

1. Glint's global benchmark is based on data from over 1300 clients, using 275m data points annually from employees based across 150 countries. 2. #1 high street bank for overall service quality in every CMA survey Aug 2018 – Feb 2023. 3. Adjusted FY20 NIM for impacts of the £3.1b mortgage portfolio disposal announced December 2020; reported NIM was 1.22%.

Financial Review

James Hopkinson

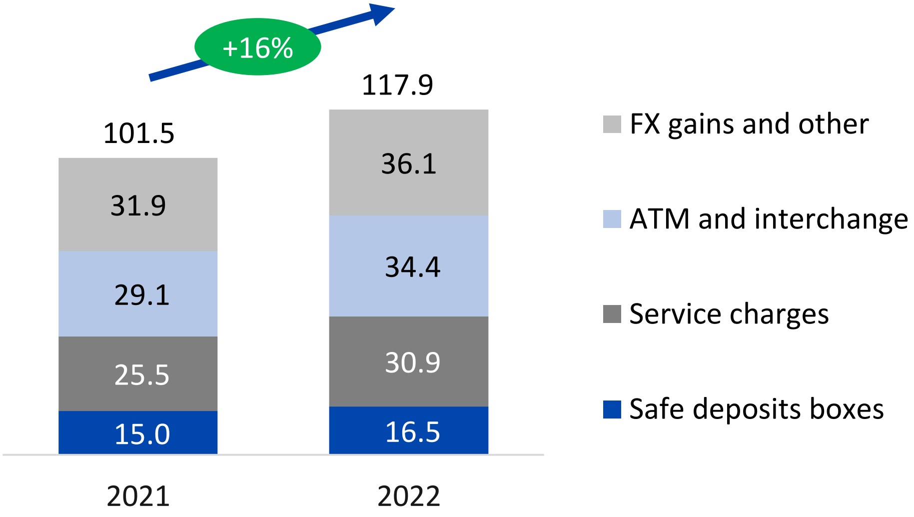
Chief Financial Officer

Momentum underpinning profitability

£m	2022	2021	YoY
Net interest income	404.2	295.7	*37%*
Net fees and other income	117.9	101.5	*16%*
Net gains on sale of assets	-	0.7	-
Total underlying revenue	**522.1**	**397.9**	***31%***
Operating costs	(532.8)	(546.8)	*(3%)*
Expected credit loss expense	(39.9)	(22.4)	*78%*
Underlying loss before tax	**(50.6)**	**(171.3)**	***(70%)***
Non-underlying items	(20.1)	(73.8)	*(73%)*
Statutory taxation	(2.0)	(3.1)	*(35%)*
Statutory loss after tax	**(72.7)**	**(248.2)**	***(71%)***
Underlying EPS	(30.5p)	(101.5p)	*(70%)*
Net interest margin	1.92%	1.40%	*52bps*
Cost of deposits	0.20%	0.24%	*(4bps)*
Underlying cost to income ratio	102%	137%	*(35pps)*
Cost of risk[1]	0.32%	0.18%	*14bps*

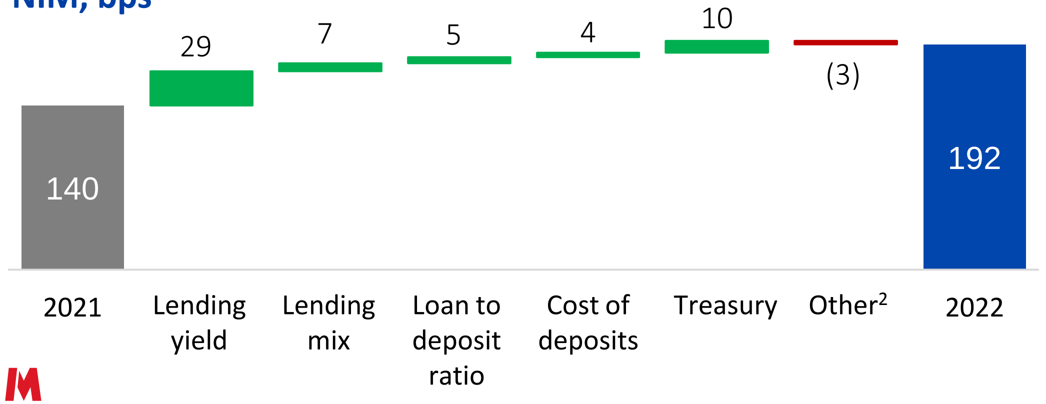
Other income and fees up 16%

Other income and fees, £m



Strong NIM expansion driven by repositioned balance sheet and rates

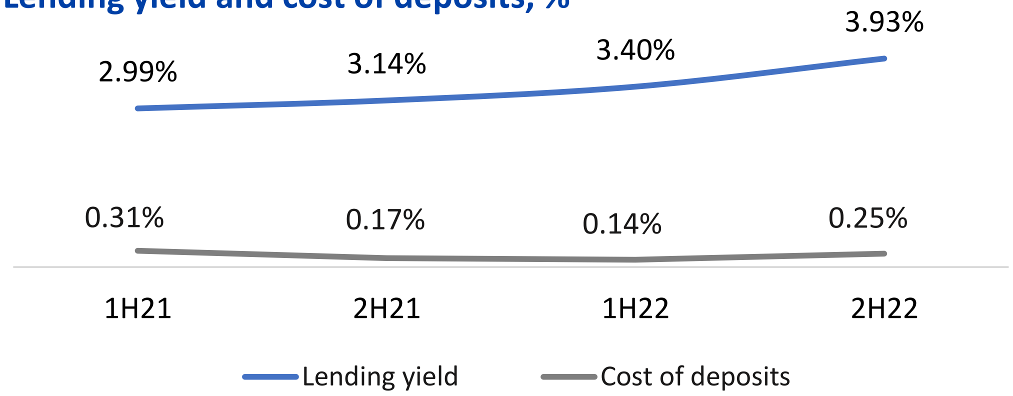
NIM, bps



2.22% exit NIM in December

Lending yield consistently increased

Lending yield and cost of deposits, %

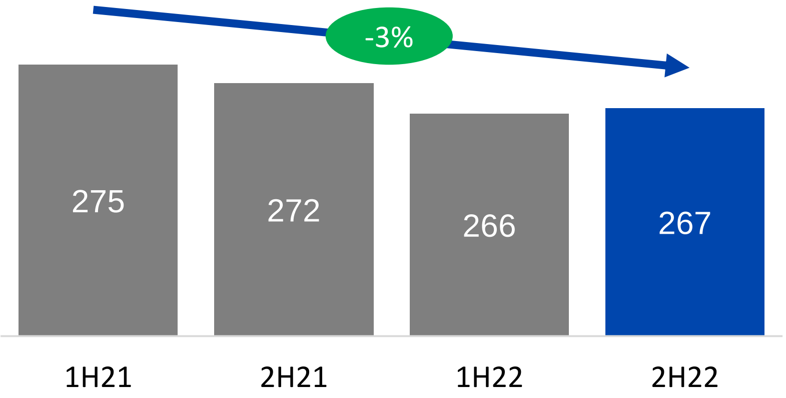


1. Cost of Risk (CoR) is the annualized credit impairment charge, expressed as a percentage of average gross lending. 2. Mainly driven by interest rate swap movements associated with issued debt.

Disciplined expense management despite inflation

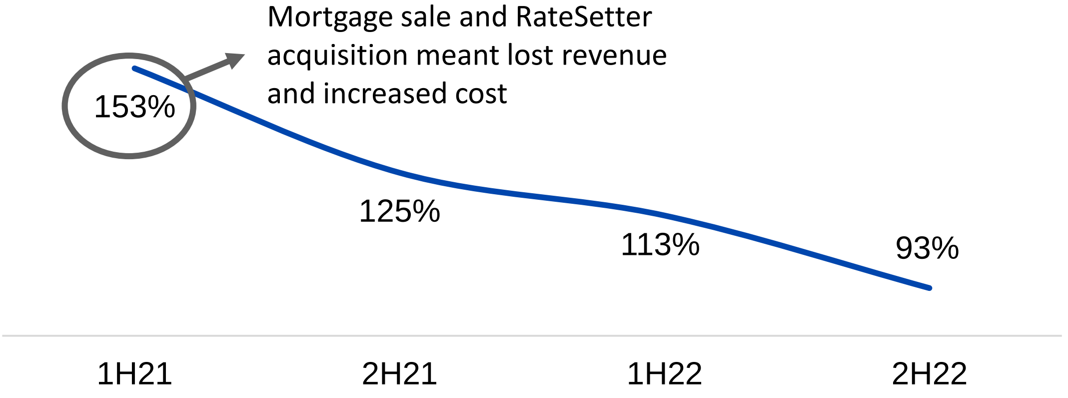
Cost run-rate controlled despite inflationary pressures

Underlying costs, £m



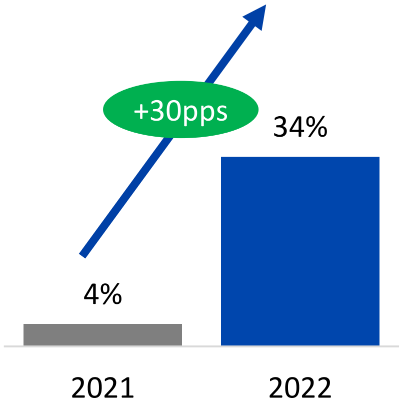
Cost: Income ratio continues to improve

Underlying cost: income ratio, £m



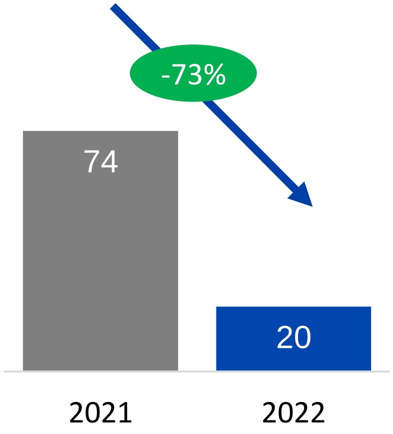
Strong positive operating jaws

Operating jaws, %



Reduced exceptional items by 73%

Exceptional items, £m



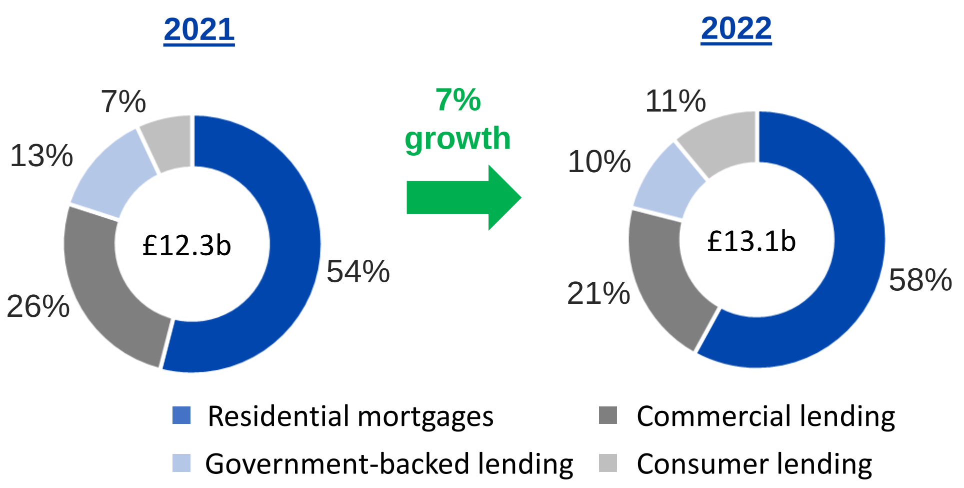
- ✓ PRA and FCA investigations into legacy RWA issues resolved
- ✓ Extensive remediation complete
- ✓ OFAC investigation closed
- **NEW** HoldCo implementation on track

Balance sheet transformed to provide optionality and resilience

£m	2022	2021	YoY
Loans and advances to customers	13,102	12,290	*7%*
Treasury assets	7,870	9,142	*(14%)*
Other assets	1,147	1,156	*(1%)*
Total assets	**22,119**	**22,588**	***(2%)***
Deposits from customers	16,014	16,448	*(3%)*
Deposits from central banks	3,800	3,800	*0%*
Debt securities	571	588	*(3%)*
Other liabilities	778	717	*9%*
Total liabilities	**21,163**	**21,553**	***(2%)***
Shareholders' funds	956	1,035	*(8%)*
Total equity and liabilities	**22,119**	**22,588**	***(2%)***
Risk weighted assets	7,990	7,454	*(7%)*
Loan to deposit ratio	82%	75%	*7pps*
Tangible book value per share	£4.29	£4.59	*(7%)*

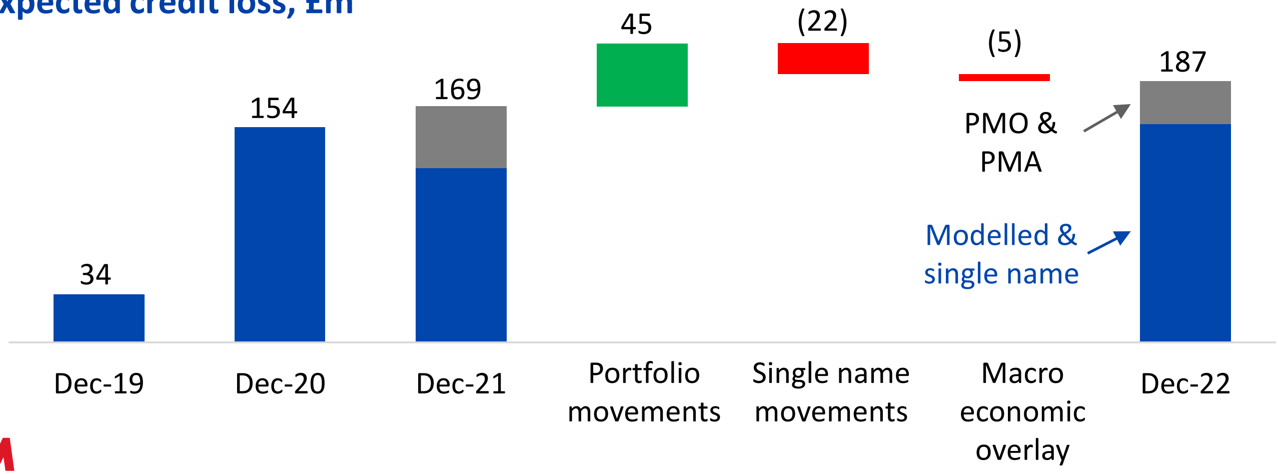
Dynamic lending mix optimised for returns

Loans and advances to customers



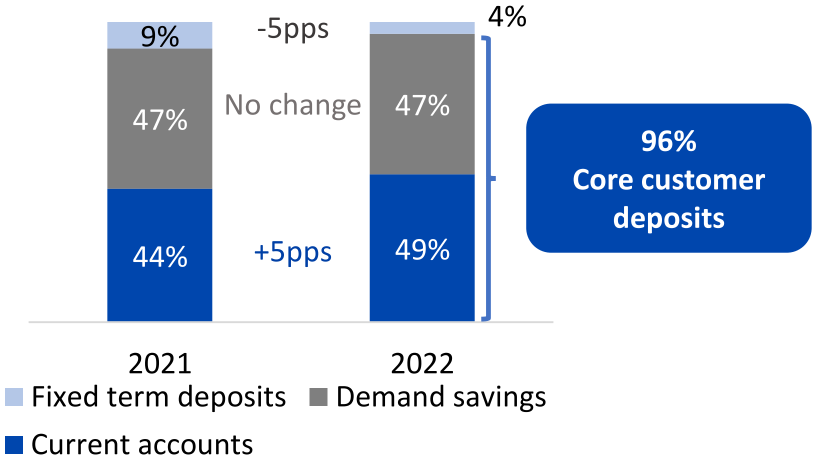
ECL provision increased reflecting macro conditions[1]

Expected credit loss, £m



Targeted mix shift towards low cost deposits

Deposits from customers

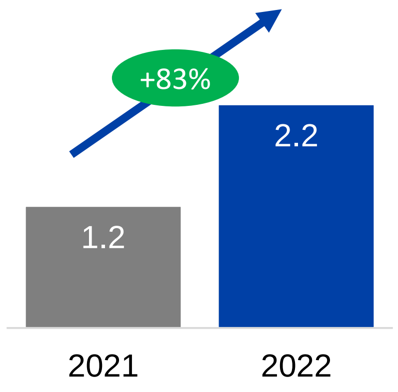


1. The difference between ECL expense and ECL provision movement relates to write-offs, recoveries and other finance adjustments.

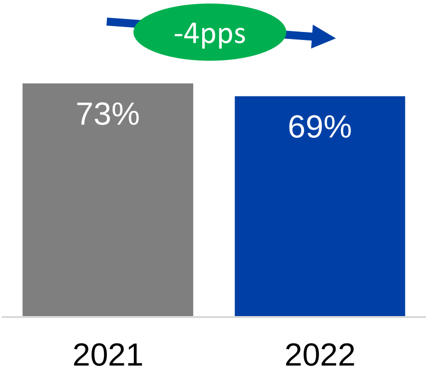
Disciplined lending growth

Mortgages – strong growth, stable credit performance

New lending volumes, £b

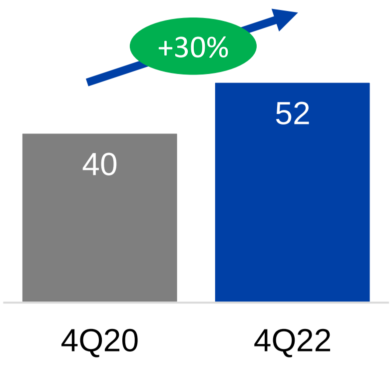


New lending loan-to-value

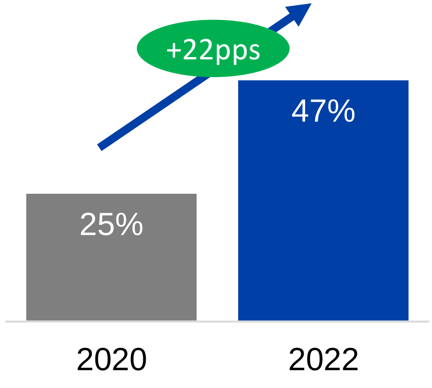


Unsecured – improving credit metrics

Average borrower salary, £k

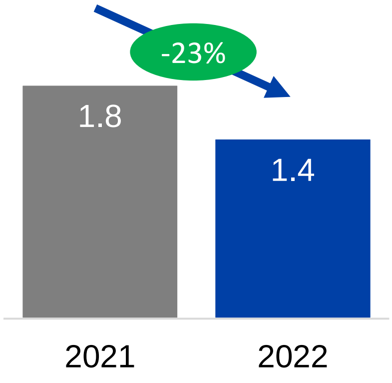


Lending within top 4 bands[1]

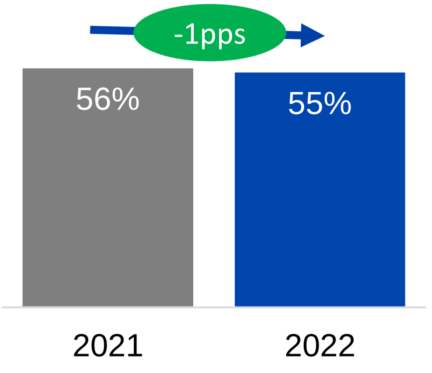


Commercial term loans – focus on existing customers[2]

Real estate (incl. PBTL) balances £b

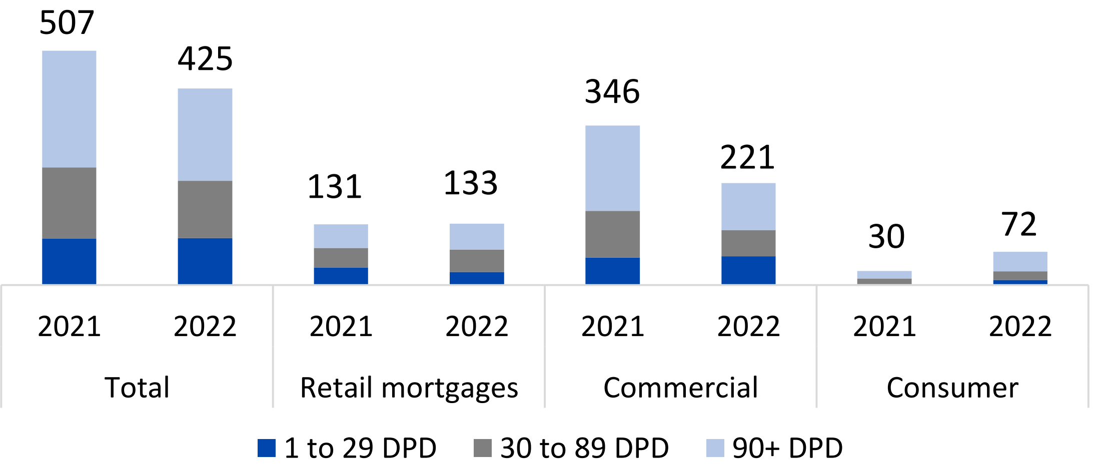


Average loan-to-value of commercial term loans



Days past due profile[3] – reflecting controlled asset growth

Days past due, £m

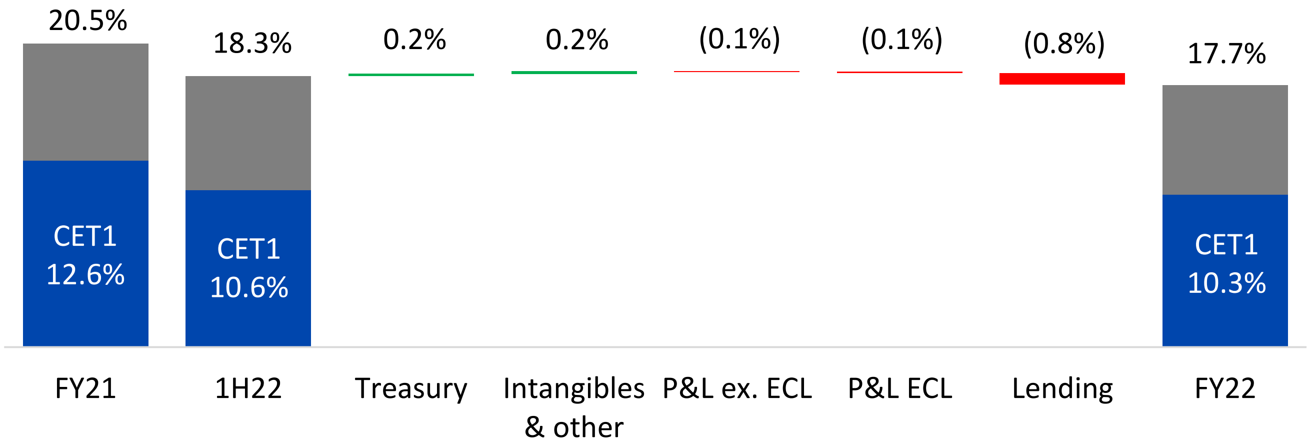


1. Internal credit risk metrics. 2. Excluding BBLS, AF, IF and other. 3. 90+ DPD % of total lending and NPLs figures are different as NPLs include 90+ DPD, unlikeliness to pay and Early Warning Watch list triggers.

Capital remained above regulatory minima

Regulatory capital

MREL, %



As at 31 Dec 2022	Position	Minimum *excl. buffers*[2]	Minimum *incl. buffers*[3]
CET1	10.3%	4.8%	8.3%
Tier 1	10.3%	6.4%	9.9%
Total Capital	13.4%	8.5%	12.0%
MREL	17.7%	17.0%	20.5%

Capital no longer absorbed by losses

- Capital expected to accrete organically as profitability achieved; lending actively managed
- Actively managing asset originations while operating within capital buffers
- Tier 2 debt remains eligible for MREL after HoldCo insertion (required by June 2023)[1]
- P2A reduced from 1.11% to 0.50% in Jun'22; further reduced to 0.36% on 1 Jan'23
- AIRB application progressing

Regulatory capital minima as at 1 Jan 2023

As at 1 Jan 2023	Pro-forma position	Minimum *excl. buffers*[2]	Minimum *incl. buffers*[3]
CET1	9.9%	4.7%	8.2%
Tier 1	9.9%	6.3%	9.8%
Total capital	13.0%	8.4%	11.9%
MREL	17.4%	16.7%	20.2%

1. Temporary, time-limited, adjustment agreed by the Bank of England – eligibility until 26 June 2025. Tier 2 has a call date on 26 June 2023 and then resets at the reference rate plus 4.45% margin vs. current coupon of 5.5%. 2. Based on capital requirements at 31 December 2022, excluding all buffers. 3. Based on capital requirements at 31 December 2022 plus buffers, excluding any confidential PRA buffer, if applicable.

2023 is a transitional year

	2022		2023
NIM	**1.92%**	▲	NIM accretion limited by fewer anticipated base rate moves
Lending yield	**3.67%**	▲	Continue optimising mix for maximum risk adjusted return on regulatory capital
CoD	**0.20%**	▲	Pricing will reflect rate environment and competitive pressures, expect strong account acquisition to offset lower average customer balances
Underlying costs	**£533m**	▲	Inflationary pressures expected to moderately outweigh cost initiatives
Cost of risk	**0.32%**	▬	Watchful of economic cycle but not yet seeing signs of stress
RWAs	**£8.0bn**	▬	Managed for optimal risk adjusted return on regulatory capital as lending growth constrained by capital
MREL	**17.7%**	▲	Continue to operate within buffers with increasing headroom to regulatory minima

Targeting mid-single digit RoTE by 2024

▲ Green = positive ▬ Stable ▲ Red = negative

Financial highlights

Profitable on an underlying basis for Q4 2022

Revenue driven by repositioned balance sheet and fees

Costs well controlled despite ongoing inflationary pressures

Remain appropriately provisioned and watchful of the macroeconomic environment

Targeting sustainable profitable growth within current capital constraints

Transitional Year

Daniel Frumkin

Chief Executive Officer

The path forward

Our service differentiator remains

- Service-led to create FANS
  - Multi-channel with stores at the heart
  - Great culture brought to life by engaged colleagues
- A full service bank
  - Only disruptor offering a full service banking solution
  - FANS created in Retail, Private, SME, Regional commercial, Large commercial, Asset finance, Invoice finance, Unsecured personal and Auto finance

Community focused

- Simple, straightforward banking for everyone
- Championing and supporting the community
  - We think and act local
  - Embedded in the communities we serve
- Entering attractive new markets in the North of England

Improved foundations

- Effective asset generating platforms with more levers to pull to respond to macroeconomic environment
- Control environment improved
- Tighter cost discipline to ensure stakeholder returns
- Enhanced governance
- More commercial outlook

#1 on the high street for the 10th time running[1]

CMA 2022
#1 high street bank for overall service quality[1]

British Bank 2022
Treating Customers Fairly Champion

Top 10 Most Loved Workplace®
certified[2]

Moneynet 2022
Best Business Credit Card

Moneyage 2022
Best Mortgage Provider

Forbes 2022
Best Current Account for Overseas Use

Top 10 Inclusive Employer or Company 2022

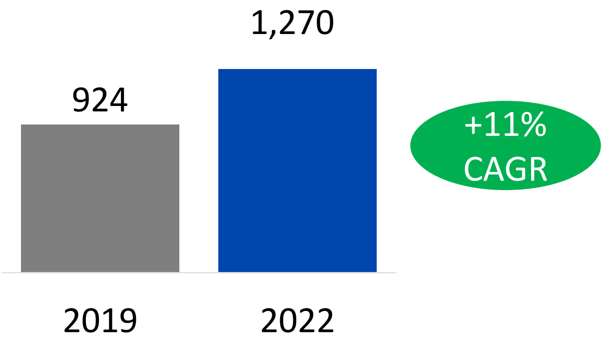
Our ambition is to be the #1 Community Bank

1. #1 high street bank for overall service quality in every CMA survey Aug 2018 – Feb 2023. Competition and Market Authority's Service Quality Survey in February 2023. 2. Backed by Best Practice Institute (BPI) research and analysis.

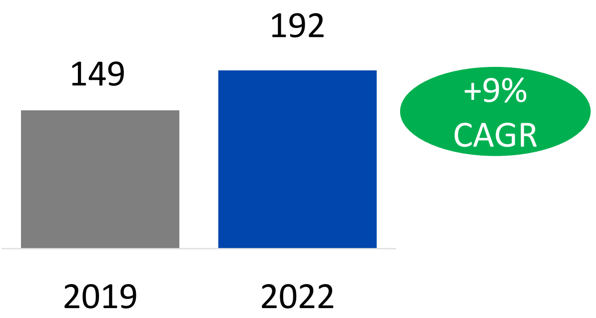
Building a sustainably profitable business

Creating FANS

Personal Current Accounts, ‘000

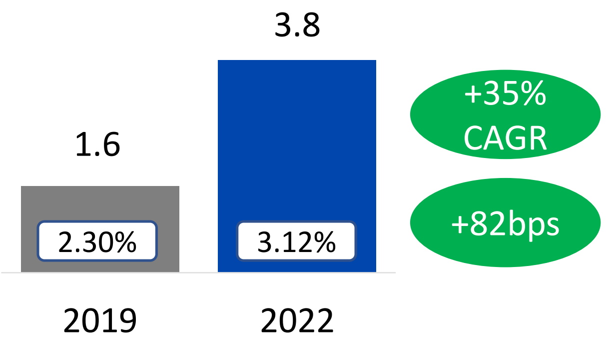


Business Current Accounts, ‘000

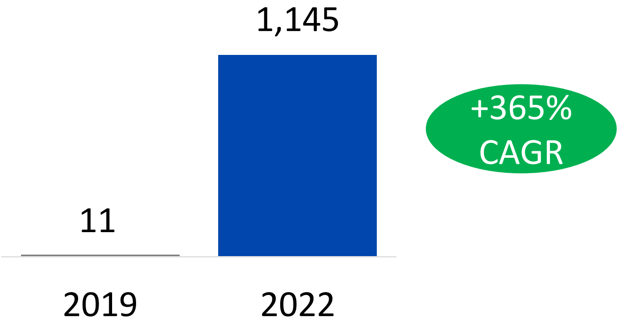


Franchise continues to grow

Mortgage applications and yield, £bn

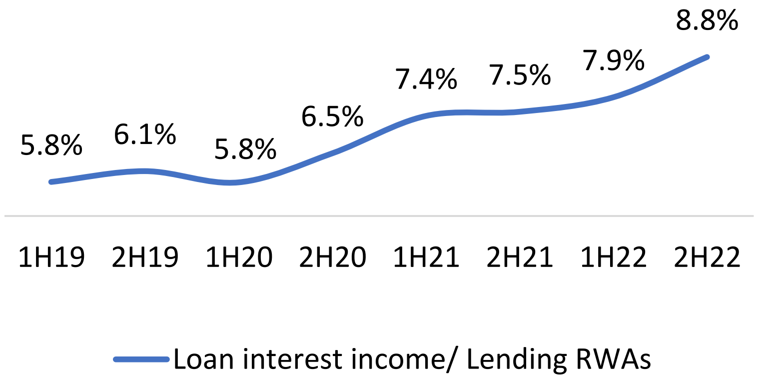


Consumer loans originations, £m

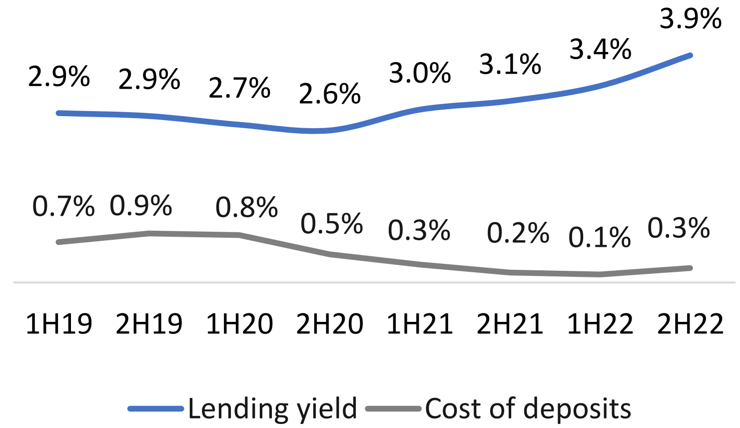


Structurally advantaged

Return on regulatory capital, %



Lending yield and Cost of deposits, %



Stores a key driver of sustainable growth

What we've done

- ✓ Increasing our direct ownership of store portfolio, now 38% freehold[1] vs. 25% on 1 Jan 2020
- ✓ ~90% of digital accounts opened are within 20 miles of a store[2]

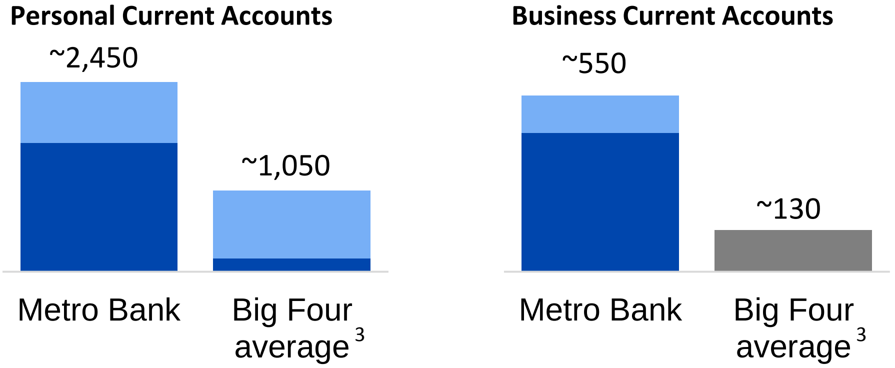
What we've got planned

- ✓ **11 new stores** in the North of England 2024-2025[3]
- ✓ Continued commitment to stores with less expensive, more sustainable builds
- ✓ New stores will retain long leases but will have multiple and frequent breaks
- ✓ Greater mix of high street and out of town locations

Stores are more than twice as productive as the big four[3]

# of new account openings per store per year

■ In-store ■ Digital



Where we are now and where we will be

1. Freehold stores includes long-leasehold sites which have lease terms of 250-999 years at a peppercorn rent. 2. Personal Current Accounts opened digitally. 3. Partially funded by the Capability and Innovation Fund. Final locations to be determined. 4. Big four defines as NatWest Group, Lloyds Banking Group, Barclays and HSBC. Annual Reports, eBenchmarkers 2022 data, Metro Bank analysis. eBenchmarkers Analyzer collects anonymised data direct from your peers and benchmarks performance.

Strategic optionality

Account growth

Product growth

Fee growth

New communities

Continuing growth of existing stores

Digital offering

Asset generation capabilities
Mortgages, Commercial, Asset finance, Invoice finance, SME, Unsecured, Auto finance

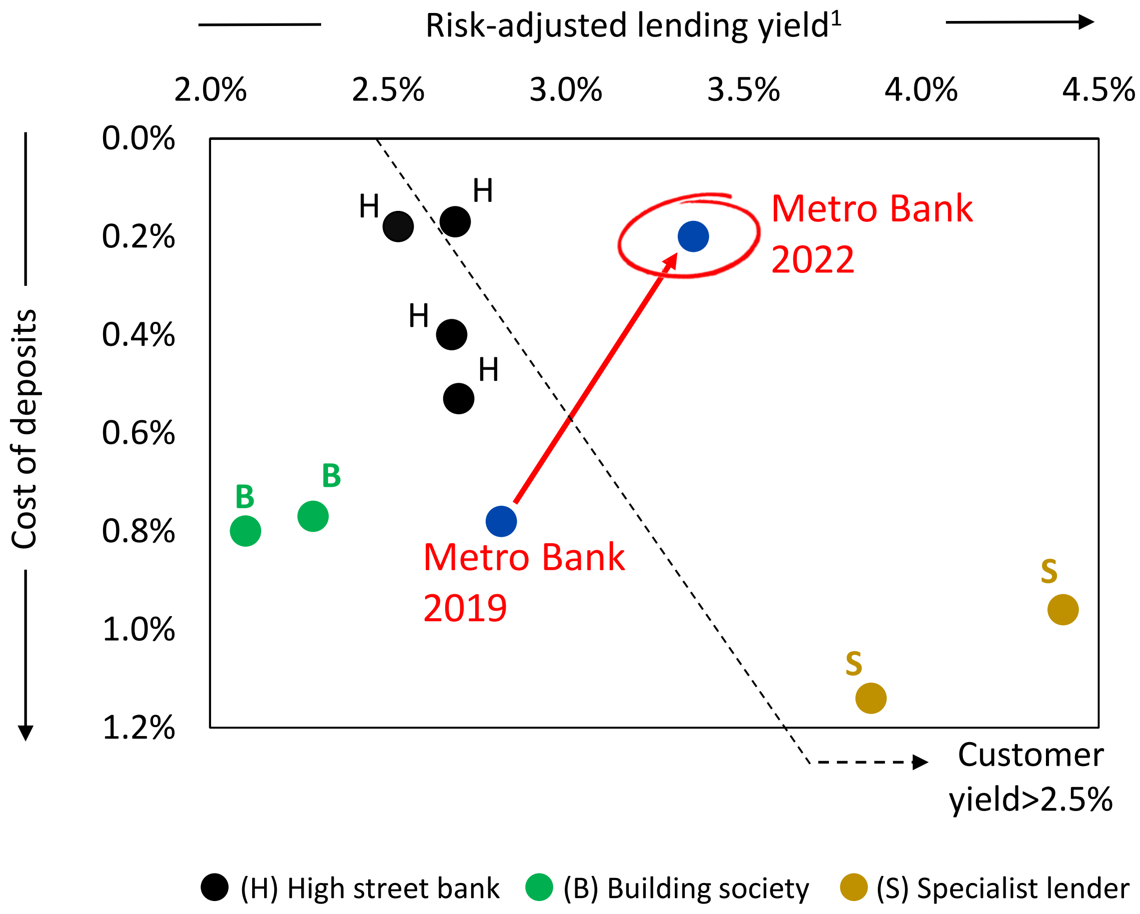
Balance sheet optimisation
Securitisations, forward flow agreements

Optimisation of the capital stack

The repositioned model works

- A Bank designed for customers, colleagues and communities
- Service-led model providing core deposits
- Diversified asset base driving strong returns
- Scalable cost base ready for revenue growth
- Resilient risk and control environment
- Strategic optionality to leverage unique position once capital structure is optimised

Built a structural advantage in risk-adjusted spreads



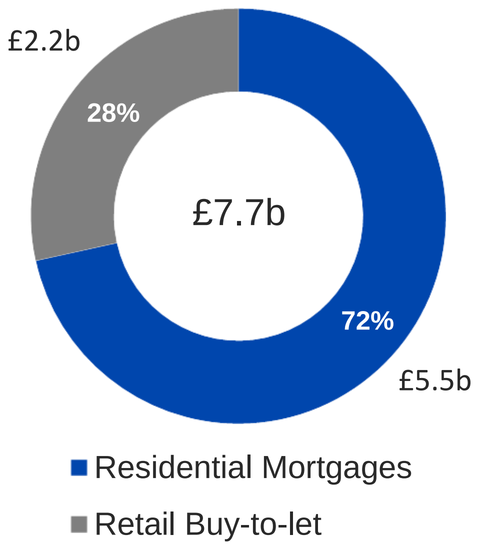
1. Income on loans to customers/average customer loans less loan losses/average customer loans. Peer data is latest reported, predominantly FY22 but some at 1H22 (annualised).

Q&A

Appendix

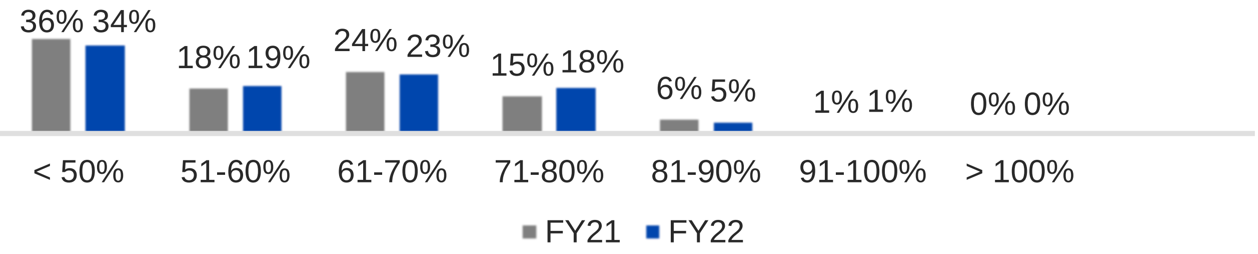
Retail mortgages – overview

Retail mortgage portfolio

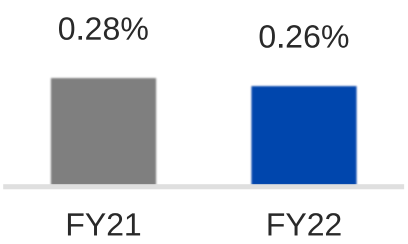


Retail mortgages loan-to-value

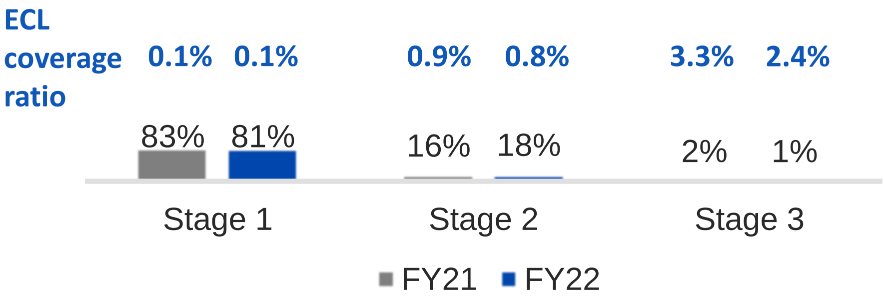
Average retail LTV: 56% at FY22 vs 55% at FY21



ECL coverage ratio



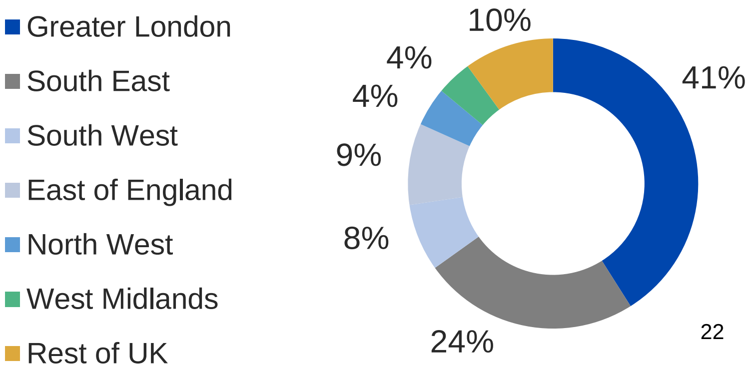
Balance by IFRS9 stage



Mortgage lending has seen significant growth in 2022 whilst maintaining credit quality

- New lending volumes have remained strong in 2022 (£2.2b in 2022. £1.2b in 2021)
  - LTV mix has improved since 2021
  - Average new lending LTV reduced from 73% to 69%
  - % >80% LTV from 41% to 18%
- Credit quality has remained stable during a period of growth
- Average credit scores have been stable across 2021/2022
- Buy-to-let mix has increased (34% in 2022; 13% in 2021)
- Buy-to-let is subject to a maximum LTV of 80% and higher credit score thresholds
- An HPI overlay of £3m has been raised to reflect further downside risk in property price indices.

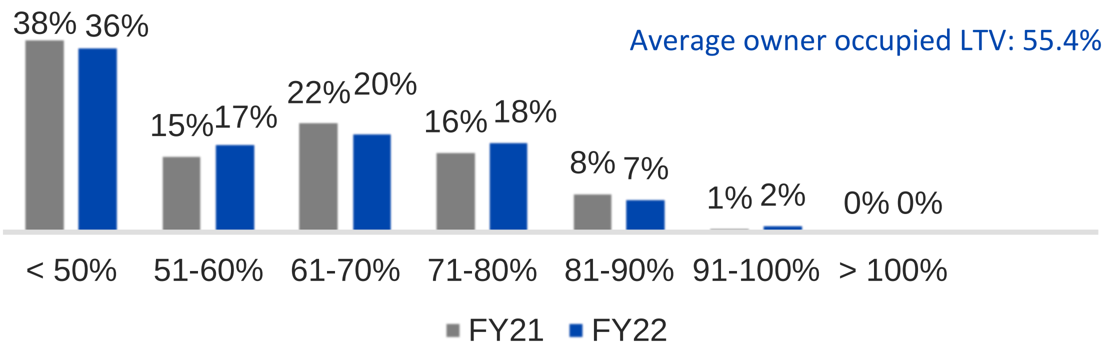
Retail mortgages geographical split



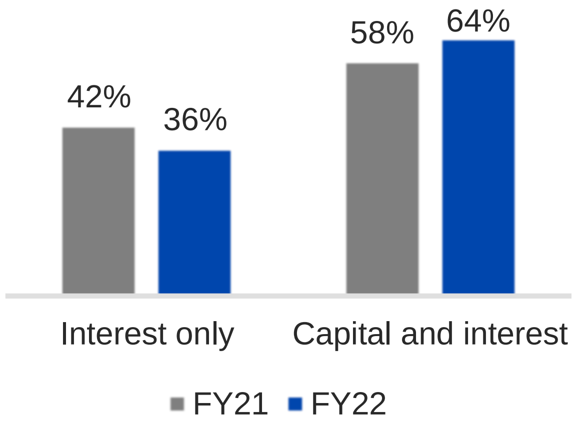
Retail mortgages – LTV and repayment type

Owner occupied retail mortgages

Loan-to-value profile

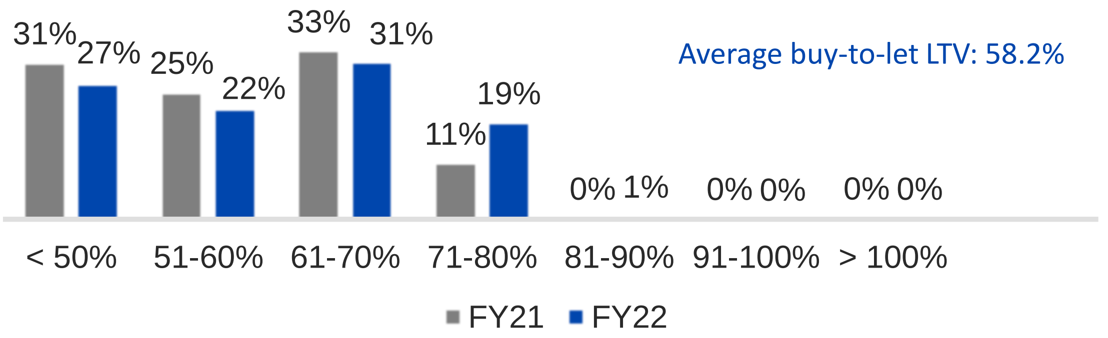


Repayment type

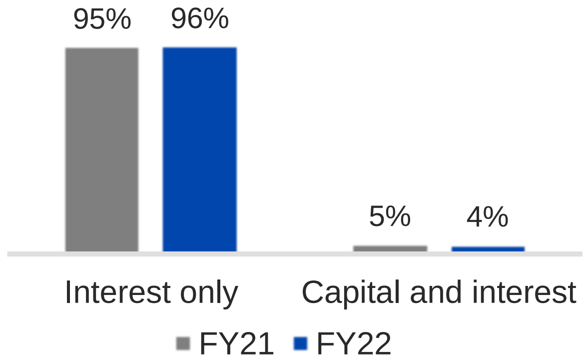


Retail buy-to-let mortgages

Loan-to-value profile

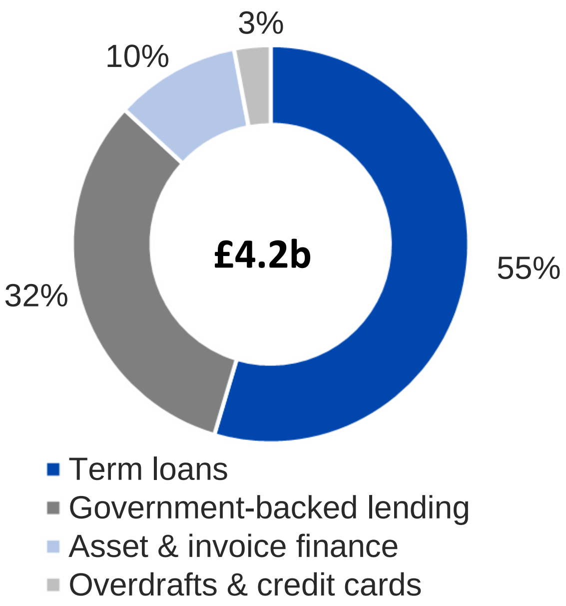


Repayment type



Commercial lending – overview (1/2)

Commercial lending portfolio



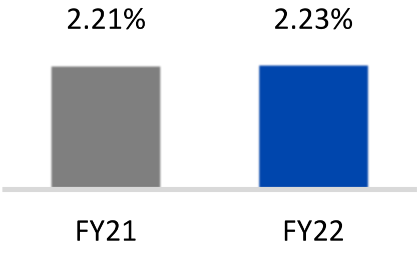
Portfolio composition

Segment	31 Dec 2022	31 Dec 2021
Term loans	55%	57%
CBILS, CLBILS & RLS	13%	7%
BBLS	19%	26%
Asset & Invoice Finance[1]	10%	7%
Overdrafts & credit cards	3%	3%

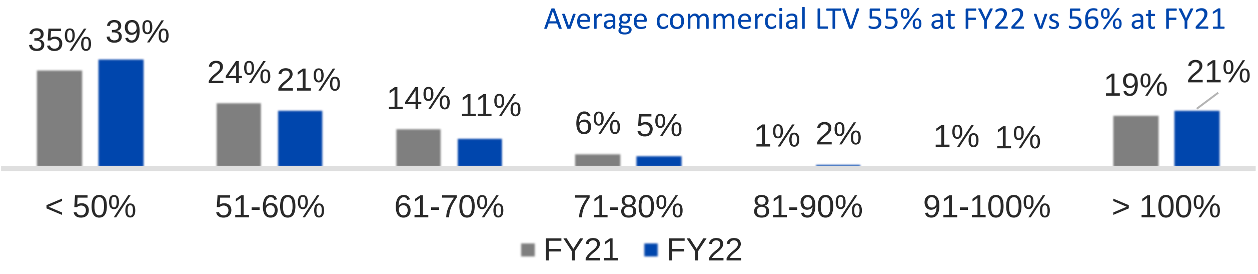
Term loans by industry sector[2]

Industry sector (£m)	31 Dec 2022	31 Dec 2021
Real estate (PBTL)	731	950
Real estate (other term loans)	683	837
Hospitality	372	361
Health & Social Work	334	225
Legal, Accountancy & Consultancy	196	206
Other	506	484

ECL coverage ratio



Commercial term lending loan-to-value[2]

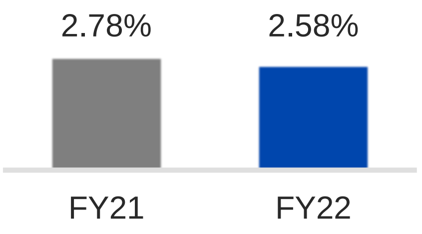


The increase in LTV>100% in 2022 reflects the increase in RLS lending.

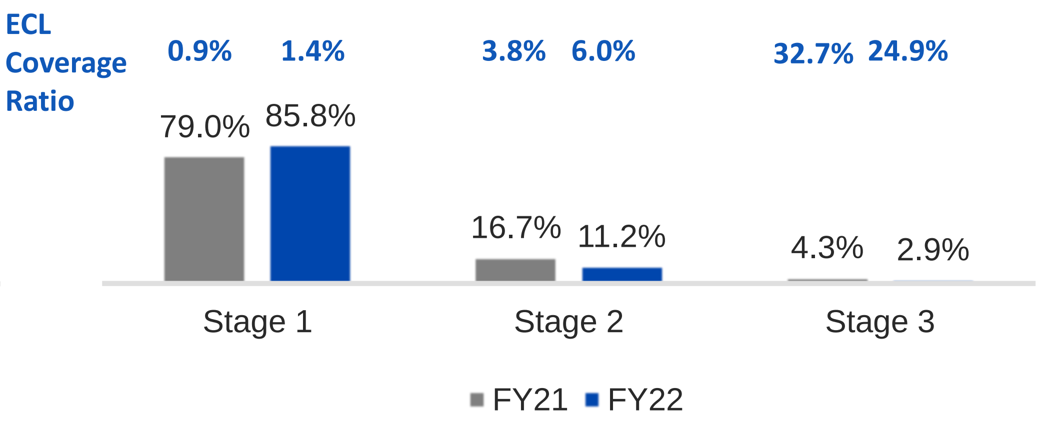
1. Asset and Invoice Finance include a small amount of RLS lending. 2. Commercial term loans excluding BBLS, AF, IF and other.

Commercial lending (excluding BBLS) – overview (2/2)

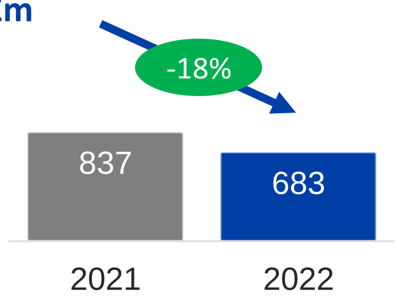
ECL coverage ratio[1]



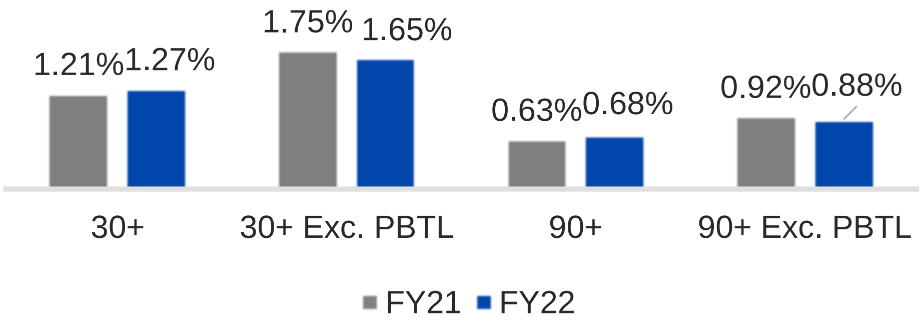
Balance by IFRS9 stage[1]



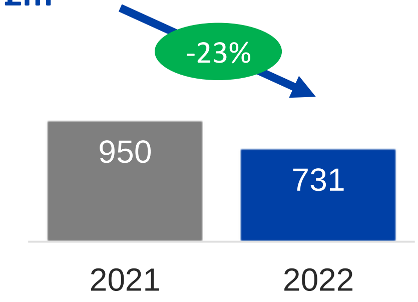
CRE balances[3]
£m



Arrears[1,2]



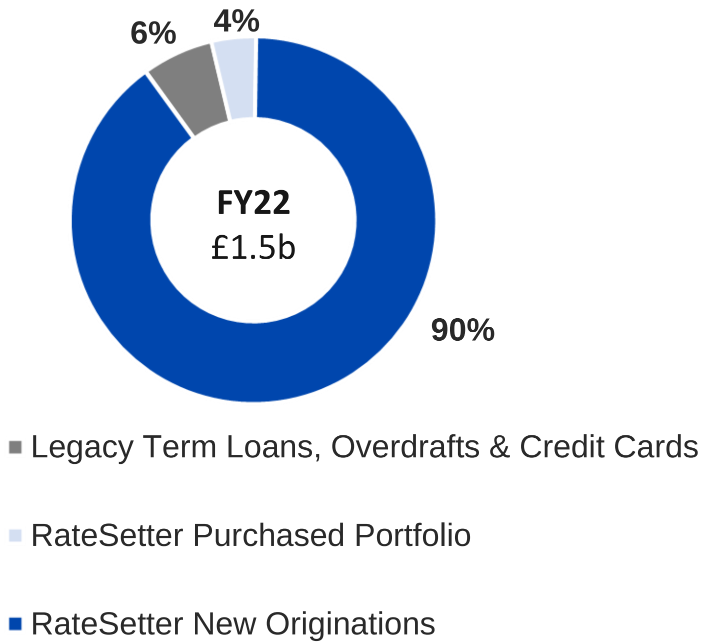
PBTL balances[3]
£m



1. Commercial portfolio excluding BBLS. 2. Commercial lending also excluding AF and IF. 3. Term loans.

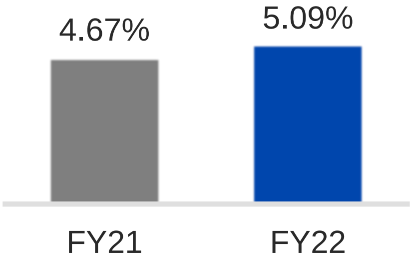
Consumer lending – overview

Consumer Lending portfolio

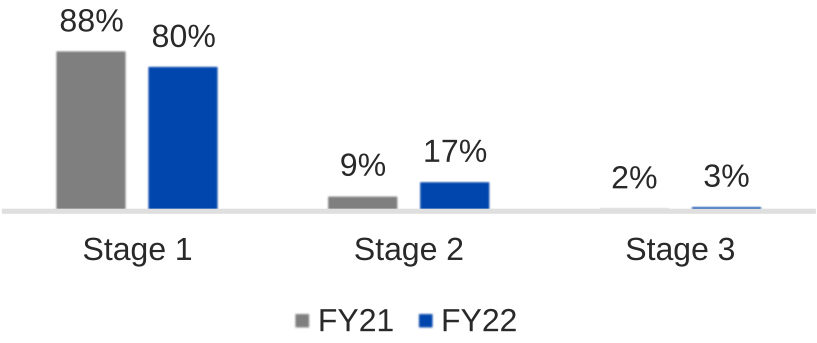


- Average salary increased from £40k in Q4 2020 to £52k in Q4 2022
- Almost 50% of originations in 2022 were in our top 4 risk buckets
- Fastest growing cohort in 2022 was in top rated bucket (now over 25% of the portfolio up from ~20% in 2021)
- NPLs have increased to 3.33% in 2022 from 2.36% in 2021 driven by portfolio maturation

ECL coverage ratio



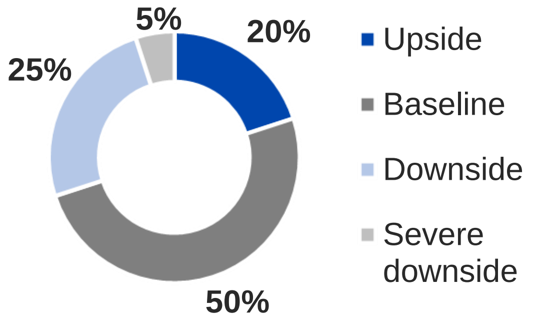
Balance by IFRS9 stages



Macroeconomic scenarios and provisioning

Application of scenarios and weighting

- 4 probability weighted scenarios: Baseline (50%); Upside (20%), Downside (25%) and Severe Downside (5%)
- Macroeconomic projections provided by Moody's Analytics (December'22)
- House Price Index (HPI) and Commercial Real Estate Index (CRE) adjusted across all scenarios to reflect further uncertainty in residential & commercial property values



Modelled scenarios[1]

Macroeconomic variable	Scenario	2022	2023	2024	2025	2026
Unemployment (%)	Baseline	3.8%	4.3%	4.5%	4.5%	4.6%
	Upside		3.9%	3.6%	3.7%	4.0%
	Downside		6.2%	7.2%	7.2%	6.8%
	Severe Downside		7.4%	8.3%	8.2%	7.9%
House Price Index (YoY%)[2]	Baseline	8.6%	-7.3%	-1.9%	4.8%	2.9%
	Upside		5.8%	1.1%	2.1%	-1.2%
	Downside		-17.5%	-10.9%	4.0%	5.7%
	Severe Downside		-23.1%	-14.6%	4.4%	4.3%
UK GDP (YoY%)	Baseline	0.3%	-0.8%	1.2%	1.4%	1.2%
	Upside		1.9%	1.2%	1.1%	1.2%
	Downside		-6.9%	1.3%	2.5%	1.2%
	Severe Downside		-8.3%	-0.3%	3.5%	2.1%
5 year Mortgage Rate (%)	Baseline	5.3%	5.5%	4.4%	4.0%	4.0%
	Upside		5.3%	4.3%	4.0%	4.0%
	Downside		5.5%	4.4%	3.6%	3.1%
	Severe Downside		5.8%	4.0%	3.4%	3.0%
Commercial Real Estate (CRE) Index (YoY%)[2]	Baseline	0.0%	-8.2%	-6.0%	2.0%	1.4%
	Upside		3.2%	-3.6%	-0.3%	-2.2%
	Downside		-23.2%	-11.9%	5.1%	4.2%
	Severe Downside		-30.5%	-14.8%	6.9%	3.5%

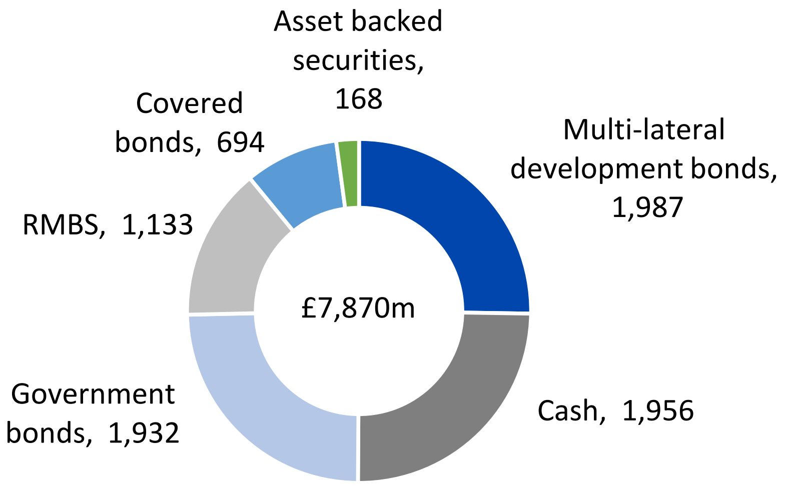
PMO – Post Model Overlays

PMO type	£m
High inflation and cost of living	22.5
Climate Change	3.5
HPI and CRE adjustment	6.1
Commercial model enhancements	1.8
SICR[3] overlay	(3.4)
Total	**30.5 (~16% of ECL stock)**

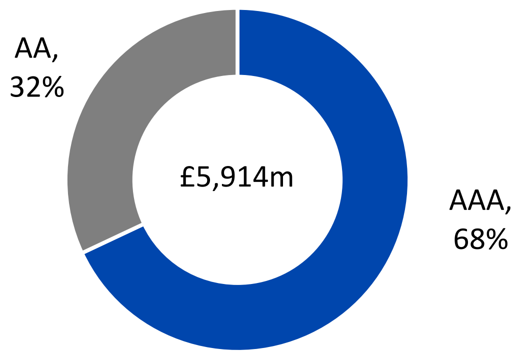
1. Moody's Analytics published December 2022. 2. HPI & CRE economic forecasts adjusted across all scenarios to reflect further uncertainty in residential & commercial property values. 3. SICR – Significant increase in credit risk.

Increasing returns from a low risk Treasury Portfolio and rising rates

Portfolio composition, £m



Non-cash portfolio credit rating



Low risk Treasury portfolio

- Interest income earned on investment securities rose to £67.6m in 2022 from £23.2m in 2021, representing an effective yield of 1.18% (2021: 0.30%).
- Low risk density (2022 RWA of ~£250m)
- Weighted average portfolio repricing duration
  - 1.3 years including cash
  - 1.7 years excluding cash

Reconciliation between statutory and underlying metrics

Year ended 31 December 2022 £m	Statutory basis	Impairment and write-off of PPE and intangible assets	Net BCR costs	Transformation costs	Remediation costs incl. FCA investigation and OFAC	Holding company insertion	Underlying basis
Net interest income	404.1		0.1				404.2
Net fee and commission income	81.8						81.8
Net gains on sale of assets	-						-
Other income	37.6		(1.5)				36.1
Total income	**523.5**	**-**	**(1.4)**	**-**	**-**		**522.1**
General operating expenses	(467.6)		1.4	3.3	5.3	1.8	(455.8)
Depreciation and amortisation	(77.0)						(77.0)
Impairment and write-offs of PPE and intangible assets	(9.7)	9.7					-
Total operating expenses	**(554.3)**	**9.7**	**1.4**	**3.3**	**5.3**	**1.8**	**(532.8)**
Expected credit loss expense	(39.9)						(39.9)
Loss before tax	**(70.7)**	**9.7**	**0.0**	**3.3**	**5.3**	**1.8**	**(50.6)**

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