Metro Bank Holdings PLC: H1 2026 Results Presentation

09:00am, Tuesday 4 August 2026

Daniel Frumkin (CEO) and Marc Page (CFO)

Daniel Frumkin

Good morning, and welcome to Metro Bank's Half One 2026 results. As you can tell from the opening slide, you're about to see a very strong performance, driven by our strategy. Our ability to win share, by staying focused on relationship banking and delivering quality service, will come out throughout the presentation.

I'll start with a bit of an overview of the financial results, then Marc will walk you through the detail, and then I'll come back and talk about the strategy that drives the future for Metro. Then we're happy to take questions.

So let's start. Metro delivered a £61 million underlying profit for the first half of the year, up 34% year-on-year, and the largest in the history of Metro Bank. RoTE increased to 7.5%, up 270 basis points over a year ago. Cost-to-income ratio continued to drop as revenue growth outpaced cost growth. Exit NIM expanded to 325 basis points, 30 basis points up year-on-year, and the largest NIM in the history of the bank.

We continue to find lots of opportunities to lend. We did £1 billion in commercial and corporate lending in the first half of the year, and we have a £1 billion credit approved pipeline, the largest in the history of the bank. Historically, we've done about 120% to 130% of the approved pipeline in any half year. So we would expect in the second half of the year for lending to accelerate, and for us to do about £1.2 billion to £1.3 billion of new commercial and corporate lending in the second half of the year.

The reason we're confident about that is we saw the largest deal flow we have ever seen. We saw £6 billion of deal flow in the second half of the year. 95% of the corporate deal flow came to us directly. That deal flow is not broker-led; it comes to us because of our relationships in the market and with longstanding customers of the bank. As I mentioned, cost-to-income ratio dropped, as revenue over the last two years has grown by 29%, and costs have actually decreased by 9% over the similar period.

So let's move on to RoTE. So the path to an 18% return on tangible equity becomes clearer by the day. The path to 13% in quarter 4 is broadly driven by the repricing of the treasury portfolio, and then the benefit of the lending we did in the first half of the year. Those two things alone get you to almost 11% return on tangible equity. The delta is from the £1.2 billion to £1.3 billion of lending, the continued asset rotation of the balance sheet, which continues to drive NIM expansion as well as RoTE accretion.

We get a further uplift in 2027 from treasury book repricing, which means the continued rotation that will occur in 2027 will continue to build RoTE over and above just the treasury book repricing. Another way to think about it is the first bullet point in the box above the bar chart. C.9% of the RoTE uplift from 7.5% to the 18% is broadly baked in today. It is either activities that we have done, or mechanical changes that will occur over time. So the 7.5% becomes ~16.7% just through the passage of time. We're very confident in our ability to continue to rotate assets, given the largest pipeline we've ever had in the history of the bank to get us to the 18% return. All of that makes us extremely confident to reconfirm all guidance.

In terms of NIM, we're already at 325 basis points, and the repricing of the treasury portfolio in quarter four 4 is worth another 15 basis points. So as we stand here today, the mechanical uplift from the treasury book repricing, plus our current exit NIM, already has us in the range. Further rotation of the assets, as we close out the £1 billion pipeline of commercial and corporate lending, will further increase NIM above the 340 basis points.

We've talked about cost-to-income ratio, Marc will come back to that, and the RoTE build I've given you. We are extremely confident that we have a very clear path that is now evident to get us to 18% in 2028. With that, I'll turn it over to Marc. Thank you.

Marc Page

Thank you, Dan, and good morning everyone. So let me take you through the financial performance for the first half of the year. As a reminder, our financial transformation is relatively straightforward. We rotate assets to higher yielding asset classes. We maintain and leverage our deposit franchise, which is a funding advantage. With disciplined cost management and capturing treasury tailwinds, we're able to expand earnings. So let's look at that as you see it through the lens of the financial KPIs.

Firstly, we have increased our lending yield by 11 basis points versus this time last year. That is a really strong performance, given the interest rate environment has fallen by 100 basis points over this period. Our funding advantage means we can leverage and manage our cost of deposits, which has fallen over the same period. The combination of both those events has led to an improved exit NIM from 295, up 30 basis points to 325.

This has increased revenue and, with cost discipline, we have managed to lower the cost-to-income by five points to 77%, and on track to meet our guidance for the year end. The combination of this financial performance has led to record profits for Metro Bank of £61 million, which is 34% up on this period last year. That translates to a RoTE of 7.5%, and we'll take you through the bridge and the future and the drivers on the next few pages.

So turning to the profit and loss account, I've referred to the £61 million profit for the first period, which is 34% up year-on-year. If you break this down further, let's look at where that profit is coming from. It's a £16 million profit improvement over this period, and £15 million of that has come from underlying revenue, which has increased by 5% from £286 million to £301 million.

There are two parts to the revenue story. Firstly, our net interest income has grown by 8% over the period as the asset rotation and asset growth takes action. This has partially been offset by lower fee income, and the combination of both has led to a 5% increase in underlying revenue. If you look at where I would expect us to go from here, and we'll move on to asset rotation further, I would expect us to accelerate our interest earning income, and I would expect fees in the second half of this year to be broadly consistent with fees in the first half.

So let's take a lens of how each of our financial drivers has performed over the past 12 months. On the bridge on the right-hand side, you can see our profit growth from £45 million to £61 million has been driven by the four fundamental drivers – asset rotation, treasury, cost reductions and deposits. All of these have combined to more than offset rates and other headwinds that have been in the bank to drive an underlying profit of £61 million.

So let's turn to each of the drivers and where they go from here. Firstly, asset rotation. You can see that our total loan book has grown by 4% over the period to £9.2 billion up from £8.9 billion. However, the fundamentals are much stronger than this. We have increased our core business lines by 43% or £1.9 billion over this period and we've done that efficiently by regenerating capital and liquidity from our runoff book, which have reduced by 34% over the same period. As we stand here today, our core business lines now represent 67% of our total lending book, reflecting the active trading strategy of re-engineering our loan books. Asset quality remains strong and we are optimising for risk-adjusted returns.

You can see this more visibly as you look on the charts on the right hand side. This is a demonstration of how our book is changing over time. In commercial lending, a key segment of growth for us, now stands at 44% of the total loan book. This is up from 35% a year ago. In addition, 45% of our total mortgage book is now specialist in nature, and that was less than one-in-four this time last year. Why does that matter? It matters because this is about moving to higher yielding, better RoTE returning segments.

Our commercial lending lines bring us a net interest margin of 330 basis points to 350 basis points over base, and you can see in the mortgage space our specialist yields are yielding over 200 basis points relative to swaps and that compares to a prime market rate of just 40 basis points to 70 basis points. So we are recycling into assets that are higher performing that will drive NIM and revenue as we move forward. This is all being done by maintaining strong underwriting and disciplines. You can see our cost of risk is 22 basis points as we stand here today, and that is significantly below our through the cycle guidance of 40 basis points to 60 basis points.

Turning to the second driver, treasury asset repricing. At full year I said there would be £1 billion of maturities in 2026 and the majority of those maturities, £833 million, would be in the second half of the financial year. Those maturities are still there, will still mature, and they are still coming off a pay rate of 85 basis points. What has changed is at full year '25 I expected those to mature onto a base rate that would be around 3.25%. Currently we are now expecting them to mature onto a rate more closely to 3.75%, which is a 50 basis points increase. Those maturities cumulatively will add £24 million of revenue uplift, or 2.7% of RoTE, or 15 basis points of NIM, depending on which line of the stack you're looking at.

In addition to the treasury maturities, our book is becoming more commercial. By its nature it is becoming more floating-rate sensitive. To offset that, we've introduced a structural hedge program to maintain interest rate sensitivity as close to neutral as possible. In the period we've added £2.6 billion of a hedge notional compared to a year ago, with an average duration of just over three years and a weighted yield of 3.4%. The effect of this is to try to maintain as close to neutrality as possible, given the changing mix to floating rate. You can see that in the table below, which demonstrates that our NII sensitivity on a static book for a significant rate shock, either up or down, is in the low single digit millions.

Turning to the third driver, we have an enduring strategic advantage in our funding mix. We have consistently stated that we have a significant and an outsized market share of current account funding relative to the market and relative to our peers. You can see this by 43% of our balances being current account funded compared to the market peers of just 18%. This provides us with a deposit cost of 98 basis points, the lowest on the high street. Our high yielding deposits are less than 5% of our mix, compared with the market of 34%. As the relationship model embeds, we will see this continue to give us strength and opportunity to grow into the future.

On the right-hand side, you can see where those deposits are coming from. More notably, as we transition and as we focus on our commercial and SME banking models, you can see that the share of those deposits has increased from 48% a year ago to now 53%. We have a strong LCR of 270% and a loan to deposit ratio of 69%, which provides us further capacity for growth as we move forward from here.

The final driver is cost discipline. We've consistently said we will maintain cost discipline as we pivot the bank into our target segments. Costs are down 2% year-on-year at £231 million, and you can see that is lower than a year ago, and lower than at H2 2025. We are maintaining guidance that costs will be broadly flat for full year '26 versus 2025. The combination of growing revenue and cost discipline has improved our cost-to-income ratio from 82% down to 77%, and will continue to drive lower as we grow revenue from here on in.

Turning to guidance, so what does this mean? I've taken you through the drivers, which are clear, visible, and enduring, and will build earnings momentum. But I'll leave you with three points to take away in terms of our guidance. We have a clear pathway to higher exit NIMs. As we currently stand, our NIM is 3.25%, and plus with the 15 basis points from treasury maturities, that places us at 3.40%.

In addition, we are accelerating our lending into our target segments in the second half of this year, and that will drive that exit NIM further into the range and onwards towards 2027 targets. The combination of growing our book and growing our NIM will lead to increased revenue and drive the cost-to-income ratio down further in line with guidance.

Then finally, turning to returns. The 7.5% print in RoTE sets us up very well for the future. We have over nine points of mechanical RoTE build from here on in. The combination of growing, accelerating our lending into our target segments, gives us strong confidence we can reiterate guidance in line with growing to more than 13% in Q4, more than 15% in 2027, and more than 18% in 2028.

With that, I'm going to hand back to Dan, who's going to take you through our strategy and opportunities we see from herein.

Daniel Frumkin

Thanks, Marc. Let's talk about where we go from here. So again, corporate and commercial is a huge differentiator for us. We continue to win share. We continue to win business day in and day out. Again, we saw 15%, 15% of all of the SME deal flow over the last year across the UK. 95% of that deal flow in corporate came to us directly.

You can see from the donut that we fish in a really, really big market. Of that deal flow, we rejected some of it because we don't like the risk-adjusted returns, and we're very disciplined about credit, so it gives us opportunities to be very selective. We do support the whole UK. Our regional hub strategy, our ability of building out new locations drives opportunities for us to lend outside of the Greater London area. So 82% of our lending came from outside of Greater London.

On the right-hand column, we are doing good established lending. 64% of the customers we've known for five years. The businesses have been in place for 10 to 20 years and have over £43 million in turnover. All of the lending is independently underwritten by people with 20 to 25 years of experience on average. All of that gives us confidence that not only do we have opportunities to lend, but we're doing it very prudently.

So let's talk about the future. We've talked about getting to the '28 RoTE of 18%. We've talked to you about how the majority of that movement is mechanical, how assets will continue to rotate to continue to drive RoTE even beyond. But let's talk about '28 and beyond. So we've worked hard to build a more scalable platform by embedding AI. We use AI to empower the human, to make the human more productive, to allow the human to deepen relationships and further our relationship banking strategy.

So we've created a prospecting tool that has allowed us to allow the lenders to spend less time preparing for meetings and more time meeting with customers. We've redone our account opening process, which allows us to be much slicker, quicker, and more customer focused during the account opening process. We've just completed a review of all customers greater than £1 million, and we did that by harnessing AI, which saved us significant man hours. We also were the first partner with Ask Silver that has helped us avoid, and helped our customers avoid, over £3 million of fraud.

As I said in the prior slide, we fish in very large markets, be it commercial and corporate or specialist residential mortgages, and we'll continue to expand our store network. We signed leases in Leeds, Newcastle, and Nottingham, and we will continue to look for more sites across the UK.

All of that, the scalable platform we're building, the large markets we fish in, gives us real strategic optionality as we build capital in the future. We could easily increase commercial loan growth. We saw £6 billion of flow and did £1 billion of it. We chose not to do some of the lending because it wasn't the highest risk-adjusted return on regulatory capital we could achieve. But it was very strong risk-adjusted return on regulatory capital and, as we free up more capital resources, we can choose to go deeper into the pool we're already fishing in.

We could clearly choose to disrupt the specialist markets. We have the lowest cost of funding of any high street bank, let alone the mid-tier banks. We can use that funding advantage to become more disruptive in those specialist markets when and if we choose to. As I said, we're entering new geographies and will continue to expand the store network to give us more access to SME, commercial and retail customers.

We can also circle back and build out the digital foundations that haven't really existed at Metro since its inception. That would create new opportunities for growth in retail, SME and commercial. Obviously, as we've said, we will discuss a capital return policy at year-end 2026 results, and that will clearly be part of our story as we start to generate significant returns in 2028 and beyond.

So listen, the model's working. The local relationship-led model generates low-cost deposits that we use to fund better-yielding assets. We do it efficiently, and we work to get more efficient by the day. That allows us to operate in clear blue water. We are a universe of one. We have the lowest funding cost on the high street and we generate yields in line with specialist lenders. What does that mean? It means the highest profits in the history of the bank, the highest NIM in the history of the bank. It means a clear path to getting to our RoTE guidance of 18%, and all of that is hugely pleasing to me. It was a very strong start to the year, but it's not what pleases me most.

What pleases me most is the foundations we've built that allows us to have strategic optionality across corporate, commercial, specialist lending, deposits, as we move forward. So we are very confident in the path to an 18% return in 2028, and with that we're happy to take your questions. Thank you.

Operator

Thank you. With that we can start today's Q&A session. If you would like to ask a question during this time, please press star followed by one on your telephone keypad now. To withdraw your question, it's star followed by two. Our first question today comes from Benjamin Toms from RBC. Your line is now open please go ahead.

Benjamin Toms: (RBC, Analyst)

Morning, both. Thanks for taking my questions. The first is around, I guess, inorganic. The bank's very close to achieving its RoTE ambitions through dynamic actions that it's taken over the last couple of years. At this stage in the delivery of the plan, how are you feeling about inorganic activity? Do you feel the bank can tolerate some execution risk if there's an asset out there which could be transformative from a scale or an ROI perspective? Presumably, Metro has no desire to go back to being an MREL bank no matter how good a deal is put on the table.

Then secondly, the bank's fee run rate’s stepped down in the half. Can you just give us some comfort on why you think that step-down has now bottomed out with fees flattish from here? Thank you.

Daniel Frumkin

Thanks, Ben. I'll take the first question and I'll turn over to Marc on fees. So organic versus inorganic, we are really pleased with the opportunities we have on an organic basis. I mean, £6 billion of flow, 15% of all SME lending, I mean, we are spoiled for choice. We're still seeing really good margins over SONIA for specialist mortgages.

So I mean our organic path is really strong. So, at this point, we're really focused on that. As I said, we have strategic optionality, be it building out a digital offering or going deeper into the markets we already participate in. So I think we're very focused on organic.

Do I think we have the capacity to deliver in inorganic transaction? We do. We have a really strong management team that's clearly delivered a phenomenal turnaround. That gives us confidence that we could integrate a new business if we chose to. But at this point, we don't need to. There aren't too many banks in the UK that are going to go from a 7.5% RoTE to an 18% RoTE in 18 months.

We are really focused on delivery. Then we're focused on what we can do with that excess capital as we begin to generate it, and the growth we can deliver beyond 2028. So I think we have the capacity and capability to do something, I just don't know that it's our focus today. Marc on fees?

Marc Page

Yes, hi Ben, morning. So on fees, we're guiding that they'll be broadly similar to first half of the year. Largely that's a function of activities that we're seeing and observing. We have seen competition in FX markets and interchange, but we're also seeing strong demand in terms of some of our own in-house services, so be that the safety deposit boxes, et cetera. So I think we are – it's becoming – interchange and FX is an increasingly smaller part of our fee lines, and the activity we're seeing demonstrate – would support kind of the guidance that I've said this morning in terms of fee activity levels.

But where I would focus is really our momentum story is in the net in`terest income line. It's really, it's demonstrating the activity we'll put in place, the accelerating lending into the second half of the year, and the asset rotation strategy, that's the real engine for growth as we go forward.

Operator

Thank you. As a reminder, if you'd like to ask a question, please press star followed by one on your telephone keypad now. Our next question comes from Corinne Cunningham from Autonomous. You line is now open, please go ahead.

Corinne Cunningham: (Autonomous, Analyst)

Thank you and good morning everyone. Could I ask a question about NII and why we're not already seeing stronger growth given that the lending is up, the NIM is up, treasury assets are already repricing? Is this a technical thing to do with denominator effect? I'm thinking particularly if you look at the exit NIM versus the average NIM; was something happening just before the balance sheet was closed in H1 to give you that pop-up? I'm just not sure why we're not seeing more momentum in NII. Thank you.

Daniel Frumkin

So, listen, I'll start and then I'll turn it over to Marc. So a lot of the lending we did in the first half of the year, a lot of that £1 billion was actually done in May and June. June was one of the largest months for closing of transactions we've had in the history of the bank. So, again, it was really back-ended, which influenced a lot of what you point out – it's a very good observation. Marc?

Marc Page

Yes. So timing of the lending, so you'll see that come through. The other one is, as we entered the year, we did see a rate reduction come through, and forward curves were kind of predicting much lower rates as they were coming through. So a lot of that business we were writing the back half of second – H2 '25, plus the forward curves in the beginning of the year were lower.

You can see that on the waterfall bridge. So in terms of all of the drivers outperforming to offset rates and other changes. But I would expect that now, Corinne, to change in the second half of the year. Lending will accelerate, the rotation accelerates from here and clearly the base rate environment is higher.

Corinne Cunningham: (Autonomous, Analyst)

Thank you. May I ask a second one just on the MREL lending – or sorry the MREL borrowing should I say, and do you see any capital flexibility to do any kind of early buybacks? Or is this still a trade-off between return on new lending versus retiring the MREL debt early.

Daniel Frumkin

So I think, Corinne, we look at it all the time, bankers price it for us all the time. I think if the economics worked, we would consider it. At this point, it still trades at a pretty big premium, and we're not sure the economics work. In terms of capital and capital actions, I mean, again, we continue to manage capital very aggressively, as you can tell, and you would know from our history. As we start to get more degrees of freedom in capital, both organically generated and maybe through doing something like an SRT, the reality is that we would use that capital to either accelerate lending or potentially buyback the MREL, whatever provides the greatest return for shareholders.

Operator

Thank you. Our next question comes from Ed Firth from KBW. Your line is now open, please proceed.

Ed Firth: (KBW, Analyst)

Morning everybody. I've just got two questions, actually. The first one is just looking at the exit NIM. The rate of progression slowed very significantly in the first half. I guess if the second half was like the first half, you'd be really right at the bottom end of your exit NIM range for the full year. In fact, it's a little bit below.

So is there something particularly going on in the first? I mean you mentioned earlier about rates and various other bits and pieces, but it would be interesting to know how should we think about that in the second half of the year and into next year? Is there a sort of mixed thing that perhaps is different than you expected?

Then secondly, if I look at deposits, deposits were down, and I'm just wondering, are you comfortable with that? Can you see deposits continue to fall? At some point, how do you balance growing the business and funding that growth with your low cost deposits? I mean do you actually believe you can grow deposits whilst keeping that cost advantage? Or is this more of a thing where you're going to keep those flat and going to have to increasingly fund any growth in the wholesale markets? Thanks very much.

Daniel Frumkin

Good. Ed, listen, let's start with exit NIM, so I can walk you through it a little bit. So remember, we had a 25 basis point reduction in base rate right at the end of 2025, which has to come through all our floating rate lending, which obviously acts as a bit of a compression on NIM. Because, as you know, we have current account funding that's more than two times the market average. So, again, I think that created a little bit of lower. I talked about the fact that the exit NIM was influenced by the lending towards the second half of the year, which again will continue to bleed through in the first.

But there's a couple things that we think gives us real momentum as we get into the second half of the year. The first is the 3.25% becomes 3.40% just from the treasury book repricing. So we're already in the range of guidance for the year end, and we think the asset rotation that'll occur in the second half of the year, given the £1 billion of pipeline we have, and we think we'll do £1.2 billion or £1.3 billion, if you model that through, that's worth another 20 basis points to 30 basis points probably in NIM. So we're pretty confident that we end up between the 3.40% and the 4%, probably more in the middle than closer to the bottom end. But, again, you can do that math.

In terms of deposits, we really focus on current accounts. Current accounts, I think it depends on what period you look at. We're slightly up versus one period and slightly down versus the other, but broadly stable, which we're very pleased with. We saw a bit of decrease in fixed-term deposits, which, again, are expensive. We saw a little bit of decrease in the interest-bearing instant access. Some of those were relationship-based pricing that were quite expensive actually, some pension money that was quite expensive. So, again, we were pleased to lose it.

We run a loan-to-deposit ratio that's sub-70%. Even as we rotate assets – one of the good things about rotating assets is we're freeing up a lot of liquidity from that residential mortgage portfolio we're running off. So we can grow commercial and corporate lending significantly without needing more liquidity. Because for the next 18 months, it's probably funded by the runoff of the residential mortgage book.

So we don't show the loan-to-deposit ratio in our forward plans. Sorry, I don't have your model memorised, Ed. I apologise. But we don't show the loan-to-deposit ratio getting much above where it is today, maybe up into the mid-70s. But it's not significantly above because we're freeing up liquidity from the residential lending that we're running off. We think we can grow deposits.

One of the strategic optionality we have, is whether we do something in the digital space that would accelerate deposit growth. But, again, we're pretty confident we have more than enough liquidity to execute the plan and deliver on the guidance through ’28, and really beyond ‘28 for a while.

Operator

As a final reminder, if you'd like to ask a question on today's call, please press star followed by one on your telephone keypad now. With that, we have no further questions in the queue at this time, so I'll hand back over to Daniel for closing comments.

Daniel Frumkin

I just want to thank everybody for taking the time today. We're really pleased with the first half of 2026 results, but we're more excited about what the opportunities are from this point forward. So thank you so much and have a great day.

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