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Metro Bank Holdings PLC (LSE: MTRO LN)
26 July 2024

Metro Bank Holdings PLC
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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE UK VERSION OF REGULATION (EU) NO. 596/2014 ON MARKET ABUSE, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018.

FOR IMMEDIATE RELEASE

Metro Bank confirms Sale of £2.5 billion^[1] Residential Mortgage Portfolio to NatWest Group PLC

Highlights

- **Sale allows acceleration of asset rotation**
- **Earnings are improved in 2024 and 2025 from this sale**
- **NIM increases post transaction completion**
- **TFSME^[2] to be repaid from proceeds**
- **Pro forma MREL ratio improves by c114bps upon transaction completion**
- **Mortgages being sold were originated in a lower rate environment, meaning the mortgage sale results in a day one loss of c£105m at completion**

Summary

Metro Bank today confirms entering into an agreement to sell a portfolio of approximately £2.5 billion prime residential mortgages (the "Portfolio") to NatWest Group PLC ("NatWest") for a cash consideration^[3] of up to £2.4 billion. On completion^[4] of the transaction, the sale is expected to reduce risk weighted assets by c£824m, and result in a 31 December 2023 pro-forma improvement in Metro Bank's total capital plus MREL ratio of c114bps from 22.0% to 23.1% and CET1 ratio by c5bps.

The sale of the Portfolio is in line with Metro Bank's strategy to reposition its balance sheet and enhance risk-adjusted returns on capital. The transaction is earnings, NIM and capital ratio accretive, and the sale creates additional lending capacity to enable Metro Bank to continue its asset rotation towards higher yielding commercial, corporate, SME lending and specialist mortgages.

The Portfolio has a gross book value of £2.5 billion with a weighted average rate of c3.79%. It consists of primarily repayment mortgages with an average remaining fixed-rate term of c2.3 years. The Portfolio has a similar geographic distribution to Metro Bank's wider mortgage portfolio and has a weighted average current loan to value of c62%.

The 4.2% discount on gross book value results in an estimated c£105 million loss on sale because the loans were originated in a lower rate environment.

Commenting on the disposal, Daniel Frumkin, Metro Bank's Chief Executive Officer, said:

"The sale of part of our residential mortgage portfolio is earnings, NIM and capital ratio accretive. The sale is in-line with Metro Bank's strategy to reposition its balance sheet for higher risk adjusted returns on regulatory capital. The additional lending capacity provided by this sale will enable us to continue our shift into high yielding assets in niche and underserved markets and become a specialist lender of choice."

1. Cut-off at 31-March-24
2. Bank of England Term Funding Scheme with additional incentives for SMEs
3. The final purchase price will include adjustments and reconciliations to reflect certain limited exclusions, costs and collections in the run up to completion of the transaction
4. Completion of the transaction is conditional on a satisfactory response from the Competition & Markets Authority

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