

Metro Bank

Strong Q325 demonstrates solid execution

Metro Bank has announced strong Q325 results, characterised by strong lending growth to higher-margin targeted areas, up 12% versus H125. This targeted lending to corporate/commercial/SME clients has borne fruit, with Metro's exit net interest margin (NIM) in September reaching 3.03%, within the year-end guidance of 3.00–3.25%. We expect further expansion over the next years, and the Q3 results give us added comfort that the story is evolving ahead of our growth expectations. We have slightly increased our estimates for FY25 on the back of these positive results. The market reacted positively, with shares up c 8% at the beginning of trading.

Year end	PBT (£m)	TBVPS (p)	ROTE (%)	DPS (p)	P/TBV (x)	Yield (%)
12/24	(14.0)	121.3	4.7	0.00	0.90	N/A
12/25e	98.9	166.9	7.8	0.00	0.65	N/A
12/26e	180.3	184.7	12.2	0.00	0.59	N/A
12/27e	260.3	213.4	15.7	0.00	0.51	N/A

Note: PBT is on an underlying basis. TBVPS, tangible book value per share. ROTE, return on tangible equity.

Strong targeted lending, exit NIM ahead

Metro Bank reported strong Q325 targeted lending growth, with gross loans increasing to £4.8bn, up 12% versus H1. These higher-margin loans will in turn drive a higher NIM for the group, with Metro's exit NIM in September reaching 3.03%, already meeting the year-end guidance of 3.00–3.25%. Overall, net loans of £8.8bn increased by 1%, due to the run-off book contracting by 9%, and deposits decreased by 1% in the quarter. This move was in line with management's strategy to reposition the loan book towards higher-margin corporate/commercial/SME lending while concurrently lowering the cost of deposits by allowing expensive fixed term deposits to fall away. This has led to the cost of deposits falling to 95bp, the lowest of any UK high street bank. As the business has become more efficient, the loan-to-deposit ratio rose to 67% versus 65% in H1, further increasing profitability with scope for significant asset growth over the medium term.

Guidance reiterated, transfer firm reclassification

Metro continues FY25 with strong momentum, and management has reiterated guidance for FY25–27. We expect the deposit optimisation, loan growth in the higher-margin target areas and cost discipline to drive growth over the next years. Management expects lending growth to continue in H225, with a robust £750m pipeline for targeted areas. Credit quality has remained strong with the portfolio highly collateralised and prudently provisioned. Finally, management expects to be positively reclassified as a transfer firm in January 2026, which it believes could add c £60m to net interest income on the MREL call date in 2028. We have slightly increased our estimates for FY25 on the back of these positive results.

Valuation: Further re-rating potential

Shares reacted positively on the morning of results as the market appreciated the growth delivered. On valuation, Metro trades on a consensus FY26 price-to-book ratio of c 0.7x versus UK banks' average of c 1.0x. Given the prospect of a mid- to high-teens return on tangible equity, a multiple in line with the peer group average would result in a valuation equating to a 160–180p per share.

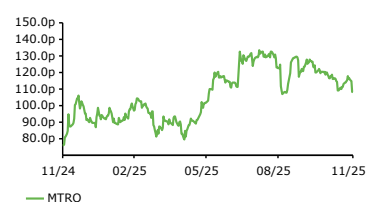
Q325 trading update

Banks

5 November 2025

Price	109.00p
Market cap	£734m
Shares in issue	673.3m
Code	MTRO
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(7.0)	(11.4)	43.2
52-week high/low		137.6p	75.0p

Business description

Metro Bank is a community bank that serves both retail and commercial customers in major cities in the UK. It operates a network of 76 'stores' in prime locations, a key source of new lending and low-cost deposits. Metro Bank is undertaking a strategic repositioning towards a mid- to upper-teens return business model focused on commercial, corporate and SME lending and specialist mortgages.

Next events

FY25 results	February 2026
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Metro Bank is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

Year to 31 December (£m)	2022	2023	2024	2025e	2026e	2027e	2028e
INCOME STATEMENT							
Net interest income	404.1	411.9	377.9	479.3	606.8	704.3	806.5
Net fee & commission income	81.8	90.4	93.2	95.8	100.0	102.0	104.0
Other income	37.6	146.6	(65.8)	24.1	0.0	0.0	0.0
Total income	523.5	648.9	405.3	599.2	706.8	806.3	910.5
General operating expenses	(467.6)	(502.9)	(489.0)	(420.6)	(422.9)	(431.4)	(440.1)
Depreciation	(77.0)	(77.7)	(77.3)	(64.5)	(67.0)	(67.0)	(67.0)
Impairments & write-offs of PPE and intangibles	(9.7)	(4.6)	(44.0)	(0.2)	(4.1)	(0.2)	(0.2)
Total operating expenses	(554.3)	(585.2)	(610.3)	(485.3)	(494.0)	(498.6)	(507.3)
Expected credit loss	(39.9)	(33.2)	(7.1)	(15.2)	(36.6)	(47.6)	(56.3)
Profit before tax	(70.7)	30.5	(212.1)	98.7	176.2	260.1	347.0
Adjust for:							
Impairment & write-off PPE & intangibles	9.7	4.6	44.0	0.2	4.1	0.2	0.2
Holding company costs	1.8	1.8	0.0	0.0	0.0	0.0	0.0
Non-recurring costs	8.6	20.2	52.4	0.0	0.0	0.0	0.0
Other non-recurring items	0.0	(74.0)	101.7	(0.0)	0.0	0.0	0.0
Company basis underlying PBT	(50.6)	(16.9)	(14.0)	98.9	180.3	260.3	347.2
Tax	(2.0)	(1.0)	254.6	(26.6)	(44.1)	(65.0)	(86.7)
Net profit	(72.7)	29.5	42.5	72.1	132.2	195.1	260.2
Period-end number of shares (m)	172.5	672.7	672.7	672.7	672.7	672.7	672.7
Average number of shares (m)	172.5	214.3	672.7	672.7	672.7	672.7	672.7
Diluted average number of shares (m)	172.5	220.8	672.7	672.7	672.7	672.7	672.7
EPS (p)	(42.2)	13.4	6.3	10.7	19.6	29.0	38.7
DPS (p)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET							
Loan assets	13,102	12,297	9,013	9,861	10,322	10,684	12,544
Cash	1,956	3,891	2,811	2,595	3,605	4,313	3,159
Other treasury assets	5,914	4,879	4,490	3,675	2,660	2,129	2,056
Other assets	1,147	1,178	1,268	1,324	1,302	1,269	1,226
Total assets	22,119	22,245	17,582	17,455	17,889	18,395	18,984
Customer deposits	(16,014)	(15,623)	(14,458)	(14,772)	(15,121)	(15,489)	(15,883)
Deposits from central banks	(3,800)	(3,050)	(400)	0	0	0	0
Debt securities	(571)	(694)	(675)	(685)	(685)	(685)	(685)
Other liabilities	(778)	(1,744)	(866)	(522)	(522)	(522)	(522)
Total liabilities	(21,163)	(21,111)	(16,399)	(15,979)	(16,328)	(16,696)	(17,090)
Net assets	956	1,134	1,183	1,476	1,561	1,698	1,894
Book value per share (p)	554.3	168.6	175.7	220.1	234.6	258.4	291.9
Tangible book value per share (p)	429.1	139.9	121.3	166.9	184.7	213.4	253.3
RATIOS							
Loan: deposit ratio	81.8%	78.7%	62.3%	66.8%	68.3%	69.0%	79.0%
Net interest margin	1.92%	1.98%	1.91%	3.04%	3.67%	4.11%	4.54%
ECL as % gross lending	0.3%	0.3%	0.1%	0.2%	0.4%	0.4%	0.5%
Cost: income ratio	106%	90%	151%	81%	70%	62%	56%
Return on tangible equity (RoTE)	-9.7%	3.7%	4.7%	7.8%	12.2%	15.7%	17.7%
Risk weighted assets (RWA)	7,990	7,533	6,442	7,084	7,931	8,671	9,935
Common equity tier 1 ratio (CET1)	10.3%	13.1%	12.5%	12.5%	12.8%	14.1%	15.2%
Tier 1 ratio (T1)	10.3%	13.1%	12.5%	16.1%	16.0%	17.0%	17.7%
Total capital ratio	13.4%	15.1%	14.9%	18.2%	17.9%	18.7%	19.2%
MREL	17.7%	22.0%	23.0%	25.6%	24.5%	24.8%	24.5%

Source: Metro Bank historical data, Edison Investment Research forecasts

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