

METRO BANK SURPASSES £10 BILLION IN LENDING AND MAINTAINS STRONG GROWTH ACROSS DEPOSITS, LENDING AND CUSTOMERS

Metro Bank PLC (LSE: MTRO LN)

Q1 Highlights

- M** Deposit growth of £1,033m, up 41% year-on-year to £12.7b
- M** Net deposit growth per store per month of £6.3m (\$8.8m) in Q1 2018 versus £5.9m (\$8.3m) in Q4 2017, representing annualised deposit growth per store of £76m (\$106m)
- M** Lending growth of £1,354m, up 69% year-on-year to £11.0b driven by strong organic growth and supplemented by the acquisition of a seasoned mortgage portfolio
- M** Increase in loan to deposit ratio to 86%. Asset quality remains strong; cost of risk at 0.09%
- M** Underlying profit before tax¹ at £10.0m (\$14.0m), up 21% from £8.3m (\$11.6m) in Q4 2017
- M** 88,000 increase in customer accounts to 1,305,000
- M** Launch of current account opening online with state of the art “selfie” ID&V

Note: All figures contained in this trading update are unaudited. All figures in US\$ have been translated at a rate of \$1.40 to the £.

Quarter ending £ in millions	31 Mar 2018	31 Dec 2017	Change in Quarter	31 Mar 2017	Change in Year
Assets	£17,888	£16,355	9%	£11,624	54%
Loans	£10,974	£9,620	14%	£6,482	69%
Deposits	£12,702	£11,669	9%	£9,010	41%
Loan to Deposit ratio	86%	82%		72%	
Total Revenue	£91.8	£84.6	9%	£61.9	48%
Underlying Profit before tax¹	£10.0	£8.3	21%	£2.0	406%
Statutory Profit before tax	£8.6	£7.6	14%	£1.6	456%
Customer net interest margin	2.24%	2.21%	3bp	2.19%	5bp
Net interest margin	1.85%	1.87%	(2bp)	2.02%	(17bp)
Underlying Profit after tax per share - basic	8.8p	7.5p	17%	1.9p	363%
Underlying Profit after tax per share - diluted	8.6p	7.4p	16%	1.8p	378%

¹ Underlying profit before tax excludes costs associated with listing and the Listing Share Awards, the FSCS levy, impairment of property, plant & equipment (“PPE”) and intangible assets, and costs relating to the RBS alternative remedies package application. Underlying profit after tax for the year also excludes the effect of changes in the tax rate on the deferred tax asset. *Statutory Profit after tax is included in the Profit and Loss Account.*

Craig Donaldson, Chief Executive Officer at Metro Bank said:

“Momentum in our growth continues. In the first quarter, we’ve seen a 69% growth in lending and 41% growth in deposits year-on-year and welcomed tens of thousands of new customer accounts. We will continue to find new ways to make our customers’ lives easier. Over the course of the year we will invest significantly in our digital offering to combine the best of

fintech with our fanatical focus on service. Our artificial intelligence “Insights” tool will be launched this summer on our already award-winning mobile app. We’re extending the store footprint into thriving towns and cities in the West and Midlands while strengthening our presence on the South coast, with five stores already in build.

“Our commitment to deliver superior service to SMEs is stronger than ever. For too long, the big five banks have had an unhealthy stranglehold on the SME banking sector and businesses have been crying out for an alternative. In London and the South East – which accounts for 34% of the UK’s SME market – we are seeing thousands of businesses switch to us, proving that when there is a credible alternative to the incumbents, businesses vote with their feet.”

Vernon Hill, Chairman and Founder at Metro Bank, added:

“For its FANS and colleagues Metro Bank is the bank that keeps on giving. As well as strong deposit and lending growth, we’ve opened 88,000 new accounts in the last quarter alone, taking the number of accounts held with us to 1,305,000. Proving our unrelenting focus on service, our distinctive culture and combination of physical and digital services is a winning formula for the thousands who have chosen to join us. We’re delighted they’ve joined us and welcome them to the Revolution.”

Financial highlights for the Quarter Ended 31 March 2018

Summary

- M Underlying profit before tax for the quarter to 31 March 2018 was a record £10.0m.**
- M The loan to deposit ratio increased to 86% (31 December 2017: 82%) bringing it in line with both our 2020 and 2023 targets.**
- M As of 31 March total assets were £17,888m, up from £16,355m at 31 December 2017 and £11,624m at 31 March 2017; representing 9% growth in the quarter and year-on-year growth of 54%.**
- M Current account deposits (largely non-interest bearing) increased 51% year-on-year and now comprise 31% of total deposits, up from 29% at 31 March 2017.**
- M Continue to progress towards our 2020 and 2023 targets.**

Deposits

- M As of 31 March total deposits were £12,702m, up from £11,669m at 31 December 2017 and £9,010m at 31 March 2017. This represents a 9% quarterly and 41% year-on-year growth. Deposits from Business and Commercial customers represent 53% of 31 March 2018 total deposits (31 December 2017: 53%).**
- M Deposit growth per store per month of £6.3m, up from £5.9m in Q4 2017.**
- M Comparative store deposit growth (a “like for like” measure of deposit growth using deposit numbers from stores that have been operating for more than a full year) is 39%.**

<i>£ in millions</i>	31 Mar 2018	31 Dec 2017	Change in Quarter	31 Mar 2017	Change in Year
Demand: current accounts	£3,889	£3,682	6%	£2,582	51%
Demand: savings accounts	£5,886	£5,303	11%	£4,224	39%
Fixed term: savings accounts	£2,927	£2,684	9%	£2,204	33%
Deposits from customers	£12,702	£11,669	9%	£9,010	41%

Deposits from customers includes:

Deposits from retail customers	£5,999	£5,476	10%	£4,464	34%
Deposits from corporate customers	£6,703	£6,193	8%	£4,546	47%

M Cost of deposits in Q1 2018 was 56bp, up from 52bp in Q4 2017. This reflects the Bank of England base rate rise in November 2017.

Loans

M Total net loans as of 31 March were £10,974m, up from £9,620m at 31 December 2017 and £6,482m at 31 March 2017; an increase of 14% in the quarter and 69% year-on-year. Loans to commercial customers represent 32% of total lending as of 31 March 2018 (31 December 2017: 33%).

M Net loans increased by £1,354m in Q1 driven by organic lending and supplemented by the purchase of a portfolio of UK mortgages for total consideration of £523m. The purchased portfolio consists predominantly of seasoned mortgages and has a similar credit risk profile to our current loan book.

M Asset quality remains strong. Non-performing loans were 0.22% of the portfolio (31 December 2017: 0.27%). Cost of risk remained low at 0.09% at 31 March 2018 (31 December 2017: 0.14%).

<i>£ in millions</i>	31 Mar 2018	31 Dec 2017	Change in Quarter	31 Mar 2017	Change in Year
Gross Loans and advances to customers	£11,013	£9,635	14%	£6,491	70%
Less: allowance for impairment ²	£(39)	£(15)	169%	£(9)	331%
Net Loans and advances to customers	£10,974	£9,620	14%	£6,482	69%

Gross loans and advances to customers includes:

Commercial loans	£3,471	£3,187	9%	£2,276	53%
Residential mortgages	£7,310	£6,231	17%	£4,023	82%
Consumer and other loans and advances	£232	£217	7%	£192	21%

² The allowance for impairment is calculated under IAS 39 at 31 March and 31 December 2017, and under IFRS 9 at 31 March 2018.

Profit and Loss Account

- M** **Customer net interest margin improved to 2.24% (Q4 2017: 2.21%) driven by the increase in the loan to deposit ratio.** Customer net interest margin plus fees increased from 2.71% in Q4 2017 to 2.72% in Q1 2018. Net interest margin decreased from 1.87% to 1.85% in the quarter due to a further £480m drawn from the Term Funding Scheme before it closed in February.
- M** **Underlying profit before tax has grown to £10.0m compared to £2.0m in Q1 2017. Statutory profit before tax of £8.6m compares to £1.6m in Q1 2017.**
- M** **Improvement in underlying Cost:Income ratio to 87% from 94% in Q1 2017** driven by positive P&L “jaws”. Total revenue growth of 48% year-on-year continued to outstrip operating expense growth (up 36%) as we trend towards our c.60% target in 2020.
- M** **Significant investment in technology, stores and colleagues will continue as we build the bank for the long term.** We also expect to continue to incur costs associated with regulatory projects and our bid for the RBS alternative resolutions fund in 2018.

Capital

- M** **Capital ratios remain robust.** Common Equity Tier 1 Capital (“CET1”) as a percentage of risk weighted assets is 13.6%. Risk weighted assets at 31 March 2018 were £6,524m. The Regulatory Leverage ratio is 5.0%.
- M** **We continue to assess appropriate capital to fund our growth and anticipate a Tier 2 debt issuance in 2018.**

Customer Experience

- M** **Added to our integrated service offering by launching current account opening online** with state of the art “selfie” ID&V.
- M** **Twelve store openings planned for 2018 beginning with the opening of our 56th store in Watford in May.**
- M** **Our bid for the RBS alternative remedies package application is progressing.** This presents an opportunity for us to drive real choice for SMEs across the UK.

Metro Bank PLC

Summary Balance Sheet and Profit & Loss Account

(Unaudited)

Balance Sheet	Annual Growth Rate	2018	2017	
		31-Mar	31-Dec	31-Mar
		£'m	£'m	£'m
Assets				
Loans and advances to customers	69%	10,974	9,620	6,482
Treasury assets ¹		6,269	6,127	4,637
Other assets ²		645	608	505
Total assets	54%	17,888	16,355	11,624
Liabilities				
Deposits from customers	41%	12,702	11,669	9,010
Deposits from banks		3,801	3,321	1,235
Other liabilities		300	269	571
Total liabilities		16,803	15,259	10,816
Total shareholder's equity		1,085	1,096	808
Total equity and liabilities		17,888	16,355	11,624
Profit & Loss Account	Annual Growth Rate	2018	2017	
		Q1	Q4	Q1
		£'000	£'000	£'000
Net interest income		74,991	69,296	50,446
Fee and other income		14,108	13,831	10,892
Net gains on sale of securities		2,660	1,435	598
Total revenue	48%	91,759	84,562	61,936
Operating expenses	36%	(79,513)	(73,070)	(58,403)
Credit impairment charges		(2,267)	(3,236)	(1,560)
Underlying profit before tax	406%	9,979	8,256	1,973
Underlying taxation		(2,220)	(1,622)	(485)
Underlying profit after tax	421%	7,759	6,634	1,488
Listing Share Awards		(316)	(316)	(353)
FSCS levy (net of tax)		-	-	(48)
Impairment of property, plant & equipment and intangible assets		(436)	(249)	-
Costs relating to RBS alternative remedies package application		(590)	(129)	-
Effect of changes in tax rate on deferred tax asset		-	(2,974)	-
Statutory profit after tax	490%	6,417	2,966	1,087

¹ Comprises investment securities, cash & balances with the Bank of England, and loans and advances to banks

² Comprises property, plant & equipment, intangible assets and other assets

Analyst and investor call

An analyst and investor call will be held as follows:

Date: Wednesday 25th April 2018
Time: 2.00pm (BST)
From the UK dial: 0800 358 9473 (Toll Free)
From the US dial: +1 855 85 70686 (Toll Free)
Participant Pin: 62042396#
URL for other international dial in numbers:
http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf
An operator will assist you in joining the call.

For more information, please contact:

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About Metro Bank

Metro Bank is the revolution in British banking. It is celebrated for its exceptional customer experience and its trusted products, and was awarded 'Most Trusted Financial Provider' at the Moneywise Customer Service Awards 2017, as well as 'Best Financial Provider' at the Evening Standard Business Awards 2017 and 'Bank of the Year' at the CityAM Awards 2016.

Offering retail, business, commercial and private banking services, it prides itself on using technology to give customers the choice to bank however, whenever and wherever they choose. Whether that's through its growing network of stores open seven days a week, from early in the morning to late at night, 362 days a year; on the phone through its UK-based 24/7 contact centres manned by people not machines; or online through its internet banking or award-winning mobile app: the bank offers customers the choice.

The bank employs over 3,000 colleagues and is headquartered in Holborn, London.

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It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. Most relevant deposits are protected by the Financial Services Compensation Scheme. For further information about the Scheme refer to the FSCS website www.fscs.org.uk.

All Metro Bank products are subject to status and approval.

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