

METRO BANK REPORTS 66% GROWTH IN DEPOSITS AND FIRST UNDERLYING PROFIT

Metro Bank PLC (LSE: MTRO) has delivered a strong trading performance in the third quarter of 2016.

Q3 Highlights

- Deposits up 66% year-on-year to £7,297m (\$9,486m)
- Lending up 73%, year-on-year to £5,193m (\$6,751m)
- Revenue up 78% year-on-year to £53.4m (\$69.4m)
- Record 68,000 increase in customer accounts to a total of 848,000
- Underlying profit before tax¹ at £0.6m (compared to a £3.4m loss in Q2 2016)

Note: all figures contained in this trading update are unaudited.

All figures in US\$ have been translated at a rate of \$1.30 to the £.

<i>Quarter ending £ in millions</i>	30 Sept 2016	30 June 2016	% Improvement In Qtr.	% Improvement In Year
Assets	£9,005	£8,351	8%	66%
Loans	£5,193	£4,629	12%	73%
Deposits	£7,297	£6,599	11%	66%
Loan to deposit ratio	71%	70%	1%	3%
 Total Revenue	 £53.4	 £46.3	 15%	 78%
Underlying profit/(loss) before tax	£0.6	£(3.4)		
Underlying profit/(loss) after tax per share	£0.00	£(0.05)		
Net interest margin	1.95%	1.93%		

Craig Donaldson, Chief Executive Officer at Metro Bank said:

"I am delighted to announce another strong quarter, with substantial growth across lending, deposits and customer accounts as well as the bank reporting its first quarterly underlying profit. We continue to show strong deposit growth even as the cost of our deposits falls. This clearly demonstrates that our offering of high-impact, convenient high street stores, UK based contact centres and easy to use online and mobile services is persuasive for retail, business and private customers.

¹ Underlying profit/(loss) before tax excludes listing and related costs, the FSCS levy and impairment of plant & equipment and intangible assets. The statutory loss after tax in the quarter of £0.4m is set out on page 5.

"We continue to expand the business to generate long-term, sustainable growth, with revenue up 78% year-on-year and an underlying quarterly profit before tax for the first time of £0.6m. As we move into underlying profit our customer-focused culture and commitment to providing a superior banking experience remain at the very forefront of our offering, and we look forward to welcoming even more retail, business and private banking customers to the banking revolution."

Vernon Hill, Chairman and Founder at Metro Bank said:

"Metro Bank is the revolution in British banking and, as we go from strength to strength, we continue to create 'Fans not Customers'. Our relentless focus on customer service and convenience has helped us to achieve so much in such a short period of time. Our thanks, as ever, must go to our colleagues, our investors and our Fans, who continue to show their support."

Highlights for the Quarter Ended 30 September 2016

- IM As of 30 September total assets were £9,005m, up from £8,351m at 30 June 2016 and £5,438m at 30 September 2015; representing year-on-year growth of 66% and 8% growth in the quarter.**
- IM Robust net deposit growth per store per month of £5.6m (\$7.2m) in Q3 2016 versus £5.7m (\$7.4m) in Q2 2016, and £5.5m (\$7.1m) in Q3 2015, exceeding our guidance.**
- IM Comparative store deposit growth (a measure of deposit growth using deposit numbers from stores that have been operating for more than a full year) is 61%.**
- IM The loan to deposit ratio increased to 71% (30 June 2016: 70%; 30 September 2015: 68%).**
- IM Underlying profit before tax has improved by 118% quarter-on-quarter to £0.6m (compared to a £3.4m loss in Q2 2016 and £9.6m in Q1 2016). Statutory loss after tax improved to £0.4m (compared to £5.9m in Q2 2016 and £11.1m in Q1). Underlying profit before tax benefited from £3.3m gains on securities in the quarter (Q2 £1.6m), more than offsetting a £0.7m adverse impact of the "lag effect" (assets re-pricing earlier than liabilities) following the recent reduction in Base Rates.**
- IM Cost of deposits in Q3 was 80bps, a reduction from the 87bps in Q2. Q4 will see a further fall as deposit re-pricing comes into effect following the reduction in Base Rate in August.**
- IM As of 30 September total deposits were £7,297m, up from £6,599m at 30 June 2016 and £4,387m at 30 September 2015; representing year-on-year growth of 66% and 11% in the quarter. Deposits for the third quarter grew £698m. Deposits from commercial customers represent 52% of 30 September 2016 total deposits (30 June 2016: 52%).**

	30 September 2016 £'m	30 June 2016 £'m	% change in Quarter	% change in Year
Demand: non-interest bearing	2,019	1,749	15%	64%
Demand: interest bearing	3,167	2,854	11%	54%
Fixed term	2,111	1,996	6%	93%
Deposits from customers	7,297	6,599	11%	66%

Deposits from customers includes:

Deposits from retail customers	3,537	3,155
Deposits from corporate customers	3,760	3,444

IM Total loans as of 30 September were £5,193m, up from £4,629m at 30 June 2016 and £3,004m at 30 September 2015; an increase of 73% year-on-year, and a 12% increase in the quarter. Loans to commercial customers represent 35% of total lending as of 30 September 2016 (30 June 2016: 35%).

	30 September 2016 £'m	30 June 2016 £'m	% change In Quarter	% change in Year
Gross Loans and advances to customers	5,202	4,637		
Less: allowance for impairment	(9)	(8)		
Net Loans and advances to customers	5,193	4,629	12%	73%

Gross loans and advances to customers includes:

Commercial loans	1,824	1,625	12%	65%
Residential mortgages	3,202	2,853	12%	77%
Consumer and other loans and advances	176	159	11%	80%

IM Customer acquisition goes from strength to strength. Customer accounts have increased from 780,000 on 30 June 2016 to 848,000 at 30 September 2016; a record quarterly net increase of 68,000 accounts. This represents an increase of 41% year-on-year and a 9% increase in the quarter.

IM Asset quality remains strong. Non-performing loans were 0.16% of the portfolio and the loan loss reserve as a percentage of non-performing loans was 108% at 30 September 2016. Year-to-date cost of risk is 0.10% at 30 September 2016.

IM Capital ratios remain robust and well above regulatory requirements. Common Equity Tier 1 Capital ("CET1") as a percentage of risk weighted assets is 20.4%. Regulatory Leverage ratio is 7.4%. A move towards the advanced risk based (AIRB) approach in the medium term presents the opportunity to achieve greater capital efficiency.

M We opened our 43rd store in Wimbledon on 21 October and will open our 44th in Clapham Junction on 28 October. Four more stores will open this year.

Metro Bank PLC

Balance Sheet and Profit & Loss Account

(Unaudited)

Balance Sheet	Annual Growth Rate	2016		2015
		30-Sep	30-Jun	30-Sep
		£'m	£'m	£'m
Assets				
Loans and advances to customers	73%	5,193	4,629	3,004
Treasury assets ¹		3,400	3,351	2,128
Other assets ²		412	371	306
Total assets	66%	9,005	8,351	5,438
Liabilities				
Deposits from customers	66%	7,297	6,599	4,387
Other liabilities		901	958	624
Total liabilities		8,198	7,557	5,011
Total shareholder's equity	89%	807	794	427
Profit & Loss Account	Annual Improvement	2016		2015
		Q3	Q2	Q3
		£'000	£'000	£'000
Net interest income		40,926	36,156	23,828
Fee and other income		9,197	8,575	6,194
Net gains on securities		3,265	1,561	(1)
Total revenue	78%	53,388	46,292	30,021
Operating expenses	25%	(52,078)	(48,445)	(41,614)
Credit impairment charges		(743)	(1,292)	(1,806)
Underlying profit/(loss) before tax	104%	567	(3,445)	(13,399)
Underlying taxation		(352)	(700)	2,695
Underlying profit/(loss) after tax	102%	215	(4,145)	(10,704)
Listing and related costs		(693)	(768)	-
FSCS levy		370	(1,002)	-
Impairment of plant & equipment and intangible assets		(308)	-	-
Statutory loss after tax	96%	(416)	(5,915)	(10,704)

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

Profit & Loss Account	Annual Improvement	2016	2015
		9 months to 30-Sep £'000	9 months to 30-Sep £'000
Net interest income		107,589	61,460
Fee and other income		25,006	18,312
Net gains on securities		4,866	6,124
Total revenue	60%	137,461	85,896
Operating expenses	27%	(146,753)	(115,802)
Credit impairment charges		(3,149)	(3,637)
Underlying profit/(loss) before tax	63%	(12,441)	(33,543)
Underlying taxation		565	6,754
Underlying profit/(loss) after tax	56%	(11,876)	(26,789)
Listing and related costs		(4,567)	-
FSCS levy		(633)	(426)
Impairment of plant & equipment and intangible assets		(308)	-
Statutory loss after tax	36%	(17,384)	(27,215)

Analyst and investor call

An analyst and investor call will be held as follows:

<p>Date: Wednesday 26 October 2016 Time: 2.00pm (BST) From the UK dial: 0808 237 0030 (Toll Free) From the US dial: 866 928 7517 (Toll Free) Participant Pin: 24263139# URL for other international dial in numbers: http://events.arkadin.com/ev/docs/NE_FEL_Events_International_Access_List.pdf An operator will assist you in joining the call.</p>
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For more information, please contact:

Metro Bank PLC Press Office
Tina Coates
+44 (0) 785 411 2582
tina.coates@metrobank.plc.uk

Metro Bank PLC Investor Relations
Jo Roberts

+44 (0) 20 3402 8900
jo.roberts@metrobank.plc.uk

Martin Pengelley/ Latika Shah
Tulchan Communications
+44(0)20 7353 4200
metrobank@tulchangroup.com

ENDS

About Metro Bank

Retail banking:

- 7 day a week store banking (8am-8pm Monday to Friday, 8am-6pm Saturday, 11am-5pm Sunday and bank holidays), 362 days of the year
- The ultimate in new account opening convenience, with a rapid opening procedure and on the spot bank cards and cheque books (Account Opening conditions apply. All Metro Bank products are subject to status and approval.)
- Free coin counting at every store, for customers and non-customers alike, with the Metro Bank Magic Money Machine™
- A friendly welcome to dogs and their owners, with water bowls and dog biscuits on hand for man's best friend - dogs rule at Metro Bank!

Business banking:

- The bank for entrepreneurs: Metro Bank offers tailored business banking services including a full range of lending and cash management solutions

Private banking:

- Private by name, personal by nature: Metro Bank Private Banking provides bespoke banking solutions for customers' personal and commercial interests

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We're 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.

Forward looking statements

This announcement contains certain forward looking statements with respect to the business, strategy and plans of Metro Bank PLC and its current goals and expectations relating to its future financial condition and performance. Such statements are not historical facts, nor are they guarantees of future performance. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.