Metro Bank PLC
Full year results
Trading Update 2021
23 February 2022

Metro Bank PLC (LSE: MTRO LN)

Results for Year ended 31 December 2021

Highlights

- **Turnaround plan successfully delivering momentum and sustainable growth, underpinning the path to profitability**
    - Improving lending mix and maximising risk-adjusted returns on capital
    - Margin expansion, NII growth and fee recovery driving revenue growth
    - Enabling sustainable growth through strong cost control and improving operating jaws
    - Targeted infrastructure development to improve resilience and protect the Bank
    - Management remains focused on execution with clear steps to breakeven
- **Continued focus on customers, communities and colleagues,** voted #1 high street bank for overall service, supported local communities with government-backed loans and successfully transitioned colleagues to a hybrid working model whilst maintaining the Bank's strong culture
- **Underlying revenue increased by 17% to £397.9 million** reflecting the shift towards higher yielding assets, lower cost of deposits and a recovery in customer activity.
- **Underlying costs of £546.8 million** reflect management actions to control cost, deliver positive operating jaws and leverage the fixed cost base, underlying operating costs reduced 1% in the second half
- **Underlying loss before tax reduced by 37% to £171.3 million,** a second half underlying loss of £61.3 million is down 44% on the first half, highlighting the momentum towards profitability
- **Statutory loss before tax of £245.1 million** following settlement of the PRA investigation, provisioning for the FCA investigation, sanctions related remediation and non-recurring expense items that underpin the path to profitability such as restructuring and legacy fixed asset impairment

Daniel Frumkin, Chief Executive Officer at Metro Bank, said:

"Two years into the turnaround, our strategy is delivering meaningful results as we move towards profitability. In a changing macro-economic environment, we have accelerated the shift of our balance sheet, with improved yields and lower cost of deposits. This has had a material impact on underlying revenue, which improved 42%[1] when adjusting for the mortgage portfolio disposal. Encouragingly, the second half of the year delivered even stronger revenue and exit-NIM performances, providing ongoing momentum into 2022. There is still more to do, but our focus on delivering higher margins through unsecured and specialist mortgage lending, as well as tight cost control, is enabling transformational change. We remain committed to delivering on the strategy we set out, including supporting the communities in which we operate."

1. Adjusts total underlying revenue by excluding loan income from the mortgage portfolio disposal announced in December 2020.

Outlook and Guidance

- The return to profitability gathered momentum in the year despite continued volatility in the macro-economic environment, with 4Q21 rates reflecting the Bank's improved lending and deposit mix:

	2021 Average	4Q21 Average
Cost of Deposits	0.24%	0.15%
Lending Yield	3.07%	3.19%
Net Interest Margin	1.40%	1.56%

- Given the economic uncertainty resulting from the pandemic it is too early to provide medium term guidance. However, the Bank remains focused on execution and guides directionally for the next 12 months as follows.

  Balance sheet: Higher growth than 2021 with continued focus on mix improvement.

  Margin: A strong exit-NIM holds us in good stead for 2022 with continued focus on lending mix and improved yields as a result of the base rate rises, potentially tempered by higher cost of deposits.

  Fees: Transaction-driven revenue streams influenced by the pace of recovery.

  Costs: Low single digit % reduction in total underlying operating expenses. Non-underlying items are expected to be less than 20% of 2021 as remediation costs fall away.

  Capital: Will operate in buffers but remain above regulatory minima. The Bank's AIRB application is progressing.

A presentation for investors and analysts will be held at 8.30AM (UK time) on 23 February 2022.

The presentation will be webcast on:

https://onlinexperiences.com/Launch/QReg/ShowUUID=B1193A94-7E98-424E-B793-627EE9765A05

For those wishing to dial-in:

From the UK dial: 0800 358 9473
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Participant Pin: 89517228#
URL for other international dial in numbers:
https://events-ftp.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

Key Financials:

£ in millions	31 December 2021	31 December 2020	Change from FY 2020	30 June 2021	Change from H1 2021
Assets	£22,587	£22,579	0%	£23,013	(2%)
Loans	£12,290	£12,090	2%	£12,325	0%
Deposits	£16,448	£16,072	2%	£16,620	(1%)
Loan to deposit ratio	75%	75%	0 pps	74%	1 pps
CET1 capital ratio	12.6%	15.0%	(2.4 pps)	13.9%	(1.3 pps)
Total capital ratio (TCR)	15.9%	18.1%	(2.2 pps)	17.2%	(1.3 pps)
MREL ratio	20.5%	22.4%	(1.9 pps)	21.7%	(1.2 pps)
Liquidity coverage ratio	281%	187%	94 pps	309%	(28 pps)

£ in millions	FY 2021	FY 2020	Change from FY 2020	H2 2021	H1 2021	Change from H1 2021
Total underlying revenue[2]	£397.9	£340.9	17%	£218.1	£179.8	21%
Underlying loss before tax[3]	(£171.3)	(£271.8)	(37%)	(£61.3)	(£110.0)	(44%)
Statutory loss before tax	(£245.1)	(£311.4)	(21%)	(£106.2)	(£138.9)	(24%)
Net interest margin	1.40%	1.22%	18bps	1.51%	1.28%	23bps
Underlying EPS	(144.0p)	(151.7p)	(5%)	(78.9p)	(65.1p)	(21%)

2. Underlying revenue excludes income recognised relating to the Capability & Innovation fund and the mortgage portfolio sale.
3. Underlying loss before tax excludes the Listing Share Awards, impairment and write-off of property, plant & equipment (PPE) and intangible assets, net BCR costs, transformation costs, remediation costs, business acquisition and integration costs and mortgage portfolio sale. Statutory loss after tax is included in the Profit and Loss Account.

Progress on strategic plan

Metro Bank continues to successfully deliver transformational change against all five pillars of the strategic plan set out in February 2020.

- **Balance sheet optimisation: Improving mix, maximising risk-adjusted returns on capital.** Decisive action taken in response to the changing environment. The mortgage disposal and RateSetter back book acquisition accelerated the shift to higher yielding assets followed by strong organic growth in consumer unsecured and specialist mortgages.

- **Revenue: Margin expansion, NII growth and fee recovery.** More products launched in store including RateSetter loans and insurance offerings. Government-backed lending through the Bounce Back Loan Scheme (BBLS) top-up and the Recovery Loan Scheme (RLS) to support communities. Investment in digital capability improves the multi-channel presence.

- **Cost: Enabling sustainable growth.** Investment in automation, IT platforms and the customer service proposition supports cost efficient growth. Agreed the acquisition of three further store freeholds at attractive yields and selectively closing three stores. Reduced central London office space and the hybrid working model utilises office space around stores.

- **Infrastructure: Protecting the Bank.** The enhancements to IT, regulatory reporting, financial crime, cyber security and digital channels all improve the Bank's resilience and customer journeys.

- **Internal and external communications: Delivering clear messages.** Continued support for customers, colleagues and communities through the pandemic with a range of bank wide and hyper local brand and PR campaigns, as well as launching an SME marketing campaign showcasing the Bank's FANS.

Financial performance for the year ended 31 December 2021

Deposits

£ in millions	**31 December 2021**	**31 December 2020**	**Change from FY 2020**	**30 June 2021**	**Change from H1 2021**
Demand: current accounts	£7,318	£6,218	18%	£6,749	8%
Demand: savings accounts	£7,684	£6,430	20%	£7,402	4%
Fixed term: savings accounts	£1,446	£3,424	(58%)	£2,469	(41%)
Deposits from customers	**£16,448**	**£16,072**	**2%**	**£16,620**	**(1%)**

Retail customers (excl. retail partnerships)	£6,713	£7,364	(9%)	£6,964	(4%)
SMEs	£4,764	£4,420	8%	£4,605	3%
	£11,477	£11,784	(3%)	£11,569	(1%)
Retail partnerships	£1,814	£1,596	14%	£1,697	7%
Commercial customers (excluding SMEs[4])	£3,157	£2,692	17%	£3,354	(6%)
	£4,971	£4,288	16%	£5,051	(2%)

4. SME defined as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million, and have aggregate deposits less than €1 million.

- **Total deposits grew by over £370 million in the year to £16,448 million as at 31 December 2021 (31 December 2020: £16,072 million).** Continued growth in current and savings accounts was offset by a £2.0 billion reduction in fixed term deposit (FTD) accounts following action taken to reduce prices. FTD accounts now make up 9% of total deposits (2020: 21%). Growth largely resulted from an increase in commercial deposits, reflecting customers' continued preference for increased liquidity.

- **Cost of deposits was 24bps for the year,** a decrease of 41bps compared to 65bps in 2020, reflecting the managed roll-off of higher cost FTD accounts with a corresponding mix improvement in favour of non-interest-bearing current accounts and demand savings accounts, the Q4 2021 cost of deposits was 0.15%.

- **Customer account growth of 0.3 million** in the year to 2.5 million (2020: 2.2 million) reflects continued organic growth, with account growth from the RateSetter back book acquisition offsetting the managed reduction in fixed term deposits.

Loans

£ in millions	31 December 2021	31 December 2020	Change from FY 2020	30 June 2021	Change from H1 2021
Gross Loans and advances to customers	£12,459	£12,244	2%	£12,491	0%
Less: allowance for impairment	(£169)	(£154)	10%	(£166)	2%
Net Loans and advances to customers	£12,290	£12,090	2%	£12,325	0%
Gross loans and advances to customers consists of:					
Commercial lending[5]	£3,220	£3,681	(13%)	£3,416	(6%)
Government-backed lending[6]	£1,626	£1,467	11%	£1,556	4%
Retail mortgages	£6,723	£6,892	(2%)	£6,815	(1%)
Consumer lending	£890	£204	336%	£704	26%

5. Includes CLBILS.
6. BBLS, CBILS and RLS.

- **Total net loans as at 31 December 2021 were £12,290 million, up 2% from £12,090 million as at 31 December 2020** reflecting growth in government-backed lending and the strong organic growth in consumer lending supported by the integration of the RateSetter platform, which offset the attrition of lower-yielding residential mortgages and commercial term loans.

- **Commercial loans (excluding BBLS and CBILS) decreased by 13% during the year to £3,220 million as at 31 December 2021 (31 December 2020: £3,681 million),** as large transactional lending rolled off.

- **Government-backed lending increased by more than £150 million in the year to £1,626 million as at 31 December 2021 (31 December 2020: £1,467 million)**. Growth was primarily driven by BBLS top-up applications and Recovery Loan Scheme (RLS) lending.

- **Retail mortgages remained the largest component of the lending book** at 54% (31 December 2020: 56%), with mortgage applicants benefitting from enhancements to the existing mortgage offering and the launch of further specialist mortgage products during the year.

- **Consumer lending increased to 7% of the of the total loan book from 2% as at 31 December 2020**, resulting from the RateSetter back book acquisition and strong increase in organic lending as the RateSetter platform was rolled-out across all of Metro Bank's channels. Consumer originations continue to average more than £50 million per month compared to less than £2 million per month a year earlier.

- **Loan to deposit ratio held at 75% (31 December 2020: 75%)** reflecting the impact of the mortgage portfolio disposal in December 2020 and capital constraints on lending.

- **Cost of risk was 18bps for the year,** a decrease of 68bps compared to 86bps in 2020, reflecting the more favourable macro-economic outlook. Non-performing loans increased to 3.71% (31 December 2020: 2.10%) driven by BBLS and a limited number of single name commercial exposures. The loan portfolio remains highly collateralised with average debt to value (DTV) of the residential mortgage book at 55% (31 December 2020: 56%), while DTV in the commercial book was 57% (31 December 2020: 56%).

Profit and Loss Account

- **Net interest margin (NIM) of 1.40% is an increase of 18bps in the year (2020: 1.28%)** and reflects an improved lending mix and lower cost of deposits, the Q4 2021 NIM was 1.56%.

- **Underlying net interest income increased by 18% to £295.7 million** (2020: £250.3 million), despite the mortgage portfolio disposal in H2 2020.

- **Underlying net fee and other income increased 18% to £101.5 million** (2020: £86.3 million). The lifting of COVID-19 lockdowns and other social restrictions in H2 led to growth in transaction-driven revenue streams.

- **Total underlying operating costs increased 13% to £546.8 million** (2020: £486.0 million) despite reducing 1% in the second half, reflecting a full year of RateSetter costs. 'Change the Bank' spend has now passed its peak, reducing 15% in the second half. The closure of three selected stores in Windsor, Milton Keynes and Earl's Court also reduce cost run-rate into 2022, offset by the opening of a new store in Leicester in Q1 2022.

- **Underlying loss before tax was £171.3 million, a 37% reduction from the £271.8 million loss in 2020.**

- **Statutory loss before tax of £245.1 million in 2021** (2020: loss of £311.4 million) includes remediation costs of (£45.9 million), and impairment of RateSetter peer-to-peer technology and the exit of three stores (£24.7 million), partially offset by the residual gain on sale in respect of the mortgage portfolio (£8.1 million). The remediation costs include (£5.4 million) relating to settlement of the PRA investigation and a (£5.3 million) provision for the FCA investigation.

- **Statutory loss after tax of £248.2 million in 2021** (2020: loss of £301.7 million) after a £3.1 million corporation tax charge.

Capital, Funding and Liquidity

- **Strong liquidity and funding position maintained**, supported by the settlement of the mortgage portfolio disposal in February. As a result, the Bank's Liquidity Coverage Ratio (LCR) remained elevated at 281% as of 31 December 2021 (31 December 2020: 187%). Whilst NIM dilutive, this excess liquidity is earnings neutral and in a rising rate environment has the potential to be earnings accretive.

  In 2021, £3,250 million of Term Funding Scheme (TFS) drawings were refinanced into Term Funding Scheme with additional incentives for SMEs (TFSME), equating to total TFSME drawings of £3.8bn, maturing in 2024/2025.

- **Common Equity Tier 1 (CET1) ratio of 12.6% (31 December 2020: 15.0%)** compares to a minimum CET1 requirement of 7.6%[7] and minimum Tier 1 requirement of 9.3%[7].

- **Total Capital ratio of 15.9% (31 December 2020: 18.1%)** compares to a minimum requirement of 11.6%[7].

- **Total Capital plus MREL ratio of 20.5% (31 December 2020: 22.4%)** compares to a minimum interim requirement of 20.5%[7].

- As expected, the PRA have announced that from 1 January 2022 the following capital benefits will be reversed, as such the Bank's capital ratios will reduce on 1 January 2022 to reflect these adjustments:

  - Reversal of £64 million of relief provided through the EBA's treatment of software assets, equivalent to 0.8% of CET1 and 0.7% of MREL.

- Amortisation of the IFRS9 Transitional Relief, equivalent to 0.3% of CET1 and MREL.

- **Total RWA as at 31 December 2021 was £7,454 million** (31 December 2020: £7,957 million). The reduction reflects changes to the lending mix and settlement of a receivable related to the mortgage portfolio sale[9]. The result is a loan risk weight density of 48% as at 31 December 2021 (31 December 2020: 47%).

- **Regulatory leverage ratio was 4.4%.**

- Extension of HoldCo implementation deadline to June 2023 agreed with BoE.

7. Based on current capital requirements plus buffers, including P2A requirement of 1.11% (of which 0.8% must be met with Tier 1), excluding any confidential PRA buffer, if applicable.

Metro Bank PLC
Summary Balance Sheet and Profit & Loss Account
(Unaudited)

Balance Sheet	YoY change	31-Dec 2021 *£'million*	30-Jun 2021 *£'million*	31-Dec 2020 *£'million*
Assets				
Loans and advances to customers	2%	£12,290	£12,325	£12,090
Treasury assets[8]		£9,142	£9,474	£6,406
Assets classified as held for sale		-	-	£295
Other assets[9]		£1,155	£1,214	£3,788
Total assets	**0%**	**£22,587**	**£23,013**	**£22,579**
Liabilities				
Deposits from customers	2%	£16,448	£16,620	£16,072
Deposits from central banks		£3,800	£3,800	£3,808
Debt securities		£588	£596	£600
Other liabilities		£716	£850	£810
Total liabilities	**1%**	**£21,552**	**£21,866**	**£21,290**
Total shareholder's equity		**£1,035**	**£1,147**	**£1,289**
Total equity and liabilities		**£22,587**	**£23,013**	**£22,579**

8. Comprises investment securities and cash & balances with the Bank of England.
9. Comprises property, plant & equipment, intangible assets and other assets. Other assets at 31 December 2020 include £2.6 billion receivable from NatWest. This was received post year-end upon the completion of the transaction.

Profit & Loss Account	YoY change	Year ended 31-Dec 2021 *£'million*	31-Dec 2020 *£'million*
Underlying net interest income	18%	£295.7	£250.3
Underlying net fee and other income	18%	£101.5	£86.3
Underlying net gains/(losses) on sale of assets		£0.7	£4.3
Total underlying revenue	**17%**	**£397.9**	**£340.9**
'Run the Bank' costs	12%	(£435.5)	(£390.4)
'Change the Bank' costs[10]		(£111.3)	(£95.6)
Total underlying costs	**13%**	**(£546.8)**	**(£486.0)**
Expected credit loss expense		(£22.4)	(£126.7)
Underlying loss before tax	**(37%)**	**(£171.3)**	**(£271.8)**
Listing Share Awards		-	£0.2
Impairment and write-off of property plant & equipment and intangible assets		(£24.9)	(£40.6)
Transformation costs		(£8.9)	(£16.7)
Remediation costs		(£45.9)	(£40.8)
Business acquisition and integration costs		(£2.4)	(£5.4)
Gain on mortgage portfolio sale (net of costs)		£8.3	£63.7
Statutory loss before tax	**(21%)**	**(£245.1)**	**(£311.4)**
Statutory taxation		(£3.1)	£9.7
Statutory loss after tax	**(18%)**	**(£248.2)**	**(£301.7)**

Key metrics	Year ended 31-Dec 2021	31-Dec 2020
Underlying earnings per share – basic and diluted	(144.0p)	(151.7p)
Number of shares	172.4m	172.4m
Net interest margin (NIM)	1.40%	1.22%
Cost of deposits	0.24%	0.65%
Cost of risk	0.18%	0.86%
Underlying cost:income ratio	137%	143%

Profit & Loss Account	**HoH change**	**Half year ended 31-Dec 2021 *£'million***	**30-Jun 2021 *£'million***	**31-Dec 2020 *£'million***
Underlying net interest income	21%	£162.1	£133.6	£134.1
Underlying net fee and other income		£54.8	£46.7	£50.2
Underlying net gains/(losses) on sale of assets		£1.2	(£0.5)	£3.3
Total underlying revenue	**21%**	**£218.1**	**£179.8**	**£187.6**
‘Run the Bank’ costs		(£220.6)	(£214.9)	(£206.3)
‘Change the Bank’ costs[10]		(£51.6)	(£60.3)	(£55.0)
Total underlying costs	**(1%)**	**(£271.6)**	**(£275.2)**	**(£261.3)**
Expected credit loss expense		(£7.8)	(£14.6)	(£14.7)
Underlying loss before tax	**(44%)**	**(£61.3)**	**(£110.0)**	**(£88.4)**
Listing Share Awards		-	-	£0.4
Impairment and write-off of property plant & equipment and intangible assets		(£17.4)	(£7.5)	(£14.0)
Net BCR costs		£0.3	(£0.3)	-
Transformation costs		(£7.1)	(£1.8)	(£4.3)
Remediation costs		(£20.5)	(£25.4)	(£23.0)
Business acquisition and integration costs		(£0.1)	(£2.3)	(£5.4)
Gain on mortgage portfolio sale (net of costs)		(£0.1)	£8.4	£63.7
Statutory loss before tax	**(24%)**	**(£106.2)**	**(£138.9)**	**(£71.0)**
Statutory taxation		(£0.9)	(£2.2)	£8.6
Statutory loss after tax	**(24%)**	**(£107.1)**	**(£141.1)**	**(£62.4)**

Key metrics	**Half year ended 31-Dec 2021**	**30-Jun 2021**	**31-Dec 2020**
Underlying earnings per share – basic and diluted	(36.0p)	(65.1p)	(42.9p)
Number of shares	172.4m	172.4m	172.4m
Net interest margin (NIM)	1.51%	1.28%	1.28%
Cost of deposits	0.17%	0.31%	0.49%
Cost of risk	0.20%	0.24%	0.20%
Underlying cost:income ratio	125%	153%	139%

10. Change the Bank costs consists of investment spend, including amortisation

Enquiries

For more information, please contact:

Metro Bank PLC Investor Relations
Jo Roberts
+44 (0) 20 3402 8900
IR@metrobank.plc.uk

Metro Bank PLC Media Relations
Tina Coates / Mona Patel
+44 (0) 7811 246016 / +44 (0) 7815 506845
pressoffice@metrobank.plc.uk

Teneo
Charles Armitstead / Haya Herbert Burns
+44 (0)7703 330269 / +44 (0) 7342 031051
metrobank@teneo.com

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About Metro Bank

Metro Bank services more than two million customer accounts and is celebrated for its exceptional customer experience. It is the highest rated high street bank for overall service quality and best bank for service in-store for personal and business customers, in the Competition and Market Authority's Service Quality Survey in February 2022. It was recognised as 'Bank of the Year' at the 2020 MoneyAge Awards and 'Banking Brand of The Year' at the Moneynet Personal Finance Awards 2021, received Gold Award in the Armed Forces Covenant's Employer Recognition Scheme 2021 and won Best Open Banking Partnership – Commercial at the inaugural Open Banking Expo Awards 2021.

The community bank offers retail, business, commercial and private banking services, and prides itself on giving customers the choice to bank however, whenever and wherever they choose, and supporting the customers and communities it serves. Whether that's through its network of 78 stores open seven days a week, 362 days a year; on the phone through its UK-based 24/7 contact centres; or online through its internet banking or award-winning mobile app: the Bank offers customers real choice.

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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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Metro Bank PLC

Preliminary Announcement

(Unaudited)

For the year ended 31 December 2021

Chief executive officer's statement

2021 saw the Bank complete the second year of its turnaround plan and despite the external headwinds it was a year of significant progress. I'm pleased to report the Bank ends the year in a significantly stronger position than when I took over the reins as CEO in 2020.

Our commitment to being the UK's best community bank continues to set us apart from our banking peers and our model continues to resonate with our FANS. Our personal and business customers have depended on Metro Bank to help them navigate what for many has been another difficult 12 months. They have also relied on the Bank to be their partner in the local communities they live. Whether that is through supporting local community activities, donating colleagues' time and expertise, fundraising for good causes, providing space in our stores, or helping young people learn about money, Metro Bank has been there every step of the way, hand in hand.

We are proud to remain the UK's highest rated high street bank for customer service for the eighth time running. When you combine this relentless focus on exceptional customer service with our desire to continually surprise and delight to create FANS, it's easy to see why we are the Bank of choice for 2.5 million customer accounts.

Our strategy
In early 2020, we identified the five strategic pillars that formed our turnaround strategy, designed to deliver improved shareholder returns and sustainable profitable growth. These comprise:

- Revenue
- Cost
- Infrastructure
- Balance sheet optimisation
- Communication

Our strategy is driven by an unwavering focus on customer service which we believe enables us to build deeper, more meaningful relationships with our customers. We achieve this with well-informed colleagues in our stores, our market leading digital services, an easily accessible store footprint in the major cities and towns of England and Wales and offering a wide range of products to meet customers' banking needs.

Progress

Revenue
We've made great progress in filling our shelves by adding new products that meet more of our customers' needs. Most notably, we strengthened our consumer lending operation with customers now able to take a loan through the RateSetter platform in-store, online and via our mobile app, as well as under the RateSetter brand on the main aggregator sites, as well as its own website. We have also reinvigorated our credit card offer via our stores.

Also, in the lending space, we supported small businesses by offering the UK Government-funded BBLS top-ups and later in the year the Recovery Loan Scheme. In Specialist Mortgages we have introduced new products. We also entered the insurance market, providing SME business insurance and pet insurance.

Cost initiatives
While the Bank continues to operate with a high fixed cost base in the form of its store footprint, we have worked hard to contain business as usual ('Run the Bank') costs which grew 3% on a like for like basis in the year. Costs to transform the Bank ('Change the Bank') have fallen by 15% in the second half of the year as this transformation programme has now passed its peak. The bank continues to optimise its property footprint and has adopted a hybrid way of working for office-based colleagues, utilising space above and alongside our existing store network. We have purchased the freehold of seven stores since 2020, lowering our occupancy costs and consolidated our call centre operations into three main sites in Bristol, Slough and Ilford.

We have also made the difficult decision to close three of our stores – Earl's Court, Milton Keynes Midsummer and Windsor. Our stores are fundamental to our customer and community proposition, culture and brand, but like any good retailer we regularly review how our stores are doing. While we are happy with our store estate overall, these three stores have certain unique challenges: Earl's Court was a fantastic billboard when Metro Bank first opened, but it's in a low footfall area; Windsor has high footfall, but much of this is driven by tourists rather than residents; and we have two stores in Milton Keynes – one with a lease break coming up, and we're confident we can meet our customers' needs with one store. While our colleagues have done a great job of trying to make these three stores successful, this is the right decision for the Bank and we're pleased to be able to make these closures without any colleague redundancies.

Furthermore, we have worked hard to simplify complex processes and systems and to work more efficiently. We have also transformed the way we deliver our change agenda by introducing Agile methodology, which centres around value streams, to help IT, Change, and Product teams design and deliver new products and solutions more quickly.

Infrastructure
Throughout the year we invested in the Bank's IT resilience and delivered upgrades and improvements that have reduced vulnerability. The bank has focused on its regulatory requirements and introduced Secure Customer Authentication and card migration to meet PSD2 requirements. There has also been progress on our financial crime improvement, GDPR and cyber programmes, which have all delivered a range of improvements further protecting the Bank.

During the year we recruited colleagues to ensure that customers in financial difficulties received the support they needed; we launched a service to support the new Debt Respite Scheme (Breathing Space) guidance to alleviate pressure from customers with financial or mental health difficulties; and we delivered Pay-as-You-Grow functionality in line with BBLS requirements to support businesses beyond the pandemic.

All of these initiatives have helped make the Bank safer, more resilient and fit for the future.

Balance Sheet Optimisation
During the year we have made meaningful strides in reshaping the Bank's balance sheet. We acquired the RateSetter back book, significantly increased the volume of consumer lending and ramped up specialist mortgages. In tandem we actively managed down high-cost fixed term deposits and increased the proportion of current accounts and low-cost instant access savings accounts. These activities have resulted in increased yield and a lower cost of deposits. At the end of the period, RateSetter has established itself as a leading provider of consumer credit in the open market.

Culture and Communication
We've done lots of work to showcase what makes Metro Bank stand out from the crowd, from our small business banking campaign to our refreshed RateSetter website. Our colleagues in-store have embraced being Champions of our Community through educating children with our Money Zone Programme, our in-store events, and the work we have done with local charities. This year saw us increase our spend on digital and performance marketing. We have also invested in hyper-local marketing to drive footfall into stores across England and Wales and highlight our community credentials.

Results
The bank has shown year on year, half on half and quarter on quarter improvements throughout the year. The financial performance is in line with our expectations and demonstrates promising momentum in the business.

The bank reported a loss before tax of £245.1 million, an improvement on last year's loss (2020: loss of £311.4 million). Underlying loss before tax reduced by 37% to £171.3 million, and second half underlying loss of £61.3 million is down 44% on the first half, highlighting the momentum towards profitability. While good progress is being made to return to sustainable profitability, I fully understand that these losses need to be minimised swiftly and I am confident our strategy will achieve that.

The future
The bank's strategic pillars, transformation plan and relentless focus on the provision of superior customer service will continue into 2022. We were once again rated the top high street bank for overall service for personal and business customers in the latest Competition and Markets Authority Service Quality rankings and number one for store service for the eighth time running. This is welcome external validation of the continued efforts of our colleagues across the business.

2021 saw the Bank complete much of the heavy lifting required to transform the Bank from loss-making towards sustainable profitability. Metro Bank is a business to be proud of, with colleagues who are dedicated to meeting the needs of their customers and communities.

As I come to the end of my second year in role, after another challenging year, I am proud of the achievements of 2021, the progress we have made in the Bank's turnaround and most of all the support we have provided to our local communities. There is still much to do in the coming months, but we start 2022 with real momentum.

Finally
Metro Bank's success is directly attributable to my fantastic colleagues who I am blessed to lead. Their brilliance, dedication, customer focus, caring natures and focus on others inspires me every day. While it doesn't seem like enough, all I can do is say a huge thank you.

Finance review

Our financial performance in 2021 reflects where we are in our strategic turnaround, it shows strong momentum within the business and positive signs that our approach is working. When adjusting for the sale of the £3.1 billion mortgage portfolio disposal in December 2020, the underlying momentum in the business is even clearer.

	2021 £'million	**2020 £'million**	Change
Net interest income	295.7	250.3	18%
Fee and other income	101.5	86.3	18%
Net gains on sale of assets	0.7	4.3	(84%)
Total underlying revenue	397.9	340.9	17%
Operating costs	(546.8)	(486.0)	13%
Expected credit loss expense	(22.4)	(126.7)	(82%)
Underlying loss before tax	(171.3)	(271.8)	(37%)

Non-underlying items	(73.8)	(39.6)	86%
Statutory loss before tax	**(245.1)**	**(311.4)**	**(21%)**

We recognised a statutory loss before tax for the period of £245.1 million, down from the £311.4 million loss recognised in 2020, with the decrease primarily due to the £104.3 million lower charge for expected credit losses.

We entered 2021 well positioned for the prevailing economic climate, with the recently signed £3.1 billion mortgage portfolio divestment providing both regulatory capital headroom and liquidity at a time of uncertainty with the country in lockdown. The disposal supported our strategic goal of maximising risk adjusted returns on capital, as we reinvested £377 million of the proceeds to acquire the RateSetter back book of consumer loans with an average total gross yield of c.8%; that compared to the divested mortgage portfolio which had a weighted average rate of 2.1%.

The bank has continued to make strong progress against the turnaround plan, delivering considerable improvement in balance sheet mix at an accelerated pace that can now clearly be seen in improved net interest income.

On an underlying basis, the loss for the period of £171.3 million was down 37% compared to the prior year (2020: £271.8 million), driven by lower expected credit losses and positive operating jaws. Operating expenses increased 13% year-on-year and income increased 17%, despite £63 million of lost income as a result of the mortgage portfolio sale.

2021 has seen us continue to focus on shifting our deposit mix, which has led to the cost of deposits falling from 0.65% in 2020 to 0.24% in the current period. Alongside this we have delivered an increasing lending yield and our approach of optimising the balance sheet is now seeing us generate a greater level of interest income as a proportion of risk weighted assets.

We ended the year with a CET1 capital ratio of 12.6% and a Total Capital plus MREL ratio of 20.5%. These compare to the regulatory minima of 5.1% and 18.0% respectively, or 9.3% and 20.5% respectively including buffers (excluding any confidential buffer, if applicable). We continue to take a proactive, measured approach to capital management and are focused on building a greater risk adjusted return on regulatory capital.

Our primary focus remains the transformation of the Bank and in doing so we are taking a prudent approach in our assessment of the pace of economic recovery. We recognised an expected credit loss expense of £22.4 million for the period which is a significant improvement on the prior year (2020: £126.7 million).

	2021 £million
Underlying loss before tax	**(171.3)**
Impairment and write-off of PPE and intangible assets	(24.9)
Remediation costs	(45.9)
Transformation costs	(8.9)
Business acquisition costs	(2.4)
Portfolio sale	8.3
Statutory loss before tax	**(245.1)**

Income

Underlying net interest income increased 18% year-on-year to £295.7 million (2020: £250.3 million), reflecting increased front book yields, including our meaningful entry into the personal lending market, combined with actions we have taken to reduce cost of deposits.

NIM at 1.40% is 18 bps above 2020 (1.22%) reflecting the higher yielding asset mix and lower cost of deposits. The average lending yield increased to 3.07% from 2.68% a year earlier benefitting from high consumer lending yields and an improvement in the blended mortgage lending yield reflecting our focus on specialist mortgage products. Meanwhile our emphasis on current accounts and instant access deposits combined with the roll-off of higher-rate fixed term accounts reduced the cost of deposits meaningfully to 0.24% compared to 0.65% a year earlier.

A strong Q4 2021 NIM at 1.56% holds us in good stead for 2022 with continued focus on lending mix and improved yields as a result of the base rate rises, potentially tempered by higher cost of deposits.

Fee, commission and other income

Fee, commission and other income remain below pre-pandemic levels as the lockdowns at the start of the year continued to constrain activity. However, as restrictions started to be lifted in the second half we saw an uptick in activity particularly in areas such as foreign exchange, where volumes had been significantly depressed throughout the pandemic.

Fees and commission income is an area where we believe that we can deliver strong capital efficient returns by building on our expanding account base and leading customer service, however the growth of these income streams will be influenced by the pace of recovery from the pandemic.

Operating expenses
Underlying operating expenses grew to £546.8 million from £486.0 million in 2020. The year-on-year increase is impacted by several factors, including the acquisition of RateSetter which occurred in September 2020.

As expected, expenditure on the 'Change the Bank' investment programme began to reduce in the second half of the year. This trend is anticipated to continue, contributing to an expected low single digit percentage reduction in total underlying operating costs in 2022.

On a statutory basis total operating expenses increased by less than 4% to £641.2 million compared to £617.3 million in 2020 as the underlying cost increase, including the additional RateSetter running costs, was partially offset by lower write downs and BCR costs together with reduced transformation and integration expenditure.

Depreciation and amortisation remained largely unchanged at £80.2 million (2020: £74.4 million).

	2021 £'million	**2020 £'million**	Change
Depreciation and amortisation	**80.2**	74.4	8%
Total operating expense	**641.2**	617.3	4%
Total non-underlying operating expense	**94.4**	131.3	(28%)
Total underlying operating expenses	**546.8**	486.0	13%
'Run the Bank' costs	**435.5**	390.4	12%
'Change the Bank' costs	**111.3**	95.6	16%
Statutory cost:income ratio	**153%**	143%	
Underlying cost:income ratio	**137%**	143%	

Remediation programmes continue to be a significant expense with associated costs of £45.9 million recognised in the period (2020: £40.8 million). These costs include the penalty resulting from the PRA investigation, which was concluded in December, as well as a provision for the settlement of the related FCA investigation. We are continuing to work closely with the regulators on the outstanding regulatory matters.

Non-underlying costs also reflect the decision taken to close three stores in 2022. We regularly review how our existing stores are performing as well as assess new markets where there is potential for growth in the longer term. The three stores have consistently underperformed compared to other locations and upcoming lease events provided us with an opportunity to close. We still remain committed to stores and continue to invest in them. In 2021 we opened our 78th store in Bradford, alongside preparing to launch our new store in Leicester.

We also acquired four further freeholds during the year; which means a third of our store estate is now freehold. By trading right of use assets for freeholds at attractive prices we can both reduce costs and gain flexibility for minimal additional risk weighted assets. Whilst we will continue to take advantage of opportunities where these arise and there is a strong commercial rationale for doing so, the stabilisation of commercial property prices will likely limit these opportunities in the near term.

Non-underlying items in 2022 are expected to be less than 20% of the £73.9 million total in 2021 as remediation costs fall away.

Expected credit loss expense
Although the macroeconomic environment has improved in 2021, uncertainty remains, particularly in respect of new COVID variants and the sustainability of recently lifted public health restrictions. The expected credit loss charge for the year of £22.4 million (2020: £126.7 million) is primarily driven by growth in unsecured lending origination, the purchase of RateSetter back book and a small number of large single name commercial cases.

A fourth severe downside macroeconomic scenario was introduced in 2021 across all portfolios, with associated changes in the probability weightings. This aligns our approach to market best practice and further captures the potential risks associated with a more extreme downside scenario.

We continue to maintain a prudent level of post model overlays to capture factors that are not fully reflected in the scenarios. These reflect our cautious outlook driven by the impact of higher energy prices, increase in national insurance contributions, and inflationary pressures on individual customer affordability. During the year we have reduced the overall number of post model overlays applied through the continued development of our models.

Unsecured lending has increased significantly in the year, in line with our strategy. We manage this exposure within a defined risk appetite, with a focus on prime lending, underpinned by strong credit scoring criteria to limit losses, which to date remain low.

Deposits

Customer deposits	2021 £'million	2020 £'million	Change
Retail customers (excluding retail partnerships)	6,713	7,364	(9%)
Retail partnerships	1,814	1,596	14%
Commercial customers (excluding SMEs)	3,157	2,692	17%
SMEs	4,764	4,420	8%
Total customer deposits	**16,448**	**16,072**	**2%**

Deposits grew by 2% from 31 December 2020 to £16,448 million at 31 December 2021 (31 December 2020: £16,072 million). The increase was primarily driven by commercial and SME customers which were up 17% and 8% respectively from the start of the year.

Customer deposits	2021 £'million	2020 £'million	Change
Demand: current accounts	7,318	6,218	18%
Demand: savings accounts	7,684	6,430	20%
Fixed term: savings accounts	1,446	3,424	(58%)
Total customer deposits	**16,448**	**16,072**	**2%**

Current account balances grew by 18% during the year and make up 43% of total customer deposits as at 31 December 2021 (31 December 2020: 39%). We continue to see customer preference moving towards having instant access to funds, leading to growth of current accounts and instant access savings accounts, whilst at the same time we have proactively let higher cost fixed term deposits roll off as we continue to manage cost of deposits down.

In 2022 we anticipate higher growth in deposits than in 2021 with continued focus on mix improvement.

Assets

	2021 £'billion	2020 £'billion	Change
Loans and advances to customers	12.3	12.1	2%
Total assets	22.6	22.6	-
Loan to deposit ratio	75%	75%	
Cost of risk	0.18%	0.86%	

Net lending ended the period at £12,290 million, up 2% from £12,090 million at 31 December 2020. The £200 million increase has been driven by a £686 million growth in consumer lending, offset by a moderate reduction in the commercial loans and retail mortgage books. The growth in consumer lending is a result of both organic origination through the RateSetter platform, and the purchase of the £337 million back book from peer-to-peer investors. Our investment in consumer lending, including integrating the RateSetter lending capabilities in store, provides a strong base on which we can capitalise as the economy continues to recover and we are ready to serve a consumer-led recovery.

Retail mortgages remained the largest component of the lending book at 54% of gross lending (31 December 2020: 56%), down £169 million to £6,723 million at 31 December 2021 from £6,892 million at 31 December 2020. The decrease reflects the attrition of older loans, offset by our continued penetration through our specialist mortgage products into underserved areas of the mortgage market, which has replaced some of these balances.

Commercial loans, which now comprise 39% of our lending, saw a £302 million reduction from £5,148 million at 31 December 2020. The decrease is down to older term loans repaying combined with a slowdown and the start of repayments of BBLS loans in the second half, partially offset by government-backed Recovery Loan Scheme lending.

We anticipated a higher rate of growth in overall lending in 2022 compared to 2021, with expansion in existing categories with higher risk adjusted returns including consumer unsecured and specialist mortgages, complemented by the expected launch of new products including automotive finance and digital lending products for SMEs.

Non-current assets have decreased during the period, driven by a reduction in our PPE balance, reflecting the scaling back of our store opening programme.

Intangibles remained flat during the year as continued investment, albeit at a slower rate, was offset by amortisation and impairment charges.

Taxation

During 2021 we made a total tax contribution of £152.5 million (2020: £132.9 million), which comprised £91.6 million (2020: £86.5 million) of taxes we paid and a further £60.9 million (2020: £46.4 million) of taxes we collected.

Taxes paid	**2021**	2020
Business rates	15.0%	13.5%
Land transaction tax	1.6%	1.3%
Employer NICs	23.7%	20.4%
Irrecoverable VAT and customs duty	59.4%	64.5%
Other	0.3%	0.3%
Total taxes paid	**£91.6m**	**£86.5m**

Taxes collected on behalf of HMRC	**2021**	2020
Employer NICs	22.3%	25.1%
PAYE	64.0%	65.5%
Net VAT	13.7%	9.1%
Other	0.0%	0.4%
Total taxes paid	**£60.9m**	**£46.4m**

In 2021 our tax expense recognised in the income statement was £3.1 million (2020: credit of £9.7 million).

Capital and liquidity

	2021 £'million	2020 £'million	Change
CET1 capital	936	1,192	(21%)
Risk-weighted assets (RWAs)	7,454	7,957	(6%)
CET1 ratio	12.6%	15.0%	(240bps)
Total regulatory capital ratio	15.9%	18.1%	(220bps)
Total regulatory capital plus MREL ratio	20.5%	22.4%	(190bps)
Regulatory leverage ratio	4.4%	5.6%	

Our CET1, Tier 1 and MREL ratios at 31 December 2021 were 12.6%, 12.6% and 20.5% respectively, compared to the minimum capital requirement including buffers (excluding any confidential buffer, if applicable) of 7.6%, 9.3% and 20.5%, respectively. On 1 January 2022 software assets will revert to being deducted from capital, reducing our CET1 by c0.8%. At the same time, IFRS9 transitionary relief will move from 100% to 75%, reducing CET1 by c0.3%. From 13 December 2022, the Bank of England has announced that that the countercyclical buffer will increase from 0% back to its pre pandemic level of 1%.

Risk weighted assets ended the period down 6% to £7,454 million (31 December 2020: £7,957 million) reflecting our change in asset mix and our focus on improving return on regulatory capital. The reduction was also supported by the settlement of the final tranche of the mortgage portfolio in February 2021.

	Reconciliation
Total capital plus MREL ratio at 1 January 2021	22.4%
Annual operational risk adjustment	(0.1%)
Intangibles investment and other	0.1%
RateSetter back book acquisition	(0.3%)
Profit and loss account (excluding ECL and mortgage sale)	(3.1%)
Profit and loss account - ECL	(0.3%)
Quick-fix ECL add back	(0.1%)
Lending volume and mix	(0.1%)
Mortgage book disposal completion	2.0%
Total capital plus MREL ratio at 31 December 2021	20.5%

Our liquidity position continues to be strong owing to the liquidity freed up from the mortgage portfolio sale. We ended the year with a Liquidity Coverage Ratio (LCR) of 281%. We will continue to prudently manage our investments and to invest in high quality securities while maintaining a strong cash position.

We will operate in buffers but remain above regulatory minima. The Bank’s AIRB application is progressing.

Following discussion with the BOE, post the publication of the BOE’s December 2021 MREL Policy Statement, the BOE has provided Metro Bank with a 6 month adjustment to the point in time at which the BOE’s revised policy on MREL eligibility is implemented. As such, the requirement to establish a Holding Company has moved to 26 June 2023, which is line with the call date of the existing T2 debt instrument. For the avoidance of doubt, there has been no change to Metro Bank’s end-state MREL deadline of 1 January 2023.

Risk report

In line with the UK Corporate Governance Code requirements, we have performed a robust assessment of the principal and emerging risks we face, including those that could result in events or circumstances that might threaten our business model, future performance, solvency or liquidity, and reputation. In deciding on the classification of principal risks, we considered the potential impact and probability of the related events and circumstances and the timescale over which they may occur.

An overview of the principal risks and how they have changed over the year are set out below.

During the year, we have continued to support our customers and minimise the negative impact of COVID-19 for businesses and households across the UK, maintaining our customer service operations and store distribution with minimal interruption. However, COVID-19 continues to impact all of our principal risks. The measures introduced to support the economy have created operational, conduct and financial risks for the Bank. These risks are being managed and monitored in line with our risk management framework.

Capital risk	Risk stable	The continued tightening of the regulatory capital framework and economic uncertainty relating to COVID-19 have been the primary drivers of capital risk during 2021. We continue to take a proactive, measured approach to capital management and are focused on building a greater risk adjusted return on regulatory capital. Capital risk is primarily managed through the ICAAP which is based upon the Long Term Plan. The Long Term Plan remained on track during the year.
Credit risk	Risk increasing	During 2021, the impact of COVID-19 and the potential for economic downturn has remained the primary factor impacting credit risk performance and outlook. The lending portfolio has remained resilient despite the disruption faced by our customers. However, there continues to be a high level of uncertainty within the external environment due to the potential longer-term impacts of the pandemic which is reflected through our ECL position. We continue to rebalance our lending mix in line with our strategy, increasing the proportion of unsecured consumer lending and developing our specialist mortgage portfolio.
Model risk	Risk stable	Model risk remains stable with enhancements to model risk governance, risk appetite metrics and scope mitigating potential increases in model risk from the impact of COVID-19 and the resulting uncertain economic environment. We continue to monitor and assess model risk closely through the model lifecycle.
Liquidity and funding risk	Risk stable	Liquidity and funding risk remained low through the year, with prudent liquidity and funding levels.
Market risk	Risk stable	Market risk remained low throughout the year, following a temporary increase resulting from the mortgage portfolio sale.
Strategic risk	Risk stable	There have continued to be significant macroeconomic headwinds in 2021, notably the ongoing effects of COVID-19. We have considered this uncertainty and potential challenges as part of the annual strategic and financial planning process. We have also continued our work to understand how to define, monitor, manage and report the impact of climate change on our strategy, business and sustainability aspirations.
Financial crime risk	Risk stable	Financial crime risk has decreased residually during the year. Whilst Financial Crime continues to present a heightened risk external to the Bank, enhancements made to our AML and sanctions controls enable the Bank to better manage this risk.
Operational risk	Risk stable	Operational risk has remained largely consistent this year. The impacts of COVID-19 on our operations, colleagues and customers have stabilised as we have effectively transitioned into new working patterns. Elevated risk has been observed in certain areas including cyber-attacks and evolving modes of external fraud. Targeted and strategic responses continue to be applied.
Regulatory risk	Risk stable	Regulatory risk remains unchanged and continues to be a key focus due to the complexity, pace and volume of regulatory change to be managed. During 2021, there was ongoing regulatory oversight by supervisory bodies as a result of COVID-19 which focused on the key areas of business model and profitability risk, credit risk, impairment provisioning, capital adequacy, business continuity management and operational resilience. Existing programmes continued and new programmes were established during the year to continue preparations for the significant regulatory change agenda over the coming years.

Conduct risk	Risk stable	Conduct risk remains unchanged but elevated, where customers are increasingly vulnerable to the challenges of the economic and social impacts of the external environment, driven by the COVID-19 pandemic. This is leading to increased regulatory focus on the treatment of customers in the retail banking sector, especially in relation to lending decisions, those at risk of financial difficulty and potential vulnerability.
Legal risk	Risk stable	There continue to be uncertainties around the UK legal framework as Brexit is implemented, however, we have not faced any significant additional legal risks in 2021.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	**Year ended 31 December 2021 £'million**	Year ended 31 December 2020 £'million
Interest income	2	**405.7**	426.3
Interest expense	2	**(110.4)**	(176.6)
Net interest income		**295.3**	249.7
Fee and commission income		**71.2**	61.1
Fee and commission expense		**(1.6)**	(1.2)
Net fee and commission income		**69.6**	59.9
Net gains on sale of assets		**9.4**	73.3
Other income		**44.2**	49.7
Total income		**418.5**	432.6
General operating expenses		**(536.1)**	(502.3)
Depreciation and amortisation	7,8	**(80.2)**	(74.4)
Impairment and write-offs of property, plant, equipment and intangible assets	7,8	**(24.9)**	(40.6)
Total operating expenses		**(641.2)**	(617.3)
Expected credit loss expense		**(22.4)**	(126.7)
Loss before tax		**(245.1)**	(311.4)
Taxation	3	**(3.1)**	9.7
Loss for the year		**(248.2)**	(301.7)
Other comprehensive income for the year			
Items which will be reclassified subsequently to profit or loss:			
Movement in respect of investment securities held at fair value through other comprehensive income (net of tax):			
– changes in fair value		**(8.1)**	5.6
– fair value changes transferred to the income statement on disposal		**(0.3)**	(0.1)
Total other comprehensive income		**(8.4)**	5.5
Total comprehensive loss for the year		**(256.6)**	(296.2)
Loss per share			
Basic (pence)	15	**(144.0)**	(175.0)
Diluted (pence)	15	**(144.0)**	(175.0)

Consolidated balance sheet
As at 31 December 2021

	Notes	31 December 2021 £'million	31 December 2020 £'million
Assets			
Cash and balances with the Bank of England		**3,568**	2,993
Loans and advances to customers	5	**12,290**	12,090
Investment securities held at fair value through other comprehensive income	6	**798**	773
Investment securities held at amortised cost	6	**4,776**	2,640
Financial assets held at fair value through profit and loss		**3**	30
Property, plant and equipment	7	**765**	806
Intangible assets	8	**243**	254
Prepayments and accrued income		**68**	77
Assets classified as held for sale		**–**	295
Other assets		**76**	2,621
Total assets		**22,587**	22,579
Liabilities			
Deposits from customers		**16,448**	16,072
Deposits from central banks		**3,800**	3,808
Debt securities		**588**	600
Financial liabilities held at fair value through profit and loss		**–**	30
Repurchase agreements		**169**	196
Derivative financial liabilities		**10**	8
Lease liabilities	9	**269**	327
Deferred grants		**19**	28
Provisions	10	**15**	11
Deferred tax liability	3	**12**	12
Other liabilities		**222**	198
Total liabilities		**21,552**	21,290
Equity			
Called-up share capital	11	**–**	–
Share premium	11	**1,964**	1,964
Retained losses		**(942)**	(694)
Other reserves		**13**	19
Total equity		**1,035**	1,289
Total equity and liabilities		**22,587**	22,579

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Called-up share capital £'million	Share premium £'million	Retained losses £'million	FVOCI reserve £'million	Share option reserve £'million	Total equity £'million
Balance as at 1 January 2021	**–**	**1,964**	**(694)**	**3**	**16**	**1,289**
Loss for the year	**–**	**–**	**(248)**	**–**	**–**	**(248)**
Other comprehensive income (net of tax) relating to investment securities designated at FVOCI	**–**	**–**	**–**	**(8)**	**–**	**(8)**
Total comprehensive loss	**–**	**–**	**(248)**	**(8)**	**–**	**(256)**
Net share option movements	**–**	**–**	**–**	**–**	**2**	**2**
Balance as at 31 December 2021	**–**	**1,964**	**(942)**	**(5)**	**18**	**1,035**
Balance as at 1 January 2020	–	1,964	(392)	(3)	14	1,583
Loss for the year	–	–	(302)	–	–	(302)
Other comprehensive income (net of tax) relating to investment securities designated at FVOCI	–	–	–	6	–	6
Total comprehensive loss	–	–	(302)	6	–	(296)
Net share option movements	–	–	–	–	2	2
Balance as at 31 December 2020	–	1,964	(694)	3	16	1,289
Notes	11	11				

Consolidated cash flow statement

For the year ended 31 December 2021

	Notes	**Year ended 31 December 2021 £'million**	Year ended 31 December 2020 £'million
Reconciliation of loss before tax to net cash flows from operating activities:			
Loss before tax		**(245)**	(311)
Adjustments for:			
Impairment and write-offs of property, plant, equipment and intangible assets	7,8	**25**	41
Interest on lease liabilities	9	**17**	19
Depreciation and amortisation	7,8	**80**	74
Share option charge		**2**	2
Grant income recognised in the income statement		**(11)**	(24)
Amounts provided for (net of amounts released)		**5**	8
Gain on sale of assets and fair value gains on derivatives		**(9)**	(73)
Accrued interest on and amortisation of investment securities		**5**	3
Changes in operating assets and liabilities			
Changes in loans and advances to customers		**(200)**	2,591
Changes in deposits from customers		**376**	1,595
Changes in other operating assets		**2,847**	(2,820)
Changes in other operating liabilities		**(38)**	(64)
Net cash inflows from operating activities		**2,854**	1,041
Cash flows from investing activities			
Sales of investment securities		**1,269**	615
Purchase of investment securities		**(3,438)**	(1,460)
Purchase of property, plant and equipment	7	**(42)**	(29)
Purchase and development of intangible assets	8	**(39)**	(81)
Acquisition of subsidiary, net of cash acquired		**–**	(1)
Net cash outflows from investing activities		**(2,250)**	(956)
Cash flows from financing activities			
Grant repaid		**–**	(50)
Repayment of capital element of leases	9	**(29)**	(31)
Net cash outflows from financing activities		**(29)**	(81)
Net increase in cash and cash equivalents		**575**	4
Cash and cash equivalents at start of year		**2,993**	2,989
Cash and cash equivalents at end of year		**3,568**	2,993
Loss before tax includes:			
Interest received		**409**	407
Interest paid		**126**	176

Notes to the financial statements

1. Basis of preparation and significant accounting policies

Basis of preparation
The Group's consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Companies Act 2006 applicable to companies reporting under IFRS. They were authorised by the Board for issue on 23 February 2022.

The financial statements are prepared on a going concern basis, the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future.

Changes in accounting policy and disclosures

The accounting policies and methods of computation are consistent with those applied and disclosed in the Group's 2020 Annual Report and Accounts.

2. Net interest income

Interest income

	2021 £'million	2020 £'million
Cash and balances held with central banks	**4.4**	6.1
Loans and advances to customers	**378.1**	393.3
Investment securities held at amortised cost	**20.6**	24.8
Investment securities held at FVOCI	**2.6**	2.1
Total interest income	**405.7**	426.3

Interest expense

	2021 £'million	2020 £'million
Deposits from customers	**40.1**	99.1
Deposits from central banks	**4.0**	8.7
Debt securities	**47.4**	47.8
Lease liabilities	**16.7**	18.7
Repurchase agreements	**2.2**	2.3
Total interest expense	**110.4**	176.6

3. Taxation

Tax expense
The components of the tax (expense)/credit for the year are:

	2021 £'million	2020 £'million
Current tax		
Current tax	**(0.5)**	(0.1)
Adjustment in respect of prior years	**0.6**	(0.5)
Total current tax credit/(expense)	**0.1**	(0.6)
Deferred tax		
Origination and reversal of temporary differences	**3.4**	3.6

Effect of changes in tax rates	**(5.4)**	2.1
Adjustment in respect of prior years	**(1.2)**	4.6
Total deferred tax (expense)/credit	**(3.2)**	10.3
Total tax (expense)/credit	**(3.1)**	9.7

Reconciliation of the total tax expense
The tax expense shown in the income statement differs from the tax expense that would apply if all accounting profits had been taxed at the UK corporation tax rate.

A reconciliation between the tax expense and the accounting profit multiplied by the UK corporation tax rate is as follows:

	2021 £'million	**Effective tax rate %**	2020 £'million	Effective tax rate %
Accounting loss before tax	**(245.1)**		(311.4)	
Tax expense at statutory tax rate of 19%	**46.6**	**19.0%**	59.2	19.0%
Tax effects of:				
Non-deductible expenses - depreciation on non-qualifying fixed assets	**(2.7)**	**(1.1%)**	(2.4)	(0.8%)
Non-deductible expenses - investment property impairment	**(1.8)**	**(0.8%)**	(3.2)	(1.0%)
Non-deductible expenses - remediation	**(7.1)**	**(2.9%)**	(6.6)	(2.1%)
Non-deductible expenses - other	**(0.1)**	**–**	(0.7)	(0.2%)
Impact of intangible asset impairment on R&D deferred tax liability	**3.0**	**1.2%**	0.2	0.1%
Share based payments	**(0.3)**	**(0.1%)**	(0.2)	(0.1%)
Adjustment in respect of prior years	**(0.6)**	**(0.3%)**	4.1	1.3%
Current year losses for which no deferred tax asset has been recognised	**(34.7)**	**(14.1%)**	(42.8)	(13.7%)
Effect of changes in tax rates	**(5.4)**	**(2.2%)**	2.1	0.7%
Tax (expense)/credit reported in the consolidated income statement	**(3.1)**	**(1.3%)**	9.7	3.2%

The effective tax rate for this year is (1.3%) (2020: 3.2%). The main reasons for this, in addition to the reported accounting loss before tax for the year, are set out below:

Deferred tax
The following table shows deferred tax recorded in the statement of financial position and changes recorded in the tax expense:

	Unused tax losses £'million	**Investment securities and impairments £'million**	**Share-based payments £'million**	**Property, plant and equipment £'million**	**Intangible assets £'million**	**Total £'million**
2021						
Deferred tax assets	**13**	**3**	–	–	–	**16**
Deferred tax liabilities	–	**2**	–	**(23)**	**(7)**	**(28)**
Deferred tax liabilities (net)	**13**	**5**	–	**(23)**	**(7)**	**(12)**
At 1 January 2021	**12**	**2**	–	**(16)**	**(10)**	**(12)**
Income statement	**1**	–	–	**(7)**	**3**	**(3)**
Other comprehensive income	–	**3**	–	–	–	**3**
At 31 December 2021	**13**	**5**	–	**(23)**	**(7)**	**(12)**

	Unused tax losses £'million	Investment securities and impairments £'million	Share-based payments £'million	Property, plant and equipment £'million	Intangible assets £'million	Total £'million
2020						
Deferred tax assets	12	3	–	–	–	15
Deferred tax liabilities	–	(1)	–	(16)	(10)	(27)
Deferred tax assets (net)	12	2	–	(16)	(10)	(12)
At 1 January 2020	–	4	–	(15)	(4)	(15)
Income statement	12	(1)	–	(1)	–	10
Other comprehensive income	–	(1)	–	–	–	(1)
Acquisition	–	–	–	–	(6)	(6)
At 31 December 2020	12	2	–	(16)	(10)	(12)

4. Financial instruments

Our financial instruments primarily comprise customer deposits, loans and advances to customers, cash held at banks and investment securities, all of which arise as a result of our normal operations.

The main financial risks arising from our financial instruments are credit risk, liquidity risk and market risks (price and interest rate risk).

The financial instruments we hold are simple in nature and we do not consider that we have made any significant or material judgements relating to the classification of financial instruments under IFRS 9.

Cash and balances with the Bank of England, trade and other receivables, trade and other payables and other assets and liabilities which meet the definition of financial instruments are not included in the table below as the carrying value of those assets are a close approximation of their fair value.

	Fair value through profit and loss £'million	**Fair value through other comprehensive income £'million**	**Amortised cost £'million**	**Total fair value £'million**
31 December 2021				
Assets				
Loans and advances to customers	**–**	**–**	**12,290**	**12,290**
Investment securities	**–**	**798**	**4,776**	**5,574**
Financial assets held at FVTPL	**3**	**–**	**–**	**3**
Liabilities				
Deposits from customers	**–**	**–**	**16,448**	**16,448**
Deposits from central bank	**–**	**–**	**3,800**	**3,800**
Debt securities	**–**	**–**	**588**	**588**
Derivative financial liabilities	**10**	**–**	**–**	**10**
Repurchase agreements	**–**	**–**	**169**	**169**

	Fair value through profit and loss £'million	Fair value through other comprehensive income £'million	Amortised cost £'million	Total fair value £'million
31 December 2020				
Assets				
Loans and advances to customers	–	–	12,090	12,090
Investment securities	–	773	2,640	3,413
Financial assets held at FVTPL	30	–	–	30
Assets classified as held for sale	–	–	295	295
Liabilities				
Deposits from customers	–	–	16,072	16,072
Deposits from central bank	–	–	3,808	3,808
Debt securities	–	–	600	600
Financial liabilities held at FVTPL	30	–	–	30
Derivative financial liabilities	8	–	–	8
Repurchase agreements	–	–	196	196

5. Loans and advances to customers

	31 December 2021		
	Gross carrying amount £'million	**ECL allowance £'million**	**Net carrying amount £'million**
Consumer lending	**890**	**(42)**	**848**
Retail mortgages	**6,723**	**(19)**	**6,704**
Commercial lending	**4,846**	**(108)**	**4,738**
Total loans and advances to customers	**12,459**	**(169)**	**12,290**

	31 December 2020		
	Gross carrying amount £'million	**ECL allowance £'million**	**Net carrying amount £'million**
Consumer lending	204	(25)	179
Retail mortgages	6,892	(26)	6,866
Commercial lending	5,148	(103)	5,045
Total loans and advances to customers	12,244	(154)	12,090

Further information on the movements in gross carrying amounts and ECL can be found in note 11. An analysis of the gross loans and advances by product category is set out below:

	31 December 2021 £'million	31 December 2020 £'million
Overdrafts	**66**	73
Credit cards	**13**	10

Term loans	**811**	121
Total consumer lending	**890**	204
Residential owner occupied	**5,022**	5,051
Retail buy-to-let	**1,701**	1,841
Total retail mortgages	**6,723**	6,892
Total retail lending	**7,613**	7,096
Professional buy-to-let	**950**	1,117
Bounce back loans	**1,304**	1,353
Coronavirus business interruption loans	**165**	114
Recovery loan scheme[1]	**157**	–
Other term loans	**1,791**	2,138
Total commercial term lending	**4,367**	4,722
Overdrafts and revolving credit facilities	**156**	149
Credit cards	**3**	3
Asset and invoice finance	**320**	274
Total commercial lending	**4,846**	5,148
Gross loans and advances to customers	**12,459**	12,244

1. Recovery loan scheme includes £66 million acquired from third parties under forward flow arrangements (31 December 2020: £nil)

6. Investment securities

	31 December 2021 £'million	31 December 2020 £'million
Fair value through other comprehensive income	**798**	**773**
Amortised cost	**4,776**	**2,640**
Total investment securities	**5,574**	**3,413**

Fair value through other comprehensive income

	31 December 2021 £'million	31 December 2020 £'million
Sovereign bonds	**566**	386
Residential mortgage backed securities	**38**	50
Covered bonds	**156**	337
Multi-lateral development bank bonds	**38**	–
Total investment securities held at FVOCI	**798**	773

Amortised cost

	31 December 2021 £'million	31 December 2020 £'million
Sovereign bonds	**1,198**	495
Residential mortgage backed securities	**1,687**	1,624

Covered bonds	**442**	521
Multi-lateral development bank bonds	**1,289**	–
Asset backed securities	**160**	–
Total investment securities held at amortised cost	**4,776**	2,640

7. Property, plant and equipment

	Investment property £'million	**Leasehold improvements £'million**	**Freehold land and buildings £'million**	**Fixtures, fittings and equipment £'million**	**IT hardware £'million**	**Right of use assets relating to leased stores and offices £'million**	**Total £'million**
Cost							
1 January 2021	**18**	**292**	**298**	**25**	**11**	**330**	**974**
Additions and modifications	**–**	**12**	**29**	**–**	**1**	**(4)**	**38**
Disposals	**–**	**–**	**–**	**–**	**–**	**(29)**	**(29)**
Write-offs	**–**	**(10)**	**–**	**(1)**	**(11)**	**(2)**	**(24)**
Transfers	**–**	**(14)**	**14**	**–**	**–**	**–**	**–**
31 December 2021	**18**	**280**	**341**	**24**	**1**	**295**	**959**
Accumulated depreciation							
1 January 2021	**12**	**66**	**21**	**15**	**7**	**47**	**168**
Charge for the year	**–**	**14**	**4**	**4**	**2**	**18**	**42**
Impairments	**–**	**–**	**–**	**–**	**–**	**6**	**6**
Disposals	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Write-offs	**–**	**(9)**	**–**	**–**	**(9)**	**–**	**(18)**
Transfers	**–**	**(3)**	**3**	**–**	**–**	**–**	**–**
31 December 2021	**12**	**68**	**28**	**19**	**–**	**67**	**194**
Net book value	**6**	**212**	**313**	**5**	**1**	**228**	**765**

	Investment property £'million	Leasehold improvements £'million	Freehold land and buildings £'million	Fixtures, fittings and equipment £'million	IT hardware £'million	Right of use assets relating to leased stores and offices £'million	Total £'million
Cost							
1 January 2020	18	314	262	26	10	332	962
Additions and modifications	–	6	18	3	2	4	33
Recognised in business combinations	–	1	–	–	1	3	5
Disposals	–	–	–	–	–	(9)	(9)
Write-offs	–	(11)	–	(4)	(2)	–	(17)
Transfers	–	(18)	18	–	–	–	–
31 December 2020	18	292	298	25	11	330	974
Accumulated depreciation							
1 January 2020	10	49	14	12	5	16	106
Charge for the year	–	11	5	5	4	16	41
Recognised in business combinations	–	1	–	–	–	–	1

Impairments	2	9	–	1	–	16	28
Disposals	–	–	–	–	–	(1)	(1)
Write-offs	–	(2)	–	(3)	(2)	–	(7)
Transfers	–	(2)	2	–	–	–	–
31 December 2020	12	66	21	15	7	47	168
Net book value	6	226	277	10	4	283	806

Impairments
During the year impairments were recognised in relation to the right of use assets on the three stores announced for closure. Prior to impairment, the right of use assets and lease liabilities were remeasured through to the next break clause. The leasehold improvements, fixtures and fittings associated with these stores have been written off on the basis that they will not provide the Group with any economic benefit post closure.

Write-offs
As well as the write-offs relating to the store closures outlined above during the year we wrote-off a number of items of IT hardware that are no longer being used or no longer providing the Group with any economic benefit.

Transfers
Transfers represent costs associated with the improvements made to previously leased stores which have been purchased. These stores were purchased where there was a strong commercial rationale for doing so.

8. Intangible assets

	Goodwill £'million	Brand £'million	Software £'million	Total £'million
Cost				
1 January 2021	**10**	**2**	**328**	**340**
Additions	**–**	**–**	**39**	**39**
Write-offs	**–**	**–**	**(32)**	**(32)**
Deferred grant	**–**	**–**	**1**	**1**
31 December 2021	**10**	**2**	**336**	**348**
Amortisation				
1 January 2021	**–**	**–**	**86**	**86**
Charge for the year	**–**	**–**	**38**	**38**
Impairment	**–**	**–**	**7**	**7**
Write-offs	**–**	**–**	**(26)**	**(26)**
31 December 2021	**–**	**–**	**105**	**105**
Net book value	**10**	**2**	**231**	**243**

	Goodwill £'million	Brand £'million	Software £'million	Total £'million
Cost				
1 January 2020	4	–	224	228
Additions	–	–	81	81
Recognised in business combinations	6	2	32	40

Write-offs	–	–	(10)	(10)
Deferred grant	–	–	1	1
31 December 2020	10	2	328	340
Amortisation				
1 January 2020	–	–	60	60
Charge for the year	–	–	33	33
Write-offs	–	–	(7)	(7)
31 December 2020	–	–	86	86
Net book value	10	2	242	254

Impairments
Following the purchase of the RateSetter back book in April 2021 an impairment was recognised in relation to the peer-to-peer component of the RateSetter lending platform.

Write-offs
The write-offs in the year consisted primarily of software and applications that are no longer being used and are no longer providing any further economic benefits.

9. Leases

Lease liabilities

	2021 £'million	2020 £'million
1 January	**327**	341
Additions and modifications	**(6)**	4
Recognised in business combinations	**–**	3
Disposals	**(40)**	(9)
Lease payments made	**(29)**	(31)
Interest on lease liabilities	**17**	19
31 December	**269**	327

Right of use assets
All disclosures relating to right of use assets, including accounting policy can be found in note 7.

Additions and modifications
As part of our decision to close three stores the lease liabilities on these stores were remeasured out to their first break clause (where available). This led to a modification of the lease liabilities of £6 million, with a corresponding adjustment made to the associated right of use assets.

Disposals
The disposals during year relate to the four stores where we purchased the freehold or long-lease during the year (2020: three stores). Following the purchase both the lease liabilities and right of use assets relating to these stores were derecognised. Additionally we disposed of the majority of our leases at Old Bailey office space, which we vacated during 2020. We had already impaired the right of use assets related during 2020 following our decision to no longer use this space**.**

Low value and short leases
During the year ended 31 December 2021 £0.7 million (year ended 31 December 2020: £0.2 million) was recognised in the income statement with respect to assets of low value or a lease of less than12 months. The lease for the Bishopsgate office was transferred over to Metro Bank in October 2021 from RateSetter. This amounted to an immaterial amount (less than £0.1 million) therefore has been excluded from the note.

Future income due under non-cancellable operating leases

The Group leases out surplus space in some of its properties. The table below sets out the cash payments expected over the remaining non-cancellable term of each lease, exclusive of any VAT.

	31 December 2021 £'million	31 December 2020 £'million
Within one year	**1**	1
Due in one to five years	**4**	4
Due in more than five years	**4**	5
Total	**9**	10

10. Provisions

	Customer remediation £'million	**Dilapidations £'million**	**Onerous contracts £'million**	**Legal and regulatory £'million**	**Other £'million**	**Total £'million**
1 January 2021	**2**	**3**	**6**	**–**	**–**	**11**
Additions	**–**	**2**	**5**	**5**	**1**	**13**
Released	**–**	**(2)**	**(4)**	**–**	**–**	**(6)**
Utilised	**(1)**	**–**	**(2)**	**–**	**–**	**(3)**
31 December 2021	**1**	**3**	**5**	**5**	**1**	**15**

	Customer remediation £'million	Dilapidations £'million	Onerous contracts £'million	Legal and regulatory £'million	Other £'million	Total £'million
1 January 2020	12	3	–	–	2	17
Additions	1	–	9	–	–	10
Recognised in business combinations	–	–	3	–	–	3
Released	–	–	–	–	(2)	(2)
Utilised	(11)	–	(6)	–	–	(17)
31 December 2020	2	3	6	–	–	11

All additions have been recognised in the income statement, with the exception of £2 million provision for dilapidations. This has been recognised as an addition to the right of use assets (see note 7).

Dilapidations

The amounts provided in respect of dilapidations are calculated based on assessments by an independent qualified valuer. They represent the best estimate of the present value to restore the site to the condition required under the lease. As the date restoration is required may be up to 25 years in the future, there is uncertainty in this estimation. Additionally, for sites that are outside the Landlord and Tenant Act 1954, should we be successful in renewing the lease at the end of its term, it is possible that the provision recognised may not be utilised.

The additional provision for dilapidations during the year relate to the three stores we will be closing in 2022 (where a provision had not already been recognised). A provision for the restoration of the Old Bailey office space was substantially released in the year following the disposal of the majority of this site.

The provision made in relation to these sites is expected to be utilised within the next two years.

Onerous contract
Onerous contracts primarily relate to the non-rental costs of fulfilling property contracts from which we will no longer benefit. The additions in year primarily relate to the three stores announced for closures and have been determined with reference to the occupancy costs from the date of closure through to the next lease event. Rental costs on these sites from which we will receive no future economic benefits are represented by an impairment to the right of use asset (see note 7 for further details). The utilisation and releases in the year relate to both occupancy costs at Old Bailey, a previous head office site, the majority of which has now been disposed of as well as a provision in relation to negative margin peer-to-peer loans, which is no longer required following the acquisition of the RateSetter back book in April 2021.

The majority of our current onerous contract provisions are anticipated to be utilised within the next two years.

Legal and regulatory
Provision for regulatory matters consists of £5 million provided in respect of the FCA investigation into potential rule breaches in the period prior to the announcements made on 23 January 2019 and 26 February 2019 in relation to risk-weighted assets and AIRB accreditation respectively.

As at 31 December 2021 we believe there to be sufficient certainty in the outcome of this investigation to make a provision against the likely penalty. The actual level of penalty remains uncertain. Management expects that the outcome will sit within a range up to £13 million. The provision reflects Management's best estimate of the outcome at this stage.

11. Called-up share capital

The Group has a single class of shares. As at 31 December 2021 172.4 million ordinary shares of 0.0001p (31 December 2020: 172.4 million) were authorised and in issue.

Called-up ordinary share capital, issued and fully paid
The called-up share capital reserve is used to record the nominal share capital. At the 31 December 2020 the Group's called up share capital was £172.42 (31 December 2019: £172.42).

	2021 £'million	2020 £'million
31 December	–	–

Share premium
The share premium reserve is used to record the excess consideration of any shares issued over the nominal share value.

	2021 £'million	2020 £'million
31 December	**1,964**	1,964

12. Credit Risk

Credit risk concentration

Retail mortgage lending by DTV banding

	31 December 2021 £'million			31 December 2020 £'million		
	Retail owner occupied	**Retail buy-to-let**	**Total retail mortgages**	Retail owner occupied	Retail buy-to-let	Total retail mortgages
DTV ratio						
Less than 50%	**1,907**	**524**	**2,431**	1,855	502	2,357
51–60%	**767**	**415**	**1,182**	842	390	1,232
61–70%	**1,092**	**564**	**1,656**	836	533	1,369
71–80%	**805**	**188**	**993**	1,084	407	1,491
81–90%	**400**	**3**	**403**	359	4	363
91–100%	**51**	**3**	**54**	74	–	74
More than 100%	–	**4**	**4**	1	5	6
Total retail mortgage lending	**5,022**	**1,701**	**6,723**	5,051	1,841	6,892

Retail mortgage lending by geographic exposure

	31 December 2021 £'million			31 December 2020 £'million		
	Retail owner occupied	**Retail buy-to-let**	**Total retail mortgages**	Retail owner occupied	Retail buy-to-let	Total retail mortgages
Region						
Greater London	**2,130**	**1,048**	**3,178**	2,213	1,147	3,360
South east	**1,157**	**283**	**1,440**	1,157	309	1,466
South west	**434**	**82**	**516**	433	91	524
East of England	**309**	**69**	**378**	298	73	371
North west	**264**	**62**	**326**	265	63	328
West Midlands	**190**	**61**	**251**	179	58	237
Yorkshire and the Humber	**139**	**34**	**173**	139	37	176
East Midlands	**140**	**25**	**165**	131	25	156
Wales	**110**	**20**	**130**	102	21	123
North east	**62**	**10**	**72**	62	10	72
Scotland	**87**	**7**	**94**	72	7	79
Total retail mortgage lending	**5,022**	**1,701**	**6,723**	5,051	1,841	6,892

Retail mortgage lending by repayment type

	31 December 2021 £'million			31 December 2020 £'million		
	Retail owner occupied	**Retail buy-to-let**	**Total retail mortgages**	Retail owner occupied	Retail buy-to-let	Total retail mortgages
Repayment						
Interest	**2,113**	**1,620**	**3,733**	2,337	1,751	4,088
Capital and interest	**2,909**	**81**	**2,990**	2,714	90	2,804
Total retail mortgage lending	**5,022**	**1,701**	**6,723**	5,051	1,841	6,892

Commercial term lending (exc. BBLS) by DTV banding

	31 December 2021 £'million			31 December 2020 £'million		
	Professional buy-to-let	**Other term loans**	**Total commercial term loans**	Professional buy-to-let	Other term loans	Total commercial term loans
DTV ratio						
Less than 50%	**306**	**770**	**1,076**	353	876	1,229
51–60%	**232**	**483**	**715**	261	546	807
61–70%	**282**	**158**	**440**	351	255	606
71–80%	**112**	**63**	**175**	133	100	233
81–90%	**8**	**30**	**38**	9	51	60
91–100%	**6**	**27**	**33**	6	13	19
More than 100%	**4**	**582**	**586**	4	411	415
Total commercial term loans	**950**	**2,113**	**3,063**	1,117	2,252	3,369

Commercial term lending (exc. BBLS) by geographic exposure

	31 December 2021 £'million			31 December 2020 £'million		
	Professional buy-to-let	**Other term loans**	**Total commercial term loans**	Professional buy-to-let	Other term loans	Total commercial term loans
Region						
Greater London	**676**	**1,186**	**1,862**	780	1,358	2,138
South east	**160**	**390**	**550**	205	399	604
South west	**28**	**151**	**179**	31	156	187
East of England	**39**	**71**	**110**	48	67	115
North west	**18**	**150**	**168**	20	146	166
West Midlands	**9**	**84**	**93**	10	66	76
Yorkshire and the Humber	**3**	**17**	**20**	3	13	16
East Midlands	**9**	**27**	**36**	11	18	29
Wales	**4**	**12**	**16**	5	10	15
North east	**3**	**17**	**20**	3	18	21
Scotland	**1**	**2**	**3**	1	–	1
Northern Ireland	**–**	**6**	**6**	–	1	1
Total commercial term loans	**950**	**2,113**	**3,063**	1,117	2,252	3,369

Commercial term lending (exc. BBLS) by repayment type

	31 December 2021 £'million			31 December 2020 £'million		
	Professional buy-to-let	**Other term loans**	**Total commercial term loans**	Professional buy-to-let	Other term loans	Total commercial term loans
Repayment						
Interest	**897**	**230**	**1,127**	1,058	281	1,339
Capital and interest	**53**	**1,883**	**1,936**	59	1,971	2,030
Total commercial term loans	**950**	**2,113**	**3,063**	1,117	2,252	3,369

A Commercial term lending (exc. BBLS) by industry exposure

	31 December 2021 £'million			31 December 2020 £'million		
	Professional buy-to-let	**Other term loans**	**Total commercial term loans**	Professional buy-to-let	Other term loans	Total commercial term loans
Industry sector						
Real estate (rent, buy and sell)	**950**	**837**	**1,787**	1,117	1,032	2,149
Hospitality	–	**361**	**361**	–	376	376
Health and social work	–	**225**	**225**	–	248	248
Legal, accountancy and consultancy	–	**206**	**206**	–	208	208
Retail	–	**136**	**136**	–	107	107
Real estate (development)	–	**46**	**46**	–	60	60
Recreation, cultural and sport	–	**88**	**88**	–	53	53
Construction	–	**85**	**85**	–	36	36
Education	–	**17**	**17**	–	30	30
Real estate (management of)	–	**9**	**9**	–	10	10
Investment and unit trusts	–	**6**	**6**	–	9	9
Other	–	**97**	**97**	–	83	83
Total commercial term loans	**950**	**2,113**	**3,063**	1,117	2,252	3,369

Credit risk exposures

Retail mortgages

	31 December 2021 £' million				31 December 2020 £' million			
	Stage 1 12 month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI Lifetime ECL**	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL
Up to date	**5,544**	**1,010**	**38**	**–**	5,911	802	47	–
1 to 29 days past due	**2**	**27**	**9**	**–**	–	18	8	–
30 to 89 days past due	**–**	**26**	**16**	**–**	–	43	13	–
90+ days past due	**–**	**–**	**51**	**–**	–	–	50	–
Gross carrying amount	**5,546**	**1,063**	**114**	**–**	5,911	863	118	–

Consumer lending

	31 December 2021 £' million				31 December 2020 £' million			
	Stage 1 12 month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI Lifetime ECL**	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL
Up to date	**786**	**71**	**2**	**–**	149	38	–	–
1 to 29 days past due	**–**	**2**	**–**	**–**	–	3	–	–
30 to 89 days past due	**–**	**9**	**3**	**–**	–	2	–	–
90+ days past due	**–**	**–**	**16**	**1**	–	–	12	–
Gross carrying amount	**786**	**82**	**21**	**1**	149	43	12	–

Commercial lending

	31 December 2021 £' million				31 December 2020 £' million			
	Stage 1 12 month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI Lifetime ECL**	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL
Up to date	**3,727**	**656**	**118**	**–**	4,115	863	96	–

1 to 29 days past due	**12**	**46**	**2**	**–**	–	21	2	–
30 to 89 days past due	**–**	**78**	**23**	**–**	–	22	11	–
90+ days past due	**–**	**–**	**184**	**–**	–	–	18	–
Gross carrying amount	**3,739**	**780**	**327**	**–**	4,115	906	127	–

Loss allowance

The following tables explain the changes in both the gross carrying amount and loss allowances of the Group's loans and advances during the period. Significant changes in the gross carrying amount which contributed to changes in the loss allowance are explained below. Other movements consist of changes to model assumptions and forward looking information.
Retail mortgages

	Gross carrying amount					Loss allowance					Net carrying amount				
£'million	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**
1 January 2021	**5,911**	**863**	**118**	**–**	**6,892**	**(5)**	**(17)**	**(4)**	**–**	**(26)**	**5,906**	**846**	**114**	**–**	**6,866**
Transfers to/(from) stage 1[1]	**362**	**(345)**	**(17)**	**–**	**–**	**(8)**	**8**	**–**	**–**	**–**	**354**	**(337)**	**(17)**	**–**	**–**
Transfers to/(from) stage 2	**(469)**	**477**	**(8)**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**	**(468)**	**476**	**(8)**	**–**	**–**
Transfers to/(from) stage 3	**(19)**	**(26)**	**45**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**(19)**	**(25)**	**44**	**–**	**–**
Net remeasurement due to transfers[2]	**–**	**–**	**–**	**–**	**–**	**7**	**(1)**	**–**	**–**	**6**	**7**	**(1)**	**–**	**–**	**6**
New lending[3]	**894**	**233**	**–**	**–**	**1,127**	**(1)**	**(4)**	**–**	**–**	**(5)**	**893**	**229**	**–**	**–**	**1,122**
Repayments, additional drawdowns and interest accrued	**(131)**	**(17)**	**(2)**	**–**	**(150)**	**–**	**–**	**–**	**–**	**–**	**(131)**	**(17)**	**(2)**	**–**	**(150)**
Transfer to held for sale[4]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derecognitions[5]	**(1,002)**	**(122)**	**(22)**	**–**	**(1,146)**	**1**	**1**	**1**	**–**	**3**	**(1,001)**	**(121)**	**(21)**	**–**	**(1,143)**
Changes to model assumptions[6]	**–**	**–**	**–**	**–**	**–**	**3**	**1**	**(1)**	**–**	**3**	**3**	**1**	**(1)**	**–**	**3**
31 December 2021	**5,546**	**1,063**	**114**	**–**	**6,723**	**(2)**	**(12)**	**(5)**	**–**	**(19)**	**5,544**	**1,051**	**109**	**–**	**6,704**

	Gross carrying amount					Loss allowance					Net carrying amount				
£'million	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**
1 January 2020	9,874	502	54	–	10,430	–	(3)	(5)	–	(8)	9,874	499	49	–-	10,422
Transfers to/(from) stage 1[1]	109	(106)	(3)	–	–	(1)	1	–	–	–	108	(105)	(3)	–	–
Transfers to/(from) stage 2	(559)	560	(1)	–	–	–	–	–	–	–	(559)	560	(1)	–	–
Transfers to/(from) stage 3	(55)	(22)	77	–	–	–	1	(1)	–	–	(55)	(21)	76	–	–
Net remeasurement due to transfers[2]	–	–	–	–	–	1	(8)	(1)	–	(8)	1	(8)	(1)	–	(8)
New lending[3]	522	48	1	–	571	(3)	(3)	–	–	(6)	519	45	1	–	565
Repayments, additional drawdowns and interest accrued	(122)	(11)	–	–	(133)	–	–	–	–	–	(122)	(11)	–	–	(133)
Transfer to held for sale[4]	(289)	(7)	–	–	(296)	1	–	–	–	1	(288)	(7)	–	–	(295)
Derecognitions[5]	(3,569)	(101)	(10)	–	(3,680)	3	1	1	–	5	(3,566)	(100)	(9)	–	(3,675)

Changes to model assumptions[6]	–	–	–	–	–	(6)	(6)	2	–	(10)	(6)	(6)	2	–	(10)
31 December 2020	5,911	863	118	–	6,892	(5)	(17)	(4)	–	(26)	5,906	846	114	–	6,866

1. Represents stage transfers prior to any ECL remeasurements
2. Represents the remeasurement between the twelve month and lifetime ECL due to stage transfer, including any changes to the model assumptions and forward looking information.
3. Represents the increase in balances resulting from loans and advances that have been newly originated, purchased or renewed.
4. Represents the loans and advance reclassified as held for sale at year end.
5. Represents the decrease in balances resulting from loans and advances that have been fully repaid, disposed of or written off.
6. Represents the change in loss allowances resulting from changes to the model assumptions, forward looking information and changes in the customers risk profile

Consumer lending

	Gross carrying amount					Loss allowance					Net carrying amount				
£'million	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**
1 January 2021	**149**	**43**	**12**	**–**	**204**	**(6)**	**(9)**	**(10)**	**–**	**(25)**	**143**	**34**	**2**	**–**	**179**
Transfers to/(from) stage 1	**8**	**(8)**	**–**	**–**	**–**	**(1)**	**1**	**–**	**–**	**–**	**7**	**(7)**	**–**	**–**	**–**
Transfers to/(from) stage 2	**(6)**	**6**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**6**	**–**	**–**	**–**
Transfers to/(from) stage 3	**(2)**	**(3)**	**5**	**–**	**–**	**–**	**2**	**(2)**	**–**	**–**	**(2)**	**(1)**	**3**	**–**	**–**
Net remeasurement due to transfers	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**(2)**	**–**	**(1)**	**1**	**-**	**(2)**	**–**	**(1)**
New lending	**697**	**66**	**12**	**1**	**776**	**(16)**	**(7)**	**(9)**	**–**	**(32)**	**681**	**59**	**3**	**1**	**744**
Repayments, additional drawdowns and interest accrued	**(20)**	**(9)**	**(1)**	**–**	**(30)**	**–**	**–**	**–**	**–**	**–**	**(20)**	**(9)**	**(1)**	**–**	**(30)**
Derecognitions	**(40)**	**(13)**	**(7)**	**–**	**(60)**	**1**	**2**	**7**	**–**	**10**	**(39)**	**(11)**	**–**	**–**	**(50)**
Changes to model assumptions	**–**	**–**	**–**	**–**	**–**	**3**	**3**	**–**	**–**	**6**	**3**	**3**	**–**	**–**	**6**
31 December 2021	**786**	**82**	**21**	**1**	**890**	**(18)**	**(8)**	**(16)**	**–**	**(42)**	**768**	**74**	**5**	**1**	**848**

	Gross carrying amount					Loss allowance					Net carrying amount				
£'million	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**
1 January 2020	223	–	10	–	233	(3)	(1)	(9)	–	(13)	220	(1)	1	–	220
Transfers to/(from) stage 1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers to/(from) stage 2	(62)	62	–	–	–	1	(1)	–	–	–	(61)	61	–	–	–
Transfers to/(from) stage 3	(3)	(1)	4	–	–	–	–	–	–	–	(3)	(1)	4	–	–
Net remeasurement due to transfers	–	–	–	–	–	–	(7)	(3)	–	(10)	–	(7)	(3)	–	(10)
New lending	55	2	–	–	57	(2)	–	–	–	(2)	53	2	–	–	55
Repayments, additional drawdowns and interest accrued	(14)	(20)	(1)	–	(35)	–	–	–	–	–	(14)	(20)	(1)	–	(35)
Derecognitions	(50)	–	(1)	–	(51)	–	–	1	–	1	(50)	–	–	–	(50)
Changes to model assumptions	–	–	–	–	–	(2)	–	1	–	(1)	(2)	–	1	–	(1)
31 December 2020	149	43	12	–	204	(6)	(9)	(10)	–	(25)	143	34	2	–	179

Commercial lending

£'million	Gross carrying amount					Loss allowance					Net carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**
1 January 2021	**4,115**	**906**	**127**	**–**	**5,148**	**(19)**	**(43)**	**(41)**	**–**	**(103)**	**4,096**	**863**	**86**	**–**	**5,045**
Transfers to/(from) stage 1	**189**	**(184)**	**(5)**	**–**	**–**	**(7)**	**7**	**–**	**–**	**–**	**182**	**(177)**	**(5)**	**–**	**–**
Transfers to/(from) stage 2	**(297)**	**304**	**(7)**	**–**	**–**	**1**	**(2)**	**1**	**–**	**–**	**(296)**	**302**	**(6)**	**–**	**–**
Transfers to/(from) stage 3	**(181)**	**(81)**	**262**	**–**	**–**	**–**	**3**	**(3)**	**–**	**–**	**(181)**	**(78)**	**259**	**–**	**–**
Net remeasurement due to transfers	**–**	**–**	**–**	**–**	**–**	**3**	**(10)**	**(17)**	**–**	**(24)**	**3**	**(10)**	**(17)**	**–**	**(24)**
New lending	**566**	**58**	**6**	**–**	**630**	**(6)**	**(2)**	**(1)**	**–**	**(9)**	**560**	**56**	**5**	**–**	**621**
Repayments, additional drawdowns and interest accrued	**(167)**	**(31)**	**(13)**	**–**	**(211)**	**–**	**–**	**–**	**–**	**–**	**(167)**	**(31)**	**(13)**	**–**	**(211)**
Derecognitions	**(486)**	**(192)**	**(43)**	**–**	**(721)**	**3**	**8**	**12**	**–**	**23**	**(483)**	**(184)**	**(31)**	**–**	**(698)**
Changes to model assumptions	**–**	**–**	**–**	**–**	**–**	**(2)**	**10**	**(3)**	**–**	**5**	**(2)**	**10**	**(3)**	**–**	**5**
31 December 2021	**3,739**	**780**	**327**	**–**	**4,846**	**(27)**	**(29)**	**(52)**	**–**	**(108)**	**3,712**	**751**	**275**	**–**	**4,738**

£'million	Gross carrying amount					Loss allowance					Net carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**	Stage 1	Stage 2	Stage 3	POCI	**Total**
1 January 2020	3,929	72	51	–	4,052	(6)	(1)	(6)	–	(13)	3,923	71	45	–	4,039
Transfers to/(from) stage 1	13	(11)	(2)	–	–	–	–	–	–	–	13	(11)	(2)	–	–
Transfers to/(from) stage 2	(678)	679	(1)	–	–	–	–	–	–	–	(678)	679	(1)	–	–
Transfers to/(from) stage 3	(84)	(20)	104	–	–	–	1	(1)	–	–	(84)	(19)	103	–	–
Net remeasurement due to transfers	–	–	–	–	–	–	(28)	(30)	–	(58)	–	(28)	(30)	–	(58)
New lending	1,562	199	9	–	1,770	(6)	(13)	(3)	–	(22)	1,556	186	6	–	1,748
Repayments, additional drawdowns and interest accrued	(201)	1	(9)	–	(209)	–	–	–	–	-	(201)	1	(9)	–	(209)
Derecognitions	(426)	(14)	(25)	–	(465)	1	1	2	–	4	(425)	(13)	(23)	–	(461)
Changes to model assumptions	–	–	–	–	–	(8)	(3)	(3)	–	(14)	(8)	(3)	(3)	–	(14)
31 December 2020	4,115	906	127	–	5,148	(19)	(43)	(41)	–	(103)	4,096	863	86	–	5,045

13. Legal and regulatory matters

As part of the normal course of business we are subject to legal and regulatory matters which, with the exception of the matters set out below, are not considered to have a material impact on the business.

The matters outlined below represent contingent liabilities and as such at the reporting date no provision has been made for any of these cases within the financial statements (details of our provisions are set out in note 10). This is because, based on the facts currently known, it is not practicable to predict the outcome of any of these matters or reliably estimate any financial impact. Their inclusion does not constitute any admission of wrongdoing or legal liability.

Financial crime
In 2017 and 2019 initial disclosures were made to the US Office of Foreign Assets Control (OFAC) in relation to Cuba and Iran. We completed our review in respect of these matters in December 2021 and have submitted our findings to OFAC. We continue to engage and co-operate fully with our regulators. At this stage it is not practicable to identify the likely outcome or to estimate the potential financial impact with any certainty.

In addition, we continue to engage and co-operate fully with the FCA's enquiries regarding the Bank's financial crime systems and controls. These enquiries remain at a relatively early stage.

14. Fair value of financial instruments

	Carrying value £'million	**Quoted market price Level 1 £'million**	**Using observable inputs Level 2 £'million**	**With significant unobservable inputs Level 3 £'million**	**Total fair value £'million**
31 December 2021					
Assets					
Loans and advances to customers	**12,290**	**–**	**–**	**12,356**	**12,356**
Investment securities held at FVOCI	**798**	**760**	**38**	**–**	**798**
Investment securities held at amortised costs	**4,776**	**2,977**	**1,710**	**60**	**4,747**
Financial assets held at FVTPL	**3**	**–**	**–**	**3**	**3**
Liabilities					
Deposits from customers	**16,448**	**–**	**–**	**16,452**	**16,452**
Deposits from central bank	**3,800**	**–**	**–**	**3,800**	**3,800**
Debt securities	**588**	**495**	**–**	**–**	**495**
Derivative financial liabilities	**10**	**–**	**10**	**–**	**10**
Repurchase agreements	**169**	**–**	**–**	**169**	**169**

	Carrying value £'million	Quoted market price Level 1 £'million	Using observable inputs Level 2 £'million	With significant unobservable inputs Level 3 £'million	Total fair value £'million
31 December 2020					
Assets					
Loans and advances to customers	12,090	–	–	11,892	11,892
Investment securities held at FVOCI	773	723	50	–	773
Investment securities held at amortised costs	2,640	1,021	1,567	66	2,654
Financial assets held at FVTPL	30	–	–	30	30
Liabilities					
Deposits from customers	16,072	–	–	16,147	16,147
Deposits from central bank	3,808	–	–	3,808	3,808
Debt securities	600	483	–	–	483
Financial liabilities held at FVTPL	30	–	–	30	30
Derivative financial liabilities	8	–	8	–	–
Repurchase agreements	196	–	–	196	196

Information on how fair values are calculated for the financial assets and liabilities noted above are explained below:

Loans and advances to customers
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date, adjusted for future credit losses and prepayments, if considered material.

Investment securities
The fair value of investment securities is based on either observed market prices for those securities that have an active trading market (fair value level 1 assets),or using observable inputs (in the case of fair value level 2 assets).

Deposits from customers
Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

Debt securities
Fair values are determined using the quoted market price at the balance sheet date.

Deposits from central banks/repurchase agreements
Fair values are estimated using discounted cash flows, applying current rates. Fair values approximate carrying amounts as their balances are generally short dated.

15. Loss per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary equity holders of Metro Bank by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Earnings attributable to ordinary equity holders of Metro Bank (£'million)	**(248.2)**	(301.7)
Weighted average number of ordinary shares in issue – basic ('000)	**172,421**	172,420
Basic earnings per share (pence)	**(144.0)**	(175.0)

Diluted earnings per share has been calculated by dividing the earnings attributable to ordinary equity holders of Metro Bank by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares that would be issued on the conversion to shares of options granted to colleagues. As the Group made a loss during the years to 31 December 2021 and 31 December 2020 the share options would be antidilutive, as they would reduce the loss per share. Therefore all the outstanding options have been disregarded in the calculation of dilutive earnings per share.

	2021	2020
Earnings attributable to ordinary equity holders of Metro Bank (£'million)	**(248.2)**	(301.7)
Weighted average number of ordinary shares in issue – diluted ('000)	**172,421**	172,420
Diluted earnings per share (pence)	**(144.0)**	(175.0)

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of EPS.

16. Related parties

Key management personnel
Our key management personnel, and persons connected with them, are considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors and members of the Executive Leadership Team are considered to be the key management personnel for disclosure purposes.

Key management compensation
Total compensation cost for key management personnel for the year by category of benefit was as follows:

	2021 £'million	2020 £'million
Short-term benefits	**5.4**	5.3
Post-employment benefits	**0.1**	0.1
Share-based payment costs	**1.3**	0.7
Total compensation for key management personnel	**6.8**	6.1

Short-term employee benefits include salary, medical insurance, bonuses and cash allowances paid to key management personnel. The share based payment cost consists of the IFRS 2 charge for the year (including charges associated with share options awarded in previous years.

Banking transactions with key management personnel
We provide banking services to Directors and other key management personnel and persons connected to them. Loan transactions during the year and the balances outstanding at 31 December were as follows:

	2021 £'million	2020 £'million
Loans outstanding at 1 January	**1.9**	0.7
Loans relating to persons and companies newly considered related parties	–	1.8
Loans relating to persons and companies no longer considered related parties	**(0.5)**	(0.6)
Loans issued during the year	**1.8**	–
Loans outstanding as at 31 December	**3.2**	1.9
Interest expense on loans payable to the Group (£'000)	**30**	34

There were three (31 December 2020: three) loans outstanding at 31 December 2021 totalling £3.2 million (31 December 2020: £1.9 million). Of these, two are residential mortgages secured on property and one is an asset finance loan; all loans were provided on our standard commercial terms.

In addition to the loans detailed above, we have issued credit cards and granted overdraft facilities on current accounts to Directors and key management personnel.

Credit card balances outstanding at 31 December were as follows:

	2021 £'000	2020 £'000
Credit cards outstanding as at 31 December	**5**	22

Deposit balances outstanding at 31 December were as follows

	2021 £'million	2020 £'million
Deposits held at 1 January	**2.1**	3.3
Deposits relating to persons and companies newly considered related parties	**0.1**	0.2
Deposits relating to persons and companies no longer considered related parties	**(0.1)**	(0.3)
Net amounts withdrawn	**(0.6)**	(1.1)
Deposits outstanding as at 31 December	**1.5**	2.1

17. Post balance sheet events

There have been no material post balance sheet events.

Underlying to statutory results reconciliation

Year ended 31 December 2020	**Statutory basis £'million**	**Listing Share Awards £'million**	**Impairment and write-off of property, plant, equipment and intangible assets £'million**	**C&I fund costs £'million**	**Transformation costs £'million**	**Remediation costs £'million**	**Business acquisition and integration costs £'million**	**Mortgage portfolio sale £'million**	**Underlying basis £'million**
Net interest income	**295.3**	**–**	**–**	**0.4**	**–**	**–**	**–**	**–**	**295.7**
Net fee and commission income	**69.6**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**69.6**
Net gains on sale of assets	**9.4**	**–**	**–**	**–**	**–**	**–**	**–**	**(8.7)**	**0.7**
Other income	**44.2**	**–**	**–**	**(9.4)**	**–**	**–**	**–**	**(2.9)**	**31.9**
Total income	**418.5**	**–**	**–**	**(9.0)**	**–**	**–**	**–**	**(11.6)**	**397.9**
General operating expenses	**(536.1)**	**–**	**–**	**9.0**	**8.9**	**45.9**	**2.4**	**3.3**	**(466.6)**
Depreciation and amortisation	**(80.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(80.2)**
Impairment and write-offs of PPE and intangible assets	**(24.9)**	**–**	**24.9**	**–**	**–**	**–**	**–**	**–**	**–**
Total operating expenses	**(641.2)**	**–**	**24.9**	**9.0**	**8.9**	**45.9**	**2.4**	**3.3**	**(546.8)**
Expected credit loss expense	**(22.4)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22.4)**
Loss before tax	**(245.1)**	**–**	**24.9**	**–**	**8.9**	**45.9**	**2.4**	**(8.3)**	**(171.3)**

Year ended 31 December 2020	Statutory basis £'million	Listing Share Awards £'million	Impairment and write-off of property, plant, equipment and intangible assets £'million	C&I fund costs £'million	Transformation costs £'million	Remediation costs £'million	Business acquisition and integration costs £'million	Mortgage portfolio sale £'million	Underlying basis £'million
Net interest income	249.7	–	–	0.6	–	–	–	–	250.3
Net fee and commission income	59.9	–	–	–	–	–	–	–	59.9
Net gains on sale of assets	73.3	–	–	–	–	–	–	(69.0)	4.3
Other income	49.7	–	–	(23.3)	–	–	–	–	26.4
Total income	432.6	–	–	(22.7)	–	–	–	(69.0)	340.9
General operating expenses	(502.3)	(0.2)	–	22.7	16.7	40.8	5.4	5.3	(411.6)
Depreciation and amortisation	(74.4)	–	–	–	–	–	–	–	(74.4)
Impairment and write-offs of PPE and intangible assets	(40.6)	–	40.6	–	–	–	–	–	–
Total operating expenses	(617.3)	(0.2)	40.6	22.7	16.7	40.8	5.4	5.3	(486.0)
Expected credit loss expense	(126.7)	–	–	–	–	–	–	–	(126.7)
Loss before tax	(311.4)	(0.2)	40.6	–	16.7	40.8	5.4	(63.7)	(271.8)

Key capital disclosures

The information set out within this section does not form part of the statutory accounts for the years ended 31 December 2021 or 31 December 2020.

Key Metrics
The table below summarises our key regulatory metrics as at 31 December 2021 and 31 December 2020.

	31 December 2021 £'million	31 December 2020 £'million
Available capital		
CET1 capital	**936**	1,192
Tier 1 capital	**936**	1,192
Total capital	**1,184**	1,441
Total capital plus MREL	**1,527**	1,783
Risk weighted assets (RWAs)		
Total risk weighted assets	**7,454**	7,957
Risk-based capital ratios as % of RWAs		
CET1 ratio	**12.6%**	15.0%
Tier 1 ratio	**12.6%**	15.0%
Total capital ratio	**15.9%**	18.1%
Total capital plus MREL	**20.5%**	22.4%
Additional CET1 buffer requirements as % of RWAs		
Countercyclical capital conservation buffer requirement	**2.5%**	2.5%
Countercyclical buffer requirement	**0.0%**	0.0%
Total of bank CET1 specific buffer requirements	**2.5%**	2.5%
Leverage ratio		
Leverage ratio	**4.41%**	5.62%
Liquidity coverage ratio		
Liquidity coverage ratio (LCR)	**281%**	187%

Leverage Ratio
The table below shows the Bank's Tier 1 Capital and Total Leverage Exposure that are used to derive the Leverage Ratio. The leverage ratio is the ratio of Tier 1 Capital to Total Leverage exposure.

	31 December 2021 £'million	31 December 2020 £'million
Common equity tier 1 capital	**936**	1,192
Additional tier 1 capital	**-**	-
Tier 1 capital	**936**	1,192
CRD IV Leverage exposure	**21,230**	21,211
Leverage ratio	**4.41%**	5.62%

Our leverage ratio is 4.41% which is in excess of the minimum capital requirement of 3.00% as at 31 December 2021.

Liquidity coverage ratio

The table below shows the Bank's Total HQLA and total net cash outflow that are used to derive the liquidity coverage ratio.

	31 December 2021 £'million	31 December 2020 £'million
Total HQLA	**6,754**	3,762
Total net cash outflow	**2,406**	2,011
Liquidity coverage ratio (LCR)	**281%**	187%

Our LCR was 281% at 31 December 2020 which exceeds the Basel Committee's minimum of 100%.

Overview of RWAs and capital requirements
The table below sets out the risk weighted assets and Pillar 1 capital requirements for Metro Bank. The bank has applied the standardised approach to measure credit risk and the basic indicator approach to measure operational risk. Under the approach the Bank calculates its Pillar 1 capital requirement based on 8% of total RWAs. This covers credit risk, operational risk, market risk and counterparty credit risk.

	31 December 2021 £'million	31 December 2020 £'million	Pillar 1 capital required 31 December 2021 £'million
Credit risk (excluding counterparty credit risk (CCR))	**6,709**	7,251	537
Of which the standardised approach	**6,709**	7,251	537
CCR	**6**	7	0.5

Of which mark to market	**3**	5	0.3
Of which CVA	**3**	2	0.2
Market risk	**10**	14	0.8
Operational risk	**729**	686	58
Of which basic indicator approach	**729**	686	58
Amounts below the thresholds for deduction (subject to 250% risk weight)	**-**	-	-
Total	**7,454**	7,957	596

Credit risk exposures by exposure class

Metro Bank's Pillar 1 capital requirement for Credit Risk is set out in the table below.

Exposures subject to the standardised approach	**Exposure Value £'million**	**RWA £'million**	**Capital Required £'million**
Central governments or central banks	**6,847**	**-**	**-**
Multi-lateral development banks	**1,327**	**-**	**-**
Institutions	**167**	**33**	**3**
Corporates	**507**	**437**	**35**
Retail	**1,320**	**931**	**74**
Secured by mortgages on immovable property	**8,898**	**3,808**	**305**
Covered bonds	**597**	**60**	**5**
Claims on institutions and corporates with a short-term credit assessment	**-**	**-**	**-**
Securitisation position	**1,804**	**261**	**21**
Exposure at default	**209**	**211**	**17**
Items associated with particularly high risk	**8**	**12**	**1**
Other exposures	**1,032**	**956**	**76**
Total	**22,716**	**6,709**	**537**

Credit risk exposures by exposure class 2020

Exposures subject to the standardised approach	Exposure Value £'million	RWA £'million	Capital Required £'million
Central governments or central banks	5,131	-	-
Institutions	2,767	553	44
Corporates	521	406	32
Retail	572	376	30
Secured by mortgages on immovable property	9,895	4,338	347
Covered bonds	860	86	7
Claims on institutions and corporates with a short-term credit assessment	-	-	-
Securitisation position	1,611	240	19
Exposure at default	247	248	20
Items associated with particularly high risk	14	21	2
Other exposures	1,045	987	79
Total	22,663	7,251	580

Capital Resources

The table below summarises the composition of regulatory capital.

	31 December 2021 £'million	31 December 2020 £'million
Share capital and premium	**1,964**	1,964
Retained earnings	**(694)**	(392)
(Loss)/profit for the year	**(248)**	(302)
Available for sale reserve	**(5)**	3
Other reserves	**18**	16
Intangible assets	**(243)**	(254)
Other regulatory adjustments	**144**	157
CET 1 capital	**936**	1,192
Tier 1 capital	**936**	1,192
Tier 2 capital	**249**	249
Total capital resources	**1,184**	1,441

The Bank's capital adequacy was in excess of the minimum required by the regulators at all times.