Metro Bank PLC
H1 Trading Update 2018
July 24, 2018

METRO BANK'S HALF YEAR PROFIT QUADRUPLES YEAR-ON-YEAR AS CUSTOMERS CONTINUE TO JOIN THE REVOLUTION

Metro Bank PLC (LSE: MTRO LN)

H1 Highlights

- Continued strong deposit growth of £2,067m, up 40% year-on-year to £13.7b
- Net deposit growth per store per month of £6.2m ($8.2m) in H1 2018 representing annualised deposit growth per store of £74m ($99m)
- Record lending growth of £2,393m, up 55% year-on-year to £12.0b, leading to a loan to deposit ratio of 87%, already within our 2020 and 2023 target range.
- Underlying profit before tax[1] at £24.1m ($32.0m), a four-fold increase from £6.0m ($8.0m) in H1 2017, and exceeding the £20.8m ($27.7m) total in full year 2017
- Successful inaugural debt issuance raising £250m of Tier 2 capital
- 201,000 increase in customer accounts in the six months from 31 December 2017 to 1,418,000
- Opened a new store in Watford in June as well as Southampton in July, growing the network to 57. On track to open 12 new locations in 2018, with eight stores already in build
- Further growth supported by proposed equity capital raise announced separately today

Note: All figures contained in this trading update are unaudited. All figures in US$ have been translated at a rate of $1.33 to the £.

£ in millions	**30 June 2018**	**30 June 2017**	**Change From H1 17**	**31 December 2017**	**Change From H2 17**
Assets	£19,135	£13,094	46%	£16,355	17%
Loans	£12,013	£7,750	55%	£9,620	25%
Deposits	£13,736	£9,805	40%	£11,669	18%
Loan to Deposit ratio	87%	79%		82%	

£ in millions	**H1 18**	**H1 17**	**Change From H1 17**	**H2 17**	**Change From H2 17**
Total Revenue	£189.8	£131.1	45%	£162.6	17%
Underlying Profit before tax[1]	£24.1	£6.0	301%	£15.5	55%
Statutory Profit before tax	£20.8	£4.4	373%	£14.3	45%
Customer NIM	2.22%	2.17%	5bp	2.22%	--
Customer NIM + fees	2.68%	2.67%	1bp	2.71%	(3bp)
Net interest margin	1.85%	1.97%	(12bp)	1.91%	(6bp)
Underlying EPS- basic	20.6p	3.7p	457%	13.4p	54%
Underlying EPS- diluted	20.1p	3.6p	458%	13.2p	52%

1. Underlying profit before tax excludes Listing Share Awards, the FSCS levy, impairment of property, plant & equipment ("PPE") and intangible assets, and costs relating to the RBS alternative remedies package application. Underlying profit after tax for H2 17 also excludes the effect of changes in the tax rate on the deferred tax asset. *Statutory Profit after tax is included in the Profit and Loss Account.*

Craig Donaldson, Chief Executive Officer at Metro Bank said:

"Almost eight years to the day we opened the doors to our first store and I'm delighted with the momentum demonstrated by the performance in the first half of 2018. We have delivered a 55% growth in lending and 40% growth in deposits year-on-year, and welcomed a record 201,000 new customer accounts. Every day, every month and every quarter Metro Bank continues to win customers and grow through our disruptive service-led model.

"Our investment in the customer experience continues, delivering the best in store, online and mobile banking. So far this year we have opened two new stores – Southampton and Watford – with a further eight in build and over 20 more in the pipeline, and launched our online Current Account opening service. This month, we launched our developer portal, which opens up our banking platform to third parties to develop products and services to help make customers' lives easier. Our AI-powered money management service 'Insights' will also be available to customers using our banking app in the coming weeks. This commitment to meeting the digital and physical needs of our customers continues to attract new FANS every day."

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

"From a standing start of literally zero, we have won over 1.4 million customer accounts from the big banks, proving British consumers and businesses are turning their backs on poor customer experience and demanding more. Our blend of service, convenience and award winning technology is not just attracting new customers in London and the South, it is helping to make us famous across the UK. The Revolution goes from strength to strength."

Financial highlights for the Half Year Ended 30 June 2018

Deposits

- **Total deposits increased to £13,736m as at 30 June 2018, up from £11,669m at 31 December 2017 and £9,805m at 30 June 2017**; representing year-on-year growth of 40% and 18% growth in the last six months. Deposits from commercial customers continue to be strong, representing 54% of 30 June 2018 total deposits (31 December 2017: 53%).

- **Net deposit growth per store per month of £6.2m in H1 2018,** representing annualised deposit growth per store of £74m ($99m).

- **Comparative store deposit growth** (a "like for like" measure of deposit growth using deposit numbers from stores that have been operating for more than a full year) is 37%**.**

- **Continued growth in current accounts,** largely non-interest bearing, now comprise 31% of total deposits. Online current account opening has complemented the store network.

£ in millions	**30 June 2018**	**30 June 2017**	**Change From H1 17**	**31 December 2017**	**Change From H2 17**
Demand: current accounts	£4,238	£2,998	41%	£3,682	15%
Demand: savings accounts	£6,155	£4,715	31%	£5,303	16%
Fixed term: savings accounts	£3,343	£2,092	60%	£2,684	25%
Deposits from customers	£13,736	£9,805	40%	£11,669	18%
Deposits from customers includes:					
Deposits from retail customers	£6,381	£4,750	34%	£5,476	17%
Deposits from corporate customers	£7,355	£5,055	45%	£6,193	19%

- **Cost of deposits of 57bps in H1 2018 (H1 2017: 57bps).** Quarter-on-quarter cost of deposits rose 3bps to 59bps due to an increased customer preference for fixed deposits over variable as expectations of a base rate increase reduced. We expect cost of deposits to stabilise around this level over the year, absent any base rate movements.

Loans

- **Total net loans increased to £12,013m as of 30 June, up from £9,620m at 31 December 2017 and £7,750m at 30 June 2017; an uplift of 25% in the half year and 55% year-on-year.** Loans to commercial customers represent 32% of total lending as of 30 June 2018 (31 December 2017: 33%).

- **Loan to deposit ratio increased to 87% (31 December 2017: 82%),** already within our 2020 and 2023 target range, driven by record organic lending growth of over £1bn in Q2 18 and supported by £523m portfolio acquisition in Q1 18.

£ in millions	**30 June 2018**	**30 June 2017**	**Change From H1 17**	**31 December 2017**	**Change From H2 17**
Gross Loans and advances to customers	£12,053	£7,760	55%	£9,635	25%
Less: allowance for impairment	£(40)	£(10)	288%	£(15)	167%
Net Loans and advances to customers	£12,013	£7,750	55%	£9,620	25%
Gross loans and advances to customers includes:					
Commercial and business loans	£3,905	£2,611	50%	£3,187	23%
Residential mortgages	£7,889	£4,948	59%	£6,231	27%
Consumer and other loans	£259	£201	29%	£217	19%

2. The allowance for impairment is calculated under IAS 39 as at 30 June 2017 and 31 December 2017, and under IFRS 9 at 30 June 2018.

Credit

- **Asset quality remains strong as we grow.** Non-performing loans reduced to 0.17% of the portfolio (31 December 2017: 0.27%). Cost of risk remained low at 0.08% in the six months to 30 June 2018 (H1 2017: 0.12%).

- **Loan portfolio remains highly collateralised**, with average debt to value ("DTV") of 59% for residential mortgages and 61% for commercial loans.

Profit and Loss Account

- **Underlying profit before tax has grown 301% year-on-year to £24.1m, quadrupling from £6.0m in the six months to 30 June 2017.** Statutory profit before tax of £20.8m has grown 373% compared to £4.4m in H1 2017.

- **Underlying earnings per share of 20.6p in H1 2018 (H1 2017: 3.7p),** a year-on-year increase of 457%.

- **Improvement in underlying Cost:Income ratio to 85% in H1 2018 from 88% in H2 2017 and 93% in H1 2017** driven by strong positive P&L "jaws", with total revenue up 45% year-on-year and operating expenses up 33%.

- **Customer net interest margin increased to 2.22% (H1 2017: 2.17**%). Quarter-on-quarter competitive pressures on mortgage yields, combined with an increased cost of deposits, resulted in Customer NIM declining 4bps**.** We expect the market to remain competitive on lending yields but anticipate that fees will start to increase with the launch of more services to business customers in H2 2018. Net interest margin for H1 2018 was 1.85%.

Capital

- **Capital ratios remain robust.** Common Equity Tier 1 Capital ("CET1") as a percentage of risk weighted assets is 12.7%, currently exceeding our Tier 1 regulatory minimum of 9.7%[3]. Risk weighted assets at 30 June 2018 were £6,944m. The Regulatory Leverage ratio is 4.6%.

- **Successful completion of a £250m Tier 2 debt raise supports growth**, diversifies our capital base and helps to deliver a total capital ratio of 16.2% as at 30 June 2018, in excess of our current regulatory minimum of 12.1%[3].

- **Further growth supported by proposed equity capital raise** announced separately today. This will enhance already robust capital ratios.

- **Our Pillar 2A requirement of 1.7%** is currently under review with the PRA. We anticipate receiving capital relief as part of the Pillar 2A offset, in effect temporarily reducing the regulatory minimum and hence increasing management buffers, ahead of transitioning to the advanced internal ratings based approach (AIRB) on residential mortgages, expected H2 2019.

- **Whilst our target CET1 ratio remains >12%**, as we trend towards AIRB implementation we will have sufficient management buffers to be comfortable between 11-12%.

3. Based on current capital requirements, excluding any confidential PRA buffer, if applicable

Customer Experience

- **Brand recognition in London remains consistently high at 88%**. Across the UK, brand recognition has risen to 58% according to a recent independent survey conducted by YouGov.[4]

- **Launch of developer portal for open banking.** Built in collaboration with Apigee (Google), this enables third-parties to build new and innovative services on top of our platform using APIs, creating more choice and opportunities for customers**.**

- **Expanded the network with store openings in Watford and Southampton.** A further ten stores are planned for 2018, with eight currently in build from Bristol to Northampton, and more than 20 in the pipeline.

- **Award winning current account opening online continues apace,** named Retail Banker's 2018 "Best Digital Onboarding Strategy", with c.70% of accounts opened around the existing store network.

- **Created c.400 new jobs** as we continue to invest in our colleagues and our culture, and celebrated being named in Glassdoor's "2018 Best Places to Work."

- **Our bid application for the RBS alternative remedies package is complete** and we are ready to submit once the process commences in November. This presents a huge opportunity for us to accelerate both our offering and reach across the UK and to deliver real choice for SMEs.

4. All figures, unless otherwise stated, are from YouGov Plc and are taken from four surveys. Total sample size was 1006 adults. Fieldwork was undertaken between 10-12 July 2018. The figures have been weighted and are representative of all London adults (aged 18+). Total sample size was 2079 adults. Fieldwork was undertaken between 10-11 July 2018. The figures have been weighted and are representative of all GB adults (aged 18+).

Summary

- **Momentum in the business progresses as the bank grows from strength to strength.** We reiterate our 2020 and 2023 targets, apart from a revised 2020 ROE target of c11.5% (from c14%), reflecting the proposed growth capital raise.

Metro Bank PLC

Summary Balance Sheet and Profit & Loss Account
(Unaudited)

Balance Sheet	Annual Growth Rate	2018 30-Jun	2017 30-Jun	2017 31-Dec
		£'m	*£'m*	*£'m*
Assets				
Loans and advances to customers	55%	12,013	7,750	9,620
Treasury assets[5]		6,453	4,827	6,127
Other assets[6]		669	517	608
Total assets	**46%**	**19,135**	**13,094**	**16,355**
Liabilities				
Deposits from customers	40%	13,736	9,805	11,669
Deposits from banks		3,801	1,823	3,321
Debt securities		249	-	-
Other liabilities		252	654	269
Total liabilities		**18,038**	**12,282**	**15,259**
Total shareholder's equity		**1,097**	**812**	**1,096**
Total equity and liabilities		**19,135**	**13,094**	**16,355**

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

6. Comprises property, plant & equipment, intangible assets and other assets

Profit & Loss Account–Half Yearly	Annual Growth Rate	2018 H1	2017 H1
		£'000	*£'000*
Net interest income		156,349	107,442
Fee and other income		28,806	22,332
Net gains on sale of securities		4,632	1,331
Total revenue	**45%**	**189,787**	**131,105**
Operating costs	**33%**	(161,639)	(121,443)
Credit impairment charges		(4,076)	(3,658)
Underlying profit before tax	**301%**	**24,072**	**6,004**
Underlying taxation		(5,867)	(1,556)
Underlying profit after tax	**309%**	**18,205**	**4,448**

Listing Share Awards		(552)	(744)
FSCS levy (net of tax)		(546)	(602)
Impairment of property, plant & equipment and intangible assets		(557)	-
Costs relating to RBS alternative remedies package application		(1,382)	-
Statutory profit after tax	**389%**	**15,168**	**3,102**
Underlying earnings per share - basic	**457%**	20.6p	3.7p
Underlying earnings per share - diluted	**458%**	20.1p	3.6p

Profit & Loss Account–Quarterly	**Annual Growth Rate**	**2018**		**2017**
		Q2	**Q1**	**Q2**
		£'000	*£'000*	*£'000*
Net interest income		81,358	74,991	56,996
Fee and other income		14,698	14,108	11,440
Net gains on sale of securities		1,972	2,660	733
Total revenue	**42%**	**98,028**	**91,759**	**69,169**
Operating costs	**30%**	(82,126)	(79,513)	(63,040)
Credit impairment charges		(1,809)	(2,267)	(2,098)
Underlying profit before tax	**250%**	**14,093**	**9,979**	**4,031**
Underlying taxation		(3,647)	(2,220)	(1,071)
Underlying profit after tax	**253%**	**10,446**	**7,759**	**2,960**
Listing Share Awards		(236)	(316)	(391)
FSCS levy (net of tax)		(546)	-	(554)
Impairment of property, plant & equipment and intangible assets		(121)	(436)	-
Costs relating to RBS alternative remedies package application		(792)	(590)	-
Statutory profit after tax	**334%**	**8,751**	**6,417**	**2,015**
Underlying earnings per share - basic	**219%**	11.8p	8.8p	3.7p
Underlying earnings per share - diluted	**219%**	11.5p	8.6p	3.6p

Analyst and investor call
An analyst and investor call will be held as follows:

Date: Wednesday 25th July 2018 Time: 2.00pm (BST) From the UK dial: 0800 358 9473 (Toll Free) From the US dial: +1 855 85 70686 (Toll Free) Participant Pin: 84757500# URL for other international dial in numbers: http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf An operator will assist you in joining the call.

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About Metro Bank

Metro Bank is the revolution in British banking. It is celebrated for its exceptional customer experience and was awarded 'Best All Round Personal Finance Provider' at the Moneynet Personal Finance Awards 2018, as well as

'Most Trusted Financial Provider' at the Moneywise Customer Service Awards in 2016 and 2017 and 'Best Financial Provider' at the Evening Standard Business Awards 2017. It is also recognised by Glassdoor in its 'Best Place to Work UK 2018' top 50 list.

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

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

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

All Metro Bank products are subject to status and approval.