Metro Bank PLC
Interim results
Trading Update H1 2020
5 August 2020

Metro Bank PLC (LSE: MTRO LN)

Interim results for half year ended 30 June 2020

Highlights:

- **Supporting customers, communities and colleagues through COVID-19**
- **Extended over £1 billion of government-backed business loans to date**
- **Deposit growth of 8% from 31 December 2019 and 14% YoY**
- **Improving deposit mix with 73% from retail (exc. partnerships) and SME customers**
- **Operationally on track with the transformation plan**
- **Financial performance impacted by COVID-19**
- **RateSetter acquisition accelerates rebalancing of lending mix**

Summary

- **Supported customers, communities and colleagues** during COVID-19, demonstrating that community banking has never been more relevant.
- **Transformation plan is on track,** but financial performance impacted by COVID-19.
- **Underlying loss before tax of £183.4 million (H1 2019: £13.6 million profit),** including c.£109 million of impact from COVID-19, equivalent to 60% of the loss, comprising £97 million COVID-19 ECL expense and lower transaction fee income.
- **Statutory loss before tax of £240.6 million** (H1 2019: £3.4 million profit) reflecting the underlying loss and a number of one off items including the exit from a central London office and remediation costs.
- **8% growth in deposits** from 31 December 2019 and 14% from H1 2019 to £15.6 billion (2019: £14.5 billion), with strong growth in non-interest bearing accounts and improving mix, with 73% (H1 2019: 63%) from retail (excluding partnerships) and SME customers.
- **'Run the Bank' cost growth contained at 2%** whilst absorbing the cost of six store openings, the People-People advertising campaign and COVID-19 related costs.
- **Strong capital position** with Common Equity Tier 1 (CET1) ratio of 14.5% (31 December 2019: 15.6%). Total Capital plus MREL of 21.3% (31 December 2019: 22.1%) exceeds regulatory minimum of 20.5%.
- **Continued to attract new customers**, reaching 2.1 million customer accounts (2019: 2.0 million).
- **RateSetter acquisition accelerates rebalancing of lending mix towards unsecured lending**, with a strong technology platform and a highly experienced team.
- **Strong liquidity position**, LCR at 226% and c.£6.7bn of monetisable liquidity with c.£2.8 billion in cash.
- **Strengthened the Board and Executive Committee** including appointment of Robert Sharpe as Chairman effective 1 November.

- **Given the uncertainty caused by the pandemic in the medium term, it is too early to establish if there is any impact on the 2024 financial targets.**
- **The strategic plan is still appropriate and supports the Bank's ambition to be the UK's best community bank.**

Key Financials:

£ in millions	**30 June 2020**	**30 June 2019**	**Change from H1 2019**	**31 December 2019**	**Change from H2 2019**
Assets	£22,134	£21,357	4%	£21,400	3%
Loans	£14,857	£14,989	(1%)	£14,681	1%
Deposits	£15,577	£13,703	14%	£14,477	8%
Loan to deposit ratio	95%	109%	(14pps)	101%	(6pps)
CET1 capital ratio	14.5%	15.8%	(130bps)	15.6%	(110bps)
Total capital ratio (TCR)	17.3%	18.4%	(110bps)	18.3%	(100bps)
TCR plus MREL	21.3%	-	-	22.1%	(80bps)
Liquidity coverage ratio	226%	163%	63pps	197%	29pps

£ in millions	**H1 2020**	**H1 2019**	**Change from H1 2019**	**H2 2019**	**Change from H2 2019**
Total underlying revenue[1]	£153.3	£216.7	(29%)	£183.4	(17%)
Underlying (loss)/profit before tax [2]	(£183.4)	£13.6		(£25.1)	
Statutory (loss)/profit before tax	(£240.6)	£3.4		(£134.2)	
Net interest margin	1.15%	1.62%	(47bps)	1.40%	(25bps)
Underlying EPS- basic	(108.8p)	8.1p		(14.9p)	
Underlying EPS- diluted	(108.8p)	8.1p		(14.9p)	

1. Underlying revenue excludes amounts relating the Capability & Innovation fund
2. Underlying (loss)/profit before tax excludes the FSCS levy, Listing Share Awards, impairment and write-off of property, plant & equipment (PPE) and intangible assets, net BCR costs, transformation costs and remediation costs. Statutory (loss)/profit after tax is included in the Profit and Loss Account.

Daniel Frumkin, Chief Executive Officer at Metro Bank, said:
"These have been testing times but I'm very proud of the way Metro Bank has demonstrated the benefits of its community banking model, with our colleagues stepping up to support our customers and the local communities we serve. We entered 2020 at the start of our transformation journey, and while the pandemic has weighed heavily on our financial performance, we've made early progress delivering against the strategic priorities set out in February. We've opened six new stores, continued to grow our number of customer accounts, built a new lending platform to deliver Bounce Back Loans, and announced the acquisition of RateSetter which will help us meet more customer needs through unsecured lending, whilst also demonstrating cost discipline.

"Our ambition to become the UK's best community bank has never been more important and I'm confident we can build on this progress in the second half of the year."

A presentation for investors and analysts will be held at 08:30 (UK Time) on 5 August 2020.

The presentation will be webcast on:

https://onlinexperiences.com/Launch/QReg/ShowUUID=0F0C2D46-15F6-4924-B29B-92FCD064A2E0

For those wishing to dial-in:

From the UK dial: +44 3333000804
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Participant Pin: 22063918#
URL for other international dial in numbers:
https://events-ftp.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

Financial performance for the half year ended 30 June 2020

Deposits

£ in millions	**30 June 2020**	**30 June 2019**	**Change from HY 19**	**31 December 2019**	**Change from FY 19**
Demand: current accounts	£5,274	£4,305	23%	£4,278	23%
Demand: savings accounts	£5,982	£5,509	9%	£5,593	7%
Fixed term: savings accounts	£4,321	£3,889	11%	£4,606	(6%)
Deposits from customers	£15,577	£13,703	14%	£14,477	8%
Deposits from customers includes:					
Retail customers (excl. retail partnerships)	£7,355	£5,555	32%	£6,891	7%
SMEs	£4,093	£3,130	31%	£3,261	26%
	£11,448	£8,685	32%	£10,152	13%
Retail partnerships	£1,705	£1,954	(13%)	£1,839	(7%)
Commercial customers (excluding SMEs[3])	£2,424	£3,064	(21%)	£2,486	(2%)
	£4,129	£5,018	(18%)	£4,325	(5%)

3. 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.

- **Customer account growth of 84,000** in H1 2020 (H1 2019: 385,000) to 2.1 million, despite lockdown restrictions for much of the period.

- **Total deposits grew by over £1 billion in the first six months to £15,577 million as at 30 June 2020 (31 December 2019: £14,477 million)**. Year-on-year deposits have grown 14% from £13,703 million at 30 June 2019, following a strong increase in retail and SME deposits, that together comprise 73% (H1 2019: 63%) of total deposits. SME balances were boosted by the deposit of loans provided via the Bounce Back Loan Scheme (BBLS). Customer behaviour has also changed in H1 with a preference for instant access (demand) savings and current accounts rather than fixed term accounts, the former seeing an increase from 68% at 30 June 2019 to 72% at 30 June 2020.

- **Cost of deposits was 82bps for the first six months of the year,** a decrease of 3bps compared to 85bps in H2 2019, partially reflecting the 65bps base rate reductions in March and the roll-off of higher cost fixed term deposit accounts. These factors combined to deliver an exit rate of 60bps at 30 June 2020.

Loans

- **Total net loans as at 30 June 2020 were £14,857 million, up 1% from £14,681 million at 31 December 2019** reflecting lower new business volumes due to COVID-19 and an increase in ECLs, offset by capital-efficient government-supported new SME/business lending.

- **Commercial loans increased £562 million to £4,614 million at 30 June 2020** from £4,052 million at 31 December 2019, including £730 million of BBLS and £50 million of Coronavirus Business Interruption Loan Scheme (CBILS) lending at 30 June. At 31 July over 25,000 BBLS, CBILS and CLBILS (Coronavirus Large Business Interruption Loan Scheme) loans had been written totalling over £1 billion.

- **Retail mortgages remained the largest component of the lending book** at 68% of gross lending (31 December 2019: 71%), down £240 million to £10,190 million at 30 June 2020 from £10,430 million at 31 December 2019 reflecting attrition and lower activity in the market. Mortgage applications started to recover in June with the lifting of lockdown restrictions, a trend that has continued into July.

- **Loan to deposit ratio at 95% ended the period below the position at full year 2019 (31 December 2019: 101%),** reflecting the increase in deposits over the first six months of the year.

£ in millions	**30 June 2020**	**30 June 2019**	**Change from HY 19**	**31 December 2019**	**Change from FY 19**
Gross Loans and advances to customers	£15,002	£15,020	-	£14,715	2%
Less: allowance for impairment	(£145)	(£31)	>100%	(£34)	>100%
Net Loans and advances to customers	**£14,857**	**£14,989**	**(1%)**	**£14,681**	**1%**
Gross loans and advances to customers includes:					
Commercial lending	£4,614	£4,343	6%	£4,052	14%
Retail mortgages	£10,190	£10,412	(2%)	£10,430	(2%)
Consumer lending	£198	£265	(25%)	£233	(15%)

Expected Credit Loss (ECL)

- **ECL expense of £112.0 million in H1 2020, equivalent to an annualised Cost of Risk of 1.55%,** a 145bps increase on H2 2019. £15 million of this is driven by an increase in underlying ECL reflecting a maturation of the portfolio, while the remaining £97 million relates to changes in macro-economic assumptions resulting from COVID-19. ECLs were assessed using scenarios provided by Moody's Analytics.

Macro-economic assumptions

Baseline scenario	**2020**	**2021**	**2022**	**2023**
Unemployment rate - %	8.4%	8.4%	7.9%	6.9%
House price index - YoY%	(14.6%)	(4.9%)	5.8%	10.0%
UK GDP - YoY%	(7.7%)	3.9%	5.2%	3.5%
Mortgage 5 year interest rates - %	1.7%	1.9%	2.2%	2.8%

Source: Moody's Analytics

- **17% of residential mortgage customers by value had active payment deferrals at 30 June**, equivalent to £1.8 billion, which has since reduced by more than 45%.

- **Detailed assessment of individual exposures** performed for commercial loans exceeding £3 million and commercial real estate loans exceeding £5 million.

- **Non-Performing Loans at 0.96% (31 December 2019: 0.53%) reflect the increase in ECL from the maturation of the portfolio.** The average debt to value (DTV) of the residential mortgage book as at 30 June 2020 was 59% (2019: 59%), while DTV in the commercial book was 60% (2019: 60%). Consumer unsecured is currently a small part of the lending portfolio at less than 2% of total book.

Profit and Loss Account

- **Net interest margin (NIM) of 1.15% compared to 1.40% for the six months to 31 December 2019**, with the decline primarily reflecting the Bank's reduced loan to deposit ratio and the 'lag effect' of the 65bps base rate cuts in March as lending re-priced more rapidly than deposits.

- **Net interest income down 18% to £116.2 million** (H2 2019: £141.9 million) following the movements in NIM described above.

- **Net fee and other income decreased 18% to £36.1m** (H2 2019: 44.0 million) primarily due to the impact of lower customer transaction volumes during lockdown.

- **Underlying cost:income ratio increased to 147% in H1 2020 from 110% in the six months to 31 December 2019**, largely reflecting net interest income headwinds and planned higher investment opex. 'Run the Bank' cost growth was contained at 2% whilst absorbing the cost of six store openings, an advertising campaign and COVID-19 related costs. Increased 'Change the Bank' expenditure reflects front loaded investment spend with a lower average capitalisation rate.

- **Underlying loss before tax was £183.4 million, an increase from the £25.1 million loss in H2 2019**, reflecting the ECL expense and income challenges arising primarily from COVID-19.

- **Statutory loss before tax of £240.6 million in H1 2020** (H2 2019: £134.2 million loss) including:
  - **Impairment and write-off of property plant & equipment and intangible assets** (£26.6 million): primarily relates to the accelerated exit from the Central London Office at Old Bailey to the benefit of future costs.
  - **Remediation costs** (£17.8 million): reflect the ongoing remediation programme in relation to a previously disclosed review of the Bank's sanctions procedures and to the January 2019 risk weighted assets (RWA) adjustment, and associated regulatory investigations.
  - **Transformation costs** (£12.4 million): costs associated with the delivery of the cost transformation programme and includes some costs related to the Old Bailey exit.

- **Statutory loss after tax of £239.5 million in H1 2020** (H2 2019: £183.9 million) after a £1.1 million corporation tax credit.

Capital, Funding and Liquidity

- **Strong liquidity and funding position maintained**, reflecting H1 2020 deposit growth. As a result, the Bank's Liquidity Coverage Ratio was 226% as of 30 June 2020, compared to the Bank's requirement of 100%.

  The Bank will utilise the Bank of England's TFSME (Term Funding Scheme with additional incentives for SMEs) which provides access to significant additional funding. The scheme provides further flexibility to the Bank's funding plans, including the repayment of TFS.

- **CET1 capital of £1,243 million** as at 30 June 2020 (31 December 2019: £1,427) was 14.5% of RWA (31 December 2019: 15.6%).

  The Bank's capital ratios include the application of the Capital Requirements Regulation (CRR) 'Quick Fix' package, of this the revised IFRS9 transitional agreement contributes c.1.0% to CET1 and a further c.0.6% is derived from changes to the SME supporting factor. The EBA's proposal relating to the treatment of software assets may have a beneficial impact in H2, although remains subject to the finalisation of the EBA Regulatory Technical Standards and PRA assessment.

- **Total capital as a percentage of RWA was 17.3%** reflecting the statutory loss reported in the period. Total capital plus MREL resources were £1,834 million with a total capital plus MREL ratio of 21.3% of RWA at 30 June 2020.

  In March, the Bank of England reduced the countercyclical capital buffer (CCyB) to 0% from 1%. The adjustment to CCyB reduces the Bank's minimum CET1 requirement to 9.6%[4] and interim total capital plus MREL requirement (including regulatory buffers) to 20.5%[4].

  The Bank of England MREL framework review is expected by end 2020. Depending on the outcome, the Board may consider raising £200-300 million further MREL in H1 2021. Ahead of this, MREL resources may fall below the sum of the firm's MREL requirement and buffers (the loss absorbing capacity) for a period of time.

- **Total RWA as at 30 June 2020 was £8,605 million** (31 December 2019: £9,147 million). The reduction in H1 reflects capital-light lending through government-backed BBLS and CBILS as well as lending discipline in other areas. The result is a loan risk weight density of 45% as at 30 June 2020 (31 December 2019: 48%).

- **Regulatory leverage ratio of 5.8%.**

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

Progress on strategic priorities

- The Bank has continued to focus on delivering on its five strategic priorities, with its ambition to become the UK's best community bank more relevant than ever.

  Costs
  - Cost initiatives on track, with 'Run the Bank' cost growth contained to 2% despite COVID-19 related expenditure.
  - Acceleration of property strategy through the early exit from a central London office location at Old Bailey; the implementation of preferred supplier lists; and IT outsourcing initiatives will continue to limit cost growth going forward.

  Infrastructure
  - Planned infrastructure initiatives on track despite delivery of additional services in response to COVID-19, including the rapid development the Bank's first cloud based e-form for digital applications and the accelerated roll out of the BBLS lending platform.
  - Investment in customer support capability brought forward for implementation during H2 2020.

  Revenue
  - Initiatives to meet more customer needs on track, with the launch of new service offerings including mobile receipt capture capability and SME direct debit origination.
  - RateSetter acquisition accelerates mix shift toward higher-yielding unsecured lending.
  - Opened six new stores in H1 2020.

  Balance sheet optimisation
  - Shift to higher yielding assets for risk adjusted returns accelerated by RateSetter acquisition and specialist mortgages offering.
  - Continuing to assess structural market opportunities.
  - Benefiting from capital light SME growth through government-backed lending schemes and capital relief measures.
  - Access to TFSME provides flexibility in funding.

  Communications:
  - Increased customer and colleague communication as well as launch of People-People advertising campaign.

Impact of COVID-19

- The pandemic has had a range of impacts on the Bank, some of which may have implications for future financial performance.

  Operational
  - 100% of stores remained open during the lockdown to ensure customer needs continued to be served, albeit with temporarily reduced hours. Colleague absence rate peaked at 8.2% in March but recovered to a more normal level of 1.5% in June.
  - 'Run the Bank' opex growth was contained within expectations even with the purchase of personal protective equipment, working from home equipment and the rewarding of frontline teams with a £2 million 'thank you' fund.
  - Action taken to accelerate the move out of central London office space.
  - Launched BBLS, CBILS and CLBILS lending to support customers and grow capital light assets.

  Fee income
  - Lower levels of economic activity during lockdown impacted fee income as ATM, card and FX transaction volumes declined significantly.
  - Marginal recovery in transaction volumes has been observed.

  Credit Provisioning
  - ECL expense recognised in H1 2020 under IFRS9, with 86% resulting from COVID-19. Scenarios apply and are sensitive to independent macro-economic forecasts.
  - Not anticipating H1 2020 charge to annualise in H2 2020, dependent on macro economic assumptions.

  Margin compression
  - Base rate cut by 65bps in March to 0.1%, impacting yields on treasury assets.
  - Short term impact on profitability in H1 2020 due to the 'lag effect' of lending re-pricing faster than deposits. The lower rate environment is also anticipated to have an impact on financial performance into the medium term.
  - Accelerating mix shift to improve yield including the acquisition of RateSetter and expansion within specialist mortgages will mitigate some of this impact.

Customer Experience

- **Expanded coverage**, opening new stores in Wolverhampton, Cardiff and Hammersmith in Q1, with further openings in Liverpool, Cardiff (Newport Road) and Sheffield in Q2. Metro Bank now has 77 stores.

- **Enhanced digital offering** through continued roll-out of innovative digital solutions to improve banking for our SME customers including: Business Current Account Online (BAO) in beta test; account sweeping; BBLS lending platform in partnership with ezbob; Direct Debit origination in partnership with Bottomline Technologies; and in-app receipt management technology in partnership with Sensibill.

RateSetter Acquisition

- On 3 August 2020 announced an agreement to acquire Retail Money Market LTD ("RateSetter") for initial consideration of £2.5 million, with additional consideration of up to £0.5 million payable 12 months after completion subject to the satisfaction of certain criteria and further consideration of up to £9 million payable on the third anniversary of the completion of the transaction, subject to the satisfaction of certain key performance criteria. Completion is expected in H2 2020.

- Delivers ability to accelerate exposure to unsecured lending, with a strong technology platform and deep experience in the consumer unsecured lending market.

Board and Executive Committee Changes

A number of changes have been announced since the full year results in February 2020:

- Robert Sharpe will join the Board as Chairman on 1 November 2020, subject to regulatory approval. Robert succeeds Sir Michael Snyder, who has transformed the Board under his tenure.

- Gene Lockhart stepped down as Non-Executive Director with effect from 28 April 2020 and Stuart Bernau stepped down as Non-Executive Director with effect from 18 May 2020, both following 10 years of service.

- After six years on the Board, Roger Farah stepped down as Non-Executive Director with effect from 13 March 2020.

- Anne Grim, Ian Henderson, and Nicholas Winsor were appointed as independent Non-Executive Directors with effect from 20 April 2020. Following these changes, the Board (excluding the Chairman) is comprised of eight Non-Executive Directors, all of whom are independent, and two Executive Directors.

- Three appointments complete a number of recent changes to the Executive Committee: Martin Boyle joined as Chief Transformation Officer in June; Carol Frost joined as Chief People Officer in August; and Richard Lees will join as Chief Risk Officer in early in 2021, subject to regulatory approval.

Outlook

Guidance for H2 2020 is broadly on-track with the outlook provided in February, excluding the impact of COVID-19 on performance:

	February Guidance	**H1 2020 Performance**	**H2 2020 Commentary**
Deposits	*Mid-single digit growth in 2020*	£15.6b +8% HoH	H1 benefited from BBLS deposits and lower spending during lockdown, expect H2 to be broadly flat.
Loan to Deposit Ratio	*2024 Target <100%*	95%	Government-backed lending (CBILS and BBLS) gives confidence to support higher LTD.

Net Interest Margin	*2020 NIM in-line with Q4 2019 (1.30%)*	1.15%	Expected to benefit from lower cost of deposits due to increased Non-Interest Bearing Liabilities and fixed term deposit roll off.
Fees	*Fee and other income to increase as proportion of revenue mix*	£36.1m	Marginal recovery in transaction volumes so far.
Operating costs	***Run the Bank*** *Mid-high single digit growth in 2020 excl. investment opex*	+2% HoH	On track to contain growth to mid-single digit in 2020. Reflects increased customer support functions.
	Change the Bank *New investment opex £250-300m front-end loaded through the plan*	+89% HoH	YoY change reflects front loading investment spend with lower average capitalisation rate. Flexible approach to expenditure in H2 2020 and 2021.
Cost of Risk	*15-30bps*	1.55%	Not anticipating H1 2020 charge to annualise in H2 2020.
Capital	*MREL issuance up to £300m before 1 Jan 2022*	Total Capital + MREL 21.3%	Bank of England MREL framework review expected by end 2020. Depending on the outcome, we may consider raising £200-300m further MREL in H1 2021. Ahead of this, MREL resources may fall below the sum of the firm's MREL requirement and buffers (the loss absorbing capacity) for a period of time.

Looking ahead, given the uncertainty caused by the pandemic in the medium term, it is too early to establish if there is any impact on the 2024 financial targets

The strategic plan supports the ambition to be the UK's best community bank.

Metro Bank PLC

Summary Balance Sheet and Profit & Loss Account

(Unaudited)

Balance Sheet	Year-on-year change	30-Jun 2020	31-Dec 2019	30-Jun 2019
		£'million	*£'million*	*£'million*
Assets				
Loans and advances to customers	(1%)	14,857	14,681	14,989
Treasury assets[5]		6,101	5,554	4,668
Assets classified as held for sale		-	-	521
Other assets[6]		1,176	1,165	1,179
Total assets	4%	**22,134**	**21,400**	**21,357**
Liabilities				
Deposits from customers	14%	15,577	14,477	13,703
BoE funding scheme drawings		3,801	3,801	3,801
Debt securities		599	591	249
Other liabilities		810	948	1,837
Total liabilities		**20,787**	**19,817**	**19,590**
Total shareholder's equity		**1,347**	**1,583**	**1,767**
Total equity and liabilities		**22,134**	**21,400**	**21,357**

5. Comprises investment securities and cash & balances with the Bank of England
6. Comprises property, plant & equipment, intangible assets and other assets

Profit & Loss Account	Year-on-year change		Half year to	
		30-Jun 2020	31-Dec 2019	30-Jun 2019
		£'million	*£'million*	*£'million*
Net interest income	(30%)	116.2	141.9	166.2
Net fee and other income		36.1	44.0	46.4
Net gains/(losses) on sale of assets		1.0	(2.5)	4.1
Total underlying revenue	**(29%)**	**153.3**	**183.4**	**216.7**
"Run the bank" costs		(184.1)	(179.7)	(178.7)
"Change the bank" costs[7]		(40.6)	(21.5)	(20.0)
Operating costs	13%	(224.7)	(201.2)	(198.7)
COVID-19 ECL expense[8]		(96.8)	-	-
Underlying ECL expense		(15.2)	(7.3)	(4.4)
Expected credit loss expense		(112.0)	(7.3)	(4.4)
Underlying (loss)/profit before tax	**(>100%)**	**(183.4)**	**(25.1)**	**13.6**

FSCS levy		(0.2)	0.4	(0.7)
Listing Share Awards		(0.2)	(0.2)	(0.3)
Impairment and write-off of property plant & equipment and intangible assets		(26.6)	(76.7)	(1.0)
Net BCR costs[9]		-	(1.3)	(1.2)
Transformation costs		(12.4)	(6.8)	(4.7)
Remediation costs		(17.8)	(24.5)	(2.3)
Statutory (loss)/profit before tax	**(>100%)**	**(240.6)**	**(134.2)**	**3.4**
Statutory taxation		1.1	(49.7)	(2.1)
Statutory (loss)/profit after tax	**(>100%)**	**(239.5)**	**(183.9)**	**1.3**

	Half year to		
Key metrics	**30-Jun 2020**	**31-Dec 2019**	**30-Jun 2019**
Underlying earnings per share - basic	(108.8p)	(14.9p)	8.1p
Underlying earnings per share - diluted	(108.8p)	(14.9p)	8.1p
Number of shares – undiluted	172.4m	172.4m	122.4m
Number of shares – diluted	172.4m	172.4m	122.4m
Net interest margin (NIM)	1.15%	1.40%	1.62%
NIM + fees	1.51%	1.86%	2.07%
Cost of deposits	0.82%	0.85%	0.70%
Cost of risk - COVID-19	1.32%	-	-
Cost of risk – Underlying	0.23%	0.10%	0.06%
Cost of risk	1.55%	0.10%	0.06%
Underlying cost:income ratio	147%	110%	92%

7. Change the Bank costs consists of investment spend, including amortisation
Underlying ECL represents the natural deterioration of the book as it matures and specific impairments where there was an indication of credit deterioration prior to the COVID-19 pandemic.
8. COVID-19 ECL represents an estimate of the increase in credit risk specifically due to the impacts of the COVID-19 pandemic on customers.
9. Net BCR costs includes amounts previously disclosed under costs relating to the RBS alternative remedies package application, Capability & Innovation costs and Capability & Innovation funding

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ENDS

About Metro Bank

Metro Bank is celebrated for its exceptional customer experience. Its mobile app and online service achieved the top spot in the Competition and Market Authority's Service Quality Survey among personal and business current account holders in February 2020; the bank also ranked in the top two for overall service and store service for personal and business customers. It was awarded 'Best All Round Personal Finance Provider' at the Moneynet Personal Finance Awards 2019.

Offering retail, business, commercial and private banking services, it prides itself on giving customers the choice to bank however, whenever and wherever they choose. Whether that's through its network of stores open seven days a week, early until late, 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.

The bank is headquartered in Holborn, London.

Metro Bank PLC. Registered in England and Wales. Company number: 6419578. Registered office: One Southampton Row, London, WC1B 5HA. 'Metrobank' is the registered trade mark of Metro Bank PLC.

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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