

Metro Bank PLC Q2 and 1H Trading Announcement

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Vernon Hill (Chairman), Craig Donaldson (CEO) and Michael Brierley (CFO)

Presentation

Vernon Hill

Good afternoon to our friends in Britain and America, whether they're in person or by phone, or on our first webcast. Those of you who are here or on the webcast see that I'm holding the real spokesperson of Metro Bank, Sir Duffield, and you can see on the screen that he actually pushed the button to launch the Metro Bank stock. So we thought we would introduce him too.

We're pleased to report on our second quarter results. It's our first full quarter as a listed firm, and to report that our drive to build fans and revolutionise UK banking continues to go from success to success. We want to thank the British public, both the business community and the consumers, for their tremendous support.

We're going to go through some results today, but the larger view is we're pleased to report on a year-to-year basis that deposits are up 74%, and commercial deposits are slightly more than half of our total as we offer our unique services to both the consumer and business community. Same thing in lending: our loans are up 110% year-to-date. Over 800,000 people have switched their accounts to Metro Bank, in a country where the press swears Brits won't switch banks, and we are on our planned route to profitability despite whatever happens in the greater market.

Brexit has happened. We see no change in the world we work in, and we're going to reinforce our multi-year growth plan, and Brexit has given us no thought about changing our model, our plan or our financial targets. Most of you know, Metro's now listed on the main market of the London Stock Exchange and we're in the FTSE 250. A few minutes ago, our market cap was £1.7 billion.

I'm going to turn the floor over to Craig Donaldson, our Chief Executive, and our Chief Financial Officer and they're going to go through some slides to describe our quarterly results, and then we'll open the floor to comments or questions, both in person, on the webcast or online.

One final thing is we have a copy of my new book, which is an updated book, about building fans, and we want everyone to take a copy or buy a copy online, of course. It talks about the Metro Bank growth story as we've just, this week, ended year six. With those initial comments, I'll turn it over to Craig.

Craig Donaldson

Thank you, Vernon. Vernon never misses a trick to get the book out there. So welcome everybody. Good afternoon in the UK; good morning in America.

I'm going to go straight into it, and the bottom line is the model goes from strength to strength. It's as simple as that. Whether its deposits, whether it's lending, they move forward very strongly. 110% growth in lending year-on-year. 'Can you lend?' was the question. The answer is 'Yes', and I'll come on and show you why it's at the right risk.

Our loan-to-deposit ratio has gone up from 58% to 70%. Very, very strong delivery, but actually exactly what we said we'd do, and it's the reliability of this model that comes out time and time again. Our underlying loss after tax has improved 48%, down to £4.1 million. And we'll come on to the guidance, but you know we're not going to change it.

There are the numbers that we have to talk about, but it's the culture and the model that truly differentiate us. We have 80% brand recognition now, up from 77%. 85% amongst ABC1s. So far this year we've spent less than £50,000 on advertising, yet we've had a record quarter of customer growth and the highest brand recognition we've ever had. And what that tells you is our customers are talking about us, and they're telling their friends they should be with us and they're joining us, and that's the model.

We also won for the first time, knocking another player off the top spot for the first time in five years, the most trusted financial service provider in the UK. We are exceptionally proud of that, and that's just external validation to what we know we are doing and that's creating fans. And that's what comes of a 77% net promoter score, and our colleagues tell us they want to be here, meaning we're going to keep doing it.

And this is what we're doing. We're continuing to grow. We're continuing to win low-cost, sticky, diversified deposits. Diversity creates resilience, and that's what we have in this model. You can see our annual deposit growth is 74%, continues exceptionally strong. Vernon mentioned earlier the c.50/50 split between commercial and retail, and you can see in the bottom corner here, the average deposit growth per store per month continues to go from strength to strength at a good cost.

We did see the cost of deposits go up at the start of the year. That was as we moved out of variable rate into fixed rate. In April we took some action to address that, and that action came into being on 15th July, and therefore we expect now the price to come down again, as we manage the cost of deposits. So strong growth, reliable growth, consistent growth, diverse growth, low-cost growth; pretty damn good growth.

Vernon Hill

Go back to the chart. This is deposit growth per store per month. The average in America is a \$1 million for deposit growth per store per year. Metro converted to dollars, even at the current rate, is growing \$100 million per branch per year. That gives you an idea of the magnitude of growth here.

Craig Donaldson

And that consistency and that reliability, and the cost and diversity of it, allows us to do high-growth, low-risk lending. So in the last 12 months we've increased our lending to 110% to £4.6 billion of lending; increased our loan-to-deposit ratio from 58% to 70%. And we've done that with a 65% portfolio in retail and 35% of our portfolio in commercial.

I've been asked, and I just want to face into it now: commercial property. How much is commercial property? Commercial property makes up less than half of the yellow segment in the commercial portfolio. It's less than £0.5 billion of lending, and as you can see, it's at an average debt-to-value of 58%. So overall, high-growth but low-risk takes us to non-performing loans of 90 days in arrears to 12bps; 0.12%. If not the lowest, certainly very much amongst the lowest you'll see in this half-year reporting. Our loan loss reserve represents 146% of non-performing loans, so we have good coverage, and the cost of risk is absolutely within our guidance, although it's at the lower end at the moment.

And then I just want to phase into the metrics that matter as we talk about what may happen in the future. Our average debt-to-value on residential mortgages is 60%, on commercial 58% and buy-to-let, which does make up almost 25% of the book, is at 59%. In our residential mortgages, we only lend up to 85% loan-to-value. We never went up to 95% like a lot of our competitors. In buy-to-let, we only lend up to 75%. We never went up to 85% like a lot of our competitors. And it's the prudent growth of our lending, the prudent risk management of our lending, that means we can be confident in that cost of risk and the non-performing numbers. That's the key to this model: low-risk, high-growth, reliably done.

And I just want to make a final point on this slide. We have no commercial property development. None. And we have less than £2 million residential property developments. It's actually £1.2 million, but it could go

up to £1.75 million if we want to be really specific, but it's less than £2 million. That's all the exposure we have with property development. So where you see a crane, you don't see Metro Bank. Going to hand over to Mike now, if I may.

Michael Brierley

Thanks Craig, good afternoon everybody. Good morning USA. So Craig talked very much about the lending and the deposits. I'm going to talk about the whole balance sheet now.

As you can see, because of the business model and because of the loan-to-deposit ratio at 70%, we have a highly liquid balance sheet. You can see that the investment portfolio went up 18% in the quarter. That of course was due to the strong deposit growth, but also because we took more money from the Funding for Lending scheme from the Bank of England. So as far as the portfolio itself is concerned, 86% of the portfolio is invested in cash, cash at the Bank of England, gilt, treasury bills and AAA-rated RMBS and covered bonds. The remaining 14%, that's in AA and A RMBS and covered bonds. We have no reliance on wholesale funding. Other than of course repos, as I say, to facilitate the FLS, but also to manage short-term liquidity. We did increase our FLS drawings throughout the year. We went from £0.5 billion to £1 billion, pretty much. We've invested that for value. Clearly it boosts net interest income, but it does act as a slight drag on NIM in the short term.

Clearly we have a very strong capital base. We are planning on a fair amount of growth in the coming years and we have the capital to support that growth.

I think most of the room knows, the bank uses the standardised approach in terms of risk weights and capital management, and we clearly have an opportunity to move towards more advanced risk measures; A-IRB in the parlance. And certainly in the medium term that will provide a capital boost to the bank. That will take a little while. We're working with the regulators on that. The climate is good. More on that, I think, in future quarters.

So here's the P&L, and Craig's already I think nailed the main message, which is continued reduction in the quarterly loss. We lost £10.2 million in quarter four of last year. We lost £7.9 million in quarter one of this year and £4.1 million in the latest quarter. Why? Well, we have very strong positive jaws. If one looks at the total revenue year-on-year annual growth of 63% and the operating expense is growing by 30% in the same period, you see where the drivers towards profitability are coming. Revenue up 23% in the quarter, increased lending, a larger investment portfolio and actually strong fee generation as well: safe deposit boxes but also strong FX as well. Operating expenses up 4% and I think – you know, I've said in the past that the bank is now starting to reap the benefits of economies of scale, and I think that a 4% increase in operating expenses with a 23% increase in revenue is telling that story.

I can't escape, I think, talking about the taxation line – not I think at great length – but there are a number of one-off changes to taxation in that line. R&D tax relief, research and development tax and relief; RDEC in the parlance. Also changes to the taxation of our available for sale gains on securities and also share options. We've taken the opportunity to true-up all of those things to help smooth tax in the out periods, and I think that our effective rate of tax in the second half of the year will be around 16–17%.

This is my favourite slide.

Vernon Hill

No, it's my favourite slide!

Michael Brierley

It's our favourite slide. We can all agree on that one. This is my favourite slide, certainly. And the top, which I'll talk about in a minute, shows store contribution, and the bottom shows deposit growth by cohort of stores by year, with the bottom line, the green line, being 2010 stores – excluding Holborn because it distorts the numbers – and the red line being 2015 stores open. And I think the story from this slide is clear. The stores are opening bigger and they're opening faster, and there is no sign of any let-up of the growth.

And it's that strong deposit growth driving the graph on the top of the slide, which shows store contribution. And I'm going to focus here on Q2 2015 and Q2 2016. And as you can see, of the 41 stores we had open through Q2, 33 of those made a positive contribution, with eight, the newer stores of course, not making a positive contribution. And all stores that have been open more than 18 months are now making a positive contribution, and stores are moving to positive contribution ever faster in the cycle.

Why would that be? Why would each cohort be higher than the last? The answer is the network effect. As we open more stores, the stores strengthen each other. We opened Bexleyheath very successfully last week, and activity goes up across the whole network. And of course, we're also getting better as well.

So if you look at the top, you can see that the net positive contribution for stores – we don't allocate central overheads for stores – is £29.2 million, showing a massive growth from the equivalent period last year of £13 million. And it's that that's driving us towards profitability.

Vernon Hill

Let me interrupt you, Mike. Particularly the guys in America have heard me talk about this for many, many years. This is the magic of our model. The predictability of deposit growth by store, and stores keep on growing and generating an increased profit line. And what you also see here is the newer stores, which are not into profit, are decreasing percentage every quarter of our total stores. So this predictability of this chart is what drove our results in America, and you see it's what's happening here too.

Craig Donaldson

Thanks Mike. I should go back – there's just one thing I would like to raise in this slide, if I may. We talk a lot about safe deposit boxes, and obviously we shared some data with you in the end of the year. It's continued to go from strength to strength. We now have 81% of our rent covered for stores that have been open twelve months or more.

Vernon Hill

In other words, you would say we have the best location in the highest price rental market in the world, and our safe deposit rentals is going to cover all of our base rent?

Craig Donaldson

You could say: would you want stores if they were rent free?

Vernon Hill

You could say that.

Craig Donaldson

It's both points. We had 21,000 school children go through our education programme last year. We supported over 2,000 charity events. We'll have over 30,000 children through the education programme this year, we'll have over 3,000 charity events supported. And it's the stores that allow us to engage the communities we serve and deepen the relationships, and it's the safe deposit boxes that pay for the rent.

And we're going to keep growing. We'll keep expanding, we'll keep building the store network. Vernon absolutely nailed it, and he should do – he did do it for 34 years in America – with the predictability of the deposit growth on the back of opening stores. So we've got 42 stores today. We had a big party in Bexleyheath last Friday, like Mike said. We have six more stores literally in construction as we speak today; they will open later this year in fantastic sites, and I'm very excited about them. And we have probably the best pipeline we've ever had for next year. Some very strong infill in the markets we're in now, and some new markets we'll be looking to enter and grow into

Vernon Hill

And to our Brits, if we're not in your town, we're coming soon.

Craig Donaldson

What I would say is what this shows, is we had a 48% reduction in our losses last quarter. At the same time, we're investing heavily: £30 million we're going to invest this year in opening new stores. We're also investing £30 million in new technology. We are rolling out our new digital – we've already started the roll-out of our new commercial platform, which is with customers. Next week we'll be launching the public website, in Q4 we'll launch our new personal and business mobile app. And the plan is, by the end of the first half of next year, nobody will be touching any of the digital stuff they have today; they'll be totally on a different architecture, and it's very exciting. I'm really excited about what we'll be talking with you in future quarters, and how we're going to take this forward.

So not only are we significantly reducing our losses, significantly growing the organisation; we're also investing in our stores, in our technology, and we're going to spend over £10 million on training this year as well. So we're spending on stores, on technology and our colleagues, because they're the three things that will give us the long-term growth; they're the three things that will truly differentiate us when they come together, and that's why we're doing this.

I don't really need to say too much about this slide; I'm hoping it pretty much speaks for itself. If you keep drawing the line, it's pretty obvious what's going to happen, and that's why we reiterate our guidance. We will go into profit on a month-by-month basis later this year. We will be profitable for the whole of next year, and we will deliver our 2020 targets. Vernon absolutely nailed it at the very start. With Brexit, we've seen lots of noise, we've seen lots of talk, but we've just seen Metro Bank go from strength to strength, and we see no reason at all, there is no reason, why we'd change our guidance. We've got more customers coming to us, telling more of their friends they should be with us, and we're winning more of their deposits and more of their lending, and that's how it's going to continue. Vernon, can I hand it back to you?

Q&A

Vernon Hill

Thank you. I'm going to sort of control the flow of comments. Why don't we start with one here? Does anybody have a question for us from this group?

Joe Dickerson

Hi, Joe Dickerson from Jefferies. I just have a couple of questions. Could you talk about the sustainability of growth in your mortgage balances? You know, how you compete in the mortgage market and why customers choose Metro Bank?

And then could you just give some, perhaps, clarification on the cost trajectory into the second half of the year, given that the store openings are going to be back-end loaded, and also some of your IT investments?

And then lastly, could you also discuss – are you going to participate, on an independent basis, on SEPA payments, and if there's any cost benefit associated with participating fully in SEPA?

Craig Donaldson

Shall I take the first and the last part of that, and I'll let Mike answer the middle part? So on the first part, mortgages that differentiates us. We have very good technology we've built. We have a very good group of people out there talking with brokers, and we have a large profile now on the high street direct with customers through our retail organisation, the private banking and our commercial customers. The thing that consistently delivers for us is consistent service; the time to offer is key, the time to drawdown is key, and we make sure that we maintain that; it's the most important thing we do. So Joe, it's service. You've got to deliver the service in the mortgages; you cannot afford to let your time to offer slip out, you cannot afford to let customers down.

How can we keep growing it? Look, we are a small part of the mortgage market. The re-mortgage market, it's huge, and the re-mortgage market will keep turning and we'll keep winning a significant share of it; and most important, we'll retain it. The way we focus on retention and retention portals we built, and the way we engage customers to make sure they're on the best deal, means that we really retain a high percentage of our customers. Point one.

Point two, will we go onto SEPA? Yes. The plan is we'll be on SEPA in quarter four this year.

Vernon Hill

Just explain to us what SEPA is.

Craig Donaldson

SEPA is direct European payments.

Vernon Hill

This is a payment mechanism for the Americans; it's the way the payment system is done.

Craig Donaldson

So we'll be direct members of SEPA in quarter four, we'll also be direct members of faster payments in quarter four. Actually, it's all about service; it'll help us take service to the next level on those payments. They're actually cost savings that drives economies of scale, but it's really about the service. And faster payments, direct membership, SEPA direct membership, is the start of us becoming a clearing bank in our own right, and it's a very exciting journey the bank's on. Mike?

Vernon Hill

I just want to – on the subject on mortgages - to remind the Americans: unlike America there's no Freddie, Fannie and Ginnie Mae, so the banks necessarily put the mortgages on our books directly, so you'll always see a much higher percentage of residential mortgage in Britain than we're used to seeing in America.

Craig Donaldson

Mike, on the middle point?

Mike Brierley

Clearly we're looking to open a further six stores in the year. Store costs are roughly 30% of the cost base, and I think those six stores will nudge it up in the second half of the year to 31%. Actually, quite a lot of the cost is already being borne because we're in construction, in which case we're actually expensing the rent, so it only makes a marginal difference in the second half of the year. And certainly, it's fully built into our forecast.

Vernon Hill

But Joe, as you know, the new stores are such a declining percentage of our total, they have a much less negative impact than we saw in the first year.

Mike Brierley

Yeah. The tide of the maturer stores going to positive contribution much more quickly is much more powerful.

Peter Lenardos

Good afternoon, it's Peter Lenardos from RBC. I just have a question. During your IPO, you said for a 25-basis-point increase in the Bank of England base rate, there was three-basis-point NIM enhancing. What if we get a 25 or even greater decrease; what impact does that have on your NIM?

Mike Brierley

Do you want to answer that, or shall I?

Craig Donaldson

Let me try. So on a 25 down, you will have a lag effect; the lag between the Bank of England moving rates down and us passing rates on. That's very contained and, really, it's not an important factor. In the long run on the NIM, a 25 down will actually cost us nothing really; we can carry that on the 25 down. So whether there will be a 25 down or not is questionable, I think it's overblown personally.

Vernon Hill

So Peter, there's really a one-time lag effect. When rates turn, if I live that long, you'll have a lag effect to the plus, so going up.

Craig Donaldson

Much more powerful effect, of course, is the increase in the loan-to-deposit ratio; it will completely swamp a 25bps down.

Vernon Hill

I'll go on the webcast. Matthew Lindenbaum has a question, hello Matthew. 'What's our NIM guidance for lower rates' – which we just talked about – 'and how low will our capital ratio get?' Michael?

Mike Brierley

Well, certainly in the medium term, we don't see it going below 13.5%.

Vernon Hill

That's the risk capital?

Mike Brierley

Yeah, that's right, that's the CET1 ratio. In the forecast period, it doesn't go below that.

Craig Donaldson

And then on the NIM, we've given the guidance: we've seen no impact on the guidance. The loan-to-deposit ratio will keep going up, we will manage it, and if there was a 25 bps down, we see no impact on the NIM.

Vernon Hill

And Matthew's also asking, 'Do we have much room to lower rates on our deposits?' And Craig, why don't you talk about what we just did and what the effect was?

Craig Donaldson

So we have managed the back book down. We won, as well, the most trusted savings provider in the UK. We won, actually, five of the most trusted; that's because we are the most trusted. And on savings we have scope to cut, and we would pass rate cuts on. It's been interesting, people have been talking about negative rates: we absolutely have no plans to go into negative rates for our customers; we're a bank.

Vernon Hill

And Matthew will know also that current accounts are 27% of our deposits; is that right gentlemen?

Mike Brierley

27%, yes.

Craig Donaldson

What we do with the 0% current accounts, we use that as a natural hedge on our five-year fixed-rate lending. So we create natural hedges across the book, which protects us if there is a move down, because it's already hedged naturally with our customers.

Jeff Harralson

I was going to reiterate, or ask again, Matthew's question on the capital ratios, or just how you see capital playing out as you hit your growth goals in 2020?

Mike Brierley

I mean, we see no need for any further diluted capital raises. We're not yet, clearly, capital self-sufficient; that won't happen until around 2020, and therefore we will need to augment our capital base in the medium term, probably with a regulatory counting debt of some form or another. But clearly, with a CET1 ratio of 21%, that's a little bit down the road.

Craig Donaldson

I'd also say, Mike mentioned, Jeff, earlier: we are working, as we speak, on the move from standardised to the advanced approach. You know, we have a very low-risk book, but we need to do the work on all the modelling to prove that. We will prove that, and at some point between now and 2020 I'd expect to see us move towards the big banks. I don't expect us to drop as low as they would; I'd put a floor on it personally, just for good practice. But I would certainly expect to see a levelling of the playing field, because at the moment the capital we have to hold versus the capital the big banks hold against mortgages is anticompetitive, and we're going to have to do something about that.

Vernon Hill

And Jeff, to put it in summary, it's what we've been saying all along. We expect to do a capital raise in 2018, and we have the room to put some kind of debt component in there, so nothing's changed from our initial guidance.

Vernon Hill

Dylan Gorman has asked, 'What is the current interest rate sensitivity on our loan portfolio, and what effect' – it's the same question again – 'what effect there's going to be on our yields and our margins if rates go down?'

Craig Donaldson

Do you want to answer the first part and I'll answer the second, Mike?

Mike Brierley

I think the answer's the same as we've given, really, which is that the net effect – there is a lag effect, which is relatively small for a 25-basis-point fall, and no, we see no additional downside other than that.

Vernon Hill

A good percentage of our loans float, which is the common practice in Britain. But our balance sheet, both sides of the balance sheet are balanced, and we see very little fluctuation unless you get extreme moves.

Craig Donaldson

We run very, very small interest rate risk. As I said earlier in the very first slide, this is the low-risk high-growth business; you don't put your risk into interest rate risk, so we run very, very small interest rate risk, which is why we have the natural hedges we create. We work hard to create the natural hedges; it's a good way to run a business, it's a prudent way to run a business.

Actually, it's interesting: if you see base rate go down, if you look at what's happened in other countries, places like Switzerland, if you look at what's happened to yields there, you've actually seen yields go up on lending. So rather than, some people talk about negative rates passed on to customers, but people have tried to protect savings customers by widening the rates on the yield to protect the NIM.

So I can create a story about, certain banks saying one thing, other banks may do other things, but you could create a story, certainly if you were to see rates go down, that banks protect their NIM; they pass it on in yield

in their lending. That would give us a huge opportunity, because we know we're protected on the down anyway on our cost of deposits, and we'll take the benefit on the yield. Let's see what happens.

Vernon Hill

So a question coming in on the webcast: 'Why is there a need to run such a high liquid portfolio on the balance sheet, when we could earn a higher yield if we made – we used that to lend to customers?'

Mike Brierley

Well, I think one of the answers is that we're running very little interest rate risk, that's a decision. We're a conservative bank, we're built for the long term, which is why we invest in gilts and treasury bills, and AAA-rated RMBS and covered bonds. These are highly liquid instruments.

Vernon Hill

Why do we have so much liquidity? That's the question.

Mike Brierley

Well, the business model generates that liquidity. We're also running a 70% loan-to-deposit ratio, which means that we are throwing off excess deposits, which we then invest for value.

Vernon Hill

I think the real answer is because our model's about growing low cost deposits with service. Because our costs of deposits are much lower than the market, we don't need to take excess risks in lending and we can be very prudent with our credit, which gives us lots of liquidity in the portfolio. It's like anything running a bank, you have to balance all these parts.

Craig Donaldson

The key for me is, we are growing towards 80% loan-to-deposit ratio. We're moving towards it. Of course we could be there today, but we're growing this bank for the long term exactly like Vernon said; it's a prudent approach to lending. That's why we've got NPLs of 12 bps, that's why we've got cost of risk of 12 bps. We're growing the business for the long term; we're growing it in the right way for the long term and we're growing it prudently in the long term. And when we get to 80% it'll be good lending that will pay back in the long term with low cost of risk, and that's the key. Good cost of deposits lent into low-risk high-growth lending, that's what we're built on.

Vernon Hill

Okay, so Matthew Lindenbaum's back with another question. 'Are you saying the NIM guidance is unchanged, despite drop in longer rates and yield on resi loans and securities?' Is that what you're saying?

Craig Donaldson

We're not seeing that at the moment, Vernon. So I'm basing guidance on what I see.

Nick Baker

Hi, it's Nick Baker from Goldman Sachs. I have a couple, just mostly around mortgages. So you mentioned you don't do anything above 85% LTV, but obviously in the portfolio that you bought at the turn of the year, there's some stuff that's in the 90%, 100% range there. So, you know, what gives you the confidence that that will be resilient in any changing economic outlook? That's the first question.

On the buy-to-let business, you said it's 25% of your book. There is an element of that within the commercial book and an element within the residential, so could you give any commentary around how much of that is, sort of, commercial, professional buy-to-let in nature, or residential sort of, you know, ordinary folk?

And then on A-IRB, I noticed your commentary was quite encouraging. I'm curious on two things really. You said you were in discussions: do you mean 'you' or 'we'? Is this a group exercise with the regulator, or is this a sort of Metro Bank-specific approach that we're talking here?

And then, in terms of timeline, what is realistic to expect? Is this an 18, 19...?

Vernon Hill

Let's answer the first one first. We couldn't comment on what the other banks are doing. Go ahead, Craig.

Craig Donaldson

So let me start, on the A-IRB, we are working on it.

Vernon Hill

A-IRB stands for advanced...?

Craig Donaldson

It's the advanced Basel. It's about regulatory capital. So the point is, we are working on it. We are in discussions with other people, but I can only comment on us. We're putting a central timeframe in place. We're a new organisation at the forefront from moving from standardised to advanced. I don't know if you know this: in 2012 or 2013, the last paper the FSA came out with was commenting how, on the back of Metro Bank, the only named bank they had, they changed all of the processes for how they authorise banks. We're going to go through a new process here; there will be learning for lots of parties, but we'll lead the way; we'll be probably the first. However, we have both the A-IRB and we also have debt to raise, so we have options as to how we do it going forward.

Nick Baker

The second was just more colour around the buy-to-let.

Craig Donaldson

Buy -to-let's about 25% across both, it's about equally matched. And about the same LTV as well, so actually the book looks very similar. Then the first question was on mortgages. We bought a portfolio with mature payment history, about eight-, nine-year maturity. They've been through a double-dip recession; they've paid their money back all the time. When you've got a long tail of payment, you have consistency of payment and people own that house. So if you've got somebody who comes to you saying, 'Here's my ten-year payment record,' I'm very comfortable; those people pay.

Vernon Hill

Nick Haskins asks, 'What percent of our assets are originated directly, versus what percentage are originated intermediary?'

Craig Donaldson

20% is direct, 80% is around intermediary.

Vernon Hill

That's all your loan book or just residential mortgages?

Craig Donaldson

That's residential. It's much more direct when you go to the commercial book.

Gary Greenwood

Gary Greenwood at Shore Capital. I just wanted to ask about the brand and brand stretch. I mean, you mentioned the YouGov survey and the 80% brand recognition. So I just wanted to get, first of all, an understanding of who was surveyed, in what regions, for example.

And then, secondly, I can see from the map you show on one of the slides that you're expanding very much outside of London now, and I was wondering what plans you have to go into other major metropolitan areas? Birmingham, Manchester, Leeds.

Vernon Hill

Let me answer that. Our view of London is a Greater London market, which is now Brighton, Reading, Cambridge and Southend. You're going to see us going somewhat out of that area. We don't have any immediate plans to go to Birmingham and Manchester, but it's certainly something that might happen in time.

Mike Brierley

The YouGov survey certainly was London and the South East.

Vernon Hill

Another call on the webcast: 'What is the reason for the low-cost deposits?'

Craig Donaldson

Great service.

Vernon Hill

Well, I have to explain the model. This is a model where core deposits create value. People give us more of their low-cost core deposits for service and convenience. The same reason you buy an iPhone 6; not because it's cheap, because you're buying the Apple world. Our entire model, whether it's in America or Metro Bank in Britain, is built around that fundamental idea.

One more. There's three questions on A-IRB: 'Do we have an estimate of what the change to risk-weighted assets is going to be?'

Craig Donaldson

Yes, but not for him.

Vernon Hill

Good day everybody, thank you all for coming. You're all free, as you know, to call Mike or Craig, or I.

I want to close with this: in six years, Metro Bank has revolutionised banking in Britain on both the retail side and the business banking side. It's a model that's driven around service and convenience. The British public has tremendously responded to this, and the sky's the limit. Thank you all.