

METRO BANK REPORTS RECORD CUSTOMER GROWTH AND 77% INCREASE IN QUARTER ON QUARTER PROFIT

Metro Bank PLC (LSE: MTRO) has delivered a strong trading performance in the third quarter of 2017.

Q3 Highlights

- Deposits from customers up £955m, 10% quarter-on-quarter to £10.8b (\$14.4b), whilst the cost of deposits reduced from 53bp in Q2 2017 to 50bp in Q3 2017.
- Lending up £858m, 11% quarter-on-quarter to £8.6b (\$11.5b) and a 1% increase in the loan to deposit ratio to 80%.
- Underlying profit before tax¹ at £7.2m, a 77% increase from £4.0m in Q2 2017. Year to date underlying profit before tax¹ is £13.2m versus £12.4m loss 2016.
- A record quarterly growth of 79,000 customer accounts to 1,124,000, up 33% year-on-year.
- Successful cash placing of 8m ordinary shares in July raising gross proceeds of £278m at no discount to market price.
- We celebrated our seventh birthday and the opening of our 50th store in Peterborough.

Note: All figures contained in this trading update are unaudited. All figures in US\$ have been translated at a rate of \$1.34 to the £.

Quarter ending £ in millions	30 Sept 2017	30 Jun 2017	Change In Quarter	30 Sept 2016	Change In Year
Assets	£14,574	£13,094	11%	£9,005	62%
Loans	£8,608	£7,750	11%	£5,193	66%
Deposits	£10,760	£9,805	10%	£7,297	47%
Loan to Deposit ratio	80%	79%		71%	
Underlying Profit before tax¹	£7.2	£4.0	77%	£0.6	1,161%
Total Revenue	£78.1	£69.2	13%	£53.4	46%
Net interest margin	1.94%	1.92%		1.95%	
Customer Deposit net interest margin²	2.22%	2.15%		2.08%	
Underlying Profit after tax per share – basic	6.3p	3.7p	70%	0.0p	n/a
Underlying Profit after tax per share – diluted	6.2p	3.6p	72%	0.0p	n/a

¹Underlying profit after tax excludes listing and related costs, the FSCS levy and impairment of property, plant & equipment and intangible assets. Statutory Profit after tax is included in the Profit and Loss Account.

²The Bank has added Customer Deposit NIM to the range of reported KPIs. Customer Deposit NIM is based on the key driver of the business – the generation of low cost sticky deposits. It eliminates the distortions created by items such as TFS drawings and provides a real measure of how effectively the customer deposits are being put to work. As such it best reflects our business model and the long term prospects of the business. As TFS unwinds (repayments are due four years from drawdown) the simple NIM calculation will move closer to the long term Customer Deposit NIM.

Craig Donaldson, Chief Executive Officer at Metro Bank said:

“In Q3 deposits and lending saw double digit growth, the cost of deposits reduced, and the loan to deposit ratio increased to 80% for the first time. We also welcomed a record 79,000 new Business and Personal customer accounts. All of which helped to deliver our fifth quarter of underlying profitability, and an underlying profit before tax of £7.2 million, up 77% from the last quarter.

“We continued to support the SME sector, the backbone of British business, and are on track to meet our January pledge to lend £1bn of net lending to businesses during 2017. We also opened the doors of our 50th store, and by the end of the year our store network will extend further north, east and west, and we will have strengthened our Greater London presence. ”

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

“Metro Bank continues to win FANS, attract deposits, lend to consumers and businesses, and generate profits that are re-invested for the benefit of our customers. We are the Revolution in British banking, offering real choice to consumers and businesses. Our store model, combined with easy to use online and mobile banking services and UK based contact centres, show that consumers and businesses are crying out for a bank built around them. As we take the revolution to the high streets of Swindon, Canterbury and Peterborough, we are giving those urban communities and businesses a real alternative and a reason to love their bank at last.”

Highlights for the Third Quarter Ended 30 September 2017

Summary

- M** **The loan to deposit ratio increased to 80%** (30 June 2017: 79%; 30 September 2016: 71%) as momentum in our lending continues.
- M** **As of 30 September total assets were £14,574m**, up from £13,094m at 30 June 2017 and £9,005m at 30 September 2016; representing 11% growth in the quarter and year-on-year growth of 62%.
- M** **Net interest margin of 1.94% for the quarter up from 1.92%** driven by the increase in loan to deposit ratio. **Customer Deposit NIM (eliminating the distortions caused by the Bank’s drawings from the Bank of England Term Funding Scheme) of 2.22% up from 2.15% quarter on quarter and 2.16% for full year 2016.**

Deposits

- M** **As of 30 September total deposits were £10,760m, up from £9,805m at 30 June 2017 and £7,297m at 30 September 2016; representing 10% growth in the quarter and year-on-year growth of 47%.** Deposits from Business customers represent 53% of 30 September 2017 total deposits (30 June 2017: 52%).
- M** **Cost of deposits in Q3 was 50bps, a reduction from 53bps in Q2 2017.** This reflects the continued strong growth in non-interest bearing liabilities (current accounts).
- M** **Net deposit growth per store per month of £6.6m (\$8.8m) in Q3 2017** versus £5.5m (\$7.4m) in Q2 2017, and £5.6m (\$7.5m) in Q3 2016, exceeding our guidance

owing to strong growth across the entire network with a particularly strong quarter for business deposits. **Annualised this represents £78m (\$105m) growth per store.**

- M 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 **42%.**

<i>£ in millions</i>	30 Sept 2017	30 Jun 2017	Change In Quarter	30 Sept 2016	Change In Year
Demand: non-interest bearing	£3,274	£2,998	9%	£2,019	62%
Demand: interest bearing	£5,113	£4,715	8%	£3,167	61%
Fixed term	£2,373	£2,092	13%	£2,111	12%
Deposits from customers	£10,760	£9,805	10%	£7,297	47%
<i>Deposits from customers includes:</i>					
Deposits from retail customers	£5,108	£4,750	8%	£3,537	44%
Deposits from corporate customers	£5,652	£5,055	12%	£3,760	50%

Lending

- M Total loans as of 30 September were £8,608m, up from £7,750m at 30 June 2017 and £5,193m at 30 September 2016; an increase of 66% year-on-year, and an 11% increase in the quarter.** Loans to commercial customers represent 34% of total lending as of 30 September 2017 (30 June 2017: 34%).
- M Asset quality remains strong.** Non-performing loans were 0.33% of the portfolio. Year-to-date cost of risk remained stable at 0.10% at 30 September 2017.

<i>£ in millions</i>	30 Sept 2017	30 Jun 2017	Change In Quarter	30 Sept 2016	Change In Year
Gross Loans and advances to customers	£8,620	£7,760	11%	£5,202	66%
Less: allowance for impairment	£(12)	£(10)	12%	£(9)	32%
Net Loans and advances to customers	£8,608	£7,750	11%	£5,193	66%
<i>Gross loans and advances to customers includes:</i>					
Commercial loans	£2,909	£2,611	11%	£1,824	59%
Residential mortgages	£5,503	£4,948	11%	£3,202	72%
Consumer and other loans and advances	£208	£201	4%	£176	18%

Growth

- M Record customer acquisition.** Customer accounts have increased from 1,045,000 on 30 June 2017 to 1,124,000 at 30 September 2017; a record quarterly net increase of 79,000 accounts. This represents an increase of 33% year-on-year and an 8% increase in the quarter.
- M Capital ratios remain robust and well above regulatory requirements.** Common Equity Tier 1 Capital (“CET1”) as a percentage of risk weighted assets is 17.4%. Risk weighted assets at 30 September were £5,174m. Regulatory Leverage ratio is 6.2%.
- M Underlying profit before tax has grown 77% quarter-on-quarter to £7.2m** (compared to £4.0m in Q2 2017). Statutory profit before tax of £6.7m has grown 131% compared to £2.9m in Q2 2017.
- M We opened our 50th store in Peterborough on 29 September.** A further five stores will open this year, including Luton (Store 51) on 27 October.

Outlook

- M We look forward to opening twelve stores next year, including expanding into Birmingham and Bristol.**
- M Our AIRB waiver application for residential mortgages will be submitted in Q4 2017 as planned.**
- M The Williams & Glyn alternative remedies package presents an opportunity to deliver real choice for SMEs and we are preparing our bid for the funds to accelerate our reach and offering to serve more UK businesses.**
- M We remain on track to deliver our first full year of profitability in 2017 and reiterate our 2020 guidance.**

Metro Bank PLC

Summary Balance Sheet and Profit & Loss Account

(Unaudited)

Balance Sheet	Annual Growth Rate	2017		2016
		30-Sep £'m	30-Jun £'m	30-Sep £'m
Assets				
Loans and advances to customers	66%	8,608	7,750	5,193
Treasury assets ³		5,393	4,827	3,400
Other assets ⁴		573	517	412
Total assets	62%	14,574	13,094	9,005
Liabilities				
Deposits from customers	47%	10,760	9,805	7,297
Deposits from banks		2,123	1,823	-
Other liabilities		598	654	901
Total liabilities		13,481	12,282	8,198
Total shareholder's equity		1,093	812	807
Total equity and liabilities		14,574	13,094	9,005

³ Comprises investment securities, cash & balances with the Bank of England, and loans and advances to banks

⁴ Comprises property, plant & equipment, intangible assets and other assets

Profit & Loss Account	Annual Growth Rate	2017		2016
		Q3 £'000	Q2 £'000	Q3 £'000
Net interest income		64,244	56,996	40,926
Fee and other income		12,915	11,440	9,197
Net gains on sale of securities		925	733	3,265
Total revenue	46%	78,084	69,169	53,388
Operating expenses	34%	(69,605)	(63,040)	(52,078)
Credit impairment charges		(1,328)	(2,098)	(743)
Underlying profit before tax	n/a	7,151	4,031	567
Underlying taxation		(1,900)	(1,071)	(352)
Underlying profit after tax	n/a	5,251	2,960	215
Listing and related costs		(316)	(391)	(693)
FSCS levy (net of tax)		176	(554)	370
Impairment of property, plant & equipment and intangible assets		(390)	-	(308)
Statutory profit/(loss) after tax	n/a	4,721	2,015	(416)

Analyst and investor call

An analyst and investor call will be held as follows:

<p>Date: Wednesday October 25 2017 Time: 2.00pm (GMT) From the UK dial: 0808 237 0030 (Toll Free) From the US dial: 866 928 7517 (Toll Free) Participant Pin: 81472834# URL for other international dial in numbers: http://events.arkadin.com/ev/docs/NE_FEL_Events_International_Access_List.pdf An operator will assist you in joining the call.</p>

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About Metro Bank

Metro Bank is the revolution in British banking. It is celebrated for its exceptional customer experience and its trusted products, and was awarded 'Most Trusted Financial Provider' at the Moneywise Customer Service Awards 2017, as well as 'Best Financial Provider' at the Evening Standard Business Awards 2017 and 'Bank of the Year' at the CityAM Awards 2016.

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 employs over 2,800 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.