Metro Bank Q1 Results 2019

01.05.2019

Vernon Hill (Chairman), Craig Donaldson (CEO) and David Arden (CFO)

Presentation

Vernon Hill

Good afternoon to everyone and thank you for joining the call in the afternoon on both sides of the Atlantic. Craig and David Arden, the CFO, will go through the details, but I'd like to start the call with a few comments and a few thoughts.

Metro Bank's performance was resilient during the first quarter, which we had some tough events to deal with. But it's important to note that we did not lose sight of what our basic business model is and what we have achieved so far. We built the first new High Street Bank in 100-plus years. And in the first quarter we continue to see growth in customer accounts and most of our deposit types. Lending also grew to a record number in the first quarter.

We want to remind everybody that the Metro Bank model is about building FANS. It's about service, it's convenience, it's about the experience, whether it's in-store or online or mobile. And we're pleased to receive the CMA survey for number one in customer satisfaction for consumer accounts in Britain.

We're about to enter into our ninth year. I want to make it clear to everyone on the call I have complete faith in the Metro Bank model and, of course, we have to adapt and adjust the model as things change. But our basic core model of building FANS remains very strong and I have tremendous faith in the years ahead.

With that, I'll now turn it over to Craig.

Craig Donaldson

Thank you, Vernon. Hello everyone, and welcome to the call. Thank you for joining us. I do appreciate it.

As we discussed at the full year results in February, 2019 is a year of transition for Metro Bank. And our Q1 results demonstrate the continued momentum of the franchise and the progress in implementing our evolving strategy. But Q1 also reflects the challenges from the broader operating environment, as well as some adverse sentiment which we have seen following our trading update from January.

To go into the specifics, whilst we can report the 19% year on year increase in deposits, we have to raise that Q1 saw a 3.6% reduction in our deposits, the result of a small number of commercial and partnership customers reducing deposit balances with us. However, the momentum in the core retail franchise, and SME customer base has continued with retail deposits actually up £118 million in the quarter. Although we saw some outflows, total deposits actually stabilised in March and we continue to see net growth into April. And whilst we remain committed to our medium term guidance of 20% per annum, given the challenge in the first quarter, we expect a more modest rate of deposit growth in 2019 as we catch up what has happened to date.

But as Vernon said, and just to reiterate what Vernon said, we remain absolutely committed to customer service and we're genuinely very proud of Metro Bank with the survey results which showed we're getting it right.

Also, if you look at the core franchise, the core group of people who joined us and helped us build the organization, our customer accounts grew by 97,000 in the quarter, and we now have over 1.7 million customer accounts. Year on year personal current accounts grew 24%, and business current accounts were up 23%.

And we continue to win business switchers. We actually attracted 15% of all business current account switchers in London and the Southeast in the first quarter, another exceptionally strong number when we deal with our business community.

On the 26th of February, we announced our evolving strategy, and we have made progress on this. Fee income, as commented on by certain people, is up meaningfully. And this is being driven by the development of new services, the optimisation of fee structures and a deepening of our relationships with our existing and valued customers.

We've also made progress on our cost efficiency program during the quarter. We have a very clear plan of what we need to achieve over the next 36 months, and we have a dedicated team driving the cost efficiencies forward. And we'll talk more about what we're doing when we're next together.

We've also started to deliver on our capital efficiency focus as we've slowed our growth in high-risk density commercial real estate lending and as we focused more on driving into the more capital efficient mortgage businesses.

So, we're focused on delivering what we said we would do. We're very focused on driving our cost efficiency, and that will come through as we go through this year. We're very focused on driving our service offerings and driving fee income and, when we were discussing that in Q3 and Q4 last year, that has come through in Q1. When we focus on it, we do it. And we are driving our capital efficiency. As you go through this year into next year, you will continue to see that capital efficiency at the right yield play through.

We were also extremely pleased to be awarded the 120 million in February from the Capability and Innovation Fund--the highest award. We came first. And we aim to use this money to boost SME competition. We received the cash in full during April, so the money is all in the bank now. And we signed leases for new stores in Manchester and Liverpool--a strong first step to delivering our commitment to bring further competition in the North of England.

We're also on track to deliver our artificial intelligence led business insights into our mobile app, building on our success for businesses that we had for personal customers. We're also well on with developing our new cash pickup and drop off service. And I would compare that to an almost 'Deliveroo' type service through the mobile app. And also joining direct debit origination direct ourselves.

That's just some of the things that we'll be developing and launching during this year and into next year. Our equity raising plans are unchanged, and we remain on track to raise c.350 million of equity capital during Q2, as we stated previously. As this is a fully documented deal, it takes longer to prepare. But we will be concluding it in half one, as we stated the last time we spoke.

At the time of our full year results, I explained that following the RWA adjustment we will be making some significant changes to our internal processes and procedures. I am pleased to say that we are making progress in this area and we are implementing a remediation of our internal systems processes and controls, as well as recruiting additional expertise to fill out the team.

David, I'll now hand over to you. Thank you.

David Arden

Thank you, Craig. Hello, everybody. I'll add some colour to our key metrics. Headline NIM reduced to 1.64% during the quarter, largely due to the impact of incurring interest expense on lease liabilities following the adoption of IFRS 16, as well as ongoing competition in residential mortgage lending. We have, though, seen mortgage yields stabilise during Q1. Underlying PBT in the quarter was £6.9 million compared with £10 million in the prior year, reflecting a net £2 million impact from IFRS 16 and a £3.5 million quarterly interest expense on the Tier 2 debt we issued in June '18. We except IFRS 16 to have around a net £13 million negative impact on the underlying PBT of the business in 2019.

In line with expectations, cost of deposits during the quarter was 70 basis points. The increase of three basis points in the quarter and 9 bps since Q3 remains materially lower than the 25 basis point increase in bank base rate in August. We expect our cost of deposits to remain below the Bank of England base rate of 75 bps during Q2, demonstrating the ongoing benefits we receive from our low-cost deposit model and supported by a high proportion of current accounts.

Fulfilment of our Q4 lending pipeline resulted in 7% loan growth during the quarter, which led to an increase in the loan to deposit ratio to 100% in Q1. Over time, we will manage our loan to deposit ratio in a controlled way back to within our guidance of 85% to 90%.

While growing our lending in the quarter, we have maintained our prudent low-risk approach, which is evidenced by our cost of risk at 6 basis points, a 3 basis points improvement year on year. We continue to see no signs of credit stress in the loan portfolio.

The strong growth in our fee income is reflected in the 13 bps improvement in customer NIM plus fees, to 2.8% during the quarter. We've previously spoken about optimising fee structures, developing new services and deepening customer relationships and the meaningful increase in fee income demonstrates good progress in this key initiative.

The cost to income ratio increased to 92% in Q1, reflecting the income challenges I've outlined, as well as the ongoing investment in technology, stores and colleagues and continuing to keep pace with regulatory change.

As Craig said, we've commenced our cost efficiency program and have a portfolio of actionable initiatives to reduce our cost growth run rate. These initiatives include reducing cost to serve in stores, process automation in the back office and cost optimisation to reflect the lending mix shift. In light of our year end guidance, we continue to guide to a cost income ratio between 85-90%, though we do expect to be at the upper end of that range this year.

We continue to target a ratio of 55-60% by 2023. You'll have noticed that costs related to the RBS alternative remedies package and transformation and remediation costs are reflected below the line and we expect this to be the case throughout 2019.

Finally, our CET1 ratio is 12.1%, with RWAs as at 31 March increasing to 9.6 billion. The increase principally reflects the adoption of IFRS 16, the annual update to operational risk RWAs, as well as lending growth. The planned equity raise in Q2 will support our growth plans and strengthen our capital position, providing material head room above our capital targets. Craig.

Vernon Hill

Craig, would you just repeat again the increase in fees year-over-year and quarter-to-quarter so that we all have the right number?

Craig Donaldson

So, we saw c.50% increase year on year and saw a c.20% increase Q4 and Q1.

Vernon Hill

Thank you.

Craig Donaldson

So, thank you, David and thank you, Vernon.

So, looking back at the quarter, we have had to manage both external as well as internal challenges. But the underlying resilience of the bank is evident in our customer satisfaction, in our continued growth in customer accounts, in the actual return to growth in deposits that was seen in April, and our service offerings, which have been so readily taken up by our customers, which has led to our fee income growth.

So, 2019 is a year of transition. We are making headway across our strategic initiatives and we are absolutely focused on the cost efficiency we must drive, on the lending efficiencies that we must drive and on the fee service offerings that we must drive. And they have our full attention and we are very good at delivering in the areas where we focus. We will talk more about the capital raise as we go through the rest of this half-year as well.

So, now, myself and David and Vernon will be happy to take any questions.

Q&A

Robert Sage
Thank you very much. I was wondering if I could ask a question about loan growth in the short term, because your loan to deposit ratio has obviously gone up to 100 and your CET1 ratio seems to be very close to its minimum level of 12%, and I would imagine it might have eroded further since the end of March if the asset growth has continued.

So, it looks as if you've got fairly limited capability to be growing loans in the very short term, at least pre the equity raise. So, I was wondering whether you could give a little bit of guidance in terms of what we should expect in terms of shorter-term lending expansion?

David Arden
Hi, Robert. David here. Thanks for the question.

As I articulated, we would expect over the medium term to bring our loan to deposit ratio back to within our stated guidance range of 85-90% in a controlled way. We are not going to take any knee-jerk reaction, but we have increased front book pricing and adjusted some of our underwriting, which has had the impact of reducing our pipeline and you will see that loan to deposit ratio come back to within guidance in a controlled way over the medium term.

Robert Sage
So, do you think there will be positive growth in the second quarter, for example?

Craig Donaldson
Absolutely.

Vernon Hill
This is Vernon answering. Craig will give you the real numbers, but you're going to have funding from growth in deposits. You're going to have loans being repaid in the normal course of business, and we expect to see continued loan growth.

David Arden
Absolutely. And across ’19, Robert, given the Q1 trading, you shouldn’t expect a 20% increase in the balance sheet this year. That will be materially lower, but we do anticipate in the medium term going back to 20% per annum growth thereafter.

Robert Sage
Thank you.

Aman Rakkar
Evening, Vernon, David, Craig. Thank you very much for the call and taking my question.

I just wanted to ask regarding the IFRS 16 impact. Could you just confirm how much exactly the 12 basis point step down Q on Q was driven by the impacts of IFRS 16 and how much was driven by what you’re calling out as pressure on asset yields. I mean, I had a second part to that still one question.

The second was regarding the outlook for deposit costs. So I note that you say you expect deposit costs to remain under Bank of England base rate. I was just interested, you know, I’ve noticed recently you’ve launched a one-year fixed-term deposit rate at about 2%. So amongst mainstream bank that’s probably top of the market. And you know, that to me suggests there perhaps could be a bit of upward pressure on deposit costs. So I mean, are you able to provide a bit more detail beyond Q2 on your expectations for the deposit costs from here? Thank you.

David Arden

Thank you. In fact, the IFRS 16 question is a really good one. If I can just step back and articulate how we're expecting IFRS 16 to impact the P&L in '19.

So a way to think about it is, clearly we've got the discount unwind on the lease liability, and we would expect that to have an £18 million drag across interest expense across '19. The way IFRS 16 works, under IAS7 the rental costs were a straight line, IFRS 16 is not a straight line. It hits a young leasehold base like ours in a higher way in the first half of the lease. So an £18 million increase in interest expense and a £5 million reduction in operating expenses as the depreciation on the asset comes through. And that's where you get the £13 million impact across the '19 UPBT. Craig, do you want to go on the deposits?

Craig Donaldson

Thank you for that, Aman. So look, we constantly review our products and periodically we move up and down the tables. We made the decision to move up the tables slightly, one, to prove we could bring the deposits in, two, to ensure that we put the brand front of mind. Obviously, with the sentiment that was out there, we were driving and continue to drive to ensure that our brand is positioned properly and positively into the minds of our customer sets. And also, as we enter new markets, just to create a halo and a discussion. So it was part of the business as usual, part of driving some positive sentiment. And I would expect us to do that from time to time as part of business as usual.

The cost of deposits, well, we continued to win strongly on our PCA and BCAs. We've seen, you know, 24% growth in our personal current accounts year on year. But, we've also seen 23% growth on our business current accounts. And as I said, we won 15% of switchers in London and the Southeast in quarter 1. That drives in current accounts, that drives in their zero percent current accounts and therefore that balances the cost of deposits.

So you know, I stand by what David said around that cost of deposits being at base or below. I would expect to drive forward on that basis really, as we go forward, and have our positive growth in deposits as we move forward.

Aman Rakkar

Thank you.

Vernon Hill

Craig, will you give a brief description for those that don't follow this, what IFRS 16 is in a layman's description?

David Arden

It's a new accounting standard that brings assets and liabilities onto the balance sheet for our leasehold property base. And as I explained, Vernon, it impacts our interest expense and our depreciation going forward, and we would expect a £13 million negative impact on the P&L this year. As the leases mature over time, that impact will reduce, but given our young estate it's a drag in the early years.

Craig Donaldson

Perversely, it's a positive as we move through the medium term plan in different ways.

David Arden

It's a long-term timing difference, which impacts us early-doors.

Michael Perito

Hey, good afternoon. Thanks for taking my question. I wanted to ask on the fee side, you guys had spoken about some new products and services that you were rolling out over the last, call it, six months or so. And I guess what I'm trying to get a better sense of is, you know, the fee growth sequentially, how much of that was driven by kind of the introduction of new products or services that might have bolstered that growth rate, and how much--how should we be thinking about what kind of is a sustainable growth rate for non--for the fee income going forward, with kind of some of the new platform enhancements you've made?

Craig Donaldson

Thanks for that, Mike. So Mike, when we were talking in Q3 and Q4, we talked about some of the services that we were launching at the end of November and beginning of December and those services were launched. And some of the benefits were seen slightly in Quarter 4, but the vast majority of those benefits have been seen in Quarter 1. So that has driven some of that, and we will continue to see the benefits of those new services come through throughout this year.

Also, at the end of Q3 and in the beginning of Q4, we did optimise some of our pricing around safe deposit box pricing and around card payments internationally and that came in really for the majority of it, in the middle of Q4. So what you've had is you've had a number of the things that we said we'd be delivering have been delivered. They were delivered in the middle or late in Q4 and therefore, we have seen the benefits come wholly through the whole quarter in Q1.

So will you see continued benefits from those changes? Yes. Will they be as large as you've just seen in Q4 to Q1 and Quarter 1 on Quarter 1? Well, in truth, no, because obviously they've been launched and we've seen the benefits of those new services and those price increases come through now. But you will see continued growth in the fee line.

What we also have, though, that will continue to drive that fee line is one, we spoke before about how strong the franchise is performing. And the fact we've had 97,000 customer accounts, growth in customer accounts for Q1, the large number of those being business current accounts will drive that fee income further, and that will continue as we go through Q2, Q3, Q4.

And the other thing is, during this year, we'll also be launching some new services using, I mentioned earlier, the artificial intelligence on business 'Insights', our new cash offering for delivery. These new services will continue to broaden out the fee income line and will continue to drive it forward. So you will see growth. Will it be as spectacular as you saw from Q4 to Q1? I can't promise that every quarter. But it will be strong.

Michael Perito

Thank you.

Joseph Dickerson

So my question is on the trajectory of costs over the remainder of the year, because it's kind of hard to parse out what's incremental investment around, you know, investment in controls after the January RWA events, what's related to capability and innovation and what's kind of just underlying business expense growths. What's the right way--from my vantage point, your cost income ratio is an output, not an input. So when I look at it, I look at the cost growth. So the cost grew 2.5% quarter on quarter at 24% year on year. Is that kind of 24% year over year growth rate in Q1 look something--how should I think about this? Is that the growth rate in costs we should expect for the full year? Will it moderate? What's the right way to think about modeling the cost outcome this year is the short way of asking the question.

David Arden

Hey Joe, David here.

Joseph Dickerson

Hi.

David Arden

Clearly, we're a growing business, you will expect our costs to continue to grow over time as we increase the scale in terms of stores and customers. However, our efficiency program is focused on containing our cost growth by being more efficient. And that's something that we are extremely focused on. These things take time to feed through, but as we go through the year I would expect the absolute level of cost growth to moderate somewhat. And as I have articulated, the cost income ratio guidance we've given, I would expect us to be at the upper end of the range, there is a cost and an income there, but we are very, very focused as a management team on reducing the absolute level of cost growth over time.

Craig Donaldson

If I may Joe, as well, I think this is an area of absolute focus entirely for the organisation to drive this cost efficiency, which is why we have a very clear plan that we're working to. And an absolute dedicated, reporting directly to myself, team with a transformation, Chief Transformation Officer reporting to me, focused on delivering the capital efficiency in the right way.

So my view is the 24%, you know, should moderate definitely. I'm not sure we'll be delivering 2.5% a quarter that we've done Q4 to Q1, but I think that was a good start. And we have a number of things that are in train today that we will be able to talk more about in the half-year results. We just need to let them play through. And then, once we've concluded them, we'll talk more at the half-year, which will deliver real tangible cost efficiency during this year.

Joseph Dickerson

Can I just ask a follow-up on that, which is obviously your model to generate the lower cost deposits is a slightly structurally higher cost model than some of your peers. So I guess, to what impact--how do you manage and how do you think about balancing the need for cost efficiency versus the delivery of your model to the customer?

Craig Donaldson

Joe, it's Craig here. I think that they are actually one in the same. And when we get it right, you know, Pindrop is the example I use where we have introduced at the end of last year, a new front end to our telephony around security and how we assess the security that's needed before we'll answer the questions of the customer.

By reducing that, we have reduced the average handling time significantly, meaning that actually we can recruit a lot less people to feed the growth because the average handling time, you know, it's come down between 10% and 15%, meaning that we can soak off 10% to 15% growth without needing to recruit anybody, driving real therefore cost efficiency with our growth.

However, we've actually seen net promoter score go up by delivering that. And what we need to do is continue to invest in understanding what our customers want and how we can leverage that to deliver better service. Another one, I was talking to a customer who actually wants us to have the machines in store to be able to--they love going to the counter if they want certain things done, but they don't want to go to the counter and talk to somebody to get other things done. And they want us to implement technology in a way that they can self-serve when they come into the store.

Now when we implement that, that will drive some cost efficiencies. But actually, what it will also drive is an increase in net promoter score, by giving choice to our customer, so they can choose the channel by which they want to engage with us.

So we're very focused on the costs where we can actually improve our net promoter scores as well. And you'll see a lot of work around straight through processing, around engaging customers and giving them more choice, so they can choose how they interact with us across a number of different channels. So you will see more of that. I think it can be done. We are doing it, and we'll continue to do it as we go forward by making, what I consider to be the smart choices or the sensible ones for our customers and for our shareholders.

Joseph Dickerson

Great. Thanks.

David Arden

Thank you, Joe.

Martin Leitgib

Yes, good afternoon. I was just wondering if you could give us a steer on how we should think of the evolution of customer net interest margin throughout this year, and at least from the perspective of what we can follow from the release. There seem to be two main shifts happening there. On one end, the moderation of growth and the increase in some of the front book pricing, so which would be a benefit to margins going forward. And on the other hand, the mix shift towards more mortgages and also the re-pricing of some of the older mortgages, which would be a bit of downward pressure on the margins. So is the best case outlook in case of this kind of customer interest margin to be broadly flattish throughout this year? Or do you have any more colour you could give us? Thank you.

Craig Donaldson

Hi, Martin. It's Craig here. Thank you for the question. So, I would expect that, exactly like I said, what we're focusing on is our capital efficiency and also our cost efficiency and how we bring those two things together whilst managing also the one thing we never let go, the cost of risk. So, you will see, as we started in Quarter 1 that change in our capital efficient mix to drive the ROE and that will continue. And that will drive the yield actually slightly up over time, but there will--it will be pretty static in the short term.

So, you will see a pretty static customer NIM in the short-term, but over time, as we drive the mix and drive the ROE more, the yield will go up, but as a consequence of the mix, not any of the assets themselves going up in yield. Fees. You know, we talk about Customer NIM plus fees. Fees is where we then expect to see the positive increase continue to come through. We've seen a very positive start, as we've said in Q1. We do anticipate across the year that fees will continue to play a very, very strong part in that Customer NIM plus fees play. So, static Customer NIM and fees doing what we expected them to do.

David Arden

Yeah, I would agree. Mortgage yields appear to have stabilised. We have been taking action on front-book pricing, which could and should play through. Deposit costs should broadly be flat. So, as I look at it, broadly plays a draw and I would expect a consistent Customer NIM from here.

Craig Donaldson

With then fees playing well.

David Arden

Exactly.

Martin Leitgib

Thank you very much.

Jordan Hymowitz

Thanks. Most of my questions have been answered. Just one quick is the government gave you the £120 million. They're actively seeking for more challenger bank customers. Why wouldn't they do anything possible to accelerate as much as possible by either capital standards once you raise the money? Doesn't it go against their best interest by slowing down your growth?

Craig Donaldson

Thank you for that, Jordan. It's Craig here. My view on this one is simple. We are very focused on optimising the growth with our capital efficiency and our profitability. And the plans we put together achieve that over the medium term after numerous scenarios that we've been working through with Dave and his team, Dave MacLean below him. And what we've come up with, we believe, is the right optimisation across those three areas.

There's no doubt, you know, that the BCR, the Williams & Glyn money that's been given out is about driving more competition. And, you know, we were very, very proud to win that because it obviously was recognised that we are in an absolutely great position to continue to drive competition into the SME market. And the 120 million that's in the bank, every single penny of that will be used to drive more competition into the SME market.

With regard to capital and what can be done, obviously, that's a totally different area. And, you know, the regulators have their job to do. We work with them closely and, you know, I do think the regulator is very supportive at the moment and we'll continue to work with them. And time will tell how things like AIRB progress. But we don't expect to get AIRB pre-2021. And I do think the regulator wants to support us. I do think they support us. We have very good interactions with them, but I don't think that will change around AIRB in any other thing than the timeframe we've already set out.

Jordan Hymowitz

And one other quick question, if you don't mind, is has the stability a little bit in the U.K. market with a little more clarity in Brexit made it a little easier to sell some of the buy to let mortgages that are impacting the capital standards so much? Is there more stability in that market should you decide to sell?

Craig Donaldson

To be honest, you know, we discuss that we have options around what we do with the different books that we have. But at the moment, we are--it's an interesting market. I think it was RBS that said they'd seen some change in behavior in their large corporates. We're seeing--the market at the moment actually feels pretty stable. And, you know, there is definitely uncertainty around things like the Brexit debate. But for our customers and for the people we're interacting with, it does feel as though people are getting on with their day to day business and that it's a stable environment we are trading in.

Jordan Hymowitz

Thank you.

John Cronin

Hi, guys. Thanks for taking my question.

David Arden

Hey, John.

John Cronin

Just a point of clarification, really. You've mentioned total deposits stabilised in March and returned to net growth in April. Just wondering if that's also the case for the commercial deposits? And if I might, as a follow-up, there is the RWA uplift on the buy to let assets reported back in January. Has there been any progress? You did mention previously that there could be some scope for subsequent reduction, though you didn't--you were obviously very careful to message that that was a tentative comment. But any progress worth going on to try and get some of those risk weights back down? That would be all. Thank you.

David Arden

So, the deposit growth we saw, John, in April was broad-based across the franchise, including commercial deposits. As Craig said, we've seen a 24% increase in PCAs, a 23% increase in BCAs. So, we are seeing the franchise underlying continue to progress well.

On the RWAs we continue to go through a program of remediation, which is looking at our end to end processes, tightening up our internal controls and bolstering capacity and capability across the functions in finance and risk. And that's what we continue to do. And until we've completed that work, then there'll be no further progression there. We just want to make sure we get things right.

John Cronin

Can I just clarify, so on your first answer? So, commercial deposit book grew in April and stabilised in March, is that correct?

David Arden

We saw a net stabilisation in March, and the--we've seen a return to net growth in April. And, as I say, the growth was broad-based across the franchise.

Craig Donaldson

Absolutely. It was a very positive move forward across the organisation, John.

John Cronin

Okay, thank you.

Raul Sinha

So, my question is about the point, I think, Vernon said at the start, you know, you don't need to change the model. I guess one of the things that stands out when I look at your model relative to the other U.K. banks is you have a relatively high reliance on corporate deposits in the mix. You know, 52% of your deposit base is corporate. And if you look at the outflows you have experienced in Q1, actually, the core retail deposit base held up pretty well. It came--you know, the outflows were retail partnerships and corporate customers. So, the question really is shouldn't you be pivoting away a little bit from the reliance on corporate especially? And if you do that, how quickly can you get back to this 90% or below loan to deposit ratio? Thanks.

Craig Donaldson

Hi. So, we're both saying who should answer it. Forgive us, Raul. So, for me, it's very simple. Our commercial and corporate deposits are made of a number of different segments within that. And, you know, our business SMEs and a large number of our commercial segments have been very, very stable and have grown.

I was sitting today with our regional director for Central London, Kevin Barrett, who was telling me what a great April he'd had across his business and commercial customers with the growth they'd had. So, for me, we are seeing continued stability in a large number of our segments. However, there are, you know, there will be one or two areas where we will move back from over time as we drive less for certain types and more for where we get the transacting banking with the fee income and the service fees. So, very much with the evolving strategy that we announced on 26th of February, we are focusing on winning transacting businesses who want to have their transacting banking with us so that we can offer them the great service that we offer to all of our customers. But from them we can win the service opportunities that are very, very fee accretive and capital efficient. And that's where we're focusing our investment. That's where we're focusing our colleagues on winning those type of customers with those type of deposits. And that's what we'll continue to do.

With regard to when the loan to deposit ratio will come back down, you know, as David said, we will bring it back down in a very controlled way. It'll be a sensible way. No knee-jerking. We are a highly liquid bank. We have high liquidity in the organisation and, therefore, I want to manage the customer, the lending and the long-term service that we offer whilst bringing down the loan to deposit ratio in a sensible way over the short to medium term.

Vernon Hill

Craig, isn't it true that even at this level our loan to deposit ratio is lower than the average of the U.K. banks?

Craig Donaldson

It's fair to say, Vernon, we're definitely even at 100% at the lower end of the loan to deposit ratio of banks in the U.K.

David Arden

Thank you, Raul.

Richard Harris

Good afternoon, gentlemen. As some of you may know, I've been a fan of Metro since the IPO. I've been to every annual general meeting, but I can't come this year, hence, my interest today.

I find it quite interesting that all the questions have come from professional institutions asking about financial and growth matters and yet nobody's mentioned the share price with regards to investor relations. My comment, if you like, is that the bank, I think, from where I am, and I'm just an individual shareholder through a nominee company in my pension, needs to limit its reputational damage. Now, it clearly has had reputational damage because the share price, as we all know, has come down from £40 to just under £8 in 15 months. So, I think some things need to be done.

I should say, first of all, that I think the three people on this call, the CEO is probably one of the best in the country. I mean, he does a great job for the bank and a great talent. I know David's had a baptism of fire over the last year. And I'm a big fan of Vernon's, and I hope that he gets a lot of support at the AGM. But I do think that there needs to be a reassessment of the Board members. And also, with respect Vernon, I think the Remuneration Committee should look again at Mrs. Hill's company's payments. Up until now, it's been I think justified in some way because it's been very obvious and spectacular, but it's a question of reputation. And I think the reputation of the bank, we need to clarify and clear up anything that looks as though it's holding the bank back in any way. That's my thoughts. Thank you.

Vernon Hill
Thank you, Richard, for your thoughts. And we are working on those issues. Reputation is very important.

Craig Donaldson
Richard, I'll just reiterate what Vernon's said. Really, thank you for your feedback. You know we take feedback from your good self and from all of our shareholders. It's very important to us. And, as Vernon said, we are looking at how we take action forward in the areas you've raised. What I would say is, though, it's a shame you're not going to be at the AGM good sir. We shall miss you. Thank you very, very much.

Richard Harris
Keep up the good work, gentleman.

Several
Thank you.

Vernon Hill
Why don't I go first, Craig, and then you and Dave can close? Thank you all for being on the call. And the Metro Bank model is still unbelievably strong. We have tremendous confidence in the years ahead. We appreciate your support. Bumps in the road do happen. We have to learn from them and make our company better. Craig?

Craig Donaldson
Thank you, Vernon. Thank you to everybody who's joined us on the call today. I look forward to updating you on progress as we go forward. We announced our evolving strategy, like I said, on 26th of February, and we are well on with the work across the three areas of cost efficiency, capital efficiency and the lending mix. And you will see that as we go forward and fee income as we go forward. Q1 has been a challenge for the organisation. Some internal, some external. But I'm very proud of how my colleagues have responded and very, very proud of how our customers have supported us as well. I think it shows great resilience in the organisation and it's that resilience that we'll continue to take forward. So, thank you very much. David, I don't know if you have anything to add.

David Arden
The only thing I would add is just to reassure everybody on the call that management are 100 percent focused on the revised strategy that Craig laid out at the end of February around optimising capital efficiency, growth and having a really strong focus on profitability. And that's what we'll continue to do every day, every week from now on.

Craig Donaldson
Whilst creating FANS always.

David Arden
Whilst creating FANS.

Craig Donaldson
Thank you very much, everybody. Thank you. Bye bye.

Vernon Hill
Thank you, all.