

**METRO BANK REPORTS CONTINUED STRONG GROWTH AND SURPASSES 1.5 MILLION CUSTOMER ACCOUNTS**

Metro Bank PLC (LSE: MTRO LN)

**9m and Q3 Highlights**

- M** Continued strong deposit growth of £4.1b (\$5.3b) year-on-year, up 38% to £14.8b and £1.1b quarter-on-quarter, up 8%.
- M** Net deposit growth per store per month of £6.2m in the quarter, £6.3m for the nine months to 30 September 2018 representing annualised deposit growth per store of £75.6m (\$98.3m).
- M** Record lending growth of £4.5b (\$5.9b) year-on-year, up 52% to £13.1b, increasing the loan to deposit ratio to 89%. Net lending in the quarter exceeded £1b for the fourth successive quarter.
- M** Underlying profit before tax<sup>1</sup> at £39.2m (\$51.0m) for the nine months to 30 September 2018, a 197% increase from £13.2m (\$17.2m) in the same period in 2017. Quarter-on-quarter underlying profit before tax<sup>1</sup> up 7% to £15.1m (\$19.6m).
- M** Surpassed 1.5 million customer accounts, increasing the total by 303,000 over the nine months to 30 September 2018, and up 102,000 in the quarter.
- M** Extended the Revolution further west with the opening of our store in Bristol, alongside openings in Southampton and Oxford. Our 60th store opened in Bath in October.
- M** Achieved second highest score for overall service to both personal and business customers in the CMA customer satisfaction survey. The only provider to be ranked in the top five for all qualifying business and personal services.

Note: All figures contained in this trading update are unaudited. All figures in US\$ have been translated at a rate of \$1.30 to the £.

<i>£ in millions</i>	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>Change From Q3 17</b>	<b>30 June 2018</b>	<b>Change From H1 18</b>
<b>Assets</b>	£20,567	£14,574	41%	£19,135	7%
<b>Loans</b>	£13,121	£8,608	52%	£12,013	9%
<b>Deposits</b>	£14,813	£10,760	38%	£13,736	8%
<b>Loan to Deposit ratio</b>	89%	80%		87%	

<i>£ in millions</i>	<b>9m to 30 September 2018</b>	<b>9m to 30 September 2017</b>	<b>Change</b>
<b>Total Revenue</b>	£294.8	£209.2	41%
<b>Underlying Profit before tax<sup>1</sup></b>	£39.2	£13.2	197%
<b>Statutory Profit before tax</b>	£34.4	£11.1	210%
<b>Customer NIM</b>	2.21%	2.19%	2bp
<b>Customer NIM + fees</b>	2.67%	2.69%	(2bp)
<b>Net interest margin</b>	1.82%	1.97%	(15bp)
<b>Underlying EPS- basic</b>	32.6p	11.7p	179%
<b>Underlying EPS- diluted</b>	31.8p	11.5p	177%

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

**Craig Donaldson, Chief Executive Officer at Metro Bank said:**

“The first nine months of 2018 show another strong performance from Metro Bank. We delivered double digit growth in deposits, record lending growth year-on-year and for the fourth successive quarter exceeded £1 billion in net lending. Profit trebled to £39.2 million and we welcomed over 300,000 new customer accounts to the Revolution.

“Our integrated, frictionless model – stores, online, mobile and phone – combined with superior service is a winning formula for our customers. We have continued to invest in our mobile services and have harnessed the power of Artificial Intelligence with the launch of our new Insights tool. Our commitment to service remains as strong as ever and it was fantastic to have that validated by the inaugural CMA survey in August. We were second for overall service quality in both personal and business banking, and the only provider to be ranked top five for qualifying business and personal services.”

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

“Since we opened the doors to our first store in July 2010 we have transformed Metro Bank from a vision to over £20 billion in assets, from a single store to a network of 60 and from the first customer to over 1.5 million customer accounts. This year we brought the Revolution further west with our new store in Bristol and reached FANS across the UK with our current account online.”

**Financial highlights for the nine months ended 30 September 2018**

**Deposits**

**M** Total deposits increased to £14,813m as at 30 September 2018, up from £13,736m at 30 June 2018 and £10,760m at 30 September 2017; representing year-on-year growth of 38% and 8% growth last quarter. Deposits from business and commercial customers continue to show the fastest growth, representing 54% of total deposits as of 30 September 2018 (30 September 2017: 53%). In the quarter, demand savings accounts performed strongly following the base rate increase in August.

<i>£ in millions</i>	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>Change From Q3 17</b>	<b>30 June 2018</b>	<b>Change From H1 18</b>
Demand: current accounts	£4,502	£3,274	38%	£4,238	6%
Demand: savings accounts	£6,810	£5,113	33%	£6,155	11%
Fixed term: savings accounts	£3,501	£2,373	48%	£3,343	5%
<b>Deposits from customers</b>	<b>£14,813</b>	<b>£10,760</b>	<b>38%</b>	<b>£13,736</b>	<b>8%</b>

*Deposits from customers includes:*

Deposits from retail customers	£6,768	£5,108	32%	£6,381	6%
Deposits from business and corporate customers	£8,045	£5,652	42%	£7,355	9%

**M** Net deposit growth per store per month of £6.2m in Q3 2018, £6.3m in the nine months to 30 September 2018, representing annualised deposit growth per store of £75.6m (\$98.3m) .

**M Cost of deposits was 61bps in Q3 2018, an increase from 59bps in Q2 2018. Cost of deposits for the nine month period to 30 September 2018 was 59bps**, owing to the base rate rise from 0.50% to 0.75% in August which led to an increase in rates offered to depositors with variable rate accounts in September.

**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 33% as of 30 September 2018.

## Loans

**M Total net loans as of 30 September were £13,121m, up from £12,013m at 30 June 2018 and £8,608m at 30 September 2017; an increase of 52% year-on-year, and a 9% increase in the quarter.** Loans to commercial customers have remained stable, representing 32% of total lending as of 30 September 2018 (30 September 2017: 34%).

<i>£ in millions</i>	30 September 2018	30 September 2017	Change From Q3 17	30 June 2018	Change From H2 18
<b>Gross Loans and advances to customers</b>	£13,152	£8,620	53%	£12,053	9%
Less: allowance for impairment <sup>2</sup>	£(31)	£(12)	158%	£(40)	(23%)
<b>Net Loans and advances to customers</b>	£13,121	£8,608	52%	£12,013	9%
<i>Gross loans and advances to customers includes:</i>					
Commercial loans	£4,166	£2,909	43%	£3,905	7%
Residential mortgages	£8,715	£5,503	58%	£7,889	10%
Consumer and other loans and advances	£271	£208	30%	£259	5%

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

**M Loan to deposit ratio increased to 89% (30 June 2018: 87%)** driven by our fourth successive quarter of £1bn+ lending growth.

**M Asset quality remains strong as we grow.** Non-performing loans reduced to 0.15% of the portfolio (30 June 2018: 0.17%). Cost of risk remained low at 0.07% in the nine months to 30 September 2018 (nine months to 30 September 2017: 0.10%). The impairment allowance increased year-on-year owing to the adoption of IFRS 9 in January 2018.

## Profit and Loss Account

**M Underlying profit before tax has grown 197% year-on-year to £39.2m for the nine months to 30 September 2018, up from £13.2m in the same period last year.** Statutory profit after tax of £25.1m has grown 222% compared to £7.8m for the nine months to 30 September 2017. Third quarter 2018 underlying profit before tax at £15.1m is up 7% quarter-on-quarter and more than doubled compared with the same period last year.

- M Cost:Income ratio has remained flat at 84% quarter-on-quarter** as the bank absorbed a full quarter of debt servicing costs relating to the Tier 2 issuance in June.
- M Customer net interest margin showed a slight increase in the quarter to 2.21% from 2.20% in the second quarter (nine months to 30 September 2017: 2.19%).** Whilst we continue to manage the cost of deposits, competition in residential mortgages continues to exert pressure on asset yields which has slowed margin progress. However, we continue to lend into low-risk assets which management believes will preserve Cost of Risk in the long term.
- M Customer net interest margin plus fees increased slightly to 2.66% in the quarter from 2.65% in the second quarter.**

## Capital

- M Capital ratios remain robust.** Common Equity Tier 1 Capital (“CET1”) of £1,164m as at 30 September 2018 is 15.7% as a percentage of risk weighted assets, currently exceeding our Tier 1 regulatory minimum of 9.7%<sup>3</sup>. This was supported by the completion of a £303m equity raise in July. Risk weighted assets at 30 September 2018 were £7,398m. The Regulatory Leverage ratio is 5.7%. Our total capital as a percentage of risk weighted assets is 19.1%.

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

## Customer Experience

- M Surpassed 1.5 million customer accounts,** increasing from 1,418,000 at 30 June 2018 to 1,520,000 at 30 September 2018; a quarterly net increase of 102,000.
- M Achieved second place for overall quality of service among both business and personal customers in the Competition and Markets Authority’s (CMA) inaugural service quality rankings.** Awarded first place for store and overdraft services among Personal Current Account customers, and the only provider to be ranked in the top five for all qualifying business and personal services.
- M Expanded the network** with store openings in Southampton, Oxford, Bristol and, most recently, our 60<sup>th</sup> store in Bath on 19<sup>th</sup> October. The Bristol site also includes the latest regional training hub, reflecting our dedication to developing colleagues as we expand. A total of nine stores are currently in build from Ashford to Birmingham.
- M Launched Insights,** our app-based Artificial Intelligence powered money management tool, as we continue to develop the customer experience across all channels.

## Outlook

- M Nine month and third quarter 2018 results demonstrate continued growth across Metro Bank.** Recent competitive trends in the mortgage market, however, have persisted despite the base rate increase in August as we have continued to focus on high quality growth of low risk assets.
- M Our bid application for the RBS alternative remedies package** is ready to submit once the process commences in November as reported at the half year.

**M** There is no update to the AIRB application for residential mortgages submitted earlier this year and we still expect an outcome in 2H19.

**M** We remain intensely focused on our 2020 targets and the long term growth of the bank.

## Metro Bank PLC

### Summary Balance Sheet and Profit & Loss Account

(Unaudited)

Balance Sheet	Annual Growth Rate	2018		2017
		30-Sep £'m	30-Jun £'m	30-Sep £'m
<b>Assets</b>				
Loans and advances to customers	52%	13,121	12,013	8,608
Treasury assets <sup>4</sup>		6,698	6,453	5,393
Other assets <sup>5</sup>		748	669	573
<b>Total assets</b>	41%	<b>20,567</b>	<b>19,135</b>	<b>14,574</b>
<b>Liabilities</b>				
Deposits from customers	38%	14,813	13,736	10,760
BoE funding scheme drawings		3,801	3,801	2,123
Debt securities		249	249	-
Other liabilities		300	252	598
<b>Total liabilities</b>		<b>19,163</b>	<b>18,038</b>	<b>13,481</b>
<b>Total shareholder's equity</b>		<b>1,404</b>	<b>1,097</b>	<b>1,093</b>
<b>Total equity and liabilities</b>		<b>20,567</b>	<b>19,135</b>	<b>14,574</b>

<sup>4</sup> Comprises investment securities, cash & balances with the Bank of England, and loans and advances to banks

<sup>5</sup> Comprises property, plant & equipment, intangible assets and other assets

Profit & Loss Account-Nine month YTD	Annual Growth Rate	Nine months to 30 September	
		2018 £'m	2017 £'m
Net interest income		241.1	171.7
Fee and other income		45.0	35.2
Net gains on sale of assets		8.7	2.3
<b>Total revenue</b>	41%	<b>294.8</b>	<b>209.2</b>
Operating costs	31%	(249.6)	(191.0)
Credit impairment charges		(6.0)	(5.0)
<b>Underlying profit before tax</b>	197%	<b>39.2</b>	<b>13.2</b>
Underlying taxation		(9.4)	(3.5)
<b>Underlying profit after tax</b>	207%	<b>29.8</b>	<b>9.7</b>

Listing and related costs		(0.8)	(1.1)
FSCS levy (net of tax)		(0.3)	(0.4)
Impairment of property plant & equipment and intangible assets		(1.7)	(0.4)
Costs relating to RBS alternative remedies package application		(1.9)	-
<b>Statutory profit after tax</b>	<b>222%</b>	<b>25.1</b>	<b>7.8</b>
<b>Underlying earnings per share - basic</b>		32.6p	11.7p
<b>Underlying earnings per share - diluted</b>		31.8p	11.5p

<b>Profit &amp; Loss Account-Quarterly</b>	<b>Annual Growth Rate</b>	<b>2018</b>		<b>2017</b>
		<b>Q3</b>	<b>Q2</b>	<b>Q3</b>
		<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Net interest income		84.8	81.3	64.3
Fee and other income		16.2	14.7	12.9
Net gains on sale of assets		4.0	2.0	0.9
<b>Total revenue</b>	<b>34%</b>	<b>105.0</b>	<b>98.0</b>	<b>78.1</b>
Operating costs	<b>26%</b>	(87.9)	(82.1)	(69.6)
Credit impairment charges		(2.0)	(1.8)	(1.3)
<b>Underlying profit before tax</b>	<b>110%</b>	<b>15.1</b>	<b>14.1</b>	<b>7.2</b>
Underlying taxation		(3.5)	(3.7)	(1.9)
<b>Underlying profit after tax</b>	<b>119%</b>	<b>11.6</b>	<b>10.4</b>	<b>5.3</b>
Listing and related costs		(0.2)	(0.2)	(0.3)
FSCS levy (net of tax)		0.3	(0.5)	0.1
Impairment of property plant & equipment and intangible assets		(1.2)	(0.1)	(0.4)
Costs relating to RBS alternative remedies package application		(0.5)	(0.8)	-
<b>Statutory profit after tax</b>	<b>113%</b>	<b>10.0</b>	<b>8.8</b>	<b>4.7</b>
<b>Underlying earnings per share - basic</b>		11.9p	11.8p	6.3p
<b>Underlying earnings per share - diluted</b>		11.6p	11.5p	6.2p
<b>Net interest margin (NIM)</b>		1.77%	1.85%	1.94%
<b>Customer NIM</b>		2.21%	2.20%	2.22%
<b>Customer NIM + Fees</b>		2.66%	2.65%	2.72%
<b>Underlying cost:income ratio</b>		84%	84%	89%

### **Analyst and investor call**

An analyst and investor call will be held as follows:

Date: Wednesday October 24 2018  
Time: 2.00pm (BST)  
From the UK dial: 0800 358 9473 (Toll Free)  
From the US dial: +1 855 85 70686 (Toll Free)  
Participant Pin: 96838618#  
URL for other international dial in numbers:  
[http://events.arkadin.com/ev/docs/NE\\_W2\\_TF\\_Events\\_International\\_Access\\_List.pdf](http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf)  
An operator will assist you in joining the call.

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## **About Metro Bank**

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

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

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

The bank employs over 3,500 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](http://www.fscs.org.uk).

All Metro Bank products are subject to status and approval.