

METRO BANK REPORTS 33% QUARTERLY GROWTH IN UNDERLYING PROFIT BEFORE TAX AND RECORD £1.1 BILLION INCREASE IN DEPOSITS

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

Q1 Highlights

- Record deposit growth in the quarter which exceeded £1bn for the first time.
- Deposits up 13% quarter-on-quarter to £9.0b (\$11.4b) whilst cost of deposits dropped from 66bp in Q4 2016 to 61bp in Q1 2017.
- Record net deposit growth per store per month of £7.4m (\$9.3m) in Q1 2017 versus £5.0m (\$6.3m) in Q4 2016. Annualised this represents deposit growth per store of £89m (\$112m).
- Lending up 11%, quarter-on-quarter to £6.5b (\$8.2b)
- Underlying profit before tax¹ at £2.0m (£1.5m in Q4 2016).
- Record 72,000 increase in customer accounts to 987,000.

Note: All figures contained in this trading update are unaudited. All figures in US\$ have been translated at a rate of \$1.26 to the £.

<i>Quarter ending £ in millions</i>	31 Mar 2017	31 Dec 2016	Change in Quarter	31 Mar 2016	Change in Year
Assets	£11,624	£10,057	16%	£7,388	57%
Loans	£6,482	£5,865	11%	£4,129	57%
Deposits	£9,010	£7,951	13%	£5,898	53%
Loan to Deposit ratio	72%	74%		69%	
Underlying Profit/(Loss) before tax	£2.0	£1.5	33%	(£9.6)m	n/a
Total Revenue	£61.9	£57.6	7%	£37.7	64%
Net interest margin	2.02%	2.03%		1.96%	
Underlying Profit/(Loss) after tax per share - basic	1.9p	1.6p	19%	(13.0)p	n/a
Underlying Profit/(Loss) after tax per share - diluted	1.8p	1.6p	13%	(13.0)p	n/a

Craig Donaldson, Chief Executive Officer at Metro Bank said:

“This is another great quarter for Metro Bank, and the results are a testament to the strength of the model and our focus on the integration of stores and technology to create FANS. We have now delivered three consecutive quarters of profitability and for the first time have

¹ Underlying profit/(loss) before tax excludes listing related costs, FSCS levy and impairment of property, plant & equipment and intangible assets. The statutory profit after tax in the quarter is set out on page 4.

exceeded £1 billion net growth in deposits in a single quarter whilst also reducing the cost of those deposits. We have seen double digit growth in lending (11%) and attracted an additional 72,000 accounts, taking us to 987,000 customer accounts across the bank.

“We continue to grow the business, and remain on track to open a further ten stores before the year end. Our business continues to deliver across all areas – Retail, Business, Commercial and Private – and our model, culture and focus on creating FANS remains a compelling alternative for consumers and businesses alike.”

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

“What a superb start to the year for Metro Bank. This quarter saw improved performance on every level, across every measure and best of all, we saw many more FANS opening accounts. Our combination of great online and mobile banking and an exceptional in store experience is making a positive difference to our customers. Metro Bank remains a revolution in British banking, championing the right of every customer to receive service and convenience tailored to their needs.”

Highlights for the Quarter Ended 31 March 2017

- IM As of 31 March total assets were £11,624m, up from £10,057m at 31 December 2016 and £7,388m at 31 March 2016; representing 16% growth in the quarter and year-on-year growth of 57%.**
- IM The loan to deposit ratio increased year-on-year to 72% (31 March 2016: 69%).**
- IM Record net deposit growth per store per month of £7.4m (\$9.3m) in Q1 2017 versus £5.0m (\$6.3m) in Q4 2016, and £6.6m (\$8.3m) in Q1 2016 due to an exceptionally strong quarter. This represents annualised deposit growth per store of £89m (\$112m).**
- IM Comparative store deposit growth (a measure of deposit growth using deposit numbers from stores that have been operating for more than a full year) is 50%.**
- IM As of 31 March total deposits were £9,010m, up from £7,951m at 31 December 2016 and £5,898m at 31 March 2016; representing 13% growth in the quarter and year-on-year growth of 53%. Deposits for the first quarter grew by £1.1bn. Deposits from commercial customers represent 50% of 31 March 2017 total deposits (31 December 2016: 50%).**

<i>£ in millions</i>	31 Mar 2017	31 Dec 2016	Change in Quarter	31 Mar 2016	Change in Year
Demand: non-interest bearing	£2,582	£2,282	13%	£1,587	63%
Demand: interest bearing	£4,224	£3,513	20%	£2,476	71%
Fixed term	£2,204	£2,156	2%	£1,835	20%
Deposits from customers	£9,010	£7,951	13%	£5,898	53%
<i>Deposits from customers includes:</i>					
Deposits from retail customers	£4,464	£3,945	13%	£2,775	61%
Deposits from corporate customers	£4,546	£4,006	13%	£3,123	46%

IM Cost of deposits in Q1 was 61bps, a reduction from 66bps in Q4 2016. This reflects management actions with regards to deposit re-pricing, and strong growth in current accounts.

IM Total net loans as of 31 March were £6,482m, up from £5,865m at 31 December 2016 and £4,129m at 31 March 2016; an increase of 11% in the quarter and 57% year-on-year. Loans to commercial customers represent 35% of total lending as of 31 March 2017 (31 December 2016: 36%).

<i>£ in millions</i>	31 Mar 2017	31 Dec 2016	Change in Quarter	31 Mar 2016	Change in Year
Gross Loans and advances to customers	£6,491	£5,872	11%	£4,136	57%
Less: allowance for impairment	£(9)	£(7)	29%	£(7)	28%
Net Loans and advances to customers	£6,482	£5,865	11%	£4,129	57%
<i>Gross loans and advances to customers includes:</i>					
Commercial loans	£2,276	£2,087	9%	£1,428	59%
Residential mortgages	£4,023	£3,604	12%	£2,566	57%
Consumer and other loans and advances	£192	£181	6%	£142	35%

IM Asset quality remains strong. Non-performing loans were 0.18% of the portfolio and the loan loss reserve as a percentage of non-performing loans was 77% at 31 March 2017. Cost of risk remained low and stable in Q1 2017 at 0.11% compared to 0.11% in Q4 2016 and 0.10% for the full year to 31 December 2016.

IM Capital ratios remain robust and well above regulatory requirements. Common Equity Tier 1 Capital (“CET1”) as a percentage of risk weighted assets is 15.9%. The Regulatory Leverage ratio is 5.6%. A move towards the advanced risk based (AIRB) approach in the medium term presents the opportunity to achieve greater capital efficiency.

IM Customer acquisition continues to be strong. Customer accounts have increased from 915,000 on 31 December 2016 to 987,000 at 31 March 2017; a record quarterly net increase of 72,000 accounts. This represents an increase of an 8% in the quarter and 38% year-on-year.

IM Underlying profit before tax has improved by 33% quarter-on-quarter to £2.0m from £1.5m in Q4 2016 (compared to a loss of £9.6m in Q1 2016).

IM Our positive P&L “jaws” continued with Total Revenue up 64% year-on-year and Operating expenses up 26%.

IM We will strengthen our network with a further ten new stores in 2017 as we continue to in-fill and expand our reach.

IM We remain confident in our ability to deliver a full year of profitability in 2017 and to achieve our 2020 guidance. Our disruptive model continues to go from strength to strength.

Metro Bank PLC

Balance Sheet and Profit & Loss Account

(Unaudited)

Balance Sheet	Annual Growth Rate	2017		2016	
		31-Mar	31-Dec	31-Mar	31-Mar
		£'m	£'m	£'m	£'m
Assets					
Loans and advances to customers	57%	6,482	5,865	4,129	
Treasury assets ¹		4,637	3,727	2,906	
Other assets ²		505	465	353	
Total assets	57%	11,624	10,057	7,388	
Liabilities					
Deposits from customers	53%	9,010	7,951	5,898	
Deposits from banks		1,235	543	-	
Other liabilities		571	759	691	
Total liabilities		10,816	9,253	6,589	
Total shareholder's equity		808	804	799	
Total equity and liabilities		11,624	10,057	7,388	
Profit & Loss Account					
	Annual Growth Rate	2017		2016	
		Q1	Q4	Q1	Q1
		£'000	£'000	£'000	£'000
Net interest income		50,446	46,651	30,507	
Fee and other income		10,892	10,470	7,240	
Net gains on sale of securities		598	525	40	
Total revenue	64%	61,936	57,646	37,787	
Operating expenses	26%	(58,403)	(54,585)	(46,236)	
Credit impairment charges		(1,560)	(1,577)	(1,113)	
Underlying profit/(loss) before tax	n/a	1,973	1,484	(9,562)	
Underlying taxation		(485)	(285)	1,617	
Underlying profit/(loss) after tax	n/a	1,488	1,199	(7,945)	
Listing and related costs		(353)	(568)	(3,107)	
FSCS levy (net of tax)		(48)	-	-	
Statutory profit/(loss) after tax	n/a	1,087	631	(11,052)	

¹ Comprises investment securities, cash & balances with the Bank of England, and loans and advances to banks

² Comprises property, plant & equipment, intangible assets and other assets

Analyst and investor call

An analyst and investor call will be held as follows:

<p>Date: Wednesday 26th April 2017 Time: 2.00pm (BST) From the UK dial: 0808 237 0030 (Toll Free) From the US dial: 866 928 7517 (Toll Free) Participant Pin: 61414746# 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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ENDS

About Metro Bank

Retail banking:

- 7 day a week store banking (8am-8pm Monday to Friday, 8am-6pm Saturday, 11am-5pm Sunday and bank holidays), 362 days of the year
- The ultimate in new account opening convenience, with a rapid opening procedure and on the spot bank cards and cheque books (Account Opening conditions apply. All Metro Bank products are subject to status and approval.)
- Offering customers their channel of choice - with real time processing enabling real time fulfilment.
- All stores offer free coin counting, for customers and non-customers alike, with the Metro Bank Magic Money Machine™, as well as Safe Deposit Boxes of varying sizes for customers to store their valuables.
- A friendly welcome to dogs and their owners, with water bowls and dog biscuits on hand for man's best friend - dogs rule at Metro Bank!

Business and Commercial banking:

- Metro Bank offers tailored business banking services including a full range of lending and cash management solutions, with customers supported by locally-based relationship, product and credit teams
- A dedicated team of relationship managers provide industry-specific guidance, with sector experts covering healthcare; hospitality and leisure; property; charities and not-for-profit; inwards investment; and financial services
- Forward thinking combined with traditional banking values gives customers a single point of contact to support them with all their banking needs
- Simple and transparent lending means customers have direct access to the bank's underwriters

Private banking:

- Private by name, personal by nature: Metro Bank Private Banking provides bespoke banking solutions for customers' personal and commercial interests

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We're 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.

Forward looking statements

This announcement may include statements that are, or may be deemed to be, forward-looking statements. Forward-looking statements typically use terms such as "believes", "projects", "anticipates", "expects", "intends", "plans", "may", "will", "would", "could" or "should" or similar terminology. Any forward-looking statements in this announcement are based on the Company's current expectations and, by their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control, that could cause the Company's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements. As a result, you are cautioned not to place undue reliance on such forward-looking statements. Past performance should not be taken as an indication or guarantee of future

results, and no representation or warranty, expressed or implied, is made regarding future performance.

No assurances can be given that the forward-looking statements in this announcement will be realised. The Company undertakes no obligation to release the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement and the Company disclaims any such obligation.