Metro Bank Holdings PLC

Interim report for the half year ended 30 June 2024

Contents

Forward looking statements

This interim report contains 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 interim report are based on Metro Bank Holdings PLC's ("the Group", "the Bank", "we" or "our") current expectations. By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, that could cause our 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 interim report will be realised. We undertake no obligation to release the results of any revisions to any forward-looking statements in this interim report that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement and we disclaim any such obligation

Basis of preparation

Financial information in this interim report is prepared on a statutory (taken from our financial statements) and underlying basis (which we use to assess performance on a management basis). Further details on how we calculate underlying performance, as well as our other alternative performance measures can be found on pages 41 to 43.

Summarised interim results

	Half year to 30 Jun 2024	Half year to 31 Dec 2023	Change	Half year to 30 Jun 2023	Change
Profit and loss					
Underlying (loss)/profit before tax[1]	**(£26.8m)**	(£33.0m)	(19%)	£16.1m	(266%)
Statutory (loss)/profit before tax	**(£33.5m)**	£15.1m	(322%)	£15.4m	(318%)
Total income (statutory)	**£236.1m**	£362.5m	(35%)	£286.4m	(18%)
Total operating expenses (statutory)	**£263.4m**	£325.5m	(19%)	£259.7m	1%
Net interest margin[2]	**1.64%**	1.85%	(21bps)	2.14%	(50bps)
Cost of deposits[2]	**2.18%**	1.29%	89bps	0.66%	152bps
Return on tangible equity	**(4%)**	2%	(6pps)	2%	(6pps)
	30 Jun 2024	**31 Dec 2023**	**Change**	**30 Jun 2023**	**Change**
Balance sheet					
Customer deposits	**£15,726m**	£15,623m	1%	£15,529m	1%
Customer loans	**£11,543m**	£12,297m	(6%)	£12,572m	(8%)
Loan to deposit ratio[2]	**73%**	79%	(6pps)	81%	(8pps)
Total assets	**£21,489m**	£22,245m	(3%)	£21,747m	(1%)
Tangible book value per share	**£1.37**	£1.40	(2%)	£4.42	(69%)
Asset quality					
Coverage ratio[2]	**1.67%**	1.59%	8bps	1.54%	13bps
Cost of risk[2]	**0.10%**	0.34%	(24bps)	0.18%	(8bps)
Capital ratios					
Common Equity Tier 1 (CET1) ratio	**12.9%**	13.1%		10.4%	
Total capital ratio	**15.0%**	15.1%		13.2%	
Total regulatory capital plus MREL ratio	**22.2%**	22.0%		18.1%	
Regulatory leverage ratio	**5.5%**	5.3%		4.4%	
Customer metrics					
Customer accounts	**3.0m**	3.0m		2.8m	
Stores	**76**	76		76	

1. Underlying (loss)/profit before tax is an alternative performance measure and excludes items considered to distort period-on-period comparisons, in order to provide readers with a better and more relevant understanding of the underlying trends in the business. A reconciliation between our statutory and underlying results can be found on page 43.

2. Alternative performance measures are defined on page 41

Officers and external auditors

For the half year ended 30 June 2024

Board of Directors

Executive Directors

Daniel Frumkin
Chief Executive Officer

Cristina Alba Ochoa
Chief Financial Officer

Non-executive Directors

Robert Sharpe
Chair

Catherine Brown
Independent Non-Executive Director

Paul Thandi CBE
Independent Non-Executive Director

Non-executive Directors

Michael Torpey
Independent Non-executive Director

Nicholas Winsor MBE
Independent Non-Executive Director and Designated Non-Executive Director for Colleague engagement

Dorita Gilinski
Shareholder-Nominated Non-Executive Director

Company Secretary

Clare Gilligan
Company Secretary

Key to Committees: A Audit N Nomination P People and Remuneration R Risk Oversight

Independent auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Business review

We have made significant progress in the first half of the year in creating a simpler, more agile Bank that is fit for the future. Our half year results are on track and reflect a period of transition, as we continue the strategic pivot towards corporate, commercial and SME lending and the specialist mortgages sector – a compelling opportunity in an underserved area of the market.

During the period we have taken action to reposition our balance sheet, streamline and refresh our offering, and strengthen our people-people banking and relationship-led services in areas that our FANS value the most.

We have also maintained tight control of costs, whilst driving efficiencies across the business. During Q1 2024 we delivered £50 million of annualised cost savings, and the Bank remains on track to deliver a further £30 million of run rate cost savings by Q4 2024.

Our capital and liquidity position remains robust, with the recent announcement post-period end with the sale of £2.5 billion of residential mortgages. This transaction will be earnings, NIM and capital ratio accretive, whilst creating additional lending capacity to enable the bank to continue shifting into higher yielding assets. Successful operational execution combined with the benefits of the mortgage sale have resulted in an upgrade to our guidance:

- Expect return to profitability during Q4 2024
- RoTE increased to mid to upper single digit in 2025, double digit in 2026 and mid to upper teens thereafter
- Continued NIM expansion driven by asset rotation, and expect exit run rate NIM in 2024, 2025 and 2026 to be approaching 2.5%, 3.25% and 4.00%, respectively
- Continued cost discipline and control, with cost to income ratios in 2026, 2027 and 2028 to be approaching 70%, 60% and 50%, respectively

Progress on strategic priorities

Revenue: Driving new business

Total underlying revenue decreased half-on-half by 10% to £234.0 million. This reflects a decline in both Net Interest Income (NII) and fees and other income, driven by a decrease in lending balances as we reposition the balance sheet, and an elevated cost of deposits.

Following our successful deposit campaign at the end of 2023, a decline in balances was expected as we reduce rates to optimise our deposits and cost of funding and refocus towards corporate, commercial and SME lending and specialist mortgages. However, lending yields are strong (5.18%) and improving (up c.68bps), which demonstrates the effectiveness of our strategy.

Cost: Improving efficiency

We continue to take a disciplined approach to costs, with underlying costs down in the first half of the year, despite inflationary pressures. We have made significant progress in managing costs and driving efficiencies, with total operating expenses down 6% or £17 million half-on-half to £255 million.

We have delivered £50 million of annualised cost savings in Q1 2024, including the difficult decision to reduce headcount by over 1000 colleagues. We have also repositioned our store and call centre propositions, adapting to customer usage patterns, and we have enhanced cost control frameworks. With continued focus on cost discipline and control, we are on track to deliver a further £30 million of run rate cost savings by Q4 2024.

Infrastructure: Building for the future

Over the last six months, we've strategically invested in platforms and capabilities to support our growth. Our redesigned store offering empowers colleagues to drive growth in the corporate, commercial and SME segments. We are on track to continue our store openings in the North of England, with new stores planned for Chester and Gateshead in Q2 2025.

We have streamlined our proposition to improve efficiency and the customer experience. Backend processes, particularly around lending and digital customer onboarding, have also been improved to expedite key customer interactions and drive growth. Additionally, we have built new products and platforms, such as online chat functionality, to provide customers with more ways to engage with us.

Balance sheet optimisation: Maximising opportunities

Following our successful deposit campaign in Q4 2023, significant progress has been made in continuing to reduce cost of funds. Customer deposits of £15.7 billion at 30 June 2024, were down £0.8 billion on the February 2024 peak of £16.5 billion (31 December 2023: £15.6 billion), reflecting the deliberate focus in reducing liquidity and cost of deposits.

The recently announced £2.5 billion mortgage sale creates additional lending capacity to enable the bank to continue its rotation towards higher yielding lending. Encouragingly, the Commercial lending pipeline for H2 is up 116% compared to all new lending in 2023, highlighting our early success in shifting towards corporate, commercial and SME lending and specialist mortgages.

Business review continued

Communications: Empowering our communities

We continue to focus on engaging our colleagues, communities, and other stakeholders. Our focus on delivering excellent customer service is reflected in the latest Independent Competition and Markets Authority (CMA) survey where we retained the number one spot for in-store service for business customers, sharing the top spot for in-store service for personal customers. We remain committed to maintaining a physical presence and ensuring that stores remain both accessible and at the heart of local communities.

Despite > 1000 colleagues leaving the business we continue to create an environment where colleagues can grow their careers and thrive. We continue to focus on our culture of promoting from within. Given our strategic focus to pivot towards corporate, commercial and SME lending and specialist mortgages, our key focus has remained in actively hiring in the Corporate and Commercial areas, to continue growth in the business.

Additionally, our ongoing partnership with England and Wales Cricket Board supporting and empowering women's and girls' cricket, has been a fantastic way to expand our reach and exposure; supporting the development of women's and girls' cricket both at a national and community level, with the aim of delivering a lasting legacy for female representation in the sport. The partnership includes the sponsorship of key sporting events including the Women's Ashes where we continue to be the title partner.

Capital: Creating a strong basis for growth

Our capital position remains robust, with the Bank's MREL ratio 22.2% as at 30 June 2024, up 20bps from 22.0% as at 31 December 2023. Pro forma, post completion of the residential mortgage portfolio sale, our total capital plus MREL ratio will stand at 23.4%, with the additional lending capacity provided by this sale will enabling us to continue our shift into high yielding assets in niche and underserved markets and become a specialist lender of choice.

Outlook: Operational execution and completing mortgage sale allows Upgraded Guidance

Moving forward, market conditions are expected to remain favourable, with interest rates likely to stay higher for longer, a soft landing for house prices, and a gradual economic recovery. Our strategic focus on operational efficiency, customer-centricity, and a differentiated store network remains the right course. We are confident this strategy will continue to deliver increased profitability. With a strong capital base, a growing customer base, and a clear path for future growth, Metro Bank is well-positioned to capitalise on the opportunities ahead.

Daniel Frumkin
Chief Executive Officer
30 July 2024

Finance review

The first half of 2024 has seen the Bank focus on transforming to a more efficient operating model and identify opportunities for growth in the specialist lending market. We have taken active measures to reduce our cost of deposits whilst maintaining strong liquidity and have the ability to grow net interest margin through active steps to reposition our loan book.

The bank recognised a £33.5 million statutory loss before tax in the half year to 30 June 2024 (half year to 31 December 2023: £15.1 million profit before tax; half year to £30 June 2023: £15.4 million profit before tax), reflecting net interest and cost of funding challenges, as well as H2 2023 benefiting from a gain of £74 million as a result of the capital raise and refinancing undertaken in that period.

Underlying loss before tax of £26.8 million (half year to 31 December 2023: loss £33.0 million; half year to 30 June 2023: profit £16.1 million) is primarily driven by a lower net interest margin due to a transient higher cost of deposits following the successful deposit campaign in Q4 2023.

On 26 July 2024, we announced that we have entered agreement to sell a portfolio of approximately £2.5 billion prime residential mortgages to NatWest Group PLC for cash consideration of up to £2.4 billion.

The sale of the Portfolio is in line with Metro Bank's strategy to reposition its balance sheet and enhance risk-adjusted returns on capital. The transaction is earnings, NIM and capital ratio accretive, and the sale creates additional lending capacity to enable Metro Bank to continue its asset rotation towards higher yielding commercial, corporate, SME lending and specialist mortgages.

Income statement review

Net interest income

Net interest income has fallen by £18.5 million to £171.9 million in the half year to 30 June 2024 (half year to 31 December 2023: £190.4 million; half year to 30 June 2023: £221.5 million).

The launch of limited-edition savings products in the second half of 2023 in response to falling deposit balances and media speculation around our capital position in October 2023 has increased our cost of deposits to 2.18% in the half year to 30 June 2024 (half year to 31 December 2023: 1.29%, half year to 30 June 2023: 0.66%).

This has suppressed net interest income in the first half of 2024; however, the cost of deposits is expected to fall in the second half of the year as we continue to focus on building relationship deposits, which reduces the cost of funds.

The increased cost of deposits was offset by climbing loan yields; we continue to see effective asset rotation from low to high yield as consumers refix their mortgages in the higher interest rate environment.

As well as the maturation of investments which are reinvested into higher yielding treasury assets. Surplus cash generated from our elevated liquidity position has been deployed into low-risk liquid investments to generate positive net income.

The increased deposit pressure is reflected in our net interest margin which fell to 1.64% in the half year to 30 June 2024 (half year to 31 December 2023: 1.85%; half year to 30 June 2023: 2.14%).

The shift in focus to higher yielding specialist lending, alongside active measures implemented to reduce the cost of deposits will allow the Bank to grow net interest income and achieve sustainable profitability.

General operating expenses

Total underlying operating expenses have decreased to £254.6 million in the half year to 30 June 2024 (half year to 31 December 2023: £272.0 million; half year to 30 June 2023: £258.2 million), reflecting the achievement of the £50m annualised cost savings promised to be achieved in Q1 2024 as we move to a more efficient and scalable business model.

Despite inflationary pressures, the initiatives implemented to date have reduced the Bank's cost base, primarily in the people costs expense which has decreased by £10.2 million to £110.6 million in the half year to 30 June 2024 (half year to 31 December 2023: £120.8 million; half year to 30 June 2023: £120.4 million).

People cost continues to form the biggest expense for the Bank, and we will see further cost reduction as the full benefits of our restructure are realised in the second half of the year.

The Bank continues to invest into cost saving initiatives; this has seen an increase in transformation expenses in the short term but is expected to be outstripped by wider cost savings in the near term.

Expected credit losses

The expected credit loss expense fell to £6.2 million in the half year to 30 June 2024 (half year to 31 December 2023: £21.9 million, half year to 30 June 2023: 11.3 million).

The decrease in charge reflects improved performance in our commercial portfolios as businesses remain resilient to the economic conditions, this improved performance has led to the ECL releases in the period.

Our exit from the unsecured consumer market has also reduced our exposure to ECL charges in this sector, our existing book has seen a slight deterioration in quality which is expected and in line with normal portfolio maturation.

Table 1: Summary income statement

	Half year to 30 Jun 2024 (unaudited)	Half year to 31 Dec 2023 (unaudited)	Half year to 30 Jun 2023 (unaudited)	Year-on-year change
Underlying net interest income	171.9	190.4	221.5	(22%)
Underlying net non-interest income	62.1	70.5	64.1	(3%)
Total underlying income	234.0	260.9	285.6	(18%)
Underlying operating expenses	(254.6)	(272.0)	(258.2)	(1%)
Expected credit loss expense	(6.2)	(21.9)	(11.3)	(45%)
Underlying (loss)/profit before tax	(26.8)	(33.0)	16.1	(266%)
Non-underlying items	(6.7)	48.1	(0.7)	857%
Statutory (loss)/profit before tax	(33.5)	15.1	15.4	(318%)

Finance review continued

Deposits

The bank remains highly liquid with deposits of £15,726 million at 30 June 2024 (31 December 2023: 15,623 million). The marginal increase reflects our competitive position in the market following the successful deposit campaign in Q4 of 2023. The elevated levels of liquidity have enabled the Bank to implement plans to focus on low-cost relationship deposits to manage down the cost of funding.

Lending

There has been a fall in net lending of £754 million to £11,543 million at 30 June 2024 (31 December 2023: £12,297 million). This reflects the active management of risk weighted assets, our move away from unsecured lending and a pivot towards SME, Commercial and specialist mortgages to optimise risk-adjusted returns on regulatory capital and improved margins.

Residential lending remains the largest form of lending for the Bank and ended the period at £7,512 million (31 December 2023: 7,817 million). Consumer lending fell from £1,297 million at 31 December 2023 to £ 1,003 million at 30 June 2024, reflecting our decision to cease issuing personal loans.

Table 2: Summary balance sheet

	30 Jun 2024 (unaudited) £'million	31 Dec 2023 (audited) £'million	Change
Assets			
Loans and advances to customers	11,543	12,297	(6%)
Treasury assets	8,819	8,770	1%
Other assets	1,127	1,178	(4)%
Total assets	21,489	22,245	(3%)
Liabilities			
Deposits from customers	15,726	15,623	1%
Deposits from central banks	3,050	3,050	-
Debt securities	675	694	(3%)
Other liabilities	934	1,744	(46%)
Total liabilities	20,385	21,111	(3%)
Total shareholders equity	1,104	1,134	(3%)
Total equity and liabilities	21,489	22,245	(3%)

Commercial lending decreased from £3,382 million at 31 December 2023 to £3,224 million at 30 June 2024, with reductions in our professional buy-to-let and real estate lending (from £974 million to £805 million), and run-offs in government supported lending (reduction in bounce back loans from £524 million to £423 million). We are committed to supporting local businesses as we continue to pivot to commercial, corporate and SME lending.

The overall fall in lending balance also reflects the time lag between committing facilities and subsequent draw down, with the market continuing to be competitive in the high-rate environment. The Bank recently entered the Limited Company Buy-to-Let market to broaden the range of products in the specialist lending market.

Wholesale funding and liquidity

The bank remains well funded with a liquidity coverage ratio (LCR) of 365% (31 December 2023: 332%).

The Bank remains deposit funded and continues to utilise the Bank of England Term Funding Scheme and short-term repurchase agreements where necessary; our use of the latter has fallen to £391 million at 30 June 2024 (31 December 2023: 1,191 million).

Table 3: Capital ratios and Requirements

	30 Jun 2024 (unaudited) £'million	Minimum Requirement excluding buffers[1]	Minimum Requirement including buffers[1]
CET1	12.9%	4.7%	9.2%
Tier 1	12.9%	6.3%	10.8%
Total regulatory capital	15.0%	8.4%	12.9%
Total regulatory capital plus MREL	22.2%	16.7%	21.2%

1. Excluding any CRD IV buffers, where applicable.

Capital

We ended the year with CET1, total capital and total capital plus MREL ratios of 12.9%, 15.0% and 22.2% respectively (31 December 2023: 13.1%, 15.1% and 22.0%), above regulatory minima, including CRD IV buffers of 9.2%, 12.9% and 21.2%.

We ended the year with risk-weighted assets of £7,239 million (31 December 2023: £7,533 million), reflecting the active capital management we have delivered since the end of 2023 as well as prudent lending decisions at this stage in the economic cycle.

Basel 3.1

The PRA has published the first of two near-final policy statements covering the implementation of the Basel 3.1 standards. Publication of the remaining elements has been delayed and is now expected in the second half of 2024.

Based on the current rules, and our balance sheet and lending mix at 30 June 2024, we continue not to expect a material change to our capital position on implementation day. We will continue to review the impact as our lending mix evolves over the coming year.

Looking forwards

We have begun the process of transforming into a more efficient organisation and already started delivering cost saving initiatives to help us reach our annualised cost savings target.

Our pivot to becoming a specialist lender is underway, we have launched new products and expect to see an increase in new specialist lending originations in the second half of the year as lending flows through the pipeline.

The decision to sell £2.5bn of retail mortgages will allow us to optimise the Balance Sheet to achieve higher risk-adjusted returns, whilst also providing increased capital whilst we continue to transform the business.

We will continue to put momentum behind both our cost saving initiatives and specialist lending products to ensure the Bank achieves higher margins and sustainable profitability.

Cristina Alba Ochoa
Chief Financial Officer
30 July 2024

Risk review

Consistent with our 2023 Annual Report and Accounts, we continue to identify, define and assess a range of principal risks to which we are exposed, with particular focus on those risks which could result in events or circumstances that might harm our customers, our business model, solvency or liquidity, or reputation. Each principal risk is actively monitored with defined risk appetites and reporting in place to ensure we understand the risks we face.

The Bank's principal risks remain unchanged from the year-ending 2023 as follows:

Financial crime risk
The risk that the Bank's products and service offerings will be used to facilitate financial crime. Financial crime risks include money laundering, violations of sanctions, bribery and corruption, facilitation of tax evasion and terrorist financing.

Credit risk
The risk of financial loss should our borrowers or counterparties fail to fulfil their contractual obligations in full and on time.

Operational risk
The risk that events arising from inadequate or failed internal processes, people and systems, or from external events cause regulatory censure, reputational damage, financial loss, service disruption and/ or detriment to our FANS.

Conduct risk
The risk that our behaviours or actions result in unfair outcomes or detriment to customers and/ or undermines market integrity.

Capital risk
The risk that financial resources are not adequate in terms of capital, or fail to ensure that these resources can cover the nature and level of the risks to which the Bank is or might be exposed.

Model risk
The risk of potential loss and regulatory non-compliance due to decisions that could be principally based on the output of models, due to errors in the development, implementation, or use of such models.

Liquidity and funding risk
The risk that we fail to meet our obligations as they fall due. Funding risk is the risk that we cannot fund assets that are difficult to monetise at short notice (i.e. illiquid assets) with funding that is behaviourally or contractually long-term (i.e. stable funding).

Market risk
The risk of loss arising from movements in market prices. Market risk is the risk posed to earnings, economic value or capital that arises from changes in interest rates, market prices or foreign exchange rates.

Legal risk
The risk of loss, including to reputation, which can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law applies to the Directors, the business, its relationships, processes, products and services.

Strategic risk
The risk of having an insufficiently defined, flawed or poorly implemented strategy, a strategy that does not adapt to political, environmental, business and other developments and/or a strategy that does not meet the requirements and expectations of our stakeholders.

Regulatory risk
The risk of regulatory sanction, financial loss and reputational damage as a result of failing to comply with relevant regulatory requirements.

Amongst these, certain risks have been considered most material over the course of the first half of 2024 and a more detailed update on these is set out below.

Risk review continued

Credit risk[1]

Credit portfolio performance has remained resilient during the first half of 2024. There has been some increase in arrears, but rates broadly align to those observed in the market, and in line with expectations built into impairment and operational forecasts. The external environment continues to be challenging for our customers, but there has been an overall improvement in the macroeconomic forecasts since year end, and the reduction in inflation rate to 2% should start to ease pressure for those customers most impacted by the cost-of-living crisis. The overall impact of risk profile, credit performance and macroeconomic outlook has resulted in a cost of risk ("CoR") of 0.10% (full year to 31 December 2023: 0.26%).

Loans and advances to customers

Gross loans and advances to customers have decreased by £757 million from £12,496 million at 31 December 2023 to £11,739 million at 30 June 2024. Reductions have been observed across all areas with the largest proportional decrease in consumer lending as the RateSetter personal loans portfolio runs off.

Expected credit losses

Expected credit losses ("ECL") have reduced during the year by £3 million to £196 million at 30 June 2024 (31 December 2023: £199 million) predominantly driven by net improvement in the underlying commercial book and improved impact assessment from commercial model changes as model development nears completion and improvements in macroeconomic scenarios partially offset by maturation of the consumer portfolio, and increases in arrears and defaults on retail mortgages. Metro Bank continues to hold overlays to reflect ongoing Macroeconomic uncertainty, high interest rates and the potential for property price falls (see Note 1 - Basis of preparation and accounting policies). More details of overlays held can be found on page 24.

Table 4: Expected credit loss allowance	30 Jun 2024 £'million (unaudited)	31 Dec 2023 £'million (audited)	Change £'million
Retail mortgages	19	19	-
Consumer lending	110	108	2
Commercial lending	67	72	(5)
Total expected credit loss allowances	196	199	(3)

Non-performing loans[2] ("NPLs")

NPLs increased to £440 million (31 December 2023: £389 million) with the overall NPL ratio increasing to 3.75% (31 December 2023: 3.11%). The NPL ratio for mortgages has increased to 2.54% (31 December 2023: 1.87%).The NPL ratio for consumer customers has increased to 8.97% (31 December 2023: 5.94%) driven by the runoff of the portfolio. NPLs have decreased for Commercial due to successful BBLS claims and repayments. However, due to the reduction in overall Commercial lending, the NPL ratio has increased marginally to 4.93% (31 December 2023: 4.91%).

1. Exposures outlined within the Credit risk section do not include Treasury assets.

2. Alternative performance measures are defined on page 41

Table 5: Non-performing loans	30 Jun 2024 (unaudited)		31 Dec 2023 (unaudited)	
	NPLs £'million	NPL ratio %	NPLs £'million	NPL ratio %
Retail mortgages	191	2.54%	146	1.87%
Consumer lending	90	8.97%	77	5.94%
Commercial lending	159	4.93%	166	4.91%
Total	440	3.75%	389	3.11%

Cost of risk

The reduction in CoR is primarily driven by the run off of RateSetter personal loans on consumer lending, a decrease in commercial due to successful BBLS claims and net improvement in the underlying commercial book, partially offset by an increase on retail mortgages due to an increases in arrears and defaults.

Table 6: Cost of risk and coverage ratios	Cost of risk		Coverage ratios	
	Half year to 30 Jun 2024 (unaudited) %	Full year to 31 Dec 2023 (unaudited) %	30 Jun 2024 (unaudited) %	31 Dec 2023 (unaudited) %
Retail mortgages	0.04%	(0.01%)	0.25%	0.24%
Consumer lending	1.39%	3.29%	10.97%	8.33%
Commercial lending	(0.23)%	(0.30%)	2.08%	2.13%
Cost of risk	0.10%	0.26%	1.67%	1.59%

Stage 2 balances

Stage 2 balances are identified using quantitative and qualitative tests that determine the significant increase in credit risk ("SICR") criteria. In addition, customers that trigger the 30 days back stop classification are also reported in Stage 2, in line with IFRS 9 standards.

Table 7: Stage 2 balances[2]	30 Jun 2024 (unaudited)		31 Dec 2023 (unaudited)	
	Gross carrying amount £'million	Loss allowance £'million	Gross carrying amount £'million	Loss allowance £'million
Quantitative	1,175	19	1,353	30
Qualitative	69	4	103	5
30 days past due backstop	45	9	55	8
Total Stage 2	1,289	32	1,511	43

2.Where an account satisfies more than one of the Stage 2 criteria above, the gross carrying amount and loss allowance has been assigned in the order presented. For example, an account that triggers both Quantitative and Qualitative SICR criteria will only be reported as Quantitative SICR.

Stage 2 balances have decreased in the half year to 30 June 2024, with the quantitative SICR criteria continuing to be the primary driver. This is driven by repayments across the portfolios and improvements in macroeconomic outlook have resulted in customers no longer triggering SICR, and consequently transferring back to Stage 1. As at 30 June 2024, 91.1% (31 December 2023: 89.5%) of Stage 2 balances triggered quantitative SICR criteria, 5.4% (31 December 2023: 6.8%) triggered qualitative SICR and the remaining 3.5% (31 December 2023: 3.6%) triggered the 30 days past due backstop criteria.

Risk review continued

Credit risk exposure by internal probability of default (PD) rating

The table below summarises balances by PD bandings and IFRS 9 production stage, at a total bank level. All PDs include forward looking information and are based on 12-month values for all stages. The information in these tables has been presented at a total bank level including BBLS. Overall balances have reduced for bands 1 and 2 driven by improvements in the macroeconomic outlook and repayments. The migration observed to band 3 is driven by BBLS. The majority of BBLS accounts remaining have a PD that sits around the threshold of 17% and they can therefore fluctuate between bands 2 and 3 month on month.

Table 8: Credit risk exposure, by IFRS 9 12-month PD rating and stage allocation

		30 Jun 2024 (unaudited)								
		Gross lending £'million				Loss allowance £'million				
	PD Range %	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Coverage ratio
Band 1	0.00 - 2.99	8,608	457	-	9,065	23	3	-	26	0.29%
Band 2	3.00 - 16.99	1,071	671	-	1,742	27	16	-	43	2.47%
Band 3	17.00 - 99.99	331	161	-	492	2	13	-	15	3.05%
Band 4	100	-	-	440	440	-	-	112	112	25.45%
Total		10,010	1,289	440	11,739	52	32	112	196	1.67%

		31 Dec 2023 (unaudited)								
		Gross lending £'million				Loss allowance £'million				
	PD Range %	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Coverage ratio
Band 1	0.00 - 2.99	8,928	499	-	9,427	29	3	-	32	0.34%
Band 2	3.00 - 16.99	1,664	883	-	2,547	33	27	-	60	2.36%
Band 3	17.00 - 99.99	4	129	-	133	1	13	-	14	10.53%
Band 4	100	-	-	389	389	-	-	93	93	23.91%
Total		10,596	1,511	389	12,496	63	43	93	199	1.59%

Risk review continued

Retail mortgage lending

Mortgage balances have reduced slightly in the first six months of 2024 to £7,512 million at 30 June 2024 (31 December 2023: £7,817 million) with modest balance reductions on the organic book in addition to continued run-off of our legacy acquired portfolios.

Table 9: Residential mortgage lending by repayment type

	30 Jun 2024 (unaudited)			31 Dec 2023 (audited)		
	Retail owner occupied £'million	Retail buy-to-let £'million	Total retail mortgages £'million	Retail owner occupied £'million	Retail buy-to-let £'million	Total retail mortgages £'million
Interest	1,794	1,798	3,592	1,933	1,878	3,811
Capital and interest	3,836	84	3,920	3,918	88	4,006
Total	5,630	1,882	7,512	5,851	1,966	7,817

Average DTV of the portfolio has increased slightly during the first half of 2024 as a result of falling house prices, at 61% at 30 June 2024, (31 December 2023: 58%). Accounts that are 3 or more months in arrears have increased from 1.08% at 31 December 2023 to 1.36% at 30 June 2024, however early arrears cases (1 to less than 3 months in arrears) have reduced slightly at 0.89% at 30 June 2024 (31 December 2023: 0.97%).

Average LTV for new lending has increased slightly following phased reintroduction of higher LTV (>85%) products throughout 2023 that has led to completions in the first half of 2024 (30 June 2024: 68%, 31 December 2023: 63%).

Table 10: Retail mortgage lending by DTV banding

	30 Jun 2024 (unaudited)			31 Dec 2023 (audited)		
	Retail owner occupied £'million	Retail buy-to-let £'million	Total retail mortgages £'million	Retail owner occupied £'million	Retail buy-to-let £'million	Total retail mortgages £'million
Less than 50%	1,713	328	2,041	1,994	439	2,433
51-60%	910	287	1,197	1,069	375	1,444
61-70%	949	487	1,436	1,044	642	1,686
71-80%	1,168	661	1,829	1,100	493	1,593
81-90%	722	113	835	550	16	566
91-100%	159	5	164	89	-	89
More than 100%	9	1	10	5	1	6
Total	5,630	1,882	7,512	5,851	1,966	7,817

The geographic distribution of our retail mortgages customer balances is set out below. All of our loan exposures which are secured on property are secured on UK-based assets. Our current retail mortgages portfolio is concentrated within London and the South-East, which is representative of our original customer base and store footprint. We are expanding our footprint which will reduce the geographical concentration of lending over time.

Table 11: Residential mortgage lending by geographic exposure

	30 Jun 2024 (unaudited)			31 Dec 2023 (audited)		
	Retail owner occupied £'million	Retail buy-to-let £'million	Total retail mortgages £'million	Retail owner occupied £'million	Retail buy-to-let £'million	Total retail mortgages £'million
Greater London	1,943	1,038	2,981	2,040	1,091	3,131
South East	1,516	373	1,889	1,564	381	1,945
East of England	583	144	727	590	150	740
South West	464	83	547	487	87	574
North West	259	60	319	268	65	333
West Midlands	235	67	302	240	71	311
East Midlands	173	51	224	180	53	233
Yorkshire and the Humber	175	31	206	185	32	217
Scotland	124	11	135	126	11	137
Wales	102	16	118	111	17	128
North East	56	8	64	60	8	68
Total	5,630	1,882	7,512	5,851	1,966	7,817

Consumer lending

Consumer balances have reduced to £1,003 million at 30 June 2024 (31 December 2023: £1,297 million) following a reduction in, and subsequent cessation of lending through the RateSetter brand. The performance of this portfolio is aligned with expectations; increases in arrears and non-performing loans are in line with normal portfolio maturation as recently written vintages continue to mature, and limited write-offs are undertaken resulting in an accumulation of cases in arrears. New lending risk profile for non-RateSetter consumer facilities in 2024 remained robust with stable average income profiles and application scores

The total ECL coverage position for consumer has increased to 10.97% in line with the increasing arrears position driven by portfolio maturity and low levels of write-offs. (31 December 2023: 8.33%).

Commercial lending

Our commercial lending remains largely comprised of term loans secured against property and Government supported lending. In addition, commercial lending includes facilities secured by other forms of collateral (such as debentures and guarantees), and Asset Finance and Invoice Finance.

Our commercial balances have decreased from £3,382 million to £3,224 million during 2024 reflecting the reduction in our professional buy-to-let and real estate lending (from £974 million to £805 million), and run-offs in government supported lending (reduction in bounce back loans from £524 million to £423 million).

Commercial customers are managed through an early warning categorisation where there are early signs of financial difficulty, thereby allowing timely engagement and appropriate corrective action to be taken. Early Warning categories support our IFRS 9 stage classification. The percentage of the portfolio in Early Warning categories has improved since December 2023. Close customer management is key to identifying issues and supporting our customers.

Risk review continued

The ECL allowance has reduced to £67 million as at 30 June 2024 (31 December 2023: £72 million) with coverage reducing to 2.08% (31 December 2023: 2.13%). The proportion of commercial lending in Stage 2 has reduced to 9.4% (FY 2023: 12.2%) as a percentage of total balances. Reduced coverage reflects net improvement in the underlying commercial book and improved PD assessment from commercial model updates due for completion in H2-24.

Our commercial book consists predominately of SME lending which is reflected in the coverage. The operating environment continues to be challenging and Commercial customers may be impacted by interest rates which remain higher than observed in recent years. We continue to hold appropriate levels of ECL to reflect these risks.

Table 12: Commercial term lending (exc. BBLS) by DTV banding

	30 Jun 2024 (unaudited)			31 Dec 2023 (audited)		
	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million
Less than 50%	110	647	757	160	707	867
51-60%	49	397	446	59	319	378
61-70%	85	139	224	105	185	290
71-80%	73	75	148	76	79	155
81-90%	43	31	74	60	21	81
91-100%	2	43	45	2	11	13
More than 100%	3	377	380	3	433	436
Total	365	1,709	2,074	465	1,755	2,220

Table 13: Commercial term lending (exc. BBLS) by industry exposure

	30 Jun 2024 (unaudited)			31 Dec 2023 (audited)		
	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million
Real estate (rent, buy and sell)	365	440	805	465	509	974
Hospitality	-	395	395	-	368	368
Health & social work	-	346	346	-	298	298
Legal, accountancy & consultancy	-	123	123	-	150	150
Retail	-	127	127	-	136	136
Recreation, cultural and sport	-	78	78	-	72	72
Construction	-	42	42	-	48	48
Education	-	15	15	-	19	19
Investment and unit trusts	-	7	7	-	7	7
Real estate (development)	-	14	14	-	14	14
Real estate (management of)	-	7	7	-	7	7
Other	-	115	115	-	127	127
Total	365	1,709	2,074	465	1,755	2,220

As of 30 June 2024, 76% of property secured lending had a DTV of 80% or less, reflecting the prudent risk appetite historically applied. Lending with DTV >100% includes loans which benefit from additional forms of collateral, such as debentures. The value of this additional collateral is not included in the DTV but does provide an additional level of credit risk mitigation. DTV >100% also includes government backed lending where the facility does not also benefit from property collateral. The decrease in DTV>100% in 2024 reflects a reduction in government backed lending.

We manage credit risk concentration to individual borrowing entities and sectors. Our credit risk appetite includes limits for individual sectors where we have higher levels of exposure.

The sector profile for commercial term lending is broadly consistent with the position as at 31 December 2023. There has been an overall reduction in commercial real estate of approximately 17% since year-end.

Table 14: Commercial term lending (exc. BBLS) by repayment type

	30 Jun 2024 (unaudited)			31 Dec 2023 (audited)		
	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million
Interest	342	241	583	438	222	660
Capital and interest	23	1,468	1,491	27	1,533	1,560
Total	365	1,709	2,074	465	1,755	2,220

Table 15: Commercial term lending (exc. BBLS) by geographic exposure

	30 Jun 2024 (unaudited)			31 Dec 2023 (audited)		
	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million	Professional buy-to-let £'million	Other term loans £'million	Total commercial term loans £'million
Greater London	236	782	1,018	298	880	1,178
South East	68	321	389	88	340	428
East of England	23	159	182	31	122	153
North West	8	96	104	11	106	117
South West	13	97	110	15	111	126
West Midlands	4	133	137	4	101	105
East Midlands	6	55	61	9	44	53
Yorkshire and the Humber	2	18	20	2	17	19
North East	2	30	32	3	19	22
Wales	2	8	10	3	8	11
Scotland	-	6	6	-	5	5
Northern Ireland	1	4	5	1	2	3
Total	365	1,709	2,074	465	1,755	2,220

Risk review continued

Capital risk

Capital remains a constraint on the business however following the successful capital package issuance last year we continue to remain above our CRD IV buffers. Business transformation work has been ongoing during H1, namely implementing the previously announced cost saving plan to ensure the organisation is right-sized. This, coupled with a reduction in RWAs, has led to our capital ratios remaining broadly stable, with an increase to our Total regulatory capital plus MREL of 20bps. The oversight of capital levels remains strong as we closely monitor the implementation of our strategy and financial performance.

Capital requirements

Table 16: Capital requirements

	30 Jun 2024	31 Dec 2023	Minimum requirement including buffers[1]	Minimum requirement excluding buffers[1]
CET1	12.9%	13.1%	9.2%	4.7%
Tier 1	12.9%	13.1%	10.8%	6.3%
Total regulatory capital	15.0%	15.1%	12.9%	8.4%
Total regulatory capital plus MREL	22.2%	22.0%	21.2%	16.7%

1. CRD IV buffers

We manage capital in accordance with prudential rules issued by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and we are committed to maintaining a strong capital base, under both existing and future regulatory requirements.

Risk-weighted assets

Risk weighted assets ended the period at £7,239 million down from £7,533 million as at 31 December 2023. The reduction has been primarily driven by a decrease in lending volumes within the period.

During the period we have also redeployed capital into low risk-weighted investment securities and zero risk-weighted deposits at the Bank of England. These provide a strong return on regulatory capital as well as being supportive to our liquidity holdings.

Capital resources

Our CET1, Tier 1 and MREL ratios ended the period at 12.9%, 12.9% and 22.2%, respectively (31 December 2023: 13.1%, 13.1% and 22.0%, respectively). In addition to raising new capital last year, we also refinanced all of our existing regulatory debt. This consisted of £350 million of MREL, which now has a call date of 30 April 2028, providing additional runway for us to deliver our strategy. Alongside this, we replaced our existing £250 million of Tier 2 debt with £150 million of new instruments..

Table 17: Capital resources

	30 Jun 2024 (unaudited) £'million	31 Dec 2023 (audited) £'million
Ordinary share capital	-	-
Share premium	144	144
Retained earnings	946	978
Other reserves	14	12
Intangible assets	(179)	(193)
Other regulatory adjustments	12	44
Total Tier 1 capital (CET1)	937	985
Debt securities (Tier 2)	150	150
Total Tier 2 capital	150	150
Total regulatory capital	1,087	1,135

Capital landscape

We continue to work through the implications of the implementation of Basel 3.1 for which the PRA published part 1 of its near final policy statement 17/23 in December 2023. This covers market risk, credit valuation adjustment risk, counterparty credit risk, and operational risk, with the remaining elements of the standards expected to be published shortly.

Financial Crime Risk

Metro Bank maintains its low appetite for customer relationships or activity that poses a high financial crime risk and has no appetite for customer relationships or activity that violate our sanctions obligations.

We continue to invest in our systems and controls as part of ongoing efforts to embed the Financial Crime Framework throughout the Bank. As part of this commitment, a key focus for 2024 includes the upgrade of NetReveal, the Bank's core financial crime system responsible for risk assessments and customer and payment screening. In addition, enhancements were made to the digital on-boarding journey to improve our financial crime controls with further improvements planned as part of a wider strategic approach.

Recognising the evolving landscape of financial crime risk against a backdrop of increasing regulatory focus, we continue to update our financial crime policies and standards to ensure we remain aligned to regulatory and legal requirements. This includes the ongoing management and proactive responses to legislative changes and global sanctions regimes.

We continue to co-operate fully with the FCA on enquires regarding our financial crime systems and controls. As part of this development, a revised financial crime roadmap to ensure policy compliance is ongoing.

Risk review continued

Strategic risk

Through the first half of the year we have focused on managing the risks associated with execution of the bank's strategy at the required pace to realise the expected benefits. We continue to oversee the execution of our strategy through regular in-depth management reviews of business performance and change delivery, have dedicated governance forums in place to manage delivery risks associated with our cost and revenue initiatives and provide regular updates to the Board.

We recognise that the Bank is potentially more susceptible to adverse media coverage as changes to our business are delivered. We continue to actively manage this risk, with ongoing monitoring of media coverage to understand stakeholder perceptions, delivery of transparent updates on products and services to our customers and release of corporate announcements that are clear, informative and a fair reflection of who we are and what we do.

Emerging Risks

We consider emerging risks to be evolving threats which cannot yet be fully quantified, with the potential to significantly impact our strategy, financial performance, operational resilience and/or reputation. We keep our emerging risks under review, informed by a horizon scanning process, with escalation and reporting to the Risk Oversight Committee and Board as necessary.

The key emerging risks reported in the 2023 Annual Report and Accounts have been retained and updated to reflect changes since the year-end disclosure where appropriate.

Emerging risks	Response	Principal risk
Geo-economic/political instability including escalating conflicts • UK legal, regulatory or tax changes • Requirement to respond to regulatory, legal and financial crime changes • Instability of physical infrastructure including utilities and transatlantic undersea cables • Supply chain disruption or requirement to review relationships with key outsourcing or system providers	• Active external and regulatory monitoring and strategic planning • Ongoing investment in compliance response including control environment • Resilience planning, including for supply chain disruption • Business continuity planning and exercising	Operational Financial crime
Talent attraction and retention • Increased competition for top talent • Changed expectations and needs from the employer – employee relationship	• Active management and targeted interventions in volume and high-competition roles • Differentiated offering with emphasis on growth plans and unique culture • Succession and development planning	Operational Conduct Strategic
Macroeconomic volatility and growth stagnation • Reduced customer resilience, impairment and increased numbers of customers requiring support • Unpredictable interest rate changes influencing lending and borrowing decisions	• Close and active monitoring and modelling of customers in arrears/distress • Application of Consumer Duty principals to deliver good customer outcomes and focus on supporting vulnerable customers • Close and active management of capital and liquidity positions	Credit Conduct Operational
Maturity of data capability • Challenges in deploying key enabling technologies e.g. Generative AI • Limited ability to provide tailored, service offerings in line with customer expectations • Elevated regulatory scrutiny of data risk management practices	• Embedding of data risk management policy and improvement of data governance • Programme of prioritised data quality uplift • Investment in and modernisation of data and analytics capabilities	Operational Strategic Conduct

Risk review continued

Emerging risks	Response	Principal risk
Pace of technological change • Increasing pace of technology obsolescence • New information security and resilience vulnerabilities	• Prioritised investment in technology estate • Strategic utilisation of third party relationships • Agile technology change delivery and close governance of the cloud strategy	Operational Strategic
Generative Artificial Intelligence (AI) and automation threats • Increased competition from peers or new entrants utilising AI/machine learning • Job displacement, retraining and elevated competition for technology skills • Algorithmic conduct biases, ethical concerns and rapidly emerging regulation	• AI centre of excellence considering bankwide use cases and potential risks • Safe and staged introduction of AI/machine learning use cases (internal efficiencies, customer opportunities) • Close monitoring and response to evolving regulatory expectations with a focus on delivering good customer outcomes	Operational Strategic Regulatory Conduct
Lagging response to stakeholder ESG expectations • Heightened expectation to demonstrate authentic ESG approach and provide 'green' offerings • Impaired resilience from reliance on third parties operating from locations with high-volatility weather patterns or geographical vulnerabilities	• Definition of authentic ESG strategy and integration into business metrics • Coordinated response to satisfying regulatory requirements and external disclosures • Regular reporting to Audit, Executive and Board committees	Credit Operational Strategic
Evolving customer expectations and needs • Requirement to rebalance demand across channels • Requirement for new/evolved product offerings in target markets • Willingness of customers to receive tailored offers	• Rebalancing of capability across channel offerings, with investment in digital capabilities • Analysis of existing and projected customer base demographics and product suite • Evolved product and service offerings within target growth sectors	Operational Conduct Strategic
Digital currency/wallet adoption • Disruption of traditional banking models and increased competition from digital players • Requirement to integrate new digital infrastructure • New regulation and altered risk profile	• Close monitoring of regulatory developments • Regular review and update of financial crime policies	Operational Financial Crime

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' giving a true and fair view of the assets, liabilities, financial position and profit or loss as and as required by DTR 4.2.7R and DTR 4.2.8R, namely:

- An indication of important events that have occurred during the first six months ended 30 June 2024 and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months ended 30 June 2024 and any material changes in the related-party transactions described in the last annual report.

Signed on its behalf by:

Daniel Frumkin	Cristina Alba Ochoa	Robert Sharpe
Chief Executive Officer	**Chief Financial Officer**	**Chair**

Independent review report to Metro Bank Holdings PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Metro Bank Holdings PLC's condensed consolidated interim financial statements (the "interim financial statements") in the interim report of Metro Bank Holdings PLC for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2024;
- the Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated cash flow statement for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report of Metro Bank Holdings PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim report, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 July 2024

Condensed consolidated statement of comprehensive income (unaudited)

For the half year ended 30 June 2024

	Note	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
Interest income	2	494.9	455.6	400.1
Interest expense	2	(323.0)	(265.2)	(178.6)
Net interest income		171.9	190.4	221.5
Net fee and commission income		45.9	48.2	42.2
Net gains on sale of assets		0.1	1.9	0.8
Other income		18.2	122.0	21.9
Total income		236.1	362.5	286.4
General operating expenses	3	(225.0)	(281.5)	(221.4)
Depreciation and amortisation		(38.1)	(39.4)	(38.3)
Impairment and write-offs of PPE and intangible assets		(0.3)	(4.6)	-
Total operating expenses		(263.4)	(325.5)	(259.7)
Expected credit loss expense		(6.2)	(21.9)	(11.3)
(Loss)/profit before tax		(33.5)	15.1	15.4
Tax credit/(expense)	5	0.4	1.7	(2.7)
(Loss)/profit for the period		(33.1)	16.8	12.7
Other comprehensive income/(expense) for the period				
Items which will be reclassified subsequently to profit or loss where specific conditions are met:				
Movements in respect of investment securities held at fair value through other comprehensive income (net of tax):				
changes in fair value		1.6	3.3	(0.9)
Total other comprehensive income/(expense)		1.6	3.3	(0.9)
Total comprehensive (loss)/income for the period		(31.5)	20.1	11.8
Earnings per share				
Basic earnings per share (pence)	11	(4.9)	6.6	7.4
Diluted earnings per share (pence)	11	(4.9)	6.4	7.1

The accompanying notes form an integral part of these condensed interim financial statements.

Condensed consolidated balance sheet (unaudited)

As at 30 June 2024

	Note	30 Jun 2024 £'million	31 Dec 2023 £'million	30 Jun 2023 £'million
Assets				
Cash and balances with the Bank of England		4,131	3,891	2,708
Loans and advances to customers	6	11,543	12,297	12,572
Investment securities held at FVOCI		347	476	489
Investment securities held at amortised cost		4,341	4,403	4,826
Financial assets held at fair value through profit and loss		-	-	1
Derivative financial assets		19	36	26
Property, plant and equipment		709	723	733
Intangible assets		179	193	207
Prepayments and accrued income		119	118	107
Other assets		101	108	78
Total assets		21,489	22,245	21,747
Liabilities				
Deposits from customers	7	15,726	15,623	15,529
Deposits from central banks		3,050	3,050	3,800
Debt securities	8	675	694	573
Repurchase agreements		391	1,191	363
Derivative financial liabilities		-	-	25
Lease liabilities	9	230	234	238
Deferred grants		13	16	17
Provisions		11	23	5
Deferred tax liabilities	5	13	13	12
Other liabilities		276	267	215
Total liabilities		20,385	21,111	20,777
Equity				
Called up share capital	10	-	-	-
Share premium	10	144	144	-
Retained earnings		946	978	962
Other reserves		14	12	8
Total equity		1,104	1,134	970
Total equity and liabilities		21,489	22,245	21,747

The accompanying notes form an integral part of these condensed interim financial statements.

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 30 July 2024 and were signed on its behalf by:

Daniel Frumkin
Chief Executive Officer

Cristina Alba Ochoa
Chief Financial Officer

Robert Sharpe
Chair

Condensed consolidated cash flow statement (unaudited)

	Note	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
Reconciliation of (loss)/profit before tax to net cash flows from operating activities				
(Loss)/profit before tax		(34)	16	15
Adjustments for non-cash items		(130)	(203)	(173)
Interest received		496	442	392
Interest paid		(318)	(221)	(149)
Changes in other operating assets		771	242	502
Changes in other operating liabilities		(717)	170	(405)
Net cash inflows from operating activities		68	446	182
Cash flows from investing activities				
Sales, redemptions and paydowns of investment securities		638	644	1,226
Purchase of investment securities		(445)	(189)	(627)
Purchase of property, plant and equipment		(3)	(7)	(5)
Purchase and development of intangible assets		(8)	(14)	(12)
Net cash inflows from investing activities		182	434	582
Cash flows from financing activities				
Repayment of capital element of leases	9	(10)	(11)	(12)
Issuance of new shares		-	150	-
Cost of share issuance		-	(6)	-
Issuance of debt securities		-	175	-
Cost of debt issuance		-	(5)	-
Net cash (outflows)/inflows from financing activities		(10)	303	(12)
Net increase/(decrease) in cash and cash equivalents		240	1,183	752
Cash and cash equivalents as at start of period		3,891	2,708	1,956
Cash and cash equivalents as at end of period		4,131	3,891	2,708

Non-cash items

The table below sets out the non-cash items included in (loss)/profit before tax which have been adjusted for in the cash flow statements above.

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
Interest income	(495)	(456)	(400)
Interest expense	323	265	179
Depreciation and amortisation	38	40	38
Impairment and write-off of property, plant equipment and intangible assets	-	5	-
Expected credit loss expense	6	22	11
Share option charge	1	1	2
Grant income recognised in the income statement	(3)	(2)	-
Amounts provided for (net of amounts released)	-	18	(2)
T2 haircut	-	(100)	-
Loss/(gain) on sale of assets	-	4	(1)
Total adjustment for non-cash items	(130)	(203)	(173)

Condensed consolidated statement of changes in equity (unaudited)

For the half year ended 30 June 2024

	Called-up Share capital £'million	Share premium £'million	Merger re-serve £'million	Retained earnings £'million	FVOCI reserve £'million	Share option reserve £'million	Total equity £'million
Balance as at 1 Jan 2024	-	144	-	978	(11)	23	1,134
Loss for the period	-	-	-	(33)	-	-	(33)
Other comprehensive income (net of tax) relating to investment securities designated at FVOCI	-	-	-	-	2	-	2
Total comprehensive loss	-	-	-	(33)	2	-	(31)
Net share option movements	-	-	-	1	-	-	1
Balance as at 30 Jun 2024	-	144	-	946	(9)	23	1,104

	Called-up Share capital £'million	Share premium £'million	Merger re-serve £'million	Retained earnings £'million	FVOCI reserve £'million	Share option reserve £'million	Total equity £'million
Balance as at 1 Jul 2023	-	-	-	962	(14)	22	970
Profit for the period	-	-	-	16	-	-	16
Other comprehensive income (net of tax) relating to investment securities designated at FVOCI	-	-	-	-	3	-	3
Total comprehensive income	-	-	-	16	3	-	19
Net share option movements	-	-	-	-	-	1	1
Shares issued	-	150	-	-	-	-	150
Cost of shares issued	-	(6)	-	-	-	-	(6)
Balance as at 31 Dec 2023	-	144	-	978	(11)	23	1,134

	Called-up Share capital £'million	Share premium £'million	Merger re-serve £'million	Retained earnings £'million	FVOCI reserve £'million	Share option reserve £'million	Total equity £'million
Balance as at 1 Jan 2023	-	1,964	-	(1,015)	(13)	20	956
Profit for the period	-	-	-	13	-	-	13
Other comprehensive expense (net of tax) relating to investment securities designated at FVOCI	-	-	-	-	(1)	-	(1)
Total comprehensive income	-	-	-	13	(1)	-	12
Net share option movements	-	-	-	-	-	2	2
Cancellation of Metro Bank PLC share capital and share premium	-	(1,964)	-	1,964	-	-	-
Issuance of Metro Bank Holdings PLC share capital	-	-	965	(965)	-	-	-
Bonus issuance	965	-	(965)	-	-	-	-
Capital reduction of Metro Bank Holdings PLC share capital	(965)	-	-	965	-	-	-
Balance as at 30 Jun 2023	-	-	-	962	(14)	22	970
Note	10	10					

The accompanying notes form an integral part of these condensed interim financial statements.

Notes to the condensed consolidated interim financial statements (unaudited)

1. Basis of preparation and accounting policies

1.1 General information

Metro Bank Holdings PLC ("our" or "we") is the holding company of Metro Bank PLC, which provides retail and commercial banking services in the UK. Metro Bank Holdings PLC is a public limited liability company incorporated and domiciled in England and Wales and is listed on the London Stock Exchange (LON:MTRO). The address of its registered office is: One Southampton Row London WC1B 5HA.

1.2 Basis of preparation

The condensed consolidated interim financial statements of Metro Bank Holdings PLC and its subsidiaries for the half year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors on 30 July 2024.

These condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with UK adopted International Accounting Standards (IAS 34 'Interim Financial Reporting') and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The comparative financial information as at and for the periods ending 31 December 2023 and 30 June 2023 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2023 has been delivered to the Registrar of Companies.

The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Going concern

The Directors consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. In reaching this assessment, the Directors have considered projections for the Group's capital and funding position as well as other principal risks disclosed in the risk report of the 2023 Annual Report & Accounts.

In reaching their conclusion the Directors considered the delivery of the Group against its Long -Term Plan as well as the delivery of the Group's strategy, an update on which is provided within the Business Review section of this report. As part of their assessment the Directors have considered a wide range of information relating to present and future conditions, including projected future profitability, capital resources and requirements, and liquidity, as well as severe but plausible downside scenario to the Long-Term Plan

The Directors believe the Group to remain a going concern on the basis that it maintains sufficient resources (including liquidity and capital) to be able to continue to operate for the foreseeable future (considered to be at least 12 months from the date of these interim financial statements). The Directors do not consider there to be any material uncertainties with regards to the assessment on going concern.

Operating segments

We provide retail and commercial banking services. The Board considers the results of the Group as a whole when assessing the performance of the business and allocating resources. Accordingly, we have only a single operating segment.

We operate solely in the UK and as such no geographical analysis is required.

Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2023.

1.3 Future accounting developments

There are no known future accounting developments that are likely to have a material impact on the Group.

1.4 Critical accounting judgements

In our 2023 Annual Report and Accounts we identified the following critical accounting judgements:

- Measurement of the expected credit loss allowance - significant increase in credit risk
- Measurement of the expected credit loss allowance - use of post model overlays
- Impairment of non-financial assets - key assumptions used for value in use calculations.

No new critical accounting judgements have been identified in the period and our approach to these judgements remain consistent with methods outlined in the Group's consolidated financial statement for the year ended 31 December 2023.

Notes to the condensed consolidated interim financial statements

(unaudited)

Measurement of the expected credit loss allowance -significant increase in credit risk

Our measurement methodology and policy remains consistent with that described in note 30 to the 2023 Annual Report & Accounts.

Measurement of the expected credit loss allowance -use of post model overlays

We have applied Post Model Overlays (PMOs) in the assessment of ECL. PMOs account for downsides risks which are not fully captured through the economic scenarios. The appropriateness of PMOs is subject to rigorous review and challenge, including review by our Model Governance team, Impairment Committee and Audit Committee.

Post model overlays reflect management judgement. These rely more heavily on expert judgement and will usually be applied at an aggregated level. For example, where recent changes in market and economic conditions have not yet been captured in the macroeconomic factor inputs to models (e.g., industry specific stress event).

Given the ongoing economic uncertainty we continue to maintain conservative levels of PMOs. The level of PMOs has reduced during 2024 with the total percentage of ECL stock comprised of PMOs reducing to 10% as at 30 June 2024 (31 December 2023: 12%).

PMOs made up £19.9 million of the ECL stock as at 30 June 2024 (31 December 2023: £23.4 million) and comprised:

- *High inflation environment and cost-of-living risks* – Management overlays were introduced in 2022 to reflect high inflation and cost of living pressures, which are not fully captured through the economic scenarios and IFRS 9 models (30 June 2024: £13.0 million; 31 December 2023: £16.0 million).
- *Significant increase in credit risk (SICR) adjustment overlay* – A negative overlay being held as at 30 June 2024. The SICR model is resulting in a significant overstatement of stage 2 assets and the negative PMO is in place to account for this (30 June 2024: (£4.9 million); 31 December 2023: (£7.4 million)).
- *House price index and commercial real estate index adjustment* – This overlay is being held at 30 June 2024 to reflect further downside risk in property price indices beyond the latest scenarios for the retail mortgage and commercial property portfolios (30 June 2024: £1.8 million; 31 December 2023: £3.4 million).
- *Climate change impact* – An expert judgement overlay which reflects the impact of climate change on property values for the mortgage and commercial portfolios (30 June 2024: £3.0 million; 31 December 2023: £3.2 million).
- *Mortgage model enhancements*— Reflects the new IFRS9 Mortgage PD and Staging models (30 June 2024: £5.0 million; 31 December 2023: £4.7 million)
- *Commercial model enhancements* – An overlay is held in anticipation of remaining model adjustments for the commercial portfolio (30 June 2024: £2.0 million; 31 December 2023: £3.5 million).

Impairment of non-financial assets - key assumptions used for value in use calculations

Our methodology remains aligned to that described in note 15 to the 2023 Annual Report & Accounts. Key assumptions have been updated for the half year ended 30 June 2024, and material headroom remains within our impairment test.

Notes to the condensed consolidated interim financial statements (unaudited)

1.5 Critical accounting estimates

In our 2023 Annual Report and Accounts we identified the following critical accounting estimate:

- Measurement of the expected credit loss allowance - multiple forward-looking macroeconomic scenarios

No new critical accounting estimates have been identified during the period.

Multiple forward-looking macroeconomic scenarios
The ECL recognised in the financial statements reflects the effect on ECL of a range of possible outcomes, calculated on a probability-weighted basis, based on a number of economic scenarios, including management overlays where required. These scenarios are representative of our view of forecast economic conditions, sufficient to calculate unbiased ECL. The following assumptions, considered to be the key drivers of ECL, have been used for the scenarios applied:

- UK interest rates.
- UK unemployment rates.
- UK HPI changes, year on year.
- UK GDP changes, year on year.
- UK commercial real estate index, year on year. The weightings applied to each scenario are:

Scenario weighting	Half year to 30 Jun 2024	Half year to 31 Dec 2023	Half year to 30 Jun 2023
Baseline	50%	50%	50%
Upside	20%	20%	20%
Downside	25%	25%	25%
Severe Downside	5%	5%	5%

We have assessed the IFRS 9 ECL sensitivity impact at a total portfolio level, by applying a 100% weighting to each of the four chosen scenarios.

Scenario	ECL £'million	Variance to reported ECL at 30 June 2024
Weighted	196	n/a
Baseline	185	(6%)
Upside	172	(12%)
Downside	227	16%
Severe downside	255	30%

We note that the sensitivities disclosed above represent example scenarios and may not represent actual scenarios which occur in the future. If one of these scenarios did arise then at that time the ECL would not equal the amount disclosed above, as the amounts disclosed do not take account of the alternative possible scenarios which would be considered at that time. We also note that the sensitivities disclosed above do not consider movements in impairment stage allocations that would result under the different scenarios.

Notes to the condensed consolidated interim financial statements (unaudited)

2. Net interest income

Interest income

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
Cash and balances held with the Bank of England	113.9	72.3	48.6
Loans and advances to customers	310.2	311.4	288.5[1]
Investment securities held at amortised cost	61.4	63.8	54.8
Investment securities held at FVOCI	3.2	3.3	3.5[1]
Interest income calculated using the effective interest rate method	488.7	450.8	395.4
Derivatives in a hedging relationship	6.2	4.8	4.7
Total interest income	494.9	455.6	400.1

[1] Figure for the half year to 30 Jun 2023 has been restated to correct the allocation of interest income; £3.9 million of income has been reclassified from Investment securities held at FVOCI to Loans and advances to customers.

Interest expense

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
Deposits from customers	173.5	96.8	51.0
Deposits from central banks	79.8	83.3	78.0
Repurchase agreements	17.4	39.8	10.3
Debt securities	42.4	31.3	24.4
Lease liabilities	6.3	6.5	6.6
Interest expense calculated using the effective interest rate method	319.4	257.7	170.3
Derivatives in a hedging relationship	3.6	7.5	8.3
Total interest expense	323.0	265.2	178.6

3. General operating expenses

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
People costs	110.6	120.8	120.4
Information technology costs	29.0	29.8	29.9
Money transmission and banking related costs	22.7	25.2	24.0
Occupancy expenses	16.0	17.4	14.3
Professional fees	14.6	11.2	12.0
Printing, postage and stationery costs	3.7	3.9	3.3
Legal and regulatory fees	4.1	3.8	3.2
Marketing and advertising costs	4.0	4.8	2.9
Holding company related insertion costs	-	0.3	1.5
Capability & Innovation fund (C&I) costs	2.1	1.6	0.8
Costs associated with capital raise	0.1	26.0	-
Travel costs	0.6	0.7	0.8
Transformation costs	4.5	20.2	-
Remediation costs	1.8	0.8	(0.8)
Other	11.2	15.0	9.1
Total general operating expenses	225.0	281.5	221.4

4. People costs

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
Wages and salaries	91.9	101.5	100.2
Social security costs	10.8	10.9	10.9
Pension costs	6.9	7.3	7.2
Equity-settled share-based payments	1.0	1.1	2.1
Total people costs	110.6	120.8	120.4

Notes to the condensed consolidated interim financial statements (unaudited)

5. Taxation

Tax credit/(expense) for the period

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
Current tax			
Current tax	-	2.1	(2.2)
Total current tax credit/(expense)	-	2.1	(2.2)
Deferred tax			
Origination and reversal of temporary differences	0.4	(0.5)	-
Effect of changes in tax rates	-	0.1	(0.5)
Adjustment in respect of prior periods	-	-	-
Total deferred tax credit/(expense)	0.4	(0.4)	(0.5)
Total tax expense credit/(expense)	0.4	1.7	(2.7)

Reconciliation of the total tax expense

	Half year to 30 Jun 2024 £'million	Effective tax rate %	Half year to 31 Dec 2023 £'million	Effective tax rate %	Half year to 30 Jun 2023 £'million	Effective tax rate %
(Loss)/profit before tax	(33.5)		15.1		15.4	
Tax credit/(expense) at statutory income tax rate of 25% (2023: 23.5%)	8.4	25.0%	(3.6)	23.8%	(3.6)	(23.5%)
Tax effects of:						
Non-deductible expenses - depreciation on non-qualifying fixed assets	(0.2)	(0.6%)	(1.2)	7.9%	(1.3)	8.2%
Non-deductible expenses – investment property impairment	-	-	-	-	-	-
Non-deductible expenses - other	(0.1)	(0.3%)	(0.7)	4.6%	(0.1)	0.7%
Impact of intangible asset impairment on R&D deferred tax liability	-	-	0.1	(0.7%)	-	-
Share based payments	(0.2)	(0.6%)	(1.1)	7.3%	(0.1)	0.5%
Adjustment in respect of prior years	-	-	-	-	-	-
Current year losses to date for which no deferred tax asset has been recognised	(7.8)	(23.3%)	(15.4)	102.0%	-	-
Losses for the period for which no deferred tax asset has been recognised	0.3	0.9%	(1.7)	11.3%	2.8	(18.1%)
Derecognition of tax losses arising in prior years	-	-	1.7	(11.3%)	0.1	(0.4%)
Effect of changes in tax rates	-	-	0.1	(0.7%)	(0.5)	2.9%
Income not taxable	-	-	23.5	(155.6%)	-	-
Tax credit/(expense) reported in the consolidated income statement	0.4	1.2%	1.7	11.3%	(2.7)	17.3%

Notes to the condensed consolidated interim financial statements (unaudited)

5. Taxation Continued

Effective tax rate

The effective tax rate for the period is 1.2% (half year to 31 December 2023: (11.3%); half year to 30 June 2023: 17.3%). This has been calculated by applying the effective tax rate which is expected to apply to the Group for the six months ended 30 June 2024 using rates substantively enacted by 30 June 2024 as required by IAS34 'Interim Financial Reporting'.

Losses for which no deferred tax asset has been recognised

The tax effected value of current year losses for which no deferred tax asset has been recognised is £7.8 million (31 December 2023: £15.4 million; 30 June 2023: £nil).

Deferred tax

A deferred tax asset must be regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable tax profits from which the future of the underlying timing differences can be deducted.

	Unused tax losses £'million	Investment securities & impairments £'million	Share based payments £'million	Property, plant & equipment £'million	Intangible assets £'million	Total £'million
30 Jun 2024						
Deferred tax assets	14	5	1	-	-	20
Deferred tax liabilities	-	-	-	(29)	(4)	(33)
Deferred tax asset/(liabilities) (net)	14	5	1	(29)	(4)	(13)
1 Jan 2024	14	6	1	(29)	(5)	(13)
Income statement	-	(1)	-	-	1	-
At 30 Jun 2024	14	5	1	(29)	(4)	(13)
31 Dec 2023						
Deferred tax assets	14	6	1	-	-	21
Deferred tax liabilities	-	-	-	(29)	(5)	(34)
Deferred tax asset /(liabilities) (net)	14	6	1	(29)	(5)	(13)
At 1 Jul 2023	12	7	1	(26)	(6)	(12)
Income statement	2	(1)	-	(3)	1	(1)
Other comprehensive income	-	-	-	-	-	-
At 31 Dec 2023	14	6	1	(29)	(5)	(13)

Notes to the condensed consolidated interim financial statements (unaudited)

5. **Taxation** Continued

	Unused tax losses £'million	Investment securities & impairments £'million	Share based payments £'million	Property, plant & equipment £'million	Intangible assets £'million	Total £'million
30 Jun 2023						
Deferred tax assets	12	7	1	-	-	20
Deferred tax liabilities	-	-	-	(26)	(6)	(32)
Deferred tax assets / (liabilities) (net)	12	7	1	(26)	(6)	(12)
At 1 Jan 2023	12	7	1	(26)	(6)	(12)
Income statement	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
At 30 Jun 2023	12	7	1	(26)	(6)	(12)

Unrecognised deferred tax assets

We have total unused tax losses of £928 million of which a deferred tax asset has not been recognised on £874 million. Accordingly, a deferred tax asset of £218 million has not been recognised on unused tax losses. The impact of recognising the deferred tax asset in the future would be material.

Although there is an expectation for profits in the near future, the tax benefits would be spread over a number of years. In addition, the 50% corporate loss restriction in place extends the timeline over which we can offset losses against future profits. This will be reassessed for the year ending 31 December 2024 in light of actual performance against management forecasts and prevailing market conditions. There is no time limit beyond which these losses expire.

Due to unrealised investment property impairments of £11 million there is an unrecognised deferred tax asset of £2.7 million (2023: £2.7 million).

Notes to the condensed consolidated interim financial statements (unaudited)

6. Loans and advances to customers

	30 Jun 2024			31 Dec 2023			30 Jun 2023		
	Gross carrying amount £'million	ECL allowance £'million	Net carrying amount £'million	Gross carrying amount £'million	ECL allowance £'million	Net carrying amount £'million	Gross carrying amount £'million	ECL allowance £'million	Net carrying amount £'million
Retail mortgages	7,512	(19)	7,493	7,817	(19)	7,798	7,591	(21)	7,570
Consumer lending	1,003	(110)	893	1,297	(108)	1,189	1,410	(93)	1,317
Commercial lending	3,224	(67)	3,157	3,382	(72)	3,310	3,768	(83)	3,685
Total loans and advances to customers	11,739	(196)	11,543	12,496	(199)	12,297	12,769	(197)	12,572

	30 Jun 2024 £'million	31 Dec 2023 £'million	30 Jun 2023 £'million
Residential owner occupied	5,630	5,851	5,501
Retail buy-to-let	1,882	1,966	2,090
Total retail mortgages	7,512	7,817	7,591
Overdrafts	41	40	45
Credit cards	30	28	23
Consumer auto finance	8	10	5
Term loans	924	1,219	1,337
Total consumer lending	1,003	1,297	1,410
Total retail lending	8,515	9,114	9,001
Professional buy-to-let	365	465	615
Bounce back loans	423	524	638
Coronavirus business interruption loans	67	86	106
Recovery loan scheme	297	328	365
Other term loans	1,345	1,341	1,450
Commercial term loans	2,497	2,744	3,174
Overdrafts and revolving credit facilities	201	172	155
Credit cards	5	4	4
Asset and invoice finance	521	462	435
Total commercial lending	3,224	3,382	3,768
Total gross loans to customers	11,739	12,496	12,769

Notes to the condensed consolidated interim financial statements (unaudited)

6. Loans and advances to customers continued

Credit risk exposures

Retail mortgages

	30 Jun 2024					31 Dec 2023					30 Jun 2023				
	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million
Up to date	6,582	668	55	-	7,305	6,885	695	37	-	7,617	6,632	763	41	-	7,436
1 to 29 days past due	2	25	12	-	39	2	28	10	-	40	2	26	10	-	38
30 to 89 days past due	-	44	22	-	66	-	61	16	-	77	-	29	19	-	48
90+ days past due	-	-	102	-	102	-	-	83	-	83	-	-	69	-	69
Gross carrying amount	6,584	737	191	-	7,512	6,887	784	146	-	7,817	6,634	818	139	-	7,591

Consumer lending

	30 Jun 2024					31 Dec 2023					30 Jun 2023				
	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million
Up to date	662	233	3	-	898	900	297	3	-	1,200	1,020	304	3	-	1,327
1 to 29 days past due	3	3	1	-	7	6	2	-	-	8	3	2	-	-	5
30 to 89 days past due	-	12	6	-	18	-	15	7	-	22	-	13	6	-	19
90+ days past due	-	-	80	-	80	-	-	67	-	67	-	-	59	-	59
Gross carrying amount	665	248	90	-	1,003	906	314	77	-	1,297	1,023	319	68	-	1,410

Commercial lending

	30 Jun 2024					31 Dec 2023					30 Jun 2023				
	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million
Up to date	2,739	258	92	-	3,089	2,768	350	83	-	3,201	3,078	417	70	-	3,565
1 to 29 days past due	22	19	3	-	44	35	24	5	-	64	44	30	6	-	80
30 to 89 days past due	-	27	7	-	34	-	39	20	-	59	-	41	9	-	50
90+ days past due	-	-	57	-	57	-	-	58	-	58	-	-	73	-	73
Gross carrying amount	2,761	304	159	-	3,224	2,803	413	166	-	3,382	3,122	488	158	-	3,768

Total lending

	30 Jun 2024					31 Dec 2023					30 Jun 2023				
	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million	Stage 1 £'million	Stage 2 £'million	Stage 3 £'million	POCI £'million	Total £'million
Up to date	9,983	1,159	150	-	11,292	10,553	1,342	123	-	12,018	10,730	1.484	114	-	12,328
1 to 29 days past due	27	47	16	-	90	43	54	15	-	112	49	58	16	-	123
30 to 89 days past due	-	83	35	-	118	-	115	43	-	158	-	83	34	-	117
90+ days past due	-	-	239	-	239	-	-	208	-	208	-	-	201	-	201
Gross carrying amount	10,010	1,289	440	-	11,739	10,596	1,511	389	-	12,496	10,779	1,625	365	-	12,769

Notes to the condensed consolidated interim financial statements (unaudited)

6. Loans and advances to customers continued

Loss allowance

Retail mortgages

	Gross carrying amount					Loss allowance					Net carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 Jan 2024	6,887	784	146	-	7,817	(7)	(6)	(6)	-	(19)	6,880	778	140	-	7,798
Transfers to/from stage 1	169	(166)	(3)	-	-	(1)	1	-	-	-	168	(165)	(3)	-	-
Transfers to/from stage 2	(172)	173	(1)	-	-	-	-	-	-	-	(172)	173	(1)	-	-
Transfers to/from stage 3	(34)	(36)	70	-	-	-	1	(1)	-	-	(34)	(35)	69	-	-
Net remeasurements due to transfers	-	-	-	-	-	1	(1)	(2)	-	(2)	1	(1)	(2)	-	(2)
New lending	332	38	-	-	370	-	-	-	-	-	332	38	-	-	370
Repayments, additional drawdowns and interest accrued	(93)	(9)	-	-	(102)	-	-	-	-	-	(93)	(9)	-	-	(102)
Derecognitions	(505)	(47)	(21)	-	(573)	-	-	2	-	2	(505)	(47)	(19)	-	(571)
Changes to assumptions	-	-	-	-	-	-	1	(1)	-	-	-	1	(1)	-	-
Balance at 30 Jun 2024	6,584	737	191	-	7,512	(7)	(4)	(8)	-	(19)	6,577	733	183	-	7,493
Balance at 1 Jul 2023	6,634	818	139	-	7,591	(8)	(9)	(4)	-	(21)	6,626	809	135	-	7,570
Transfers to/from stage 1	73	(67)	(6)	-	-	(1)	1	-	-	-	72	(66)	(6)	-	-
Transfers to/from stage 2	(16)	22	(6)	-	-	-	-	-	-	-	(16)	22	(6)	-	-
Transfers to/from stage 3	(22)	(5)	27	-	-	-	-	-	-	-	(22)	(5)	27	-	-
Net remeasurements due to transfers	-	-	-	-	-	2	-	(1)	-	1	2	`-	(1)	-	1
New lending	770	89	1	-	860	(1)	-	-	-	(1)	769	89	1	-	859
Repayments, additional drawdowns and interest accrued	(82)	(6)	-	-	(88)	-	-	-	-	-	(82)	(6)	-	-	(88)
Derecognitions	(470)	(67)	(9)	-	(546)	1	1	-	-	2	(469)	(66)	(9)	-	(544)
Changes to assumptions	-	-	-	-	-	-	1	(1)	-	-	-	1	(1)	-	-
Balance at 31 Dec 2023	6,887	784	146	-	7,817	(7)	(6)	(6)	-	(19)	6,880	778	140	-	7,798
Balance at 1 Jan 2023	6,195	1,343	111	-	7,649	(6)	(11)	(3)	-	(20)	6,189	1,332	108	-	7,629
Transfers to/from stage 1	672	(670)	(2)	-	-	(5)	5	-	-	-	667	(665)	(2)	-	-
Transfers to/from stage 2	(177)	177	-	-	-	-	-	-	-	-	(177)	177	-	-	-
Transfers to/from stage 3	(16)	(24)	40	-	-	-	-	-	-	-	(16)	(24)	40	-	-
Net remeasurements due to transfers	-	-	-	-	-	3	(2)	(1)	-	-	3	(2)	(1)	-	-
New lending	425	58	-	-	483	-	(1)	-	-	(1)	425	57	-	-	482
Repayments, additional drawdowns and interest accrued	(95)	(12)	-	-	(107)	-	-	-	-	-	(95)	(12)	-	-	(107)
Derecognitions	(370)	(54)	(10)	-	(434)	-	-	-	-	-	(370)	(54)	(10)	-	(434)
Changes to assumptions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 Jun 2023	6,634	818	139	-	7,591	(8)	(9)	(4)	-	(21)	6,626	809	135	-	7,570

Notes to the condensed consolidated interim financial statements (unaudited)

6. Loans and advances to customers continued

Loss allowance

Consumer lending

	Gross carrying amount					Loss allowance					Net carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 Jan 2024	906	314	77	-	1,297	(26)	(16)	(66)	-	(108)	880	298	11	-	1,189
Transfers to/from stage 1	61	(61)	-	-	-	(3)	3	-	-	-	58	(58)	-	-	-
Transfers to/from stage 2	(87)	87	-	-	-	2	(2)	-	-	-	(85)	85	-	-	-
Transfers to/from stage 3	(14)	(10)	24	-	-	-	4	(4)	-	-	(14)	(6)	20	-	-
Net remeasurements due to transfers	-	-	-	-	-	2	(5)	(14)	-	(17)	2	(5)	(14)	-	(17)
New lending	2	-	-	-	2	-	-	-	-	-	2	-	-	-	2
Repayments, additional drawdowns and interest accrued	(127)	(55)	(4)	-	(186)	-	-	-	-	-	(127)	(55)	(4)	-	(186)
Derecognitions	(76)	(27)	(7)	-	(110)	2	1	6	-	9	(74)	(26)	(1)	-	(101)
Changes to assumptions	-	-	-	-	-	4	2	-	-	6	4	2	-	-	6
Balance at 30 Jun 2024	665	248	90	-	1,003	(19)	(13)	(78)	-	(110)	646	235	12	-	893
Balance at 1 Jul 2023	1,023	319	68	-	1,410	(23)	(12)	(58)	-	(93)	1,000	307	10	-	1,317
Transfers to/from stage 1	5	(5)	-	-	-	-	-	-	-	-	5	(5)	-	-	-
Transfers to/from stage 2	(2)	2	-	-	-	-	-	-	-	-	(2)	2	-	-	-
Transfers to/from stage 3	(18)	(1)	19	-	-	-	-	-	-	-	(18)	(1)	19	-	-
Net remeasurements due to transfers	-	-	-	-	-	1	(1)`	(12)	-	(12)	1	(1)	(12)	-	(12)
New lending	71	71	6	-	148	(5)	(4)	(5)	-	(14)	66	67	1	-	134
Repayments, additional drawdowns and interest accrued	(84)	(49)	(7)	-	(140)	-	-	-	-	-	(84)	(49)	(7)	-	(140)
Derecognitions	(89)	(23)	(9)	-	(121)	1	1	8	-	10	(88)	(22)	(1)	-	(111)
Changes to assumptions	-	-	-	-	-	-	-	1	-	1	-	-	1	-	1
Balance at 31 Dec 2023	906	314	77	-	1,297	(26)	(16)	(66)	-	(108)	880	298	11	-	1,189
Balance at 1 Jan 2023	1,180	250	50	-	1,480	(21)	(12)	(42)	-	(75)	1,159	238	8	-	1,405
Transfers to/from stage 1	29	(29)	-	-	-	(2)	2	-	-	-	27	(27)	-	-	-
Transfers to/from stage 2	(180)	180	-	-	-	2	(2)	-	-	-	(178)	178	-	-	-
Transfers to/from stage 3	(17)	(8)	25	-	-	1	2	(3)	-	-	(16)	(6)	22	-	-
Net remeasurements due to transfers	-	-	-	-	-	1	(5)	(16)	-	(20)	1	(5)	(16)	-	(20)
New lending	240	7	1	-	248	(4)	-	(1)	-	(5)	236	7	-	-	243
Repayments, additional drawdowns and interest accrued	(133)	(62)	(3)	-	(198)	-	-	-	-	-	(133)	(62)	(3)	-	(198)
Derecognitions	(96)	(19)	(5)	-	(120)	2	1	4	-	7	(94)	(18)	(1)	-	(113)
Changes to assumptions	-	-	-	-	-	(2)	2	-	-	-	(2)	2	-	-	-
Balance at 30 Jun 2023	1,023	319	68	-	1,410	(23)	(12)	(58)	-	(93)	1,000	307	10	-	1,317

Notes to the condensed consolidated interim financial statements (unaudited)

6. Loans and advances to customers continued

Loss allowance

Commercial lending

	Gross carrying amount					Loss allowance					Net carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 Jan 2024	2,803	413	166	-	3,382	(30)	(21)	(21)	-	(72)	2,773	392	145	-	3,310
Transfers to/from stage 1	57	(56)	(1)	-	-	(2)	2	-	-	-	55	(54)	(1)	-	-
Transfers to/from stage 2	(88)	89	(1)	-	-	1	(1)	-	-	-	(87)	88	(1)	-	-
Transfers to/from stage 3	(33)	(41)	74	-	-	-	2	(2)	-	-	(33)	(39)	72	-	-
Net remeasurements due to transfers	-	-	-	-	-	2	(3)	(6)	-	(7)	2	(3)	(6)	-	(7)
New lending	418	6	-	-	424	(3)	-	-	-	(3)	415	6	-	-	421
Repayments, additional drawdowns and interest accrued	(139)	(17)	(20)	-	(176)	-	-	-	-	-	(139)	(17)	(20)	-	(176)
Derecognitions	(257)	(90)	(59)	-	(406)	2	4	2	-	8	(255)	(86)	(57)	-	(398)
Changes to assumptions	-	-	-	-	-	4	2	1	-	7	4	2	1	-	7
Balance at 30 Jun 2024	2,761	304	159	-	3,224	(26)	(15)	(26)	-	(67)	2,735	289	133	-	3,157
Balance at 1 Jul 2023	3,122	488	158	-	3,768	(30)	(26)	(27)	-	(83)	3,092	462	131	-	3,685
Transfers to/from stage 1	53	(47)	(6)	-	-	(5)	5	-	-	-	48	(42)	(6)	-	-
Transfers to/from stage 2	(60)	60	-	-	-	-	(1)	1	-	-	(60)	59	1	-	-
Transfers to/from stage 3	(59)	1	58	-	-	2	-	(2)	-	-	(57)	1	56	-	-
Net remeasurements due to transfers	-	-	-	-	-	3	(1)	(5)	-	(3)	3	(1)	(5)	-	(3)
New lending	301	9	4	-	314	(3)	(1)	-	-	(4)	298	8	4	-	310
Repayments, additional drawdowns and interest accrued	(100)	(18)	(21)	-	(139)	-	-	-	-	-	(100)	(18)	(21)	-	(139)
Derecognitions	(454)	(80)	(27)	-	(561)	5	4	11	-	20	(449)	(76)	(16)	-	(541)
Changes to assumptions	-	-	-	-	-	(2)	(1)	1	-	(2)	(2)	(1)	1	-	(2)
Balance at 31 Dec 2023	2,803	413	166	-	3,382	(30)	(21)	(21)	-	(72)	2,773	392	145	-	3,310
Balance at 1 Jan 2023	3,474	495	191	-	4,160	(39)	(28)	(25)	-	(92)	3,435	467	166	-	4,068
Transfers to/from stage 1	40	(39)	(1)	-	-	(2)	2	-	-	-	38	(37)	(1)	-	-
Transfers to/from stage 2	(146)	148	(2)	-	-	2	(3)	1	-	-	(144)	145	(1)	-	-
Transfers to/from stage 3	(38)	(34)	72	-	-	-	2	(2)	-	-	(38)	(32)	70	-	-
Net remeasurements due to transfers	-	-	-	-	-	2	(4)	(3)	-	(5)	2	(4)	(3)	-	(5)
New lending	253	5	4	-	262	(5)	-	-	-	(5)	248	5	4	-	257
Repayments, additional drawdowns and interest accrued	(191)	(25)	(9)	-	(225)	-	-	-	-	-	(191)	(25)	(9)	-	(225)
Derecognitions	(270)	(62)	(97)	-	(429)	4	3	3	-	10	(266)	(59)	(94)	-	(419)
Changes to assumptions	-	-	-	-	-	8	2	(1)	-	9	8	2	(1)	-	9
Balance at 30 Jun 2023	3,122	488	158	-	3,768	(30)	(26)	(27)	-	(83)	3,092	462	131	-	3,685

Notes to the condensed consolidated interim financial statements (unaudited)

6. Loans and advances to customers continued

Loss allowance

Total lending

	Gross carrying amount					Loss allowance					Net carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 Jan 2024	10,596	1,511	389	-	12,496	(63)	(43)	(93)	-	(199)	10,533	1,468	296	-	12,297
Transfers to/from stage 1	287	(283)	(4)	-	-	(6)	6	-	-	-	281	(277)	(4)	-	-
Transfers to/from stage 2	(347)	349	(2)	-	-	3	(3)	-	-	-	(344)	346	(2)	-	-
Transfers to/from stage 3	(81)	(87)	168	-	-	-	7	(7)	-	-	(81)	(80)	161	-	-
Net remeasurements due to transfers	-	-	-	-	-	5	(9)	(22)	-	(26)	5	(9)	(22)	-	(26)
New lending	752	44	-	-	796	(3)	-	-	-	(3)	749	44	-	-	793
Repayments, additional drawdowns and interest accrued	(359)	(81)	(24)	-	(464)	-	-	-	-	-	(359)	(81)	(24)	-	(464)
Derecognitions	(838)	(164)	(87)	-	(1,089)	4	5	10	-	19	(834)	(159)	(77)	-	(1,070)
Changes to assumptions	-	-	-	-	-	8	5	-	-	13	8	5	-	-	13
Balance at 30 Jun 2024	10,010	1,289	440	-	11,739	(52)	(32)	(112)	-	(196)	9,958	1,257	328	-	11,543
Balance at 1 Jul 2023	10,779	1,625	365	-	12,769	(61)	(47)	(89)	-	(197)	10,718	1,578	276	-	12,572
Transfers to/from stage 1	131	(119)	(12)	-	-	(6)	6	-	-	-	125	(113)	(12)	-	-
Transfers to/from stage 2	(78)	84	(6)	-	-	-	(1)	1	-	-	(78)	83	(5)	-	-
Transfers to/from stage 3	(99)	(5)	104	-	-	2	-	(2)	-	-	(97)	(5)	102	-	-
Net remeasurements due to transfers	-	-	-	-	-	6	(2)	(18)	-	(14)	6	(2)	(18)	-	(14)
New lending	1,142	169	11	-	1,322	(9)	(5)	(5)	-	(19)	1,133	164	6	-	1,303
Repayments, additional drawdowns and interest accrued	(266)	(73)	(28)	-	(367)	-	-	-	-	-	(266)	(73)	(28)	-	(367)
Derecognitions	(1,013)	(170)	(45)	-	(1,228)	7	6	19	-	32	(1,006)	(164)	(26)	-	(1,196)
Changes to assumptions	-	-	-	-	-	(2)	-	1	-	(1)	(2)	-	1	-	(1)
Balance at 31 Dec 2023	10,596	1,511	389	-	12,496	(63)	(43)	(93)	-	(199)	10,533	1,468	296	-	12,297
Balance at 1 Jan 2023	10,849	2,088	352	-	13,289	(66)	(51)	(70)	-	(187)	10,783	2,037	282	-	13,102
Transfers to/from stage 1	741	(738)	(3)	-	-	(9)	9	-	-	-	732	(729)	(3)	-	-
Transfers to/from stage 2	(503)	505	(2)	-	-	4	(5)	1	-	-	(499)	500	(1)	-	-
Transfers to/from stage 3	(71)	(66)	137	-	-	1	4	(5)	-	-	(70)	(62)	132	-	-
Net remeasurements due to transfers	-	-	-	-	-	6	(11)	(20)	-	(25)	6	(11)	(20)	-	(25)
New lending	918	70	5	-	993	(9)	(1)	(1)	-	(11)	909	69	4	-	982
Repayments, additional drawdowns and interest accrued	(419)	(99)	(12)	-	(530)	-	-	-	-	-	(419)	(99)	(12)	-	(530)
Derecognitions	(736)	(135)	(112)	-	(983)	6	4	7	-	17	(730)	(131)	(105)	-	(966)
Changes to assumptions	-	-	-	-	-	6	4	(1)	-	9	6	4	(1)	-	9
Balance at 30 Jun 2023	10,779	1,625	365	-	12,769	(61)	(47)	(89)	-	(197)	10,718	1,578	276	-	12,572

Notes to the condensed consolidated interim financial statements (unaudited)

7. Deposits from customers

Deposits by customer segment

	30 Jun 2024 £'million	31 Dec 2023 £'million	30 Jun 2023 £'million
Deposits from retail customers	8,904	8,943	7,557
Deposits from commercial customers	6,822	6,680	7,972
Total deposits from customers	15,726	15,623	15,529

Deposits by product

	30 Jun 2024 £'million	31 Dec 2023 £'million	30 Jun 2023 £'million
Demand: current accounts	5,662	5,696	7,106
Demand: savings accounts	8,108	7,827	7,218
Fixed term: savings accounts	1,956	2,100	1,205
Deposits from customers	15,726	15,623	15,529

8. Debt securities

Name	Issue date	Currency	Amount issued £'million	Coupon rate	Call date	Maturity date
Fixed rate reset callable (MREL) notes	30/11/23	GBP	525	12.00%	30/04/28	30/04/29
Fixed rate reset senior callable subordinated (Tier 2) notes	30/11/23	GBP	150	14.00%	30/04/29	30/04/34

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
At beginning of period	694	573	571
Issuances	-	675	-
Redemption	-	(500)	-
Haircut	-	(100)	-
Costs associated with issuance	-	(5)	-
Movements in Micro Hedging	(19)	49	1
Unwind of issuance costs	-	2	1
At end of period	675	694	573

Hedge accounting is applied to our debt securities to manage interest rate risk.

9. Lease liabilities

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
At beginning of period	234	238	248
Additions and modifications	-	1	(1)
Disposals	-	-	(4)
Lease payments made	(10)	(11)	(12)
Interest on lease liabilities	6	6	7
At end of period	230	234	238

Notes to the condensed consolidated interim financial statements (unaudited)

10. Share capital

As at 30 June 2024 we had 672.7 million ordinary shares of 0.0001 pence (31 December 2023: 672.7 million, 30 June 2023: 172.6 million) in issue.

Called up share capital (issued and fully paid)

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
At beginning of the period	-	-	-
Cancellation of Metro Bank PLC share capital[1]	-	-	-
Issuance of Metro Bank Holdings PLC share capital[1]	-	-	-
Bonus issue	-	-	965
Capital reduction	-	-	(965)
Share Issuance[2]	-	-	-
At end of the period	-	-	-

1. The cancelled called-up share capital of Metro Bank PLC and new share capital of Metro Bank Holdings PLC amount to £172 and as such have been rounded to £nil in the table above.
2. The called-up share capital of the equity issued during the half year to 31 December 2023 totalled £500 and as such has been rounded to £nil in the table above.

Share premium

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million
At beginning of the period	144	-	1,964
Cancellation of Metro Bank PLC share premium	-	-	(1,964)
Share issuance	-	150	-
Cost of share issuance	-	(6)	-
At end of the period	144	144	-

Redeemable preference shares

In addition to the share capital set out above Metro Bank Holdings PLC has £50,000 of redeemable preference shares which were issued to Robert Sharpe (Chair) and Daniel Frumkin (Chief Executive Officer) upon the initial incorporation of the legal entity on 29 September 2022. These shares are in the process of being redeemed.

11. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the (loss)/profit attributable to ordinary equity holders of Metro Bank by the weighted average number of ordinary shares in issue during the period.

Diluted EPS has been calculated by dividing the loss attributable to our ordinary equity holders by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares that would be issued on the conversion to shares of options granted to colleagues.

As we made a loss during the six month period to 30 June 2024, the share options would be antidilutive, as they would reduce the loss per share. Therefore, all the outstanding options have been disregarded in the calculation of dilutive EPS for this period.

	Half year to 30 Jun 2024	Half year to 31 Dec 2023	Half year to 30 Jun 2023
(Loss)/profit attributable to ordinary equity holders (£'million)	(33.1)	16.8	12.7
Weighted average number of ordinary shares in issue (thousands)			
Basic	672,704	256,010	172,583
Adjustment for share awards	-	6,459	6,790
Diluted	672,704	262,469	179,373
Earnings per share (pence)			
Basic	(4.9)	6.6	7.4
Diluted	(4.9)	6.4	7.1

Notes to the condensed consolidated interim financial statements (unaudited)

12. Fair value of financial instruments

	Carrying value £'million	Quoted market price Level 1 £'million	Using observable inputs Level 2 £'million	With significant unobservable inputs Level 3 £'million	Total fair value £'million
30 Jun 2024					
Assets					
Loan and advances to customers	11,543	-	-	11,323	11,323
Investment securities held at FVOCI	347	347	-	-	347
Investment securities held at amortised cost	4,341	2,974	1,197	-	4,171
Financial assets held at FVTPL	-	-	-	-	-
Derivative financial assets	19	-	19	-	19
Liabilities					
Deposits from customers	15,726	-	-	15,730	15,730
Deposits from central banks	3,050	-	-	3,050	3,050
Debt securities	675	-	553	-	553
Derivative financial liabilities	-	-	-	-	-
Repurchase agreements	391	-	-	391	391
31 Dec 2023					
Assets					
Loan and advances to customers	12,297	-	-	12,156	12,156
Investment securities held at FVOCI	476	476	-	-	476
Investment securities held at amortised cost	4,403	3,143	1,072	-	4,215
Financial assets held at FVTPL	-	-	-	-	-
Derivative financial assets	36	-	36	-	36
Liabilities					
Deposits from customers	15,623	-	-	15,622	15,622
Deposits from central banks	3,050	-	-	3,050	3,050
Debt securities	694	-	585	-	585
Derivative financial liabilities	-	-	-	-	-
Repurchase agreements	1,191	-	-	1,191	1,191
30 Jun 2023					
Assets					
Loan and advances to customers	12,572	-	-	11,782	11,782
Investment securities held at FVOCI	489	489	-	-	489
Investment securities held at amortised cost	4,826	3,174	1,295	33	4,502
Financial assets held at FVTPL	1	-	-	1	1
Derivative financial assets	26	-	26	-	26
Liabilities					
Deposits from customers	15,529	-	-	15,517	15,517
Deposits from central banks	3,800	-	-	3,800	3,800
Debt securities	573	-	-	440	440
Derivative financial liabilities	25	-	25	-	25
Repurchase agreements	363	-	-	363	363

Notes to the condensed consolidated interim financial statements (unaudited)

12. Fair value of financial instruments Continued

Cash and balances with the Bank of England, trade and other receivables, trade and other payables, and other assets and liabilities which meet the definition of financial instruments are not included in the tables. Their carrying amount is a reasonable approximation of fair value.

An inverse relationship exists between interest rates and fair value and therefore as base rates have continued to rise this has seen the fair value of our fixed-rate financial instruments continue to remain below their carrying amount. As these financial instruments approach maturity their fair value will pull back to their carrying value.

The significant majority of our investment securities held at amortised cost are Bank of England eligible so are available for entering into repurchase agreements, should we need additional liquidity. The remainder of our investment securities are held at fair value and therefore market movements on these assets are already reflected in our reserves and capital ratios.

Information on how fair values are calculated are explained below:

Loans and advances to customers
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date, adjusted for future credit losses and prepayments, if considered material.

Investment securities
The fair value of investment securities is based on either observed market prices for those securities that have an active trading market (fair value Level 1 assets), or using observable inputs (in the case of fair value Level 2 assets).

Financial assets held at fair value through profit and loss
The financial assets at fair value through profit and loss relate to the loans and advances previously assumed by the RateSetter provision fund.

Deposits from customers
Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

Debt securities
Fair values are determined using the quoted market price at the balance sheet date.

Deposits from central banks/repurchase agreements
Fair values are estimated using discounted cash flows, applying current rates. Fair values approximate carrying amounts as their balances are generally short-dated.

Derivative financial assets and liabilities
The fair values of derivatives are obtained from discounted cash flow models or option pricing models as appropriate.

Notes to the condensed consolidated interim financial statements

(unaudited)

13. Legal proceedings and regulatory matters

As part of the normal course of business we are subject to legal and regulatory matters. The matters outlined below represent contingent liabilities and as such at the reporting date no provision has been made for any of these cases within the financial statements. This is because, based on the facts currently known, it is not practicable to predict the outcome, if any, of these matters or reliably estimate any financial impact. Their inclusion does not constitute any admission of wrongdoing or legal liability.

Financial Crime

The FCA is currently undertaking enquiries regarding our financial crime systems and controls. We continue to engage and co-operate fully with the FCA in relation to these matters, and the FCA's enquiries remain ongoing.

Magic Money Machine litigation

Arkeyo LLC ("Arkeyo"), a software company based in the United States, filed a civil suit against us in June 2017 in the United States District Court for the Eastern District of Pennsylvania alleging, among other matters, that we misappropriated certain of Arkeyo's trade secret technology relating to money counting machines (i.e., our Magic Money Machines). Arkeyo has sought damages in respect of a number of claims and attempted to serve the US proceedings on us in the United Kingdom. This claim was decided in our favour on jurisdictional grounds. However, Arkeyo has filed a new claim with a stated value of over £24 million. We believe Arkeyo LLC's claims are without merit and are vigorously defending the claim.

14. Post balance sheet events

On 26 July 2024, we announced that we have entered agreement to sell a portfolio of approximately £2.5 billion prime residential mortgages to NatWest Group PLC for cash consideration of up to £2.4 billion. On completion of the transaction, the sale is expected to reduce risk weighted assets by c£824 million, and result in a 30 June 2024 pro forma improvement in the total regulatory capital plus MREL ratio of c122bps to 23.4%. The loans will be sold at a discount to gross book value because the loans were originated in a lower rate environment, resulting in an estimated c£105 million loss on sale.

Alternative performance measures (unaudited)

In the reporting of financial information, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles under which we report. These measures are consistent with those used by management to assess underlying performance. These alternative performance measures have been defined below, where a measure relates to a half year any financial statement lines marked with an * have been annualised in the calculation.

Cost of deposits

Interest expense on customer deposits divided by the average deposits from customers for the period.

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million	Full year to 31 Dec 2023 £'million
Interest on customer deposits*	173.5	96.8	51.0	147.8
Average deposits from customer	16,026	14,900	15,580	15,237
Cost of deposits (annualised)	2.18%	1.29%	0.66%	0.97%

Cost of risk

Expected credit loss expense divided by average gross loans.

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million	Full year to 31 Dec 2023 £'million
Expected credit loss expense*	6.2	21.9	11.3	33.2
Average gross lending	12,022	12,679	12,934	12,778
Cost of risk (annualised)	0.10%	0.34%	0.18%	0.26%

Coverage ratio

Expected credit losses as a percentage of gross loans.

	30 Jun 2024 £'million	31 Dec 2023 £'million	30 Jun 2023 £'million
Expected credit losses	196	199	197
Gross loans and advances to customers	11,739	12,496	12,769
Coverage ratio	1.67%	1.59%	1.54%

Loan-to-deposit ratio

Net loans and advances to customers expressed as a percentage of total deposits as at the period end.

	30 Jun 2024 £'million	31 Dec 2023 £'million	30 Jun 2023 £'million
Net loans and advances to customers	11,543	12,297	12,572
Deposits from customer	15,726	15,623	15,529
Loan-to-deposit ratio	73%	79%	81%

Net interest margin

Net interest income as a percentage of average interest-earning assets.

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million	Full year to 31 Dec 2023 £'million
Net interest income*	171.9	190.4	221.5	411.9
Average interest-earning assets	21,131	20,726	20,900	20,786
Net interest margin (annualised)	1.64%	1.85%	2.14%	1.98%

Non-performing loan ratio

Gross balance of loans in stage 3 (non-performing loans) as a percentage of gross loans at period end.

	30 Jun 2024 £'million	31 Dec 2023 £'million	30 Jun 2023 £'million
Stage 3 loans	440	389	365
Loans and advances to customers	11,739	12,496	12,769
Non-performing loan ratio	3.75%	3.11%	2.86%

Statutory cost: income ratio

Statutory total operating expenses as a percentage of statutory total income.

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million	Full year to 31 Dec 2023 £'million
Operating expenses	263.4	325.5	259.7	585.2
Total income	236.1	362.5	286.4	648.9
Statutory cost:income ratio	112%	90%	91%	90%

Underlying cost: income ratio

Underlying total operating expenses as a percentage of underlying total income.

	Half year to 30 Jun 2024 £'million	Half year to 31 Dec 2023 £'million	Half year to 30 Jun 2023 £'million	Full year to 31 Dec 2023 £'million
Underlying operating expenses	254.6	272.0	258.2	530.2
Total underlying income	234.0	260.9	285.6	546.5
Underlying cost:income ratio	109%	104%	90%	97%

Alternative performance measures (unaudited)

Underlying profit/(loss) represents an adjusted measure, excluding the effect of certain items that are considered to distort period-on-period comparisons, in order to provide readers with a better and more relevant understanding of the underlying trends in the business.

Non-underlying item	Description	Reason for exclusion
Impairment and write-offs of property, plant, equipment and intangible assets	The costs associated with non-current assets that are either no longer being used by or are no longer generating future economic benefit for the business.	The impairments and write-offs relating to property, plant, equipment and intangible assets are removed as they distort comparison between years. This is on the basis that the write-offs and impairments relate to specific events and triggers which are not consistent between years
Net C&I costs	These costs and income relate to the delivering the commitments associated with the Capability and Innovation Fund (awarded by BCR).	The commitments under the Capability and Innovation Fund continue through to 2025. The costs associated with fulfilling the commitments and associated income are felt to distort year-on-year comparison. Given the offsetting nature of the income and expenditure, there is no net impact on our profitability from this adjustment
Remediation costs	Remediation costs consist of money spent in relation to the RWA adjustment including the associated investigations by the PRA and FCA as well as work undertaken in relation to financial crime.	The remediation costs are felt to be time limited and will disappear once the investigations have concluded, as such these are removed to allow greater comparability between periods.
Transformation costs	Transformation costs primarily consist of the costs associated with redundancy programmes during the year as part of our approach to right-sizing teams as well as the costs of work undertaken to establish our cost reduction programme.	The transformation costs are seen as a nonrecurring cost stream aimed at addressing the challenges the business faces. These are therefore removed in order to prevent year-on-year distortion
Holding company insertion costs	Costs associated with the establishment and insertion of a holding company (Metro Bank Holdings PLC) above the operating company (Metro Bank PLC) to meet regulatory requirements.	During 2022 we started work on implementing our new holding company, which we successfully completed in May 2023. As such no further associated costs will be recognised in 2024.
Capital raise and refinancing (2023 only)	In November 2023 shareholders approved a £925 million capital package which consisted of £150 million of new equity, £175 million of new MREL-eligible debt and £600 million of debt refinancing. Costs associated with the refinancing were expensed to the income statement, including the impact of discontinuing the previous hedge relationships. Alongside this a £100 million gain was recognised on	The nature of the capital package meant it was both significant and one-off and as such will not see any additional costs recur in relation to this.

Alternative performance measures (unaudited)

Half year to 30 Jun 2024	**Statutory basis £'million**	Impairment and write offs of PPE and intangible assets £'million	Net C&I costs £'million	Transformation costs £'million	Remediation costs £'million	Holding company insertion costs £'million	Capital raise and refinancing £'million	**Underlying basis £'million**
Net interest income	171.9	-	-	-	-	-	-	171.9
Net fee and commission income	45.9	-	-	-	-	-	-	45.9
Net gains on sale of assets	0.1	-	-	-	-	-	-	0.1
Other income	18.2	-	(2.1)	-	-	-	-	16.1
Total income	236.1	-	(2.1)	-	-	-	-	234.0
General operating expenses	(225.0)	-	2.1	4.5	1.8	-	0.1	(216.5)
Depreciation and amortisation	(38.1)	-	-	-	-	-	-	(38.1)
Impairment and write offs of property, plant, equipment and intangible assets	(0.3)	0.3	-	-	-	-	-	-
Total operating expenses	(263.4)	0.3	2.1	4.5	1.8	-	0.1	(254.6)
Expected credit loss expense	(6.2)	-	-	-	-	-	-	(6.2)
(Loss) before tax	(33.5)	0.3	-	4.5	1.8	-	0.1	(26.8)

Half year to 31 Dec 2023								
Net interest income	190.4	-	-	-	-	-	-	190.4
Net fee and commission income	48.2	-	-	-	-	-	-	48.2
Net gains on sale of assets	1.9	-	-	-	-	-	-	1.9
Other income	122.0	-	(1.6)	-	-	-	(100.0)	20.4
Total income	362.5	-	(1.6)	-	-	-	(100.0)	260.9
General operating expenses	(281.5)	-	1.6	20.2	0.8	0.3	26.0	(232.6)
Depreciation and amortisation	(39.4)	-	-	-	-	-		(39.4)
Impairment and write offs of property, plant, equipment and intangible assets	(4.6)	4.6	-	-	-	-		-
Total operating expenses	(325.5)	4.6	1.6	20.2	0.8	0.3	26.0	(272.0)
Expected credit loss expense	(21.9)	-	-	-	-	-		(21.9)
Profit/(loss) before tax	15.1	4.6	-	20.2	0.8	0.3	(74.0)	(33.0)

Half year to 30 Jun 2023								
Net interest income	221.5	-	-	-	-	-	-	221.5
Net fee and commission income	42.2	-	-	-	-	-	-	42.2
Net gains on sale of assets	0.8	-	-	-	-	-	-	0.8
Other income	21.9	-	(0.8)	-	-	-	-	21.1
Total income	286.4	-	(0.8)	-	-	-	-	285.6
General operating expenses	(221.4)	-	0.8	-	(0.8)	1.5	-	(219.9)
Depreciation and amortisation	(38.3)	-	-	-	-	-	-	(38.3)
Impairment and write offs of property, plant, equipment and intangible assets	-	-	-	-	-	-	-	-
Total operating expenses	(259.7)	-	0.8	-	(0.8)	1.5	-	(258.2)
Expected credit loss expense	(11.3)	-	-	-	-	-	-	(11.3)
Profit before tax	15.4	-	-	-	(0.8)	1.5	-	16.1