Metro Bank assures over borrower resilience as it cheers returning to profit

H
igh street lender Metro Bank has revealed it returned to profit in September and said it has not yet seen signs of borrowers struggling with repayments amid the cost-of-living crisis.

The group set aside another £10 million for loans expected to turn sour as the economic outlook darkens, but stressed there has been no worsening of “early warning indicators” that borrowers are in distress.

Shares in the firm jumped 10% in early trading on Wednesday as Metro Bank said it returned to profit on both an underlying and statutory basis in September.

This was thanks to efforts to rein in costs, as well as a boost to its net interest margin after a rapid flurry of interest rate rises, according to the group.

It expects retail margins to improve further throughout 2023, in part boosted by expectations for more rate hikes as the Bank of England tackles soaring inflation.

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This is putting pressure on borrowers, with rocketing energy costs and price rises across the board having sent inflation to 40-year highs.

Most major banks are yet to see borrowers fall behind on repayments, with quarterly reports from its larger rivals last week showing few signs of customers stress.

But Lloyds Banking Group – the UK’s biggest lender – revealed it had set aside £668 million to cover loan losses in the third quarter.

Metro Bank said: “There has been no deterioration in early warning indicators and no signs of stress or increased delinquency across the customer base.

“The Bank continues to monitor all of its portfolios closely and remains watchful of changes in economic conditions that may impact provisioning, such as material movements in unemployment from its current historically low point.”

Metro Bank’s third quarter report showed that deposits fell 1% to £16.4 billion in the third quarter, but that loans lifted 4% to £12.8 billion.

Daniel Frumkin, chief executive of Metro Bank, said: “I am really pleased to see the business return to profit in September on both an underlying and statutory basis.

“This performance reflects our tight control of both costs and risk, close management of our deposit franchise and lending channels, and the supportive prevailing interest rate environment, all of which help build a balance sheet that delivers sufficient margin to cover costs.

“Whilst we remain watchful of economic conditions and continue to monitor our credit metrics closely, our book remains in good health.”