



CHIEF EXECUTIVE OFFICER'S STATEMENT

growing the revolution

2016 has been a fantastic year. From Listing on the London Stock Exchange, to growing our customer account base to over 900,000 FANS; to creating another 500 jobs and going into profitability. Metro Bank continues to go from strength to strength.



Craig Donaldson – Chief Executive Officer



Our model is about creating FANS. We focus on creating FANS, and those FANS are telling their friends, families and colleagues that they should bank with us. And I'm very, very proud of that.



Introduction

We are delighted to present our first Annual Report as a listed company. This has been another great year for Metro Bank. We have expanded our network to 48 stores and created 500 jobs serving 915,000 customer accounts, with substantial growth across lending, deposits and customer accounts, as well as delivering two quarters of underlying profit and our first quarterly statutory profit. We continue to show strong deposit growth even as the cost of our deposits falls. This demonstrates that our offering of relevant, convenient high-impact stores, UK-based contact centres and easy-to-use online and mobile services is persuasive for retail, business and private customers.

Our customer-focused model and culture and commitment to providing a superior banking experience remain at the forefront of our offering. We remain committed to long-term, sustainable growth and in 2016 invested over £100 million on stores, technology and on training our colleagues.

Results overview

Metro Bank has had an excellent year, generating substantial growth in deposits and lending and achieving the month-on-month profitability we promised in the fourth quarter of 2016. Revenue is up 62% year-on-year and underlying loss before tax is down 75% to £11.7 million, compared to £46.6 million in 2015.



Metro Bank is a growth company investing for growth in stores, people and technology.



During 2016, we continued to be fully funded by customer deposits, with deposit growth per store of £5.7 million per month. As of 31 December 2016, total customer deposits were £7,951 million, up from £5,108 million at 31 December 2015.

Our strong growth during the year was achieved while maintaining a high-quality balance sheet. At the end of the year, our Common Equity Tier 1 capital ratio was 18.1%, strengthened by our £400 million capital raise, and our leverage ratio was 6.5%. During the year, we continued to manage our balance sheet carefully with a view to maintaining quality and efficiency.



Both the momentum and quality of our lending have been strong, with a 66% year-on-year increase in lending. Strong growth across both residential mortgages and commercial lending has resulted in our loan to deposit ratio further improving to 74%, as we have enabled more people to buy their houses and more businesses to grow.

Our business has not changed as a result of the UK public's decision to exit the European Union in June 2016. The Bank of England's subsequent decision to reduce the UK base rate has been passed on to lending customers and deposit holders. However, our savings promise holds true: we reward loyalty; we won't cut your rate while offering a better rate to new customers.

Our model

A superior retail-focused customer service proposition emphasising simple, straightforward banking turns our customers into FANS. Our focus on making life easier for customers resulted in rapid growth in 2016. Our success speaks volumes about our dedication to providing uncomplicated services and products that people need.

We pride ourselves on our high street presence, with each of our stores firmly rooted in the local community that it serves. Each of our stores hosts a range of initiatives throughout the year to support residents and businesses, from free financial education programmes for schoolchildren to SME networking events.

Our highly motivated and engaged team of colleagues are committed to providing dedicated service to FANS. This customer-centric culture pervades our recruitment and training policies, and we are committed to hiring colleagues with the right attitude as a priority and then training for skill.

Building the bank from the ground up has given us strong advantages; we have connected with local communities and attracted customers and deposits by placing attractive, relevant stores in the right locations. We have created a bank with sound values, superior service levels and state-of-the-art IT infrastructure.



CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

Our FANS

Through our *Voice of the Customer* programme we analyse customer feedback across all channels – store, telephone, social media, online and app – and use it to constantly improve our offering.

In 2016, our Net Promoter Score – the recognised marketing benchmark gauging customer loyalty – was 78%. That score remains in line with prior years, demonstrating that our customer focus continues as our network expands. Our brand recognition in February 2017 has risen to 84% across the London market. And all through word of mouth by our FANS: that's what we call marketing.

Over the year, we have bolstered our offering to commercial customers. Our sector-specialist teams now work with local authorities, social housing organisations, hotels and leisure companies, franchises, property companies, not-for-profit organisations and healthcare companies to name but a few, whilst our Local Directors and Regional Commercial teams support businesses in their local areas. Each team offers a wide range of commercial and mortgage lending products, and each has grown significantly in the last 12 months. Invoice and Asset financing has also continued to deepen the relationship and breadth of our service offering to our customers.

During 2016, our Mortgage team continued to grow, and we launched an industry-leading retention proposition focused on customer convenience. This enables intermediary brokers and customers to renew Metro Bank mortgages in less than 30 minutes.

The Private Bank specialist teams continue to thrive and make a material contribution to our rapid growth. They provide a relationship-driven service through simple banking and lending services, and focus on Sports and Entertainment, Boards and Partners, and Entrepreneurs and Commercial Private Clients (for those with combined personal and commercial business interests).

Finally, partnerships; we've continued to partner with complementary wealth management firms and pension providers to provide products and services that our and their customers value, such as our inter-generational mortgage with St James's Place and our Money Management Accounts. These partnerships are an important part of Metro Bank and our ability to create FANS.

Integrated service delivery

Through our integrated store, mobile, online and telephone banking services, we provide an unparalleled level of tangible convenience for customers. By providing our customers with increasingly seamless access to their banking services across channels, we put control with the customer to use the channel of their choice at a time of their convenience, at any point in the customer journey. Our award-winning, legacy-free IT platform enables us to deliver a faster, more informed and more secure service to customers without friction across multiple channels and systems.

Throughout 2016, we continued to invest in back office infrastructure; enhancing operational performance and resilience, including implementing more straight-through processing and single customer view functionalities; leading cyber security controls, such as web application firewalls to protect our external websites; malware detection tools to protect data; and a 24/7 managed security service to monitor our IT infrastructure.

We have also made significant digital investment, with the launch of a new public website with a geo-user interface in August; our game-changing commercial banking platform, launched in November, providing a single customer view dashboard to organisations with subsidiaries, helping businesses to quickly and easily view all companies they operate; and our new mobile app for Business and Personal customers, which provides a new platform onto which much more will be built during 2017. We also became the first UK retail bank to join the Faster Payments Scheme since the service was launched in 2008, and we have now rolled out Apple Pay and Android Pay for our customers.

2016 awards



GOLD RIBBON FOR
CUSTOMER SERVICE



BEST BRANCH STRATEGY AWARD



GAME-CHANGING
PARTNERSHIP WITH ZOPA



London Stock Exchange 10 March 2016



Our 2016 awards

We're proud to be *Moneywise's* Most Trusted Financial Provider 2016, where we were also awarded another four *Moneywise* Customer Service Awards for a range of our products and services. We were also announced as Bank of the Year at the 2016 *City AM Awards* and included as one of the *London Stock Exchange's* "1000 Companies to Inspire Britain" in 2016. On top of this, we won several technology awards, as well as a number of individual awards for colleagues.

Successful Listing on the London Stock Exchange

The revolution in British banking entered a new era on 10 March 2016 with the Listing of Metro Bank (MTRO) shares on the Main Market of the London Stock Exchange. The successful flotation of Metro Bank followed a private capital raising that saw investors commit £400 million of new funding in support of the Company's growth plans. We will use the funds we have raised to power the next phase in Metro Bank's growth across our integrated service offering.

Plans for the future

Most excitingly of all, this is just the beginning. From a 2010 vision of a revolutionary new bank creating FANS to six years later, 2,500 colleagues serving 915,000 customer accounts and with the best yet to come as we grow towards our 2020 targets and beyond.

To Metro Bank's FANS, to the colleagues who serve them and to all our supportive shareholders – thank you.

Craig Donaldson
Chief Executive Officer
2 March 2017



TECHNOLOGY INNOVATION
ENTERPRISE AWARD



MOST TRUSTED
FINANCIAL PROVIDER

MOST TRUSTED CURRENT
ACCOUNT PROVIDER

MOST TRUSTED SAVINGS
AND CASH ISA PROVIDER

BEST CURRENT ACCOUNT PROVIDER
FOR BRANCH SERVICE

BEST PROVIDER OF CHILDREN'S
SAVINGS ACCOUNT