



DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report for the year ended 31 December 2016. As set out more fully in the "Summary of significant accounting policies" within "Notes to the financial statements, Accounting policies", this Annual Report for the consolidated Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and includes the Corporate Governance Report set out on pages 38 to 42.

Principal activities

Our principal activities during 2016 were the provision of banking and related services. Metro Bank is a deposit-taking and lending institution with a focus on retail and small and medium-size commercial customers, offering consistent fair pricing and excellent customer service. Metro Bank is authorised to accept deposits under the Financial Services and Markets Act 2000, has a Consumer Credit Act licence and is a member of the Financial Services Compensation Scheme.

Directors

Directors that have served during the year and summaries of the current Directors' key skills and experience are set out on pages 32 to 33.

Results and dividend

The results for the year are set out in the Consolidated statement of comprehensive income on page 74.

No dividend was declared or paid during 2016 (2015: £nil). The Directors do not anticipate declaring a dividend in the near future.

Significant events

On 4 March 2016, Metro Bank issued a further 20,000,000 new shares at £20 per share, further to an offer for subscription on 16 February 2016, for gross consideration of £400 million. The Company's shares were admitted for trading on the London Stock Exchange on 10 March 2016.

Articles of Association

The Company's Articles of Association can be found on the Company's website www.metrobankonline.co.uk.

Share capital

The called up share capital of the Company, together with details of shares allotted during the year, is shown in note 17 to the financial statements on page 97.

Directors' interests

Details of the Directors' beneficial interests are set out in the Remuneration Report on pages 52 to 67.

Directors' indemnities and Directors and Officers

Liability insurance

Details regarding deeds of indemnity and Directors and Officers Liability insurance are set out in the Corporate Governance Report on page 42.

Major interests in shares

Information provided to the Group by substantial shareholders pursuant to the Disclosure and Transparency Rules ("DTR") is published via a Regulatory Information Service.

As at 31 December 2016, the Group has been notified under DTR 5 of the interests in its issued share capital, as set out in the table opposite. All such share capital has the right to vote in all circumstances at general meetings.



As at 31 December 2016	Ordinary shares held	% of total ordinary shares	Direct/indirect interest
Cohen Private Ventures	7,912,848	9.85	Indirect
Wellington Management Group LLP	7,546,661	9.39	Indirect
Fidelity Management and Research	6,850,023	8.53	Indirect

In the period from 31 December 2016 to the date of this report, the Group has received notifications from Wellington Management Group LLP confirming a holding of 3,641,556 shares representing 4.53% of total voting rights.

Greenhouse gas emissions

The Company's energy consumption and associated greenhouse gas emissions during 2016 are set out in the Strategic report on pages 30 and 31.

Employee involvement

Employee involvement in the Bank is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Bank plays a major role in maintaining its focus on the customer. All employees are eligible to participate in our share option and/or, share pool schemes.

Diversity

Metro Bank is committed to employment policies which follow best practice, based on equal opportunities for all employees. We aim for our workforce to reflect the diverse communities in which we operate and recognise that diversity is a key part of a responsible business strategy and also supports a strong customer experience. Metro Bank gives full and fair consideration to all applications for employment.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training and support is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Modern slavery

We are committed to supporting the communities in which we operate in order to enable them to develop both socially and economically. We are supportive of the Modern Slavery Act 2015 and we will report on our progress in our 2017 Annual Report.

Financial risk management

The Directors confirm that they have undertaken a robust assessment of the principal risks facing the Group. The Bank seeks to manage all risks that arise from its activities. Details of risk management systems and processes in place in relation to financial reporting, and details of risk management objectives and policies of the Bank are shown in the Risk Factors and Management Report on pages 24 to 27. As a result of its normal business activities, the Bank is exposed to a variety of risks. The principal risks and uncertainties facing Metro Bank are shown in the Risk Factors and Management Report.

Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and Parent Company have the resources to continue in business for the foreseeable future.

Viability Statement

The Bank's Viability Statement is set out on page 27.

Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the Annual General Meeting.

Political donations

Metro Bank made no political donations in the year ending 31 December 2016 (2015: £nil).

Research and development

Metro Bank has an ongoing commitment to make banking more convenient for its customers and in 2016 has continued to invest in systems, procedures, products and services, and as a result has capitalised £45 million of intangible assets.



DIRECTORS' REPORT CONTINUED

Post balance sheet events

A summary of the key post balance sheet events is set out in note 32 to the financial statements.

Annual General Meeting

Details of next year's AGM can be found in the Shareholder Information section on page 110 of this Report.

Future developments

The Bank's business and future plans are reviewed in the Chairman's Statement and the Strategic Report.

Listing rule disclosures

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following sections of the report:

Item	Location where applicable
Detail of long-term incentive schemes	Remuneration Report Financial statements note 18
Contracts of significance	Financial statements note 27

Corporate Governance Statement

The Corporate Governance Report on pages 38 to 42 in accordance with Rule 7.2 of the Disclosure and Transparency Rules and Rule 9.8.6 (5) and (6) of the Listing Rules forms part of this Directors' Report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the disclosure and transparency rules

Each of the Directors, whose names and functions are listed on pages 32 and 33, confirm that, to the best of their knowledge:

- The financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.



Statement of disclosure of information to Auditors

Each of the Directors who is in office at the date of this Report, and whose name is listed on pages 32 and 33, confirms that to the best of his knowledge:

- there is no relevant audit information of which the Company's Auditors are unaware; and
- has taken all the reasonable steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' Report comprising pages 34 to 37 has been approved by the Board of Directors of Metro Bank PLC and signed on its behalf by

Mike Brierley

Chief Financial Officer and Company Secretary

2 March 2017