

A BETTER ROYAL WEDDING

by [Steve Brown](#)

We are sad to announce that we missed the bachelor party and will not be making the Royal Wedding tomorrow morning either. Kate, er Catharine, seems perfect for Will in every respect, including possessing a large forehead that will fit in nicely with the rest of the Windsor clan. We also regret that we will miss the drunken Royals, the 6am bacon sandwiches and giving advice to the future King that it takes 2 people to make a strong marriage - 1 is a person that is always right and the 2nd, the husband.

If we were to go, not only would we enjoy dancing with the Queen, but we would stop by to check out Vernon Hill's new endeavor - Metro Bank PLC. After being banned from banking in the US for running afoul for using branch design consulting services from his wife's company, Hill went to the UK to start a bank last year, based on most of the principles that found him success during his days at New Jersey-based Commerce Bank. Commerce, as you remember, grew to a \$50B bank before being sold to Toronto Dominion at the top of the market back in 2007 for 3x book. While the ethical issues are troubling, Hill remains one of the best retail bankers around. He is now in the UK and has married all his core principles in banking to the high streets of London - the likes of which hasn't seen a new bank in 150Ys. Metro has never been short of detractors, as London's stodgy banking community quickly snubbed its nose at an "American-ized," "fast food" bank that makes no bones about being one for the commoner.

Metro has the same look and feel, color scheme, folksy marketing, focus on deposits and the same hyper-customer service drive as Commerce Bank did. Like Commerce, each "store" (he has 4 now with plans to grow to 40 in the next year) is open 7 days a week, has an open feel, is happy to have dogs, has coin counting machines and meets the strict Hill-developed criteria. One area that Hill made a name for himself back in the day was that he personally had to see each new branch location to approve it himself. What was originally thought as eccentric behavior turned out to be a union of success, as he made sure each location was no smaller than 3k square ft, no larger than 5k sq. ft., was located on a corner and had high foot traffic - preferably next to a transportation location such as a subway (Tube), railway, ferry or bus stop.

Once chosen, Hill would make sure each location was well lit, kept its interior lights on 24 hours per day, had floor-to-ceiling plate glass windows with all sides fronting a sidewalk (never an alley he used to say). Hill didn't stop there and that is true today. As with his days at Commerce, at Metro, each store is headed by an outgoing, sales-centric career banker. However, for the rest of the branch staff, Hill specifically recruits people from outside of banking, particularly from the restaurant, hospitality or travel industry. As Hill used to say, you can teach banking, but you can't teach attitude.

Last year we traveled to London for the opening and can attest to Metro's dedication to customer service. One new approach that impressed us was the "15 minute account opening" process. Even more onerous than in the US, normal UK banking standards would take about an hour to complete the paperwork and another 2-4 weeks to get everything in the mail. At Metro, they not only open an account in 15 minutes, but they track and manage the progress in order to continually improve. The life-changing moment comes when you complete the paperwork, only to find that the account officer already has both your debit card and credit card embossed with your name. Every available

employee comes together to welcome and congratulate you for being part of the Metro family with great fanfare. The presentation and efficiency is truly impressive.

The marriage of customer service and banking never fails to disappoint, a fact that is evident, as Metro has been open less than a year but already boasts more than double its deposit targets (the only thing that really matters to Hill) with well in excess of 10k accounts. Considering that Metro's cost of funds is below 50bp in a market where many UK banks are over 150bp, it is proof that Metro isn't doing this based on rate. While many will lament that they won't be present at Westminster Abby, we regret we will not be able to get another lesson in banking from Metro.

BANK NEWS

Mobile Banking

A survey of mobile banking usage by Aite found: mobile users frequently check their account balances, with 32% doing so more than 10x per quarter; 40% made a purchase using their mobile device per quarter; 61% use checks less than they did 2Ys ago; 38% use electronic coupons more than 2Ys ago and 43% of Gen Y and Baby Boomer mobile users have increased their debit card use.

Commercial Loans

The MBA is reporting that commercial and multifamily origination volumes increased to \$118.8B in 2010, a 44% increase over 2009 levels. By property type, multifamily was first at \$48.9B, followed by office at \$22.6B.

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