

### **Assessment Period 3 (October 1st, 2019 – December 31st, 2019)**

#### **Metro Bank – £70m (Previously £120m) Grant**

BCR and Metro Bank have agreed that Metro Bank will repay £50m of the original £120m awarded to it last year as part of the Capability and Innovation Fund Pool A award. This discussion was initiated by Metro Bank submitting a Revised Business Case in line with its future plans. As a result changes have been made to some public commitments as outlined below. Progress against those commitments is provided.

#### **COMMITMENT 1: WE WILL RADICALLY TRANSFORM THE UK SME BANKING EXPERIENCE**

- **Our unique model is able to combine growth with remarkable levels of service quality. We're committed to staying in the top 2 for customer service in the CMA service ratings.**
- **At current rates, Metro Bank business banking customers are 30% more satisfied than the industry average.**

Commitment 1 is on track. Metro Bank was ranked number 2 in the most recent CMA service rankings (February 2020). Results of the next survey are announced in August 2020.

#### **COMMITMENT 2: WE WILL PROVIDE A "METRO MULTIPLIER" TO C&I FUNDING**

- **Metro Bank will spend ~£2 of its own funds for every pound it receives from the Capability & Innovation Fund.**
- **This committed co-investment will ensure that the C&I funds have real impact, helping more SMEs benefit from better service and market-leading digital innovations and capabilities that bit sooner.**

Commitment 2 is on track. Metro Bank remains committed to spending ~£2 of its own funds for every pound it receives from the Capability & Innovation Fund.

#### **COMMITMENT 3: WE WILL OPEN 30 NEW METRO BANK STORES IN THE NORTH BY THE END OF 2025**

- **C&I funds will be used to fund frontline roles for 18 months, until our stores break even, ensuring SMEs get the support they need straight away.**
- **Metro Bank will pay for all store capital costs.**
- **21 of our 30 store commitment will be open to SMEs within three years of receiving any award.**
- **All our stores will be open 7 days a week, early and late, offer in-store debit and credit card printing, safe deposit boxes and access to a Local Business Manager.**

*As a result of the approval of Metro's Revised Business Case, this commitment is now changed to the following:*

#### **COMMITMENT 3: WE WILL OPEN 15 NEW METRO BANK STORES IN THE NORTH BY THE END OF 2025**

- **C&I funds will be used to fund frontline roles for 18 months to provide SMEs with the support and service they need**
- **Metro Bank will pay for all store capital costs.**
- **All our stores will be open 7 days a week, early and late, offer in-store debit and credit card printing, safe deposit boxes and access to a Local Business Manager.**

Commitment 3 is on track. We opened our first store in the North in Manchester in December 2019 and our Liverpool and Sheffield stores will open in Q1 of 2020.

#### **COMMITMENT 4: IN DELIVERING OUR PLANS WE WILL CREATE OVER 750 NEW JOBS IN THE NORTH – OUR CONTRIBUTION TO POWERING THE NORTHERN POWERHOUSE**

- **When combined with our Metro Multiplier, C&I funding will directly support the creation of 750**

high quality jobs in the North by 2025 in addition to over 1700 new jobs we will create up and down the country from our business-as-usual growth plans.

- C&I funding will also support the creation of over 100 new apprenticeship roles in the North by 2021.

*As a result of the approval of Metro's Revised Business Case, this commitment is now changed to the following:*

**COMMITMENT 4: IN DELIVERING OUR PLANS WE WILL CREATE ~300 NEW JOBS IN THE NORTH**

- When combined with our Metro Multiplier, C&I funding will directly support the creation of ~300 high quality jobs in the North by 2025.
- C&I funding will also support the creation of ~50 new apprenticeship roles in the North by 2025.

Commitment 4 is on track. By the end of 2019, 41 colleagues had joined Metro Bank including four apprentices. More colleagues are being recruited to support the opening of the Sheffield store in Q1 2020 including two more apprentices.

**COMMITMENT 5: WE WILL BUILD A RANGE OF GAME-CHANGING DIGITAL CAPABILITIES TO HELP SMEs THRIVE**

- In 2019 we will launch an artificial-intelligence led insights capability for SMEs using our mobile app, helping them to understand their cash flow and forthcoming payment obligations better.
- In 2019 we will launch a mobile cash pick up and drop off service, ensuring SMEs can save time managing their cash needs.
- In 2020 we will launch a truly straight-through business current account online application, enabling 100% of SMEs in the UK to benefit from the Metro Bank experience.
- In 2020 we will enable SMEs to manage tax submissions, bookkeeping, invoicing and receipts via mobile and online banking and help them link to their favourite cloud accounting platform.
- By 2021 we will offer SMEs the UK's first end-to-end payments and accounts receivable solution that automatically reconciles with cloud accounting services, allowing businesses to get paid faster and save time.

*As a result of the approval of Metro's Revised Business Case, this commitment is now changed to the following:*

**COMMITMENT 5: WE WILL BUILD A RANGE OF GAME-CHANGING DIGITAL CAPABILITIES TO HELP SMEs THRIVE**

- In 2019 we launched an artificial-intelligence led insights capability for SMEs using our mobile app, helping them to understand their cash flow and forthcoming payment obligations better.
- In 2019 we launched a mobile cash pick up and drop off service, ensuring SMEs can save time managing their cash needs.
- In 2020 we will launch a truly straight-through business current account online application, enabling 100% of SMEs in the UK to benefit from the Metro Bank experience.
- In 2020 we will enable SMEs to manage tax submissions, bookkeeping, invoicing and receipts via mobile and online banking and help them link to their favourite cloud accounting platform.
- By 2022 we will offer SMEs the UK's first end-to-end payments and accounts receivable solution that automatically reconciles with cloud accounting services, allowing businesses to get paid faster and save time.

Our artificial-intelligence led Business Insights capability was launched in September and our mobile cash pick up and drop off service (MCash) was launched in December.

Work continues on our straight-through business current account online application and this will be available to customers in 2020. Our new tax submission, bookkeeping, invoicing and receipts mobile and online banking proposition together with our cloud accounting service have both completed

Proofs of Concept. A small number of customers are trialling a beta version of the receipts capture and cloud accounting on-boarding functionality. The full service will launch to SME customers in 2020. The end-to-end payments and accounts receivable solution will start development in 2021 to be available to customers in 2022.

**COMMITMENT 6: WE WILL BUILD THE CAPABILITIES NECESSARY TO SUPPORT LARGER AND MORE COMPLEX SMEs**

- Starting in 2019 we will enhance our trade finance and foreign exchange capabilities to ensure that the 14% of SMEs that trade internationally can access the finance products they need to grow.
- In 2019 we will offer SME customers the ability to accept direct debits, supporting the 12% of SMEs that rely on subscriptions and membership revenue from customers.
- In 2020 we will deliver a new SME overdraft proposition, followed by a new Small Business Loan platform and Revolving Credit Facility, to ensure SMEs can get access to the finance they need in a matter of minutes.
- In 2020 we will offer a market-leading commercial credit card proposition, offering SMEs a full suite of customisable limits and controls.
- By 2021 we will launch a Secured Lending platform that will dramatically reduce the time it takes for larger secured loans to be underwritten and funds made available.
- Starting in 2020 we will deliver liquidity management capabilities that will help SMEs to earn a better return on their funds, while ensuring SMEs in the professional services sector can manage multiple client accounts more easily through a new virtual accounts capability.

*As a result of the approval of Metro's Revised Business Case, this commitment is now changed to the following:*

**COMMITMENT 6: WE WILL BUILD THE CAPABILITIES NECESSARY TO SUPPORT LARGER AND MORE COMPLEX SMEs**

- Starting in 2019 we began to enhance our trade finance and foreign exchange capabilities to ensure that the 14% of SMEs that trade internationally can access the finance products they need to grow.
- In 2020 we will offer SME customers the ability to accept direct debits, supporting the 12% of SMEs that rely on subscriptions and membership revenue from customers.
- In 2020 we will deliver balance sweeping capabilities to help SMEs better manage their liquidity
- In 2020 we will deliver a new SME overdraft proposition and a new Small Business Loan platform to ensure SMEs can get access to the finance they need in a matter of minutes. This will be followed in 2021 by a new Revolving Credit Facility proposition.
- In 2021 we will offer a market-leading commercial credit card proposition, offering SMEs a full suite of customisable limits and controls.

Commitment 6 is on track. The first launch of our Trade Services capabilities went live on September 30th, 2019. The ability for SME customers to collect payments via Direct Debit will be made available in April 2020. A facility for customers to manage funds sweeping between their accounts will launch in Q2 2020.

The new SME overdraft proposition will deliver in the second quarter of 2020 followed by the new Small Business Loan platform in the third quarter. The new Revolving Credit Facility proposition will be available in 2021 (work will begin on this in late 2020).

The new commercial credit card proposition will be available to customers in late 2021.

**COMMITMENT 7: WE WILL HELP 10+ INNOVATIVE UK SMEs SCALE BY PARTNERING WITH THEM TO DELIVER OUR BID COMMITMENTS**

- In delivering our bid commitments we will partner with 10+ UK SMEs, helping them scale next-

generation innovations for business banking customers.

- This will expand the addressable market for these companies by more than 610,000 SMEs by 2025.

*As a result of the approval of Metro's Revised Business Case, this commitment is now changed to the following:*

**COMMITMENT 7: WE WILL HELP 8+ INNOVATIVE UK SMEs SCALE BY PARTNERING WITH THEM TO DELIVER OUR BID COMMITMENTS**

- In delivering our bid commitments we will partner with 8+ UK SMEs, helping them scale next- generation innovations for business banking customers.
- This will expand the addressable market for these companies by more than 395,000 SMEs by 2025.

Commitment 7 is on track. We have partnered with three UK SMEs and are working with a further 5 to deliver our bid commitments.

**COMMITMENT 8: WE WILL PROVIDE BCR LTD AND OUR CUSTOMERS WITH UNPRECEDENTED TRANSPARENCY ON OUR PROGRESS TOWARDS DELIVERING ON OUR COMMITMENTS**

- In June 2019 we provided BCR Ltd with access to real time Microsoft Power BI dashboards, so it can track progress against agreed project milestones.
- Every quarter until our commitments are delivered, we will publish a "BCR Commitments Update" on our public website, so that stakeholders can monitor our progress.

Commitment 8 is on track. Metro Bank provided BCR Ltd with access to real-time Microsoft Power BI dashboards to track our progress against agreed project milestones in June 2019 as planned. We will continue to publish quarterly updates on our progress on the Metro Bank website.

**Bringing it all together: unprecedented levels of competition impact and low delivery risk. A £120m award will enable Metro Bank to win an additional 211,000 SME BCA customers by 2025, based on Frontier Economics' calculations. This equates to a 2.9 percentage point move in market share of stock. When combined with our 'business as usual' growth plans, Metro Bank will become a true at-scale challenger with an 8.3% BCA market share of stock by 2025, serving more than 610,000 customers. We know we can deliver this growth because our legacy-free IT platform and proven ability to execute store openings means we will hit the ground running, with low delivery risk. Metro Bank is uniquely placed to bring competition to the market and help SMEs up and down the country thrive.**

*As a result of the approval of Metro's Revised Business Case, this has now changed to the following:*

**Investing £70M from the Capability and Innovation Fund will enable Metro Bank to win an additional 93,000 SME BCA customers by 2025, based on Frontier Economics' calculations. This equates to a 1.3 percentage point move in market share of stock. When combined with our 'business as usual' growth plans, Metro Bank will become an at-scale challenger with a 5.6% BCA market share of stock by 2025, serving more than 395,000 customers.**