

Group Chief Executive's review



'Our leading positions across our three customer businesses, and 19 million customer base provide strong foundations on which to create further long-term value for shareholders and make a meaningful contribution to the UK economy.'

Overview

NatWest Group performed well in 2023, delivering for our customers, our shareholders, and the wider UK economy.

Despite the macroeconomic uncertainty, our customers remained resilient, navigating both inflation and rising interest rates. Throughout the year, we supported them to manage their finances, meeting our goal to help 2 million customers save over £100 for the first time⁽¹⁾, and lent an additional £9 billion to the UK economy. Our investment in digital and data capabilities continues to make it easier for our customers to manage their money, and for our colleagues to provide great service.

As we look to 2024 and beyond, I am optimistic about the opportunities ahead for NatWest Group, building on our UK heritage, leading customer businesses, deep regional connections and financial strength. It is therefore an honour to be asked to lead the bank and to have the opportunity to shape the future of NatWest Group.

Business performance

Our overall operating profit of £6.2 billion was up 20% on 2022 and our return on tangible equity was 17.8%, compared with 12.3% at the end of 2022. Income, excluding notable items, was up 10% on 2022 at £14.3 billion, with total expenses up 5%.

Our disciplined approach to capital allocation and balance sheet management delivered attractive returns and distributions for our shareholders in 2023. We announced £3.6 billion of capital returns to shareholders, including an interim dividend of 5.5p at the half year and a proposed final dividend of 11.5p, bringing the total for 2023 to 17.0p, representing a 26% increase on 2022.

Our business performance was grounded in helping customers. In 2023, we increased our lending to customers by £9 billion, opened over 100,000 new start-up accounts for entrepreneurs, and over a million new personal current accounts, as well as helping 379,000 Retail banking customers to buy or re-mortgage their home.

We also made progress against our Climate transition plan in 2023, helping to build a more sustainable economy. We are working to support our customers' transition to net zero across a range of sectors and we have been a leading loan arranger to the UK power infrastructure⁽²⁾ and renewables sector over the last 10 years⁽³⁾. We have now provided

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£61.9 billion in climate and sustainable funding and financing against our target of £100 billion between 1 July 2021 and the end of 2025.

Supporting our customers

During a year of macroeconomic uncertainty, we focused on supporting our customers to better manage their finances. In 2023, we helped six million customers by conducting financial health checks, providing improved personal insights on credit scores, and helping customers to save for the first time. We were also one of the first high street banks to sign up to the Mortgage Charter in July 2023 to ease the pressure of increasing mortgage costs, and we allowed our customers to lock in their next mortgage up to six months before the end of a fixed-rate deal.

Over 1.5 million new savings accounts were opened in 2023. By making our fixed term savings accounts available to more people, including those without an existing account with NatWest Group, and providing a broad range of flexible savings accounts, we met our goal to help two million people save more than £100 for the first time.

We are the biggest supporter of UK businesses, serving more than 1.5 million businesses across the country. During 2023, our extensive network of relationship managers continued to help corporate customers grow, manage costs, find the right funding solutions, and reduce risk in volatile markets. In the context of macroeconomic volatility, we also provided centralised resources such as a cashflow tool, energy calculator and supply chain navigator to manage costs, in response to business customers' demand for help on managing high energy prices. In response

(1) 2020 goal: To help two million customers save over £100 for the first time with NatWest Group since 2020.

(2) Power infrastructure comprise battery storage, electricity distribution, electricity smart meter and electricity transmission.

(3) NatWest Group ranked first among Loan Arrangers by deal value for the period 2014-2023. Source: Infralogic 31 December 2023.

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to broader concerns from our SME customers, we collaborated with the Federation of Small Business to give them access to independent support and advice on topics such as obtaining funding and managing late payments.

Our 19 million customer base means we are well-placed to support our customers to make sustainable choices, while driving value and growth from the commercial opportunities arising from the transition to a net-zero economy. Through initiatives such as partnering with WWF-UK and food manufacturer McCain we are reducing financial barriers for farmers transitioning to sustainable agricultural practices. Through Lombard, no.1 in UK asset finance, we supported customers with financing for electric vehicles, renewables, and cleaner energy alternatives.

Simple for customers

We want to make it easier for customers to do business with us and are investing in technology and partnerships to be a simple, safe, and smart bank, driven by data and digital innovation.

In 2023, our Retail Banking mobile app was used by more than 9.8 million customers and there were 10.9 million active digital users⁽⁴⁾ of our online and mobile banking platforms. 94% of our retail customer needs are now met digitally – up from 53% in 2019. In Commercial & Institutional, 86% of customers are now actively using digital channels to interact with us, and our innovative card and payments solution, Tyl, continued to grow. We were one of the first banks to offer Apple and Android Tap to Pay, a low-cost service removing the need for businesses to use hardware to accept payments.

We are also making it easier and quicker for our business customers to access financing with the launch of a new online lending platform, enabling customers to apply for a loan digitally in a matter of minutes.

By harnessing digital capabilities, we have also improved our customer service and productivity. In 2023, we collaborated with technology partners to responsibly use artificial intelligence (AI) to enhance customer engagement and improve efficiency. This led to the development of new AI capabilities, analysing customer behaviour to help us detect scams and fraud earlier to reduce financial loss.

Investing for the future

As set out in our Investment Case (refer to page 10), we have capacity for disciplined growth across our three customer businesses. Our focus is on delivering long-term value for our shareholders by putting our customers at the heart of our strategy and deepening our relationships with them to better meet their needs. Using data and technology will make the business more efficient and effective, making it easier for our customers to do business with us and improving engagement and productivity for our colleagues. Accompanied by a disciplined approach to cost, investment, and capital allocation, I am confident that these actions will deliver long-term sustainable value for our customers, shareholders, and the wider UK economy.

Building our team and culture

It is clear to me that our people are at the heart of our business, and I am grateful to our colleagues for their hard work, enthusiasm, and dedication throughout 2023. We have an engaged and resilient colleague base, and I am particularly pleased that our colleagues feel proud to deliver a great service to our customers.

We are also continuing to invest in future talent by providing colleagues with the skills and capabilities to fulfil their potential and build a high-performing culture. This includes offering reskilling programmes to build skills in software and data engineering, testing automation and human-centred designs, supporting future talent through our early career programmes and developing a new approach to performance management. These initiatives are equipping our people with the tools and opportunities to develop their own careers.

Conclusion

Our leading positions across our three customer businesses, and 19 million customer base provide strong foundations on which to create further long-term value for shareholders. In 2024, we will focus on disciplined growth, improving bank-wide simplification to make it easier to do business with us, and deploying capital efficiently while maintaining strong risk management to drive strong capital generation. This will enable us to continue supporting our customers, reinvest in the business, generate attractive distributions to shareholders, and make a meaningful contribution to the UK economy.

Paul Thwaite

Group Chief Executive Officer

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(4) An active digital user is a customer who has accessed either their online banking platform or mobile banking app.