

Chairman's statement



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This will be my last Chairman's statement for NatWest Group after nine years in the role. As you will have seen, the bank announced in September 2023 that Rick Haythornthwaite who joined the Board as a non-executive director in January 2024, will take over as Chair in April 2024, ahead of our AGM.

I am confident that Rick's experience and range of skills will complement and further strengthen the Board in the years to come and support NatWest Group's continued progress.

2023 has been a challenging year for some of our customers as well as for our industry and the UK's economy. Inflation remained for much of the year and we saw 14 successive interest rate rises by the Bank of England, the fastest rate cycle since the 1970s. There are now, however, some grounds for optimism. Importantly, unemployment remains low and, by the end of 2023, inflation had started to come down, albeit still remaining well above the Bank of England's 2% target.

This uncertain environment has also had implications for the stability of a number of banks, both in Europe and in the United States. In general, banks in the UK have remained resilient. At NatWest Group, we have built a robust balance sheet with strong capital and liquidity, a largely secured retail loan book and well-diversified commercial lending.

Disciplined risk management continued to underpin our strategy and helps to ensure we are well positioned for the future. We closely monitor customer activity and behaviours for signs of stress, with a focus on maintaining good credit quality.

We have seen volatility in UK banking stocks prices through 2023, as the impact of changes in customer behaviour and market dynamics were reflected in the earnings outlook. However, against this challenging economic backdrop it is pleasing that NatWest Group performed well in 2023, with continued growth in our lending and progress against our strategy. In 2023, we delivered an operating profit of £6.2 billion, with an attributable profit of £4.4 billion.

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In 2023, we announced £3.6 billion of capital returned to shareholders, including an interim dividend of £0.5 billion and a proposed final dividend of £1.0 billion. We were pleased to complete a directed buyback of £1.3 billion in May 2023 and the £0.5 billion on-market buyback announced in July 2023 which is expected to complete in Q1 2024. At full year 2023 we announced a new on-market buy back of £300 million, which we expect to be completed by the time we announce first-half results at the end of July 2024.

We maintain capacity for further directed and on-market buy backs and will continue to consider them as appropriate. As a result of these actions, and following an extension to the UK Government's trading plan, the UK Government's shareholding in the bank reduced from 45.97% at the end of December 2022 to 37.97% by 31 December 2023.

At the Autumn Statement in November 2023, the Chancellor announced that the Treasury remains committed to exiting its stake in the bank by 2025/26 and that it will explore options for a retail investor share sale in the next 12 months. Overall, good progress has been made in recent years and we believe the UK Government's ambition to sell down its stake in NatWest Group in the next two years is in the best interests of the bank and its shareholders.

Chairman's statement continued

Following the departure of Alison Rose as our Group Chief Executive Officer in July 2023, we welcomed Paul Thwaite as our Chief Executive Officer for an initial period of 12 months. He had been identified as her immediate successor six months before and took over at once, which stabilised the bank at a difficult time.

As is appropriate, it has fallen to my successor to manage the process of appointing a permanent CEO, supported by the Group Nominations and Governance Committee. The succession process has been completed and I am very pleased to see Paul secure the appointment. We can now look ahead to the future knowing we have both an incoming Chair and CEO with proven skills and who care deeply about this business and its customers.

To understand the facts of what happened in relation to customer decision-making during the summer of 2023, the Board commissioned the legal firm, Travers Smith, to conduct an independent review over two phases. We have now received and published the findings of the independent review. Furthermore, the bank is committed to implementing all of the recommendations made by Travers Smith and we are making changes to our policies and procedures to deliver better, more consistent outcomes for customers. The Board also decided on how these findings would impact Alison Rose's remuneration, which we announced to the market in November 2023.

As well as changes to our management, a number of changes were made to the Board during the year. Mike Rogers and Morten Friis stepped down as directors on 25 April and 31 July 2023 respectively. I would like to record our thanks to them for their significant contributions to the Board during their tenures. Stuart Lewis was appointed as a director on 1 April 2023, succeeding Morten Friis as the Chair of the Group Board Risk Committee on 1 August 2023.

Graham Beale, who became the Senior Independent Director of NatWest Holdings Limited in 2018, also stood down on 31 August 2023. We thank him for his excellent work in that role. Mark Rennison joined the Board of NatWest Holdings Limited as an independent non-executive director and became a member of the NatWest Holdings Audit Committee, with effect from 1 September 2023. Mark joined the NatWest Holdings Performance & Remuneration Committee in December 2023.

In July 2024, Geeta Gopalan will join the Board as an independent non-executive director. Geeta will be a valuable addition, bringing substantial financial and banking expertise, combined with a strong track record as a plc non-executive director.

My own intention to step down from the Board before I reached my nine-year tenure in July 2024 was disclosed at our AGM in April 2023.

The bank my successor inherits is very different to the one I joined in 2015. NatWest Group has returned to profitability, is more customer focused and is fundamentally stronger, delivering strong returns and regular distributions to shareholders. Despite the economic uncertainty that we have experienced in recent years, we remain well positioned to stand by our customers, to continue growing our lending responsibly and to play a vital role in the UK economy.

I am proud of what we have achieved over the past nine years and I wish Paul and Rick every success in this next chapter in NatWest Group's history.

Howard Davies
Chairman

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