

## Virtual Shareholder Event – 15 April 2024

NatWest Group plc held a Virtual Shareholder Event (“Virtual Event”) on 15 April 2024. The Virtual Event was held ahead of the Annual General Meeting (“AGM”) which will take place at Gogarburn, Edinburgh EH12 1HQ at 11.00 a.m. on 23 April 2024.

By holding the Virtual Event as well as the physical AGM, we provided shareholders with the opportunity to join our Chair, Rick Haythornthwaite and our CEO, Paul Thwaite and ask questions prior to voting on the business of the AGM.

Shareholders were invited to submit questions before or during the Virtual Event and answers to shareholder questions on key themes are noted below.

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### **What are the key challenges facing the bank over the medium term and how does it intend to deal with them?**

#### **Answer:**

The challenges and opportunities for the sector are something we have given a lot of thought to. All businesses are having to consider the vast macro and societal changes in play and understand how these trends and transitions impact their customers. For example, the role that technology plays in shaping future of banking, both in terms of how we serve customers and the sources of new competition for the sector. It has the potential to reshape all aspects of the sector and, as a bank, we will evolve to take advantage of the opportunities technology brings to create better and easier customer experiences and operate more efficiently.

The rationale for appointing Paul Thwaite as CEO is that we have a CEO who understands the challenges but, more importantly, sees the opportunities they bring for NatWest. We believe that we have a real opportunity to grow with our customers. They are navigating a period of exceptional change as they engage with emerging technology, adapt to new social trends, and build ever more resilience to a fast-evolving world. We can be a trusted partner to them as they make those transitions.

Looking in the nearer term, of course, the uncertain macro-economic environment continues to present challenges. In the past year, heightened inflation and interest rates have triggered changes in customer behaviour, which we’ve had to adapt to in order to deliver better outcomes, e.g. mortgage support. As the base rate comes down, trading conditions for the sector will become more challenging. However, we are focused on the things we can control and have set clear priorities for 2024.

We are optimistic about the opportunities we have to drive disciplined and profitable growth in the core of our business by serving customers well. We are also focused on bank-wide simplification to



become more efficient, more productive and to deliver a better customer and colleague experience. Our ability to respond and perform in such an environment is anchored in our strong balance sheet and our disciplined approach to investment, capital and costs. As a result, we will drive strong capital generation that will enable us to keep supporting our customers and investing in NatWest's future, whilst delivering attractive distributions to shareholders.

### **Where do you see the opportunities for growth?**

We shouldn't underestimate the strength of our foundations, or the opportunity we have in the core of our business. We have 19 million customers and leading positions across our three customer businesses, with capacity for growth and a track record of growing a share in new markets.

For example, in Retail Banking, we continue to help future generations develop good money habits through our Youth accounts, including through Rooster Money. We now have a 1-in-5 share of the youth market.

In Commercial & Institutional, we are leaders in Mid-Market businesses and we can grow relationships by understanding customers' needs and providing businesses with more of our specialist services, or with innovative products that meet needs today.

It is our shared belief that, in delivering value for our customers across the UK, we will deliver value for our shareholders.

### **Could you elaborate on the bank's approach to mergers and acquisitions in the current economic climate?**

We think about why we would consider mergers and acquisitions in the first place, for example, is it to acquire distinctive capabilities which complement our strategy, or to build scale. As a bank, we always take a disciplined approach, focusing on where we can add value and we will always consider the potential alternative uses of capital in our assessments.

To provide a few examples:

- Our acquisition of workplace savings and pensions fintech, Cushon, in 2023. Our initial pilot evolved into a full acquisition of the fintech as part of our commitment to help close the UK savings gap and offer workplace savings and pensions.
- Similarly, our acquisition of fintech Rooster Money aligned to an area of strategic focus, allowing us to help families and young people more easily manage their money.
- The minority investment we have taken in Icon Solutions, a leading fintech provider of payments technology and consultancy services, will help to accelerate the bank's payments modernisation.

Of course, we will also consider transactions that create a compelling financial case to leverage our existing scale, such as our acquisition of part of the Metro Bank mortgage portfolio in 2021.



## **Looking ahead to the potential sale of the remaining NatWest Group shares held by the UK Government, what impact is this likely to have on the share price overall in the coming months?**

We appreciate that there are many factors that impact share price, including the macro environment, which is why we don't focus too much on day-to-day share price movements or make predictions. However, the shared focus of our Chairman and CEO is to deliver sustainable long-term value for our shareholders. They are ambitious for this business and are optimistic for the future.

NatWest Group is performing well and we have real strength in our three main franchises. This allows us to continue growing our lending and supporting our customers as well as reinvesting for growth and distributing capital to shareholders. Distributions to shareholders for 2023 totalled £3.6 billion, including ordinary dividend payments worth £1.5 billion, or 17 pence per share (up 26% on the year before). We intend to maintain an ordinary dividend payout ratio of around 40%, with capacity for directed buybacks.

It is important to say that any decisions around the sale of HMT's shareholding are a matter for the Government, so it wouldn't be appropriate for us to comment on the timing, pricing, or the mechanics of any potential retail offer. We do, however, welcome the Government's continued commitment to returning the bank to private ownership and will work closely with UKGI and HMT if the Government does decide to launch a retail campaign.

We are pleased with the recent momentum in reducing the Government's shareholding, which fell below 29% on 4 April 2024. To provide some context, this stood at almost 38% at the end of 2023 and has therefore reduced by round 9 percentage points in the year to date through the Government's ongoing trading plan.

We set out at Full Year 2023 that we retain capacity for further directed buybacks and will be seeking shareholders' support at the 2024 AGM to increase how much we can buy back should the FCA's Listing Rules change later this year.

## **What changes can stakeholders expect once you are a private company again?**

We welcome the Government's continued commitment to returning NatWest Group to private ownership, which has been a shared ambition of the bank and the Government.

Having undergone a significant transformation since 2008, we are now a very different bank. We are simpler, stronger, have returned to profit and we are certainly more customer focused. We have clear priorities, and we are ambitious and optimistic for NatWest. The milestone of full private ownership does not change our focus on delivering against these opportunities.

We always talk to our investors and listen to their views. However, the Government, or indeed any specific shareholder, doesn't determine the strategy of the bank, so practically there will be little change. We do understand that returning to private ownership is an important issue for certain investors and the Government has said it intends to fully exit its stake by 2025-2026.



**Regarding the de-banking crisis, will you please update us on what the company's precise account closure policy is and how innocent customers can avoid falling foul of it?**

In 2023 alone, we opened more than 1 million current accounts and more than 1.5 million savings accounts. Whilst our percentage of account closures is very small in relation to new account openings, we understand the concern around bank account exits. These decisions are never taken lightly, and only once appropriate investigations have been undertaken. We do not exit customers based on legally held political views and beliefs. In fact, 97% of exits are due to financial crime concerns or customers not providing the information needed to meet our regulatory obligations.

It's our priority to do everything we can to protect our customers from financial crime, which is the key driver of the exit decisions we make. We also support Government's draft legislation to improve customer communication around closures and have already implemented the 90 days' notice period ahead of being statutorily required to.

**What role do you foresee fintech companies playing in shaping the future of traditional banking?**

**What role will innovation and emerging technologies play in NatWest Group's future and how does the bank plan to integrate these to improve customer service and operational efficiency?**

We believe partnership and collaboration with fintechs is key for the traditional banking industry to understand the role they can play in their model. Fintechs can be a significant enabler for accelerating our strategy and for enhancing our customer experiences with complementary capabilities we might not have. We have already seen examples of where we have employed partnerships successfully and would reference the benefits that have come from the recent acquisitions of Cushon and Rooster Money and our strategic investment in the likes of Icon Solutions. The opportunity for collaboration is not just with fintech, but with big tech too. Another example is our work in 2023 to improve the payments experience for businesses through Apple and Android Tap to Pay.

Technology and innovation are central to the delivery of our priorities by helping us to meet our customers' ever-changing expectations & needs, as well as operate as a simpler, more productive bank. We see great value in strategic investments where we see this potential. For example, we've invested in **Coadjute**, a leading data network for the property market designed to improve the speed, ease and security of buying and selling homes, a business we feel will truly change the game for the house buying process.

When it comes to our own capabilities, we're investing £3.5 billion between 2023 and 2025, the majority of which is targeted at data and technology, to personalise our services, making it easier for our customers to bank with us at a time and place convenient to them. For example, we've focused on improving our digital features, such as offering Round Ups in our mobile app. 395,000 of our customers turned on this feature in 2023.

Keeping our customers safe and secure is also paramount and the deployment of new technologies is subject to extensive due diligence and testing. In the bank, AI has become synonymous with increased efficiency and productivity whilst reducing costs. For example, AI can



fulfil certain tasks that free up colleague time so they can make better use their skills to support customers, all whilst boosting employee satisfaction.

**How many permanent staffed branches does the company intend to keep open over the very long term? Please clarify what is going to happen to the NatWest branch network going forward into this new technological age and the role hubs play?**

Our network, which includes our branches as well as our mobile vans and our partnership with the Post Office, represents an important part of our how we serve our customers across the UK. We retain a significant number of branches, c.550 at the end of March 2024. We announced 140 closures in 2023 and have announced 48 this year. When these have been implemented, we'll have 488 branches across the UK.

We are also investing to create better spaces, in better locations, with better technology and facilities to respond to community needs. Our customers are increasingly moving to mobile and digital services in banking as they are in other areas of their lives because it's faster and more convenient for them. As we adapt our services to meet their changing needs, we may take the difficult decision to close or consolidate some of our branches. To bring this to life, over 80% of our active current account holders now use our digital services and over 97% of retail accounts with us are now opened online. We see the convergence of technology and personal, human service as an opportunity to grow with our customers and be a trusted partner to them at a time of change.

As a founding member of Cash Access UK, we've also been heavily involved in the development of the hub model. To ensure access to cash in areas where there is no remaining bank branch, we are committed to the roll out of banking hubs. 44 hubs have opened so far (a combination of temporary & permanent), and the Government has set a target for an additional 225 locations to be identified by the end of the year.

**Why is the bank still prioritising the transition to net zero and should you review your ESG mission to prevent harmful accidental outcome as a result?**

Every business needs to consider how it manages environmental or financial risk, as well as its impact on society and how it governs itself. ESG is part of modern leadership and the role of a Board today, as well as an expectation of the investment community.

Fundamentally, we are a bank that serves 19 million customers, employs over 65,000 people and has a presence across all parts of the UK. We need to operate responsibly in a way that reflects the vital role we play in the UK economy and wider society, whether that's through climate risk management, removing barriers to enterprise or as an equitable employer. Doing this well means we can support the immediate and long term needs of our customers and society, which make both moral and commercial sense for any business. ESG isn't limited to climate related issues, and a business of our size and scale should rightly be focused on our contribution to society.

When it comes to climate specifically, as a leading bank, we are well set up to help customers make affordable sustainable decisions, whilst driving value and growth from the commercial opportunities that come from the transition to a net zero economy. For households we believe energy efficiency is the best long-term defence against high energy costs. Services such as our



new Home Energy Hub enable customers to understand how they can reduce their costs. Similarly, we are taking steps to help SMEs take advantage of the revenue opportunities that arise from the drive towards net zero.

Our climate activity is grounded in commerciality, creating value for customers that in turn will create value for our shareholders. Like other businesses, we have always recognised and have indeed publicly disclosed that our own climate ambitions and targets are unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes. We continue to engage with and support our customer's transition to a net-zero economy and will continue to monitor and review our climate ambitions and targets as the external environment develops.

**The only real effect of the buybacks is an increase in the earnings per share and the only beneficiaries of such an increase are the members of the Group's employee share scheme. To improve shareholder value, would you agree that a larger dividend rather than buybacks would be more beneficial and would also dramatically improve the share price?**

In terms of employee share plans, it is not the case that buybacks benefit only executives or employees. The effect of share buybacks is to lower the number of shares in issuance. This is a benefit to **all** shareholders as it enhances earnings and dividends per share, particularly when shares are trading at attractive levels as we believe they are at present. As a result of the buybacks that have taken place since 2020, shareholders have seen an increase in their stake in the business of over 25% in the past three years, without investing any additional capital.

With regard to shareholder value, the Board will always consider shareholder distributions in light of multiple factors. The focus of our CEO and his management team is on driving strong capital generation that will enable us to keep investing in NatWest Group's future, whilst delivering attractive distributions to shareholders.

We have said that we intend to maintain around a 40% pay-out ratio of attributable profits in the form of ordinary dividends and maintain capacity for buybacks, which ensures we retain sufficient flexibility. Dividends per share over this period have totalled 41p, with 2023 dividends per share of 17p representing an increase of 62% versus 2021, in part due to share repurchases.

**My concern surrounds NatWest Group's dependence upon critical suppliers and the regulator's operational resilience focus on banks to make sure they have adequate contingency in the event of a failure or disruption of a key critical supplier. What comfort can you give shareholders and customers that the bank doesn't have such vulnerabilities? What is the bank doing to protect against cyber risk?**

Operational Resilience is a priority and the capabilities that enable the bank to prevent, detect and respond to an operational disruption are continuously reviewed and improved. We make significant investment in our technology so that we can benefit from the latest security updates and patching. If something does go wrong, including a cyber-attack on the bank or a critical supplier, we have incident response, disaster recovery and business continuity plans in place and these are regularly tested. In line with FCA and PRA policy, we're also undertaking scenario testing for our Important Business Services to understand the contingency options available should we be faced in a range of severe but plausible circumstances.



We do, of course, rely on third parties to provide best in class services to our customers. Suppliers are assessed and monitored regularly throughout the relationship so that we remain aware of any risks and will enact contingency plans if the need arises.

Cyber threats are a pervasive threat to the banking industry, and our Security function has a multi-year strategy that is designed to build a “secure by default” environment, with a range of capabilities that continually improve the effectiveness of our controls in light of the constantly evolving security threat. The strategy is assessed regularly to ensure it continues to mitigate any new and emerging cyber risks.

**Some diversity, equity and inclusion policies can lead to illogical and sometimes harmful outcomes. Will the company review this policy to ensure it does not unknowingly create some policies that have extreme and harmful outcomes to folk who do not qualify under this predominantly minorities obsessed agenda?**

We believe that the presence of real diversity can result in a fundamentally different business. The quality of debate and challenge is only enhanced by bringing diversity of thought and experience to the table. Of course, with diversity, must come inclusion. There is no point in being diverse if the culture then excludes certain people from reaching their potential. A key part of leadership is to create a high performing culture where everyone can be their best, without the unintended consequences alluded to in the question.

Diversity plays an important role in our growth plans. We are a scale business that serves millions of customers from all parts of the UK and we will grow by anticipating and meeting these customers’ evolving needs. Therefore, it follows that we need diversity of thought, experiences, and voices to ensure we have the right blend of expertise and skills to create the innovative products and services that will deliver on that ambition.

**How does the bank intend to attract, retain & develop talent in the future?**

This is a really important issue and one that the leadership team devotes a lot of time to. Ultimately, the success of our business depends on having the right skills within the organisation. We are constantly adapting our approach to meet the changing business and customer landscape, so that we can build and attract the skills and capabilities we need for today and those we will need tomorrow.

Future capabilities and skills are at a premium and ensuring our workforce is empowered to provide an excellent service to our customers is vital to driving value for the bank and, ultimately, for our shareholders. In today’s market, banks like NatWest are often looking for specialist skills in areas such as data, technology and financial crime. This means that the talent we are targeting is sought after across industries and across the globe, so how we attract, retain and develop our people is critical in driving future value for the bank.

The way people are choosing to live and work is rapidly evolving. It is therefore important that we showcase the things that make us really stand out as an employer as well as how specific roles make a positive difference to our customers’ lives every day. Examples like our parental leave



policies, our ways of working, and our approach to experimentation and innovation in the tech space are key to this.

Reskilling programmes are another way that we retain skilled people and build capabilities for tomorrow, especially in the technology and data space to help drive our digital transformation. In addition, this year we are launching a refreshed talent model which will be anchored in our new performance management system - Beyond. This will help us to better identify our high potential colleagues from across the organisation so that they thrive in their careers at the bank.