

Virtual Shareholder Event – 28 November 2024

NatWest Group plc held a Virtual Shareholder Event (“Virtual Event”) on 28 November 2024.

The Virtual Event provided shareholders with the opportunity to join our Chair, Rick Haythornthwaite, and our CEO, Paul Thwaite, and ask them questions.

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

In today's challenging business environment, what are the key leadership qualities you believe will be most critical for sustaining the bank's culture and driving organisational success?

Answer

In terms of the appointment of Paul Thwaite as our CEO earlier in 2024, the qualities that stood out were his depth of NatWest and customer knowledge and his thoughtful and imaginative approach to leadership.

The ability to be consistently considered and curious is critical for any leader who is navigating today's challenging and rapidly changing environment, especially in a sector like banking, which is under continual scrutiny.

NatWest is a business that has spent much of the last two decades fixing the past. We now have a NatWest with real momentum behind it and an opportunity to shape our future.

This requires leadership with courage, ambition, and a sharp focus on delivery. We rightly expect a lot of our leaders. They need to provide strategic vision, lead change, and deliver results.

We have a future skills framework that we use across the bank and one of the most important capabilities in our leaders today is agility. We operate at time when customers are navigating technological, social and environmental change that impacts how, when and where they want to use our services and the expertise they require from us.

It also means our leaders need to be equipped with the data and digital literacy to drive decision making with those changing customer needs at the heart of them. We have a business that is performing well with strong momentum, but there is no room for complacency and we need to continually strive to be better for our customers.

One of the consistent features of high-performing teams, be that in sport or business, is a culture of feedback. In these environments, regular feedback is aimed at growth, not criticism, and provides action for tangible improvements. That mindset is a quality we want to



see in our leaders, so that we can foster a high-performing, customer-centric NatWest team that is focussed on delivering results.

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Given the bank's strong share of domestic markets and the cost hurdles of standing up scale outside of the ring fence, which markets look attractive to grow and do you have plans to develop business in Asia?

Answer

NatWest Group is performing well in a strong UK domestic market. The UK economy and businesses in the UK are intricately linked to the global economy. We support both UK businesses looking to expand into international markets, and those internationally who want to do business here. Whether that be large corporates operating in the UK, investors seeking to invest in UK businesses and infrastructure, or financial institutions looking to access Sterling products or UK banking services.

We also support capital flows between jurisdictions, connecting businesses into the global trade ecosystem.

We would not expect a significant change in our approach or footprint and we continually look to optimise our current set-up to make sure we deliver the capabilities our customers require in the best way.

We believe there is plenty of scope for growth within our existing business model and risk appetite as we continue delivering against our strategy and we're seeing growth across all three of our businesses this year.

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How does the bank plan to leverage AI to not only enhance operational efficiency but to fundamentally transform customer experience whilst maintaining ethical standards, social responsibility and manage any associated risks?

Answer

We are simplifying the bank to become more efficient and effective, making it easier for our customers to do business with us and AI is a huge part of that. We've been using AI very successfully for several years and currently around 19% of the bank's analytical models already use AI.

Teams across the bank are seeing real benefits, be that with AI or Generative AI. Whether that's customer service through Cora, our chatbot, or protecting the bank and our customers. Around 6,000 of our colleagues are using AI to detect fraud and financial crime, establishing trends to educate customers, especially those most vulnerable.



We are also using AI to free up colleague time to focus on customers, our wealth private managers are saving 15 minutes per customer through call summary tools.

The bank has made significant investment over the years in technologies, processes and skills that have created strong foundations to build on and accelerate the roll out of AI. We intend to scale up our use and we see huge opportunity in helping us to predict customer needs, delivering a simpler, more engaging and personalised service.

Investing in technologies like AI will give any business a competitive advantage in an increasingly digital world. It's something that the Board discuss regularly, from a strategic perspective, a risk perspective, a customer outcomes perspective and a broader technology perspective.

The banking industry has both huge amounts of data and the ongoing need to evolve its customer proposition, so the opportunities for AI to enhance service levels and efficiencies are perhaps more significant than a lot of other sectors. Though given the role that banks play in society, it is incumbent on the industry to make sure any AI usage, and indeed the rollout of any new technology, is managed carefully to ensure the best outcomes for customers.

Whilst AI regulation develops, the bank has been taking a considered and measured approach to ensure we're using it ethically and responsibly. This is being done within guardrails set out in our AI and Data Ethics code of conduct, which has been rolled out across the bank and in colleague training programmes.

Our principles look to ensure that AI systems are subject to human oversight, and that they respect and promote human agency; they are technically robust, resilient and safe; that the decisions or predictions produced can be explained; and that they are free from unfair bias or discrimination. Not only does this aim to properly and safely serve our customers, but also to protect the reputation of the bank.

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What are we going to do to minimise fintechs from taking business from the bank?

Answer

Competition comes from across the industry and not just from fintechs but from our peers to large US banks, from challengers to digital banks, and of course fintechs competing in specific areas of our business.

Clearly, we operate at scale on both sides of the balance sheet and have strong liquidity positions which can be beneficial, versus some providers who maybe only offer lending or deposit products. There's no doubt that fintechs and digital platforms have a lot to offer that customers like and we have also shifted digitally so our customers are also getting that experience.

Considered curiosity is a necessary feature of leadership today, and we believe that the traditional banking sector should be looking at partnerships and collaboration with fintechs to



understand the role they can play in their model. Partnering with fintechs could 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 the benefits that have come from acquisitions such as Cushon and Rooster Money.

The majority of our investment spend is on data and tech which enables us to improve productivity and keep pace with innovation and changing customer needs. Simplification is a pillar of our strategy and part of this is through streamlining and enhancing digital offerings for our customers. We are ambitious for this business at a time of rapid change across the industry and in how customers want to bank with us.

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How susceptible is the Group to a potential takeover?

Answer

NatWest Group is one of the largest banks in the UK, with 19 million customers across every nation and region. We have a strong balance sheet and are performing well as we continue to deliver on the strategy we set out. By continuing to make progress against our three strategic priorities, we are delivering disciplined growth and simplifying the bank, whilst also managing our capital efficiently.

We have seen strong earnings, together with a lower share count, and have increased Tangible Net Asset Value per share to 316 pence, up 26% in the past two years. This robust position allows us to continue lending to our customers, investing in our business and delivering attractive returns to our shareholders.

We have no reason to think we'd be a target for takeover. In fact, we've acquired portfolios from Metro and Sainsbury's, which has strengthened our mortgage book.

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What percentage of growth seen in recent years can be attributed to 1) base rate changes 2) acquisitions and 3) through investment?

Answer

The growth we've seen in our business is really a combination of factors and we wouldn't put specific percentages against these three things.

Our growth is underpinned by our support for customers, for example by helping them to buy new homes or to grow their businesses. And the fact that they are choosing to keep more of their money with us. Within this, our investment decisions have an important role to play, as we make it simpler to bank with us and deliver a better experience for customers.



Rate changes are less directly linked to balance sheet growth than they are to income. As rates have started to fall, and as inflation has come down overall since the start of the year, customer sentiment has improved. This, in turn, leads to increased activity.

Since H1 2024, we have seen continued deposit growth, strong mortgage growth and a good markets performance. Our balance sheet momentum has been positive and Q3 2024 saw the third successive quarter of growth in deposits, with balances up across all three businesses.

We also saw a return to mortgage growth and further lending growth in Retail across unsecured personal lending. In our Commercial & Institutional business, we saw lending growth to Corporates & Institutions as well as in the Commercial mid-market sector. We expect to see continued and broad-based lending growth in Q4 2024 and into 2025 across our three businesses.

Growth doesn't have to be organic, as can be seen through our recent acquisitions of portfolios from Sainsbury's Bank and Metro Bank. These transactions have given us the opportunity to accelerate growth in areas of focus, within risk appetite and with attractive returns. In addition to the factors raised in the question, our growth is underpinned by the work we have done on costs and capital and that's why we have balance sheet and risk management as one of our strategic priorities as we continue to optimise our performance.

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Can you give a status update on the Sainsbury's Bank and Metro Bank acquisitions and is there any appetite for further acquisitions?

Answer

We are pleased to have made these acquisitions and they offer an opportunity to accelerate growth in areas of strength and complement our organic lending growth.

We completed on Metro Bank in September 2024, adding high quality assets and around 10,000 customers, taking our share of the mortgage market to 12.6% as at Q3 2024.

Sainsbury's Bank is expected to complete in the first half of 2025. At that point, we expect to acquire around £2.5bn of gross customer assets, comprising credit cards and unsecured personal lending, and approximately £2.6bn of customer deposits. As well as a complementary customer base, the risk appetite for Sainsbury's Bank is very similar to ours and their loan book is of a good quality.

We look forward to welcoming our new customers from both of these transactions and, with a strong track record of successful integration, we are focussed on ensuring a smooth transition for them.

When it comes to other acquisitions, we will be disciplined in our approach and continue to review opportunities as they arise. We will only consider things which provide compelling shareholder value and fit with our strategy, adding either volume or capability.

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How important is environment and climate to NatWest and is it still one of your strategic priorities?

Answer

This remains a very important issue for us, as well as for our customers and for our economy and the commercial opportunities can help to drive value and growth across the group.

As a trusted partner to our customers and as Britain’s biggest business bank and one that serves millions of households across all nations and regions, we have a role to play in supporting the UK’s transition to a net-zero future. We are doing this by helping our customers to make sustainable choices and take advantage of growth opportunities, as well as embedding sustainable practices in our own business operations.

We recognise that our climate ambitions depend on a variety of external factors, including government policy, technology developments and behavioural change. This is why we continue to help our customers not only through the provision of finance, but by providing them with practical tools.

In the first nine months of 2024, we provided £23.5bn of Climate and Sustainable Funding and Financing, taking our total to £85.4bn since July 2021, and in reach of our £100 billion 2025 target.

We also recently launched our Building Efficiency Assessment Tool to commercial real estate customers, helping them to improve the energy efficiency of their buildings and benefit from associated cost savings.

It is a really important issue for our leadership team and a commercial imperative that can help deliver for our shareholders.

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Banking hubs are proving popular with many customers. What is the bank doing to ensure that there is a viable face to face alternative when it is closing branches given that leaving loyal customers with nothing but the limited services of a post office, many of which are closing, is not viable for some?

Answer

Our banking network across the country is a crucial part of how we serve customers and it’s important that our customers can be served in the way they want to be. In recent years, customers have been engaging more with us digitally. Over two-thirds of our retail customers only bank with us digitally, appreciating the speed and convenience this provides.

We’ve been investing c.£35m in refreshing our network across the UK from 2023-24 and are continuing to invest in shared solutions like the Post Office and banking hubs. As we adapt services to meet changing needs, we may take the difficult decision to close or consolidate some of our branches. We take a holistic view on a range of factors, including the impact on



customers, the level of financial vulnerability in the area, the nearest available branch and Post Office and availability of free ATMs and regular transport links.

In relation to hubs specifically, we're supportive of the roll out and have been heavily involved in the development of the hub model and other cash access solutions. Hubs are just one of a range of ways people can carry out their day-to-day banking, with deposit-taking ATMs, enhanced Post Offices, our branch network, mobile branches, telephone services and digital banking all being popular options.

Our personal bankers provide a similar service in both branches and hubs, and we are still committed to investing in branches where it's the right way to serve that local community. We'll continue to adapt our services to meet our customers' changing needs, whilst carefully considering a range of factors before making changes to any banking services, be that branches, cash or other areas.

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The Labour Government has made much of the fact that they want less red tape and regulation to enable greater growth in the UK economy. Do you see the regulatory environment easing and how will this feed through to increased lending by the group particularly given interest rates are likely to remain higher than expected for 2025?

Answer

We welcome the government's focus on growth and wealth creation as the means to unlocking prosperity throughout the UK. We are also clear that high quality regulation is hugely important. It has long been seen as one of the UK's key competitive strengths. Clearly, this regulation has to be balanced and proportionate and it should help to create a level playing field.

From the bank's perspective, financial regulators now have a secondary objective to ensure they consider competitiveness and growth. In her Mansion House speech, the Chancellor talked about her desire for regulators to encourage sensible risk taking, all of which is designed to deliver growth across the economy. These are just the first steps in a much longer journey and it is important that we continue to see tangible action to match the rhetoric.

We have seen some positive progress in recent months, for example around Basel 3.1 and ring-fencing. There is a lot of work to do if we are to avoid unintended consequences that might inhibit lending or growth.

Ultimately, banks and all businesses want clarity, certainty and consistency. We will continue to work with the government, regulators and our peers to achieve this because a strong financial services industry has a vital role to play in supporting the economy, our customers and to deliver growth.

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Do you anticipate any regulatory or budget related changes that will impact our operations or customers?

Answer

We're pleased to have put some of the pre-Budget uncertainty behind us. The government has now set out its policies on taxation and spending, with a clear emphasis on growth. This means that businesses, including NatWest, can now plan with more confidence.

As the UK's biggest bank for business and start-ups, we have an important role to play in helping our customers to succeed, and there are particular opportunities given the government's focus on areas like housing and infrastructure.

It was also positive to see investment in science and tech, clean energy transition and infrastructure as well as steps to unlock private sector growth through the National Wealth Fund and industrial strategy.

For NatWest, the change to national insurance contributions has the biggest direct impact from the Budget. In terms of the scale of our business, this isn't huge. For some of our customers, it may be more challenging. Many businesses are still assessing the implications of the Budget and the impact will be different depending on the sector they operate in and their individual circumstances. Certain sectors such as retail and hospitality have been vocal on the potential impacts for pricing and wage growth.

Ultimately, it is too early to tell and the impact of many of the measures can only be judged in the longer-term, especially on supply side reform. Our job is to be there for our customers so that we can succeed with them. That is central to our strategy and it is what we are focussed on.

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Would you advise the British government to seek re-entry to the EU, to help solidify Europe in current world tensions?

Answer

This is very much a matter for the government and for politicians and it is not something we would take a view on, or seek to re-prosecute.

As the biggest bank for business in the UK, we have an important role to play in helping to deliver growth in every nation and region of the UK. Our focus is on ensuring that we support our customers by providing the funding, financing and services they need to compete in a global marketplace. Because by succeeding with our customers, we will succeed for our shareholders and for the UK economy.

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Why does a British Bank take the position that it will not provide financial services to industries that undertake to protect all of us against foreign aggression. Such a position is, to my mind, incomprehensible.

Answer

We do offer banking services to customers operating in the defence sector and are proud to do so, where they meet our risk acceptance criteria. Details of this criteria are published on our website.

We have been offering UK military banking services for over 200 years through Holt's Military Banking and currently serve over 33,000 military personnel across the world.

We act in line with the strict regulation and licensing arrangements set by the UK government, and by relevant international standards, when engaging with any company involved in the design, manufacture, support and trade of defence equipment.

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Please advise the updated position with regard to Nigel Farage and his de-banking claim?

Answer

We recognise the interest in this topic and it is a question that we have been asked a number of times. We cannot comment on any individual customers or claims.

We are committed to implementing the findings from Travers Smith's independent review that was completed in relation to this case and on wider de-banking. We have supported draft legislation on this topic and have implemented some of the recommendations before legislative changes have taken effect, such as provision of 90 days' notice for account closures.

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When do you think NatWest will return to full private ownership? How will this affect the share price and is the price increase in the shares since last year correlated to the Group becoming completely private?

Answer

It is important to emphasise that any decisions on the sale of government shares, including the timing, price or mechanics, are a matter for the government.

We continue to believe that a return to full private ownership would be positive for the bank and our shareholders. We are pleased with the sustained momentum in reducing the shareholding through this year. It currently stands below 11%, down more than two thirds from around 38% in December last year.



Much of this has been through the government's ongoing trading plan. However, as a result of the bank's continued strong performance, we were also pleased to complete our second directed buy back of the year, earlier this month. This was the first time we have completed two buybacks of a proportion of the government's holding in a calendar year. It was also the first major transaction under the new government.

The government has reiterated its commitment to fully exiting its shareholding by 2025/2026 and we can't speculate on when this might happen, or what impact it would have on our share price. Our share price has performed well this year, up around 80%. This is a result of the bank's continued strong performance as well as growing confidence in the UK and certainty around the economic outlook.

Whilst returning to full private ownership wouldn't impact strategic decisions, it would clearly be an important milestone for the bank, marking a new, forward-looking chapter. As the shareholding has reduced this year, we have seen increased interest from new investors, including those focussed on growth. For now, our focus is on delivering against our strategy. We are ambitious for this business and optimistic about the future, with clear plans for the years ahead.

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What are the key strategy areas that you are intending to focus on in 2025 and over the longer term?

Answer

We are going into 2025 with a sense of momentum and optimism. Our recent results show the strength of our performance and we're making good progress against our three strategic priorities. In this context, we remain convinced that these are the right priorities for NatWest and our focus is on delivering against these.

With many of the key fiscal and political events behind us, both NatWest and our customers are entering the new year with greater clarity. Whilst the impacts will of course depend on your sector or individual circumstances, clarity helps bring greater confidence to decision making. It is also positive that the new government has recognised the role financial services play in supporting its national growth agenda.

Our scale and unrivalled UK wide network mean that in the coming years, NatWest has a vital role in helping to unlock the growth potential across all nations and regions. As we look ahead, the real opportunity lies in being a trusted partner to customers. This comes at a time when they are facing unparalleled complexity and navigating seismic shifts in technological, environmental and social trends. Their needs are evolving at pace as they engage with and adapt to these. Our strategic priorities are geared towards helping us anticipate and respond to those changing expectations faster and more effectively, so that our customers can meet their goals, be that buying a first new home, scaling a business, managing the climate transition or building greater financial security.



If our customers succeed, so do we. By succeeding with our customers, we benefit not just the individual customer, but the communities they live and work in, as well the wider UK economy. If we do that, we deliver for our shareholders too. That is the heart of our strategy, and that is what we are focussed on.