Meet the Exco Live

Thursday 18th March 2021

Audio Transcript

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Alison Rose

Thank you. Good afternoon everyone, and thank you for joining us today, we hope the sessions will provide a useful opportunity for you to meet and hear from some of the executive team who are delivering our strategy.

Along with some further insight into our priorities in each of these business areas. You should have received a copy of the supporting slides earlier today, we will not speak to the slides, but they will also be available on our website if you'd like to refer back to them.

In February 2020 we set out our clear strategic priorities to drive sustainable returns. These underpin our purpose and we believe they will help us to build trust and create long term value.

Our purpose is a commercial imperative, enabling us to deliver for our shareholders, our customers, our colleagues and other stakeholders.

Throughout the Covid 19 pandemic, we have tested and proven our purpose and strategy stepping up to support businesses and individuals in new ways and we continue to accelerate our digital transformation.

We will drive sustainable returns by prioritizing the four pillars of our strategy, serving customers across their lifetime to deepen relationships and generate growth.

Powering the organization through innovation and partnerships, a productive but blend of the right people technology and insights.

Simplifying and digitizing our business to improve customer experience, increase efficiency and reduce costs and sharpening up capital allocation to get all capital working efficiently and being deployed effectively to maximize returns.

Throughout the last year, even though we have been good at managing the impact of the pandemic, we have continued discipline execution of our strategic priorities, strengthened our executive team and delivered on our 2020 targets.

Today I'm pleased to introduce you to some of my executive team, several of whom joined us in the last year.

I have great confidence in this team and they're a great team that we have assembled, who have been collectively working incredibly hard to deliver on the plan we set out to the market in February, including our Rote target of 9 to 10% by the end of 2023.

We intend to build on all we've learned in the past year and deliver our strategy, all underpinned by a one bank mindset and approach.

In practice, one bank means working together across the entire group to deliver on our plans and to ensure the right priorities are identified and decisions made, delivering fantastic customer experiences, being simpler to deal with and creating value for shareholders.

This is an opportunity to meet those who will be hosting two further sessions later in the year spotlighting the work in commercial banking and NatWest markets in May and retail and private banking in late June.

This is the first opportunity to introduce David Lindberg, who joined us in September last year, as CEO of retail banking.

David was previously with Westpac where he spent eight years in a number of different roles, most recently in the consumer division. David has worked extremely quickly to embed himself in the business and set out a refreshed strategy for retail banking.

Many of you will also know Peter Flavel, he has headed up our private bank since 2016. Peter and David are working very closely together on serving our personal customers across segments and ensuring we deliver great customer experiences.

Paul Thwaite became CEO of commercial banking in November 2019. Paul is a highly experienced leader, having previously held a number of other senior roles across the group, including in commercial and risk.

Robert Begbie has been with us for just over 40 years and he was formerly our Group Treasurer and then appointed CEO of NatWest Markets in June 2020. Robert has led on the transformation of the markets business over the last year.

Simon McNamara joined us back in September 2013 and leads our services business. Simon brings his vast knowledge and experience to create and deliver our technology and data strategies, looking at how we use the data we have in an innovative, personalized and intelligent way.

Jen Tippin was appointed Chief Transformation Officer in August 2020 having spent 15 years with one of our peers in a variety of roles.

Jen is responsible for executing the strategy to create the very best customer experience, as well as managing the group's investment portfolio efficiency and the build of one bank capabilities.

And we're also joined today by Katie Murray, our group CFO who you know, Katie will also be available for Q and A at the end of the presentation. So with that, I'm delighted to introduce the team and I'll hand over to David to tell you about our retail strategy. David over to you.

David Lindberg

Thank you Allison, thank you all for the time today and great to chat a little bit about where we're headed with the retail business.

I know you know it well, but 17 million customers in the business, we had what I call sort of a resilient 2020 financial year 4.2 billion in revenues, we did reduce costs on an underlying basis by that 4.5% and created an ROE of 10.2% in a very difficult year. Hopefully, that is the low watermark for us. Also had very strong mortgage momentum again growing our mortgage business well above market.

You know, the context for us has changed dramatically in the past year.

Through the pandemic, and let me give you a few interesting facts, one of them is that the majority of our customers, now about six out of 10, only interact with us using digital channels, so they don't use the branches, they don't use the contact centres. Just digital and as interestingly, maybe more interestingly, almost 9/10 just a bit under nine and 10 of our sales now are through digital channels and contrast that to about 50% before the pandemic so things have changed dramatically with our customers and with how we interact.

We've been investing in video banking and you know the beginning of the pandemic, we were doing about 100 video banking calls a day and now we're at about 15,000 I'm sorry a week we're now at about 15,000 and that's going to grow.

Quite a different context for business and then the context we face into about a year ago, so I've spent a little bit of time in the business now - started at the end of last year.

And have done my best to assess the business, and my sense of it is it's a strong business. One of the standout features, is the mortgage business. We're now about a 10.9% share and are now the third largest mortgage lender in the country. We also have, in my view and excellent App, which is a good starting point to have right now.

And I know Simon will talk a little bit more about that, but I would write it as one of the best I've seen and one of the best in the market as well.

We have a very highly engaged staff and that isn't to be taken for granted and, as I talked through the strategy, you'll see why that's particularly important for us.

And then we've been investing in agile journey delivery teams for about two years now, you know that now is coming into its own and we're seeing high velocity of change capacity through those teams, so a lot to like about the business.

A few things that we want to change, we want to improve on, and you know talk about this.

We're not growing share in primary bank relationships, in fact we're losing shares in sub segments, particularly in the youth segment, which is so important for our future, also have a lower depth of relationship than many of our competitors do so, you know our product per customer's lower than it could be and should be. Our customer scores, particularly our NPS scores are near the back of the pack, and you know we need them to be near the front of the pack, if not at the front of the pack so that's an opportunity for us, and then we know our brand scores are just a little bit lower than we want them to be. We want our brands to be more attractive, particularly to the youth segment.

So, you know after assessing the business, we have come to view that there are four really big areas of value, where we think we can incrementally grow value relative to market so I'll go through those and the first maybe unsurprisingly, is to continue to grow our mortgage business. It's a higher ROE business - we've got a track record for growing that business. We've got some opportunities we haven't been in before, buy to let, and we've been very weak in a sense, and we can grow there, at the lower end of buy to let, at the amateur end of buy to let. We haven't performed very well in organic mortgage growth and we've been growing below market there and we can really improve on that.

But I also want to flag we've now gotten to a size, where it's not you know growth at all costs.

And we want to manage the interplay between volume and margin and make sure that we're about value creation, not just about growth.

The second big area for us where we think we can add value is growing primary bank relationships, these are customers that would consider us to be their primary bank.

And we haven't been growing those but, in my view that to be really one of the barometers of long-term value for any retail banking and we have lots of leavers there you'd have seen. We have a new marketing campaign out that begins today that's just the beginning of will be a longer-term campaign for us and you know, will create real value for us.

The third thing we want to really generate more value out of is our credit cards business where we stood out of that business to some degree for a little while.

We want to grow that business but to existing customers and we only have a 6.4% share of credit cards contrast that to a 16.1% share of current accounts.

And you can see why that opportunity is so big for us, that part of the market tends to be high ROE, tends to be low risk and just prior to the pandemic we were already growing above market there and then, finally and Peter will talk a little bit more about this, but the opportunity to grow investment AUM with our existing customers, predominantly premier and to a smaller degree retail customers, but it's through a very simple product. Primarily, the premier segment and it's particularly important given you know our customers are facing into such a low interest rate environment right now. Now we do want to differentiate with customer and become really customer obsessed.

I won't go into detail but, but we think the opportunity is to combine the very best digital with access to the very best people and it's that combination, we think will be differentiating.

For us, if you think about a fintech they can only really do the first of those, but they can't really combine that with the people that we can give our customers access to. So to give you a bit of an example, we just launched 8am to 8pm right here, right now, what that means is, if you go into our App and it's becoming more prominent you press right here, right now, and you literally will get one of our branch bankers in real time on video and that's the beginning and there's so much more that we can do to bring this proposition to life. Underpinning the proposition, I also want to flag a very simplified operating environment so I'm a big believer in simple products.

And underpinning that, simple processes and then over time, that will enable Simon and his team to simplify the technology environment. So quite an ambitious road ahead for us, we think it's a business that has a good starting point that we do have these four big pieces of value and that's what the team is looking to unlock so with that I might pass it to my colleague, Peter Flavel - CEO of private banking -Peter.

Peter Flavel

Thanks David I'm Peter Flavel and in my five years as Chief Executive private banking has undergone a significant transformation. I continue to be excited about our growth prospects, in particular the opportunity we have to make long term savings and investments more accessible to all of our NatWest group customers, helping to bridge the UK savings.

This being just one example of how we will create sustainable returns with social purpose, our vision is to be the best private bank in the UK and our strategy to deliver on that vision is to bring the best of the bank to our clients, that means all of the Bank.

Integrating brilliant day to day banking supported by Coutts 24, flexible lending and responsible investments. Supporting our clients as their financial needs evolve through every stage of their lives, delivering first class personalized service in an increasingly digitally enabled way.

I'll now recap on our 2020 results, before then uncovering our four strategic priorities to 2023.

In 2020 we achieved strong growth across our diversified business. We welcomed over 1600 new clients, always been the lifeblood of private bank growth, more importantly, 19% with of our introductions from the wider group.

Following on from our recent years, we continued to achieve strong volume growth, including 10% net new lending growth and 14% deposit growth, year on year.

We also continue to achieve top quarter five-year investment performance across our defensive balance and growth mandates. Our AuMA's grew by 1 .75 billion at 5.6% to 32 billion.

Since our launch in 2017, digital investing growth continues to accelerate, recently achieving assets under management of over 1 billion. Our growth is underpinned by strong return on equity around 16% excluding impairments, with the contributions to NatWest group PLC operating profit before impairments of almost 11%.

Having outlined our strong growth in 2020, I will now cover our four strategic priorities to 2023.

Our priority in supporting our customers is to pursue a life cycle approach. Supporting clients, their families and their businesses as their financial needs evolve.

That's a client relationship lead approach supported by financial education, planning, guidance in advance. We will increase the number of clients needs met. Growing savings and investment balances and just as importantly high net worth mortgages for their dream homes or the residential real estate investments.

Second priority is growth through partnerships, we will continue to realize efficiencies through our black rock relationship.

Here we couple their global scale and platform, manager due diligence and pricing with our own Coutts House views and asset allocation.

Additionally, as part of our response to that rose report, we have collaborated with the British growth fund to develop the UK enterprise from helping our private client support diverse and high potential UK companies.

Being simple to deal with is our third priority, we continue to invest to drive efficiency and cost reduction through digitization and streamlining customer journeys, to deliver a relationship lead digitally enabled client experience.

As a Centre of excellence for investment management, we will help more people plan and save by making long term savings more approachable and accessible for retail and premier customers. Through scanning face to face advice, provided hybrid support and making further enhancements to NatWest invest.

Our fourth priority is continued focus on capital efficiency. Over the last five years are sharp and capital allocation processes have led to close to 2.5 billion saving in risk weighted assets. We will continue to focus on further efficiencies.

On costs, we're making good progress. We're removing the bad costs and complexities, we need to eliminate are pivoting towards investing in good costs to drive revenue creation.

In summary, we have a clear ambition to be the best UK private bank and we seek to drive sustainable and resilient returns through our diversified income streams and are realizing our growth potential across the networks group.

Our success is underpinned by the adoption of a one bank mindset and, as I said earlier, 19% of our 1600 new clients, were from introductions from the wider group. Around half of those were successful business owners in the commercial business and on that note I'll hand over to Paul.

Paul Thwaite

Thank you Peter. Good afternoon everyone, very good to be here and to have the opportunity to talk a little bit about the commercial bank. I thought I'd start with a few words of context, before going into the business specific priorities.

It's clear that last year created an unprecedented operating environment for all commercial banks, however, notwithstanding that I remain very optimistic and confident.

About the opportunity to transform and position NatWest commercial bank for the future. Championing businesses of all sizes in every region of the UK, as they to recover and reinvent themselves.

If I reflect briefly on 2020 performance, the critical role we play for UK business has never been more obvious than during the pandemic, we supported 14 billion of government lending, 20% of all government loans, over 70,000 capital repayments holidays.

And we built a fully automated bounce back loan scheme in less than six days.

Our financial performance demonstrated the underlying resilience of our income base and our ability to continue to reduce our operating costs and we did that, whilst increasing both customer and colleague satisfaction.

The economic backdrop, however, had an impact, meaning a near five fold increase in modelled impairments, largely IFRS 9 stage two.

In 2021, expect impairments for the group to be at or below through the cycle levels, and for this to improve returns in the commercial bank, with further growth in returns improvement through to 2023, as our income or cost and our capital plans help drive a sustainable return on equity.

As I look ahead to strategic vision that we have to strengthen our position as the biggest and largest supporter of UK business has not changed. At the core of their strategy is what I think is our unique ability to meet customer needs through the depth of our sector and specialist knowledge and the breadth of our regional coverage. It's an ambitious, but a realistic plan to transform the business, whilst balancing the needs of all of our stakeholders.

I'll give you a quick run through the priorities and then will no doubt discuss more than in the Q&A and also when we meet again in May.

Our first priority is continuing investments in our customers. As with retail, as with wealth, there's been a real acceleration of digital adoption, with now over two thirds of sales in the commercial bank coming through digital channels.

More customers than ever are self serving through our channels and we've seen a significant increase in video banking usage.

The plan, I have dedicated a significant portion of our investments, our investment spend into digital channels, both our sales and our service journeys. This allows us to deploy our expertise in a more personalized way to more of our customers, whilst continuing to reducing our operating costs.

A great example is an additional 16,000 of our business banking customers, now have access to relationship manager via direct and video model. Better customer experience, cheaper operating costs.

For our start-up businesses, our plan is to grow our strong presence and for our more complex and larger institutional customers, it is to strengthen and in certain places optimize our position supporting them through the impact of Brexit, the economic recovery and the transition to lower carbon business models.

Our second priority is focused on driving high quality growth. We have significant opportunities to grow our fee income base by better meeting the payments and transactional banking needs of our existing customers.

These ambitions are supported by significant investments, both in our core product set, but also in our ventures, such as Tyl. Our re-entry into the merchant acquiring market and Payit our open banking payments platform. Both of which I'm pleased to say, are gaining attraction and seeing a significant payment volume growth.

At the same time, we're continuing to deepen our relationships across our whole customer base by meeting more needs by our NatWest markets capabilities but in a much simpler way. This increases both our share and our penetration and two great examples are our fx business and also our Covid corporate Financing Facility.

Our third priority is to simplify and automate our key journeys. This is about our core products and processes, it's not just the digitization of the customer impact interface.

A great example is lending, building on our learnings from the bounce back loan scheme, our focuses on reducing the time to decision from more complex customers on loans up to 750 K, from an average of 10 days to below three days, ruthlessly simplifying and automating our journeys by leveraging both technology and data. Whilst improving the customer experience and reducing the operating costs.

Finally but not least, active capital management, there will be a continued focus on proactively managing our capital and liquidity position in the commercial bank. We're building on very strong foundations, here we use a wide range of tools to effectively mitigate credit risk, improve our RWA efficiency and increase the velocity of our capital.

I expect to be deploying these tools increasingly across our balance sheets during 2021.

I'll now hand over to Robert CEO of NatWest markets, with whom I work very closely, not least on driving our sustainable and transition financing solutions.

Together, last year we delivered 12 billion of climate and sustainable lending and this year we expect to exceed our 20 billion targets over to you, Robert.

Robert Begbie

Thanks Paul. Good afternoon everyone, I'm Robert Begbie, Chief Executive of NatWest Markets and this afternoon I'll take you through the strong progress we've made since February 2020, when Alison set out the strategy for a refocus on NatWest markets.

The foundation's we're putting in place to create a sustainable business and setting out the key priorities to deliver on our growth plans and we did make significant progress during 2020 against our transformation objectives.

We delivered strong income performance of 1.2 billion during volatile market conditions. We reduced underline expenses by around 140 million or 12% and most importantly reduced RWAs by 11 billion to 27 billion, some 5 billion ahead of our original plan of 32 billion.

And we expect to achieve the majority of the remaining part of the RWA reduction in 2021, and all this enabled us ahead of plan to pay a 500 million pound dividend in February to the NatWest Group.

And the progress we've made has been recognized by Fitch and Moodys, that upgraded both Natwest markets PLC and NatWest markets NV during 2020.

We simplified our product offering to align with the needs of our customers, exiting 11 products which allowed us to reduce our risk profile and complexity and we also announced an agreement that BNP Paribas for execution, including have listed derivatives.

We've refocused the business around our new customer centred operating model, focused on capital markets, customer sales and trading. With a new leadership team in place to drive the business forward.

And we sharpen our capital allocation by establishing a capital management unit and as Paul touched on, we're building a really strong partnership with commercial to deliver for our customers.

We also made strong progress on delivering a one bank operating model, transferring around two and a half thousand employees into Natwest holdings, to build synergies across functions and services, and by leveraging more NatWest group technology and services, thereby reducing duplication.

So looking forward my strategic priorities are consistent and completely aligned with those across the bank.

We're focused on driving sustainable growth with our corporate and institutional customers, by focusing our resources and priorities around those core customers in areas we can add most value and generate sustainable returns through the cycle.

And Paul touched on it, but ESG is a key priority and we will continue to grow our ESG market presence and expertise to support the transition of our customers.

We're ranked number one as lead management for green social and sustainable bonds issued by UK corporates in 2020 and we've had a strong start to 2021 with a number of great transactions.

We supported our own 1 billion Euro NatWest group social bond, the first social bond targeting affordable housing and the first UK affordable housing bond by UK bank.

And we recently completed our first ESG linked fx transaction.

And we're currently ranked number one in Europe for GSS sessions for European FI and SSA.

That both Paul and I see further opportunities to do more with that corporate institutional customer base and improve returns of the medium to long term.

In corporate fx, we're already the best bank for SME's but we see significant opportunity to do more with those customers and then the financial sponsor space, we're also developing our funds, financing proposition alongside RBSi.

We've identified opportunities across the whole bank to leverage markets expertise and digital capabilities.

We've launched a cross bank initiative around fx coaching opportunities to partner and increase the reach of our ethics capability across the group, by integrating fx better across the Bank and enhancing the customer journeys for payment related FX across Coutts, retail and commercial.

And we're becoming simpler to deal with. We've made significant improvements to customer journeys for commercial customers and we're investing over the next three years to streamline and simplify technology, infrastructure and processes.

And we're digitalising workflows across markets to deliver better pricing and execution service for customers, reduce manual interventions and improve efficiency and increase the electronic trading.

And, as mentioned earlier we've established a capital management unit to maintain capital discipline and increase capital efficiency in the business.

We've taken actions to sharpen our capital allocation through implementing a new customer segmentation framework with clear capital allocation objectives and more granular assessment of returns by customers. But at its heart, markets businesses is all about the people, they are our greatest asset.

Which is why we're leading with purpose, helping colleagues to understand the role they play in contributing to the NatWest group purpose. We've held workshops, with over 400 colleagues to define what purpose means for them, to their teams and for our business.

So, in summary 2020 was a significant year of delivery for markets against our strategy. And looking ahead to 2021 and beyond, I'm really excited about the future opportunities and creating a sustainable and invaluable markets business for the NatWest group, with sustainable returns over the medium term.

All underpinned by a talented and motivated people and harnessing the power and opportunity of the one bank.

I'll now hand over to Simon McNamara to share his priorities for services.

Simon McNamara

Thank you Robert and good afternoon everyone. It's nice to see you again. I last spoke to you back in June 2019 and then I was whispering the word innovation, so I'm quite looking forward to updating you on the progress we've made since then. I'll reassure you first about a solid and resilient platform with improved performance, year on year.

When we last spoke our incidents, we were running in the hundreds, now they're in single digits. In fact, I could name them all.

That's because we laid strong foundations. Our Crit one incidents are down 98%, whilst increasing the volume of change by 67%. We've also reduced our technology costs by 25% since 2014.

And we strengthened our control environment, which is the best possible situation.

We have technology that's agile, for example, bounce back loans, we delivered in six days, so we could be there for our customers from day one.

We use the combination of our api's, that's our application programming interfaces, bots and Cora, our artificial intelligent chat Bot to scale our responses. Fully capable and effective solution, which was so able to fill the volumes, we saw without issue.

That was possible because we didn't see open banking as purely regulatory compliance, instead we took the opportunity where many didn't to build a world class set of api's. These api's mean we can deliver the agile services that customers want.

By the way, the CMA said, we have the quickest and most resilient api's in the banking sector, so fin techs want to work with us. We have a long history of partnership and innovation, is no longer whispered word.

Some partnerships and collaboration of the day, and some of tomorrow. Free agent and Payit for today. Cora was for tomorrow, but already our customers are seeing the benefits.

One cubit is about the future, that's our investment in quantum computing. In time it to will become a reality. Partnerships mean we are the Bank of api's, not a bank of api's. Around 203rd parties, 1.3 million customers already connect to us, through these api's. This is a massive enabler for us and for them.

As we simplify it helps the rest of the bank. Our property footprint is down 57% since 2014. We now only have two London offices, instead of the 17 we had back then.

Our supply chain is reduced by 74% and we've reduced our application estate by 55% since 2014. We're accelerating our digital and automation capability, more than 40% of our Apps are now on multi cloud service model.

As an example, and mobile app is on AWS, our external websites are hosted on Azure, and many of our internal Apps are hosted on our own private cloud.

Andrey Jesse at AWS and others want to work with us, as we're doing this really well and in an intelligent way.

We have a very modern technology stack, and that makes it agile. Cora came from innovation is now used in retail and commercial and we're about to deploy it in our private business.

As you can see, we can reuse their technology and scale it across the Bank, which enables our franchises to support digital adoption. David mentioned that 58% of our retail customers exclusively interact through our digital channels. That's made possible because the investment in Cora and our highly rated mobile APP.

And speaking of Cora, it had 9 million conversations in 2000 or 2020 and that's up 67% on the previous year. 40% of those conversations were handled without any human intervention, which is quite incredible.

We're also contributing significantly to the banks cost takeout target; our contribution comes from property rationalisation and technology cost efficiencies.

A technology investment is in high quality tech, its ambitious and with that intelligent use of that investment with developing our brain.

We're doing that, through our use of data, giving customer insights that keep them better informed on their finances and supporting our purpose. We are making our knowledge, data, AI, the cloud, partnerships and api's and calling card in a way that others can't.

And we're investing heavily in these capabilities, getting smarter, using our technology and data in new ways.

Now remediation funding will always be there, but we've broken the backlog of the underinvestment of the past.

As I said, we have a very modern technology stack. That focus and the solid foundations we built, keep us resilient and cheaper to run.

Anyone running it, the constant rate fixed model will find it expensive and they won't be able to invest in the future and we've solved for that. We don't see undesired RWA increase and that's because we're running very modern ship.

Now, because of the strong foundations that we've laid and the investments we've made over time, we're looking ahead, instead of looking back.

So I'll close leaving you with these key messages. We've invested significantly in our platforms and laid strong foundations. We have an agile modern technology stack that's resilient. We have a proven track record of delivering innovative solutions and finally our knowledge and experience, combined with the intelligent use of investment is a competitive advantage and that's why big tech and fin techs want to work with us, thank you, with that I'll hand over to Jen Tippin.

Jen Tippin

Thank you very much indeed Simon and good afternoon to you all. My name is Jen Tippin and I joined the Bank six months ago as the chief transformation officer.

I joined the Group from Lloyds banking group, where I was a member of their executive committee, co designed their third strategic plan, lead on cost management, as well as other functions and I'm really excited and proud to be part of this NatWest team.

Now our strategic priorities are anchored in an ambitious multi year one bank transformation Program.

And as you've heard from my colleagues, you'll know that we're focused on working together to really unleash the potential that exists within our group.

That multi year program is now mobilized and it's supported by 3 billion pounds worth investment.

It covers all aspects of our business and it's focused on our key strategic priorities of growth, simplification, capital and is powered by innovation and partnerships and executing this program delivers the nine to 10% rote targets, that we've guided you to by 2023.

Now we've got a good track record of delivering on our promises and we met or exceeded our targets in 2020. But given the scale we've purposely built a strong team, including a transformation office to really drive our approach to execution.

Now that team will drive our overall roadmap, will prioritize and plan our investment, drive our work to simplify and automate our customer journeys and also help the Bank to achieve cost reduction of around 4% a year, which obviously ultimately gives us the capacity to invest and build a sustainable bank for the future.

A critical aspect of that transformation program is a mobilization of seven new work streams, that run end to end across the bank. There isn't the time to go into those work streams now, but I will say more in our sessions later on this year.

The good news is we're already seeing progress. Our improvement in customer journeys is accelerating with consistent tools and methodologies now in place.

And three new journeys stood up, in commercial lending, business banking and helping our customers repay. We're already seeing the results in our streamline digital journey in retail account opening, for example, our NPS has improved recently by four points.

I'm going to add a little bit more detail now on how transformation program supports our strategic priorities.

First of all, in terms of supporting customers, over the next three years about 80% of our 3 billion investment relates to digital and technology programs.

That will allow us to leverage data to deepen our relationships with our customers, simplify journeys and engage them. This will help support the growth opportunities that you've heard my colleagues talk about.

In terms of partnerships and innovation, we believe our transformation will be powered by the right partnerships and really enable us to harness both internal and external knowledge and experience, to really drive our strategic execution and innovation.

As you heard from my colleagues, this is an approach is already beginning to deliver, as you've heard from Peter here with our relationship with black rock and from Simon on Cora.

Now, in terms of simplification, we're committed to reducing our operating costs by around 4% a year through to 2023. To underpin the delivery of this, we're mobilizing a new approach to cost efficiency, including a dedicated team looking across the group and covering all costs and resources.

Some of the opportunities we're looking at include building bank wide capabilities, focused on reuse of applications and architecture across the group.

Simplifying and automating customer journeys, digitization and moving to the cloud, optimizing our third party spend and, of course, a reduced a real estate footprint.

And our strategic cost strand is also intended to fall to around 800 million this year, having reduced already from 1 billion pounds last year and 1.4 billion in 2019.

Now customer journeys account for around a third of our cost base. Transforming these journeys, end to end through greater automation, will have a significant impact. Yes on our sustainable multi year cost reduction but also, and perhaps most importantly, driving a step change in our customers experience.

We're targeting significantly improved cycle times, reductions in complaints and simpler products, leading to gross savings of over 300 million by 2023.

And our priority journeys include retail account opening, home buying, payments, commercial lending, business banking servicing and helping customers repay.

Now, in our commercial franchise no bank achieved a higher NPS in 2020. Our previous time to decision on lending of 14 days, reduced to 48 hours with BBills last year.

And then in retail, the percentage of digitalized credit decision volumes increased around 70% to over 80% and as you've heard from Simon, a key enabler to our transformation is our technology, coupled with powerful data, analytics and one bank capabilities, making it easier for our customers to engage with us and access our full range of services and products. We will also continue to evolve our organization design and functions to meet our future needs.

Now, on capital Robert has already shared how we're approaching disciplined capital allocation in NatWest markets, which has enabled the release of capital to the group. We will continue to focus on strong capital management across the group going forward.

So in conclusion, our strategic priorities are embedded in a multi year one bank transformation program. That plan is now on the way, has a number of comprehensive work streams and has started well.

So obviously early days, and our plans are ambitious, but we do have a good track record of delivery. We've built new capabilities, we've got a great team, and we are committed to our plans and I now hand over to Allison for her closing remarks.

Alison Rose

Thank you Jen and thank you to the rest of the team for giving insight to your roles and also your priorities. So to reiterate, our focuses on driving improved shareholder returns, with targets to grow lending, reduce costs and maximize capital efficiency over the next three years.

With disciplined execution in each of these areas, we expect to deliver a return on tangible equity of 9 to 10% by the end of 2023. So with that, I’m very happy to open it up to questions and to the team, thank you very much.

Operator | Dave A | Storm

Thank you Alison. To remind people, if you have a question, we would encourage you to press the raise hand button and we will bring you through to ask your question.

We asked you to turn your video on to make the session as interactive as possible. If you have dialled in please press star nine followed by star six when asked to unmute. You can also press the Q&A button and type your question, we will now pause while we wait for questions.

Our first question comes from Robin down from HSBC Robin. Please go ahead with your question.

Robin F Down - HSBC

Question really I don't know this is really for Simon or for Jen but, I know you don't really want to talk about Ulster Bank, and the numbers around that. But I thought, given that we've got Simon and Jen on. I don't know if you could talk a little bit about the technology and the platform of Ulster bank and we can all remember sort of the nightmare of trying to disaggregate Williams and Glynn from NatWest.

So just a couple of questions, is Ulster Bank, I see its running on its own separate platform.

From the rest of NatWest.

Simon McNamara

Initially yeah I mean I've already picked it up that's Okay, but.

Robin F Down - HSBC

Yeah, I just wanted to see if you could give us on, for instance, the transfer of the commercial banking book to AIB, that you've got a understanding on.

Simon McNamara

For sure

Robin F Down - HSBC

How easy that's going to be, if you like.

Simon McNamara

So the stack that Ulster Bank runs on is essentially the same as the stack that other parts of the bank run on. But actually, we've separated away and we've run separate instances of that to support that business.

So that makes it a standalone stack, so it's not intermingle and we did a lot of work and, after some of the challenges we had you remember back in 2012, to simplify some of those stacks quite considerably and that's where a lot of the resilience has come from.

In terms of the transfer of those loans, obviously involves some effort but it's not a big technology exercise, so the way we're going about that particular work, is not going to be onerous and there's nothing like the order of magnitude of the sort of things that you described, if that makes some sense.

Robin F Down – HSBC

Yeah and perhaps just specifically on the SME customer books, I guess you're talking to ptsb. Does that also apply there. Would that be a fairly easy, from a technology perspective, to transfer across to them.

Simon McNamara

And so the detail of that is still under discussion is you know, so you know. At this point in time, it's probably not worth going into that in any detail, other than the fact that obviously the achievability of that is very central to the work that's been done, to determine actually what ultimately any transaction might look like so.

And I guess by that I mean, you know the work is done with everybody sitting around the table, that you're looking at the detail of what that might involve. So the experts are involved in determining what we might do.

Alison Rose

So Robin, as you know it will be a phase withdrawal over a number of years. We signed an nou and, obviously, managing that transaction is something, that we will do very carefully over a number of years, and we expect it to be capital accretive over the period and hopefully Simon's giving you a little bit of colour on that. We will continue to update you on progress, as appropriate, but you should consider that to be multiple year process.

Operator | Dave A | Storm

Thank you, our next question comes from Jason Napier of UBS Jason. Please go ahead with your question.

Jason Napier, UBS

Afternoon, thank you for holding the event, and thank you for taking my questions. I'm not sure who's going to have a first crack at it. At the first question, I suspect that it probably lives with Jen but it's probably something that we're all animated about and that's indirect costs.

Indirect were 70% of retail costs last year, and there were 60% of commercial cost last year and they were actually up with models if im right, year on year in both divisions.

Presumably that can't continue to be the case if we're going to deliver a group result in line with the strategic plan. So I wonder if you could talk a little bit about first why they were up last year.

And you know whether there will be a meaningful change in mix and how you might sort of bring the work you're doing to bring on that expense base and then I have a second question when you're done with that.

Alison Rose

Okay, thanks Jason. So I mean, as you know, we set out a target to reduce costs by 4%.

And I think, as you look at the shape of our business, we're focusing on digitization and customer journey, which involves changing our model in terms of how we execute that but why don't I pass to Jen to pick that question up. Jen if I can pass that to you.

Jen Tippin

Yeah. Thank you Jason. I mean I joined only six months ago, so I'll leave the question around last year, perhaps to others. But I will tell you that the focus of indirect costs in the relationship with our direct costs is absolutely parts of our plans.

So if you think about the way in which we look at a cost management, we just have to say that, first of all, by the way of stepping back, is the way in which we approach it is to think of cost reduction really as an output, rather than an input.

So it's an output of all the work that we are doing, leads to the net around 4% cost reduction target that we've guided you to and it's also multi year. So rather than it being a you know a 12-month framework, we try and think of it as a multiyear program, which is very important.

Now how we will deliver that yes, is through the traditional levers that you might expect, such as property, third party spend, etc.

But also, and you and you've really, really captured it with your question, it is about looking at our costs front to back across the organization. So, firstly through journeys as Allison's articulated, which is around a third of our overall cost base, as I mentioned. But also, by looking at those typical front to back costs or where can we reuse capabilities, for example, that spanned the Bank end to end.

How can we look, for example, more to a zero based design of some of our functional services types operating costs, and those are forming part absolutely of our work. As well as enablers that you've heard Simon talk about in terms of Cloud, Api's etc. So that's the way in which we look at it and it's that work together that really delivers the targets that we've spoken to you about.

Katie Murray

Please can I pick up quickly on the point on the cost from last year, I mean you're absolutely right, they are marginally up so 3.6%/ 3.7%.

And, in reality, actually links very strongly talk Simon was talking about, as we see the business move much more to technology, and we take a lot of the manual work and actually what you naturally sees a bit of an increase in that services costs.

So David talked earlier around a reduction in headcount of 4.1% I think we spoke to, and so, then actually a little bit of that comes into the Simons area and the rest of it goes out.

I think what's really important is the 4% per annum commitment and the shape does change a little bit internally, as you move more into services from the front line, because of the changing nature of those costs.

Jason Napier, UBS

So we shouldn't take indirect as being sort of naturally bad costs that should.

Katie Murray

Not at all. Some costs, they would like to like to see come down, certainly, but I do think it's important to look at the total and not at the indirect.

Alison Rose

Jason did you have a second question.

Jason Napier, UBS

Please, if possible, probably for David. I mean it's logical to focus on primary banking relationships as a metric around the health of the franchise and so on, but I was just wondering if you could talk a little bit about how you measure that, because I guess most folks on the call would regard current account banking as a loss making endeavour and sort of how you think about customer profitability in aggregate.

And I'll leave questions on mortgage spreads and how low you'll let them go to someone else on the call later.

Alison Rose

David you want to pick that up.

David Lindberg

Thanks Alison and thanks Jason. You know I suppose the way, I think that value is, you're trying to do something that's sustainable over time and you know to me, the barometer is primary bank relationships and you said, how do I measure that. The easiest way to measure it is you know customers who consider you to be their primary bank.

Why I think that's important, is when you bring in a primary bank relationship, often through the current account. If you serve them well you know, you're right, this time you're not making huge liability spread on them, but you know they're the ones who are going to come to you if you have the right credit card offering. They're the ones who are going to come to you if you have the right mortgage offer and so to me it's about having the relationships.

To think of you as their primary bank and think of you, as the first person to talk to with their needs. So you know that that is why I think that's so important. That isn't to diminish the big amount of value we do get from intermediate mortgages, obviously a big piece of puzzle to us, so you have to add that to it, but between those two together, I think if you're growing both consistently, then, then you have sustainable value and that's sort of what we're trying to build.

Thank you.

Operator | Dave A | Storm

Thank you, our next question comes from Rohith Chandra Rajan region from Bank of America, please go ahead with your question.

Rohith Chandra-Rajan Bank of America

Hi good afternoon and thank you very much, I had a couple of questions, please say for David I think on retail.

And the first was just on the on the credit card aspirations, it sounds like you've got sort of 35 - 40% penetration, maybe of your current account base.

So I guess the remaining customers there will have a range of cards already in their wallets. So I'm just curious to know you know what is the, what's the ambitions, so in terms of the level of penetration and what tools do you think most, are the best to use to get there. I guess there's a range of things on pricing, rewards etc so, so why the incremental cards in current account customers wallet and have one a mortgage as well, please.

Alison Rose

Do you want to ask the question on mortgages and then we'll take them both at the same time.

Rohith Chandra-Rajan Bank of America

Yep sure it was.

I guess you know, one of the so there's been a lot of growth in recent years, but one of the areas of success has also been the retention strategy so, just thinking about how you how you balance those two going forward.

So, given the progress has been made and retention, so is there more to go there and does that in turn influence how you price customer acquisition.

Alison Rose

Great. Thank you. David, both for you, I think.

David Lindberg

Yes, thank you. So you know, the first one was around credit cards and the starting point for us is, if you cast your mind back five six years ago, we had a pretty strong credit card business.

We stepped out of balance transfers and saw our share diminish. We sit here now with quite a low share and 6.4% as I referenced. You reference well what percentage of our customers should have a card with us.

As we sit here it's close to 20% and we think that should be approaching 30%. So, you know, there is runway for us, but the reason I'm excited is now, this is pretty basic credit card capability. Which is you have existing customers, they do their primary banking with you, we see that in the data they have cards elsewhere and so sort of think about three big leavers there.

The first is you know, those who have cards elsewhere picking one of our cards for the first time and that's about having a compelling proposition and using data to have those discussions.

It's about utilizing, so you might have the card in their wallet but they're using somebody else's card more front of wallet. So it's about those campaigns of utilization and then it's just back book management.

These are the three, you know tried, tested and true approaches. We have an opportunity that most don't have, which is just under penetration so that's why I'm excited by that.

In terms of the mortgage you know, obviously I could talk a lot about mortgages, you asked specifically about retention.

And you're right, that is a lever that I would say, whilst we've been growing significantly over the last three particularly. A lot of that growth has been through in generating new business for us, as opposed to necessarily focusing on the existing book or back book.

And we think the opportunity now is to add that to what we do.

I'll give you an example, we recently totally changed the way we do re-mortgages and that has improved rollover right back to us from low 70s, to high 70s, so that was just one small tweak.

But, the bigger picture is we're beginning to try to focus more, back to the broker channel, plus first party and managing that book and retention, as you said.

Rohith Chandra-Rajan Bank of America

Thank you very much.

Operator | Dave A | Storm

Next, our next question is a typed question from Craig Robbins.

It's easy for banks to say they want to gain market share in areas, for example, mortgage lending and deepen retail customer relationships, but can you give more detail on how you're going to win that market share from competitors and how NatWest offering is better than peers, thank you.

Alison Rose

Thank you, David do you want to pick that one up.

David Lindberg

Yeah, of course.

Thank you Craig. So you know what, why do we think that we can start to ensure was the question. So, the first is you know in two of the big areas where we said we want to win shares, in fact, in three of the big areas if you include AUM.

So credit cards, AUM growth and mortgages, were well under penetrated what our current account shares, I mean by some measure. So I point that out. I'd also say that we do have a track record in all those businesses, and particularly in mortgages, we've had track record of growing above system and more recently, pre pandemic sort of the year before the pandemic, in cards and we have, I think a great brand in Coutts and that capability, that we're now leveraging for AUM. So that to me is sort of that is the second reason.

And the third reason, and you know this is sort of the hardest, but the most important and that's our desire to truly differentiate around the customer experience. You know we probably don't have time to go into detail now, but you know, we really do have plans to try to differentiate the digital offering and the access to people, offering.

I think in a few months, I'll have an opportunity to talk through that with you and maybe then you'll think that third piece is also something that we can exploit, that's how we think about it.

Operator | Dave A | Storm

Thank you, our next question comes from Aman Rakkar from Barclays Aman, please unmute your question.

Aman Rakkar Barclays IM

Hello everyone. Thanks for taking questions. I had a couple, and so the first one, probably split across David and Peter actually so I'm just around UK wealth. I think we've had a fairly coordinated message from UK banks about a push into UK wealth and post pandemic, I was kind of interested in your view around what's different this time.

I guess we've had a decade of full storms and in respect of UK banks trying to successfully push into this. And I guess as part of that, is there a change in the kind of conversation with the regulator taking place, I guess, part of the explanation around that difficult in growth and historically has been the impact of regulation on advice, particularly towards mass affluent customers. Really interested if there's any kind of inflection point. Shall I give you my second. Yeah I guess. Take your pick, who wants to answer this it's about the mortgage origination process more broadly actually.

So my understanding anyway, you know, a large part of the improvement in spreads that we've seen throughout the 2020 is related to banks taking it a step actually out of the market and a lot of that has been around the operational constraints placed on regeneration process, around values and surveys. I wondered if, are there any lessons to learn from that around mortgage origination process. Are there some inefficiencies in that process? Can it be digitized? is there something that we're thinking about?

Alison Rose

Great. Thank you so, can I ask Peter do you want to pick up the question on UK wealth in terms of what we're doing that and then David to hand over to you on mortgage Origination.

Peter Flavel

Thanks Allison, thanks Aman and David, as you say David and I are working together in respect of Coutts being the Centre of excellence for asset management investment management for the group.

As its then marketed into retail and affluent, it's branded NatWest but the funds inside are Coutts funds and so, this is one example of one bank at work. So when you look at the three online products that we launched in 2017 which Royal Bank invest, NatWest invest and Coutts invest.

They're underpinned by the same set of funds, personal portfolio funds ppf. And so we're reusing the same fans across all segments, which naturally leads to quite some significant synergies and also consistency of outcome. So we're quite pleased with where we're heading in terms of the digital but as you've said, that started off as a self directed, no advice process and it is the fact that only 10 or 15% of people that can invest, are self directed.

Many are frightened and scared of the word invest now and our client research actually shows that and so what we're developing, are two approaches from self directing and then guidance and digital assist. And then there's a full advice.

But full advice really only starts to kick in in a meaningful way, above 250,000 pounds and so, in order to meet the ISA needs and the GIA needs and the pension need, we see an opportunity that the regulator is quite clear on saying to all wealth managers in the marketplace, that they do want to see managers utilize guidance and digital assistant as well.

So that's early days, yet, but to give you some sense of the opportunity, Aman.

Is that of the 32 billion in AUM, that I talked about earlier, and now that we're now up to it's in the low single digits of billions, that attributed to retail and affluent, because we actually haven't been marketing investments to that base for over five years now. So we have a huge opportunity, but the thing is that investments are very much an end product.

And I've been around this space manage, you can probably see my face, just a couple of years and, and there are still people making some pretty interesting choices around marketing investments, because people don't come generally to brands, that are not known for investments for investments.

What happens is you actually talk with customers and clients are promoters and advocates for their banking and lending.

And then you get the right to talk to investments and so it's a very much an integrated approach, which is why David and I are working together in terms of delivering an integrated approach to banking, lending and investments together. And, I do think throughout my years, the way ahead here is for it to be integrated and not somehow separate from the rest of the bank in a separate division.

Alison Rose

And David you want to pick up the mortgage question.

David Lindberg

Yeah thanks a lot, and so the second question was just ran the Origination process and what it happened, what maybe we learned. In the background, I think, as you alluded to, is in the back half of last year, most of the lenders in the system had backlogs in their mortgage processor.

And what that led them to do is price up and by pricing up, they were able to reduce the flows and reduce the backlogs and that's really what led to some of the appreciation into the mortgage Nim through the back half of last year.

So that has now been unwound, that's been resolved for most of the system, so we're no longer in that in that situation. You know that might have had something to do with the valuers, that you know that might have played a role at certain points. The majority of it, though, was most of us put in a new underwriting processes, you know things like recency of financial statements in the light.

And that's actually what led to that backlog so that's now you know, been and being unwound.

And I guess what we learned, you know I don't know if you learn it specifically from that situation, but you know, we know that we have to reduce the end to end cost of originating and servicing a mortgage and that's really a big part of the work that we're doing with Jen's team. In fact, one of the biggest investments in retail right now is.

Just taking it end to end view of the mortgage Origination and servicing process and through a combination of digitizing that process end to end, but serving that process up in digital environments, like in our APP and using data to serve the right customers at the right times. You know we think we can significantly reduce the cost of that business and I think that's something we have to, we have to you know get on with which we are so thanks for the question.

Aman Rakkar Barclays IM

I mean I can't resist the temptation to ask, then I mean you know, presumably banks in our position where they kind of got their operations in order, I mean is there any reason why we don't see a fairly material escalation and competition in that market as kind of supply comes back in.

Alison Rose

David do you want to carry on

David Lindberg

Well, I think I think that's what we expect, and you know we've had a more normalized mortgage NIM that that did go up considerably as, as you know, through the pandemic.

And what we're seeing now is as backlogs in the processes are being un wound, as there's liquidity, as people are comfortable with credit quality. You begin to see more price competition and so we're seeing you know anywhere from 10, 15, 20 point price competition in different segments of the market.

So that will, of course, begin to reduce the front book margin and then, at the same time, you have the yield curve, particularly of the two year and the five year beginning to work against that mortgage margin. So you know I think you'd have to expect, and we do expect some normalization of the margin. I'll just remind you that the yield curve works, the opposite way on the liability side of our book.

Aman Rakkar Barclays IM

Thank you.

Alison Rose

Thank you.

Operator | Dave A | Storm

Thank you, our next question comes from Freddie sleiffer from a KBW. Freddie Please go ahead with your question.

Freddie Sleiffer – KBW

Hi thanks I'm just one quick question for Esme just on digital last week you decide to shut down Esme your online business lending platform.

Just wondering if you could explain a little what went wrong really or why does this decision was made that it didn't fit in your digital strategy I guess what you've learned from what went wrong there and how you're applying it to your strategy going forward.

Alison Rose

Thanks well I'd start by, i'll get paul to answer this but as we've always said on our innovations, we will test and learn so nothing went wrong.

But actually, we've managed to accelerate our digital lending journeys and we learned from that but Paul, would you like to pick that one up.

Paul Thwaite

Yeah happy to. Thanks Freddie. Actually Esme was a good success for 18 months two years that's how we thought of it.

I guess, if you think that it was unsecured business lending targeted at smaller SMEs. The reality of the pandemic is that we have written the best class of 10 billion bounce back loans, the market has written 40 billion in bounce back loans. So 100 million or 150 million on Esme having built a digital platform in the core. The reality is we didn't need both, so we learned a lot from Esme and how we develop the bounce back digital lending platform that informed, how we brought it to market.

So both the IP and the people, and we can still compete in that space, but we'll do it through the Core lending platform. It's as simple as that. Very rational economic decision based on the changing SME lending over the course of the last 12 months.

Operator | Dave A | Storm

Okay, thank you, thank you, our next question is a typed question from Ed Firth.

And it reads hello, many thanks for the event, if I look at you to UK retail banking over the past 10 years, the only banks that have really moved the needle in terms of retail banking products have been the new entrance, how can you change that culture, thank you.

Alison Rose

So the question David do you want to pick that up.

David Lindberg

Of course, and I mean you're quite right, we had seen more and more customers choose fin techs over some of the high street bank, so you can't shy away from that reality.

You know the way I think about it is, we have to up our game, as it relates to the proposition we offer to our customers in the service offering and giving customers a clear, you know reason why they should join us.

The way I think about it is, if you join a fintech today and millions have, you're making a choice to go with someone that you think you might like the brand, you think offer is fabulous digital capability, but you know that you're giving up the ability to interact with the real human being should the need arise, should you find some moment of truth in your life, should you become vulnerable.

And you're making that trade off, and I really think the opportunity we have is to take that trade off decision away from customers.

And to ensure that they know that we will offer them the very best digital capability, the very best APP in the world, prove that to them through our marketing. But when they need to, they can press a button and they can speak to a human being, and I think that wins over time.

And we just have to prove that wins and make our customers aware of that that's what we're trying to offer them so you know, I'm not backing away nor should we, from the fact that they have been taking some share, but you know we're going to fight back and that's a bit of a thinking as to how.

Alison Rose

Thank you.

Operator | Dave A | Storm

Thank you, our next question comes from Martin Leitgeb Goldman Sachs Martin please go on mute your question.

Martin Liege - Goldman Sachs

Yes, Hello Good afternoon, and thank you so from my side for hosting this presentation today I've got one question for retail and one for commercial please.

And I would just like to follow up on retail on the on the growth ambition in unsecured, so unsecured card and unsecured other. If you like to what extent is the strategy now a step change in terms of pace compared to, if I just look at the development of what 2020 I think NatWest gained around 50 or 60 basis points of share in UK card, should we expect the pace to continue or is the message here that could be an acceleration and maybe with some product broadening, that could get faster.

An in relation to other unsecured so is the card strategy a broader unsecured strategy, that you aim to regain some of that share, I think, in order, unsecured Natwest shares are around five to 6% as well, so markedly below the 16 in current accounts, so is growing that both or is it specifically cards here.

And secondly, regards to commercial banking, I was just wondering, in terms of the bounce back loans, where there is some news report out there that expectations are for fairly high default rates.

Is there a risk that this could wait in terms of the cost progression into 2021 or 2022 as and when loans to fall, just in terms of the time it takes to work out those loans that one of the considerations, thank you.

Alison Rose

I think on unsecured David's answered quite a lot of questions on unsecured and I think the capacity to grow, so why don't we go to Paul for some bounce back loans and then David if there's anything you think that you can add to what you said already, but Paul, can I ask you to pick up the bounce back loan question.

Paul Thwaite

Yeah I will do. Hi Martin it's good to see you. Bounce back loans, couple of things on that. First of all, I think your question is about costs, rather than credit, but just for clarity obviously bounce backs have 100% government guarantee so from a credit perspective, we're very confident we followed any necessary policies and processes to our claiming under the Guarantee.

As it relates to recoveries and collections, which is maybe where your questions, coming from in terms of downstream costs. A couple of comments. One is there is a very clear set of agreed protocols between the Treasury, the British business bank and the accredited lenders to bounce back loans in terms of the processes that need to be followed. Because of the volume, you know, in the region of 300,000 for ourselves, one and a half million individual loans and in the market, that process is a digital process. The majority of its a digital process, so that obviously can be scaled and means that the cost of some of those collections and recoveries journeys are probably not what you would assume for a larger credit collection.

Plus a lot of that is that the digitization is also outsource to debt collection agencies, so it's too early to conclude what level of recovery or collection will be required, but a lot of the collection activity will be digital rather than people dependent and hence have the appropriate impact on costs.

Alison Rose

And David anything to add.

David Lindberg

I would only add on you know, unsecured you know I'll be a bit circumspect on how much faster than market, we wish to grow, but we think the opportunities is to grow faster than market, at least as faster than market is, as we were pre pandemic.

I really would then say that you know if you think about the three major classes of unsecured, you've got credit cards and we prioritize those because we think that's the higher ROE of the three and we think that is in a sense, sustainable revenue for us at low risk, and we have that opportunity with low share.

The second one is personal loans, that does come in at a slightly lower return, in my view, still about cost of capital but slightly lower, and so, then that is still something that we were pursuing with growth, but not quite the same degree as cards.

And then I think unsecured, i'm sorry, overdrafts has become a little bit more challenging. we all know, with some of the new regulation, so that's a little less of a priority for us right now.

Martin Leitgeb - Goldman Sachs

Thank you.

Operator | Dave A | Storm

Thank you just to remind people if you would like to ask a question, you can press the raise hand button, you can press star nine if you've dialled in or you can press the Q&A to type your question.

Our next question comes from Andrew coombs from City global. Andrew please unmute and go ahead with your question.

Andrew Coombs - CITI Global Markets

One on mortgages and one on the private banking please. On mortgages, I was intrigued by the comment, you’re now at a size where you don't need to grow at all costs, and if I think about historically, you very much volume over margin strategy and your peers have had a margin over volume strategy. That's all shifting a bit now, in part because yourselves, HSBC too had a lot of excess liquidity in your ringfence bank, but now everybody have excess liquidity.

So the whole market environment has shifted. Plus pricing damage more attractive, so clear your peers are going after volume more, you also sound like you're tempted to go the other way by perhaps misinterpreted that comment and yet you're having your formal guidance has continued to grow fast in the market.

So I guess my question would be why you’re still confident that you can grow fast in the market, given some of what your competitors are now also doing.

So that's, the first question. Second one on private banking, trying to understand the exact strategy there. Most recently, I think that Adam & Co put up for sale, I appreciate it was only a couple of billion of assets, I think you're trying to retain the lending book there, but what I’m trying to, you're trying to rebrand it all under the Coutts brand or what exactly is the strategy going forward

Alison Rose

Great thanks so i'll give David a break for mortgage questions and go to Peter first on private

Peter Flavel

Sorry the primary brand for private banking is Coutts into the future, we can't comment on any matters of them which are in the press.

Alison Rose

Right thanks Peter. David a short breather anything to add on mortgages that we haven't covered already.

David Lindberg

And I think you should have had two questions there and I'll try to be brief, that the first one is, you know how are we thinking about volume vs margin, and you know, we do expect to be able to continue to grow, but what we're saying is now that we're the third largest lender in the country, you know we're not going to grow at all costs and so they'll be some months, where we decide you know it'd be better to play a little bit on the margin side than on the volume side. So I just want to make sure that we have that balance in the business and our size, we don't want to be the player that's pushing the margin down and creating all sorts of price competition, so that's really what I'm flagging I still think we can grow about market.

But with that trade off being considered carefully. You then challenge us, can we keep growing at this pace and I think we can still grow above market. We still have fabulous relationships with brokers and the service quality is improving.

But I'd also say that we do have opportunities to grow in new segments, so the Buy to let that I mentioned, and I want to be clear that's the low end of buy to let. But that's an opportunity for growth and then organic sales is another opportunity for growth.

So I do think we can keep growing, but we are going to just be balanced between volume and margin.

Andrew Coombs - CITI Global Markets

I guess the question with buy to let, given the way the markets move towards more professional landlords and how big an opportunity is that market, can't imagine its that sizable, particularly the lower LTV segment.

David Lindberg

Well, just to be clear, not necessarily the lower LTV segment, although good risk management, but rather the less professionalized segments. So rather the people who are looking to you know to invest in 12 properties on the same street, we know that has more volatility in it and more sort of potential credit losses I'm saying. More the average investor with one or two properties, is where we think the opportunities isn't as big, as an approach to market, no, but it's not an irrelevant part of the market, we haven't been applying, so we do you think we can pick up incremental growth there.

Unknown Speaker

Okay.

Operator | Dave A | Storm

Thank you, our next question is a typed question from guy stebbings.

Guy Stebbings

Thanks for hosting the event, a question, probably for David, you mentioned the opportunity to grow more in by to let and particularly the amateur segment. Given the market has been increasingly moving to the professional segment in recent years, what's the reasoning for focusing on the amateur segment.

Is it your House view on risk in the professional segment or driven by the skills and expertise within NatWest or something else, thank you.

Alison Rose

David there anything but I think you've kind of answered that question already, so unless there's anything, particularly you want to add.

David Lindberg

Well, thank you, it was typed, so I suspect have already answered that question okay.

Alison Rose

Thank you.

Operator | Dave A | Storm

And in that case, that was the last question, so I will hand back to you to close Alison Thank you.

Alison Rose

Thank you very much, well, thanks everyone for joining, and I hope that you found this session useful to get to meet some of the team.

And what you will have is later in the year, the further spotlights to really get a feel for more of the detail, so thank you very much for joining us today, and we look forward to catching up with you again later, yeah, thank you.