Rose and the thorny issue of RBS's rebrand

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Royal Bank of Scotland is looking beyond its previous horizons in Edinburgh with a wide rebrand under the Natwest banner

The new boss of Royal Bank of Scotland has unveiled a strategy unlike any other delivered by a bank chief in recent history. Alison Rose said that fundamentals would alter to match "unprecedented" changes in society.

Yet investors struggled yesterday to understand what her pledge to "champion potential, helping people, families and businesses to thrive" would mean in concrete terms and the shares fell by 15½p, or 6.8 per cent, to close at 213p.

Alison Rose said the bank should be judged on its contribution to society and shareholders

A big share price fall on the day of Ms Rose's strategy update may have been part of the plan. It will — she must hope — be upwards from here, with goals sprinkled from this year to ten years from now and ranging from a rebrand of the group from RBS to Natwest to widening lending to historically under-represented groups.

Yet drilling through the blizzard of commitments to make RBS a "purpose-led bank", analysts noted cautious statements about its capital, competition and outlook.

Investors were disappointed with the prospects for dividends. Ms Rose decided to hold on to more capital than some had expected. Having hit a 16.2 per cent CET1 per cent ratio at the end of 2019, the level will fall to about 14 per cent by the end of next year, she said, then would sit between 13 per cent and 14 per cent in the “medium to long term”.

There was also a more limited statement about restructuring Natwest Markets, the investment bank, than analysts expected, with details to come. But the direction was made clear — assets adjusted for risk within the division would fall from £38 billion to £20 billion, with much of that reduction coming from slashing but not entirely exiting its rates business.

Ms Rose, 50, who was chosen to run the bank last year, took the opportunity to reset the profitability benchmark at a more manageable level, establishing a target for a return on tangible equity of between 9 per cent and 11 per cent in the medium to long term, down from 12 per cent.

Analysts at Barclays said that Ms Rose’s strategic update was “underwhelming”. John Cronin, at Goodbody, the stockbroker, said that RBS had performed relatively well, but added that the market would not like the fact that “capital returns will be a bit longer-dated due to the retention of a high CET1 capital ratio target”.

One reason to hang on to capital is that RBS is planning to buy back shares from the government to reduce its 62 per cent stake. That could start within weeks, with the government keen to dispose of its holding, valued yesterday at £16 billion. In addition, while costs are due to come down, Ms Rose will need to pay for restructuring, including job cuts.

She also will have to finance her commitments on increased lending with a social purpose and making the bank greener. RBS pledged to double funding for climate and sustainable finance to £20 billion by 2022, to cut lending to coal producers unless they have a plan to reduce and to make its own business positive towards the environment by 2025.

The bank vowed to ensure that all front-line staff gain a professional qualification within a year and set out plans to help entrepreneurs, including trying to create 50,000 new businesses by 2023 and encouraging 500,000 people to become entrepreneurs, including more women, black, Asian and ethnic minorities and people outside London and the southeast.

Ms Rose said that RBS should be judged in future for its “positive contribution to society, as well as the shareholders . . . The future of this bank depends on us successfully delivering on both.” That is a view shared by many since the financial crisis. Now Ms Rose has to demonstrate how that can be done.