



**NatWest Group plc**  
**Fireside chat at Goldman Sachs European Financials Conference**  
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**Katie Murray, NatWest Group Chief Finance Officer**  
**Moderated by Ben Caven-Roberts, European Banks Analyst, Goldman Sachs**

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## Fireside Chat

(Amended in places for legibility and clarity)

**Ben:** Okay. Well, I think we are ready to get started. We'll do 35 minutes as with the other sessions, five minutes for Q&A at the end. So if you have any burning questions, get them ready. But with that, it's a wonderful pleasure to introduce Katie Murray as our next speaker, Chief Financial Officer of NatWest, a role she's held since 2019. Prior to being CFO, Katie held senior roles within NatWest as Director of Finance and Deputy CFO. Previously, you were also Group Finance Director for Old Mutual Emerging Markets based in Johannesburg. So thank you very much for joining us, Katie.

**Katie:** Thank you. It's very lovely to be here this morning, Ben. Thank you.

**Ben:** Brilliant. Well, let's dive straight in with the macro. Clearly a lot going on in the UK. How are you seeing that situation currently evolving? Have you seen any change in client behaviour over the past couple of months as well?

**Katie:** No, thank you. And good morning, everyone. So as we look at where we are on the macro, I think for us, 20 million customers, we're very tied into what's happening and with the strength of balance sheet that we have, very able to work with our customer base as we go through. You'll recall at Q1, we did a little bit of an update to our macro numbers. We're now estimating that rates will be flat. Some of you have different views on that. And if I looked at the market today, there are different views around, but actually I would say some of the macro that has come out in the last couple of months in terms of GDP growth has been a little bit better than we were necessarily expecting.

But when you look at those 20 million customers and say actually what's going on, I would say that they're strong, they're resilient and they're also thoughtful in terms of what they're doing, whether that be investing in 1- to 2- year ISAs rather than going more short term, managing their cash positions. I think in Retail we see them being thoughtful around where they're spending, still spending, but being very mindful of that, mindful of taking out longer positions and mindful about how they're using their mortgages. If I look at the commercial side of a business, we're the biggest bank for business in the UK, very strong balance sheet there. They've weathered a lot if you're a corporate in the UK over the last decade. And what that's actually done is actually made them far more, I think, resilient and able to manage their balance sheets.

So they're in a good position continuing to grow and do borrowing and continue to invest, but actually sitting quite strongly within the piece. Obviously at the moment we're looking at what do we think for Q2, and we'll talk about that a little bit more in July. But at the moment, while the macro has been challenging, I think our customers are well-placed to deal against it.

**Ben:** Okay, great. Well, let's pick up on the mortgage angle within all of this. You outlined a growth target pretty recently to grow Customer Assets and Liabilities at over 4% annually from 2025 through to 2028. Can you talk there about how delivery is tracking and then specifically on the mortgage side, pretty strong Q1, how are you thinking about the pipeline looking ahead from here and then big pickup in rates at some points in the year, as you alluded to. Has that changed how people are thinking about mortgages or the types of products they're taking?

**Katie:** Yeah, sure, absolutely. So looking to grow CAL, so for us that's our lending, our liquidity obviously in terms of deposits and also our assets under management. What we wanted to do was to bring a target that actually covered the breadth of all of our client activity and growing at over 4%. Now we've done that for the last seven years. And then if you look at Q1, you could see that lending was up 6.6%, deposits up 2.6% and then AUM up 17% on the prior year. So very strong growth. So we started the year well and we're very pleased with that start. And as we look at it and you look out to 2028 where that target is, we feel pretty comfortable that that will continue to come through.

So if I look to mortgages, one of the things we've talked a lot about within mortgages is what we saw happening in March. We saw this pull forward because people reflect in my comments that customers actually are pretty aware. They can say, "Higher rates are coming. I want to make sure I lock in my mortgage rate today." And you know that customers in the UK can do that about four months ahead generally of when their transaction's happening. And so we saw people looking to do that. What's interesting though, we would probably have thought at that time, we've seen this pull forward and actually then we'll see a pullback as this quarter's gone through. In reality, we've continued to see the strength of that book coming forward and actually the mortgage book is particularly strong.

When you look at our customers, more than 60% of them today pay over 4% already. I think Ben, when you and I would have been talking as rates were beginning to four years ago, I'd have said, "Well, people are going to five year, they're trying to lock in this rate for longer." The idea of going from one or 1.2% mortgage rate up to a five point something is horrifying, but actually we're four years further on. We're four years of pay rises, 60% of them are already paying over 4%. And when people set their mortgage, they set it by the rate, but they also set it by what the monthly cost is and you can see that they're managing that. So what we've seen in that customer base, there was a pull through, the balances are stronger now as well as it comes through. Customers are being very mindful. They're going for more 2 year than 5 year.

What I'm also really pleased about is the investment that we've made within our mortgage system is really playing dividends. What you want to

be able to happen is when there's a big wall of applications that come at you any one time and that can happen for lots of different reasons that you're able to process them and you get through and you're still on your SLA agreements. Because otherwise, what happens when there's good mortgage margin in play, if you're not able to be in the market, then that's a really frustrating place to be. And I've been delighted with what we've done within there. We can also see that we've done some real extension in our mortgage waterfront, whether that's more buy-to-let through our association with Landbay or more first time owners or new builds that we're bringing in as well.

And also some lovely innovation in terms of PEXA, which is our speedier digital mortgage settlement. Those of you who spend a lot of time in the Australian banks will know that they settle within days and we still talk about it in weeks and sometimes months, so this will really accelerate. And we've also got our mortgage app is an app within ChatGPT, which is we're the only bank, the first bank to do that. We've got a really strong collaboration with OpenAI and actually that means that we're appearing then very much within their system as well. So all in all, as I look at mortgages, we feel quite good. Ben, you spend a lot of time asking me about margins on those mortgages and we traditionally were writing around 70 basis points. We know that that's because of the COVID high margins that are flowing through and they'll all have flowed through this year.

What I talked about at Q1, that will go to at around 60 bps. So very comfortable on the return of capital and that, but you will see that coming through and we saw in the first quarter a couple of basis points coming through both the Retail NIM and the Group NIM as that mortgage headwind has come through. Other lending is remaining quite robust.

I think though, on CAL though it's important not to forget the asset management piece and for us, we're really excited about the growth that's coming through. Obviously, we did the Evelyn transaction. We'd expect that to complete this month. That will give an initial pop up as those assets come on balance sheet, but we expect them to grow. And if we look in our own book, we had 17% growth in our assets under management. We know that that's a line that grows that bit faster. So we'll continue to see that coming through, obviously not just in the balances, but also in fees as we get there. So a good step forward in terms of that target.

**Ben:**

Brilliant. Well, let's flip from mortgages to thinking about the Commercial and Institutional side. One of the biggest investor focuses for UK banks right now is whether they can continue to outgrow the broader UK economy. Commercial and Institutional seems to be at the heart of that. Can you frame how you think about that issue going ahead, current competition, and then also how you think the recently announced reforms to ring-fencing might fit into that?

**Katie:**

Yeah, absolutely. So we are the largest UK bank for business by any measure, which puts us in a position where we can really see what's happening from the very smallest businesses to some of the very largest. When we did our spotlight last year, we really highlighted the areas that we wanted to focus on and very much focusing in that fast-growing mid-market segment. And we've done a lot of work to make sure that we're able to grow within there. And that's whether there's things like some really quite innovative lending that we're doing on IP that's coming through. We set up a ventures team where we had 24,000 startups, 25% increase on the previous year. So if you look at the big incumbent banks, we've got absolutely the largest market share of that space. Again, that's all down to being where your customers are, the digital investment that you're making as well, making it really effortless to come in.

We're very proud of the presence that we have across the UK and when we look at that mid-market space in terms of the investment we're making across all different sectors from life sciences, infrastructure, social housing, you can see there's just such a lot of activity and that's because our relationship managers, who've been embedded in the communities in the nations and regions of the UK, have been there for a long time and they're very close to the business. So we have consistently grown above nominal GDP. It's something that we've continued to do year in year out. You saw us do that again in Q1. And for me, it's the pulling on all of those different levers that we have, whether it's the RMs, the innovation around product development, the investment we're making in things like Bankline, where we're able to bring more of the bank to more of our customers through bringing the NatWest Markets, FX, Capital Markets, much closer to those customers and just really making sure that we're really very present for them.

So I would say at this stage, when I look at our pipeline, when we look at the growth we've had in Q1, we're confident that we'll continue to deliver that sort of level. There is a bit more competition. People look at us jealously, as they should, to see actually how do we get a little bit more of that opportunity and we just need to keep on developing, making sure that we're there working with our customers in the right place. Ben, we spent a lot of time lobbying on ring-fencing where I think in the UK we've got very strong scheme across both ring-fencing and resolution. And what we were really trying to do was to take out some of the friction that exists from our customer base.

So the rules that they've brought out in terms of being able to use a portion of your credit risk-weighted assets to then lend to activities that weren't traditionally allowed in the ring-fencing. For us, that's a good opportunity. It will take friction out of the process. It doesn't unfortunately come in until 2028 so we'll have to wait a little bit until then, but we'll work with the PRA to come through. But overall, we would see it as a net positive for us in the bank and for our customer base. So we're supporters of that.

**Ben:** Very clear. Well, let's move on now and think about deposits. Q2 sometimes has some ISA seasonal impacts. How are you thinking about the impact there and then how customers are managing their deposits in a higher for longer rate backdrop? Are you seeing any change in mix or volumes?

**Katie:** So as you look at it, the ISA season's always very competitive and it starts at the tail end of Q1 and then goes into Q2. And we can see there that customers have been quite thoughtful. I think one of the features that's been more interesting this year is that more of them have used 1 year and 2 year, whereas actually a little while ago, 2 year wasn't that popular. So they're looking to lock in rates, which again, just points to the fact that the customer is thinking about what they should be doing. We saw very good growth in the first quarter across the book, even reflecting that actually we had higher tax outflows, which is a big feature obviously in the UK. So overall, I would say it is intensely competitive, but it is also working well in terms of that customer base.

And then we just see how they're also reacting to the speed of velocity and where they're moving and we're comfortable with the performance we're seeing. So overall, as we look at the deposits, I'm comfortable with our performance then we'll continue to see the strong savings rate that we've seen within Retail and that will continue to flow through from here.

**Ben:** Okay, perfect. Well, let's wrap it all together and think about net interest income and net interest margin. 2026 versus 2025, the hedge big positive, you talked about mortgages, refinancing at tighter spreads, you also have the path of bank base rates, which probably is a negative this year. How are you thinking about all of that fitting together and then effectively the output of those rate sensitive levers within your balance sheet?

**Katie:** Yeah. So as I look at it, what we did at Q1 was we upgraded our income guidance. So what that tells you is that the higher rate is obviously positive. We went from 17.2 to 17.6 to say we're going to be at the top end of the range and that's definitely benefiting from the higher rates that we see in the market. So look, the hedge is obviously a feature of that. We're investing at higher levels than we said we would at the beginning of the year. We've got a little bit of a negative. We'd said it was about 300 million negative from the impact of all of the rate cuts we saw we saw last year. We're assuming flat from here, we'll see how that continues to develop. But I think the important thing as well is also bringing on the customer lending and the deposits and the AUM obviously more non-interest income than NII.

So we can see that with this strength and growth that we're seeing coming through the balance sheet coupled with the hedge activity that we're seeing and also just other treasury activity because things as you know happen outside of the hedge as well, it's not always rolled into this one simple number. And then overall that's given us real confidence in

our income for this year and obviously confidence as we move forward from here as we lock in more of the hedge in later years at these higher rates. So it is important, but I would also say what's really important is that growth that we see coming through in CAL. So yes, mortgages a little bit of a drag, but strength in other places and obviously very strong returns that we're getting on the deposit side as well.

**Ben:** Okay, very clear. Well, let's flip to non-interest income. Conscious, this is not a line that you actually guide to in revenues, but I wanted to drill into the moving parts. Commercial & Institutional, I think it's about three quarters of your non-interest income and Q1 had a slightly more challenging backdrop part of which connected with the rates business. So how are you thinking about non-interest income as you look ahead?

**Katie:** Yeah. So non-interesting income. The way that I think about it is to say, can I show that I'm just showing good, solid, consistent growth within there quarter on quarter and year-on-year. And overall we're comfortable with that. You're absolutely right. It's mainly a C&I business. I'll talk a little bit about PBWM in a moment. And as I look in there, we can see there's a range of numbers that come through, whether that's from payments, transaction banking, lending fees. We've obviously got the benefits that come through from our capital raising and then the FX and also we had a little bit of a challenge with the extreme sterling rate volatility. I would say it's 10 to 20 million. It's an important number, but utterly irrelevant when you're managing 17.6 billion of income.

So I wouldn't overly focus on that little wobble in that space. Very much a result of the volatility. And overall what we're really trying to make sure is actually, how do we make sure we're really embedded with our customers so that we're working and growing on all of those lines and we're comfortable that overall in the round, that's where we get to. Obviously with the acquisition of Evelyn, we'll see some strengthening coming through on the AUM fee line. So when they come on, it'll be an immediate 20% pickup on fee income, which will be meaningful for us. We'll continue to see that growth come through. I talked earlier about that's a line that often grows faster than other lines within there. So what I would hope to see is a bit more balance between C&I and the rest of the bank in terms of that non-interest income line, but one that I think we'll just continue to see consistently improve as we bring more of the bank and more of the services into our customer base.

**Ben:** Okay. That's a pretty comprehensive picture on revenues. So let's flip to costs.

**Katie:** Absolutely.

**Ben** You're guiding to around 8.2 billion this year, something in the order of a 2-3% increase year-on-year if you exclude one-time integration costs. What are the puts and takes within that number? And then as you're looking further ahead, you've got a 2028 cost income ratio target below

45%, that's from below 49% this year. So how are you balancing inflation, investments, savings?

**Katie:**

Yeah, as we look at costs, I think it's something that in NatWest we're really known for within there, so around £8.2 billion for this year, that's the number that we'll print. Obviously pre-Evelyn, and we'll talk a little bit about that. When we look at costs, if I'm in a more reflective mood, I'd say I've been CFO for eight years now in that time, my cost base has actually gone down by 4.5%. So that's half percent per annum in terms of cost reduction that we've delivered. That compares to a 4% increase you're seeing in terms of inflation. That's a great position to be in at any level. That's really helped us to deliver the improved cost income ratio. So we printed 48.6% at the end of this year, 46.5% at the end of Q1, 14% percentage points better than when I started.

Income's got a bit of that, but also this is the fact that costs have really come down and that's because it's just a constant metronome. We don't do pull back this year, spend next year. It's just every year, this is where we're going to improve, this is what we're going to see, this is how we're going to keep on delivering and making sure that we're managing all of the different cost lines. One of the things that people I know are worried about to say, if you've got that level of cost takeout, are you really continuing to invest in the right way? When I look at the investment pull from when I became CFO toward is now, what's really exciting is we're spending on different things. If I go back seven years, we'd still had things like ring-fencing coming in and the tail end of that and all sorts of regulatory stuff you had to do.

You had this investment port that was quite consumed by things that were important, but not necessarily customer facing. Now as I look at it, we're spending it much more in client contact, what we're doing on technology, what we're doing in terms of the systems like bank line and obviously AI is just a theme that goes through all of that. We continue to make real strong investment. One of the things as our finance director you really want is when you offer somebody more money and they say, "No, I don't want that. I can deliver better." So last year we were going through with Scott and I said, "Scott, should I just give you a bit more investment budget?" And he said, "No." He said, "I absolutely believe that we can deliver greater capacity by using the tools that are available to us now, really embedding AI into this."

We talked last year about creating 100 million of capacity our investment pot. So what that means is I'm getting 100 million pounds more worth of delivery than for the same amount of money and they'll deliver that to me again this year. That's real change that you're getting within the piece. One of my favourite little stories of what happens within the transformation space that they're doing is just how much they're really accelerating that the speed of their investment. So overall, one of the things I talked to you a lot about each quarter on cost is they will be lumpy.

Q1's often a bit lumpy because in Q1 I decide to do a bit more restructuring, spend a bit more on property takeout, invest a little bit here. The number will deliver at the end of the year, pre Evelyn will be 8.2 billion, you can put that in your model. It's absolutely guaranteed you'll get it. So very comfortable. We've got the right balance of investment in the bank as well as the cost of running the bank. And we just need to keep that mention ongoing year after year after year because then the business also knows what it needs to do. They don't think, feast or famine. It's just constant, just manage your cost base.

**Ben:** Very clear. Well, let's pick up on one of the elements within that that you were talking about. So AI, big focus for the industry at large right now. How are you creating tangible benefits for NatWest and then how are you shoring up your competitive mote against the range of AI threats for bank disintermediation, whether that be on payments, deposits, investment products?

**Katie:** Let me talk a little bit about that. I think if you look at any business, the winners will be the ones that have scale. So for us, it's very important that we have this 20 million customers that we're able to invest and put real solutions in their hands. And AI is part of everything that we do these days in terms of what we're developing. So if I think of a few examples as to how we go through, if I look at what's happening on the customer base, we can see that what we're doing on fraud and what we're doing on things like complaints. Our complaints journey is almost entirely done with AI. There's obviously the right human support and safeguards and all those things around about it, but that's all been completely transformed to get much better outcomes on fraud, which we can see tangibly in our data in the market that we're doing that and also much better and speedier outcomes in terms of complaints.

If I look what's happening for those customer facing colleagues, some of the simple things and some of the tools that we'll all use as things like how do you do the call summarization, how do you make sure that you've got the right data about that customer before you go to their meeting, what are the right next quality investment or savings choices that they should be making. We've put all of those tools in place and across the business that saved about 100,000 hours a year. Now, if you can think of 100,000 hours of extra RM, personal banker, wealth manager's time that's now focused at the customer, you can see how you're using AI to then help on the income line. That's a lot of meetings that you're happening and that will continue to develop.

Then you think, well, what's happening within the business and within the core. This is one of my favourite stats. When you were taking a new client proposition out, just a small, simple thing, not something like a whole new product, but a new feature. As we looked at it traditionally, we'd have 12 engineers and it would take about six weeks. What we're doing in some areas of our book now is three engineers, seven agents and six hours. I mean, that is a staggering difference in terms of the move

forward of the speed that we can see coming through and that's a flywheel that will just continue to grow as we move forward from here. But then you sit back and think, well, what will that mean for my customer base? How will they change? We've heard a lot around AI and what it means for depositors and actually these machines are going to come in and move everybody's money around. And again, I think there it's important to step back a little bit and go, "Okay, well, Katie, what is your deposits? What are they?" 30% of our deposits are non-interest bearing accounts. So that's millions of customers who are managing their transactional accounts. They don't generally have a lot of excess spend within there and that's the bedrock of a lot of our hedge position, as you know. I would say that within that space, it's not something we expect to see a lot of difference. If you go to our Coutts customer base, actually we already manage your money in that way. You'll have set a limit of how much you want in your account. We'll sweep your account every night into a higher interest account and so therefore as a customer, you're very use to holding a minimal amount in your current account and having that sweep happening. That's really important for us because it allows us to see and understand what excess people want to hold, who are the ones that are more prone to making that movement. I think the other thing we've gone through really dramatically over the last number of years is that changed in fixed term. If you think a few years ago, we were at 6% of our deposits were in fixed term and they were going up every quarter and you were worrying where will it stop? What we've seen over the last two years is it's really stabilized around that 16, 17%.

We have high retention of those balances. We've got good insight in terms of those that will move and they are valuable to us because they're one and two year deposits. So at the point of retention, you need to make sure that you're at the right rate and that you're working with the customer. It's an area that we watch, but it's not an area given that we've actually got quite a lot of experience in already that I'm overly worried about. If I go to PBWM and the wealth management business, I think that AI is going to be a real opportunity for us. Again, there's a scale game, but if we look at the customer base, we can see that customers are already using AI to help them make decisions and then they interact with us and they want the review to verify their thoughts, make sure that they're comfortable.

We can see real improvements of how we get our people ready for those meetings, but also the knowledge that our people are coming in. I actually see that in both of them, and that's why Evelyn was a really important transaction for us, as advice is more sought, people are better informed, that will create a real opportunity and I'm quite excited about what AI will do for us going forward. So overall, scale is important, making sure that you're really investing and understanding what's happening and just getting some of those really competitive advantages that you can see in the speed at which we're operating.

**Ben:** Brilliant. Well, let's think now about cost of risk. You talk about through cycle range of 20 to 30 basis points. Where do you think NatWest is and where the UK is within that through cycle right now? At least for this year, I know you guide to below 25 basis points. So what are the upside and downside risks within that and have they changed at all over the past couple of months?

**Katie:** So a few things going through within there. So through the cycle of 20 to 30 basis points, we're a large prime bank lender. We're the best performing bank under the PRA stress test. So we know in terms of that stress test that we're not as impacted as others in times of stress. What you have seen happen in the last couple of months as rates and unemployment have gone up and we had some views on house prices coming down a little. We took an additional 140 million in terms of the charge for risk in Q1 that was offset by about 30 million of PMA, but nonetheless, let's say just over a hundred million charge coming through. What was interesting with that charge is that when you look underneath into the book that actually there's no signs of issue within the book at all, that's something that we would call out.

So you've taken this charge because of the macro on top of what is a well performing and book and you can see that quality of performance as you look through those numbers. For us, we know that we react well in stress. We have taken a little bit more as a precaution. We have, I think it's about 250 million of PMAs at the moment, which is the adjustment you put on top of your models. We guard that quite jealously to see how that rolls through. But overall, as I look at the book, it's performing well. We're very comfortable with that guidance. Others we know operate at a higher level, but for me we're below 25 seems the right place to be at the moment.

**Ben:** Okay, brilliant. Well, I'll ask one more question before we open up to audience Q&A. So let's think about CET1. Earlier in the year you updated your guidance to being at around 13%. How are you thinking about the moving parts within that, whether it be organic growth, dividends, buybacks, and effectively the other types of RWA management tools you have as well to mitigate the RWA growth?

**Katie:** Yes. No, around 13%, it was something we had been trailing for some time and certainly I've been working on for some time, just really reflecting how well we do react under stress to make sure that we were holding the right capital levels. When we look at it, there's obviously many different component parts. I'll take RWAs first. So we started a program about two years ago of really active RWA management in the detail. Once we'd finished with things like the NatWest markets restructure, the disposal of Ireland and moving into actually, so you're managing very much within the line and we've seen good performance in that program. I don't think we're quite up to steady state yet so you'll continue to see that grow a little bit. 2.2 billion of management actions in the first quarter. They come from a spread of SRTs, credit risk insurance

and data quality and we will see them continue to go through. I always remind the analysts, don't take that number and annualize it because it will be different in different quarters depending what transactions you've done. But it's an important part, a very important feature of our RWA management. If I look at last year, our lending growth and our RWA management almost perfectly matched, that's a fantastic position to be in where you're adding on higher returning assets as you go through. We're obviously very capital generative as a bank. We're guiding you to around 200 basis points for this year and greater than 200 basis points in 2028. In Q1, we did 65 basis points. I mean, that was a particularly strong quarter, so that certainly gives us a lot of comfort for this year and that level of capital generation that you see very consistently is incredibly strong within the market and enables us to pay our dividends at 50% payout ratio, which we moved to last year.

We've obviously this year delayed buybacks because of the Evelyn transaction, but what's lovely about an Evelyn transaction, 2.7 billion, we're able to self-fund that with a very small delay within the buybacks. One of the things that Paul and I have been really focused on and our past is a really good indicator of this is that when there is excess capital, we'll pay it out to you. We've got a very strong track record of payout of excess capital work to our shareholders. We'd expect that to continue. We've committed that recommences in July 2027. When we look at the capital piece, it is about how do we manage to that rate? How do we first of all make sure there's the right capital available for organic growth so that we're then continuing to generate the capital, making sure we've got the investments in capital and then the excess we return via dividend and buyback back to you to really have what has been very strong growth in that dividend per share, but also growth in the capital generation which funds all of it.

**Ben:** Perfect. Well, open it up now. Let's see if there's anyone in the audience who has a question. If you do, a microphone could come your way. If not, I will keep going very happily, so let's think about interest rates again.

**Katie:** Yeah, sure.

**Ben:** How are you thinking about the risks of the interest rate trajectory from here? I know you provide a stated interest rate sensitivity, but I'm curious about how you think about it a bit more qualitatively as well. The market is clearly pricing a slightly different outcome in terms of bank base rates relative to the start of the year. How are you thinking about whether we are at or close to a sweet spot in rates or whether the higher for longer backdrop has trade-offs?

**Katie:** We spend a lot of time debating it as well, because it comes through in lots of different aspects of the P&L, just to look at it on managed margin or the structural hedges is too simplistic as you think. You have to think about it in terms of client affordability and client appetite for lending as well as just the deposit side of things. So we're sitting at 3.75. I think

when I was looking at the market yesterday, the two-year rate was about 4.23, it will have moved again since then. So market's a little bit higher. We know that that's often the case, that it reacts a bit stronger and then we pull down. So at the moment we're comfortable. We can see that at this level, the higher for longer is a little bit to our advantage because it's not a level that is really impactful in terms of the customer appetite.

I talked earlier about mortgages. A few years ago, I would have said to you, if mortgages hit 5%, they'll just stop. I don't think that's the case any longer because actually so much of the book is already well into that 4% and so people are more attuned. So I don't know what the new 5% is, and maybe not get there because I think we'd be a little bit high. As you see that come through, what you're trying to balance is what does that mean? We've talked about that three handle is something that's a really nice spot for us to operate in. If it was to go much below the threes, I mean we all worked for an incredibly long time where there was basically no interest rate and no deposit income coming through, then that's obviously a very, very low rate environment, very far away from where we are today.

As you get to the low end of threes and into twos, then you know you have to take other actions to make sure you're continuing to deliver the profitability. But in this corridor of where we are, we don't feel that uncomfortable. Our results are benefiting a little bit from the fact it's a bit higher and we'll see that benefit come through throughout our numbers as we go through 28, 29, and even into 30. As we've locked a lot of those benefits in, we'll see that continue to go through. But we quite like where we are. We didn't particularly like it to go up more. If it falls a little bit, we'll be comfortable with that as well.

**Ben:** Okay, perfect. Well, I think unfortunately we're out of time, but that was a very, very insightful session. So thanks a lot, Katie.

**Katie:** Lovely, and thank you very much indeed, Ben. Thanks very much. Thank you everybody.