NatWest Group plc
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Fireside Chat

(Amended in places for legibility and clarity)

Sheel Shah So, you've delivered a fairly strong set of results, nine months to date, around 20% RoTE or so. We're seeing double-digit EPS growth. We're seeing volume growth come through, capital generation. Are these sustainable levels of returns that we're seeing at the moment? Should we expect that same pace going forward into the outer years?

Katie Murray Thanks, Sheel. For us, we're very confident around how the bank is performing, very much sticking to the strategy that we have. We see strong growth coming through. We've had great growth across the bank in all the different segments. That's delivering really strong income growth as we see that come through. We're obviously managing costs tightly. It's something we've always done. I'm sure we'll talk more about that later. In terms of where our risk numbers are, they're performing well as we go forward from here. So, I guess as we look at the capital generation, the returns that we're getting on RoTE, we're confident that this is something that we'll continue to see as we move on from here.

Sheel Shah Is there scope when you're thinking about the medium term, the greater than 18% RoTE target out to 2028? Is there scope for upside to that then?

Katie Murray Well, you've heard the various comments we've said on that. Obviously, we printed 20.2% for the first nine months of the year. It's our fourth year of being above 17%, which is quite a thing to be at that level of comfort or that level of high returns. We've talked throughout the year that we haven't marked to market that 2028 target. We only gave it to you in February, and we can see that growth has been a bit stronger, that rates have been a bit higher. We know our structural hedge is coming through a bit stronger, and we continue to perform in terms of the other lines of our P&L. So, we're comfortable and we are confident about where we'll go. We'll obviously talk in detail about 2028 when we meet again in February, but we do feel confident as we're sitting here.

Sheel Shah **I**t's a confident picture and it's a very strong picture in terms of returns that you're speaking about. But the shares only trade at seven times PE, and the share price year to date has come off several years of strong gains. This year, it's struggled a little relative to peers. What do you think the investor base is missing as part of the equity story of NatWest?

Katie Murray As we look at it, I think there's a couple of things going on. I've already talked about the confidence we have in what we're delivering, and that's something that's really strong within there. I think if we look

at Q3 particularly, we were a bit concerned as we looked at some of the outer year income numbers, and they were just a touch too high. I think the analyst community has understood the messaging that we tried to give in June, and we're in the right ballpark now, so I'm comfortable with that.

I think there's a lot of things going on in markets at the moment as well. The thing that Paul and I are just really focused on is to control the things that we can control. Make sure that we're able to deliver lending at the right risk appetite, the right level of returns, make sure we're really focusing on the costs, managing our risk base, and we think the rest will follow through.

Sheel Shah That's clear. And we'll dive into the income picture and NII into a bit more detail, but a lot of it is being seen in the corporate side, the corporate momentum that we're seeing at NatWest as the largest domestic corporate player. It's a story of clearly the market seeing a lot of growth, but also market share gains happening on the lending side. Also, on deposit side, you're growing the corporate deposit base. Could you expand on that? What are you seeing on the ground? What are you doing to really capitalize on the momentum that the market is offering as well?

Katie Murray When we look at the momentum, I think one of the things that is really important to remember about us, we are the biggest bank for U.K. business in the country. We bank everybody from startups, where we are the leading bank, all the way up to the very top positions, and we can take you through different journeys depending on what is happening. I guess one of the challenges I get a lot in investor meetings is, "Is this sustainable? Can you continue to deliver this?" I look back to say, "Well, why do we deliver it year in, year out?" It is our eighth year of greater than 4% [CAL – Customer Asset and Liabilities] growth. That is phenomenal in terms of that there, but it does not come by accident or by picking on one sector or another.

If I look at how we structure ourselves, we have 1,000 relationship managers that sit across the U.K. They're embedded and have been for many decades into the local regions and businesses and communities within which they serve. That means that as you see growth coming in different parts of the country in different sectors, we're absolutely there alongside them, making sure that we're able to write the right lending, manage their deposit base, always having the right eye on risk and pricing, but make sure that you can do that in the round.

Added to that, we're incredibly strong in a couple of particular areas, whether that be infrastructure or renewables and things. So that also gives us access to deals that are more national rather than particularly local. And that real strength is something we're known for.

And so being able to offer that level of work and partnership with our customers, just means that we're able to continue to grow that.

And then naturally, as you grow the lending, you will actually see some growth coming through on deposits because they go alongside in that. And I think if you take that and then combine it with the advances that we make in technology and how we serve these customers, how we make it easier for them to deal with us and for us to work together, you'll then see that continued growth coming through on the lending side.

Sheel Shah That's clear. And so far, a lot of the growth has been in the large corporate space and the institutional side as well. That, from what we saw in the third quarter is broadening up to the mid-market space, but that is an area that is a bit more rate sensitive a bit more sensitive to the fluctuations in the political environment and whatever else. Has that momentum continued in the fourth quarter to date?

Katie Murray So I guess as I sit here, looking at our performance in the fourth quarter, and then what we've got in our loan book that we're working on because you know particularly these larger deals, they're not quick. The businesses are working hard on them. We work hard on them as we pull them together. So we've got a pretty good line of sight and I would say at this stage, we're comfortable that, that momentum continues.

But for me, the important bit is also what is happening in the mid-market because that's the backbone of the economy. And what's been great is that you do see growth in there in most quarters, there might be the odd quarter that is a bit more muted, but actually, that's continued to develop as we've gone on from here as well.

Sheel Shah And the competition in this corporate segment, we've seen all the large banks, even the international banks start to compete and that large corporate, the mid-market space, we see the likes of the digital challenges compete for the SME business and the start-up business, is there an impact on pricing that we should be thinking about? Or are they competing on other terms? Or how is the competition evolving?

Katie Murray I mean pricing is clearly always a thing. But as I look at something like NIM and on the lending margin, it's pretty stable in reality in this part of the book, you might see some movements around about, but it's actually what businesses are really wanting is people who know and understand their business. We were able to work with them not just for this deal, but for the next time and the next sale to be able to provide the various services that they have. There definitely is competition within there. And it's interesting sometimes in different areas, as you say, there's a lot of competition in this sector at the moment. And what we can see others trying to do is to build that breadth, but actually where our advantage is is the real breadth of

understanding, which is why we've continued to be able to deliver such good growth over the years.

Sheel Shah And thinking about the mortgage environment, mortgage growth has been relatively strong to date. It is maybe showing some signs of weakness, given where rates are at the moment. How are you thinking about the growth outlook on the mortgage side and in terms of the mortgage margins? You've spoken about 60 bps or so on the front book. How are you thinking about that evolving?

Katie Murray If I look at mortgages, we've had a strong 9 months in reality, up [~4]%. Our market share has gone from 12.5% [at Dec'25] to 12.7%. And I was thinking that market share 0.2%, it feels like a small number, but there's a lot of mortgages that back that number. And what we've tried to make sure is that we've been widening our scope as well. So you've seen us more active in the likes of buy-to-let, the partnership we have with Rightmove, and first-time buyers have increased to make sure there's a broader spread within there.

We saw applications were very strong in Q3. So we're comfortable as we go through. What we are expecting a little bit as we look at rates. If they stay persistently above 5%, it might be a bit more remortgage versus new mortgage, but again, relatively good line of sight on that. So I think that's where you then sort of see that you have stability in share rather than growing in a quarter. But I mean we talked about the mortgage spread that we get to the book is repricing to around 60 basis points.

That's still very much what we see, depending on what's happening on the swap curve in any particular week and where our hedges are, you might see a little bit stronger for a couple of weeks. And then, we are averaging back ~60 basis points. And that's I think that's pretty sustainable at this stage, and we're comfortable at that level when we look at the returns metrics coming through. It is competitive and so I think that's why it's important to make sure that you really have that broader waterfront, but also you're able to meet the client need really quickly, which is why things like the partnership we have with Rightmove and it's important because then you're there at the start of the journey as you go in and then how you just continue to build. And I think that's something that's important in mortgages.

Sheel Shah And we've seen this year, lending has done a lot of the heavy lifting when you're thinking about your client assets and liabilities (CAL) target of greater than 4% all the way out to the medium term. Is that expected to be the case going forward as well that lending will do a lot of the heavy lifting against maybe a tighter deposit environment?

Katie Murray Certainly, when you look at our CAL numbers, that's definitely the case that lending has done more of the heavy lifting. Of course, one of the things that we're very excited about it this year is obviously the acquisition of Evelyn Partners, which we closed that transaction at the

end of June. So we're getting towards sort of first 6 months of ownership. You can see already that's more of a theme and when you look at the net new money that they're bringing in, that will come as a theme of that.

But certainly, lending is naturally the area that carries more of it. We do obviously, on the deposit side, manage our deposit growth well. And you can see that we have grown in different areas in different ways, and we've been doing some things like testing some different brands and what to bring in. And there, it's really about managing the pricing and the funding impacts. But I would expect lending to continue to be a feature and the greater than 4% is something that we do remain comfortable with.

Sheel Shah And if we think about the other side of the balance sheet, you've got clearly deposit growth that's growing at a relatively slower pace compared to previous years. There's a bit more wholesale funding issuance that you've done this year, and that's going to be more of a driver going forward as well. How do you think about the liability side of the balance sheet shifting from the mix today in terms of what it is to 5 years down the line in terms of wholesale funding that strong lending growth that you expect to be driving that CAL as well?

Katie Murray First of all, what I would say is that we're really comfortable on what we see as we go forward. If I backtrack a little bit, so if I look at deposits, we've moved deposits to a 90% LDR. So, we've still got nice capacity within there. We are seeing growth in our deposit books, but we look to grow when it's the right time and the right value to grow. If I think and stand back and look at our deposits, we're about 30% non-interest-bearing, we've gone up to about 19% interest-bearing within there.

And when you look at our book, you can see that we're at 16% of market share of current accounts only 6-ish percent in terms of that fixed term. So that's an area that we have been growing because we need to recognize the liquidity value of that. You've got to make sure you're growing that at the right price and that you're not in danger of cannibalizing another book to grow that because that doesn't work on the mechanics of it. So it's really about making sure you've got the right product that your customer needs and wants and at the right price and value for us.

And then when I look at wholesale funding, there's lots of different levers you can use. And for us, we've been a bank that we've never really had to rely on wholesale funding. We'll have used that a little bit. You'll have seen that we did a small covered bond issuance since Q3 as well. And I think you'll expect to see that as more in the future. But what's lovely is we look at that, that we're in a position of real privilege that we just have such a lot of capacity within there.

And when you're deciding what bit of funding you want to access, it really is looking at what is the cost that you'll pay for that and that can vary whether you're using Bank of England facilities or covered bonds in terms of sort of 50 to 40 bps above Sonia or whether I'm going to go into deposits to pull that piece up. And then you're looking at the retention of those over 1 year or 2 years. And that's a very active conversation that we have internally. So I wouldn't read into deposits as being a bit slower and funding, we may be issuing a bit more funding, that's just us managing the balance sheet, and it's important we do that well and very dynamically and that's something that we'll continue to see. So I think it will be more of a feature. But for us because we've had historically a lot of extra deposits, we've talked many times over the years about how low our loan-to-deposit ratio is at 90% is still actually relatively low, that gives us a lot of movement within there.

And I think one of the things we have seen this year is that banks' LCR ratios have returned to more normalized levels than where they were following the COVID period. Again, we're comfortable where we are, and we'll just continue to manage it. And it's important then as we do the pricing and valuation that we're making sure that we're mindful of what we're bringing in at different levels, what the cost of that is and then ultimately, what the impact of ROTE is on that and then make sure that we balance all of those things.

Sheel Shah And as the LCR - the liquidity coverage ratio has come down, essentially the marginal cost of funding or the cost of getting one more pound of liability has essentially gone up. Would you expect that to be passed through on to the asset side? Would you expect asset margins across the sector to be reflecting that?

Katie Murray If I look at the asset margin, we hear a lot about asset margins rising. We've already talked about mortgages. So we're not seeing it in that book. We've talked about the lending margin in C&I to be relatively stable. I do think there is a point where you start to see asset margins widening and obviously, that's something that we'll push within there, but it's probably not something as I look forward in our guidance that we're giving you that I'm banking on to say, oh, there will be asset margin widening and then that will increase it. So you we're looking to say we're in the area where it might make sense to have that. But I think with the guidance we're giving you of the broadly stable NIM it's something that's not something we're not necessarily baking in. Obviously, we'd like to see it coming a little bit, but we're comfortable with the margins and returns that we're writing at just now.

Sheel Shah We've had a Bank of England hike. And recently, it's maybe 1 or 2 more in the coming months as well. How are you thinking about deposit betas? Or what are you seeing in terms of your pass-through but also in terms of the industry, we've seen the likes of some players

have a full pass-through which may be showing some signs of that deposit pressure that we are talking about.

Katie Murray It's interesting. It's such a complicated question to answer simply because if you look at it, we'll pass through anything from 0% to 100%, depending on account client relationship, what's kind of happening within that space. Obviously, the rate rise is very recent. We're still looking at that. We're looking at market trends. I think us and all of the banks have done a huge amount of [work on]: there is customer sensitivity, what are the right places to do that pass through.

One of the things that we publish and you're very familiar with is our sensitivity around rate hikes or rate cuts and we work on a sort of ~60% pass-through. And what I would say is I look at what we've done over the last couple of weeks, and I think we're not quite finished in what we've done there. That feels to me like a sensible basis to have a look at. And there'll definitely be some accounts to say you pass through more there and less here and that's just the reality of where, as you can imagine, managing many different customers in many different ways. So I think the ~60% pass-through is the right way to think about it.

Sheel Shah And if I take you back to the third quarter only a few weeks ago, where I think you were quite firm in the way you were speaking to the analysts at buy-side and sell-side community in terms of the outlook. And I think some of the market were fearing that this was a repeat of 2023 and the NII downgrades to come. Are there any parallels you control with that?

Katie Murray I mean for me, no, is the simpler answer. But let me be a little bit more effusive,As we look at it, we're confident on our lending growth that's coming through, and we're confident we'll see that across the business. We've expanded our non-interest income because of what you see coming through on Evelyn. We know that now at the end of 2026, we are through the mortgage repricing. If I look back to 2023, we were absolutely in the middle of it. So that's gone. We've gone to ~60 basis points as we go through, but we also know we've had mortgage models and things like that. So we're comfortable within there.

So from an income perspective, as I sit here today, I'm really comfortable that we have sustained income growth coming through from there. And I think the other thing that is different as well from 2023 is what we've seen also happening on the structural hedge. So it's a huge driver of additional income growth. What's happened in 2026, which I think has been, in reality, a surprise for all of us. It's just the strength of that rate curve.

We were talking about reinvestment rates at sort of [3.6]%, and we've actually been reinvesting on average closer to [4.2]%. So things like

that have a benefit that you see coming in, in '26. We've already told you that in 2027, our hedge income will be greater than 26 by a billion pounds, and that we'll continue to see that grow into '28, '29 and '30 sort of thing. So for me, that's something that gives us a lot of confidence that the income will continue to develop both on the NII, but also importantly, on the non-interest income side.sn

Sheel Shah And the hedge I know that you've spoken about that income growth coming through all the way to 2030, I think part of that assumption was the national also growing by a small amount every year. Given what you are seeing in the deposit environment, where there is a bit more growth in the fixed term as opposed to the current account base is that still a valid assumption to be holding?

Katie Murray Look, I think you're absolutely right. When we look at the hedge, itis much more your noninterest-bearing and a portion of your instant access, and the fixed term we hedge in a completely different way, so it's not part of that hedge position. So
as I look at it, we increased the size of the hedge 5 billion pounds this year. We're seeing small increases in absolute terms. I think often when we talk about NIBBs (Non-interest-bearing balances) and IBBs (Interest-bearing balances) in percentage term, it's important to step back and go back to what's the actual number doing. So, it's got small increases.

The way that we size our hedge is we do a 12-month look back, in terms of how much we want to hedge. So you'll see that roll through. I think a small steady increment is something that I would expect. I'm confident that we'll continue to see growth in that non-interest-bearing space, whether that's through greater primary current accounts, which we're seeing we're having very good growth. And if you look at the most recent switching statistics, we're clearly a winner in that space at the moment.

As well as the growth and the investment we're making on the C&I side, whether that be the transactional banking space or what we're doing on Bankline and things. So, we do expect that number to continue just to generally to go up, and that would reflect through into the hedge over time.

Sheel Shah And it looks like NII expectations have been reset a little lower. So the latest consensus only today, it came out - it's around 7% growth also for '27 versus '26. It is with a little bit of NIM growth coming through. Is that ballpark or are we listening to you now?

Katie Murray The challenge with analyst consensus is you're an average of [14] people, I think, in terms of where we are. I think, for me, I'd lift you back up to the guidance that we have that we're very comfortable on our income growth. I'm comfortable on lending growth. Deposits will move along a little bit as well and we'll manage that whole piece. I

think our guidance is broadly stable with a couple of bps on either side and we'll see that as that moves through.

And then obviously, things can move depending on what we might do on funding in one quarter or repayment or something in one quarter, which can make a bit of a movement on the NIM in that moment. But overall, if I look at it across the year, broadly stable with a growing income line that we're confident on because of the underlying strategic drivers that we're really pulling on is something I can take confidence in.

Sheel Shah That's clear, thinking about other income on the corporate side, corporate fees and markets fees as well. But that is broadening out as well post the acquisition of Evelyn and the AUM growth that you expected to see going forward. How should we think about that line in its entirety growing? What are the drivers to be pushing that?

Katie Murray What is interesting is I think over the years for me, what I look for in that line is just consistent growth year in, year out. And I was looking back at some numbers yesterday just thinking, well, how much are we really growing like within C&I? And when I go back in the numbers to 2021, that line has grown by 40%.

And I think that we lose sight of things like that when we're worrying about the 3% in the quarter to 6% in the quarter, 7% this quarter. So you can see that sustainably we've clearly done quite a lot of product expansion within that space, whether that's what we've done more on the delivery of FX throughout the bank being supplied by one area of bank or things like fixed income, the investments we're making in payments. And obviously increased lending also has these fees attached to that so that really helps.

So kind of you go: - C&I carries the heavy load on that line, but actually, they're growing very well within there because of all of those activities. So that for me is a confidence in the future that, that will continue to be something that we continue to deliver.

And then if I look at PBWM, so the Coutts - original business, they were delivering 10% net new money [of] opening AUM a year earlier this year at H1, that's a great stat. There's not many that can hold that number up. So we know that, that converts into annuity fees, and we see that coming through. We've obviously added on Evelyn and that will see a 20% increase in the group fee income line. And as we see Evelyn business continue to roll out across the rest of the bank where we've got the customers and the scale that they will really need to help them grow and help that business grow.

I think we'll continue to see growth in that line. So on the noninterest income line, it's for me, it's the one that we'll just see steadily improve year after year as we continue to get more of the bank to more of our customers. And I think that's something that we are comfortable with.

Sheel Shah And not to jump the gun in terms of what you'd be talking about next week in terms of the event that you have on the Private Bank and Wealth Management business. But how is the integration going? It's only been a couple of months in. There was a lot of scepticism, I think, when it was first announced, particularly around the pricing, whatever else. But it's clearly working together now. Are the synergies coming through? Should we expect that you've maybe identified more synergies that you might want to share now

Katie Murray I won't pop anyone's balloon this morning or I'll have terrible trouble when I get back to the office this evening, sbut what I would say is we're really excited about the Evelyn acquisition. For us, we are absolutely clear as we always have been this makes fundamental strategic success. And I know at the time of acquisition we argued whether it was the right place. I'm really confident in a few years' time, nobody will mention that point because actually it will absolutely undoubtedly have delivered.

The integration is going really well. We've been delighted by what we see and what we found within Evelyn. It's one of these things as you do due diligence is always that element of: "Are we really getting what I thought I was buying?" And then once you actually go, "Yes, the kit is every bit as good as they said it was, their people are good and actually even better". What we find is a workforce and advisers who are really hungry and really delivering on what they have and what they're bringing in, in terms of customer base. So really happy within that.

Emma has already done her integrated top ExCo, the planning teams are all being integrated and that's going really welland very much in line with our expectations, and we do look forward to talking more about it next week.

Sheel Shah In terms of the cost-to-income ratio of the bank, currently around 46% or so, the most efficient in terms of costs at U.K. bank out there. I think what's more impressive is that you've delivered a 7% gross cost savings year-to-date . 7% is a fairly large number. What is going on underneath the hood then. Is that a sustainable number, do you think going forward?

Katie Murray Yes. So when we look at costs, the thing that's really important, is kind of boring consistency and behaviour. So that every month, every quarter, every year, you're looking to see what can I take advantage of? What's moved? How has the model changed slightly? How is the technology that can benefit us we were 45.7% cost-income ratio just on the nine month 2026. And if I look at it, and again, I'm not sure why I was looking at 2021 it's 21% better than what was [at that point] and now clearly, income is part of that, but actually, just the continual cost take out

And if you look at that, we've reduced costs over the last number of years by about 0.5% per annum. That compares to inflation that's sitting at ~4% so it's just constantly on that piece. The businesses absolutely know that every single year, they will get a challenging cost target. And every single year, they have to look to that target.

So when the business is looking at their cost targets, they work really hard at not looking at: “Right, what will I do in 2026? Because 2027, I won't be pushed as far.” They go. “Are we just as pushed in '27 and '28 as we are today? What can I do that really is sustainable strategic change rather than just pulling back on this cost and then letting it go in another.” And that for me is the real - the secret sauce around cost control. It's just you never let the rubber band loosen in terms of what you're trying to do.

But the same point, it's really important that you invest and that you invest in the way. And we have a very consistent investment budget, 1.2 billion pounds. What I love about that budget at the moment. and what we've really seen over 2025 and repeated again in 2026 is the benefits that AI is able to bring us and that we can do more with less or more with the same in reality in terms of the delivery. So we talked about 100 million of extra capacity created in 2025. And so that's about keeping the number the same, but 100 million pounds more of delivery in terms of the output. And we'll see us do that again in 2026. That then benefits what we call the run-the-bank costs, so the core cost takeout because actually things are coming on online.

So you have to make sure you're spending in the right way and spending on growth and simplification and not I think as we did a number of years ago, a lot of us were in the world of spending on regulatory update. So it's just about keeping its the metronome just going, and we'll continue to do that. We continue to see possibilities come through as we move that forward.

Sheel Shah And how much of these cost saves are structural cost saves, maybe looking through the lens of AI and further digitalization customer processes versus maybe another Swiss contact center that it's a large element of the cost base that you think you can withdraw?

Katie Murray I would say the removal of a Swiss contact centre is quite structural. And if I were to challenge you a little bit on that having had to do that a few times, there are not some things, but they're important and why we were able to deliver them. I think as we look at it, when you go from the engineers up as I look at the engineers, 44% of their coding is done first time by AI. When I was spoken to a year ago, I'd have said that number was 35%. So that has created capacity in terms of what we've done and efficiency in where we are. And so that is a structural change within what we're delivering.

And a lovely simple example of that is a piece of code that say we were trying to get into the mobile app or something. We have

historically taken 12 [engineers] 6 weeks to get something in. Now it's [3 engineers], 7 agents, 6 hours. And I would love to say, that was all over the organization. But you can see that. And as you build that up, you're really seeing the structural change coming in delivery. And that's really exciting as we see that movement. You have also seen us do a lot of in-housing of external resources that help.

I think in the banks, we always talk about the FTE number that's published. The number that you can see is how many external consultants and people we've got helping in the background, and within there, it's from workforce augmentation is the core where we talk about it, but actually what Scott has done in our technology space is he actually in-housed a lot of them. So that means that you have much better control. you're not paying someone else's profit margin on top of it and actually, you're then just having much more efficiency and speed of delivery in terms of that's been something we've really done. If we can combine those things are small movements on things like property, continuing to move on the technology, making sure you're making the right investments, the workforce today just starts to look more and more different as you move forward.

Sheel Shah And then looking at AI and digitalization in terms of the cross-sell opportunity on the revenue side because clearly, the corporate bank and the SME business that goes alongside that is a key distribution channel for the retail for the private bank. How are you thinking about that in terms of that opportunity?

Katie Murray I think that's a really great opportunity. And one of the things it's always easier to talk about AI in terms of the cost base. But actually, what you really want to know is it's going to drive growth in the top line. And if I look at Retail and PBWM, just a couple of examples to give you there. and Everlyn has been a big part of this as you look at why we did that transaction. What we wanted to be able to do was to make sure that we were able to bring to our customers in the retail bank the opportunities that it could present.

So you then have to work out which customers, where is the right place to go and using some of the AI technology and the drilling of data and that we're able to do, you're then able to surface through the right customers, and you're able to do that to make sure you bring them the right supply. And if I look in PBWM, one of the great things that we're seeing happening there is how we're using AI on simple things like call summarization and you say it that like what difference does that mean, but that makes a difference of hours in terms of the days from my perspective in terms of risk management and control also means I've got really good records of what's actually happening very speedily produced.

And then for the customer, you're able to then also offer the right next customer step because you can see other customers in this world are

doing this. So you're not just relying on the relationship of me talking to another personal banker to make sure I'm getting the right knowledge of what they're doing with their customers, you can institutionalize a lot more and that's a real advantage.

And that customization again is something we see in the relationship managers within the commercial bank as well. And again, that mining of data to work out what product do they have? Or do they not have or do they use occasionally? And why do they use it more regularly or we see the view somewhere else and things like that. So I do think that AI is becoming more of a theme of how we continue to develop that income line as well.

Sheel Shah This time last year, we were asking ourselves, could NatWest operate on a 12 handle in terms of capital this time around, I could probably ask you the same question with the FPC's review coming in a couple of weeks' time. What would give you the confidence to operate at a 12 handle?

Katie Murray So I think I was clear last year that I already had the confidence to operate at that level, our number is around 13%. So if we stuck a little bit into the high 12s, we'd be very comfortable with that. We're very conscious of that when we chose the word around so that is unchanged. And if anything, I would say, it's made comfortable Basel 3.1 comes in on the first of January. So we're close to the end of what has been a long road. We know we've got our Pillar 2A adjustment there is 43 basis points for us, very much in line with expectations, in line with what we had expected when we set that around 13% target. But then as you look at it now, our minimum requirement versus that around 13% is kind of 11.1 place. So you can see that we've got capacity within there. Next week is a big week not just the PBWM, but also the publication of the of the Bank of England's report. We'll see what that says and we'll take stock at that time. And therefore, there will be a consultation process. I'm sure that we'll follow that. But overall, we'll have a look at it but there around 13, we are comfortable with.

Sheel Shah And any expectations what would be on your regulatory wish list? .

Katie Murray Yes, a few things on the regulatory wishlist. I'm not sure we'll get them all into next week, but we'll continue to have the wish list within there. I mean, obviously, one that we're probably looking forward more quickly is something like the countercyclical buffer. We know that we're an outlier against other jurisdictions. We'd like to have that brought into space.

The second one what happens is that you find that particularly when you're a domestic bank that you've got tranches of business that are caught in 3 or 4 different metrics. And then so actually, you have a feeling of doubling up of the requirement within there.

So we'd like to see that come out of there. Another area is around the models. Mortgages is a fantastic example. When we look at our mortgage models and we look at the levels of losses we've had within there. I would say that myself and all the banks would say that we're provided on capital to levels of losses that have never been experienced. And even if I look back to the length of data that we use for that we include data from sort of early 2000s and the financial crisis.

In the mortgage system where the application and allowance and granting of a mortgage has changed so fundamentally with kind of stress tests being added to individual mortgage applications, the level of salary cover you can have but we still have data in there that was written at a time that it wasn't consistent. So I think could we actually get something like a mortgage model based on the experience and the data and the regulatory requirements that exist today, not just to capture all over the last 20-odd years would be something that we'd be very, very keen on.

And output floors is something so we're all starting to talk a little bit about '29, '30, we'll all talk about it a bit more as we get close to them. know that other jurisdictions are looking at them and thinking, well, what actually is the right level of those floors and how might they look. And I think that's something I'd really encourage the regulator to look at. Now that's not all going to be in there next week. But I think it would be nice to see some of it.

But I think the other important part, and it's great to see Katharine Braddick be more over on this is also their secondary objective to evolve competition and not just resilience and actually really stepping back and going actually are we making the U.K. banking environment resilient and safe, which we're all obviously huge supporters of, but also they're in the right position to really compete. And I think that's something that we'd really encourage them to make sure they have the right balance on.

Sheel Shah Thank you, Katie. Are there any questions from the floor? Otherwise, I'll ask one more in terms of in terms of the M&A environment, you've clearly been acquisitive this year with Evelyn, you've purchased some Metro mortgage books in the past alongside other businesses as well. There are clearly some banks up for sale. What are you looking at in terms of capabilities? Is M&A on the agenda at all?

Katie Murray It's for us, it's always important that you're aware of what's going on in the market. And when we look at any acquisition, we work out, first of all, does it strategically make sense. And that's almost like the more important thing. Is this something that we need? You've seen us by Evan. We obviously bought Sainsbury's Bank portfolios, we bought some mortgage book, which has been small, but it was very important

for us at the time. And then actually, practically can we do it? So can you integrate this business? Does it come with the right risk balance?

And then does it make financial sense and the financial sense is the one that can blow the others out the water, of course, and it's obviously incredibly important. But I guess as we look at it, those are the kind of things we really are assessing at the moment, I would say we're very focused on making sure that we bed in Evelyn. You've seen us do a partnership on buy-to-let mortgages and that's working very well for us in terms of the delivery of that piece. So I think you should anticipate if there's anything going on in the market that we would be casting an eye over it, and it's something we'll look at from time to time. But you understand our capital distribution it's very much around investing in the business, make sure we're making that organic investment and the dollar investments in the organisation.

They make sure that we're at 50% dividend payout ratio which is the highest level of any of the U.K. banks just now. And then returning excess capital back to shareholders unless it is something that really makes great sense to do, but we're excited to be returning to share buybacks at the end of this year. 6 months ahead of our commitment. And again, we'll talk more about that later.

Sheel Shah And thank you for your time, Katie. We look forward to next week. .

Katie Murray Thank you very much, and we'll see you next week. Look forward to it. Thanks, everybody. Bye-bye.