



**NatWest Group plc**  
**Fireside chat at Morgan Stanley European Financials Conference**  
**17<sup>th</sup> March 2026**  
**Paul Thwaite, NatWest Group Chief Executive Officer**  
**Moderated by Alvaro Serrano, European Banks Analyst, Morgan Stanley**

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## Fireside Chat

(Amended in places for legibility and clarity)

**Alvaro Serrano:** Thanks, everyone, for joining this session with Nat West. Thanks, Paul Thwaite, the CEO, for coming and joining us again this year. We're very excited to have you, and I'm sure it's going to be a very insightful session. Thanks for joining us.

**Paul Thwaite:** Good to be here, Alvaro. Afternoon, everybody.

**Alvaro Serrano:** And we're going to lead with a polling question so we can set the scene. What will drive the next leg of share price performance for NatWest Group? Number one, the £17.2 billion to £17.6 billion revenue guidance proves too conservative. Number two, NatWest achieves 4% annual growth in assets and liabilities. Number three, the company delivers on its £8.2 billion guidance for this year and 45% in '28. Four, successful integration of Evelyn. Number five, capital build to surprise and share buybacks to start before first half of '27. Okay, that will set the scene.

**Paul Thwaite:** All of the above.

**Alvaro Serrano:** All of the above, We don't put that in on purpose. We have the European Commissioner, and there was all of the above, and everybody goes, well, all of the above. Capital builds to surprise positively, so bear that in mind.

Let's start with Evelyn. Obviously, the biggest acquisition, the biggest you've done since the GFC. Maybe you can run through the group in terms of the capability, the scale, the revenue mix. And why do you think it was the right time to do it?

**Paul Thwaite:** Yeah, of course. First of all, I'd say very pleased with the acquisition. It demonstrably accelerates our organic strategy, and in one fell swoop I guess creates in the UK the number one private bank and wealth manager. That feels a great start. If you look at some of the metrics, it gives us immediate scale. We doubled our AUMs. I think scale is incredibly important. It brings a lot of new capabilities. We can come back to some of them. It adds 20% to the group's fee income, which is a significant positive delta. And obviously, it brings a lot of customers as well. In summary, it brings a lot to the group.

In terms of the capabilities, they're really compelling. We spent a lot of time over the course of the last 3 or 4 years thinking about savings, investment, and wealth management. We're really clear on what capabilities we thought we had already in the group, primarily in our Coutts business, but the capabilities we had and the capabilities that we needed. Evelyn, from that perspective, was very attractive. It brings a financial planning investment advisor, the largest employed UK advisor network in the UK. That's a constituency, very experienced, very professional, that we can expose to the client base of the group, so that's a great first capability.

Secondly, we acquired a D2C platform, Bestinvest. We do have an offering within the group, but this is a significant upgrade, both in terms of technology, product capability, platform. For example, 3,000 products, so that's another big addition. And again, with 20 million retail and premier customers, it's a significant opportunity.

And we also get a broader range of kind of wealth management, financial planning solutions, including some neat tech as well. There's a very broad set of capabilities in addition to the scale, which we obviously get through the AUM. You wrap that all together and you wrap what we have already in NatWest Group and Coutts, you wrap it together with Evelyn, it feels like a significant opportunity. There's great regulatory tailwinds. I wouldn't underestimate how important the changes around targeted support and simplified advice under the FCA's Advice Guidance Boundary Review will be.

We also think, I'm sure we'll come on to it, the acceleration in some of the tech trends will help wealth businesses. It exposes us to a higher growth business, a higher returning business, and then by definition, we should become a higher growth, higher returning NatWest Group on the back of it. From that perspective, we feel pleased. Obviously, we've got a lot of hard work to do in terms of integration. But it's a great opportunity to create a third scale franchise to add to our corporate bank and our retail bank.

**Alvaro Serrano:** The acquisition is very much aligned with the strategy you had already laid out previously. Where there's been more debate, as you know, is on the price paid and that 11% return on invested capital. And also around the risk of some of the talent potentially leaving during the integration. What would you say to those points?

**Paul Thwaite:** Well, remind me to come back to it, because there's quite a few points in there, but make sure I come back to all of them. First of all, I'd say very confident on the growth potential of the business. Very confident on the value creation opportunity that there is from the transaction. I alluded to it in the previous question. What it does is it creates a higher growth, higher return business, both our wealth business, but also overall NatWest Group. I think that's an important strategic framing.

In terms of the financials and the transaction, the bar that I've talked about previously and I've talked about on this stage and previously, we have 3 high bars, strategic, financial and operational. The test that Katie and I and the board set was the return on invested capital here needed to be greater than the buyback within the 3-year period. We set ourselves that bar, and we're very satisfied that we exceed it. You touched on 11% there. We made a lot of disclosures on Friday in our yearend results, and what we talked about was greater than 11%. That was the bar we set ourselves and we're satisfied at the opportunity that drops out of the transaction from it.

In terms of how we're going to deliver that, in some ways you can explain it very simply, but obviously there's a lot of hard work that will go into it. Very clear on our commitments to the market around cost synergies. We believe there's around £100 million of cost synergies from bringing the 2 businesses together. That actually represents about 10% of the combined cost base of our Private Bank and Wealth Management business and Evelyn, so we feel confident about that.

And on the revenue side, we've said around £200 million [of revenue growth], split equally, half of it from natural structural growth in the AUMs that are in the business. We've assumed a mid-to-high single digit growth rate. You can see that Evelyn has grown at 7% the last couple of years. We've grown at a higher rate than that, so we think that's appropriately prudent.

And then the other part - revenue synergies - comes from deploying the capabilities that we've talked to, which is the financial planning, the D2C platform, putting that in as many hands of our NatWest Premier and Coutts clients that we can. All in all, very confident about the value creation opportunity.

And if you think beyond the 3 years, I think it's important we were clear around 3 years, but if you think beyond the 3 years, the returns will grow beyond that as well because you have the compounding benefit of AUM growth. From that perspective, yes, we're clear and we're going after the synergies.

**Alvaro Serrano:**

I want to touch as well on growth. You've delivered very good growth in lending and deposits and AUMAs. And you're guiding for that to continue with a greater than 4% compound growth in customer assets and liabilities going forward. Can you maybe touch on the outlook in each of those components? And I'm particularly interested in corporate loan growth in particular. That is, why has it been so strong and why do you expect it to continue to be strong?

**Paul Thwaite:**

Let me start with the broader kind of growth piece. I think we've now established pretty clearly that for a number of years, we can grow on both sides of the balance sheet and our assets under management. I think we've got a strong multi-year track record there, which is great. As you rightly pointed out, for '28 we've been more explicit on our growth targets. We've framed that through what we call CAL, customer assets and liabilities. That's a term and an approach that we use internally, but we've now kind of decided to externalise that. And we think it's the best representation of our relationships, our client relationships, over all their product holdings. We've been explicit that we expect to grow greater than 4%.

What I would say, Alvaro, is that's a CAGR greater than 4%. I don't think everybody should be thinking every line of the balance sheet is going to grow every year at 4%. Because what I'm very mindful of and we're very

thoughtful about as a management team is where we deploy our capital to grow. We're going to deploy our capital where we see attractive returns. That could vary depending on market. That could vary on external market conditions. It can vary depending on the competitive context. But we're very confident overall that we'll, because we've done it previously, we'll deliver at greater than 4%. And that's obviously powerful from a growth perspective because if the balance sheet grows year on year, that's very helpful to EPS, DPS, TNAV per share, etc.

Then I guess the other part of your question is, you talked about corporate lending, but before we deep dive into that, I would say I can see opportunities for the growth to come from different parts of our business. You take our retail business, we've made great strides over the last couple of years in mortgage lending, great strides in kind of unsecured lending. We still think there's more room there to go. We're thoughtful about how we do that, but you can see growth there.

Likewise on the savings side of retail, we have 16%, 17% current account market share. But actually, on the savings side, we have 10%, 11%. We can see paths to growth within the retail business.

On the wealth business, again, we had a pretty ambitious organic plan that we shared with the market last June. That drove growth on the deposit side of the balance sheet and the AUM side of the balance sheet. That's where we'll be looking to there.

And then in our corporate and commercial bank, probably should take a step back first. We grew 10% last year on lending growth. Why are we able to do that? We have got the dominant UK corporate franchise no matter which metric you look at. We've got leading market share, whether that's SME, mid-market, large corporate. I think that gives us tremendous position in the market that when the demand is there, and bear in mind the level of deleveraging that's happened over a long period of time means that commercial companies, corporate companies do have the capacity to borrow. When they've chosen to borrow, we've been able to capture that demand.

But I think we have - our strong competitive kind of positioning there gives us confidence that we can continue to grow. You look at we're the number one lender to infrastructure, we're the number one lender to social housing, we've got the biggest mid-market business. It just gives us confidence that if the environment supports it without any fundamental changes in our risk posture or risk appetite, we can drive growth.

It's a very I guess broad-based perspective to growth. What I'm not prepared to compromise on is returns. It will only be growing at the right returns across all our businesses. We're very focused on that capital deployment between the different business units. And I won't

compromise on risk appetite either, so this is growth at the right risk appetite, i.e. the current risk appetite, and at the right returns.

**Alvaro Serrano:**

We'll touch on some of the uncertainties shortly, but when I hear you around the growth momentum of the business, you do have a track record of beating revenue expectations, which makes me think that that £17.2 billion to £17.6 billion looks too conservative. Maybe you can go down through the moving parts, tailwinds and drags, that you see on competition that may be behind that. I'm thinking deposits or mortgages, but maybe you can drill down into double click on that.

**Paul Thwaite:**

Yeah, happy to. And directly where you want to spend more or less time. But revenue growth was strong last year, 12% growth. And what was most pleasing about that outturn to me was it was a combination of product volume, product margin, and fees. It felt like a healthy mix of growth, both across and within the businesses, so that was good. As you rightly said, our guidance this year on income is £17.2 billion to £17.6 billion. I know your forecasts are at the upper end of that.

And what we've tried to do there, and you'll recognise this, it's a narrower range than we've guided to before. We are trying to give people a clear steer. That, to us, represents a sensible balance of the risks and opportunities. We expect to fall within that forecast based on a sensible combination of the risks that we face and the opportunities playing out. I'd say that's the philosophy that we've adopted with that income guide.

I should say, it obviously excludes Evelyn, and it also excludes any changes to economic assumptions on the back of the last couple of weeks' conflict.

In terms of the tailwinds and the headwinds, I think on the tailwinds, we've just had the discussion about volume growth, so volume growth is definitely going to support the revenue momentum, especially as we target our greater than 4%. I would flag a couple of things on that. We're expecting margin pressure on the mortgage side. You can see from book pricing on mortgages. We know there's a whole slew of COVID 5-year fixed rates that are maturing this year, so that will put a bit of margin pressure on. Likewise, we expect fixed rate deposits to be competitive as well. You've got the volume growth coming through, but you've also got a little bit of pricing and margin pressure that will play out.

Then you've got rates. We expect the contribution from the structural hedge in '26 to be £1.5 billion greater than '25, so that's a big tick up. But we should also remember we've got the annualised effect of a couple of rate reductions last year, which will work their way through. And our current assumptions had 2 rate cuts in for this year. That would go up £1.5 billion on the hedge and the combination of previous rate cuts and assumed rate cuts, and we'll likely have a debate about whether they play out, but would drop that by about £500 million.

And then the other thing that sometimes isn't as visible, but I think it's important that everybody realises, a third component to our revenue line is, as we've worked the balance sheet harder over the course of the last 3 years, as we've, for very good reasons and I think very return friendly reasons, entered into more capital management actions, SRTs, credit risk assurance, obviously, there's fees associated with them, and they net off. You should think about £100 million on those as well as we go through '26. They are the puts and takes.

Specifically on competition in mortgages and savings, I would say first of all, in quarter one, I'd say volumes have been quite reassuring. Mortgage volumes have been good. We've been able to take the volume we want at the returns that we're comfortable with. It has been competitive. There's been a lot of price changes. We've changed prices I think 5 times since the start of the Middle East conflict. It shows the agility that's needed, but also the flexibility and agility we have in our mortgage platform to change rates. We expect that to continue. As I said, you've got this flow through in the market generally of 5-year let's call it COVID mortgages at slightly higher rates.

Likewise on savings. I think it's going to be a very competitive ISA season, given all the government and regulatory changes. This is the last year of let's say the current ISA regime, so we think it will be competitive. We have less to defend there. Our market share in ISAs and fixed rate savings is circa 6%. We see opportunity there, but it will be competitive. That's the dynamics we expect to play out on the retail side of the business.

**Alvaro Serrano:**

I'm going to explore if part of the conservatism is in non-interest income. We've already discussed Evelyn. How do you think about the rest of the business lines in non-interest income? Obviously, you've got the markets business there within C&I. But broadly, can you touch on the visibility you've got in that business?

**Paul Thwaite:**

Yeah, well, we've been, as you know, we've been very focused on fee income and non-interest income over the course of the last couple of years. I'd say I'm pleased that we're now building a track record of growing that line. If you look back, I think we're about 32%, 33% up since '22 overall on fee income, so that's good growth.

You are right to highlight commercial and institutional. That's about 70% of the total fees. Some good growth last year. FX business, which we've got a great FX platform, was up around 20%. Some of that driven by the volatility, but actually a lot of it driven by just bringing more of that FX product to the rest of our commercial bank customers. We also had mid-to-high single-digit growth in our payment fees. As we extend our payments and transaction banking product set, we think there's opportunity there.

We also actually saw some good tick up in fees on the retail side of the business. It doesn't contribute in relative terms to the C&I business, but

we saw some good pickup on the kind of credit card and debit card, which is really driven by customer activity. I think what we're building is underlying fee lines in the respective businesses.

And then you add on, as you alluded to, the Private Bank and Wealth Management business. The organic plan has good 11% growth on fees. Then you take all that together and add 20% from Evelyn, it feels like we're building organic fee lines, but also starting to diversify our income mix. Which as you know, 2 or 3 years ago I said was important, but would take time to do.

**Alvaro Serrano:** Let's talk about some of the uncertainties. Obviously, we've got the Middle East. How do you think that's affecting your clients? Have you seen anything at this stage? Certainly, we touched on markets. Obviously, any comment there would be helpful. And one thing that came up this morning in the polling is private credit as you know, is also a source of concern. Should we be worried about your exposure to private credit? Maybe you can give an overall sort of overview of the --

**Paul Thwaite:** Uncertainties in general?

**Alvaro Serrano:** Exactly.

**Paul Thwaite:** Okay. Well, let's start with the Middle East and the conflict. We generally run a series of geopolitical scenarios or how we respond to certain events. We were doing that as we came into this year. We don't have a Middle East business as you know, so from our perspective the impacts are primarily second order. You'd expect me to say that. How events play into energy prices, into inflation, into rates, and obviously our customers who are dependent on energy. That's how we think about it.

It would take a sustained, from our perspective when we run the different scenarios, it would take a sustained conflict to have I'd say a material impact on our growth or credit outlook. And I think that's the question we're all kind of wrestling with is, what is the duration of this conflict going to be? And therefore, what are the knock-on impacts? That's how we're thinking about it. I think our view really only changes on the back of a sustained and long-duration conflict.

In terms of customer and client reaction, in some respects it varies across the business. It's very real and immediate in the market's business, customers looking to manage their risk. You see that in real time. No difference to whether it is tariffs or Russia-Ukraine, you see that immediately in customers thinking about risk, managing risk, trying to get ahead of things.

I'd say in the more kind of the core franchises of retail and commercial, far too early to say. On the retail side, definitely affecting sentiment. You can't go through the last 2 weeks and customers not have a sense of perspective on what's happening, hear the media narrative about the

potential for energy prices. You start to see that showing up in sentiment, but not activity.

The other phenomenon on the retail side is it's obviously driven a much higher volume of mortgage applications. And as much as customers assume that rates might come down, now they're assuming that rates could or may go up. We've seen significant volumes of, from a refinancing/remortgaging perspective, of customers looking to secure rates in anticipation that they might go up. That's probably been the most obvious and demonstrable behavioural change.

On the commercial side, I would say the commercial customers are very, and corporate, are very sanguine in as much as they've been through a lot of various kind of stressed events over the course of you could say the last decade.

**Alvaro Serrano:** Around the Morgan Stanley Conference. A strong correlation.

**Paul Thwaite:** Yeah, always around mid-March, that's right. But the reality is, customers feel more confident about their resilience. They're more used to dealing with events. We don't see knee-jerk reactions, which is good. They take confidence from how they've managed through previous kind of stresses. Where is the focus of their attention in the commercial base? Those who are exposed to energy prices, it's obviously very front to mind. They have a bit of a playbook from Russia and Ukraine, 2022, so that's obvious.

On the Wealth side of our business, again, a lot of client contact, curiosity and interest in what's happening. Some client behaviour, but relatively limited I would say. It just feels again sentiment is affected. It feels relatively early from that perspective. I think as we go through the next 2- 4 weeks, I think certainly across the commercial and corporate client base, the planning will start to turn into playbooks. But the big thing everybody's wrestling with is, what is the duration point?

And then on I guess the other big topic you referenced, which is private credit, very much topic du jour. First thing I'd say on private markets generally is that they are a really significant and important part of the UK economy, and the world economy, but the UK economy. If you look across infrastructure, real estate, private equity, private credit funds, there's no doubt they've played an increasingly important role over an extended period of time. My view is that structurally isn't going to change. I think they'll continue to play an important role. Private markets will continue to play a really important role in being a source of capital to the UK economy. I don't see that changing.

We've obviously seen the various cases and items that are in the public domain. We haven't been involved in any of those. Where we do participate in private markets, we've done so for a long time. We're very thoughtful in terms of the partners that we engage with. We look for structural protections, as you would expect, to make sure of that and we

stress against quite severe economic situations that would need to go well beyond the current situation to see any sort of stress.

Feel comfortable with where we choose to play, whether it's subscription lines, capital calls, private credit, supporting private credit providers. Feel very comfortable with the quality of the book, but we're very vigilant because it's obviously an area that's got a lot of attention.

The one thing I would add is, we're very supportive and pushing around the Bank of England's what they call SWES, the stress scenario. Why are we doing that? I just think it would be very helpful for investors, for analysts, to have more consistent disclosure in this space, because I think that would bring more transparency to the market. Because there's a lot of things said about private markets and private credit, but people use the same phrases to mean different things. There's some very different structures.

Where we are at the moment is, when you've got a very big market, there's some higher quality operators and some lower quality operators. Arguably, there's some cyclical things going on. You've got the Middle East conflict. You've got some of the perceptions of risks in relation to AI. You've got the end of the rate cycle. It feels like there's definitely different issues weighing on the sector generally. But from our perspective, feel very comfortable with where we've chosen to participate.

**Alvaro Serrano:**

I want to move on to costs. You have an £8.2 billion cost guidance for this year and the less than 45% cost to income ratio for 2028. That was definitely better than expected. You said at the full year that you would expect further progress beyond 2028. That's a point in time target. Where do you see the potential in the sort of more longer term for those cost efficiencies? Obviously, AI is a big sort of debate, even greater than last year. How is that going to help? And how should we think about the trajectory of the workforce?

**Paul Thwaite:**

Yeah. It's obvious we've got good momentum in our cost management and in our cost to income ratio. It dropped 5 percentage points last year, which is great. We're now down at 48.6% at the year end, so we're the most efficient large UK bank, so that feels a good place to start from. I think it's down 20%, 21% over the course of the last 3 or 4 years, so it feels like we've got, I think we have got a good cost management culture across the firm.

What I would say is that's been delivered through a variety of things, but what I would call is just good, disciplined cost management. We've pulled a lot of levers to get to those numbers, whether it's simplification of the technology estate, whether it's simplification of the footprint, sensible things like organisational health, how we organise, removing duplication. We've pulled a lot of levers on good cost management. But I still think, and the management team still thinks there's a way to go on that. There's still complexity in the organisation that to me doesn't benefit

the relatively simple business that we are. And we keep going after that. I think that will help drive us down too and that's why I was confident to say less than 45% in 2028.

What I would say is we have put those numbers out there without any big, I'm not assuming some kind of massive AI dividend that we can't yet see the path to. I'm very confident we can get to those numbers without let's say the potential of but not the ability to see it. I think any AI efficiencies will amplify that. I guess that's why I talked about beyond '28 and maybe the potential to go lower.

But these things take a lot of hard work, Alvaro. Cost management is tough. You need to keep going after things. You know, we've right-shored things, we've eliminated legal entities, we've simplified management structures. We've really tested ourselves on a whole host of things to make sure we're driving a really effective operating model.

When I think about AI, I'd say '25 we started to see some definite scale opportunities emerging. They'll be the ones you've heard from a lot of my peers. Whether it's coding assistance, customer contact centres, summarisation tools, risk, financial crime operations. To me, they are the opportunities that are coming into sight. I think there was cost opportunities there anyway, but I think AI just amplifies the opportunity around that.

I think what you'll also see more generally in AI is that which is really focused on productivity and efficiency. What we're starting to see and what we're starting to release to market now is capability that's driven by AI, but is really to drive a better customer experience or to hopefully drive revenue growth as well. I think you'll see a flex between AI for productivity's benefit and sake. But also AI to help improve the customer experience and deepen the relationship and drive more revenues.

On the FTE outlook, I think it's too early to say. I've seen lots of forecasts out there, I've seen lots of people saying it will be this or it will be that. What I'm absolutely sure on is the work, the nature of the workforce is changing quickly. If you think about us as a bank, we have 60,000 staff. Now we've got over 12,000 software engineers. You rewind even 5 years ago, certainly 10 years ago, the composition of the colleague base is very different. I think it will continue to evolve. The mix of people, the mix will change. You can see whether it's operations, whether it's services and functions, whether it's engineering, you can see that mix kind of constantly changing. But it definitely lends itself to a more efficient and more productive bank.

And I could present it both ways, as in the bull case and the bear case. But I think my view is that there will be significant efficiencies and productivity to be driven off the back of some of the technology developments. I think my point of view is that I'm not convinced 100% of that will drop to the bottom line of banks. I think what you'll see is some

of that dropping to the tech companies or the model providers. I think they will expect if there's a lot of value being created, it's not unreasonable to think some of that value will be captured by the technology partners and vendors.

And the other thing which history suggests would happen is, if you see the extent of some of the productivity gains, and rightfully some of that will find its way back into the customer pricing product proposition. That's what will evolve over the course of the kind of next 12, 24, 36 months. I don't think it's crystal clear yet. There's undoubtedly productivity and efficiency gains. How those gains will be shared between the different kind of participants I think will play out over the course of the next 2 or 3 years.

**Alvaro Serrano:** The audience here, we've of course polled about this, AI is a net benefit for banks.

**Paul Thwaite:** I'd buy that, yes.

**Alvaro Serrano:** You're in a friendly environment here. But of course, there's been discussions, and we've seen in some of the share price moves before the Middle East around AI being a potential disruptor. You've touched on it briefly, but if maybe we can deep dive a bit more into how do you think that's going to impact competition? Because there's fears both on the deposit gathering business, but also wealth. Maybe you can touch on both and the opportunities there?

**Paul Thwaite:** Yeah, so as you alluded to the audience, I'm definitely an optimist and net positive on AI. I think it is going to transform the way that we engage with our customers across our retail bank, our wealth business, and parts of our corporate and commercial business. And as I mentioned, I am high conviction that that will be around the customer experience as well as the efficiency side. From that perspective, we're positive.

To be able to take advantage of that, you have to have invested in your technology and data foundations. I'm delighted we've been doing that over the course of the last 3, 4 years. Ensuring you've got the right technology architecture, ensuring you've got the data clean, in one place. All of our retail data is in one place. All of our private bank and wealth management data is in one place. Because without that, it's very hard to deploy some of the tooling and capability. I think the benefits will lend themselves to the scale operators because they have the customer relationships. They have the data. They have the investment dollars to be able to use the models at scale to the benefit of their customers and to their colleagues and to the productivity of the organisation.

In terms of wealth, there's been a lot of debate about that, and I'm sure you've got some of the listed wealth providers here over the next couple of days, but I think it's going to amplify. One of the biggest challenges in the UK is that not enough people have access to good quality, low-cost financial advice. To me, AI can be a real accelerant of that. I think there'll

be clients and customers who are very happy to go through that process led by the technology. I think for really big, significant moments, the human advisor will be very important. But I do think it's a great accelerant to bring advice, good financial planning into the hands of much more than the 9% or 10% of the population that currently get it.

On deposits, I have quite a strong view. My view is that for customers who have savings, liquidity, and want to get yield, it's a very competitive market. You look at term products, you look at ISA products, and we saw that during the interest rate cycle of second half of '23, we saw the amount of our deposits that went into term up to 16% or 17%. And it's remained pretty flat for the last 7 or 8 quarters.

My view is, for those customers who are seeking yield, it's very easy to get it. There's a large volume of competitive providers. It may influence search, but I don't see that influencing the margin or product pricing. You may have to make sure you're discoverable in some of the models for example, so that might be a marketing consequence.

And then you get to the operational balances. First of all, they're a small percentage of the overall balances. Secondly, we're talking about, for us, 19 million or 20 million accounts with low average balances. The customers who have those accounts, normal checking accounts, they have those accounts for other utility. For their debit card, for Apple Pay, for ATM access, for the mobile app, everything that comes with it. The marginal benefits on small balances of yield pickup, to me, I don't see a model where that's worth it relative to all the other value that is being received. I worry less about that. We're mindful of it.

You take a lot of our higher net worth customers, being our Coutts business, our premier business, they have automatic sweeping facilities. That's pretty BAU in those type of accounts. As you can see, I don't really see a case of material change there.

**Alvaro Serrano:** Great. The last one for me and then I'll open it up for questions. It's about capital allocation. You've done a deal obviously. You're guiding to high capital generation from here on. How are you thinking about the distribution and balancing of that with the returns of greater than 18% in 2028?

**Paul Thwaite:** Got it. I guess the business we have, the model we have, is highly capital generative. Just over 250 basis points of capital last year. We've been explicit with our guidance of greater than 200 [in 2028]. We have a low-risk business model, generates a lot of capital, so that's great. The acquisition, in my view, gives us a chance to be higher growth, higher returning, and higher capital generative too.

In terms of the capital hierarchy, it's very simple from my perspective, it hasn't changed. We'll deploy to grow. We've got a scalable platform, so the returns on growth look good, hence the greater than 4% target. We'll do that in a disciplined way. We increased the ordinary dividend to

around 50%, so that's next. And then we'll distribute surplus through buybacks. We've got the £750 million buyback happening at the moment. We've guided that we look to return to buybacks half one of '27. But as a board and as a management team, we're committed to returning to buybacks at the earliest opportunity with surplus capital.

I should maybe finish, that's the hierarchy. But then if you take the step back, you look at our delivery in 2025, 19% ROTE, we've now got 3 years greater than 17%. We've now put targets out greater than 17% for this year, greater than 18% in '28. You'll have 6 years of return on tangible equity greater than 17%, so that's quite a strong record, high returns and significant distributions off the back of that.

**Alvaro Serrano:** Who wants to ask the first question? As I mentioned, it is a quiet crowd today. I've got an uncomfortable question around UK politics if nobody asks the question. Obviously, UK government has been pro financial sector. I remember the Mansion House speech last year. Do you worry, that some of these initiatives that are underway may stall if there's a leadership challenge or if the political sort of leadership changes?

**Paul Thwaite:** It's difficult to know. I agree with you though. I'd say the last 2 years, I think the government's posture, the Treasury's posture, the Chancellor's posture, I think has been very helpful for financial services. Not just the bank sector, but more broadly. I think financial services and the banking sector, has been very much positioned as part of the solution in terms of trying to unlock growth and productivity. We welcome that.

I think there's also, not just in the political environment, been some positive changes on the regulatory side as well. If you look at the FCA, whether it's the changes to some of the mortgage changes, we've touched on the significant opportunity around the changes in the Advice Guidance Boundary Review. I think there's positive changes there. There's a lot of consultations out on the Prudential side. We will await to see the output of that.

Will things change? My answer to that is I hope not. There is some momentum around the policy environment and the regulatory changes that are coming. I think people can draw the link between those changes and the opportunity around economic growth. Some of them are already in train, so the reality is that they will continue.

I think what it's beholden on the sector to ensure, should there be any change in political leadership or political posture, I think it's beholden on the sector to make its case. Explain how it supports the wider economic agenda, the role we can play, whether that's helping more people save and invest, whether that's helping more businesses to borrow, or to staff. I think it's beholden on us to, if needed, to remake the argument that we successfully made over the course of the last couple of years.

But as I've said before, strong economies need strong banks, and vice versa, strong banks need strong economies. We're very committed to

playing our part in the UK, and we need a regulatory and policy agenda that is supportive of that. Because ultimately, that drives the best outcome for UK PLC.

**Alvaro Serrano:** Right, I'm going to give the audience one more chance to ask a question. If not, we're coming to the end of the session. Sorry, there's one back there. Apologies, I've just seen the hand up.

**Audience Speaker:** You said that you're expecting more pressure on deposit margin. And so far, UK banks were saying that they're seeing stabilisation in deposit mix. Does this mean that you are expecting more headwinds on the deposit margin front?

**Paul Thwaite:** Thank you for the question. The reality is, we haven't seen a significant change in the mix of our deposits. What we've seen and what we believe will continue is it will be a competitive fixed savings product market. It already is. We're expecting that to continue. And because there are some one-off changes happening in the ISA market this year, we don't know, but we expect it to be a very competitive ISA market, both on cash and fixed rate ISA, so that's what I'm alluding to there. We do think there will be a lot of competition on that side, but there already is. In my view, it's a continuation of the existing competition, rather than some fundamental change from the status quo.

**Alvaro Serrano:** I think we've got to leave it here. But thanks very much, Paul, very insightful session.

**Paul Thwaite:** Thank you.