



NatWest
Group

NatWest Group plc
Q1 2026 Sellside Roundtable Transcript
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Host: Katie Murray, CFO

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Management Presentation

(Amended in places for legibility and clarity)

Katie Murray

Good morning, everyone. Thank you for joining us today. You can see I've got a number of people with me in the room. Also Stuart, FD of Retail Banking, is on the line there up in Scotland. I thought I would just give you a few key messages, just to help in terms of reminders of our first key quarter results.

So against the backdrop of rate volatility, we delivered a strong first quarter, broad-based growth across both sides of the balance sheet. We've growth in TNAV per share, strong capital generation, and a ROTE of 18.2%. We were particularly pleased that the operational resilience of our digitised and scaled mortgage platform enabled us to handle some unprecedented flows during March while maintaining service levels, and remaining dynamic and competitive in our pricing. Though our continued presence in the market at a time where some peers struggle with this has meant that we've been able to write new business in April that are margins that have been above the back book. So we'll see how that continues to evolve, but from a system perspective, we were very, very pleased.

We were also able to be dynamic in our response to higher rates, the acceleration of our planned increase on our mortgage hedge notional adding £5 billion in the quarter, and locking in income for out years, as well as being able to take advantage of some of the higher rates to help with the fixed rate savings competition that's going on at the moment.

But I think just as we move forward from here, just to remind you why we think that NatWest is a structural winner at the moment. First of all, it's our deposit franchise and gearing to rates. With a leading Corporate deposit franchise that underpins our trusted relationship with customers and supports revenue growth, especially in the higher-for-longer rate environment, which we've seen at the moment.

Our growth track record and potential to increase market share. We have a strong CAL growth track record with further opportunities across C&I, Retail, and in creating the UK's number one private banking and wealth management business.

Our consistent cost management drives superior operating leverage. We're the most cost efficient large UK bank, and we've built operating

leverage as our simplification programme continues to create capacity to invest, and we continue to deploy AI at scale.

We have a diverse prime loan book which makes us the most resilient bank under stress. Our strong risk management and diversified business mix was evident in last year's Bank of England stress test, and we have the lowest stress delta drawdown of any UK bank.

And our superior returns and capital generation drive stronger distributions. Our sector-leading profitability and capital generation support growth, underpin investment, and deliver attractive sustainable returns and distributions for our shareholders.

And with that, I'm very happy to move to questions.

Ben C-R

Ben from Goldman Sachs. So I just wanted to ask first about lending competition and then secondly, about the puts and takes in the revenue guide. So first on the lending, you mentioned that you've eventually been able in April to write some mortgages at spreads above the bank book, which I think maybe is surprising when you look at some prior periods of volatility, that's actually a bit more challenging given swap rate moves. So how are you seeing competition in that market?

And also on the Commercial side, you've had some peers who are mentioning the fact there are certain pockets that they might be pulling back from. Is that something that you think is evident or meaningful?

And then just on the revenues, clearly consensus sitting in a little bit of a different place relative to your guidance. How do you think about the puts and takes within revenues over the next nine months of the year as you bridge to your guide for the full year? Thank you.

Katie

So let me start on lending, first of all. As we look at mortgages, the thing that probably feels a little bit different now is just the amount of flexibility and scope we've built to the system. I think one of the things I'd talked about on the call was that we made price changes 11 times in 22 days. So every two days. You'll remember in the not that distant past, particularly some of us who have been around a bit longer, it could take six weeks to make a mortgage price change. It's just, that idea you do it within two days is both system, but also mentality, cultural and things like that, is an important change. And I think what's

also been really important is we've built capacity in the system and you have seen us deal with the capacity that we brought on with Sainsbury's, admittedly not in mortgages, but in bringing on lending and deposits. It's actually the volume that we can cope with in there.

So although it has been very competitive, and you know when you look at industry data that within March, we had this huge spike of people pulling forward in terms of applications, the fact that we were able to participate in that really actively, meant that when you got to April and there was some potential, because of what we've done on hedging and things, to have a slightly better spread, it meant that you could continue to have your doors open. And the problem is if you close the door at any point and there's a moment where you do get slightly better margin, just because you're so overwhelmed with where you were service level is, it's probably very hard and really frustrating.

In terms of the comments about areas they're peers were pulling back, I'll let others comment on areas they might be pulling back, but it's not a conversation I recognise that we're having at the moment. We continue to be very active across all of our sectors. So that's not something that we're discussing internally.

If I look at revenue. I'd say a couple of you are particularly excited and consensus averages are obviously an average of lots of different numbers. But as I look at the overall piece, when we talked about it on the call, there's obviously no bank rate cuts. We have got the benefit of the higher swap rate activity. That helps a little bit in this year, but it's more important for the latest years. It's one of these things that the tens and twenties and thirty millions, they do start to make a difference when you're adding them up at the edge. On reduced customer activity, I realise we're not giving brilliantly helpful guidance, none of the banks are.

So we're telling you, we've got a strong pipeline. Particularly I see Q2 and Q3 on mortgages, I can see that pretty clearly because it's been written already, so I've got a strong pipeline, but I'm worried about what might to customer activity happen and so what that does to the non-interest income line, though we do think it will grow. I think it's how you take a view of that customer activity piece. I think also, you remember we had spoken about the impact of the cost at the total level of some of the RWA management actions, which I'd said to you to take a hundred million off year on year. I can't tell in your models what you've thought of that. Thank you, Ben.

Guy

The first question was on liquidity portfolio. Cash on the balances at central banks have dropped, I think about 25% in the past couple of years and sort of offset by movements and other high-quality liquid assets such as gilts. I'm just wondering if that's a trend that can persist from here or we're getting towards a sort of floor as to how you would think about cash balances at the central bank, and also just around the sort of motivations for some of those moves would be good to hear.

And the second question was just on the partnership with Rightmove. If you can talk about how meaningful you think that might be, how we should think about that in terms of is it substitution effect of other business, or was it purely additive?

Donal

On the liquidity portfolio, I would say we're not at a floor yet so I think there is more capacity to deploy from reserves into gilts. There's obviously a number of different binding constraints that will drive the minimum level of reserves that we need to hold at any point in time. So it will be different for every bank, but for us, we have capacity so it's more just when we think there is value to redeploy. The motivation from cash reserves is purely economic.

So we were quite clear back in '21, '22 when we sold down our bond gilt portfolio because asset swaps were just so expensive. We redeployed at attractive levels. Asset swaps actually have been relatively stable in the last few weeks, even though yields have spiked higher so we probably believe there is a better entry point to redeploy more cash into gilts at some point over the next three to six months.

Katie

And Stuart, I know you've been very involved in the whole Rightmove transaction. How are you talking about it?

Stuart

Maybe if I take you back to November when we spoke about our mortgage strategy, Barry Connolly was outlining really three areas we were seeking to focus on. One is expanding the addressable market, which we're doing via our partnership with Landbay. Another was innovating in a supportive environment where you've seen us use PEXA for faster and more transparent settlement. And then the third was

really increasing our lead flow from digital platforms. So that's really where the Rightmove partnership clearly comes in.

It's early days. The lead flow is performing in line with our expectations. We're very pleased with what we're seeing in terms of decisions in principle and flow through to our platform from the Rightmove platform. Clearly, it's the number one property search engine in the UK with high customer loyalty. So we're very excited about it. Early days. Performing in line with where we get expect it to be.

In terms of whether it's substitutional or additional, given its scale, we would see it as being additional in increasing lead flow. Clearly, there could be some substitution with other channels. On the economics of that substitution, it takes the customer into our digital platform where we have an extremely high-quality digital journey, which is why Rightmove, were very keen to partner with us. So clearly the costs of that digital journey are below other channels as well. So we're very happy with how it's performing in the early days and happy with the economics of it as well.

Katie Lovely. Thanks, Stuart. Ben.

Ben Morning. Thanks for taking my questions. Ben Toms from RBC. The first one is on the structural hedge notional, which grew in Q1. Can you just give us a sense about how much of that is frontloading of growth of the notional that we were expected to see in the rest of the year? Or should we still expect growth in that notional as you continue to grow deposits?

And then secondly, on mortgages, mortgage volumes, Q1 was good, application levels being good, which points to a good Q2. To what extent do you think 2026 will be kind of a game of two halves on mortgage volumes with volumes dropping right off as the high-rate environment we're currently in?

Katie If we look at the hedge, you should think of that as broadly frontloaded now. We do a 12 month lookback on average eligible deposits. We obviously do a lot of studies on behavioural analysis and things like that.

But what that was in essence us bringing forward some of that work we've been doing in the background.

Now, as we see deposits grow, if they grow, you'll see a little bit of that come through because we are still early in the year so by the time you get to the end of the year, your 12 months is this year rather than looking back from here. Given that we see deposits growing, you might see a little bit more, but it's not going to be meaningful in terms of that additional £5 billion that's come on. So you may see a little bit more, but I think the large portion of it is done for this year.

If we look to mortgage volumes, I'm not sure we'd necessarily go a game of two halves. But if we think about where we started the year, so we started the year thinking that this year would be meaningfully bigger than 2025, and now at the moment, if you look at the economics more widely, it's probably a bit more in line. And it's quite hard to say at the moment, is it going to be a bit below or a bit above in terms of where we are, but we don't see it as a Q1 and Q2 being fantastic and Q3, Q4 dropping off. I see nice steady growth coming through the whole way. What we need to do is to make sure that we're able to take advantage of that capacity that's there and that we're managing margin within it.

We're happy with April and I think I said on the call, don't get carried away and put that through for the rest of the year. Because what I guided you to was this around 60 basis points margin by the end of the year. So we will see that margin coming under a little bit of pressure as we go through but I would be surprised, unless customer activity really pulls back, to get into the game of two halves story.

Ben Back on the structural hedge point, historically, we've seen you as a "caterpillar" kind of a bank. Has there been a change in strategy or was it just a reflection of how exceptional the movement in swap rates were?

Katie I think what I would say, we're mechanistic, but not passive, is probably how we'd talk about it so I think it was more that we saw some very good rates. We'd done work on behavioural life. We had a view that we were going to be increasing, which we guided to. So thought, let's take advantage of it now. In reality, the size of what we bring in over the

course of a year, it's not going to make such a big difference, but we just took a little bit of advantage.

We're not changing our approach. You can see that we have debated it at length. We haven't done things like change the average life of the hedge. It was more actually, we know we're going to bring this through. We quite like the rates as they are now. So it's something we would have done and we do quite often, but we don't normally do it with £5 billion, but we're very comfortable that we did. Thanks, Ben. James.

James

Thanks, Katie. Can I ask about deposits, please? So the market has already got the jitters about the UK fiscal position. We could have some messy politics over the next few weeks depending on what's happening. You know, I know it's not going to be an exact replay of 2023, but if we get spiking government bond yields, big rise in base rate expectations, interest rates on the front page, how much do you think 2023 could be a template for how your deposit base reacts?

Katie

I think there's a couple of things that have changed between now and then. One of the biggest probably is the consolidation we've seen in the industry. So we know, if you look back then, we knew there were a number of players who were really liquidity constrained and actually, that's why you saw a lot of the really strong rates going out into the market. We also, if you look even just at our own book in terms of the share that we had a fixed rate business that we were relatively low, I think it was like 6% or something.

And we've increased that now. So if you think of individuals, in 2023, people didn't have their money in fixed term accounts. So what we've seen is that people have moved their excess. We see in our own book about 80% retention of that, sometimes in fixed term or sometimes it goes not into ISA, into instant access. And then it might wander back into fixed term over the next little while. We do see people have got excess saving capacity that they top up in terms of that fixed term, but that's a much smaller number so I think that helps us as well in terms of the numbers that are there.

So I don't, I don't think just in terms of depositor capacity for you to see that amount of change, but what is important, and we do believe this very strongly, that you want to retain what you've got, because what

you don't want to be thinking is in two years' time, "I wish I'd held onto it." Because that's when you start to see people paying out bigger prices to take advantage of that. And that I think would become more uncomfortable. So you can definitely see that there's more of a battle for retention than there is necessarily always for continued new money. Stuart, what would you add to that?

Stuart

I think that's absolutely spot on, Katie. Perhaps, you know, just to add to the points on what we've already seen happen, you know, during '23 and to now. You know, since that shift back in 2023, we have seen, you know, relative stability in the mix on our book. I think Katie, you covered it last week in Retail, you know, in the first quarter, for example, we've got stable, non-interest bearing balance proportions and stable-term balance proportions where margins are typically a little bit thinner. And that's against the backdrop where, you know, there are reasonably straightforward digital journeys for customers to use and, you know, a common challenger, rates in the market above 4.5% on instant access, for example, and other main bank rates of similar amounts.

That gives some comfort that a lot of the migration that was going to happen has already taken place within the customer base. I'd maybe add to that a little bit of behavioural change since 2023. And I think that, you know, in the retail customer base, the prominence of ISA and understanding of what the ISA is has really increased. And therefore, we've seen probably increased seasonality. So for example, this year, into the end of tax year at a system level, we saw a slightly slower ISA market, which indicates to me that during 2025 when there was a lot of press, people have used their tax-free allowance. And into the start of April and the new tax year, we saw quite a strong take-up above what we've perhaps seen in prior years.

So I think already within the customer base, in terms of excess savings, there's quite a rational behaviour taking place. Again, you can start to see in our flow, and I can start to see in our flow analysis how that's playing out as we come out of the ISA season. So hopefully that helps add a little bit of colour, but I agree with Katie's points up front around the shifts that have taken place across the book.

Katie The only thing I would just add from our 2023 slides, we went from 6% share of term deposits up to 16% in that 2022 to 2023 period. So it all happened then. And if you remember then, the conversation we were having in this room was 'where's it going to end?' You know, is it going to go to 30%, 34%, if we look back historically, so there was complexity about where you paid interest and things like that. But I think what's been quite interesting is, for me, it feels it's kind of moving around 16%, 17% slips into 18% a little bit. But it's very much in that tight space, since that initial movement, which would really support the piece.

Donal The only thing I would add, James, is in terms of where you started the question around front page news. We've seen that for the last two months, you know, we've seen one-year rates increase by 100 basis points since end of February. You know, we've seen a huge spike in gilt yields. But again, the mix has been relatively stable during that period of time.

Katie Thank you. Andy.

Andy Just a quick one on the hedge. When you gave the original £1.5 billion guidance for this year, and then £1 billion next year, it was based on maturing product hedge yields of 0.4% this year and then 2.8% next year. It's obviously quite a step up year to year. So what I'm just trying to get a feel for is the quarterly move in that maturity profile, because it makes a big difference on how much of the £1.5 billion you've effectively already booked.

Katie I'm not going to get drawn on quarterly move mainly because I don't have that number at my fingertips. But I can tell you about what we've already booked. So if you look at our locked-in income, we're over 90% for this year already and we're over 70% for next year. So you can see how much of that is already in the hedge. And Andy, you of course, understand by what we've put on for this year, because we're just moving it out of earning 3.75%, it's going to now be earning a little bit more, but obviously that becomes more valuable as you go into the later years.

Andy Yeah, I guess what I'm trying to work out is if I was to compare the Q1 annualised, as opposed to last year's Full Year, the numbers of the incremental NII growth are probably somewhat lower from the hedge contribution. Is that because of the way the maturity profile works?

Donal There's going to be a timing element just depending on movements of when the 5-year swaps were put on. I will, but I don't think we're going to get into semantics of guidance, quarter on quarter. I think the £1.5 billion as Katie said is over 90% locked in. I think the important thing to remember as well is the increase of the £5 billion is going to increase what we disclose in our Hedge Disclosure. That won't be an automatic increase in our P&L. So that's just one thing to consider, expect that 1.5bn year on year to be the amount to increase based on the disclosure.

Andy And the £5 billion growth effectively gets reallocated from an otherwise cash...

Donal Exactly. That was earning 3.75% base rate, but it's only the fixed leg that hits the Hedge Disclosure so you need to take that into account as well.

Katie Thanks very much. Amit.

Amit Thanks. Just a couple of follow-ups. But one was just on the CAL growth in the quarter, just Q on Q, that was very strong. But the revenue growth even adjusted for day count wasn't quite as strong. So I'm just trying to think, how do you contextualise that for the quarter? And just more about thinking about that for the future income growth.

Katie As we look at it, overall, if you look at income, so Q126 compared to Q125, it's obviously a strong growth. I would agree with you, versus Q4 you'll have adjusted for days. I guess what we had talked about is if you think of it in NIM, one to two basis points down on mortgages per quarter, we saw that the two basis points this quarter, that was basically all mortgages. And we've talked about the fall to around 60bps

so that definitely has a bit of an impact. And when you look in the Financial Supplement, you can see the mortgage income. You can just see although the balance was going up, the income itself is clearly coming down so that drives quite a bit of it.

When I look to the others, there's not a lot to say on margin, in terms of how they're coming through. I don't see that one pulling. So I think it's just a question of looking at the CAL, using that as a guidance. On slide 30 it does show you what the third party customer rates are so you can see that coming through.

Amit

And the other question was mentioned at the start. In terms of repricing, it's kind of come a lot quicker on the mortgage piece now to repricing every two days from whatever several years ago, six weeks. Just kind of curious where you think you fit now versus your peers in terms of how quickly you can reprice. And if there is kind of almost instantaneous repricing, is that changing the customer behaviour and the way they're looking at products and pricing and, you know, through these periods?

Katie

I would talk about the relation to our peers slightly differently. So in terms of the repricing, we're going to be more or less in a ballpark. No one's going to be out in those six weeks, whether it's two days or four days or five days, it's probably going to be in that range. What's actually really important though, it's not just the repricing mechanism, but how well you can cope with when you hit spikes. You'll reprice and you'll think you're putting yourself to a certain point on the pricing table, and depending on what everybody else does that day, you might all of a sudden find yourself that the best offer in town for 24 hours. And then that just means you get a lot of application.

Your ability to cope with that application is absolutely fundamental to your ability to keep serving the customer base. So that's really important. We think we do that really well. We think we do that better than several of our peers. And we can see by where they then reprice to, it gives you an indication of which ones are thinking, "I just don't want to win business in the next little while." So I think that is important. Stuart, what else would you add in terms of the question?

Stuart No, I think that's covered it. The point on instantaneous repricing, that is an interesting sort of theoretical question. I do think there's a customer perspective to this and what the customer and the distribution can realistically withstand. I guess the customer wants to know that they'll have some certainty over what their incomings and outgoings are going to be in a world where prices are changing around them instantaneously. I think that might be quite hard for them to handle, but clearly the market is extremely efficient in terms of repricing and distribution already. We've probably got that to about the right position, every couple of days is possible.

Katie Stuart, do you want to talk a little bit about how we're seeing customer behaviour at that 4-month point out, and then the numbers that actually ultimately go with their deals? I think we are seeing some changes in customer behaviour in terms of understanding the need for speed.

Stuart In terms of existing customer retention, we tend to offer deals to our renewing customers four months ahead of the point of renewal. We do see extremely rational behaviour depending on what's happening. So if I think about our upcoming maturities in the summer, those windows opened just around the time of the start of the volatility. We clearly had planned for that in terms of our hedging profiles, but we did see customers seek to take deals early with the expectation, and I'm sure in some cases broker advice, that rates may go up.

Interestingly, as we've got deeper into the geopolitical situation and we've seen just volatility within a range, shall I say, we've seen behaviour change again and again from work that we've done on previous cycles. We were able to see that coming and hedge appropriately as well. So from a customer behaviour perspective, we see increasingly rational behaviour against interest rate movements and customer rate movements.

Katie The mortgage book is naturally tied to five years but in the last little while, we've seen people taking deals because they're like, "Well, actually, I can see where it is and I want certainty of my cash flows." Then what we know, well, there are people that move on the 4-month,

not as many moves as you think there might be. That's the balance of how to get there. Jonathan.

Jonathan I was going to ask actually about the buyback. Obviously, the shares have derated like others, but slightly more so year-to-date, partly because the upgrades have been quite good. The share price came down a bit. Market is a bit disappointed by the lack of buyback. I mean, there's obviously a bit more to go, but it's not going to get topped up apparently until the first half of next year. Do you see any scope maybe to revise that timing? Obviously, your income outlook is better than it was. You've seen the market reaction to the lack of buybacks in the last few months. There's an argument, I guess, that by February of next year, you'll have got another 10, 20, 30 basis points in the bag. Debate how you treat Basel 3.1. Is it 1st of January '27, 31st of December '26? Feels like there may be scope to do a little bit of buyback earlier than you thought, or is that completely off the cards?

Katie The way that we look at it, we're committed to June '27, but you should assume that we seek to manage that RWA exposure very tightly in terms of where we are. You should assume that Donal gets a fair bit of pressure to make sure that number is well-managed and tightly managed. At this stage, we're not committing to it, certainly, but our commitment is to June '27. But look, our history has always been if there is excess, we'd return it. That's very much our stated capital policy, but at the moment, we're sticking with the June '27 commitment that we have. But let's see how the year unfolds.

Jonathan Okay. It doesn't sound like a no though.

Katie So look, we're committed to June '27, and we'll see how the year unfolds. Perlie, good to see you on the screen there.

Perlie Thank you. Can I ask you about sweet spot for rates? I think previously, I don't know, maybe three years ago, we had this conversation about sweet spot. I think at the time, maybe 3%, 3.5%, was often cited as that. But we're now at a bit higher than that, and it looks like the market may be expecting one more hike. Maybe 4% is now the new sweet spot. I

suppose the point is where we are now, it looks like 4% is still fine in terms of activities, in terms of credit quality. It looks like corporate lending is absolutely flying. If that is the outlook we're looking at, what would make you a little bit less conservative? Because I think we've all had this debate for about six quarters now, but it does feel like there's a lot of conservatism in your income guidance. If this stays stable, the way it is now, does that make sense? How much upside if we take away a little bit of that conservatism in that guidance? That's the number one question.

Number two is, I'm sorry to bring it back to this corporate lending, but it's absolutely flying, and no one can really square it with how we feel in the air. I think you've given some comments about where growth is coming from, broad-based, but it looks like March is even higher than it was in February, year-on-year. Can we maybe talk a little about motivation, and why are the corporates borrowing? Is it because... Are they investing? Is that why? Or is there just a little bit of, actually maybe they want to have a little bit more cash in terms of maybe buffering for working capital? What is the motivation for borrowing? And if you compare to historic leverage levels, where do you think we could get to? Because I think Paul said this whole corporate lending growth is actually structural. Structural in terms of maybe a bit of releveraging? Is that what we're talking about here?

Katie

I guess, as we look at it, Perlie, you and I have different views on my conservatism, in terms of where we are. That I don't feel that the guidance we're giving you is particularly conservative. Certainly, when we talked at the beginning of the year around income, we talked about £17.2bn to £17.6bn, and I was very much in that guidance space. I've been reviewing my working day 2 flash this morning, and I would say the papers on my desk still support the messaging I'm giving you. What we've got to think about is the question we had earlier around the puts and takes. We don't feel it's wildly conservative in terms of where we are. Our history has been as things evolve, we'll tell you about them as they evolve rather than initially hold them back for a bit or a moment, sort of thing. That's how we've dealt with it so I'm really comfortable with the guidance that we've given you.

If I think of corporate lending, I think there's a few different things from there. If you look at it, while rates now, they're staying at 3.75, the market's at 4.00, 4.25. Clearly, that's come down a lot from 5.25 in terms of where we were. Actually, if I'm a borrower, while I might not like it, I'm feeling a lot more comfortable than I was recently. I think that corporate customers, they're typically on variable rates, so actually they're feeling a bit more of a benefit. They've seen their borrowing rates coming down. We don't think that, if it was to sit steady at this kind of level, we don't think it has a particular impact on demand. If I'm borrowing, obviously, it depends on numbers, it depends what I've got on deposit. Every customer's different. But a 50bps movement on the rate may or may not have a particular impact on them.

And then when you look at our retail customers, 60% of our customers are already paying over 4% on mortgages. If I look at those that are rolling off, the amount additional they'll be paying now compared to if they had rolled off three years ago when they'd be up at the 5%+, is clearly smaller. They've had five years of wage increase in that time as well. It's affordable for them, which is why, I think, Ben, my comments earlier, that's why I don't think it's a tale of two halves in the year. A movement roundabout here and toggle is not too difficult for people to deal with.

I think then, why is it so strong and why are we able to capture? So I think first of all, in terms of the commercial business, we've got the regional network that we have and the relationships we have. We are the biggest bank for business, and that comes through in our numbers. I also think it's one of those attitudes that you can't believe everything you read in the press, because actually, it's naturally more negative in terms of what's going on there. When I sit at tables like this, having dinners and lunches with different CFOs from different businesses, what they'll tell me a lot is actually, "We're doing okay. I can see where we're growing. We might be growing in a slightly different way than we maybe planned at the beginning of the year, but we do have a good level of comfort. But what we are worried about is "them" (other businesses).

I also think, and you've heard Paul talk a lot about this as well over the last little while, I think what the UK business and the UK consumer, if you look over the last number of years since Brexit and COVID, they've been through a crash course of active management of finances, because they've had to work on how to deal with different things

happening along the way. We do still expect to see growth. Our history is that we've always managed to grow a little bit above nominal GDP. We expect to continue to do that. We'll continue to do what we do and we'd expect that to continue to come through, and delighted with the delivery we've had to-date.

Perlie

And can I just quickly follow up on the new deputy governor that's coming in? Have you met her? Any conversations? Do you think there's any change in direction? And what would be on your wish list? If she asked you, how would you like to see, regulation support productivity and growth?

Katie

Obviously, we know her as a firm, given where she's come from. We've been very clear in terms of the things that we are looking for, whether it be in terms of the moves that we see on ringfencing. We'll see how that evolves. And also some of what we view as quite gold-plated capital requirements that we have, so whether we'd be there. She rightly has not given any indication of where she thinks she's taking. She'd be foolish to do so. We're delighted with the appointment, and you know, wish her the best, and we look forward very much to working with her as things go through. She will naturally just take soundings from all of us, as and when she's ready to spend a bit more time.

Thank you. Any other questions?

Sheel

Related to the previous question, RWA management was around £2 billion this quarter. It's probably annualising around £9 billion for the year if this same level continues. Could I ask if I disaggregate that number into the gross impact between the actual RWA management and the amortisation of maybe some of the SRTs and other variable part, could you split that up, please?

Katie

I'm not going to split it up for you in that way. What I would say as we look at it is this quarter is made up of two things. Part is the SRT, which you can see coming through our Pillar 3 Report and the balancing piece is some data quality work that we're doing. There's always data quality work that you're just doing all the time, going on in the background. I

would put this as a particularly good quarter, this quarter, so I wouldn't annualise that. Because that would be a lot of data quality cleanup to deliver in one year if we did annualise that amount within there. I think it was about half a billion or something of the number, so I wouldn't annualise that and the balance of it being SRTs.

What we've said, these are always, they are quite lumpy. We do expect to see them most quarters, but we won't necessarily see them all quarter. I'd probably say don't annualise it all, mainly from that data quality piece, but we do now have an active programme going on. We're not really yet at the stage, given that our programme's in its beginning of its third year, we're not fully at that amortisation roll through yet. I'm probably expecting the programme to grow a little bit more from here. We could see some, but I'd hesitate to take four times that number because I think that would get you a little bit toppy in terms of where you are.

Sheel Are there any indications as to what size you'd like to grow the SRT programme to?

Katie I mean, we've talked about it being 15-20% coverage of the corporate book, so smaller than others, but in line with other banks as well. We'll see how that evolves. I think one of the things on this programme that I was pleased about, not just that the guys delivered it, but when March was happening and there was a lot of volatility, the worry that we had was we're not going to get this out because all of a sudden appetite will diminish.

But actually what was really clear is we had really good appetite for that trade that we did in March. And so for me, that's helpful that if we can continue to manufacture, certainly, the appetite to consume is there on the up on the other side, which I think is an important and improved point.

Sheel Thank you.

Aman Hello, it's Aman at Barclays. Thanks very much. Just to follow up on RWAs, then, so relative to your loan growth, you know, what kind of

growth rate in RWAs, because you've got quite a lot going on in terms of the mix. You've got robust loan growth, the mix, efficiency. You've got things like operational risk, RWAs, etc. It's quite a lot.

Katie Yeah, so we've taken that for this year already. So we took the operational risk at the year end. That's based on the average of three years of income, so you can work out what that number is. We obviously saw a little bit of a fall off on it this year in terms of the change coming through. I think the guidance we've given you on RWAs is around £10bn in relation to Basel 3.1, which we'll give you pro forma at the Year End. You can imagine on our capital distribution, we will assume that has happened at that time.

Aman And the second, on the non-net interest income... two-part question, I guess it was the wrong kind of volatility Q1 for market's business, I guess.

Katie It was. It was also a relatively small number, but yes.

Aman But I am interested in this. There's clearly a caution or a conservatism around the forward look on non-net interest income, which I understand, but it'd be great if you could add colour to it. Because I guess volatility, presumably, is positive for the market's component of your business. You're pointing to a position of resilience amongst your customer base. So I'm kind of interested in what that down... what is that downside that you're talking about?

Katie Yeah, as you look at it, the fixed income portion was impacted by the volatility that we had so a slightly weaker result than we were sort of expecting. I would guide you that it was low tens of millions... But I wouldn't overblow it, but as I said earlier, these numbers do matter. But if I look at it, we obviously saw at the same time volatility was helpful on currencies up 2% year on year, which is great to see.

But the capital markets activity was a little bit down, because people just weren't placing. So I think those are the things that you sort of look

at. Once you have all of them happening together, then how do you push them? So you know, and while we've obviously made assumptions about the rest of the year, you know, currencies are pretty predictable. You know, if you have this level of volatility, what happens in capital markets is just less activity. And we'll see how that progresses through May and June.

And obviously on the fixed income piece, we have dealt with some positions, so we wouldn't expect that volatility to continue. But again, it's important because of course, in our quarter, you can see it, but it's not such... they're not such large numbers.

Aman But if it's principally, it sounds like it's the markets business.

Katie It's more there. And then you then have a flowthrough, obviously. If you look at our non-interest income, it's principally a C&I story. There is obviously activity, which we're delighted to see on the AUM side, and as we see that grow, that will become more and more meaningful. And you can see the growth that we saw in that income coming through. And you know, in our strong, our strong New Money was really helpful there. Retail is much smaller. It's harder to do the fees. So it's what's happening on the customer activity. And I guess what gives us a bit of confidence as we go through, we know we'll have customer activity, so you'll know that you'll see the fees coming through. But at the same point, you've got a little bit of noise coming through on that capital market side.

Aman Thank you very much.

Katie Lovely. Thanks, Aman. Chris.

Chris Good morning, it's Chris Cant from Autonomous. Can I come back on deposits? I was interested in your comment on liquidity constraints for some peers coming through 2023. Was that TFSME maturities.

Katie TFSME maturities. But if you think about it, if you go back, we all got very excited. One peer did like £2 billion of debt raising in a fortnight where they put out this huge rate because they had to do that then. Virgin got purchased. Co-op and Coventry combined. And then we've seen a lot of TFSME repayment happening since then.

We'd say we've also seen some banks issue quite a lot of short-term wholesale funding to pay for that piece. So they're working their way around it. But I think in 2023, when you had those big movements, you saw people come out with like big rates to go, "I need to raise £x billion." And the one that sticks in my mind more is when one bank wanted to raise £2 billion and they did it in a fortnight by putting a very big rate in the market. And I don't think we're in that space any longer of competition.

Chris Sort of a mixture of TFSME plus some M&A activities.

Katie Yes, I can remember talking about some of our peers that if you took out the TFSME, they had liquidity ratios of like circa 50%. So that's why some of the transactions peers did were very sensible, and then we also saw the M&A activity.

Chris And in the context of deposit competition today, do you think that the shift to sort of essentially permanent central bank repo facilities being available, does that change the competition dynamic? Because I guess historically, you have this cohort of challenger banks, which have now been acquired by whosoever, but you had a cohort of challenger of banks that were quite heavily into TFSME as a way to fund growth. You don't have TFSME anymore, but you do have essentially the Bank of England saying, we're very happy for you to use kind of 6-month repo... basically, the same price, right, base rate. So does that put a cap on rates that we'll see in the market around deposits, do you think?

Katie I mean, it's interesting. When you look at the whole table of rates, I'm still surprised at how far some of those rates go up for some of the very small players that you and I recognise the names of, but the general public doesn't in the same way. Donal, you spent a lot of time on this.

- Donal** Yeah. Just to be clear, they can't raise liquidity at base rate. They can swap gilts for reserves, but that's not going to benefit their LCR liquidity, but they can raise liquidity and funding through ILTR level C, which is they'll pay at a floor rate of base plus 15 basis points. But the answer to your question is yes, because in effect, there'll now BAU facilities the Bank of England wants people to actually use. So it is actually a cheap source of funding versus the equivalent of longer dated covered bond or MBS or short-term money market funding.
- Chris** Is that base plus 15 against mortgages, essentially, is what I'm thinking?
- Donal** Yes.
- Chris** That feels like quite attractive.
- Donal** It's attractive. It's very attractive from an economic perspective. You know, so it's a trade-off around yes, there is a very attractive Bank of England facility, but I think most banks would be thinking about a way of, okay, there's an option there, but you don't want to have dependency on your central bank to fund your balance sheet.
- Chris** And then sort of another question on deposits, but this is more about stickiness and how it fits in with what we're seeing with the retail Advice Guidance Boundary Review, which I think is now in place...
- Katie** Well, they are being a little bit slow. I would say in terms of the regulator, in terms of the approval, unless something happened in the last two days, I don't think we're quite there, but we're almost there. But the regulator at this stage is being a little bit slow in actually doing approvals.

Chris But do you think that... Obviously that there's going to be some CAL growth coming from that, presumably. I'm not sure it's going to be hugely impactful in terms of group numbers on non-interest income. But how do you think that change benefits the deposit franchise? Do you expect more stickiness if you have that sort of additional ancillary customer relationship on the broker side?

Katie I mean, definitely, if you look at it, one of the things we really like about the Evelyn transaction is the size of their salesforce, with it being the biggest tied salesforce. And then because we also knew how long it would take us to build that, we are excited about their Bestinvest product coming in to our retail customer base. Because what we know is the larger share of wallet that you have, you know, the deeper and richer the relationship that you have with that customer. I think it will help, it with something that is, that will be additive.

And then we also see where flows go out to competitor-type products. So we would hope that what we're aiming to do within that broad cohort within retail is to stem the flow of some of the money that gets externalised and bring it more onto the Bestinvest platform.

Then obviously, on the Coutts side, it's very complimentary to a lot of what we do there. We've talked about the synergies and things from that side. We'd see it as a net positive. From a consumer perspective it's definitely a net positive because we know that they're just struggling to get advice. And ultimately, you may see minor movements in margin where obviously when you go from retail instant access into stocks and things like that. But overall in the long run, the depth and stickiness of that relationship is positive.

Chris Thank you.

Katie Ed

Ed I had two questions, actually. One was on the margin. And I know you're not... you don't so much like to talk about the margin. But if I look at it, I mean, you've had eight quarters of pretty consistent growth in margin. And that broadly came to a halt in Q1. I mean, it was up a bit,

but it was all to do with liquidity, as much as anything. And so I'm just wondering, we can all do the maths about interest rate sensitivity and hedges and all of that. But are we entering a world where perhaps 18%, 19% return, people consider that to be satisfactory now? And that actually, if we do get further benefits from rate rises or anything else, the chances are that the bulk of that will go to customers and will go in competition, whether that's in mortgage pricing or in deposits or anything else.

So I just wonder, it just feels like we're in a slightly different world than we've been in for the last perhaps two years. And perhaps the sort of the glory days of never-ending margins going up are coming to an end. So that's the sort of first question.

And then sort of related to that, in terms of the hedge, you give us the gross income on the hedge, which I sort of get is helpful. But that's often to do with the size of the nominal or the notional rather, and what's going on there. I'm just conscious as we go into next year, five years ago will be the sort of Truss era, and then I think the year after that we had 5-year swap rates at 5% or more. So in terms of the yield on the hedge, is there a risk that actually, as we go into '27, that actually that's going to be more of a headwind and it's growing, but it's growing because you've grown the notional, not because the yield is getting any better? I guess that's my question. Actually, can I just ask those two? And then I've got another supplementary if I may. Thanks.

Katie

So if I look at it, as I think of margin, what I would say to you is, I don't expect quarter-on-quarter growth in that margin every quarter. But what I have said is, we do expect it to grow over this year. But the kind of quarters we had a little while ago, it was growing about eight, and I feel at one quarter it might even have been growing about 14. I think those days are no longer what we're looking at. So it's definitely more muted. And you can see already that although there's no overt, I'll take this money from here and I'll put it to there. The pressure we put on the FDs and the businesses, we need product and customer relationship, particularly in C&I, to be standing by itself, not that you're overtly compensating for one to the other.

There's naturally a balancing of an opportunity and you're balancing a book. And one of the things I talked about, we know we've got margin compression coming through on mortgages, but it is being offset by the

growth we have coming through on deposits. So it's not like I'm taking this and giving it to that, but we do know we're balancing. So I think that you'll see that continue as we're obviously trying to balance our returns.

If I go to your hedge question, yeah, you're absolutely right. If you look at your five year, and it was the Truss moment, but we didn't book the entire hedge on that day. So it's a five-year journey. One of the things we talked a little bit about in February was that in 2028, that was the point where actually the roll off rate was going to be lower than what our expected reinvestment rate was at that time. What I would say is given the movements we've had just now, and our current expectation on levels of rates, that difference has more or less disappeared.

So you get to a point of a parallel between those, the roll off, the roll on, and then your point around the size of the hedge is really important, which is why at the Year End, I wasn't particularly worried about it because it was compensated by size. I'm even less worried about it now because I've got size and actually don't have that differential at the moment in our expectations on rates. Rates will move, we'll see how they evolve but that's why we do think that kind of mechanistic caterpillar approach is the right one to stick with.

Ed

Sure. Okay, very helpful. Just coming back to this corporate lending question because I hear your answer, but if I look at the numbers, your lending to Corporate and Institutions was up 16% year on year. And the market is absolutely petrified about private credit, non-bank financial institutions and non-bank lending and everything else. And yet it seems that this is an area that you are taking huge share in, unless I'm wrong. So I guess that's 16%. I don't see that. I don't see companies growing 16% anywhere, or talking about how they're taking 16% more lending. So I just wonder, can you help us a little bit more about what is that lending? Who are you lending to? And why are you so comfortable with that credit?

And sort of related to that, I asked this question to one of your peers and got completely ignored. So I'll try with you. But one of the things that has shocked me has been the size of these exposures. In the past, people said, "Oh, yeah, we lent £600 million, but we subordinate it all out. We sold it all off, our actual exposure." That's not the case anymore. Exposures of £400 million, £500 million, £600 million to single

counterparties seem to be completely normal. So I just would be really interested to know, what is a big exposure to you? I mean, how many, to be a top 10 exposure of NatWest, how big would it have to be? So we can get some sort of scale of what sort of single item risk is.

Katie

As we look at it, I think for us, you know, it's not all financial institutions growth that we've had. If I look at the Bank of England, they're growth rates, it's been +9% to 2025. So therefore, if you take that plus add on some of the financial institution growth, that's why you can see the numbers that you got through.

So obviously, we haven't had any of the names that you've seen come through recently. We would have looked at all of those names. They would have flagged as risks that we wouldn't have taken. So one of the things I talk to this team a lot, they do reject more deals than they take and they go through very robust underwriting. When I look at it, the private credit securitisations we've got, it's about 2% of the book. So I mean, that's not a huge number within itself. But I would agree that obviously, that feature of the market is becoming more relevant over the last few years. So it has been something that's driven a lot of growth. And then you can see that in other securitisations, which are things like mortgages and CRE and things like that, where obviously they've got different kind of underwriting as well, that that's sitting at about £11 billion. I'd say collectively, the numbers are probably bigger than some of you expected when we've all done some of the disclosures that we've seen.

And then rather than ignore you, Ed, I'll just disappoint you, and say I'm not going to give you a single name exposure. But clearly, what we do is we do look to manage our risk and whether we share in the underwriting or whether we then lay off in terms of secondary or things like that to make sure that we've got exposures that we're very comfortable with in terms of writing.

Donal

Okay, I'd add just in terms of that C&I lending growth, don't forget some of that will include reverse repos.

Ed Do you know what of the 16% would be reverse repos? Is that something you disclose?

Katie We generally tell you what the reverse repo number is for the Group

Ed Fine. I'll have a look. Okay, that's great. Thanks very much.

Katie Thank you very much. Thank you. Are there any other questions?

Andy It's just I want to come back to the non-NI point. I think we've discussed C&I in detail and we know about NatWest Markets. Maybe I'm misreading your statement. But I think in the Retail Banking division, you called out some one-offs in non-NI including an insurance partnership benefit. But I wasn't sure if that was the right comparative period or that was Q1 '26.

Stuart We've disclosed we've had a couple of one-offs including an insurance profit share in Q1 2026. That is typically seasonal around the first quarter of each year, but it is certainly a one-off relative to Q4 2025. Typically, you'd expect the first quarter of the year to be a little bit seasonally softer than the final quarter of the year. You haven't seen that in our numbers and that's due to the one-offs included in the profit share.

Andy I assume the one-off is pretty small because when I look at your fee split in the back of the accounts, there's no noticeable change.

Stuart Yeah, it's not sizeable enough to be a notable item.

Katie Notable items are both notable by their size or they're non-recurrence, whereas this recurs every year. Because otherwise you get to the point that you shove anything interesting into notable items and you give us no credit for doing any of those transactions. Clearly the insurance once

a year is an important number for us to get. So for me they're so frustrating because they make that quarter look a bit odd so we try to let you know that there is something in there. But we work hard at not putting everything in. So I do try to keep notable as things that really are unusual in nature and interesting in size. Super.

Jonathan Can I just ask one quick on the RWA point again. The RWA management benefit is shown gross I think, and the amortisation is going into the book movement, and we don't get that number. So you alluded to the idea that actually it would still be net-net a positive, a very little while ago.

Katie I would say, I would still expect there to be positive things even more than a little while longer because think of that RWA growth, it's not just SRTs, it's also what we decide on credit insurance. It's the kind of transaction we did at the tail end of last year mortgages. It is what we do on data quality. So there are things that I would think, there will always be some things that aren't just replacing amortising effects.

Jonathan But do you have an idea in your mind, let's say we look two, three years forward, we have the book growth, and so I've seen the risk density remains exactly as it is. How much can you get the RWA base down through additional net SRT some of the things we're talking about?

Katie Yeah, so, look. In two or three years' time, it's hard to give you a number for that, but I do think it will continue to be an important feature. If I look at last year, our activity we did last year paid for the entire book growth, whether you're amortisation or not, more or less. So that was good. I wouldn't expect to see that all the time, but I do, as we look at it and we look at the business, they spend a lot of time looking to see, actually, how do I just continue to recycle this so that things are now lower returning I can get a better return by deploying the capital elsewhere? So I do think it's something of a permanent feature and if you look at banks that have a more mature profile than we have - and bear in mind this is only the third year of our programme - they still do get benefit from those programmes on a multi-year basis. Thank you.

Jonathan

Thank you.

Katie

Perfect. Look, as ever, thank you for your time and for your questions and if you need anything else, the IR team are always available to answer your calls and I look forward to seeing many of you over the coming weeks. It's only 12 weeks on Friday till we do Q2 Results. So I'm looking forward to that already. So thank you very much indeed. Take care.