



**NatWest**  
Group

**NatWest Group plc**  
**FY 2025 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 everybody and thank you for joining us today. It's lovely to see so many of you, which is a real pleasure. I've also brought a gang with me this morning, it would seem. So some introductions. Stuart Nimmo in Edinburgh is well-known to all of you.

We're also wanting to welcome Betsy Munro. Betty joined us last year from JP Morgan and she's our Finance Director of Private Banking and Wealth Management. And know that I know you're all going to be asking questions, but she's all ready. So they'll have a starring role in her first outing, but it's great to have Betsy here with us. Donal you know well, of course. And Claire, of course, is well-known to you.

Look, it's been a busy couple of weeks since the results. So before I open up for questions, I was just going to highlight a couple of topical themes that we're talking a lot about with our investors at the moment. First, of course, is the acquisition of Evelyn Partners, which we announced in the same week as our results. And it shows how strong our capital generation is that it has allowed us to buy a strategic asset at the right time, creating the number one UK Private Bank and Wealth Manager. Evelyn Partners adds a scaled advice and planning capability that enhances our ability to serve personal customers across the wealth spectrum. Its established network of advisors and financial planning services strengthens our wealth and advice capability, and its leading D2C platform Bestinvest enables personalised, digitally-delivered investment solutions.

We've tracked the business for a number of years. We know it well and we also undertook significant due diligence. We're impressed with the cultural fit, the investment that has gone into its tech capabilities, and how the business has been risk-managed. And we're also confident in our ability to deliver both cost and revenue synergies from this transaction. The acquisition accelerates the delivery of the Group's strategy by increasing our exposure to a highly-attractive growing market, supported by strong demographic and regulatory and technology trends. It provides us with a third growth engine, PBWM now representing 20% of Group CAL, and it boosts group fee income by around 20% before synergies.

And then secondly, an AI. During 2025, AI has been deployed at scale across the bank. We're innovating faster, getting customers the information they need quicker, freeing up valuable colleague time, and doing things more efficiently. AI can help us build deeper more trusted customer relationships, transforming the experience and meeting needs quicker. This year the building blocks of truly transformative AI will become a reality for our customers, whether that's through agentic assistants, where we launched a pilot last week, or conversational voice-to-voice technology. But also, we need to remain trusted and so we're prioritising responsible and sustainable AI.

Overall, we believe that the scale of our business, our customer data and our capacity to invest puts us in a strong position to be a leader. And we'll tell you more about that, what we'll be doing in that space when we have an Investor Spotlight, which we will be doing over the summer on this topic.

And finally, on the financials, as you know we've raised our ambition. We now target a greater than 18% RoTE in 2028. And importantly, this is on a balance sheet that is growing at more than 4% per annum. Driving, strong EPS, DPS and TNAV per share growth through to 2028 and of course, beyond.

And with that, I'll move to your questions.

**Ben C-R** Thanks very much. Ben Caven-Roberts from Goldman Sachs. Just two please. First on Evelyn. Could you just talk about the revenue synergies that you've seen, where you see potential upside versus downside, and what areas...

**Betsy** All upside.

**Ben C-R** The most compelling areas of upside then.

**Betsy** Yeah, most definitely.

**Ben C-R** The second one, I mean, clearly, there's a lot of focus on AI at an industry level over the past few weeks. Could you talk a bit please about how you think of your deposit mix. And effectively, if you have a big portion of customers who are just so happy to stay in the NatWest brand, they're not looking anywhere else. They just want the best yield you offer, versus others that are potentially more proactive in seeking yield across different institutions in the market.

**Katie** Yes, we can talk a little bit about that. Do you want to start, Betsy, on revenue synergies?

**Betsy** Certainly. So as you can imagine, we did an extensive amount of review during our due diligence process around the opportunities that we would have. So, first to touch on Bestinvest.

As Katie mentioned, so Bestinvest in an industry-leading platform which we feel very confident about as far as an ability to plug it into our existing infrastructure end-to-end capability to leverage that for the breadth of the NatWest Group clients. That was something that we saw as a key critical factor in what we want to be able to do as far as increasing that personal investing opportunities and had as part of our organic growth plan, with looking across the breadth of all the NatWest Group clients. So that was a very strong, compelling factor.

Second is when we look at their financial planning and their investment management expertise and the wealth that they have in-house to provide those services, and really enhance that as far as looking across again not only within NatWest in the retail business, but within Coutts as well for their award-winning and excellent service that they can give around that planning side.

And then finally, when we look at actually the offerings that we have within NatWest Group from banking products and lending products that we could then sell within that Evelyn Partners client base, they have complex needs that we can meet within our complex products whether if we're looking at a specified mortgage or specific lending that we can help to service their full and wholistic banking needs. When we looked as part of due diligence process, we can see the flows that go out of NatWest Group to Evelyn as well as other competitors like that, or we can say this is an opportunity for us to be able to harness that within,

within NatWest Group more broadly, and give that to the breadth of our client base.

**Katie**

So in terms of the AI and on the deposit piece, I think it's important as well just to remind ourselves what our deposit base is. You know, we're 30%+ of non-interest bearing deposits and that's made up of many millions of accounts and many millions of balances.

And if I look at those balances, what you see there are people who are generally managing their mortgage payments, the electricity bill, the Visa card, and things like that. So, actually, when I look at that piece, for the majority of our customers, so therefore the majority of our balances, they're not sitting there with a big lot of excess within there. You see a different behaviour in the likes of Coutts, where actually what you see there is already customers whose overnight funds will get swept into a higher interest paying deposit account.

That's the reality of what we do today. AI won't change that, but it may make it more dynamic in the level that they set, but that's something that happens in how we manage our book today. So I think one of the important things when you look at that is to say, actually, what do you have in there? You've then obviously got your instant access, where we see some movement coming through and then you're fixed higher, which you know is very low or even sometimes negative margin, and that's the faster money so it doesn't have the same liquidity value for us at all. It's not something that we hedge within our [structural hedge]. It's a positive book in time. It's just where you're pricing in any one moment you might have a need to go through.

So then when you think, you stand back and go, "What might AI do to this?" It's actually which pools are you talking about? So for me one of the most important things is making sure we have the right product which we demonstrate already in Coutts that actually if you're sitting there with wealthier balances and you're not managing your non-interest bearing account to your mortgage payments and things like that, actually, that's something that already happens. We've got some good insight on our customer behaviour there as well, and we have to make sure that the product is already something that we really can offer to our customer base. So I wouldn't say that I'm not worried about it, but I think we've got some experience of how we manage it, and actually for the majority of customers if you've got £100 or £400 or

£500 spare in your bank account, you're not going to chase, you know, 1% percent better return on that interest.

And also, one of the big questions for me, and we'll see how we all get there. We probably all trust technology today far more than we thought we would have done five years ago. And so I wouldn't say I'd never hand over my current account to someone to manage for me via a bot. But I find it quite hard to believe at the moment that I will. But I also say, you know, we give more of our lives to technology than we probably all realise. So we're not overly worried about it, but it's something we're watching and developing, and we think that we've got some nice experience growing in the way that we manage deposits at the moment within the private bank.

**Ben T**

Ben Toms from RBC. Firstly, one on the structural hedge and the gilts into that structural hedge. I look at the gilt-swap spread. It was actually much bigger last year than it is now, so is that the main driver of why you've started doing it or is there another driver, or did you start early and just didn't start talking about until today? I'm just trying to think about what the drivers are, and what might get you to reverse that decision. And is it just a way of moving cash out the Bank of England for a bank that's worried about deposit tiering maybe happening at some point in a few years' time?

And secondly, on Evelyn, can you just talk a little bit about finance incentives you've provided Investment Managers, asking for them to stay over the next couple of years and whether any of those manifest themselves kind of on a 3-year view so they would land in 2029 that we need to think about on the costs. Thank you.

**Katie**

Donal, shall I come to you on the hedge?

**Donal**

Yeah. So probably two elements. From a timing perspective, yeah, it's something that's been all through last year. So you know, for us, you've obviously seen it, pricing of gilts and asset swap over the last couple of years, and it got to a level last year where we just felt it was attractive to switch the hedging instrument from swaps into gilts. You know, what we did is we restructured some of the back book of hedge to gilts and

then what we do, we've taken a decision to reinvest anything that's maturing on a go-for basis in gilts as well as we feel its attractive.

Yes, you've had a bit of a pullback, but it's still giving you a 40 basis points plus pickup over swaps on the reinvestment. So as long as that stays which we don't expect any material reversal, we will continue to reinvest any maturing equity elements into gilts. If you think equity hedges £25 billion so it is only £2.5 billion a year that's rolling off.

In terms of the question around reserves, no. If you look at what you have seen over the last few years is really a reallocation of cash back into gilts as part of the liquid asset portfolio. You can nearly view this, even though it's a structural hedge, it is still increasing the level of assets that were holding in our liquid asset portfolio. Securities as opposed to cash as well, so it's a natural transition that you're going to see of a smaller percentage of cash on a go-forward basis as well.

**Katie**

Thanks. And in terms of Evelyn, Betsy.

**Betsy**

Yeah, certainly. So, clearly we are very concerned and want to manage the part of what we've acquired other people and it's very crucial for us to show that they are retained. I can say that we've definitely factored any retention requirements and any change in compensation in our overall costs to achieve. So that is in line of sight, and we have worked very closely with the Evelyn Partners management as identifying key individuals throughout their organisation.

We had a kick-off yesterday with the leadership team and I can say that, I know the reaction is very positive from both our customers and the colleagues from both sides of the equation, to the actual acquisition. So it is well in hand as far as knowing that that is something as part of the deal to make sure that we are able to retain the staff that we need.

**Ben T**

It's all in the CTA?

**Katie**

Yes. Perfect. Thanks very much.

**Jason**

Jason Napier, UBS. Evelyn Partners. Firstly, about Evelyn Partners. At the moment you don't necessarily have the financial wherewithal to do other deals, but as you think strategically about the shape of the Group, some investors we talked to are looking for comfort that you're sort of done now for the foreseeable future. If you could talk about whether there are any missing capabilities or functions that may be of interest to you from an M&A perspective.

And then secondly on AI. You talk about piloting voice-to-voice internally and so on. I find it hard to believe that in a world where we can industrialise fraud to an enormous scale, you won't be looking for spelling mistakes in emails from people claiming to have a million dollars for you. They'll be phoning you and they'll be emailing you. What today are banks on the hook for in terms of compensating customers, and how do you feel about the risks going forward? I think adoption is going to be way slower than we think because trust is going to become more important for those that invest. Can you talk about that.

**Katie**

So as we look at it on M&A, it's interesting. We're obviously in the middle of talking to lots of investors and we get that view. We also get the other view of actually, 'we hope that you're not done' in terms of where you. But I guess what we're very focused on today is digesting Evelyn Partners.

You know, we have as you know, we have an active M&A team that will continue to look at things. I would challenge; I have the financial wherewithal to be able to do something different. You would just structure it in a very different way. But at the same time it's not something I'm planning on doing at this exact moment, so it's not off the table, but we will continue to look at things if opportunities arise. It's something that we would look at, but we're very focused on the integration of Evelyn. You know, and we have the same view of that high bar that we have across strategy, cultural fit, ability to integrate, as well as the financial side of things. So that is unchanged, I would say, at the moment. But you know, we have said that we expect to return to buy backs in June 2027. That's very much our expectation.

If we look at AI, I completely agree with you. The way that we work with frauds particularly and we talked a little bit about it at our spotlight for Retail Banking, so we know that we're the number one bank in the PSR

league tables in terms of prevention, in terms of our fraud NPS, it sits there +60, which is an incredibly high number. A lot of the fraud is self-service. You're a customer of NatWest now and you have a fraud all come through your app, so you're in-app, so therefore your ability to manage it. It's different when you're not reliant on texts and things like that, and we have seen a 50% reduction in our calls and the costs of a fraud as a result of that.

I also agree with you the world will change and that's why we have some of the things that we're really investing in, whether that's the multi-modal authentication that you have which would be voice, video and also written, and making sure that really can work and you can actually have some proper defence against some of it will be important.

So, I guess if the trust does slow down, I'd say that's actually helpful for us rather than unhelpful. So I think that what we absolutely have to have is to make sure we're at the cutting edge of that, and I don't think it's clear at the moment what banks are on the hook for it. We're generally on the hook for most things, which is why we spend such a lot of money on financial crime and fraud because just on the day-to-day things like that, how those rules will evolve will be interesting if there is kind of large, AI-generated fraud. But you can be sure that's already part of some of the activity that's going on today, and so it's some of the things that our cyber teams will be dealing with on a day-to-day basis.

So for us it's just make sure that we continue to really invest in that fraud regime and I think when we brought in, within our team, you've heard me talk about the small team that we created which deals with the absolute front end of all from the AI adoption, fraud is an area they're spending a lot of time looking at as to how you adopt it because we know that that's one of the quickest ways that we could have issues in terms of in the AI adoption. So it's very much on our mind I would say, at the moment.

**Perlie**

Hello, it's Perlie from Bank of America. So I'll go back to loans probably, and lending. So commercial lending continues to be very strong, and it's actually quite notable that one of the large international peers highlights the UK as one of their best performing lending regions. I suppose that commercial lending is a big part of it and when I look through the data it feels our financial institution is a big part of that.

What are these financial institutions that are borrowing so much money?

And leverage is still relatively low across the country. Are we seeing inflection? So is that going to continue because we're inflecting from that low base?

So that's on the lending side and then mortgage margins and maybe for deposit margins. I think a few of your peers as well as yourself that highlighted that competition is expected to continue to be tough. But looking at various tracking websites, MoneySuperMarket and whatever it is, it looks like prices are actually pretty stable, and even on the deposit side I'm not spotting any obvious trends of price competition. So are we just seeing more discipline in the market longer than was expected?

**Katie**

I guess I always expect the market to be relatively disciplined, I must admit. But anyway, I'll take the commercial lending and then Stuart, I'll come to you on mortgages and discipline in your margin pricing. So if you look at commercial lending, so financial institutions £76.7 billion of the total. 18% of Group lending. I would say over 70% of that balance has got maturities of less than 12 months, and about half of it, so £32.8 billion is reverse repos. So take your reverse repos out, then when you look in the balance, there's a mixture of all manner of different things in there from insurance companies, to asset managers, to private credit lending that we've done. We're very comfortable with all of it in terms of how it's behaving and the counterparties that we're dealing with.

And what we're really pleased about on commercial lending overall is the strength that we see across the entire book. So these ones are often bigger ticket loans that you do just because of the nature of the counterparty. But actually what's really important for us and what we're really focused, and what's really happening in that Mid-Market space is Mid-Market lending shows that actually they are starting to increase their leverage, which we do see as low. We're pretty confident that we feel that people will continue to increase their leverage, which is why we're so confident in the growth in our balance sheet as we go forward from here. Stuart, can I come to you on mortgage margins and you might want to touch on deposit margins as well?

**Stuart**

Yeah, sure. Thank you, Katie. Yeah, so I guess what we're seeing in terms of mortgage margins as we've come into the year, as is fairly typical, at the start of the year, we saw some fairly competitive moves across the industry. If I think about what we saw in 2025, that was very similar. January was quite a tough month when it comes to mortgage margins. And we've started this year with fairly tight margins. However, we've also seen Swaps come down in February, which has put positive pressure back into mortgage margins.

And as you said, the industry has broadly maintained its pricing position, so that has certainly helped the mortgage margin position as we exit February and into March. Stepping back from that, I think it's important whilst we monitor and manage our margin positions frequently, we also can't come in and out of the market from one week to the next, and you know over the course of 2025. And certainly how we're seeing things develop in 2026, we're confident that margins will continue to be in a place we see consistent with cost of equity and growth, and we've got a good pipeline for growth into Q1 and Q2. The market's been strong, running at about above £9 billion broadly or weak in the CACI data. So some pressure at the beginning of the year, but that has stabilised and Swaps have moved favourably from a mortgage margin perspective in the last few weeks.

On deposits, as you've said, if you look at the large peer banks across the market and particularly in fixed, where most price competition has played out, actually there's quite a lot of discipline and pricing below Swap reference rates. At this point in the cycle, obviously, we'll monitor that incredibly closely along with our flows, as we go into the ISA season where there is less exposure for us relatively-speaking, but more for peer banks. There are large roll-offs that peer banks will want to defend.

So at this point in time, we're seeing fairly benign conditions there. There remains high pricing from certain non-traditional competitors, but we're monitoring flows very closely in that space. And overall, we've got some flexibility to manage our margins in the round across the balance sheet and certainly on the deposit side with reference to our instant access position as well. So quite comfortable with where we started the year on deposit margins and flows.

**Katie** Super. Thanks so much. I guess we're keeping a close eye on the upcoming ISA season as well, which is something that we will make sure that we're poised to react to as appropriate. Super. Thanks.

**Guy** My questions are very similar to Perlie's, to be honest. Maybe I'll try and just add slightly to it. So on that last one on deposits, because it is a theme that's come up a bit in terms of increased deposit competition, from that last answer, it sounds like it's not necessarily the product set which you would see the most margins and the most value. So if we think about where that competition's resided in the last month, two months, within the bank, we about it, it's not necessarily on the deposit products where you're seeing the most competition. You know, you shouldn't be worried about it's got to be tougher on deposit pass-throughs in terms of rate cuts. Is that the sort of message we should be taking away?

**Katie** I think something, Stuart, your view would be the same, but we see a lot of the real competition at that fixed term and at that ISA pot. You know, and actually what I think we see there and we'll wait and Donal might have a view as well, is money moving around within that space. It'll be a little bit of addition because obviously the saving rate used to go up, but it's the same kind of money that's moving around. And what we're pleased with and Stuart, you can correct me on the numbers if I've got this wrong, is that as we see maturities it's the volume that we then retain of those maturing pots is high, which I think is really important for us as well. Stuart.

**Stuart** Absolutely. It's retention. Retention running around 80 to 90% in those fixed rate products, and you know, some of that is retained into higher margin instant access products for us. In terms of, you know, overall you mentioned instant access pricing and passthrough. We have been through several rate cuts now. You know our broad position or that, but pleasingly we haven't seen any major customer behavioural shifts, and actually we've seen good balance stability in terms of mix. So we do feel like there is some room to manoeuvre there.

**Katie** I mean, Betsy, from Coutts' side, it's obviously a different demographic than the one that Stuart. Would you add anything to that?

**Betsy** I think we at the end of last year we were seeing some pretty significant competition on a fight for those large deposit balances. But that has tapered off a bit. I think we saw significant outflows, as expected, from tax season, but are still confident as far as our ability for our full year outlooks of what we can retain from a deposit base.

**Katie** Brilliant. Thanks very much.

**Amit** Hi. Amit Goel from Mediobanca. So on just two areas. One: just actually coming back on Evelyn. I know you get a few questions on that, but basically, I guess part of the concern or at least some of the issues at least from some of the investors I speak to has been basically the price paid for the asset, and clearly, the benchmarking is done versus share buyback. Obviously, you know, we can debate what earnings to include, but I'm just kind of curious because it looked like it just about made that criteria. If it had just not made that criteria, would you have just not done it? And then within that, well, it's related to that, the £2.7 billion, how much could you just build or invest and create the capability that that brings, and/or have it a bit more tailored to your own operations? So that was, I know that was kind of two questions, but that was on one area.

The second was really just back on the AI investment piece, I just also wanted to get a sense of to what extent do you think you could see efficiency improvement as a result of the AI investments you're making? And I guess when I look back at tech investment and tech evolution, a lot of the branch reduction, all that kind of stuff, but the costs have just shifted as opposed to seeing real absolute cost reduction. So just curious how you are thinking about that and maybe how you think we should think about potential for further efficiency improvements as a result of investment.

**Katie** Yeah, so I'll probably take the price paid versus share buybacks. So I think as we look at the numbers, you're right, it got to just the right side

of that line. If it got to just the wrong side, you know, it's one of the things, would you have done it? We did do it, and we worked really, really hard internally as to what is our point of pain that we would not have done it and I don't think we quite got there so I think there is a little bit of, actually, share buyback's important in terms of what we're doing and the maths works. We've demonstrated that to you, but it's not as keen as it was on the Sainsbury's transaction, for example, where clearly it worked so significantly. I think we're, as I look at it, what we're very comfortable with is to have made the investment in terms of what we're adding is that third growth pillar.

When I look at the £2.7 billion, so in my career I've tried to build two asset management platforms in different groups that I've worked in, and I've written off hundreds of millions of pounds during that. And you will have heard tales of that as well. So actually, how you build something that's like Bestinvest, which is only remember one of the things that we've purchased, it's not the whole thing that we've purchased, is that process is slow, complicated, the level of feeds and technology that you have within there are difficult so then you think, well, you could white label somebody else's, at which point, you're passing your customers and your profits to somebody else. So we were very clear that if the right asset came up in the wealth space that met the D2C that we wanted, also brought the sales tied force, and also brought customers that were Coutts-eligible that we could bring those income streams in and create more. That's why Evelyn's a really great asset for us

And to build on all of those things, I haven't worked out what that cheque would be, but I'm quite certain that you wouldn't like those numbers of amortisation going through my P&L either. As I brought them through as we moved on from there.

When I think of AI investment, look, we've obviously used AI a lot in this firm for a long time. You know, it's obviously now moving into the next stages and becoming more agentic, as we move forward. So it's always been part of that and of cost-saving. I would actually say, I would probably challenge a little bit to say that I think we have taken absolute costs out of this business. They've not just all moved around. You know, I think in this last couple of years we've talked about a cost number that's going up. If I go to three or four years before that, the cost number was always coming down.

But as inflation has hit, we've obviously worked hard to beat inflation. It's a key part of our below 45% percent cost-income ratio, and we've also talked that you know that's not where we believe that we will end our journey. So we think ultimately it will go further, in time, past 2028. So we do see that, but there isn't a "Hail Mary" moment in the middle of those numbers, where does there's a miracle and AI that solves the number within that cost space. So it is something we just need to keep moving through. One of the things I love to say to you is that, we talked about we created 100 million of capacity last year. We're going to definitely create another 100 million+ capacity in 2026. I've got a view in that number of what that will, what AI will be in there, but it's really hard to prove out, because actually when you look at something like the complaints process, you could say, well, I took out all of these people. 100% of my complaint letters are produced by AI.

There's then a human check on it, but we're rolling in different bots. Our newest one that we're rolling in is Dave, which is going to be the person or the agent that actually decides the solutions to the complaints piece. Now there I can go actually, I used to have x number of people running complaints, and you know by the time this is finishing and it's working, we've done all of our testing and our back-testing and all of that stuff, I'll have y. So you can go, okay, I took those away, but I will also add in some different costs. I do think the moving of the cost buckets is important. However, we do think ultimately the moving of those costs buckets does get you to a lower cost number than just you know having lots of people in terms of the effectiveness of that. So we are excited about what it can do.

I think one of the things that I probably find a bit frustrating and I know I do it myself is we always talk about AI in terms of its impact on costs. I think it will be as meaningful for what we do in terms of income and the way it will bring customers, it will take out customer friction and you'll just bring more income to the top line. And if look at Donal, who obviously runs our balance sheet, the investment that we're making there for AI to actually run and help us on the pricing and really make that balance sheet work that little bit harder is also important. So if you think of our three strategic pillars, it goes across all of the pillars. And I think there will be advantage or advantages for all of them.

**Alvaro**

Thanks. A couple of questions from me. One of Evelyn, so follow up, I guess. Look, it brings new capabilities so firstly, I understand why these

things you've got to pay up for them. But to help us understand how much you can leverage it, can you give us a bit of colour of how much Bestinvest is within the £500 million revenues, how big it is today, and maybe some colour of how scalable it is. You mentioned some of the synergies, but if you can give us a bit of colour around the mix of the business today in Evelyn, and how big it is in the sense of how scalable it is. Because it might be that the 11% return on investment was too short dated.

And then separately, on AI, on the credit risk side, UK talk last month around the UK being vulnerable, white collar employment issue? From a credit risk perspective, I assume you're not seeing anything for the time-being, but how can you, how do you plan for it? Are you sort of looking at anything in particular or are you starting to think about your underwriting? As you think about it going forward, how can you think about those things, which at the moment is difficult to predict, but obviously, there are some tail risks out there that have been well-publicised, but how do you think about it from a credit risk perspective?

**Katie**

So let me start on credit risk. I think we also have to remind ourselves what we need to do for credit risk provision. So obviously, when you write the loan, you look 12 months forward as to what your losses will be, and then when the loan goes into default you look for the lifetime losses. So if I'm looking 12 months forward today, I'm not seeing a lot of things, and the indicators that we track that are most of important are things like what's happening on unemployment. We've seen that pop a little bit but at levels we're still comfortable with, so I think we're looking at a potential tail risk in terms of people rather than something that's in our books today.

However, when we do look at our books, we do try to consider, you know, when we build up our PMA, you know, part of that piece is the multiple economic scenario and you know that we've got particularly within commercial, there's a there's a piece that's in there that looks at cost of living, could be electricity, could, you know, what kind of things might prone to cyber, a whole bag of different issues that businesses might suffer from that we can't say, it's this business with this problem.

So we consider AI as part of that, and the way that we would look at that is we look at actually which sectors you might see are more impacted, you know, and then move their probability of default half a

notch, one notch. Two notches would be quite extreme. So we would consider it as part of that, but at the moment particularly given provisioning levels, it's not a thing we're seeing on the ground. You know the size of our PMA, so it's obviously not a big number, and that's a tiny bit of that bag of potential issues. But it's definitely something we're having more conversations about. I wouldn't say it's part of our underwriting formulae today because it's not the reality that's there, but you know, we don't obviously just underwrite on a 12 month look forward to do with provisioning. Our average long-terms are three years and it's something that will become more of a cheap feature and the credit risk teams are very alive to that as to how it would develop. On Evelyn?

**Betsy**

Bestinvest. So when we look at the Bestinvest client numbers, it's about a little excess of 50K of the total 90K if the overall Evelyn Partners. And it's around £4 billion of their AUMA. I think the key thing for us around Bestinvest when you look at the scalability is it's a stand-alone platform, and as my technology colleagues tell me, a front-to-back stack.

So our ability to actually plug that into our infrastructure, nothing in technology is easy, but it is a straightforward process that we're very bullish on how quickly we can do that. So I think our opportunities to actually use that for the broader NatWest client group is something that we're looking to do quite quickly and expand greatly. So, it does have that capability.

**Katie**

And I would encourage you; I spent a bit of time playing around with it and comparing it to other bits I use that I'm playing around with. It's a nice little platform, you know. It does what it needs to do. It's got a great source of funds. It holds its head well to others so therefore we do think it's something that's really is very scalable, and when you let it loose on our 20 million customers, and we know the customers have the propensity to invest anyway, so we just have to make sure we help them guide them to it and make it an absolutely frictionless process.

**Chris**

Chris Cant from Autonomous. I'll ask a couple of things for you. There was something in the press today, banks pushing back on the idea that you should run essentially without management buffers. And obviously,

the Bank of England is keen to bring down the level of capital in the system and see more lending, but hasn't actually changed requirements. So, essentially the ask is you run with a low management buffer. I can think of a bunch of reasons of why you would want to do that. But interested in your take, what do you think would need to happen in terms of how MDA is calculated within the stack for you to change your management buffer

Second on AI theme. Someone in 2030 having an agentic bot moving, opening and closing accounts on their behalf. As a bank what would need to happen from a legislative or regulatory perspective for that to actually be possible because I presume at the minute if Claude tried to open an account your KYC systems would stop it. You'd need to actually go through the AML and KYC. And I guess sort of related to the earlier question, you would be on the hook if someone stole someone's phone and asked Claude to move all their money. So what would you actually need to see for that to be practical? It's sort of, the data is there in theory for an AI to be able to do all sorts of things for people. When it comes to financial accounts, I guess there's a lot of things we'd need to change.

**Katie** Yeah, absolutely. Donal, I know you spend a lot of time with the regulator talking about views on managing buffers.

**Donal** There's actually a, there's an all-day event with the Bank of England on the 20th of March. I've actually been asked to lead on this exact question. I think there's a view among the UK banks we just don't believe it's realistic, for two reasons. One, you look where already UK banks screen across the European banking spectrum of buffer to MDA. A buffer as a supervisory minimum. And we screen low versus our European counterparts.

And part of the reason for that is difference in countercyclical buffer of the UK being 1% or more, higher versus most European countries. We don't as an organisation sit there and set buffers that we feel are uberly conservative. We set what we believe is the right management buffer of how the balance sheet performs in BAU and under stress. So we feel it's the right size. I think then there's the external element that if we were to reduce down our management buffers, from a bank-centric perspective, we would be heavily penalised by market participants, be it

debt investors, be it rating agencies. So that is a big consideration as well.

I think some elements is the ideal way of how you can get banks to run with lower capital ratios is to reduce the countercyclical buffer more in line with the European peers because then that would give you some scope to actually run to a lower CET1 Ratio. But I think it's a very difficult position from the Bank of England versus what the bank's view is.

**Chris**

Then in terms of that CCyB point, because you know, I think historically I'm going back a bunch of years here, we used to talk about, we've set it at 13, but before it was 13 to 14. We set it at 13 or around 13. Based on our internal stress testing. So yes, the regulator might do its stress tests and that's part of our thinking, but we also have our own internal view. And I guess you've recently cut it. Regulatory stress tests were better. Presumably, your internal stress tests better. But if the CCyB went down, would you actually reduce further conceivably, or would you just end up running with a larger buffer... on your point, management buffers are the top of the MDA stack in your European contacts.

**Donal**

I think one thing I can say you'd need to see a, is that a reduction in steady-state Countercyclical Buffer. I think will come into your thinking around what you then set as your CET1 target. But you need to be also cognisant of the fact of what other regions are doing in that space, and how international investors will view that on a comparison basis.

The one issue you have with CCyB, I think it's a huge advantage to the Bank of England to have a buffer for this releasable under stress because that is you know, not available to many regions. But we need to run, when we stress our balance sheet, we stress it on a macro, but also an idiosyncratic basis. And the Countercyclical Buffer will not be reduced in an idiosyncratic stress.

**Katie**

Yeah, and I think when we look at setting of that capital, it's not just the stress delta that you look at, there's a whole bag of different things. You know, we as part of this process, which I've been working on for many years with Donal to actually get to the point of making the change in that comfort, it is about where are rating agencies comfortable, and

things like that, and what is the print that when the debt investors are looking at you where they put you all on a spreadsheet and you want to make sure that your target's not the one that's one or two percent different from everybody else's. Well, that is a little bit of a consideration as well.

But if we go then to what has to change. I guess we go back to the open banking rules that are there. So we already have visibility into other accounts. We can see that we had to authorise them. You can move money between those accounts. You have to actively do it. So on one hand, you go, well, actually the regulation is there for me to do it as an individual. You know, we have situations where today you hand out the management of your investments to third parties and they do it entirely on your behalf. Even though all of those investments are bought in your name, you don't have anything to do with that.

So it's a discretionary sort of process that exists. I think there are processes and mechanisms how you can give discretionary ability to somebody else to manage your money. Going back almost to my first response of, what would be the people that would be doing it, and how do we make it work for those people that do of want it? It's whether it's the example of the Coutts evening sweep, which happens completely independently today of the activities because they've put in an instruction.

So ultimately, you can put instructions in to make things happen. The challenge is to open a new account, you know, to go through the anti-money laundering and to say, "I'm opening this new account on behalf of this person", that I think, is something that they will have to get comfortable with in regulation, and part of that is going to be actually, who's on the hook for the conduct issues around that new account. I think, you know, it's not going to be someone who's stealing your phone that's going to do that fraud. It's going to come in a different way. But I think there are lots of different points that exist today in the financial authority where people act on other people's behalf, but how would you bring that to the single mother who's managing her monthly bills? You know, so it's a mass delivery. I think that is going to be the more complicated thing.

**Andrew**

A couple please, firstly, Evelyn. I think you are guiding us to high single digit revenue growth and that's based upon the historic AUM CAGR of

greater than 7% over the 23-25. That obviously includes quite significant market appreciation, and actually, if you look at the net new money, it's been quite weak in recent years. I know there has been a lot going on with Tilney and Smith & Williamson, and the integration. But perhaps you can elaborate on exactly what that high single digit growth is predicated on going forward in terms of net new money versus market appreciation versus margin.

And then the second question, completely unrelated, but your capital generation. 252 basis points last year, and you provide the split between the three buckets So attributable profits 300 bps. Other CET1 up 40bps, and then RWAs was -90. If you think about how you then get from 252bps to around 200bps in 2026, you've given the ROTE targets. We can see about 30 bps comes from attributable profit. But what's the moving parts in the other 22bps? Is that the RWA or is that the other CET1 that you're expecting a step-change? Thank you.

**Katie**

Sure. Thanks so much. So in terms of the split of net new money versus AUMA growth, I'm not going to get into that. I think what I will probably look at is to say, what do we traditionally and have we delivered in Coutts? So Coutts last year delivered a 20% uplift in AUMA, their net new money was 8% of their opening AUM. That's a very strong net new money print, even accepting that the AUMs not as high as others. So even if you normalise that to a bigger entity as we have today, that still continue to be very strong

So if I look then what's happening in the even numbers it's actually we can argue whether 7% growth is the right number or the wrong number, but for us we'd say, well, it's a bit lower than we'd actually probably expect, so we've not gone crazy on that number. So you have that will deliver your normal growth within your income line, and then if we talk about the three buckets of synergies we've already talked about, that's going to deliver you a bit more.

And actually, when you go through that number you go to get to that £700 million of income I'm only really chasing about 100 across those three buckets to hit that number. So actually, I'm very comfortable in the revenue synergies and we'll make sure that we deliver on them.

In terms of 252 capital generation. We will explain to you the 252 to the 200, whatever it is we finally deliver.

When we look at the walk, obviously we're going to have the loan growth. You know that we added quite a lot this year in terms of CRD4, so some of that loan growth is going to come through a little more expensive. I'm very happy with the returns and the capital that will continue to kick off. We then do management actions, which will offset that. I mean, this year 10.9 billion of management actions versus 11.1 billion of low growth. Utterly spectacular I think in terms of that sort of delivery. I wouldn't expect all years that we have that level. That would be very unlikely but you will have a bit of management action that will go on that. CRD4, we're basically done, but we'd expect a little bit to dribble through in this year.

We also haven't actually signed off a lot of the models yet with the PRA, so the way it goes is we agree the model, we reflect it in our numbers. And there's then this lag of time which can be quite elongated, as you all know because we took our mortgage adjustment in 2021. You know, in terms of until you actually get the final agreement with the PRA. So you'll see a little bit of that come through.

And then the other CET1, it's a bag of different things that move around. We've got a little bit less coming through for deferred tax assets [utilisation] as we go through from here, so that will chip a little bit off your 252 as well. We think of that as [100-150m DTA utilisation] number now demonstrating our strong profitability and our strong usage of all those various deferred tax losses that we had, so that will come back a little bit as well, but hopefully that helps.

**Sheel**

Sheel Shah from JP Morgan. A few questions please. On Evelyn, the platform ex-Bestinvest, what are you planning on doing with that? Is that going to be Coutts?

**Betsy**

Yeah. It's actually, I'm very excited about it. So, then it's a great point because there are great opportunities with the platform itself. So, Evelyn is on that tail end of a multiyear restock for their entire infrastructure. So they have just completed that. And when we looked at the stack we actually have quite a number of systems that are similar across, so Avaloq, Aladdin, a whole host. Where we are having a built-in expertise around those systems in our group. And so, we were about to embark on our own build-out built into our plan of technology to build

out both the financial planning and investment management stack ourselves.

So our ability is now to lift and drop that within our infrastructure, and which we reckon will save us about two years in our organic growth plan from a technology organic growth plan. So we are quite positive on that as far as leveraging what they've built. And if you think that's on the back of this financial planning and investment management expertise that they have built out that product so we can just bring it straight into our infrastructure.

**Katie** I'll give you a second question as well.

**Sheel** Thank you. On commercial lending, two parts. But on the first, all the big banks are targeting growth in the Mid-Market space as well. Who is losing market share in the whole spectrum? And then secondly, funds lending. What is the nature of this business? Is it sort of more NAV subscription lending? And what gives you the right to compete in this area versus maybe the wholesale banks like the IBs...US and European IBs that are more inclined towards that sort of IB exposure?

**Katie** Sure. So if I look on the commercial. Who is losing market share is a really hard question to answer because actually there's just not the same market share stats. So what we see in our book is we see others trying to replicate what we have in terms of that across the regions and nations of the UK, that dedicated relationship manager model that's in businesses and in the regions and has been for decades. Long in terms of those depths of relationships.

But we can see the competition out there. We know that Barclays is there, we know that HSBC is looking to build it. You know, people have come in and out and tried to build it from time to time. We also know it's a pretty hard thing to replicate. And it's not like in an asset management or investment banking world that you lift the team up and you can move that team to the bank next door and they do the same work. When you've worked with a company for 20, 30 years and you've maybe taken them through a multigenerational change of ownership or something like that, and for that team to all of a sudden say, "Oh no, no, now you must come with blue bank."

It's not impossible but it's harder, it's a harder thing just to replicate in terms of that movement. But there's definitely ongoing increased competition there. And we certainly do lose some business to the others as well. So it comes in and out. We'll obviously gain also. And as we look at it, we're greater than 4% [growth] in terms of CAL. That clearly has to be well-driven for the lending side. It's such a fundamental part of that and we know that over the last number of years we have consistently managed to grow greater than nominal GDP, so we expect to continue in that space. And we do see a lot of activity. Our relationship managers are busy, the year started nicely. You know, so we're going in the direction we'd expected to see.

In terms of fund lending. You can see from our Bank of England disclosure mostly lies in subscription lending that we see there. You also have got the RBSI disclosure, which is a really long-standing part of the funds lending business within the wider ecosystem. So I think they are very much an established player. And that's about £10 billion of lending that's in those lines. So I'm going to say it's not new lending to us. We feel that we're a very active player within a lot of the funds lending. And you can see it very clearly if you go back through our RBSI accounts for multi years, that we're there. So we feel that we've got the ticket to play without having to ask permission of, can we have a ticket? I think we'd say that so we're very comfortable in that space. James.

**James** I've got two please on costs. First is you've got 32,000 employees in the corporate centre.

**Katie** We do.

**James** Are you able to give us a broad split please of how many are in Finance, Risk, Product, and so on? And so on. And then the second one is India. I mean, you've got a third of your employees sitting in India.

**Katie** Yes.

**James**

So what percentage of the cost basis denominated in rupees? And how do you hedge that? And I'm asking because, you know, the rupee just continues to depreciate. But if you're hedged, does it mean that much of the benefit of that depreciation is still yet to come through?

**Katie**

Well, there's a couple of different things within there. Donal, you and I talk about the Indian rupee hedging from time to time, so I'll let you share on that where we are. So, look, I'm not going to split that the number out, the 32,000 out, but the way that you should think about it is the vast predominance of it is going to be within technology, data, financial crime and fraud. And then there'll be finance. I've got 2,500 people in the Finance team. That's where the vast majority of it is.

And when you look at what happens on FTE, what I like to see is what you saw this year in the segment reporting, you can see that retail and commercial both came down, and that we put a little bit more in the centre. We've been focused. That's a reflection of what's happening in technology, but it's also a reflection of what we've been doing strategically and how we manage our workforce. The FT number that we publish in the accounts, is the people that we employ directly. It's not the people who are contractors or who we call managed service workers which is the Accentures, the Deloittes, all those kinds of people.

And we've very much over the last couple of years been trying to bring some of those skills more in-house, which has slowed down that published number, but actually not slowed down the total number of people we have in the bank. But it moved the cost line in terms of which line that they're in. The reason we do that is that you're not then paying for managers and project managers to manage somebody else's workforce. You're managing them directly as you as you go through. So that's been one of the drivers, when you look at it from the outside, the not actually massive FTE reduction, it's been relatively small. But there has been this bringing in of people, quite a lot of people, as well as obviously the ongoing investment we have in technology and things like that.

In terms of India, yeah, a very big presence, actually. Andrew and I were out there last week, just spending some time with the teams that are out there. It's very much technology, fin crime related in terms of the

activities that we go through on that. Do you want to talk about our hedging?

**Donal** INR hedging can be very expensive if you're looking to do it on a like-for-like basis. But there's a number of different considerations...the fact it's a non-deliverable currency and when we look at non-domestic, FX structural risk, we look at the impact it has on our CET1 volatility. So there are some correlations in terms of offsets in other non-core currencies. We look to hedge some element of it. But there will also be the RWA volatility offset in capital to consider from investments in a non-domestic regions of the Group. That's why I'd say it wouldn't be a one-for-one, but we'd look at it holistically across all non-core currencies and sensitivity impact on CET1.

**James** But it doesn't sound like there's still some tailwind to come then?

**Donal** No.

**Katie** So we don't hedge bills that we pay, basically. You know, we try to look at it in terms of the pot. Every so often, if our business was, we'll say, we should do this because it would help their cost number in that moment. But it's just far too expensive for us to do.

**James** Okay, thanks.

**Katie** Okay. Thanks very much.

**Ed** Thanks very much. I just have two questions if that's alright, Katie. The first one was around technology. And in particular everybody's talking about AI. But if I look on tech recruitment websites, I think banks as a whole are pretty much the only people still recruiting large numbers of people to run mainframe systems.

And so I just would be interested to know, where are you in terms of the core operating systems? And are those being phased out, have you got a date when they will be? And once we get rid of those, is there

some sort of step change we will get to see, because my understanding is that using AI on core mainframe system is actually not that great for a lot of the functionality and a lot of the opportunities you can't actually generate. So, that would be my first question, is there a date we should think about? And will we get an explosion of excitement when that happens?

And then the second question was really about growth. Everybody's talking about capital growth, but you are already making returns on equity than are way in excess on your cost. So, it doesn't seem to me to be a capital issue about growth, it's more about appetite and a pricing issue, where you're prepared to take pricing to grow. And I guess, sorry, I don't want to ramble on, but related to that your hedge, particularly your old hedges, were much shorter duration than some of your peers.

And I know bizarrely some people seem to think that's a disadvantage, but it seems to me that should be a huge advantage to you. So on any given product, you should be able to price below, particular one of your big peers, because you haven't bought the hedge headwinds that they have. And yet you don't seem to be taking that opportunity. And I'm just wondering why not? Why are you not in there pricing below peers because you don't have the hedge head. Thanks very much.

**Katie**

I'll see if I can work my way through that. So I think when you think of the mainframes, they definitely do very much exist. I think what we spent a number of years in terms of moving that functionality off the mainframe and moving it into different places. But that older technology in the background can also be why things feel like they could take longer to arrive in a bank that's serving 20 million customers than one that's got a far newer estate of technology. We will definitely still recruit people there. I know that we are using AI in terms of some of the updates on there, but I would say there isn't a eureka moment in the middle that all of a sudden it's all moved off.

We're very comfortable with our tech stack and it's continued to evolve. And when you see us doing things like that just been released recently on our app, like the budget pots. That's reflecting of how you can bring the newest technology on top of the base that's there. So I'm comfortable within that, and we will be using some of the AI to help with some of that coding as well.

And in fact actually, I was talking to somebody when I was in India last week and they were talking about how it can be quite helpful because when the mainframes was being built, they were older and actually the ability to do the interrogation on some of the older coding can be speeded up because of some of that AI insight as well. But you do have to have both. It's not all the old coding has to be replaced with new. We're at 30, 40% of our coding level.

In terms of growth, we're really comfortable with where we are on growth and you know we've got strong head to tail, and it didn't quite get your entire point versus others in terms of what's there. But I guess it's not our capital that is restricting us on growth. I would actually say it's far more about appetite to borrow. We're very, very happy to continue to invest significantly in our lending growth. We've got I think strong targets out there, we continue to see that as a growing part of our balance sheet and you'll see that coming through as you get into the growth in TNAV and you'll see that consumption within there.

I don't think we need to race to the bottom to add growth that is actually sub-hurdle. One of the things that we do, we try very hard to do, within the bank, is we need discipline so that actually if you're in the commercial bank you're looking at the entire customer relationship and what return that is giving you. And when you're in the retail bank you're also trying to make sure that the products are hurdling at the right level as well, so we're not doing a huge amount of direct compensation, of well, that number's big so I'll let this number go tiny, because actually what we know there is you'll just run to the bottom, ultimately within there.

So we're comfortable with where we are, but we do feel quite optimistic that we will see more growth than we have already delivered come through, and we look forward to reporting on that in the quarters and years to come as we bring that onto our balance sheet.

**Ed** So you don't see the hedge maturing as an opportunity to sort of be taken? You can give some of that to customers and actually then take market share against other people whose hedges are not yet mature.

**Katie** We're very comfortable where we are in terms of the growth that we've got coming through and how that continues to deliver. I think we price

very competitively with the products in terms of what customers are seeing. I'm not looking to bring those numbers down. Because I think ultimately you will just be on a race to the bottom that will ultimately be value destructive. So we wouldn't be keen to do that. Thanks, Ed.

**Ed** Thanks very much.

**Katie** Lovely, thank you. So, unless there's anything else in the room, I'll just say thank you very much for your time today and your ongoing support and challenge. You know, if you need anything else and or any questions that come to mind, Claire and the team are of course always available and very happy to take your questions. And just thanks to my team and a particular shout out to Betsy as well. So that's great. Thanks very much and enjoy the rest of your day. Take care.