



NatWest
Group

NatWest Group plc
FY 2025 Results Call Transcript
13th February 2026
Hosts: Paul Thwaite, CEO, and Katie Murray, CFO

This transcript includes certain statements regarding our assumptions, projections, expectations, intentions, or beliefs about future events. These statements constitute “forward-looking statements” for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the section entitled “Forward-Looking Statements” in our FY’25 Results Announcement published on Form 6-K on 13 February 2026.

Management Presentation

(Amended in places for legibility and clarity)

Paul

Good morning and thank you for joining us today. As usual I'm here with Katie who will take you through the full year performance. After that I'll talk about our strategy and our new 2028 targets. But first let me start with an overview of 2025, a year in which we delivered another strong performance and made good progress on each of our strategic priorities. Highlights of the year include a return to private ownership in May opening a new chapter for the bank with a focus on driving growth; continued organic growth together with successful completion of the Sainsbury's Bank transaction, improving operational leverage with a reduction in our cost income ratio of 4.8 percentage points together with strong capital generation enabling total distributions to shareholders of £4.1 billion. You will also be aware that we announced the acquisition of the financial planning and investment firm, Evelyn Partners, earlier this week, which I'll talk about later. So let's turn to the headlines...

We added a million new customers during 2025 and delivered broad-based growth across all three businesses. Lending grew 5.6% to 393 billion, Deposits were up 2.4% to 442 billion, and assets under management and administration increased 20% to 58.5 billion. This activity resulted in strong income growth of 12% to 16.4 billion. Costs grew 2% to 8.0 billion, resulting in positive jaws of 10%. The cost income ratio reduced to 48.6%. This led to operating profit of £7.7 billion and attributable profit of £5.5 billion. Earnings per share grew 27% to 68 pence, Dividends per share increased 51% to 32.5 pence, and Tangible Net Asset Value per share was up 17% to 384 pence. Our CET1 ratio was 14% and return on tangible equity was 19.2%.

As you can see here, these results are either in line with or above our strengthened guidance. Our strong risk management is evidenced by a loan impairment rate of 16 basis points.

And total distributions announced in 2025 of 4.1 billion comprise buybacks of 1.5 billion and dividends of 2.6 billion, in line with our payout ratio of around 50%. This includes the buyback of 750 million announced on Monday, along with our acquisition of Evelyn Partners. These results continue our track record of delivering value for shareholders. Over the past 4 years: Earnings per share have more than

doubled, growing at a rate of 26% a year; dividends per share have more than tripled, increasing at a rate of 33% a year, and TNAV per share has grown 41%, at a rate of 9% a year. At the same time our share count has reduced from over 11 billion to just under 8 billion. Turning now to our three strategic priorities, I'll start with disciplined growth

We now serve over 20 million customers across our three businesses and 2025 marks our 7th consecutive year of growing customer balances. In Retail Banking, our customer base increased by more than 5% and customer assets and liabilities grew 4% to 421 billion. This includes the addition of around a million new customer accounts from the Sainsbury's transaction, which contributed to our unsecured stock share growing from 6.4 to 7.2%, including an increase from 9.7 to 10.6% in credit cards.

In mortgages, we increased our flow share of first-time buyers from 10 to 12% and of the buy to let market from 3 to 6%. We are also extending our reach through Natwest Boxed, which provides embedded finance to companies such as the AA and Saga. In Private Banking and Wealth Management, over 50,000 customers invested with us for the first time in 2025. Net new flows to assets under management grew 41%, and Assets under Management and Administration increased 20% to 58.5 billion. AUMA is now 49% of client assets and liabilities, up 4 percentage points on the prior year and Customer Assets and Liabilities grew 10% to £119 billion.

In Commercial and Institutional we extended our expertise in FX to a further 700 mid-market customers during the year, many of them via our online platform for FX, Agile Markets, where the number of users grew 13%. This contributed to FX revenue growth of around 20%. Lending balance growth was strong at 10% or 14 billion. We lent 4.6 billion to the UK social housing sector, where we reached our 7.5 billion ambition ahead of schedule, and have announced a new 10 billion ambition for 2028. We are also the leading lender to UK infrastructure projects. And we delivered 19 billion of Climate and Transition Finance towards our 2030 target of £200 billion, of which 16 billion was in Commercial and Institutional.

I'd like to turn now to our second strategic priority - bank-wide simplification. We continue to invest to improve customer experience and increase efficiency. During the year we made gross cost savings of around 600 million, which is over 7% of our 2024 cost base. And we

created 100 million of investment capacity in 2025 to re-invest and further accelerate our transformation.

Taking a look at each business. In Retail Banking our award-winning app has a net promoter score of 51 and as we continue to invest to improve customer experience, we launched more than 100 new features during the year. We also launched generative AI enhancements in our digital assistant, Cora. As a result, the number of queries that can be resolved has increased by 20 percentage points. The cost income ratio in Retail Banking decreased from 50 to 45%.

In Private Banking and Wealth Management we doubled the number of enhancements on the app, increasing our rating on the App Store to 4.4 and our Net Promoter Score to 54, up from 50 at our Spotlight last June. In addition, we are leveraging Group capabilities to simplify our operations. For example, we re-hosted our core banking platform from Switzerland to the Group data centre in the UK. And we are co-locating our people with other Natwest teams - so we are relocating our tech team from Switzerland to the UK and India. The cost income ratio in Private Banking and Wealth Management reduced ten percentage points to 64%.

In Commercial mid-market banking, we are investing in our digital platform Bankline to give customers a single point of access to a wide range of products. We have now integrated our Asset Finance, Invoice Finance, Payments, Commercial Cards, FX and Trade platforms within Bankline and customers accessed products via Bankline around 300,000 times last year. We also took steps to reduce our legal entities and branches in Europe. The cost income ratio in Commercial and Institutional reduced from 52 to 49%.

Turning now to our third strategic priority - managing capital and risk. We generated 252 basis points of capital during the year supported by reducing RWAs by 10.9 billion through capital management. This includes 5 significant risk transfers in Commercial and Institutional and a two billion mortgage securitisation in Retail Banking. We have a high-quality lending book in all three businesses with a low level of impairment, at 16 basis points of loans. And all this enables us to recycle capital into areas where we have chosen to grow. The successful implementation of our strategy gives us the ability to invest in the business, support customer growth and deliver attractive returns to shareholders. As I mentioned earlier, we have announced total distributions of 4.1 billion for 2025, representing 75% of attributable

profit. With that I'd like to hand over to Katie to take you through our financial performance

Katie:

Thank you, Paul. I'll start with our performance for the full year where, as Paul said, we either met or exceeded our third quarter guidance. Income excluding all notable items was up 12% at 16.4 billion. Total income included 241 million of notable items. Total operating expenses were 1.4% higher at 8.3 billion. And the impairment charge was 671 million or 16 basis points of loans. Taken together, this delivered operating profit before tax of 7.7 billion, and profit attributable to ordinary shareholders of 5.5 billion. Our return on tangible equity was 19.2%. Turning now to the fourth quarter compared with the third: Income, excluding all notable items, was up 2.5% at 4.3 billion. Operating expenses were 2.2 billion, including the annual UK Bank Levy. The impairment charge was 136 million or 13 basis points of loans, bringing operating profit before tax to 1.9 billion. Profit attributable to ordinary shareholders was 1.4 billion. Our return on tangible equity was 18.3%. Turning now to income

Full year Income, excluding notable items, of 16.4 billion exceeded guidance of around 16.3. Across the three businesses, income grew by 1.8 billion. This was largely driven by higher Net interest income as balance sheet growth and the benefits of the structural hedge more than offset the impact of the Bank of England rate cuts. Net Interest Margin was up 21 basis points to 234 basis points, mainly due to deposit growth, coupled with margin expansion. Non-interest income grew 1.3%, reflecting solid customer activity as we supported their investment, FX and capital requirements. Turning to the fourth quarter, income, excluding notable items, grew 2.5% to 4.3 billion. Across our three businesses, income increased by 2.8%, or 116 million. Net Interest income grew 4.5%, or 148 million, reflecting the trend over the year of volume growth alongside margin expansion. As a result, Net Interest Margin was up 8 basis points to 245 basis points. Non-interest income across the 3 businesses was down 3.7%, mainly driven by Commercial and Institutional, reflecting typical seasonality after a strong third quarter. Turning to 2026 guidance, which excludes the impact of Evelyn Partners. We expect income excluding notable items to be within a range of 17.2 to 17.6 billion pounds, and our current forecast is within this range.

Turning to Growth. As you heard from Paul, our 3 businesses have a strong track record of growth over the last seven years. We have grown

customer lending at 4.5% a year. This includes broad-based organic growth, as well as acquisitions which support scale in underweight areas such as Mortgages and Unsecured lending. Customer deposits have grown 3.9% a year, supported by a boost during Covid, as well as new propositions and an improved digital offering. AUMAs have grown at 12% a year and have more than doubled since 2018. These three elements together make up Customer Assets and Liabilities, or CAL which has grown at 4.6% a year. We focus on this metric as it reflects the breadth of balance sheet solutions we offer to meet customer needs. This track record gives us confidence that we can continue to grow CAL in the future, and Paul will talk more about our 2028 target shortly. Let me take you through the last year for each of these elements in turn. We delivered another year of strong lending growth. Gross loans to customers across our three businesses increased 5.6% or 20.9 billion pounds to 392.7 billion. There was broad-based growth across mortgages as we increased our flow share of the first-time buyer and buy to let markets, with strong retention as well as new business flows. Unsecured lending growth was supported by the addition of Sainsbury's Bank balances, and the first full year of our personal loans offering for the whole of market. In Commercial and Institutional, we grew in all 3 businesses, with lending up 14 billion or 10%, excluding the repayment of Government loan schemes. This reflects our leading position as the UK's Biggest Bank for business with growth across Social Housing, Residential Commercial Real Estate, Infrastructure, Project Finance, and Funds lending.

I'll now turn to deposits Customer deposits across our three businesses increased 2.4% to 442 billion, with a stable mix throughout the year. Retail Banking deposits increased 7.8 billion, or 4.0%, reflecting growth in savings and current account balances, supported by balances acquired from Sainsbury's Bank. This includes growth in the fourth quarter of 6.8 billion, reflecting strong growth in savings of 6.4 billion, supported by our limited-edition saver and term products, and growth in current accounts of 0.4 billion. Private Banking and Wealth Management increased by 300 million in 2025, also reflecting growth in current account and savings balances, with progress driven by both deeper engagement with existing customers and new customer acquisition. And C&I deposits increased by 2.3 billion reflecting growth within large corporates and Business Banking

Moving now to Assets Under Management. We are pleased to see the plans we talked about at the June Spotlight delivering for our customers and shareholders. AUMAs increased almost 20% this year to 58.5 billion, and net flows of 4.6 billion were up 44%. Fee income from higher AUMAs grew 11% to 300 million. Moving now to the continuing tailwind from our structural hedge. As you will be aware, in addition to our product structural hedge, we also have a longer duration equity structural hedge. Together, they are 198 billion in size, 4 billion higher than last year, and are an important driver of income growth. In 2025, product hedge income was 4.2 billion. This is 1.2 billion higher than the previous year and 3.2 billion higher than 2021. Our equity hedge income was almost 500 million pounds, which is around 50 million pounds higher than the previous year, and around 25% more than 2021. The yield on both hedges has increased significantly over the last few years as interest rates rose. This slide shows our expectation for future yield progression based on our current macroeconomic assumptions and hedge durations, together with associated income growth. We expect yield to increase from 2.4% in 2025 to around 3.1% in 2026, with further increases thereafter. Our illustration here assumes steadily increasing average notional balances for both product and equity hedges, driven by growth in CAL, and higher levels of capital held to support that growth. This expectation of increasing yield and notional balances drives higher annual income through to 2030. We are sharing our expectations for this year and next, as more of the near-term income growth is locked in. We expect 2026 total hedge income to be around 1.5 billion higher than 2025, and for 2027 to be around 1 billion higher than 2026, reaching total income of around £7.2 billion. Exactly how this develops will be subject to prevailing reinvestment rates each year, as well as the composition of growth in CAL.

Turning now to costs. Other operating expenses were 8.1 billion, including one-time integration costs of 96 million, in line with our guidance. We are pleased with our delivery of around 600 million of gross cost savings, which has allowed us to invest in business growth and accelerate our simplification programme. Costs grew 1.8% if you exclude one-time integration costs. Our Cost Income Ratio reduced 4.8 percentage points to 48.6%. In 2026, we expect other operating expenses to be around 8.2 billion. Staff costs will be a key driver of overall cost growth. We also make significant investment in the business each year with a range of initiatives to drive operating leverage. We expect further supplier contract inflation and increased

business transformation costs this year. Delivery of around 8.2 billion in 2026 will be supported by another year of significant gross cost savings.

Turning now to our updated macro assumptions. Our Base Case outlook for the macro environment in 2026 assumes moderate growth, slightly lower than our previous view. The unemployment rate increased slightly above our expectation for 2025, and we now expect this to peak in 2026, at levels we are comfortable with in terms of lending risk appetite. We also expect inflation to come down at a slightly faster pace, given the recent print. And we expect lower rates, reaching a terminal Bank Rate of 3.25% by the end of 2026. Our balance sheet remains well-provisioned with Expected Credit Loss of 3.6 billion and ECL coverage of 83 basis points. We are comfortable with 1.1% of Stage 3 loans, which is down on the prior year reflecting management actions in our personal portfolio, together with lower defaults in our non-personal portfolios. Our remaining post-model adjustments for economic uncertainty are 246 million, broadly stable on the third quarter. We will continue to assess these provisions each quarter and release as appropriate. Our latest scenarios also show that even if we were to give 100% weight to our moderate downside scenario, this would increase Stage 1 and 2 ECL by 54 million pounds.

I'd like to turn now to the impairment charge for the year. Our prime loan book is well-diversified and continues to perform well. We are reporting a net impairment charge of 671 million, equivalent to 16 basis points of loans. There were no significant signs of stress across our 3 businesses and, impairment levels across our products have performed broadly in line with expectations. In 2026, we expect our loan impairment rate to be below 25 basis points. This guidance is not dependent on post model adjustment releases, or any material shift in risk appetite. It's simply a reflection of normalisation in impairments and lower one-off releases, as well as growth in the book and ongoing changes in mix.

Turning now to capital. We ended the year with a Common Equity Tier 1 ratio of 14.0%, up 40 basis points on last year. In 2025, very strong capital generation of 252 basis points took our CET1 ratio before distributions to 16.1%. Distributions accounted for 213 basis points of capital, including accruals for our ordinary dividend payout of around 50%, and our buyback of 750 million that we announced on Monday.

Risk-Weighted Assets increased by 10.1 billion to 193.3 billion, within our guided range. 3.8 billion of higher operational risk weighted assets includes 1.6 billion in the fourth quarter, as we brought forward our annual operational risk recalculation from the first quarter in 2026. You should now expect us to include this in the fourth quarter each year. 11.1 billion of Business Movements broadly reflects our lending growth across the year This was largely offset by a 10.9 billion reduction from RWA management, including 5.7 billion in the fourth quarter - so in essence our actions this year have funded the growth in our lending book. Other movements include: 7.3 billion from CRD 4 model inflation, of which 4.8 billion was in the fourth quarter; we think we are now largely done, though we await PRA approval of our models. There was also 1.2 billion of other risk and FX movements. Going forward, we expect a further impact on RWAs with the implementation of Basel 3.1 in January 2027. Based on our latest recalibration of a higher balance sheet, we currently expect this to increase RWAs by around 10 billion pounds. The majority of the RWA uplift from Basel 3.1 is due to operational risk and the removal of the SME and Infrastructure Support factors. We do expect an offset in our Pillar 2 requirements at the same time for these elements, but the net result will still require us to hold a higher nominal amount of CET1, given the offsets are at a total capital level. We also expect future growth to consume more capital in the form of RWAs. Despite this, we are confident in our ability to continue generating strong capital from earnings and to manage risk-weighted assets, and we are guiding to capital generation of around 200 basis points, before distributions, in 2026

Turning now to our CET1 ratio. Our CET1 target of 13-14% has been in place since 2019. And as you know we have been actively looking at this over the last year or so. Today, our minimum CET1 requirement stands at 11.6%. As you know, there were no changes to the capital requirements in the latest FPC review, so our supervisory minimum remains 11.6%. And we expect this to reduce further with the implementation of Basel 3.1 next year, with a reduction in our Pillar 2 requirement as I just mentioned. Today, we are holding considerably more capital despite de-risking. The successful restructuring of the bank is evident from the consistent and material improvement in our Bank of England stress test results.

The performance of the business has materially improved and we have demonstrated a track record of strong earnings, high capital generation and returns. So as a result of all these considerations, and taking into

account the views of stakeholders including investors, rating agencies and regulators, we are reducing our CET target to around 13%. This represents a healthy buffer over our MDA and supervisory minimum requirements and also reflects the expected reduction in Pillar 2 requirements on 1st January 2027.

Turning now to our acquisition of Evelyn Partners. As we outlined on Monday, we see a strong strategic rationale for this acquisition. It brings £69 billion of AUMA scaling our Private Banking and Wealth Management to 20% of Group CAL, a third growth engine for the Group. It increases fee income by almost 20% on day one. And ultimately it makes us a faster growing, higher returning bank with higher distribution capacity for shareholders. Operationally it is deliverable, Culturally we are aligned and financially it delivers for shareholders. So let me show you how we expect to deliver a return on invested capital above that generated via a share buyback, by year 3 after completion. We provided you with Evelyn Partners' 2025 income, costs and earnings before interest, tax, depreciation and amortisation or EBITDA. Revenue synergies include: bringing Evelyn Partner's broad range of financial planning and wealth management solutions to all our customers; enhancing our D2C investment offering via BestInvest, leveraging Evelyn Partners technology for portfolio management solutions and providing Evelyn Partners customers with our full range of banking solutions and combined wealth management offering.

The business has grown AUMA at more than 7% a year for the last 2 years and bringing the combined capabilities to our customer base of more than 20 million is a significant opportunity to create value. The benefit of being part of NatWest Group, should deliver income greater than 700 million. We expect to realise around 100 million of cost synergies by removing duplication in shared services and technology applications, where there is high alignment between our platforms, as well as efficiencies of scale. The costs to achieve of approximately 150 million will be phased over three years. This means we expect costs to fall in absolute terms to less than 300 million, by year three. Together this drives EBITDA of around 400 million. When assessing the transaction we look at the returns accruing to capital, in other words the Return on Invested Capital.

We do not include the amortisation of purchased intangibles since amortisation does not flow through to capital and does not impact our distribution capacity to shareholders. The cost of intangibles are taken

in the day one impact of around 130 basis points on the CET1 ratio. Amortisation is included in return on tangible equity. This is a capital light business with very high return on tangible equity, clearly accretive to the Group, in year one and beyond. Beyond year three we see further improvement in returns driven by compounding net new money growth, driving higher Assets under Management, and ultimately stronger income growth.

Turning now to returns. This shows the drivers of Return on Tangible Equity in 2026. The notable items in 2025 income and tax credits, which together account for around 1.3 percentage points of ROTE. Clearly the year-on-year change in some P&L lines will impact ROTE more than others, with income growth being the biggest driver. Naturally the level of return will also be impacted by growth in the denominator, average tangible equity. This will be driven by earnings, balance sheet growth and further unwind of the cash flow hedge reserve. Overall, in 2026 we expect to deliver a Return on Tangible Equity of greater than 17%.

So to summarise our guidance. Excluding the impact of the Evelyn Partners acquisition, in 2026 we expect: income, excluding notable items, to be in the range of 17.2-17.6 billion, Other operating expenses to be around 8.2 billion, the loan impairment rate to be below 25 basis points, capital generation before distributions of around 200 basis points, and a Return on Tangible Equity greater than 17%. With that, I'll hand back to Paul. Thank you

Paul

Thank you Katie. So you've heard about our guidance for 2026. I'm now going to talk about our plans for the next three years and 2028 targets which include the impact of the Evelyn Partners acquisition. You will be familiar with this slide as you've heard about each one of our three businesses over the past year in our Investor Spotlights.

We are building on strong foundations with a customer base of more than 20 million and leading positions in each of our businesses, all of which deliver attractive returns. Our Retail Bank has a track record of growing share profitably, with an opportunity to align areas such as mortgages, savings, and unsecured lending more closely with our 16.5% share in current accounts. Private Banking and Wealth Management has a leading Private Bank with a strong brand and acts as a centre for excellence within the Group for investment products and solutions. With the acquisition of Evelyn Partners, a market leading financial planning and investment management firm, we are creating the UK's leading private bank and wealth manager. The combination increases

Asset under Management and Administration to 127 billion and CAL to 188 billion. It both transforms the scale of the business and the breadth of our financial planning and investment offering to meet more customers' needs across the Group, further accelerating growth in assets under management. Commercial and Institutional is the UK's biggest bank for business with a 25% share of deposits and 20% share of lending. We are a leading bank for start-ups in the UK, with the largest presence in the mid-market sector, where we see significant opportunity. The scale and strength of our customer franchise gives us a strong base to build on with plenty of capacity for further growth.

We believe the macro economy in the UK provides a supportive environment. Consumers in aggregate are managing well - you can see here that households are paying down debt and savings rates are high. Despite a challenging environment, particularly for sectors such as Retail and Hospitality, UK corporates are de-levering and investment is steadily increasing. In addition, there are reasons to feel confident about the broader economy. In the housing market, interest rates are coming down, the government has set ambitious building targets and is committed to investing in social housing. There is a huge shift of generational wealth to younger generations underway, whilst the FCA's Advice Guidance Boundary Review opens up an opportunity for thousands of people who currently receive no financial advice. And the UK is home to high growth sectors and businesses, with an Innovation sector that is growing faster than the UK economy. It's against this backdrop that we have been thinking about our strategy and 2028 targets.

Our strong performance in recent years demonstrates that our strategy is working - however we review it on an ongoing basis and have refined our three priorities as we raise our ambition for the bank, and target a 2028 return on tangible equity greater than 18%. So let me talk about each priority in turn. We remain committed to pursuing disciplined growth with an emphasis on returns. First, by focusing on key customer segments. Second, by making it easier for customers to engage with us, And third, by broadening our propositions to ensure we serve more customers' needs. Our second priority has evolved to become "leveraging simplification" reflecting the advances we have made. We will continue to invest, in particular in AI, to drive growth, improve productivity and enhance the customer experience. And we will continue to manage our balance sheet and risk well, by redeploying capital to drive returns and by putting a greater emphasis on dynamic

pricing as we increase our speed and agility with more advanced data and analytics. The purpose of these priorities is to deliver growth at attractive returns for shareholders. Our increased ambition on returns is underpinned by three new targets growing customer assets and liabilities at an annual rate greater than 4% from 2025 to 2028, reducing our 2028 cost income ratio to below 45%, and generating more than 200 basis points of capital before distributions whilst operating with a CET1 ratio of around 13%. These targets take into account our acquisition of Evelyn Partners. So let me talk more about how we aim to achieve this, starting with disciplined growth.

In Retail Banking our focus is on youth, families and the affluent segment. In the youth market we are building on the success of our Rooster Money app which has grown its customer base 15 times to well over half a million. We bank one in three families in the UK and want to build on connections within families and households, through savings and mortgage relationships for example. We also have a clear opportunity to grow in the affluent segment. We have around 1.2 million affluent customers in the Retail Bank yet just half a million use our Premier proposition. So our aim is to grow our Premier customer base to one million and treble the number of Retail customers who choose to invest with us. The Evelyn Partners acquisition will help accelerate the delivery of this ambition. It both enhances our direct-to-consumer investment platform with Best Invest and broadens our financial planning and investment offering.

Private Banking and Wealth Management aims to increase the number of clients with more than 3 million of assets and liabilities by more than 20%. This will be supported by trebling the number of referrals from Commercial and Institutional. In Commercial and Institutional we want to remain the leading bank for UK start-ups and for the Commercial mid-market. We serve over one in four businesses in the mid-market segment - businesses that are growing at a higher rate than the UK economy. We have an unparalleled presence across the UK, enabling us to build deep relationships based on strong local and sector knowledge. And we are building on our position as a leading lender to UK Infrastructure and UK Social Housing sector, as well as our strength in Trade and Climate and Transition Finance. Our second lever to deliver growth is making it easier for our customers to engage with us by combining our best technology with the support of our people. In Retail, most customers bank digitally but we also have over 1000 personal bankers and Relationship managers, with a 24-hour call service

for Premier customers. Private Banking and Wealth Management has 250 advisors and specialists in Coutts, together with an award-winning app, supported by Coutts 24 which answers calls 24 hours a day. Evelyn Partners adds 270 financial planners, 325 specialist investment managers and its own direct to consumer investment platform, Best Invest. Again it combines expert personal service with digital excellence. Commercial and Institutional, has a digital platform Bankline, an unparalleled network of around 1,000 relationship managers in Commercial Mid-Market banking and a network of 12 Accelerator Hubs around the UK to help entrepreneurs grow and scale their businesses. We continue to invest in enhancing the digital experience for customers as technology advances and expectations evolve. For example, we are transforming our digital assistant Cora by deploying Generative-AI so that it can resolve more complex customer needs; We are moving our data onto a single platform to deliver more personalised propositions; and in Commercial and Institutional, we are investing £100 million over several years to transform Bankline into a state-of-the-art digital platform giving customers a single point of access to many of our products and services. Ultimately, we want a joined up experience which adds value for the customer, however they choose to engage with us.

We also want to meet more customers needs by broadening our offering. For Retail Banking this includes areas like homebuying, with more support for first time buyers with family-backed and shared-ownership mortgages, offering more flexible savings accounts, developing tailored propositions for Premier customers, and entering Point of Sale lending. Private Banking and Wealth Management is primarily focused on investments we are broadening our investment proposition to attract both high net worth clients and customers in the Retail Bank; we are preparing our response to the FCA's recommendation for Targeted Support, following their Advice Guidance Boundary Review; and we are broadening our deposit offering. In Commercial and Institutional we see the UK Innovation Economy as a key opportunity. Last year we created a dedicated Venture Banking team to support innovative venture-backed scale-ups. And we opened new business accelerators last year with 4 leading universities which act as incubators, with a plan to expand this to ten over the next two years.

By continuing to deliver disciplined growth our aim is to grow customer assets and liabilities across our 3 businesses, at a rate greater than 4% a year, equivalent to more than 120 billion of balance sheet growth by

2028. This will be a mix of broad-based lending growth, higher customer deposits, and strong growth in assets under management and administration. We have already demonstrated our track record of growth. Retail Banking makes up 44% of our customer assets and liabilities, where we have grown more than 5% a year over the past 7 years. Private Banking and Wealth Management is currently 13% of CAL with a strong growth rate of 8.3%. This will grow to around 20% of CAL with the inclusion of Evelyn Partners, and Commercial and Institutional represents 37% of CAL with a growth rate close to 3%.

Moving on now to our second strategic priority, leveraging simplification, where I'll start with architecture and data. We expect to drive a further £100m of investment capacity in 2026 by leveraging technology together with further streamlining our processes and governance. We have already made significant progress simplifying our systems and reducing duplication. For example, we decommissioned 200 business applications across the Group last year. And we successfully migrated 1 million customers from Sainsbury's Bank covering multiple products. Last year we announced a collaboration with Amazon Web Services to accelerate our data, analytic and AI capabilities. This collaboration will give us a single view of each customers' relationship with the Bank as well as the tools to analyse data and enrich our customer understanding. Deployment of AI is not only helping us to automate routine work such as call summarisation. It is also helping our coders to be more productive - over 12,000 software engineers are now able to use AI assistants to generate code. This transformation has enabled us to improve the deployment frequency of updates across the group by more than 4 times since 2021 and more than treble the new features on our Commercial Banking digital platform Bankline. This investment is also increasing our operational resilience - we have reduced the number of critical incidents from 9 in 2021 to one last year. Our ambition is to become the leading bank delivering personalised customer propositions powered by the responsible deployment of Agentic AI. So we are building out our capabilities across the bank. Last year we set up an AI Research Office focused on improving customer experience and efficiency by accelerating the use of AI in fields such as multi-biometrics, audiovisual conversational AI, using proprietary small language models, and ensuring algorithmic fairness as well as data safety. This shift to Agentic AI marks a transition from simple chatbots to autonomous systems that can execute complex banking workflows on behalf of our customers. By

prioritizing these capabilities, we can move beyond basic automation towards a simpler, data-driven experience that meets rapidly evolving customer expectations. Many of the building blocks that make this vision a reality will go live this year. This quarter our customers will be able to ask questions about their recent spending, in their own words on their app. Later this year, we will launch voice-to-voice conversations and more agentic fraud support. By delivering income growth ahead of cost growth, we expect to reduce our cost income ratio below 45% by 2028. Our track record of tight cost control gives us competitive advantage as it enables further growth so our ambition is to strengthen our position as the most efficient large Bank in the UK. Turning now to our third strategic priority, active balance sheet and risk management. The strength of our capital, funding and liquidity position provides significant opportunity to deliver continued balance sheet growth together with attractive sustainable returns for shareholders whilst operating with a CET1 ratio of around 13%. Our loan to deposit ratio of 88% demonstrates the strength of our three businesses, and our capacity to deliver material lending growth to support our customers and the UK economy. We continue to recycle inefficient lower returning capital into attractive growth areas to drive higher returns, and we have been active in Significant Risk Transfers and Credit Risk Insurance to increase capital efficiency. You can also expect to see a greater emphasis on the use of advanced data analytics to drive faster pricing, credit and asset enablement decisions. In addition, data analytics will help us manage risk dynamically while optimizing risk-adjusted returns. We will continue to deliver our through-the-cycle cost of risk of 20-30 basis points aligned with our risk appetite. And we also want to maintain our market leading position in customer fraud prevention with multi-modal biometric authentication.

Our aim in pursuing disciplined growth, leveraging simplification and managing capital and risk is to drive strong growth and returns for shareholders. Given our strong track record of delivery we are raising our future ambitions. So let me sum up with our 2028 targets. We aim to grow customer assets and liabilities at a rate greater than 4% a year as we continue to drive disciplined growth. We are targeting a cost income ratio below 45% as we drive positive operating leverage. And we aim to generate more than 200 basis points of capital before distributions, whilst operating with a CET 1 ratio of around 13%. Strong capital generation gives us the ability to support customer growth, invest in the business and deliver attractive returns to shareholders. We

are targeting a return on tangible equity greater than 18% in 2028. And we expect to maintain our dividend payout ratio of 50%, with scope for surplus capital to be returned via buybacks.

Thank you very much. We'll open it up now for questions.

Moderator

Our first question today comes from Sheel Shah from JP Morgan. If you'd like to go ahead and ask your question. Hi, Sheel.

Sheel

Hi, guys. Great, Thanks for the questions. I've got two, please. Firstly, on costs, the £600 million of cost saves that you've seen in 2025. Could you talk about where that's come from and how we should think about the level of cost saves coming in 2026, particularly with regards to some of the technology developments that you've spoken about? And should we be thinking about a cost growth towards the outer years of around sort of a 2% level going forward?

And then secondly, in terms of the greater than 4% customer assets and liabilities target, I was wondering if you can disaggregate this across the divisions and maybe more specifically, would you expect all of the business areas to be at this target level? And, you know, I may be sort of pointing at the corporate business here, looking at it as slightly below target in recent years. So I'm just wondering whether you expect to pick up in this business. Thanks.

Paul

Thanks, Sheel. Appreciate it. So, Katie, I'll talk generally about costs, you maybe want to come in around the outer years on costs and then I'll cover the CAL piece as well. So, Sheel, First of all, I'd say we're very pleased with the momentum in the cost line. Obviously, a nearly 5% reduction in the cost income ratio this year. That's 20% plus over the last four years. So it feels like we've got a really good flywheel going in terms of driving out efficiencies and productivity in the business, reinvesting some of that capacity, but making the bank more productive and more efficient going forward.

In terms of your question around what levers are we pulling, it's a really broad range of levers, I would say. A key part of it is the historic and current tech investment that's driving a lot more digitisation, automation. We continue to decommission a lot of applications. We've consolidated a lot of platforms. So that's really helping. We've also become a lot more efficient in how we do change. You know, we talk about that in the presentation, £100 million of benefits. In effect, we can do more change at lower cost, which is great for the customer, but also great for the cost outlook. And we're also continuing to simplify the

business more generally, Sheel. So property consolidation would be one, organisational simplification, legal entities, etc. There's a whole range of levers. That's why for 28, we've said less than 45%, and we see opportunity beyond that because we're very comfortable that this flywheel is heading in the right direction. Katie?

Katie

Sure. Thanks very much. So look, Sheel, as I look to it, obviously, operating costs, £8.2 billion for next year. It's very much, as Paul says, it's that ongoing cost savings that we have, the higher investment spend on data and tech, as well as the higher business transformations and the benefits that we're seeing on that. We do expect to continue our really cost tight management as we go out into 2028 and really ensure that we're getting the benefits of that investment spend and that they are realised. We do expect positive JAWS in each year. We've brought in the cost income ratio target of below 45% versus the very strong 48.6% we've already printed for 2025. That target does include the costs and, of course, income from Evelyn Partners, including our ongoing investment in that business. I would say if I had to look beyond 2028, I would expect to see further improvement in that ratio from here as well. So as ever, a very tight cost picture.

Paul

Great. Thanks, Katie. And then, Sheel, on your second broader question around CAL or customer assets and liabilities, we're not going to give you the exact, and you probably don't expect it, the exact split of growth. What I'd encourage you to think about is we're very confident about growing across all aspects of CAL, lending, deposits, assets under management. Given it's a three-year cycle, we're going to push hard to grow where the opportunities present themselves. Obviously, the environment will change, so different opportunities will be attractive at different times. I do think it's reasonable to expect that some areas will grow faster than others. As you alluded to, if you look at our growth over the last couple of years, assets under management have typically grown at a higher CAGR, so 12% on average over the last seven years. Evelyn will obviously accelerate that, given the compound growth in that business of 7%.

On lending, I'd say a broader picture, Sheel. Historically NatWest is a lending and credit franchise, and we can capture demand when it's there. I'd expect lending growth across mortgages, retail, unsecured. But also, as you can see the growth in the commercial institutional lending book in 2025, £14 billion up or 10% up. We're not going to give you the breakdown, but I would plan across both lending, deposits, and

AUMA, and we're very confident that it will be greater than the 4% each year target for '28. Thanks.

Moderator Our next question comes from Benjamin Caven-Roberts of Goldman Sachs International. Benjamin, if you'd like to go ahead and ask your question.

Ben Thank you very much for the presentation and the questions. So just wanted to ask the first one on profitability and a second one on the hedge. If we look at the 19% return on tangible in 2025, I know there were a few factors which helped that result, including very low impairments, strong markets results, higher average bank base rate than likely in future years, and a slightly lower effective tax rate than those modelled by consensus for the medium term. But aside from those, what would you call out as factors that you might see as being less favourable year on year in 2026, or elements of conservatism that effectively contributes to the sequential decline in ROTE on the lower end of your 2026 guidance? Put differently, is it fair to think of underlying ROTE as continuing to go up from here?

And then secondly, on the hedge tailings through to 2030, has anything changed in the structure, duration, or notional assumptions of the hedge to facilitate that very strong uplift in 2026 and 2027, and then the continued uplift through to 2030? Thank you.

Paul Good, thanks. Thanks, Ben. Katie?

Katie Sure, thanks. Yeah, no, absolutely. I'll start off with ROTE, looking to a ROTE guidance of greater than 17% in 2026, you can see that we've got a record of high teens percentage returns. I wouldn't get too focused on the underlying versus this and that coming in. We're very confident on delivering on this guidance. We did have a little bit of a boost in the year, but things come in at different points. I think the important thing to remember is that we will continue to build capital, both through this year as we get to the end of 2026 with Basel 3.1 coming in on January 1st. That's around an extra £10 billion of regulatory capital along there. And then alongside our P&L guidance, you should expect that average growth coming through on the tangible equity as well, which is what pulls your ROTE back a little bit. It's important not to forget that. Also it's guiding you on the strong capital generation that we can see coming through. And there will be the movement during the year of 130 bps as we have CET1 coming in. But overall, as I look at the number, there's not one thing I would say I would look at that as a negative or a drag

particularly, but I would encourage you to think of CAL growth and how it feeds through to the TNAV growth.

If I then take you on to the hedge in terms of where we are and how it's structuring as we go forward from here. Look, when we look at the hedge, there's a number of different things that we bring into that. One of the debates we've been having is around the hedge duration and what we've been looking at. We are very stable at 2.8 years. It's important to remember that that reflects the product hedge at two and a half years and the equity hedge at five years, which is obviously five and ten in duration. We spend a lot of time looking at the behavioural life of different deposit types, different cohorts across the deposit franchise of our three businesses. We're very happy to see the deposit stability and the growth over this last year. We look backwards, but we also look forwards in terms of what we're expecting there. We give consideration of how things might evolve in the future as we go forward from here. Conversations you'd expect us to be having around things like digital currencies, stablecoins, tokenised deposits, as well, of course, the absolute competition that we see in this market. We continue to dynamically monitor that and assess that over time and how we reinvest the hedge at the different lifetimes. I think the other thing that's important that I'm not sure you all think about enough as well is also the relative size of both of those hedges, in terms of how they sit and what that then does to this averaging out of the age of the hedge. I'd say one thing in addition, we do review our hedging instruments. As gilts have repriced, we have actively been reinvesting our maturing 10-year swaps into 10-year gilts, which provides the pick up in yield that contributed about £50 million additional income from the equity hedge in 2025. Very comfortable with the approach we have. While it feels mechanistic and we talk about it as that a lot, it has a huge amount of thought that goes into the background to make sure we deliver the really quality returns that you see coming from this hedge year after year. Thanks, Ben.

Ben Very helpful. Thank you.

Paul Thank you, Katie. Thanks, Ben.

Moderator Our next question comes from Robert Noble of Deutsche Bank. Robert, if you'd like to go ahead and unmute and ask your question.

Robert Good morning. On the Evelyn, did you look at anything else in this space as a potential acquisition? There are a list of wealth managers that

trade at lower multiples. So what makes this specific one worth a premium compared to others? If I could ask about AI as well, it's been a rout in the market this week of wealth managers, and then more generally across the last few months. Could you talk specifically about the risks from AI in this space? And then if we broaden it out to traditional banking, what risks do you see from AI on deposit spreads in particular or any other material risks that you see in banking from AI as well? Thanks.

Paul

Thanks, Rob. The first question, as you'd expect, Rob, we monitor a number of participants and actually have done for a number of years. As you alluded to, there's private entities, there's listed entities, there's different business models. In terms of Evelyn, we absolutely thought it was the right fit for NatWest. Very strategic acquisition, creating one fell swoop, the number one combined private bank and wealth manager in the UK. It transforms our wealth business, increases the scale of it 2x from an assets under management perspective. And most importantly, or as importantly, it brings key capabilities that will complement our proposition. A direct to consumer platform, Bestinvest, the largest employed financial advisor network in the UK, and a broad suite of investment products and propositions.

It was the combination of the scale, Rob, but also the capabilities that it brings. It positions us, I think, excellently for what is obviously going to be a growth area over both the short, medium and long term. We know that customer demand is increasing around financial planning, financial advice. As you see intergenerational wealth transfer, that's only going to increase. I think it's an area that's going to be amplified by tech and AI. I'll come back to that because I think it's going to make advice more accessible and more affordable. And it's obvious we have helpful regulatory tailwinds as well, whether that's the FCA's advice, guidance and boundary review, whether it's the targeted support developments, which will drive advice to more people that start in April. So for us, it felt like the right partner, the right capabilities, creating a really substantial private bank and wealth management to complement the number one business bank we have.

In terms of the broader picture on AI and wealth management, that's been on our minds for banking. It's obviously been on our minds in the context of wealth as we thought about the wealth space over the last couple of years. I actually think the winners in the wealth space in respect of AI will be those who have scale and have data. When you

think about the 20 million customers that NatWest has, that's 200x the times of Evelyn. The ability to use that scale and data, I think AI is a big accelerant and opportunity. Secondly, what all the customer research and customer insight tells us, both independent and our own, is that the winning combination is going to be a combination of, AI-driven digital wealth advice, but also expertise through humans and people for those big financial decisions, the complex aspects of financial planning. So to me, you bring both together, you see AI really helping us get closer to our existing customers in the wealth space, which is great, but also access new customers at relatively low marginal cost, but then combined from a hybrid perspective with excellent advisors for the more complex financial needs. So that's how we think about it. So net-net, we think AI will be an accelerant and a winner, and we'll be a winner in terms of our wealth aspirations. And we think the customer need is really this hybrid need.

And then more generally on AI, it's already affecting the sector. We've embraced it. That's from a colleague perspective and a customer perspective. I think it's going to change how customers engage with us or how they find us and discover us. I think what it plays to is, again, my point around scale. I think the winners here will be those who've got significant size customer bases, 20 million for us, longstanding relationships, data. So, you can bring products, propositions, whether directly to your own channels or through other channels. I think that's who's going to be successful. And we're very thoughtful about that in terms of how we're building our capabilities. Hope that gives you quite a big picture on all those big topics. Thanks, Rob.

Robert Thank you.

Moderator Our next question comes from Amit Goel of Mediobanca. If you'd like to unmute and ask your question.

Amit Hi, thank you, and thanks for taking my questions. The first question is just on the broader capital generation targets and one's more, well, part of it's just a clarification. When we talk about the circa 200 bps for 2026, does that exclude the Basel 3.1 effect, which comes first at Jan 27, or is that in there? And more broadly, just looking at the 2028 capital generation target, greater than 200 bps, and just curious, it seems to be on the low side, especially if I think about the of ROTE target, greater than 18%. So just if you can talk to your ability to meet or beat, or how you reconcile the two.

And then just the second question, just a short follow-up, but when we talk about the circa 13% CET1 target going forwards, is that a level where you'd be happy to operate one quarter or the other quarter with a 12 handle starting point, or is it basically you look to be at 13% plus throughout the operating period on a quarterly basis?

Paul

Thanks, Amit. So let me knock two of them off pretty quickly. So on the cap generation, yes, it excludes the first Jan 27 increases from Basel 3.1. So hopefully that gives you the clarity there. We've also said that we believe that will be around circa £10 billion. So ex is the answer there. On the third question or the sub question on CET1 and 13%, obviously we've been thinking about that for a couple of years it's around 13%. The way I would think about it is it's not a hard floor. So that's the way to think about it.

And then on the broader question of 28 and capital generation, a couple of things. One is it's important to remember it's on a growing balance sheet, so it includes the growth that we've talked about. So please bear that in mind. And I guess just a bit of context. Obviously you can see 19% ROTE this year. You can see the capital generation above 250 basis points. So that's our third year of greater than 17% ROTE. But it's on a balance sheet that continues to grow. So the compound rates, and you need to bear that in mind when you think about capital generation going forward. That flows through to EPS, DPS and higher TNAV per share. That's how I would think about that, and as ever, we're very clear. You can see how we position our targets. The intention for 28 is to be greater than 200 basis points. Hopefully it gives you a good picture. Thanks.

Moderator

Our next question comes from Christopher Cant of Autonomous. Christopher, if you'd like to unmute and ask your question.

Christopher

Thanks for taking the questions. If I could ask one on RWA's please. So really pleasing to hear the detail around how you're expecting to grow. I mean, that's an important part of the story, but obviously you're now talking about this CAL concept for growth, which makes it quite hard for us to think about the capital intensity of growth, which the capital intensity of AUMA or deposits within that number quite different to lending growth. You have given us this new guide on the Basel RWA impact, which I think is probably a bit of what the consensus was. If I could just invite you to comment on the consensus RWA expectations. I think we're at £223bn in 2028. That would be appreciated just so we

can sort of understand how you're thinking about the RWA piece of the puzzle.

And then on rates assumptions, please. Your base rate assumption is 3.25% flat. Fair enough as a planning assumption. Could I just understand what reinvestment rates you're assuming on the hedge within those gross income increments you've given us? Given the flat base rate assumption, I assume you're assuming a fairly flat swap curve or a reasonably low reinvestment rate. Thank you.

Paul Very clear, Chris. Thanks. Katie.

Katie Sure, thanks very much. So if I deal first of all with your RWA outlook point, I guess as we look ahead, 2026 is underpinned by the disciplined balance sheet growth that we've got, the increasing regulatory clarity, as well as the further active management. But the primary driver will be the lending growth. One of the slides we have included in the appendix pack, slide 57, has a bit of a detail on risk density to show you that the risk density of lending is stable. However, the volume will increase. Therefore your volume of RWAs will follow through in that, you need to bear that in mind as you go through. There could still be a couple of small additional impacts from CRD IV in 2026. We think that's largely done, but obviously our models are in that final stage with the PRA and there can be a little bit of movement as you get them finalised.

I would also expect to see some further RWA management. I would say we've had a really stellar year this year on RWA management, so I wouldn't necessarily pop that number into your model at quite that high level, but it's something you will continue to see as you move forward from here. Then if I go to the hedge and in terms of that reinvestment yield that we see. We talk a lot about the tailwind that's coming through on the hedge. If I look at our current economic assumptions, there's of the five-year average swap reinvestment rates, 3.5% in terms of the product hedge and the 10-year gilt reinvestment rate of 4.5% over the next five years. So we do expect that hedge to deliver on an annual year on your tailwind into 2030.

The second thing you need to think about as well is not just those rates, but also the size of the hedge. We are assuming an increasing notional balance coming through, so we're £198bn in 2025. We expect that to grow to over £200 billion in 2026. Then I expect it to grow steadily as we move forward to 2030, supported by that CAL growth. Obviously, some of that will be going into the hedge eligible deposits and others

will be into the increasing size of the equity hedge. Now, Chris, if you were standing with me, you'd probably say, Katie those rates feel a bit low? If I were to mark them today, they'd be a little bit higher. That's a fair statement and I accept that. However, sitting where we are today, I'm comfortable with the rates for our base assumption, we will see that as it comes through. But overall, we are really confident of this tailwind that we see coming through on the hedge in the next couple of years, but also all the way out to 2030. Thanks very much, Chris.

Paul Thanks, Katie. Thank you, Chris.

Moderator Our next question comes from James Invine of Rothschild and Co. Redburn. If you'd like to go ahead and ask your question.

James Hi, good morning, Paul. Good morning, Katie. I've got a couple, please. The first is on the guidance, the revenue guidance, that is. So if we start with your £16.4 billion revenue that you printed for last year, you guided to the hedge being an extra £1.5bn. So we're up to £17.9bn. There's decent balance sheet growth. So that's another tailwind for that. I know you've talked about Bank of England rate cuts, but I think from what I can see, the second one only comes right at the end of the year. I was just wondering what other headwinds you've got factored into the 2026 revenue growth, please.

And then the second one is just on costs. So, Paul, I think on one of your slides, you talked about doubling the number of coders to 12,000, but also the AI is now writing about a third of their code. So from here, what are you expecting for where that number of coders needs to go? I can see reasons for why it might go up a lot, but also why it might come down a lot. So I'm just wondering what your view is, please.

Katie Let me kick off. Thanks, James. As we look at that guidance, £17.2bn to £17.6bn, we're very confident on it. We will deliver in that range. If you look at it, what we will be delivering is a 5 to 7% top line growth, so very good. Let me help you a little bit on a little bit of your maths. There's a couple of things within there. First of all, and the most important thing in reality is customer activity. And where we land in that range is going to be very dependent upon that activity, I would say. But we have a strong multi-year track record of growth. You can see the growth we're talking about this morning, what we've delivered in 2025, and we'd expect that to continue as we move into 2026. Obviously the mix will ultimately contribute into the income contribution. You're aware, we may talk about it more this morning as well, the little bit of pressure

there is on mortgage margins at the moment. We've talked about that at Q3, and there's also some continuing competitive pricing going on in the savings products.

The second bit is on rates. Two rate cuts, they're actually pencilled in my forecast in April and November, so Q2 and Q4 as they come through. They will have a little bit of an impact. However, I think you've also got to remember that we're not at the start of the rate cutting journey. We're quite some way through it. If you think of our sensitivity, we give you year one, we give you year two and year three. The way I think about that number, it's a negative £500m against that positive of the hedge coming through because you've just got the cumulative effect of those rates coming through. So I would bring that in.

And the third thing I would think about, you heard me talk already about the RWA management action. They do come at a cost. And as I look into 2026 numbers, I would say the additional cost of the RWA actions that we've done would be an extra £100 million as well. So I would take that off. That will get you very nicely into the range that we're talking to you about the £17.2bn to £17.6bn. We're very confident that we're going to be able to deliver that. Thanks, James. Hopefully that helps. Paul, shall I hand back to you?

Paul

Shifting gear to quite a different topic. Engineering and productivity of software engineering, James, is something we spend a lot of time on as a management team. It's definitely a topic du jour. It's pretty obvious the AI developments have been transformational for us. All our engineering and coding teams have got access to AI tools. As you alluded to, we have around 12,000 engineers and that's been increasing over a number of years. But now we're at a situation where circa 35% of the code is written by AI. I think over time there will be choices around how you use that capacity. I think it's still an evolving picture. We've got a couple of quite exciting pilots running in two of our businesses, in our international business and also in our financial crime area, where we're, what we call doing fully agentic press play software. That's actually delivering 10X productivity gains. That's where you've got agentic workflows, autonomous agents, they're planning, building code, testing code, but obviously they're overseen in a responsible way by a human. This space is, I think, exploding pretty quickly. I think it's inevitable there'll be a change both in the profile of, let's call it engineers, in terms of the activities that they do. Then I think there'll be some choices about how you capture that productivity benefit. Do you capture some

of it to go faster, deliver more products and services to your clients and enhance the customer proposition? Or do we also see opportunities for productivity and efficiency? And I think all of the things being equal, that's a reasonable expectation over the short to medium term, that there'll be some productivity and efficiency opportunities moving forward. Hopefully that gives you a flavour for it, but very excited by the work that's going on there. But we are very mindful that we're a regulated industry and we're doing it in a very responsible and thoughtful way. Thanks, James.

James Lovely, thanks both.

Katie Thanks, James.

Moderator Our next question comes from Aman Rakar of Barclays. Aman, please go ahead. Hey, Aman.

Aman Hello. Thank you so much. I had a question, actually, back on Evelyn. So, yeah, I guess the market reaction to Evelyn has been what it is, coming in a backdrop of broader cross-currents. But the feedback I've been getting is around central execution risk around the deal. So I was interested in your take around your confidence and your ability to integrate this business and also extract value from it. If you could bring a bit more to life around perhaps the revenue synergy, the degree of confidence that you have that in two years' time we'll be looking back and think that's a good deal. And the related question is a repeat of a question from earlier this week. But can you help us with your assumptions around attrition? I think that is essentially a key unknown variable here. How are you thinking about attrition risk in the investment practitioners and what strategic actions are you going to have to take to ensure that your staff but also your customers don't leave? If you could help us with that, I think it would really help. Thank you.

Paul Great, thank you, Aman. So let's start with integration. Then I'll come on to revenue synergies and then we'll talk a little bit around, the value creation and ensuring we retain both critical people but also customers. On integration, very high confidence, Aman. We've known the business and tracked the business for a number of years, we know people in the business, so we know Evelyn very well. We've undertaken quite extensive due diligence around it, whether that's the tech platforms, whether that's the cultural alignment. There's been a lot of investment since the original combination of the business in 2020 into the tech

capabilities. We've seen that to all intents and purposes, the tech and op integration is complete. The benefits of those investments are actually now coming through for Evelyn.

There's a lot of congruence and alignment between the underlying platforms that our Coutts business use and Evelyn uses. That gives us confidence about we know the platforms, we know the systems. We have experts on both sides of the transaction who know those platforms and systems. We feel very confident about that. What we also have on both sides of this transaction, you know, we have experienced people who've done M&A transactions and integrations. We've got our very recent experience and the team's still on the park around the Sainsbury's acquisition. We've complimented that over the course of the last 12 months with individuals who've been involved in some really significant FS, M&A activity. Obviously given Evelyn's history, they've built experience there as well, having to integrate different businesses. We feel pretty confident around that, what I call that alignment around integration and the ability net-net to create a lot of value out of that. So that's integration, high conviction, high confidence.

On revenue synergies, I guess we could talk a long time about that. Big picture though, I think the really critical thing to remember here is, there's a really big opportunity in helping a lot more people to save and invest for the future. We've got these regulatory tailwinds which you know about the financial advice gap. And we also know that in the wealth industry, despite the historic cautious investment culture, we've seen mid to high single digit growth in AUM. If you look at our own business, we've seen 12% compound growth in assets under management. If you look at our 2025 performance, 20% growth in AUMA, net new money of 8.4%. So that's the big picture that gives us a sense of confidence.

If you look at the drivers of income growth, you look at Evelyn's track record, over 7% since 2023 in terms of AUMA growth. And then on top of that, we've got the revenue synergies. So where do they come from? Three big opportunities. Bestinvest, it's a really significant upgrade to our NatWest Invest digital platform. We have the opportunity to bring that to life for our 1.2 million premier customers and our 19million customers in retail. The breadth for the Bestinvest offering versus our current offering is incomparable. At the moment, NatWest Invest has five funds. We've Got 3000 products with Bestinvest, 19 funds versus

five funds, access to US equities, UK equities, ETFs, investment trusts. Plus we have a relationship with those 19 million customers and the ability to surface these opportunities through the app. That's the first big opportunity. Then you look at the excellence that Evelyn has in terms and the scale it has for financial planning and the biggest employed advisor network in the country. Again, we can bring that to our 1.2 million premier customers. We can bring that to our high net worth customers in Coutts. Again, the breadth of the proposition really adds to the wealth waterfront that we have in our Coutts business and 2X in terms of our premier business.

Then the third synergy is obviously if you look at what Coutts has, you look at what NatWest has, we have a range of banking products, lending and banking that we can bring and support Evelyn clients with. You don't have to make very big assumptions, when you work it through Aman, to see where the opportunities are both in the underlying growth rate of the business, but also in the revenue synergies and opportunities that there are. That's why we're very high conviction on this from a strategic perspective and very high conviction that value creation in both the short term and long term will be significant. Thanks a lot.

Moderator

Our next question comes from Jonathan Pierce of Jefferies. Jonathan, Please go ahead.

Jonathan

Hello, two questions, please. The first is on tangible equity. Really looking at consensus out to 2028 there's lots of moving parts, I guess here versus what consensus might have been thinking before. So Evelyn pushes it down, lack of buybacks, push it back up, you know, talking about the more growth than people had in. The £33.4 billion of average tangible equity consensus has in '28. How are you thinking about that? Is that an appropriate number to be applying the greater than 18% to or could that be a bit more than that? That's the first question.

The second question is on the hedge. Let's confirm that I heard correctly on the equity hedge that you're now showing the income from the equity hedge as though it was invested in 10 year gilts rather than 10 year swaps. Because that obviously is going to give you a better yield and a better tailwind than if it was swaps. And you've obviously dropped the disclosure on the maturity yield on the product hedge. I just want to get a sense as to what that is in 2028, please, because obviously the notional is growing that all else equal that the hedge income is going to grow, but I'm not sure that is a sort of underlying

feature. What's the maturity yields, please, on the product hedge in 2028? Thanks.

Katie

Thanks very much, morning, Jonathan. As we look, first of all, at the TNAV question, I think it's important to look at Evelyn versus share buyback. Evelyn was a capital allocation conversation as far as we're talking about in terms of TNAV, so it actually has no impact on your 2028 TNAV. And by that, I mean, if we hadn't done Evelyn, we would have distributed the capital because our belief is to distribute excess share capital to you, so it was already out of that TNAV calculation. When you think of the TNAV, it's really CAL you've got to think about. And within there, obviously, specifically, loan growth, there's a little bit of unwind of the cash flow hedge. But if you think of our loan growth that we've done over the last number of years we've been consistently above 4% within there. I would use that as a good proxy for TNAV if I was you. So therefore, I would say, as I look at my number versus your number, and I try not to compare myself to consensus, I would probably guide you to that 4% a little bit and lift up a little bit as you go through.

I know you're absolutely right as well. If I move on to the hedge, we have over this last while as we look at part of our management of the hedge, ask where are opportunities? We have moved some of our equity hedge into gilts and because we felt we were getting a better return there. We can absolutely see that return coming through in terms of the extra £50 million that we report within there. You know, the equity hedge is £25 billion in size. It's not by any means all in gilts, it's something we've just started to do relatively recently and we suspect to continue that move as we see the gilt return being that bit better than the swap return. We're not particularly constrained on the size of that. I would discourage you from then saying, oh, they'll start to do that on the product hedge. We won't, just because it's a very different beast. We've got a lot of natural product offset that we see within there, but it definitely is helpful to us in terms of that delivery.

And Jonathan, I'm going to disappoint you a little bit and not give you the numbers that I've chosen not to disclose this morning. But you can see that what we have given you is that combined yield. We've also given you the numbers as we go through. I know that one of the questions that has been going around is around that redemption yield and what it looks like specifically in 2028. If I look at the 2028 redemption yield for the structural hedge, it is slightly below 4%. Currently, we do see 28 as the peak redemption yield level. But we see

that falling then into 29 and 30. I would say it's the only year that we do see that the redemption yield being above our reinvestment yield. And the difference is probably 30 to 40 bps on that number.

However, really importantly, there is a reason that we don't worry about this. It's more than offset by the compounding benefit of the hedge reinvestment over 2026 and 2027. And of course, the expected increase in our hedge nominal over the period, again, in line with our CAL guidance. That's just why we are really comfortable about this annual income tailwind that we see through to 2030. I hope that helps you without giving you the exact numbers you're maybe searching for.

Jonathan Yeah, it's very clear. Thank you very much.

Moderator Our next question comes from Guy Stebbings from BNP Paribas. If you'd like to go ahead and ask your question.

Guy Hi, good morning. The first one was coming back to the income guide for 2026, but really focussing on net interest income. I mean, I appreciate you don't spit out the guidance as such, but if we think about monitored income perhaps broadly similar to 25, maybe a bit of growth as per consensus, as we're all part of 3.6, then it looks like you're thinking about an NII around 13.6 to 13.9. Q4, you're already analysing within that range, just so I just want to check, is that the right way to think about it? And you're not really anticipating a lot of NII growth. That's just a Q4 analysed run rate. I know rate cuts, I guess, less than NII from SRTs or mortgage return could almost fully offset the hedge and volume growth. It feels a touch conservative, so I just want to check my thinking there.

And then on rate sensitivity, you're now talking to an increase to £157 million on the managed margin sensitivity. I think that's less than 60% because it passed through. I appreciate that you're not going to say exactly what you're assuming in the future, but maybe you can talk about how that's trended in particular in terms of the December rate cut. I'm not sure, Katie, you mentioned something about a buildup of rate sensitivity as time progresses. I'm not sure if that relates to this point or something else, so perhaps you could elaborate. Thank you.

Paul Thanks, Guy.

Katie Thanks, Guy. If I miss any of them, Guy, come back in, forgive me.

I guess as we look at the income guide, my first guidance would be, and you've heard me say this before, try to look at the three businesses. You

remember that in the sense, we've had a lot of movement between non-interest income and NII, and if you just take the total NII number, that does confuse it a little bit. We talked a little bit about Q3 that we'd put in some hedge accounting to help resolve that, and what you will see as we go through the next few quarters is you won't see those big flips going from NII to non-NII, which is why I would say really look at the three businesses. We are confident on the momentum that we see in the underlying customer activity and the underlying momentum we have in the business, but we would expect to see non-interest income across the three businesses growing into 2026 from here as well.

If I look then to the rate sensitivity, we've issued new ones today. The change in the amount is very much reflective of the size of the balance sheet as well. We work on a 60% pass-through. I would say broadly, when you look across the number of rate cuts, we're in that space as we come through from there, so that's not particularly changed, and I think that's a good proxy for you to continue to work on.

And then I think your last point was very much around the income, and you've got what's happening on the rate sensitivity. If you look to 2026 income, what we've got is the impact of the rate cuts that we had in 2025. You'll now have a full annual impact of those, and then I've also got two rate cuts in 2026, April and November, as I said earlier. When I look at those and do my maths on them, I see them as a drag of £500 million against the income numbers that we've got through there. Obviously going against the hedge, which is adding £1.5 billion, so still strong growth, but that's what I was talking about in that part. It wasn't specifically on pass-through and things like that or our traditional rate sensitivity disclosure. Hope that helps, and I think I got it all.

Paul Hopefully we captured everything there Guy. Thank you.

Moderator Thank you very much. Our last question today comes from Ed Firth from KBW, Ed, if you'd like to unmute and ask your question.

Katie Hey, Ed.

Ed Hi, morning. Yeah, thanks very much. Yeah, I had two questions. One was on retail. You mentioned that one of the reasons for the reasonably cautious income expectations for 2026 was the cost of capital actions. I was wondering if you could give us roughly some idea of what's the quantum you're assuming that, because obviously that was a big driver of risk-weighted assets in 2025 and helpful to get a guide for 2026.

And then I guess the second question was, you, in common with a lot of banks, , when we look up your DAI slides of the tax amounts, and lots of talk of 10x and this and massive reductions in that, and yet, when I look at the cost expectations for the sector as a whole, the actual efficiency improvements in terms of cost to loans, cost to risk weight, barely moved in the last four or five years. And expectations are clearly barely moving going forward as well. You know, a few basis points there and there. Are we ever going to get this quantum shift in the cost of delivering banking, that we're talking? Not just like inflation, in theory, the unit cost of delivering banking should go down massively with the digital delivery, but we don't ever seem to be seeing it. And so I'm just wondering, in your thinking, is there a time, post-28, when we can suddenly see this transformation? Or do we have to accept that actually you're just replacing cheap branch staff with expensive software engines? Thanks very much.

Paul Thank you, Ed.

Katie Yeah, no, thanks, thanks, Paul. So, I mean, Ed, you'd expect me to say this. I would say to you that our 2026 income guidance is certainly very reasonable and not cautious. I think I've given you the maths and all the building blocks as to how you can see that. In terms of the specific question on the cost of the capital actions, what I said earlier is you should think in your model of a negative 100 in 2026, in terms of that additional cost. You know, they make great sense to do. You can see that we actually, in effect, paid for all of our lending with those capital actions, and that's taking off lower-performing capital and replacing it with higher-performing. So we're really pleased with the performance of the business on that piece, but think of it as an additional £100 million. And Paul, would you like to go deeper?

Ed I meant in terms of risk weighted assets, what sort of reduction do you get with that £100 million?

Katie So in terms of that, so I think the numbers there is £10.9 billion, which was what we took off this year. The previous year, it was around £6.8 billion in that series, and that's the level that we've seen. Those are multi-year transactions, so some of that risk-weighted assets will roll into 2026. Obviously, there's a little bit of unwind within there, and then we'll do some further transactions in the year as well.

Paul Thanks, Katie. And then, Ed, on your question around unit cost over assets, as different to or versus cost-income ratio, that's actually

something as a management team we spend time on, because we do think that's a very valuable and useful lens. I think you can see by the numbers we've shared today, the cost-income ratio has come down. Part of that is income going up, but the reality is the absolute cost base has only gone up a little bit, and well below inflation, well below wage inflation. The targets we've set out imply less than 45%. That makes us the most efficient large UK bank, so by definition, our expectations are that costs will continue to be well-managed, and I've signalled today, I think Katie said it as well, and we see opportunity beyond 28 to go beyond that.

I do think there genuinely is a significant change going on, where you can see a business model, an operating model, that operates at a much lower cost base, with a higher income base that drives, obviously, greater returns and equity, but also we'll start to see the unit cost over assets, because you've got the growth coming through reduced as well. Time will tell where that plays out, but I think what we've laid out today, and I do believe we've got this flywheel of cost efficiencies going well. Time will tell, but I do think we've got very good momentum in terms of improving the underlying unit cost base of the bank. As you say, we'll get there, but that's how I think about it. We use both lenses. Thanks, Ed.

Moderator

Thank you for your questions today. I would now like to hand back to Paul for closing comments.

Paul

Thank you everybody for joining us for the second time this week. As you've heard, we've delivered a very strong performance in 2025, continuing our track record of growth on both sides of the balance sheet and fees, very attractive returns for shareholders. Our total distributions for the year were £4.1 billion. That includes the £750 million share buyback we announced on Monday, alongside the acquisition of Evelyn Partners. That creates the UK's leading private bank and wealth manager, and we're very excited by that, because it gives us another growth engine for the group. So hopefully you've seen from today's numbers, we're ambitious for the business, we've set out new targets, and we're determined to deliver returns greater than 18% in 2028. Thank you, have a good weekend.

Moderator

That concludes today's presentation. Thank you for your participation. You may now disconnect.