



NatWest
Group

NatWest Group plc
FY 2025 Fixed Income Call Transcript
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Moderator

Good afternoon and welcome to the NatWest Group Full Year Results 2025 Fixed Income Update. Today's presentation will be hosted by CFO Katie Murray and Treasurer Donal Quaid. After the presentation, we will open up for questions. Katie, please go ahead.

Katie

Good afternoon everyone - thank you for joining our Full Year 2025 Fixed Income results presentation. I'm joined today by Donal Quaid, our Treasurer, and Paul Pybus, our Head of Debt IR. I will take you through the headlines for the year. Donal will take you through the balance sheet, capital and liquidity and then I'll go through the forward look and targets, then we'll open up for questions. So turning to the headlines.

We delivered broad-based growth across our three businesses, adding a million new customers during the year, with customer loans up 5.6%, deposits up 2.4% and assets under management up 20% for the year.

Strong income growth of 12%, combined with modest cost growth of 2%, drove positive jaws in operational leverage of 10%. The cost income ratio reduced to 48.6%.

This performance led to strong capital generation before distributions of 252 basis points, a CET1 ratio of 14% and return on tangible equity of 19.2%. These results underpin our track record of delivering shareholder value. 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. I'll now take you through the performance for the year.

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 income.

Full year Income, excluding notable items, of £16.4 billion exceeded guidance of around £16.3 billion. 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 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 market needs. Turning to Growth.

Our three businesses have a strong track record of growth over the last seven years, with Customer Assets and Liabilities, or CAL, up 4.6% a year. We have grown customer lending at 4.5% a year from broad-based organic growth, as well as acquisitions which support scale in underweight areas.

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. This track record gives us confidence that we can continue to grow CAL in the future.

Let me take you through the last year for each of these elements in turn, starting with lending.

Gross loans to customers across our three businesses increased 5.6% or £20.9 billion 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 three businesses, with lending up £14 billion, 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.

Private Banking and Wealth Management increased by £300 million in 2025, also reflecting growth in current account and savings balances.

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 delivery on the plans we talked about at the June Spotlight. 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.

In addition to our product structural hedge we also have a longer duration equity structural hedge. Together, they are £198 billion in size 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 more than 2021.

Our equity hedge income was almost £500 million pounds, which is around £50 million pounds higher than the previous year, and up 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 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 and accelerate our simplification programmes. 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. 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. We expect unemployment to peak in 2026, at levels we are comfortable with in terms of lending risk appetite. And we expect to reach a terminal Bank Rate of 3.25% by the end of 2026.

Our balance sheet remains well-provisioned with Expected Credit Losses of £3.6 billion and ECL coverage of 83 basis points. Stage 3 is 1.1% of loans, down on the prior year, reflecting management actions in personal portfolios and lower defaults in non-personal.

Our remaining post-model adjustments for economic uncertainty are broadly stable at £246 million and we assess these quarterly. Our latest scenarios also show that even if we were to give 100% weight to our moderate downside scenario, Stage 1 and 2 ECL would increase modestly by £54 million. Turning now to impairments.

Our prime loan book is well-diversified and continues to perform well. Our net impairment charge was £671 million, equivalent to 16 basis points of loans. There were no significant signs of stress across our three 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 simply reflects a normalisation in impairments and lower one-off releases, as well as growth in the book and ongoing changes in mix. With that, I'll hand over to Donal.

Donal

Thank you Katie. Good afternoon and thank you for joining today's call. I will start by sharing some highlights from 2025 before moving into more detail on the balance sheet covering capital, liquidity and funding. I will then update you on our funding plans across the group for 2026.

Starting with an overview of the key metrics on slide 15. We ended the year with a strong capital, MREL and leverage position; comfortably above the regulatory minima with a CET1 ratio of 14.0%, a total MREL ratio of 31.9%, and a Leverage ratio of 4.8%.

Our average Liquidity Coverage Ratio was 147%, giving us comfortable surplus over minimum requirements. Our average Net Stable Funding Ratio was 135% and Primary Liquidity was £157 billion.

The group's funding is very well diversified. Our Loan to Deposit ratio was 88% and we have a strong retail, private and corporate deposit franchise, with around £442 billion of customer deposits across our three businesses.

We successfully completed our 2025 funding plan with £7.1 billion Sterling equivalent of benchmark issuance from NatWest Group across Senior MREL, AT1 and Tier 2 capital securities and £7.9 billion Sterling equivalent from NatWest Markets. Thank you for your continued support of NatWest in both the primary and secondary markets.

We were pleased with the strong NatWest performance in this year's Bank of England Stress Test, where we had the lowest capital depletion under stress.

2025 marked another positive step in our credit ratings journey, as Fitch upgraded all rated entities while affirming a stable outlook and S&P upgraded the senior unsecured, AT1 and Tier 2 ratings for NatWest Group.

Moving to capital generation on slide 16. In 2025 we generated 252 basis points of Common Equity Tier 1 capital before distributions. Strong earnings added almost 300 basis points, partially offset by 89 basis points from growth in Risk Weighted Assets.

Distributions including the accruals for our ordinary dividend payout of around 50%, and the share buyback of £750 million announced on Monday, accounted for 213 basis points of capital. We ended the year with a Common Equity Tier 1 ratio of 14.0%, up 40 basis points on last

year.

Risk Weighted Assets increased by £10.1 billion in the year to £193.3 billion, in line with our guided range of £190-195 billion. This included, £3.8 billion from operational risk, including £1.6 billion in the fourth quarter reflecting an acceleration of our annual operational risk recalculation from Q1 2026. You should now expect us to include this in the fourth quarter each year. £11.1 billion of Business Movements, which broadly reflects our lending growth across the year and £7.3 billion from CRD 4 model inflation, of which £4.8 billion was in the fourth quarter. These movements were partially offset by a £10.9 billion reduction as a result of RWA management, which included £5.7 billion in the fourth quarter.

Basel 3.1 implementation comes into effect from 1st January 2027 and based on our latest recalibration of a higher balance sheet, we currently expect the impact on Risk Weighted Assets to be around £10 billion. 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 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.

Turning now to our CET1 target on slide 17. Our approach is to review our capital targets as part of our annual ICAAP process and risk appetite review, taking into account any changes, or expected future changes to our capital requirements, given that our regulatory requirements can and do change on an annual basis.

Our 13%-14% CET1 target has been in place since 2019. Today, we are holding considerably more capital despite the restructuring and de-risking of the balance sheet as average RWA density has reduced from 55% at the end of 2019 to 46% at the end of 2025.

Since the end of 2021 our Risk Weighted Assets have increased by around £32 billion from CRD IV model changes, increasing nominal capital by over £4 billion. The successful restructuring of the bank and de-risking is evident from the consistent and material improvement in our Bank of England stress test results, which I'll cover in a moment.

The performance of the business has also materially improved and we have demonstrated a track record of strong earnings, high capital generation and returns. We expect growth to consume more capital

proportionately as we deliver on our strategy. There are also more regulatory changes to capital requirements to come. As we finalise CRD4 and implement Basel 3.1 over the next 12 months, our nominal CET1 requirements will increase further through higher RWAs.

As at Full Year 2025 our minimum CET1 requirement stood at 11.6%. But we do 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. As a result of all these considerations and having taken into account the views of stakeholders including debt and equity investors and rating agencies, we announced a reduction in our CET target to around 13%.

The revised target takes into consideration the expected reduction in Pillar 2 on 1st January 2027 and the capital impact of the Evelyn acquisition we announced earlier in the week. The CET1 target of around 13% continues to represent a healthy buffer over our MDA and supervisory minimum requirements.

Turning now to our stress test performance on slide 18. We were pleased with the strong NatWest performance in this year's Bank of England Stress Test. NatWest had the lowest capital depletion under stress for both CET1 of 250 basis points versus the aggregate of 430 basis points, and 30 basis points of leverage versus the aggregate of 90 basis points. We were the only UK bank with no strategic management actions required. The results reflect the continued strengthening of our balance sheet since the 2022/23 Stress Test, underpinning our ability to support our customers and the broader economy, including under a severe stress scenario. This exercise has highlighted again the strength of NatWest Group's balance sheet, supporting customers and delivering sustainable value creation.

Turning to our total capital position on slide 19. Our total capital ratio of 19.3% reflects the strength of our CET1 ratio and more normalised levels of AT1 and Tier 2 capital, relative to our minimum requirements. We currently have an AT1 ratio of 2.4% with £4.6 billion of securities outstanding.

During the year we called two USD AT1 securities, including the \$1.5 billion AT1 in December resulting in a CET1 benefit of £90 million through an FX retranslation gain given the security was equity accounted. Redemptions were partially offset by £1.25 billion new issuance during the year. Our Tier 2 ratio is 3.0% with £5.8 billion of

securities outstanding.

Turning to our total MREL position on slide 20. Our total MREL is very healthy at 31.9%, significantly higher than our risk weighted asset requirement, leaving us well positioned for the growth in risk-weighted assets I mentioned earlier. Having built out the maturity curve of our MREL stack, we have an annual refinancing requirement of £3-5 billion over the next few years.

Turning to liquidity on slide 21. Our liquidity position remains very strong. At the end of the year, the LCR was 147% on a 12-month rolling average, reflecting around £50 billion of surplus primary liquidity above minimum requirements. Our total liquidity portfolio was £238 billion, comprising primary liquidity of £157 billion and secondary liquidity of £81 billion.

Primary liquidity decreased slightly during the year, driven by an increase in lending, including the purchase of the consumer loan portfolio from Sainsbury's Bank, partially offset by issuances during the year. Secondary liquidity increased as more eligible collateral was repositioned at the Bank of England. During the year we continued to transition the portfolio from cash holdings into securities which provides a tailwind to income. The percentage of primary liquidity held in central bank balances has reduced from 87% at full year 2022 to 52% at the end of 2025, inclusive of net repo positions. Our central bank balances are held at both the Bank of England and the European Central Bank with 74% of balances held in Sterling. Looking at the composition of the securities portfolio, 65% are Held to Collect and Sell and fair valued through Other Comprehensive Income and 35% are Held to Collect and held on the balance sheet at amortised cost. The remaining primary liquidity is a smaller percentage of Level 1 high quality covered bonds and Level 2 securities.

Turning to slide 22 and our funding composition. Although customer deposits account for over 80% of the Group's funding, we also have access to stable and diverse sources of wholesale funding across a range of products, maturities and currencies. Of the £88 billion of wholesale funding outstanding, the large majority is Senior Holdco and Regulatory Capital issuance from NatWest Group and Senior Unsecured issuance from NatWest Markets. Drawings under the Bank of England's TFSME scheme are part of our funding mix and we repaid £3.8 billion during 2025. Our current drawings are £8.2 billion, with £5.2 billion repayable in March 2027 and £3 billion in March 2031.

On slide 23 you can see that we were very active in 2025 in the wholesale funding markets, including benchmark transactions from both the Group holding company and NatWest Markets. From NatWest Group, we have issued £5 billion Sterling equivalent in Holdco Senior, against our guidance of 4-5 billion for the year. In addition, we also issued £1.25 billion of AT1 and £0.9 billion Sterling equivalent of Tier 2 capital during the year. Sterling is of course our home currency and it was pleasing to see such strong support for our sterling capital trades this year. While for NatWest Markets plc, our benchmark trades totalled £7.9 billion Sterling across, Euro, US Dollars, Aussie Dollars and Swiss Francs, which included some pre-financing of 2026 requirements.

Turning now to our 2026 funding guidance on slide 24. From NatWest Group, we expect our Holdco Senior issuance to be around £3 billion this year, primarily to refinance maturing securities. On capital we plan to be active in both AT1 and Tier 2 this year and expect to issue around £1.0 billion Sterling equivalent in each, providing flexibility for expected increases in risk-weighted assets and looking ahead to the upcoming AT1 call in 2027. Actual issuance, as always, will be subject to both the evolution of risk weighted assets, market conditions and any decisions on calls. Credit markets started strongly in 2026 and as a result we took the opportunity to issue €1 billion senior unsecured toward the NatWest Markets Plc 2026 funding plan leaving a requirement of around £4 billion for the remainder of the year. And for NatWest Bank we anticipate a return in 2026 to the secured credit markets, with an expected requirement of around £1 billion.

And finally, turning to credit ratings on slide 25. It was pleasing to see progress in our credit ratings during the year, with our Group senior rating now rated in the single A category across all three rating agencies. In June, Fitch upgraded the rating of NatWest Group plc to A+ from single A and upgraded all rated operating companies, including the issuing entities NatWest Markets Plc, NatWest Markets N.V. and RBSI Ltd to AA- with a Stable outlook.

In September S&P raised the rating of NatWest Group plc to 'A-' with a Stable outlook, acknowledging the Group's strong profitability, disciplined risk management and sound funding and liquidity profiles. That was followed in November by rating upgrades on NatWest Group plc's AT1 and Tier 2 capital instruments to BBB- and BBB+ respectively. With that, I'll hand back to Katie.

Katie

Thanks Donal. Let me summarise our guidance for 2026. 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 to be around 200 basis points and Return on Tangible Equity to be greater than 17%.

I'd like to finish with our plans for the next three years and 2028 targets. With our strong performance in recent years, we have refined our three priorities as we raise our ambition for the bank. 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 customer needs.

Our second priority has evolved to "leveraging simplification" and 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, with 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 and attractive returns and for 2028, having considered our acquisition of Evelyn Partners, our aim is to grow customer assets and liabilities at an annual rate greater than 4% from 2025 to 2028, reduce our 2028 cost income ratio to below 45%, while generating more than 200 basis points of capital before distributions and operating with a CET1 ratio of around 13%. We are targeting a return on tangible equity of greater than 18% in 2028.

With that we'll open up for Q&A.

Moderator

If you'd like to ask a question today, you may do so by using the raise hand button within the Zoom app. If you are dialling in by phone, you can press *9 to raise your hand and *6 to unmute once prompted. We'll now pause for a moment to give everyone an opportunity to signal for questions.

Our first question today is “Thank you for your slide on risk density. It's a very helpful disclosure. You have had a very strong couple of years on capital actions and SRTs. Going forward, how do you think about risk appetite and quantum of RWAs that can be optimised?”

Katie Thanks, Oliver. Donal, would you like to take that one?

Donal Yeah, sure, Katie, I'll take that one. Thank you. So again, 2025, you said we executed five SRT transactions in our C&I business and we said £4.6 billion of RWA optimisation. We also executed in our retail business the securitisation of stage 2 and stage 3 mortgages, delivering a further £2 billion of RWA benefits. So we see significant risk transfers as a very important capital and risk management tool going forward and one of a number of levers we have to manage and optimise our capital base and risk profile.

We continue to see good demand for SRTs across multiple asset classes. So going forward, we do see further potential to do more transactions in 2026 and 2027 to further increase the capital velocity of the business and contribute to our ROTC in BAU and performance under stress.

In terms of risk appetite, we assess and consider the quantum and timing of risk weight accreting back onto the balance sheet. And we also consider the duration of the transaction against the duration of the underlying asset pool, which is very well matched. 2026 will be the third year since we re-established the programme, so we're getting closer over 2026 and 2027 to what we would say would be more of a steady state given the underlying transactions roughly have about a four year duration. So do expect more to come in that space this year.

Katie Thanks Donal.

Moderator Our next question comes from Dan David of Autonomous. Dan, if you'd like to press *6 to unmute and then we'll take your question.

Katie Thanks Dan.

Donal Hi Dan.

Dan Hi Katie.

Moderator Please go ahead Dan.

Dan Hopefully you can hear me.

Katie Yeah, we can hear you now Dan.

Dan Perfect. Thanks. Congrats on the results. I know the CET1 target cut and I appreciate the disclosure and the time at which those targets have been set. However, if I look at your numbers, I think the leverage headroom is a bit tighter and leverage appears to be the binding framework. We also see this in the MREL. So I'm just interested, how do you set the leverage buffer target in relation to the capital target or the RWA framework? Can you maybe just talk us through that?

And then I guess in relation, you've got an AT1 in the plan this year and no calls. Should we see that as net new to provide leverage headroom?

And then finally, more broadly, do you think that the PRA is going to cut your leverage requirements as a result of the comments in the FSR?
Thanks.

Katie Donal do you want to do leverage and the AT1s?

Donal Yeah, thanks Dan, a couple of elements there. Please shout if I miss any element. I think if you're looking at the total MREL, there's not a lot really between our risk weight and leverage requirements. One way I would probably think about it is, given the guidance we've given you on Basel 3.1 today on risk weights, we would expect once that comes through the £10 billion on the 1st of January 2027, expect risk rates to be our binding constraint on a look forward basis. So, we don't see leverage as binding over the medium term. Secondly, I think from an AT1 perspective, in terms of the guidance we've given you, just think about that in terms of both the growth aspirations, again, that we outlined this morning, the uplift in risk rates from Basel 3.1 and then the upcoming call, as you mentioned, in May of next year. So in effect, it's primarily driven by the refinancing with a little bit of growth in plan as well.

And then I think the final element of that question in terms of the FPC review, I think what was quite clear from the outcome of that FPC review was that leverage requirements in the UK are higher than across a peer comparison across Europe and the US. So I think I would be hopeful that we will see something on leverage buffers in particular, from the FPC this year. I hope that answers all elements, Dan.

Katie I think it did. Thanks, Dan.

Dan Thank you.

Moderator Our next question comes from Gildas Surry of Crédit Agricole. If you'd like to unmute by pressing *6 and then we'll be able to take your question.

Donal Hi Gildas.

Gildas Good afternoon. Thank you very much for taking my question. Congratulations on the results. I just wanted to follow up on SRT. I understand that you are more in ramp-up mode. You indicate £4.6 billion of RWA, so if we factor that into your ratio, it's a bit more than 30 basis points. If we project that into two or three years, should we expect the SRT CET1 savings to land around maybe 60 to 80 basis points or if you could guide us, please?

And the second question would be on liquidity, in particular your LCR. When we look at the digitalisation trend, in particular what I indicated this morning, 82% of your customers in retail are actually banking entirely digitally. When we compute the LCR, in particular, the denominator, and we look at the mix of stable deposits and less stable deposits, you basically have 61% of stable deposits versus 39% of less stable. I'm just curious to hear more context about how we can reconcile the trend towards digital. So, 82% in retail and the mix of stable versus less stable deposits, that is actually set in stone because of the 5% and 15% outflow rates that are factored into the LCR calculation. Typically if we factor a higher portion of less stable deposits to reflect the 82%, there is a massive move in the LCR. So I just wanted to hear your feelings about the way LCR reflects adequately what is happening in the digital shift within retail. Thank you.

Katie Perfect, Donal, why don't I just start off on that one and then you can come and finish off and then go on to the SRT question?

As we look at the split between NIBBS and IBBs, it's been incredibly interesting to watch. But what I would say, we've seen the level of stability within the last couple of years and we have the 17% that's sitting in the fixed term and about 30% that's sitting in the non-interest bearing. What we have talked about today in terms of our greater than 4% increase in CAL, which is our lending, our deposits, our assets under management, we do expect to see an ongoing increase in that non-interest bearing deposit; so, the numbers which are more appropriate for us in terms of that liquidity value in terms of their stickiness. We do expect that to continue to grow a little as we move forward from here, which I think is helpful. But it has been interesting that the percentages overall haven't really moved around a lot and we do continue to see growing deposits across all of the bank. Donal, do you want to talk about the specifics of percentages and then maybe go into SRTs?

Donal The only thing I would add is, in terms of the digitalisation, that's not something new in the UK. Digital banking has been around for a number of years and when we look at the underlying behaviour of deposits, yes,

there has been some movements, as Katie mentioned, particularly in the fixed term is where we've seen a lot of competition and customer behaviour changes over the last 12 to 24 months. But if we look at the underlying composition of stable and non-stable from a world of digitalisation, we haven't seen a huge change in customer trends. So I'm not expecting, in the near term anyway, for that to have any material impact or change in our LCR metrics on outflow assumptions.

On the second question on SRTs, we haven't guided through the exact CET1 impact, but the maths you've done is not too far away. £4.6 billion of risk weight benefit this year, about £4 billion last year. If I was to run some quick sums on that, that's about a 50 basis points benefit to CET1. Your 60 to 80 basis points doesn't seem too far away, given our aspirations to execute more transactions over this year and next year. But obviously you also need to consider there the accretion of the existing transactions back onto our balance sheet as well. So hopefully that answers those questions. Thank you.

Gildas Thank you.

Moderator As a reminder, if you would like to ask a question, you can do so by using the raised hand function on Zoom. And then if you are dialling in by phone, you can press *9 to raise your hand and *6 to unmute once we come to you.

Our next question is "Could you take me through the rationale for moving your impairment change guidance to 25 basis points? If I look at the past couple of years, it has been significantly below that. So my question is, what is driving it higher?"

Katie Thanks very much. We are guiding to less than 25 basis points for 2026. We've always guided you to a through-the-cycle guidance of 20 to 30 basis points. So that's unchanged. As we look at "why is our guide higher than 2025", there's a few things that it represents. First, there's been a broader normalisation in impairments, which will include less one-off releases than we've seen. We've also got growth in the loan book coming through, and particularly from particular sectors. So if I look at things like our retail unsecured mix has grown from around 6.5% in 2023 to over 8% in 2025. And those unsecured balances grew more than £3 billion in 2025. And so as you know, when you look at your impairment level, they naturally attract a larger impairment charge. And of course, the change was supported very much by the acquisition of the Sainsbury's Bank unsecured books.

What I would say is, our guidance isn't dependent on post-model adjustment releases. There's no material shift in risk appetite. We also

aren't anticipating or seeing any particular stresses in our three businesses at this stage and not expecting that in 2026. So it really is just a normalisation of the historic practise, and I wouldn't see any particular reason to be too concerned about that.

Moderator Thank you. Our next question comes from Robert Smalley from MacKay Shields. Robert, if you'd like to unmute and ask your question.

Katie Hi, Robert.

Robert Hi, thanks very much for doing the call. Greatly appreciated. Just one more follow up on RWA density, especially with the acquisition announced earlier this week. Both commercial and industrial and retail banking, you have ways that you can offload RWA's, but in the private banking and wealth management area, it might be a little harder to do. I'm wondering, especially given the acquisition, are you looking at increasing lending there? And as a result, RWA's and RWA density goes up in that segment? That's my first question.

And then secondly, on issuance, senior holdco numbers a little bit less. But when I look at maturity profile over the next couple of years, we ratchet back up. So can we expect 2026 to be a low in terms of senior holdco issuance and then a couple billion more in 2027 and 2028? Thank you.

Katie Shall I take the first one, Donal, and then you can jump in? So, Rob, if I talk to RWA density, we've actually included a slide at the back of the equity slides earlier, which is on slide 44 and it shows you the density and that actually it's been really quite stable. And so we're not expecting that to particularly change as we move forward. We are expecting, obviously, growth in our RWA's as we grow the book. And then if you look at the private banking, you can see that they only account for £11 billion of our RWA pool. They are 51% density. So not a number that's particularly out of line with some of the C&I slightly better than there.

When I think of the Evelyn acquisition, we'll carry a little bit of RWA's in terms of operational risk within there. Obviously, the actual product that they have is a capital light business. So we're not going to be allocating capital to it in the same way. What we do expect to do is to do some sell of our banking product through to them. So we might see a little bit of a take up in the RWA's that we're carrying within private banking. But I'm not overly worried about that. The pool itself is quite small, which would be harder to do some SRT type transaction on. But we certainly push the business to make sure that they are managing those SRTs very efficiently. They're on a standardised basis, which is why you would see relatively compared to other bits of the group, they might appear a little bit higher.

But we're very comfortable with the level of density that we have and comfortable that it's pretty stable.

Donal On the issuance plan. I think your summary is spot on, to be honest with you. So we've got £3 billion for this year, we're normally in around that £4 to £5 billion requirement. As you said, it's purely just driven by the maturity profile. So I would expect beyond 2026 for us to be roughly £2 billion higher.

Robert That's great. Thanks. And thanks for doing the call.

Katie You're very welcome as ever, Robert.

Moderator Thank you for all your questions today. I would now like to hand back to Katie for any closing comments.

Katie Lovely. Thanks very much. Look, thanks very much for joining the call. It really means a lot to us to get this opportunity to speak to you directly. As you know, Paul Pybus is available within our Debt IR team if there's any other questions. We'll meet many of you over the coming months as we do some IR roadshows, but we are always very appreciative of our debt investors' support and I thank you for another strong year of that. We look forward to working with you closely in 2026. Take care. Thank you very much.

Donal Thank you.

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