NatWest Group plc

Morgan Stanley European Financials Conference: Fireside Chat with Alison Rose

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Alvaro Serrano: Thank you, everyone, for joining this session with NatWest. I'm delighted to introduce the CEO, Alison Rose to this fireside chat. As usual, we're going to open up with a polling question and then I'll have a few questions to Alison and we'll open up to Q&A. The question is, NatWest trades below 1x book value versus a 2023 and medium-term RoTE target of 14% to 16%. What do you think is needed to close the valuation gap? Show resilient revenue as the positive betas grow, resilient NIM? Second, contain cost growth in this inflationary environment? Number 3, successfully close down the Irish operations? Number 4, prioritize share buybacks within the shareholders remuneration? Number 5, government reducing its stake significantly?

Well, resilient revenues it is.

Alison Rose: Okay, good feedback.

Alvaro Serrano: Yes, we can definitely speak to that. Maybe I think we should probably start talking about the events of the weekend. Obviously, things have changed to some extent the outlook and the price action has been quite extreme. Maybe we could start with your thoughts on the implications for NatWest and for the UK system as a whole?

Alison Rose: Yeah, I mean it's been an interesting week and weekend and I'm sure a busy weekend for everyone. Look, I think first of all, we don't see any read across of SVB to us. One of the things that we've been very focused on at NatWest is building a very resilient all-weather-proof balance sheet and that's both on the credit side, but also the liquidity and capital funding side.

If you look at our position, our strong capital and liquidity position, it's very robust. Businesses across retail and commercial, very well diversified, so it's not concentrated in any areas. And that very disciplined risk management is a core part of our strategy. I think in our year-end results I described it as we have a balance sheet that is resilient for the downside, but also well positioned for the upside. I think that underlying strength is really clear.

When thinking about the issues with SVB and the read across in terms of liquidity and capital positions, we have a very diversified funding profile. Our LDR is at 79%, our LCR is at 145%. That gives us 52 billion of hedge room which we're comfortable with. 20% of our assets are in cash which is around 140 billion. And cash makes up 85% of our primary liquidity.

If you look at our bond portfolio, which at the end of 2022 was 29.6 billion, that's less than 5% of our total balance sheet assets. And then how we manage that, we hedge all our interest rate exposure on our bond portfolio and liquidation of our bonds in our liquidity portfolio. If we have to do that, and I'll point you back to the cash liquidity we've got, that would have zero impact on our CET1. I think, sorry, just to labor that point, I think our strong capital and liquidity and the structure mean it's very easy to read across.

Clearly, like everyone, we've looked at what's happened with SVP. We obviously know the company very well. We've also looked at potential

contagion risk, but I think from a NatWest perspective, we're very comfortable.

Alvaro Serrano: There's a debate on how the Silicon Valley Bank situation translates into higher deposit betas going forward. You and other banks have implemented new remuneration and even new account offerings the last few weeks. In light of the new situation, do you see any further upside risks to those remunerations? How do you see this translating into your own deposit balances and any guidance?

Alison Rose: Well look, I think on our deposits, and I think one of the big unknowns is how customer behavior is evolving around deposits, I think from a strategic perspective, we obviously have high levels of deposits and excess liquidity and so our strategy is very much around balancing our position appropriately between the value of those deposits, whether for liquidity or income, making sure we balance the overall returns that we make and the decisions we make around that. I'm very comfortable we have the right products across our customer base and it is aligned with our strategy. For the past 3, 4 years in our strategy, we're been very focused around helping people build up the savings habit. That's a strategy we followed. Our digital regular saver offers a 6% interest rate for people saving up to £5,000. 85% of our accounts have less than £5,000 in them. We've helped 1.7 million people save money for the first time. In the UK, 1 in 4 people have less than £100 in their account. I think what we're very comfortable with is help our retail customers save, which is therefore the digital regular saver. We have some fixed term deposit accounts which are very competitive.

Broadly, we expect the sort of split between NIBBs and IBBs to stay stable, but we are seeing customers engage a little bit more with their financial wellbeing in accounts, and so a little bit more of a shift into term deposits. I think what we need to see is how that will evolve over the course of the year. I'm not expecting a significant change. Obviously, our assumptions in our strategy, we've given very clear disclosures based on 4% interest rates. Our deposit beta is running roughly around 40% at the moment, we've put some increases through. We will be competitive, we will be dynamic, and we'll continue to manage that as we go forward. And obviously, the things we're looking and watching closely are how customers are behaving around their deposits and how the competitive market is evolving, and we're very comfortable we're managing both.

Alvaro Serrano: As part of the aftermath if I can call it of the SVB situation, there's also a debate of what level of rates coming out of this we're going to be left with. You have a 14% to 16% RoTE target this year and you see it as sustainable medium term. At what level of rates do you see yourself closer to the bottom end? You of course have tailwinds as you close Ireland, but when your NII has grown over 50% the last 2 years, some of that has to come back I guess with rate cuts. Maybe you could talk about that.

Alison Rose: The 14% to 16% return on tangible equity is a sustainable RoTE guidance that we're giving you. There are upside and downside kind of risk scenarios that we've played in against those to get us comfortable with that range as a medium term guidance. Our '23 guidance is very much we are expecting that more to be towards the top end and we've very clear, hopefully you've seen,

on the disclosures that underpin that from an economic scenario basis and a macro basis.

We have assumed 4% interest rates for the rest of this year. I think, and you can see the volatility in the market. 2 or 3 weeks ago the consensus was saying rates were going to go up to 4.75%. I think they are now down at 4% by the end of this year. Our assumptions are based on a 4% interest rate for the rest of this year, so I think we're, in our scenario, we're at the end of the big increase in rate rises from the Bank of England. And then we're assuming those rates will decline from Q1/Q2 next year down to sort of mid 3s by the end of next year. That's one of our key assumptions. We obviously get a tailwind benefit coming in from our structural hedge, and as you know, we use our structural hedge in a very mechanical way.

I think the other dynamics that we see underpinning that 14% to 16% is business confidence. We're not hugely dependent on volume growth across our business for this year on that 14% to 16%. And then obviously, this year we have a 1.5% drag from Ulster in this year that will diminish next year.

In terms of their market competitiveness on the asset and liability side of the balance sheet, obviously on the asset side with mortgages we're seeing rates come down, lower volumes this year, so very much retention. The shape of our book is largely secured, predominantly fixed. We don't have a big SVR book that we need to defend. We're very much focused on supporting our customers as they roll off fixed.

And then on the liability side, which I think is one of the uncertain elements of how customer behavior will evolve, both in terms of whether we see erosion of those cash balances on transaction accounts during the course of the year, if inflation sustains, whether the savings habits that we've been encouraging to maintain, or whether people move from term into term deposits. Those are the dynamics. Headwinds and tailwinds in those assumptions, I think a clear sense of what underpins then, and we're pretty comfortable that our businesses will continue to generate equity as we go as well. That 14% to 16% guidance for the medium term, we remain comfortable with.

Alvaro Serrano: Maybe you could touch on mortgage demand. It's been a rocky ride the last 6, 9 months post mini budget. Mortgage production in particular, among different products, saw a big hit. How do you see the demand recover from here? Are you continuing to expect to gain market share here? Can you take advantage of realized costs of funding to take that market share? How do you see it evolve?

Alison Rose: Yes, it's definitely been a sort of turbulent market for mortgages. The strategy that we have with our mortgage business, predominantly fixed book. 93% of our book is fixed. 66% on 5-year. Predominantly very low levels of interest only, so it's mainly capital, average LTV 53%. We are a prime secured fixed mortgage book. I'm not having to defend or protect sort of SVR or sort of interest only elements of our book.

We've carefully grown that mortgage book very well over the last 3 years which was the strategy I set out. I've always said we will balance volume and

value. We are not going to chase volume at any cost, either down the credit curve or down the price curve. But we expect to grow it and grow it well. And we have grown that market very well. 14% flow share at the end of last year, which has led our stock share to go up from 11.8 to 12.3 at the end of 2022. We still have capacity to grow given our share of current accounts is around 16%. We're growing that market in a very disciplined way in the mortgage market. And we also demonstrate that we can manage it very well through very turbulent markets. We were one of the only banks during that mini budget period that stayed in the market. Everybody, the majority of people pulled all their products. We honored our mortgage deals, we stayed in the market, we took on about 5x more during that period at good returns. We're very comfortable.

Obviously, what we're expecting this year as the impacts of interest rates and the different dynamics is there was a bit of a pull forward of mortgage demand, so we expect the mortgage market to be lower this year. We've got very good visibility on our customers. We've invested significantly in our digital mortgage, so for our customers renewing their mortgage or rolling over, I was reliably informed by one of my colleagues that they managed to remortgage in a matter of 90 seconds. I think the technical is maybe 7 minutes, but let's see.

We're targeting retention. Average retention is around 75%. We expect lower volume in the mortgage market this year from a demand perspective, but we've extended the period from which customers can roll off their fixed from 46 months. We know exactly what the profile is of our customers, we have a very competitive product, we'll manage the market sort of sensibly. We have very experienced bankers running our business. You understand the dynamics.

Lower, more competitive, lower volume. Pricing has come down. The yield curve has come down. But we expect that lower application volume to affect the size of the market. But we're the third largest lender, we've got capacity to grow, we're disciplined in how we're doing it. It remains on the track to part of our business. But then we make returns across both sides of our balance sheet.

Alvaro Serrano: Maybe a question on that, on asset quality. This is obviously a big debate post mini budget as well as to how the sharp increase in interest rate was going to put households under a lot of stress. So far, the one thing we can tell, it seems there's virtually no signs of deterioration. Where would you expect trouble to come first if it does come? And obviously, government guaranteed loans, there is a different dynamic at play there, but is there anything we can learn from that sort of specific cohort when we think about the broader picture?

Alison Rose: Look, I mean I think the credit outlook, what we've had is an incredibly sharp rise in inflation and a sharp rise in interest rates. And we always knew that coming off QE was going to be bumpy and adjusting for a lot of households and businesses. They haven't operated in a rising interest rate or rising inflation environment. There is absolutely a disposable income sort of squeeze that has happened as a result of these dynamics plus obviously the impact of the war in Ukraine and the energy crisis.

I think those dynamics have led to what I would describe high anxiety and people having to adjust their disposable income. It is not translating into distress or levels of arrears in our books or stress. And I think that distinction is really important. I think different groups will be different. Different balance sheets will be different. I'll talk to my balance sheet. Largely secured, predominantly fixed, average LTV on my mortgage book 53%. Really good diversification across. We're the largest business lender into SME and mid in corporate. Excess liquidity sitting across balance sheets. And to give you a sense of that, on SME, we still see 25% of the bounce back loans that were drawn down by SMEs sitting in cash in their transaction accounts. There is a good buffer still sitting there.

What we are monitoring very closely, and we have a very sector specific RM-led model and obviously monitor data and payment flows very carefully, is very low levels of distress. In mortgages, we are not seeing increase in arrears. Our mortgage arrears at 0.57% are well below pre-COVID levels. The level of calls going into what are our financial health and support teams are more about anxiety and health because people are worried about things, rather than can I defer a payment, those issues. We have a relatively low unsecured book because it's a market we're going back into very carefully. I'm not sitting on big credit card books. And behaviorally what tends to happen in stress is people stop paying, they are unsecured, and the last thing they stop paying is their mortgage. Just behaviorally dynamic. Low levels of distress. We have been very proactive in outreach. 8 million proactive outreaches to our customers. Financial health checks where we bring customers together to look at their whole balance sheet. We did 750,000 of them last year. Those generally help people save money and allow them to consolidate their position.

On the business side, a good indication of the government backed schemes, 85% of those are paying on or ahead of schedule. Our arrears levels are down at the 1.4% level. We are seeing businesses trading now. What I would say, if you are a business owner, it's really tough right now. I spend a lot of time talking to business up and down the country. And regardless of size and sector, the 3 things that they will say to me is interest rates, energy costs, access to skills and labor, are the 3 things that are really causing them challenges. But we're not seeing real distress.

Obviously, in different pockets, in different sectors we're watching them very closely. But actually, arrears levels or heightened monitoring levels, although there are signs of them, they are still below pre-COVID levels. We are watching the hard and soft indicators, very sector led. Clearly, we're prepared for the worst. If we look at our provisioning levels, again, predominantly secured book, but our ECL is 3.6 billion and we've still got north of 5 billion on our PMAs. We'll be very careful in how we monitor that and be very proactive in how we manage the risk.

Alvaro Serrano: Maybe one last question before I open it up to the audience from my side is on distributions. The current environment is very good for capital generation. Earnings are margin driven with low RWA growth. You're close to the 14% CET1 you said you would be at by the end of 2022. How should we think about the distribution mix going forward? Will you continue to make additional

distributions on a half year loop basis? How are you thinking generally and more strategic as well?

Alison Rose: I think our view on our CET1 ratios have been very clear, 13% to 14%, close to our 14% at the end of the year. I've been very clear our preference is to return capital to shareholders. The position we now have with our business is, as I said, a really resilient balance sheet, really robust, well positioned for downside. Businesses and franchises that have very strong positions and are capital generative, and excess capital to distribute. We are investing significantly in the business, 3.5 billion over the next 3 years, and we have capital we can distribute. I have a number of tools in my armory and I think I've demonstrated I can use and have used all of them. We distributed 5.1 billion last year to shareholders which hopefully you've seen as a positive in terms of how we did that. And we used various different tools from buybacks to specials as well as our ordinary dividends where we have a 40% payout ratio.

We have permission -- we announced our 800 million-buyback. We have permission for a directed buyback if the government choose to use that route when the window opens in March. Specials, different ways of distributing, so I'm very comfortable and we'll continue to review that actively. It remains a core part of what we have which is strong capital distribution, preference to pay shareholders, continuing to invest for resilience and growth, and well positioned and well managed from a risk perspective. When I look at my team, I have very experienced bankers who have been through economic cycles running my businesses. They work very closely together to make sure we're accessing the greatest capacity we have across our business which is good, both in retail, wealth where we've had very strong performance, and also, commercial institutional which is performing well.

Alvaro Serrano: With this, I've got more questions, but I think it's a good time to open it up for any questions from the audience. Who wants to ask the first question? Over there, please. I can only see your hand.

An Audience Member: Hi. I've got a couple of questions. One is on SVB. I'm just wondering, whether you actually had a look at the book, because we heard Noel Quinn talk earlier and he said their balance sheet, our balance sheet net distribution was a win/win… So question mark whether you looked at it and if he asked, why walk away from it? And maybe second one I'll ask after you've sort of answered that one.

Alison Rose: Okay. I was poised to write down all the questions. It felt like an IR meeting again. Look, SVB, we know very well that from a NatWest perspective we have 16% market share of startups which we've grown very significantly. The largest free accelerator across the UK with 14 free accelerators and a leading position in SME and high growth companies. For us, I think it's good we got to a sale process for SVB. I think that was a good resolution planning in terms of the market. But for us, with 16% market share, that book was predominantly lending to LPs. I have a really good funds business. I'm very comfortable it wasn't going to be just additive to me. I have better uses of my capital. I'm delighted that HSBC bought it.

Alvaro Serrano: Your second question?

An Audience Member: My second one is, obviously if I'm thinking about it, you're coming on third, so Charlie Nunn talked about a 7 billion deficit reducing to 2 billion and improve his capital generation. I'm assuming one of those metrics for NatWest and whether and going forward you do have ability to generate more capital as a pension deficit comes off. Thanks.

Alison Rose: Our pension, and we can share it with you, there's no deficit. We've been very diligent in making sure, and our trustees have done a great job, that we've been very clear that our pension is in good shape and there's no deficit.

Alvaro Serrano: Next question over here, please

An Audience Member: Post SVB, how does the environment here in the UK change for banks like NatWest? Or does it change at all?

Alison Rose: Well, look, I think, obviously, for all of us, any instability in the financial markets globally is never a good thing. But from a NatWest perspective, I think it's very different from a NatWest perspective. Well diversified balance sheet, good credit risk, strong capital and liquidity. Obviously, I mentioned our LDR and LCR metrics and also, how our bond portfolio is structured and the excess liquidity. I think we're in a very good position.

I think for any clients, we're a nice safe haven if they want to come here, but I don't think it has a knock on effect. It didn't present financial instability to the UK financial sector. I think the Bank of England was very clear in how it managed it. We have very good resolution regimes. Our consumer deposits are well protected and for NatWest as a bank, our fortress balance sheet is a positive thing. Positioned for downside risk and unexpected, well positioned for growth which is always my approach in terms of driving long term value.

Alvaro Serrano: Next question, please? I've got one on costs that I want to ask if not. Can I ask you, on costs then, it's been difficult to forecast obviously with inflation at levels that nobody would have thought possible, at least in developed markets. You've given a guidance which implies 4% growth in 2023. Do you feel in your business the work is now over and do you have more visibility on that cost outlook than you've had in the last 12, 18 months?

Alison Rose: Clearly, it's been challenging for any business in terms of cost with the high inflationary environment. But we think we have very good visibility on costs. Obviously, I committed last year to take around 3% of net costs out of the business, which we did, and we delivered on. Coming into this year, we've been dealing with inflation. I gave very clear guidance and hopefully visibility on the makeup and structure of our cost base. But 7.6 billion costs of which now as we are coming to the end of the Ulster restructuring and we're in execution, I was able to bring that all together, so 7.6 billion of cost base. That includes around 300 for Ulster. We were very keen to make sure we paid our staff fairly and appropriately to deal with inflation, so that was built into our numbers.

I would say as a team, we have an incredibly good track record in managing

our costs at sort of 18% points improvement in our cost-income ratio over the last few years. I think as we go forward, what we've guided you to is a 52% cost income ratio for this year, and then in the medium term 50%. We will continue to drive operational leverage out of our business. The investment that we're making in digital and dataset and technology, which has been part of our 3 billion investment program, will continue. We're going to invest 3.5 billion over the next 3 years. You've seen the continuing transformation of our business, now almost 64% of our retail bank is entirely digital. It is a digital bank. Our straight through processing rates have gone, as an example on accounts opening, from 14%-16%, to just under 80%, that operating leverage will continue. That data and digital transformation will continue. That drives both operational leverage and organic growth which we have capacity to grow. I think what you've got is full transparency and visibility of our cost space. We're very comfortable. We have visibility and transparency of our cost space and we'll keep that cost discipline as we go forward and as we continue to transform the business.

Alvaro Serrano: And at a group level, of course, you're closing, most of the Ireland operations will close down this year.

Alison Rose: Yeah. I mean I think we're very pleased with the progress we've made on Ulster. In that going back to that 14% to 16% sort of ratio guidance we've given you, there's a 1.5% drag from Ulster this year that will largely disappear next year as we complete the execution of that transaction.

Alvaro Serrano: I've got a couple of follow-ups, but yes, I want to leave the audience ask questions. Can we go there in the middle? Yeah.

An Audience Member: Sorry. One more again. Post SVB, clearly there are others in the challenge of banking space which potentially don't have the same balance sheet and asset mix and the fortress balance sheet that you refer to. I wonder whether you see there is going to be more M&A and more strategic M&A opportunity coming up in the fintech land, challenging bank land? And if that does happen, and I know you've been very strategic and prescriptive in bolt-ons, but would you be a bit more ambitious with that fortress balance sheet? Thanks.

Alison Rose: With M&A, I've been very clear, we are in a really good position where we have excess capital. After we commit to our investment of 3.5 billion, our distribution which is very clear, I have excess capital and our business is generating capital. My preference is to drive the best value for shareholders, and therefore, any acquisition that we would make has to meet a high bar as in it is going to add value to shareholders, it aligns with our strategic growth ambitions, and is not going to disrupt from our transformation. You can see from our transformation we're building a much more data-led, digital-led strategy. I talked at our full year results around the fact that we are continuing to see that change in customer behavior more to online platforms, into ecosystems. And so that strength of our digital bank becomes really important.

Where we have made acquisitions, they are in areas where we think there's greater capability, so going to youth, we've grown our market share very significantly. Rooster allowed us to acquire 90,000 customers and fill a

capability. Our partnership with Vodeno takes us into banking as a service across a broader European ecosystem where we see higher growth opportunities. We recently announced an acquisition of Cushon which is workplace pensions. All of that leads us into more distribution, broader distribution, more fee-based income, more growth potential. If opportunities come up that we think will add strategic value, then we will make those decisions at the time. We don't rule anything out, but we will be future focused business model rather than backward facing business model.

Alvaro Serrano: There's a question over there.

An Audience Member: Alison, you talked about residential. Do you have any views on commercial real estate and challenges there?

Alison Rose: Yeah, commercial real estate, that's part of our book that we reshaped quite significantly. It's less than 4% of our sort of balance sheet lending. Average loan to value is 47% and we run this as a sector, so we have subsector limits in each area. I think in our annual report and accounts you can see some of the detail of that broken down. That's a space that we manage very carefully. If you look in our extreme downside scenario, which we shared with you to give you a sense of resilience I think, we stress test that book to around over a 20% drop in commercial real estate prices and we're very comfortable with that. It's a sector we keep a close eye on. It's a small part of our diversified balance sheet now. Just to give you a sense, not to scare you, but pre-global financial crisis, commercial real estate was north of 20% of our book and average LTV of 164%, so it's a very different shape to our book very deliberately now. It's one thing we'll keep a very close eye on.

Alvaro Serrano: Next question? Maybe I can ask kind of a follow-up to some of the questions around SBV. In the polling question we had at the beginning of the day, what are the repercussions around deposit remuneration. I realize you don't have a crystal ball, but maybe help us think through it. Do you think this is about higher deposit beta for everyone because corporates might go to the market? Do you think it's more about deposit beta differentiation to the point made earlier, sort of the newer entrants, smaller scale? Is it more about differentiating of deposit beta? Is it deposit beta high for everyone? How do you think?

Alison Rose: I think there are a couple of dynamics and I think across a few things. The value of the liquidity in the deposits, there is excess liquidity still sitting on balance sheets, both in consumer and in business across the market. Obviously, now we've moved into what I would say more normalized environment with interest rates, rising interest rates that you can make returns across both side of the balance sheet. Deposits have value for us as a bank both from a liquidity value perspective and an income value perspective.

Different institutions will have different challenges. We have, as you can see, a very prudent and very strong liquidity and capital position and we have market leading positions in our business, commercial as well as our retail side. I think on one aspect, you will see different organizations thinking about deposits in a different way. For some, they will need to raise deposits for funding reasons. And in particular, if you think about some of the challenger

banks or some of the other banks, building up funding because there's a big TSFME refinancing coming up that they will need to do. That may drive their behavior.

Obviously, it represents income, so that's one aspect as well. And then from a consumer and business behavior perspective, you have different dynamics which you are only just starting to see the start of right now. One of the things which is where I don't have a crystal ball, which is as we move through this year, if inflation stays heightened or signs are it's coming down, it's likely you'll see more rundown in cash and transaction accounts as people have to spend more of that money to absorb inflationary costs if they stay elevated.

If inflation comes down and business confidence comes back, you might see more of those cash deposits being spent on investment. I don't know yet and I couldn't tell you whether the behavioral nudges that we've been giving customers to help them save more, which has really dictated our strategy on consumer deposits, is going to sustain. I hope it does because I think it builds financial resilience.

Therefore, I think what happens in this space is you're going to be competing on a number of different fronts. Therefore, from my perspective, I have to look at the value of deposits of which problem an I trying to solve? Am I solving a liquidity challenge or an income challenge? And what behaviorally do I want to retain within the business? I'm very comfortable I have both the products to compete, I have the customer positions to manage it, and also to manage it from both volume and value lens.

And don't forget, there is seasonality as well that will flow through in deposits. What you would expect across the market is in Q1 deposits to go down because on the consumer side, because post-Christmas people pay bills and tax gets paid in January. We know from the Bank of England data there was a bigger tax hike. However, I also know that the deposit outflows I saw at the end of last year in my commercial and institutional business had very limited liquidity value. And a large part was seasonal and currency moves and in more relationships where we're competitive. I think that is not helping you with I don't have the crystal ball, but I think you will see different dynamics driving different behavior.

What we see from our customers is they like the whole balance sheet, it's broader than just the relationship. We generally see stability across noninterest bearing and interest bearing. If I look at my retail side of the business, I've got competitive products, it's broadly stable, 85% of my accounts have less than £5,000 in them. Our digital regular saver is focused on the strategy of building resiliency. Let's see how that unfolds. I think we will continue to be nimble and competitive but compete on which challenge we're trying to solve. That will be how we'll do it.

Alvaro Serrano: Maybe another follow-up to the question that was asked around distribution. There's no pension fund deficit to fill, but when we think about your capital distribution, CET1 sort of targets 13% to 14%. When can we expect now what's to be the midpoint? And also, given your risk profile has proven under stress, we've seen it in stress tests, etc., and you've got a lower weight than

peers, could you operate at the lower end of that range? Does that give room to more distribution?

Alison Rose: I'm not going to say when the midpoint is. It depends. You can see there are different timings, so we've obviously got permission for the buyback, the directed buyback if it happens, that window opens end of March. It will depend. We still think that's a good value use of our capital, but depends on when that happens. You can see where it goes.

Our business is generating capital. Don't forget, it's capital generative. For the risk diversification of our business, we're very comfortable at 13% to 14%. It has been shaped for that risk distribution. Predominantly secured, prime book, well diversified. We're very comfortable operating at the lower end of that range and we'll manage the timing of those depending on distributions and our preference to distribute capital to shareholders.

Alvaro Serrano: Any last questions? One here in the front.

An Audience Member: I have 2 questions. First on the deposit costs putting political pressure on improving the revenue ratio of deposits. And my second question is on mortgage margin. Where do you see margin lending in fact?

Alison Rose: Okay. Look, on deposits, there is -- we have, at NatWest, I launched it in 2019, early 2020, we have a purpose-led strategy which is around driving long term sustainable value for all of our stakeholders. In terms of the strategy around our customers, it's helping them save and helping them build financial resilience. Our digital regular saver is offering 6% interest rate to encourage people to save. You can save as little as £1 up to £5,000. 85% of our accounts, less than £5,000. We have fixed term deposit rates which are competitive. And every single one of our customers has benefited from the rise in interest rates. We're very comfortable that our purpose strategy is the right strategy. It is a strategy, it's not a tagline. It's backed by substantive action. And you can see, for example in our customer satisfaction scores, they are constantly improving and we are a net acquiror of customers. We acquired customers and we are growing our business. Our NPS in our retail business has gone from 4, when I took over, to 22.

We're working very closely with our customers. 750,000 financial health checks. 9 times out of 10 we will save people money. What we've done is we have been really targeted around where help is most needed. In the cost-of-living squeeze that is happening, it is the low-income households who are really struggling. They tend to not have deposits and not have credit. They are living hand to mouth. That's where we've worked in partnership and put £10 million into our partners like Citizens Advice, like Trussell Trust, proactive support to help those most in need. And then practical and fair support of transferences, interest rates to encourage our customers and allow it be competitive. We're not seeing loss of customers and we're not seeing anything that we're concerned about in terms of what's going on.

When I think about the political pressure, I am very comfortable that we are providing a very purpose-led, fair and balanced approach and the right support targeted for those in need. On the business side, we are the leading

business and commercial bank in the UK. We're the biggest lender to renewables. We have the highest growth in startup companies, with 16% market share. And we have a sector led approach where we're putting targeted support in place. We put in 1.25 billion support for agriculture last year because we know they were really struggling. I think on the political pressure, we are very comfortable that we are doing the right things, but also commercially doing the right things as well.

Our mortgage margins, what we are seeing in the dynamic in the mortgage market is we're very comfortable we are able to compete and manage effectively in turbulent markets, as we demonstrated during the mini budgets. We have been growing our market share responsibly and well. We are not chasing volume, but we're also protecting value. We have said broadly you would expect the mortgage market to price around, for us, around the 85 basis points, 80 to 85 basis points. We think that's reasonable. Bear in mind, our book is prime secured. We're not having to protect an SVR book. It is in good shape. 66% fixed rate, 75% retention. We've invested into digital mortgages. And we've put in place and we have very clear visibility of how that book rolls off. We'll expect that market to continue to be competitive and we'll manage volume and value appropriately in what we think is still a very good asset class for us. We have capacity to grow. That's the other thing. We're not maxed out on growth.

Alvaro Serrano: Great. Judging by the noise of the audience typing away, it's clearly been a very insightful session. Thanks very much, Alison. Great. Thank you.

Alison Rose: Thank you very much.