NatWest Group plc
Q3 2026 Results Call Transcript
30 October 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 Q3 2026 Results Announcement published on Form 6-K on 30 October 2026.

Management Presentation
(Amended in places for legibility and clarity)

Paul

Good morning and thank you for joining us today. I'll start with a short introduction. Katie will take you through our third quarter financial performance and then we'll open up for questions.

As I said at the half year, we are building a diversified business that benefits from structural growth drivers so that we can deliver strong returns on a sustainable basis. Our track record demonstrates the success of our strategy with three clear priorities driving our performance.

First, disciplined growth. Our three businesses are working in collaboration to drive sustained momentum across the group. This marks the eighth consecutive year in which we expect to deliver growth in customer assets and liabilities of more than 4%.

Second, we continue to increase our operating leverage through simplification. This gives us a significant competitive advantage as the most efficient large bank in the UK.

Third, as we actively manage capital and risk, we expect to generate more than 200 basis points of capital for the third year running in 2026. This gives us the flexibility to continue to invest in our business, support customers and deliver attractive returns to shareholders.

In short, by driving disciplined growth, leveraging simplification and actively managing capital and risk, we are delivering industry leading returns with an average return on tangible equity of more than 17% over the past four years. Our third quarter continued this strong momentum, so let me turn to the headlines.

Customer assets and liabilities grew 14.2%, well above our target of more than 4%. Within this, customer lending grew 7.7%. This growth was disciplined and broad based across all three of our businesses with a strong performance in Commercial & Institutional, driven by Infrastructure, Renewables, Housing and technology. Growth in Retail and Private Banking was driven mainly by mortgage lending, which increased 4% or £8.3 billion as we grew our stock share from 12.5% to 12.7% over the first nine months.

Customer deposits grew 4.3% in a competitive market. This reflects further growth in current accounts as well as operational balances that bring strong relationship and liquidity value. In Retail Banking, we are delivering on our strategy of growing savings with the launch of new easy access products and channels. There was also good growth from mid to large corporates.

Assets under management and administration more than doubled to £132 billion, supported by our acquisition of Evelyn Partners. This includes new flows of £1 billion since the deal completed at the end of June, with positive flows in both businesses. We're excited about the growth opportunity that Evelyn Partners represents for the group. The integration is on track and we look forward to providing further insight into Private Banking and Wealth Management at our spotlight in November.

We continue to increase operating leverage with income growth of 9.3%, well ahead of cost growth of 4.8% and with a cost income ratio of 45.7%, down 2.1 percentage points as we move towards our 2028 target. Continued growth, strong operating leverage and a low cost of risk have resulted in earnings per share of 57.4p, up 13.2% and a 9.4% uplift in TNAV per share, excluding Evelyn Partners. We generated high levels of capital at 208 basis points. Our balance sheet is strong with a capital ratio of 13.5% and our return on tangible equity remains industry leading at 20.2%. With that, I'd like to hand over to Katie to take you through the results.

Katie

Thank you Paul. I'll cover the third quarter using the second quarter as a comparator.

Our third quarter performance was driven by broad-based growth, driving sustained income momentum and continued high returns. Income excluding notable items increased 3.1% to £4.6 billion and total operating costs grew 2.8% to £2.1 billion, with the cost income ratio improving further to 45.1%. The impairment charge was £277 million, equivalent to 24 basis points of loans. This resulted in operating profit of £2.2 billion. Profit attributable to ordinary shareholders was £1.5 billion and we delivered a return on tangible equity of 21.6%.

Turning now to income. Income excluding notable items grew 3.1% to £4.6 billion as a result of growth in customer assets and liabilities or CAL, higher non-interest income from the inclusion of Evelyn Partners

and an extra day in the quarter. Net interest margin was broadly stable at 250 basis points, in line with our expectations, as deposit margin expansion was offset by ongoing mortgage repricing, lending mix and our regular annual review of customer repayment habits. Non-interest income grew 7.9% or £75 million, supported by the inclusion of Evelyn Partners and a gain on the sale of our SME consultancy business Mentor. This was partly offset by the non-repeat of accelerated insurance income in retail banking in the second quarter.

We now expect the Bank of England base rates to increase to 4% in the fourth quarter. As you are aware, given the lateness in the year, the resulting benefit in 2026 will be modest and we continue to expect full year income, excluding notable items, of around £17.9 billion.

Turning now to CAL. We continue to deliver a strong performance across our three businesses. CAL increased by £15.7 billion in the quarter or 1.6%. This comprises £8.1 billion of broad-based customer lending growth, £5.8 billion of customer deposit growth and a £1.8 billion increase in assets under management and administration. I'll touch on each of these elements in turn.

Strong loan growth of £8.1 billion was broad-based. Retail Banking and Private Banking & Wealth Management balances grew £1.5 billion or 0.6%. This included £1.1 billion in mortgages and £300 million in unsecured lending. Our mortgage stock share remained stable in the quarter at 12.7%. Commercial & Institutional grew fastest at 4% or £6.6 billion. This was driven by corporate institutions where higher infrastructure and renewables lending was supported by structural growth trends such as digitisation and decarbonisation. There was also healthy demand in Commercial Mid Markets from sectors such as Commercial Real Estate, Manufacturing and Social Housing.

Turning now to deposits. Customer deposits growth of £5.8 billion was well balanced across both personal and corporate customers. Retail Banking deposits grew £3.1 billion as we attracted savings from the launch of new products and channels. There was continued modest sequential growth in current accounts. In Commercial & Institutional, deposits increased by £3 billion with growth across both Commercial Mid-Market and large corporates. Our deposit mix remains broadly stable with a slight increase in term deposits now representing around 19% of the total.

Turning now to assets under management. Assets under management and administration closed the quarter at £132.4 billion, an increase of £1.8 billion. This includes net inflows to assets under management of £1 billion, assets under administration net flows of £0.4 billion and positive market performance of £0.4 billion. The net inflows of £1 billion are equivalent to 3.4% of opening AUM on an annualised basis and were positive in both businesses.

Turning now to costs. We are pleased with further improvement in operating leverage in the quarter as we grew income faster than costs. Other operating expenses of £2.1 billion take the total for the first nine months to £6.2 billion. We delivered £420 million of gross cost savings year on year, giving us the capacity to continue investing in the business. These savings partly offset increased investment spend, the inclusion of Evelyn Partners and higher people related expenses, including our annual pay award. As you heard from Paul, our cost:income ratio reduced by 2.1 percentage points to 45.7%. We continue to expect around £300 million of costs from the Evelyn Partners acquisition this year and have incurred £156 million to date. Overall, we continue to expect other operating expenses of around £8.5 billion for the full year.

Turning now to impairments. Customers continue to demonstrate resilience and our credit performance remains strong. Our growth is being delivered with a consistent risk appetite supporting a structurally low loan impairment rate. The impairment charge for the quarter was £277 million, equivalent to 24 basis points of loans on an annualised basis. This brings the charge for the first nine months to 21 basis points in line with our full year guidance of below 25 basis points. The increase relative to the second quarter was driven by the non-repeat of releases in the retail portfolios. We carry economic uncertainty post-model adjustments of £288 million with total PMAs of £315 million.

Turning now to capital. Our disciplined approach to capital allocation supports strong and sustainable capital generation going forward. We ended the third quarter with a common equity tier one ratio of 14.7% before distributions. 142 basis points of capital was invested in our acquisition of Evelyn partners and as you know this is a highly capital generative business and we generated 288 basis points through strong earnings which was boosted by 47 basis points from RWA management. Our ongoing investment spend consumed 30 basis points and organic lending growth absorbed 96 basis points.

We are reporting a CET1 ratio of 13.5% after accruing 50% of attributable profit towards the final ordinary dividend and we continue to expect capital generation before distributions and the impact of Evelyn partners of more than 240 basis points in 2026. We ended the quarter with £200 billion of risk weighted assets including some positive CRD4 model updates in our retail portfolios.

Turning now to our CET1 requirements. As you know we continue to target a CET1 ratio of around 13%. We can confirm today that our Pillar 2A requirements will be reduced by 76 basis points as of January the 1st including Basel 3.1 offsets. 43 basis points of this relates to our CET1 requirements taking our supervisory minimum from 11.6% to 11.1%. This was expected and we took it into account when we changed our CET1 target to around 13%. Our total capital and CET1 ratios both remain strong and comfortably above minimum requirements.

Turning now to guidance. Our 2026 guidance remains unchanged with one enhancement. We now expect risk weighted assets of around £210 billion as at the 1st of January 2027. This takes into account Basel 3.1 and CRD4 impacts as well as other movements such as anticipated growth and operational risk in the fourth quarter. We will continue to operate with a CET1 ratio of around 13% and as we told you in July we expect to announce our next buyback with our full year results in February. And with that we'll now open for questions.

Alvaro Thanks for taking my question. The first question is on the NII outlook. Obviously I know you're not going to give guidance for ‘27 but the volume growth, lending growth continues very strong. I assume that you expect that to continue. I'm more thinking about the funding of that loan growth and as you see it evolving going forward, deposit competition and deposit growth and that how much of that strong loan growth is actually going to feed into extra NII growth? Because when I think about the structural hedge. this obviously is a lot of tailwinds, but I wonder if the competitive dynamics of funding that loan growth will sort of hold back NII growth as we think about the NII going forward. So maybe some colour if you don't give us guidance, some colour as to what to expect from those moving parts in terms of competitive pressures eating up the hedge upside.

And then on capital I note your comments, Katie, on the 13% was taking already into account the reduction of Pillar 2A, but there is obviously

the buffers are being reviewed, making them more flexible, encouraging the banks to use less management buffer. Have you taken that into account, or could that give you an extra visibility, sorry, flexibility next year when they firmed up the proposal from that? Thank you.

Paul Thanks Alvaro. Okay Katie.

Katie Perfect thanks. Morning Alvaro good to hear from you. So let me… it's quite a lot in that two questions there so I'll take you through a few different bits. First of all, we look at income in 2027, we remain on track to deliver income ex-notables of around £17.9 billion in 2026. So that's an increase of over 9% year on year. And Alvaro, you're absolutely right, I'm not going to give you specific 2027 income guidance today, but I can share how we're thinking about the drivers several which I think you've got correct in your head as well.

First, we are confident that we will continue to deliver strong customer balance growth in line with our greater than 4% CAL growth and on the that CAL growth we know that it supports both NII and non-interest income growth, including the AUMA income from our large and growing PBWM business.

Secondly, we continue to expect income from the structural hedge to be more than £1 billion higher in 2027 versus 2026. That will contribute over £7 billion into the income line. We have a high degree of confidence on that outcome given more than three quarters of that hedge income has already been locked in and the higher reinvestment yields in 2026 have underpinned that confidence.

Finally, our current expectations of the mix of balance sheet growth across loans, deposits and wholesale funding does mean that margin continues to be broadly stable through 2027. We don't assume any further changes in the bank rate and during the year. We're expecting it to remain at 4% throughout 2027 and that five-year swap rate to moderate to a 4% average for 2027 as well. You can be confident in the ongoing income growth in 2027 and beyond driven by balance sheet growth, the strength of the hedge, and obviously, when we talk in February we'll talk more about where we might land in terms of the actual numbers.

If I then jump onto funding and liquidity, look, we're pleased with what we've delivered in terms of the really strong broad-based loan growth in Q3. You can see the balances were up 2%, or £8 billion, over the quarter and 6.4% year to date. We also saw strong deposit growth at 1.3%, and you can see that ourselves – like the rest of the industry – we are seeing that lending growth is outpacing that deposit growth.

To date we've utilised our surplus deposit liquidity with minimal wholesale funding issuance to meet customer demands with a loan-to-deposit ratio of 90% at the end of the quarter. We benefit from a strong liquidity position, high quality deposit franchises, with the flexibility to access diverse funding sources across deposits and wholesale funding markets as well. What we're really seeking to do there is to manage both the lifetime value of our customers and also their liquidity value.

You're really making me work hard this morning, Alvaro, I must say. If I jump onto capital and where we are there, look we did announce today our Pillar 2A requirement will be reduced by 43 bps on January 1st, including the Basel 3.1 offset. So that takes our supervisory minimum from 11.6 to 11.1%.

This was expected and we took it into account when we changed our CET1 target to around 13%. What I would say, it's one part of the regulatory change, a step in the right direction. We do await the next capital update in the Financial Stability Report on November 2026. We continue to engage very constructively with the PRA on the case for reducing overlaps for domestic exposures. So, I would say, let's see what's announced and then we will take stock. Thanks Alvaro.

Paul Great. Thank you, Katie. Thanks Alvaro

Ben Toms Hey good morning. Thank you very much for taking my questions. I just want to pick up actually on something you just said about stable NIM going into '27. Can I just clarify that's stable versus the Q4 exit rate, whatever that might be?

And then secondly there's a one-off gain in your other income. I don't think you class that as a notable item. If you can just help us quantify that to help with our run-rate modelling. And mortgages continue to grow strongly in the quarter. What do you expect from mortgage growth from here? I mean you've got Your First Home coming in the

spring. Do you think that could lead to a loan demand over the next six months with first-time buyers making up 25% of volumes? Thank you.

Katie Shall I jump in Paul?

Paul Yeah you can, NIM other income and then mortgages.

Katie Yeah perfect. So if I look at NIM the simple answer is yes, I am thinking sequentially. We said we expect NIM flatter in H2, and so really those drivers are continuing into 2027. I guess as I think of the drivers, Ben there's three things we think about. Lending margins, we continue to expect growth weighted towards lower risk, lower margin, attractive returns lending business and for the front and back book mortgage margins to align by the end of 2026. On deposit margins we see expansion driven by the ongoing tailwind of the structural hedge, with over another billion of higher hedge income in 2027 than 2026. It's going to obviously be a little bit offset by mix.

Funding and other, that's going to be impacted in terms of the increased wholesale funding. On interest rates, in my last answer, I said 4% for the year, holding stable as we go out, and that five-year swap rate moderating to that 4% as well. Let's see how that goes. I do think we need to think a little bit about what that means for customer sentiment and credit demand, but we are really comfortable in terms of growth. That together brings us to the broadly flat that we've talked about. In terms of the one-off in terms of income, it was the sale of our Mentor business. It's a small SME consultancy business and it's in the tens of millions, that gain.

If I then jump over onto mortgages, it's been another good quarter of mortgage growth. Balances up £1.1 billion or 0.5% in Q3, or up £8.3 billion or 3.9% for the first nine months. Our market share has remained stable in the quarter at 12.7%. That's up from 12.5% at the start of the year. It's our ninth consecutive quarter of net mortgage growth. We've got a healthy pipeline into Q4. When we look at the market level, we can see that Q3 applications were 9% higher than Q2. You've got modest declines happening in house purchase numbers, and you've all seen that in the Bank of England data, but that's been offset by higher remortgage activity, especially during the period of rate volatility that

we saw in September. As you know we remain very dynamic and disciplined in our pricing throughout the period.

The book margin continues to be impacted by the roll-off of the higher margin five-year fixed mortgages as well as the behavioural life adjustment that you saw come through in income as well. I've guided you previously that we expect to settle at around 60 basis points for the year. No change in that guidance.

If we look forward, mortgage rates remain materially above 5%. There might be a little bit of a drag on house purchase lending, with a bit of a mixed shift towards remortgages and I think we'll see what the Government's new Your First Home scheme – which was announced in the budget this week – we think it'll be supportive overall. While the impact will be modest for the market overall, we're positive about it. I would say overall we're really pleased with mortgages and the continuing growth that we're seeing in this area. We expect it to continue to grow, of course, at appropriate rates of return for us. Thanks very much, Ben.

Paul Thank you Katie. Thanks Ben.

Chris Could I just come back on the capital and then one on rates looking into next year, please. So in terms of thinking about the capital target, obviously, we knew Pillar 2 was going to come down a bit better than I expected but, you know, ballpark. O-SII releasability is obviously a new development during the course of this year. So if you didn't get any further reduction in MDA but the Bank of England does follow through, are you going to respond there in terms of the targeted level of management buffer? I mean, they're doing that to try to encourage banks to run with smaller buffers. It's quite a material change in terms of your MDA being sort of 3% flexible under severe stress. So if you could comment on how you're thinking about that. That presumably wasn't factored in when you set the 13.

And on international competitiveness, which is something the Chancellor called out in his letter to the FPC this week, is there anything on your shopping list there beyond domestic overlaps? I know the Bank of England talked about that last year, but it felt like maybe there's

something broader going on. So is there anything you think that is particularly penal in the UK framework?

And then the final thing is on rate sensitivity looking into next year. I understand you've given us your rates assumptions. Quite a few European banks broadly this quarter are talking about deposit competition all of a sudden and I can't help but think that maybe partly this is about management teams trying to discourage analysts from taking stated rate sensitivities and sort of truing up previous guidance. So in terms of your own rate sensitivity looking into next year, you're planning based on flat NIM 4% rates, 4% swap rates. That's not where rates markets are. Do you still believe the sensitivity disclosures you give us? You know, if the rates outcome is different, is that still a reasonable basis for us to be thinking about adjusting your spreadsheet when we model our own spreadsheets? Thank you.

Paul Okay. Katie, do you want to go with the narrower question on capital and I'll talk a little bit about international competitiveness and then for rate, you go for rates. Does that work?

Katie Let me kick off on capital. If I look at capital, it's a relatively simpler answer. The buffer usability is relevant in systemic stress rather than idiosyncratic stress, and we obviously manage for both. So for us, the most important is that it's fallen to 11.1% reflecting our strong and leading performance in the UK bank stress test that we saw last year. We are looking to see what the FSR comes out with next month, and then we will take stock at that point.

Paul And then Chris on the broader question around international competitiveness around the framework, four things I'd quickly call out where we think there are opportunities to calibrate the framework in a better way. First would be the countercyclical capital buffer. So bring us more in line with some of the other regulatory jurisdictions. I think that would be a simple and fast way to deliver capital relief. It also maintains the wider macro flexibility as well. So that's the first one. Second opportunity would be there is a cumulative capitalisation of UK domestic risk. If you think about the interaction between the countercyclical buffer, the O-SII, and the Pillar 2A, the geographic

aspect of that can mean that very similar risks are captured in different parts of the framework. We think that is worth looking at to make sure it's proportionate and is not disproportionate vis-a-vis the domestic risk.

Then you've got, I'd say, the third piece is making sure the risk weights are commensurate with the underlying risk. UK mortgages a very obvious example. Very low loss experience historically. We need to make sure the levels of capital there generally reflect the risk and are proportionate. There are different things to look at in that third piece.

And then fourth and final, the output floors. Output floors inevitably reduce some of the risk sensitivity of the framework. But as over jurisdictions review their approach, we need to make sure the UK keeps its implementation under review as well. So we don't we don't see regulatory drift or dissonance.

They are the four things that, from a framework perspective, we think offer opportunities. And they're about competitiveness, but they're also in part about resilience as well. So making sure we get the right calibrated framework, which ultimately obviously helps more lending get into the UK economy and, I guess, the wider challenge of growth and returns. Katie, back to you on rates.

Katie Thanks very much. Chris, as we as we look at it, obviously we're comfortable with the sensitivity we give you. It is a point in time sensitivity. I think there's other things you need to think about when you're looking about implications for customer behaviour in response to higher rates, such as sentiment and lending demand. While accepting we are confident on loan growth within there as well. We are encouraged by what we see in terms of that lending demand. We've guided you to 4% for next year and the swap rate moderating over the year. You know, I would sort of say we've been reinvesting our product hedge during '26 at 4.2%, so a little bit higher than that. You know what markets are doing at the moment. It's kind of difficult to give a number of any specific point. You can take your own view on that. But you've got the right tools within which to do that.

Paul Good. Thank you, Katie. And thank you, Chris.

Ben Caven-Roberts Thanks very much for the presentation and for taking the questions. So firstly, just a follow up on some of the helpful NII comments you gave earlier, Katie. So if we zoom out and think about income overall, are there any comments you could give on how you think about the pace of income growth changing in 2027 versus 2026? As you say, you've been posting solid volume growth, but mentioned stability in the margins as one of the factors to bear in mind there as well, at least on the NII component.

And then secondly, just on asset quality, are there any comments you could give around the key moving parts you're seeing under the hood of the business, the impact from higher rates, which bits of the portfolio are more or less resilient right now? Thank you very much.

Katie Sure. Let me start off with asset quality and then I'll come back to you on the pace of income. So as I look at the asset quality piece, Ben, you're familiar with our book. We remain pleased with the quality of our diversified prime book. The most significant areas of stress that we see around the three businesses, the impairment charge to the quarter, 277, up from 140 in Q2, that's really a question of non-repeating releases that happened in Q2, and so actually we see it as a more normalised charge and that's where we get to the 21 basis points for the nine months, so well within our guidance as we move forward from there.

There was a slightly higher stage 3 charges in Q3, but not anything that I would highlight that I'm overall worried about. Total PMAs are stable in that quarter as well, small increase in economic uncertainty, but like £4 million not really that relevant. And we remain confident about our impairment outlook for the remainder of the year, and I'd probably also guide to you, we still have that guidance out with you, the 20 to 30 basis points on impairment through the cycle, and we see us very much operating within there. If I look at the pace of income growth, I've already spoken about how we think 2027 is not going to be, so I'm not going to go into that much further than I have done already. You can see how the pace of income growth as you look at the quarters that's developed through this year.

One thing I think you should be mindful of though is the gap that we've seen in the growth of our lending and then the growth that we see in our interest earning assets, which is obviously correlated to the loan

growth. What you've seen in 2026 within there is that we've utilised a lot of our surplus liquidity, so you've seen average interest earning assets growth at 3% year on year, and that's well below the 8% growth that we've seen coming through on the lending. That's been positive for NIM in 2026, and given the closer alignment going forward means you should expect stronger average interest earning asset growth and more stable NIM as a result of that. And that strength comes from the strength you see in our balance sheet growth, and it's very consistent with what we've delivered throughout this year. And then I would say that is what's driving our stable NIM as we go forward from here. Lovely, thank you very much.

Ben Thank you.

Sheel Great. Thanks for taking the questions. I've got two, please. First on the LCR. So that's been coming down quarter by quarter. I see what you're saying in terms of the surplus liquidity being utilised that is driving some of that as well. Where do you think the floor is for this? How do you expect to defend that floor? And should we think about an impact on deposit and funding margins as a result of you trying to defend this floor as well?

And then secondly, on the corporate momentum. So that seems to be broadening out to the mid-market space, which is encouraging. Can I ask about the sustainability of this, whether there were any factors that may be uplifted that in the third quarter or whether that's going to be more sustainable going forward and the associated margins? Because you've talked about a mixed shift in terms of the corporate side of things driving the pressure, but in terms of sort of pricing pressure, are you seeing any of that come through? Thanks.

Paul Yes, so, Sheel, as you rightly point out, another strong quarter from a corporate lending perspective. Pleased to see that. It's becoming a repeat delivery, really. And to me, that speaks to the underlying strength of the commercial and corporate franchise that we've got. The lending itself, in my view, has been driven by quite some, quite fundamental structural trends. There will be new themes to you, digitisation, decarbonisation, infrastructure, etc. The reason for

mentioning them is that's what gives us confidence about the sustainability of the lending demand. And we can see that in strong pipelines that we've got.

I am pleased that the growth is in the mid-market as well as the CIB end. You can see nearly £5 billion up in the mid-market year to date, £12 billion up in the large CIB space, relatively flat in the small SME space, which is probably what you'd expect given the wider economic environments. And then if you ask ourselves, where is that lending growth coming from and therefore why should we feel confident it's sustainable? When you get to the detail in the disclosures, you'll see it's very broad based. You'll see infrastructure, housing, renewables, professional services, utilities, tech. So the strength is there across a broad based set of sectors, but also across, as I say, both mid and large. And when we look at the pipeline ahead of us, it looks strong. That pipeline is there and we've kept our appetite very consistent and very stable. So encouraged by the demand.

From a mixed perspective, I would say that the pricing dynamics haven't changed. Obviously at the top end, it's lower risk weight, lower margin, but nicely returning business. In the mid-market, slightly wider margins. That's always been a competitive space because you're dealing with impressive mid-market companies who know the value of lending, but we're not seeing any new specific margin pressure there. But net-net, another good quarter of corporate lending demand, very good line of sight on the pipeline and feel very confident we can continue to deliver that looking forward. Katie, LCR.

Katie Perfect, thanks, Paul. Hi, Sheel. So look, we are seeing a normalisation in UK banks' LCR from the elevated levels that we all saw post-Covid, and the same is obviously true for us. We've reported an LCR of 137%. There's no change to our approach on liquidity. Whilst you would expect us to maintain a buffer over the minimum requirements of 100%, we do remain comfortably above that, and we have a broad range of funding options that are available to us. So it's certainly not anything we see as a constraint to loan growth. As you would expect, we manage our funding and liquidity needs on a dynamic basis, seeking to optimise across the various levers depending on market conditions. First of all, we operate a high-quality deposit franchise. We've got great flexibility across our multiple brands and product channels to grow deposits, where we see attractive customer and liquidity value.

Secondly, we've got significant funding flexibility beyond deposits to support future loan growth as that's required. As you're aware, our non-ring-fence banks are predominantly wholesale funded, as our retail and corporate deposit franchise sits in the ring-fence bank. We've had minimal requirements for wholesale funding to date within the ring-fence bank, which means we've got a lot of significant capacity to access secured wholesale funding markets to support growth when it makes sense to do so. So overall, we remain very well positioned, strong liquidity position with levers across deposits and wholesale markets. All of that is embedded into our outlook for NIM, which is a function of the growth of the balance sheet that will continue to drive strong top-line growth and support continued operational leverage and sustainable strong returns. Thanks very much, Sheel.

Paul Thanks, Sheel. Thanks, Katie.

Aman Hey, Paul. Hey, Katie. Yeah, just got a couple of questions, please. So could you just – we're kind of a matter of weeks away from the end of the year. Could you just help us tighten up NIM into Q4? Your expectations for – your share price is clearly very, very, very sensitive to your commentary around forward net interest income, and in particular, your margin expectations for next year are clearly below where the street is. I think you've been pretty clear around the trajectory, but you know that jumping-off point for Q4? And if you're not able to just give us what you think that NIM will be in Q4, which I understand, could you just help us think about the sequential drivers that you've laid out in slide 24, lending margin, deposit margin, and funding and other kind of directionally what we might anticipate there?

And then just coming back to your commentary around your expectations, that average interest-earning asset growth might better reflect lending growth in 27. Hopefully, I've captured that comment right. And so, then I guess my question is around your view. What's your take on the sustainability of this loan growth rate? I mean, you've done – you've grown your loan book at 8% in Q3, I think actually both annualised and year-on-year. I think we understand that there might be some ease in mortgage momentum given higher interest rates, but I'd be really interested to see your take on that lending momentum. And ultimately, it's the volume component to your NIM commentary next

year, right? I guess you've guided down NIM. Is there a volume offset? Thank you so much.

Katie So, I guess in terms of NIM, you know, we previously have said that NIM would be flatter in H2, you know, and I can't be more precise than that. We don't manage to NIM, we manage to returns. And you can see the returns that we've printed this morning just show the real strength of that outcome and that focus on returns. And then in terms of your average interest-earning assets, what I'd probably tell you to help you a little bit – and this is not a section I send you to very often, but if you go into the financial supplement that we've given you today, in tab 2.1, you can see what's happening in the average interest-earning assets there by retail, PBWM, and by C&I. And the reduction we've had in that has really been about the deposits moving in, and that's all been happening within the central space. So, as you look at them and think about how they might grow forward, that's where I think you might find some help as to why I've got such confidence in those interest-earning assets growing. But, Paul, shall I hand over to you for the lending.

Paul Hey, Aman. And I guess it links a little bit back to Sheel's question, from a lending demand and lending confidence and sustainability perspective, we feel very good about the corporate business. You can see our track record there over several years. A, the demand is there. B, it's geared to areas of specialism and strength we have, infrastructure, social housing. And when it's there, we take the opportunity and we continue to post very strong growth. So, we feel good about the commercial and corporate side.

On mortgages, as Katie said earlier, we continue to grow. I think Katie referenced nine quarters in a run for mortgage growth. We've shown we can take share. We've grown our share this year, but we've been thoughtful around pricing. So, when the volume is there, we can move quickly and take share at the returns we want. So, net-net, I guess the message I'm giving you there is we feel confident about our ability to grow on the asset and the lending side. And we're confident because we've got a track record in doing that. That is the reality of it. Thanks, Aman.

Aman Can I ask a follow-up, please?

Paul Go for it.

Aman I think it's quite important. So, there's clearly confidence in the outlook for lending growth from here, underpinned by corporate. If you were to sustain loan growth at this cadence, is it right to think that average interest earning assets would grow at this level? So, if hypothetically it was loan growth plus eight in 2027, should we be thinking about average interest earning assets plus eight also, please?

Katie That is what I would guide you to. Growth in average interest earning assets should now be very much in line with our loan growth. So, you'll see that come through. Yeah, definitely. Thanks, Aman.

Aman Thank you so much.

Paul Precise. Thank you. Thanks, Aman.

Guy Hi, morning. Thanks for taking the questions. One brief follow-up on margin again, and then I was going to turn to cost. So, specifically on the lending margin, in terms of the EIR here, that shouldn't reverse but shouldn't repeat, I think, is the right way to think about it. As we then look into next year, the mortgage spread headwind should ease. I appreciate this mix point working through, but even so, shouldn't we be thinking quite a step down versus certainly Q3 in terms of that lending margin compression as sort of quarterly sequential basis? Is that sort of a fair assumption?

And then on costs, really low this quarter. I appreciate the guidance hasn't changed. There's quite a big step up in Q4. How should we be thinking about that? Is that sort of timing that you always anticipated, or does that mean that you're bringing forward investment that otherwise would have landed in 27 and interposed into the late 26? Thanks.

Katie Perfect. Great. So, in terms of the lending NIM, you're absolutely right. So, the EIR, two basis points of 6 bps, and we talk about them from time to time, there's not something I would see as a repeating sort of event. And then in terms of how that evolves, I'm really conscious I don't guide on margin, but you're trying to squeeze the lemon here on me Guy, but I think it's not really how I would say there wouldn't be a particular change in that, particularly once mortgage repricing ends in Q4. It's really a function of mix. We've got stronger CMM growth, which is helpful, but mortgages are always going to be a little bit dilutive given the margins we have there. But overall, we're pretty comfortable in lending as we move forward from here.

Costs, we've talked about this a lot over time. Our guidance is £8.5 billion. There's a natural step up that happens in Q4 of bank levies. And at this time of year, and one you said earlier, there's only really a few weeks to the end of the year. What we're trying to do is to make sure that we really maximise the benefit that we get from costs, so whether we put a little bit of investment forward or restructuring costs or things like that, but you should think of £8.5 billion for the year.

Paul Yeah, I'll just add one thing on that Guy, which is, and you can obviously see in the year today, cost income ratio, the significant progress we're making towards our 28 target already. So we continue to feel good about the efficiency and productivity opportunities within the business. As Katie alluded to, the quarter on quarters can move around, but we feel very confident on this year and increasingly confident on the 28 numbers that we put out for cost. Thanks, Guy.

Guy Thank you.

Ed Great. Yeah, I have two questions, really. I guess the first one is really just about the outlook for profitability, because if we're looking at flat margins next year, you've got a higher capital requirement coming through in terms of risk-weighted assets. We've probably got normalisation of impairments. So it feels to me like we're sort of flat, maybe down a little bit. The risk would be to the downside in terms of profitability. And so I guess I related that. My question is, what is the

story about this now? Because, you know, we sort of lived off this wonderful improvement in profitability over the last three or four years. But as we look forward from here, I get the growth picture, but the UK is a low-growth economy. We're talking about 1% to 3%, somewhere at 3% nominal maybe. But it's quite difficult to get people excited about. You might do it for one or two years, but structure is not a great economy. So I'm just trying to think, are we just, like I said, 20% less of it stock? And you may sometimes do a bit better, sometimes a bit worse. Or what is the next? What's going to get people excited now that the hedge is broadly there? Because margins, you know, the customer, customers get a benefit from any upside now. That seems to be the message.

And then I guess my second question is sort of related to that, is in terms of capital, I know everybody's getting terribly excited or trying to get excited that maybe the Bank of England are going to release some capital. But the capital is not a constraint. You know, you're returning capital. You're doing share buybacks for years. So I don't really understand how we get excited by that. Surely if there is a capital reduction, it's going to go to customers, same as the hedge is going to customers now. So I mean, and I'm not complaining. 20% is a great return, don't get me wrong. I'm just trying to think, what is the story that, where are we going to see our performance going forward? Thanks very much. Sorry, it's rather a long question.

Paul No problem, Ed. Katie, why don't I start off? So, well, first of all, Ed, I'm glad you've recognised the last three years and the improvements and the progress. That's good to see. I think that the story in my mind is very simple. You know, I think when you think about ourselves as NatWest, the way I think about it is we can clearly be a structural winner in the current environment that exists. Why is that the case? One is we've got a clear growth track record and we've got the potential to increase market share in all of our businesses. So I hear your point about the UK economy, but I also believe we've got the opportunity to take share within the UK economy. So number one is we've got this growth track record and we have the opportunity. You think about the opportunities within our retail business, you think about the opportunities within our private banking and wealth management business, which whilst it's growing at a fast rate, in relative terms, it's still quite small vis-a-vis the size of the market. So that's number one.

Number two is, again, we've got a great track record around cost management and driving superior operating leverage. We are the most efficient large UK bank. And as that leverage continues through the simplification programme, we have a virtual flywheel that we can fund investment and we can support growth. So growth, cost management. We've also got, if you look at the Bank of England stress tests, we're incredibly resilient under stress. So that gives us a lot of defence and a lot of protection. You combine those three things and what you've got is superior returns. We're geared towards some of the structural growth opportunities in the UK and that drives a lot of cap-gen, as you alluded to, and therefore stronger distributions. So I think that's how you should think about this in the context of the story. Katie, anything to add on this?

Katie No, I mean, I think the real, for me, the real point is that strength of the capital generation and that's why we do feel excited about capital. If we look at what we've done this year so far, 288 basis points of capital generated from profits. We've then invested 30 bps of that into investments and then another 96 basis points into the strength of our organic growth. Obviously, with Basel 3.1 moving on and Pillar 2A requirement, we're now sitting with a supervisory minimum down at 11.1%. We look to see what happens with the FSR and then we'll take some stock there.

Amit Hi. Thanks, guys, and thanks for taking my question. So I appreciate maybe it's a bit more of a follow-up and I know you don't want to talk too much about NIM, but just a few more bits. But I mean, I guess you've said that the flat NIM for 27 comes from the mix and funding offsetting the hedge and that you grow deposits selectively. Just want to check, in terms of the new easy access products, I mean, what are they paying against the back book? And what pass-through are you assuming on the November rise compared to the 60% in your sensitivity? And then also, just if I am looking a bit further out, I guess going into 28, once mortgage repricing has ended and mix effects settle, I guess with the hedge yield still below the 4% swap rate, I mean, should we think about that NIM starting to widen again? Or is that maybe just a bit too far out? Thank you.

Paul Thanks, Amit.

Katie So in terms of pass-through, the sensitivity to, excuse me, the sensitivity we give you on 60 is a 60% pass-through. I would work with that. Obviously, we'll look at what they actually do, and then we'll take it from there. You know, a couple of things, mortgage repricing will kind of correct itself this year. So that's done, and then we'll get to the book price of around 60 basis points, which we've kind of talked about. I won't repeat everything I said on lending a few moments ago as we go through from there. But you can see in terms of the swap rate and how that comes through, as I look at the structural hedge, it's something that I think has changed this year in terms of that continuing growth, 27, 28, and out into those later years.

So earlier in the year, we were worried about that, you know, you had this point where it was maturing at a level that's lower. For me, that's not really a concern, because you've seen the structural hedge grow, and so you get the benefit in terms of the growth coming through on that. So as I see the hedge being something that will continue to add income at growing levels over the next couple of years, it will moderate a little bit in the outer years, depending where we are. But we've talked about adding over a billion in 2027 as we go through. So overall, I think, well, I'd love to give you something more on NIM. I think, you know, we don't manage to it, and broadly stable is as precise as I'm going to be. It really will be the output of the growth, and we deploy our capital, as Paul says, where we see attractive returns, and you can see that in our numbers. Lovely, thanks very much, Amit.

Paul Thank you, Katie. Cheers. Thanks, Amit.

Perlie Hello Katie. Hello, Paul. So sorry to be cycling back to this, but you can imagine with the reaction being what it is. Just to help us clarify, so simplistically, if we take AIEA in Q3, let's say we have 1% or 2% growth in Q4, and then, I don't know, maybe 7%, 8% growth in line with loan growth in 2027, which is sort of what you've, I think, guided to. To me, it doesn't sound like consensus NII needs to change too much. So effectively, the AIEA, I suppose, changing guidance or rather clarity on

that is offsetting some of the maybe lowering of the margin. Is that the right way to think about it, number one?

And then I suppose if I step back, then 27 on 26 is probably about 8% growth, something like that on NII. So that's basically in line with loan growth, which makes sense. That does mean that basically all the structural hedge benefit is going to the customers. And is that a reasonable way to think about it? And if deposit competition were to step up more in maybe Q4, Q1, how would that feed into that thinking?

Paul Okay, thanks, Perlie.

Katie There's a lot in there. But look, I guess, Perlie, I'm not going to be any more precise. I think you've got the message on average interest earning assets. That's the right one to take. I think the key message today is that growth is going to be driving income. We're really confident about our ability to grow attractive returns. The structural hedge is embedded within that. We see it continuing to be a positive as we move forward from here. And I guess we look forward to talking more about 27 when we meet again in February. Lovely. Thanks very much, Perlie.

Rob Hey, good morning. I'm a little bit confused on your average interest earning asset guide as being close to lending growth. So I thought that the last five, six years that the cash was falling because we've had massive TFSME repayments, quantitative tightening, and lending growth started growing faster than deposits. Those all look to continue next year. So why do liquid assets start to grow at the same rate as the loan book? Why wouldn't you let it all run down? And it suggests that you are bound, a little bit bound by liquidity on your growth going forward as well.

Katie So, Rob, if I can probably try to give you a simple answer. I mean, we've used up the surplus deposits. And what you'll see happening is that we'll start to issue more wholesale funding to support loan growth. So both sides of the balance sheet are growing. And I think, we've got a lot of capacity to do that. So I'm very comfortable in terms of where we are

on that capacity to be able to continue to facilitate our strong loan growth at the right returns.

Rob So this is the point, right? So you're having to hold the cash or the liquidity buffer at the same level. So you have to issue more. You can't just run that down now. You're having to issue wholesale funding to support the balance sheet growth. Effectively, that's the way to think of it.

Katie Well, I think I probably react a little bit towards you having to issue. As we look at it, and we look at where we are, we've got an opportunity. We've got opportunities to grow. We see that. You know, we've got a number of different mechanisms that we can take to make sure that we fund that growth. We've got very little wholesale funding. [We have less than £2 billion of covered bonds issuance outstanding this year]. That's a very low number across the market. So we've got this good capacity. What we need to make sure is as we issue that wholesale, that it's reflected in the right returns that we get on the lending that we do. And overall, we'll see our average interest earning assets grow as we see that growth coming through. Thanks, Rob.

Paul Thanks, Katie.

Andrew Good morning. Thanks for taking the questions. I am going to come back to the stable NIM comment, I'm afraid, just given the magnitude of the share price move. You've flagged, obviously, the moving parts in there, some more wholesale funding issuance. You've talked about the hedge. But a lot of this seems to be due to mix effects. So can I just ask a question on asset mix and then a separate question on deposit mix and what you're assuming in the stable guide?

So on the asset mix, you're obviously growing in CIB, particularly in the C&I segment. If I actually look at the gross yields, then they're actually ticking up nicely. If I look at the C&I NIM, it's ticked up. And I appreciate that catches some deposit expansion offset. But where in the numbers can we pinpoint what the impact is on mix effect from growing that larger C&I segment, which understandably will be lower margin? And

I'm going to tag one onto this, which is that you talk about it also being lower risk. So does that mean that through the cycle cost of risk guidance comes down as an offset?

And then the second question on deposit growth. Again, you've seen £1 billion NIB growth, £5 billion interest bearing growth. It's all in term. Is that the trend you expect to continue? Is all your deposit growth expected to come through predominantly in term going forward? Or is this quarter distorted by behavioural changes given the BoE raise? Thank you.

Katie Thanks, Andrew. Let me try to be helpful, taking a look at the rates that we've got in a slightly different way. So as you've heard today, we continue to have good top line momentum. So our NII growth of 1.8% in the quarter. NIM's broadly stable, up one basis points at 2.5%. One of my favourite slides, without being too nerdy, is slide 30. And I think it can really help you. So if you look there, your average yield increased 11 basis points in the quarter, while the average cost was up 10 basis points. That's a reflection of the higher interest rates. If I then kind of dig in a little bit, and you've got there the results across the business, if I look at somewhere like retail banking, the average rate we pay on customer deposits is just three basis points up in the quarter, while lending rates are up four basis points, So a net positive for us.

You know, rising customer rates, that reflect the higher swap rates which feeds into our fixed mortgage and our deposit pricing as well as the structural hedge. So I guess while we see competition in deposit markets and things like that, we're really thoughtful about where we're competing and I think if you look here, it will give you a little bit more guidance in terms of what we're talking about in that stable NIM number as we go through. So overall we are comfortable and I keep reiterating, which I keep saying you know is around it really is the strength of the growth of volume that which will help me to ensure that we have ongoing growth in that income line which we are comfortable about. Paul, can I hand back to you to chat about deposit growth.

Paul Yeah happy to, so on deposit growth so for the quarter as you alluded to it's about £6 billion of growth that's actually split 50-50 between retail and C&I, Andrew. As you said there's some growth there in non-interest bearing balances and then the rest is savings and or term. It's

worth bearing in mind for the term that's across our three businesses so that isn't just retail that covers C&I, private banking and wealth and retail. So that can include, for example in C&I that could include term money for one month, three months, six months etc. So I wouldn't default to retail one year or two year money. Obviously where the growth in the retail savings business is coming is in the ISA market you know that's grown at 2x the normal savings rate and now about 25% of retail savings deposits are in ISAs. You haven't really seen much of it that material change in mix you can see that NIBBS are stable at 30, to drill down into corporate very much no change in mix either so we're not seeing any significant change.

I guess for the outlook which is another part of your question it really depends upon I guess some of the competitors in the retail space but also the swap rates as well. I always take the time to remind people that the higher swap rates also come through in higher structural hedge margins as well so there's a natural offset to that so net-net we're growing our deposits it's across a number of our businesses some of its term some of it is non-interest bearing. It is competitive but as Katie alluded to we've got a lot of levers we can pull on the funding side so we're going to be thoughtful where we compete from a price perspective versus where we access different sources of funding. Hopefully that gives you a sense of how we think about it. Thanks Andrew.

Paul Okay thanks, well didn't say thanks to Andrew - thanks Andrew. Thanks everybody. We appreciate the questions hopefully what you've seen today is that our momentum around growth continued in the third quarter you've got all three businesses growing you've got improvements in the cost income ratio we're obviously managing our risk and capital very well, so we're delivering the high levels of capital generation and high levels of returns and we're very confident we can continue that on a sustainable basis. So wish you all a good weekend when it comes thank you.

Katie Thank you.