NatWest Group plc
Q2 2026 Results Call Transcript
31st July 2026
Hosts: Paul Thwaite, CEO, and Katie Murray, CFO

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Management Presentation

(Amended in places for legibility and clarity)

Paul

Good morning, everyone and thank you for joining us. Our results today show how we have created a bank with increasing momentum through our focus on sustainable growth and returns. By delivering growth across all three businesses, improving operating leverage, and managing our capital and risk, we have created the most efficient large UK bank with the lowest cost of risk, delivering the strongest capital generation and highest returns. Our ambition for the future is founded on the strengths we've created and the opportunities we see ahead. The UK's next phase of growth will be shaped by a handful of defining trends - so we have built leadership positions in areas that will drive the next decade — such as wealth, AI and infrastructure. Our performance makes clear we have the capability and capacity to grow at scale. So we're seizing the opportunity: to maximise our position as a trusted partner for customers, and to help stimulate growth across the UK. In February we set out how we plan to deliver our 2028 targets by: pursuing disciplined growth, leveraging simplification, and actively managing our capital and risk. Our aim is to grow customer assets and liabilities at an annual rate of more than 4%, to reduce our cost-income ratio to below 45%, and to generate over 200 basis points of capital before distributions, with a Return on Tangible Equity of more than 18%. Our strategy is delivering excellent results as we make good progress against these ambitions, so let me give you the financial headlines. We have deliberately built a scaled business that benefits from structural UK growth drivers to deliver strong returns on a sustainable basis. Our Return on Tangible Equity was industry leading at 19.7%. Our acquisition of Evelyn Partners has now completed and boosts our exposure to the fast-growing UK Wealth Market. Customer assets and liabilities grew 13.4% including Evelyn Partners, and assets under management and administration increased more than 150% to 131 billion. Excluding Evelyn Partners, CAL grew 5.2%, well above our target of more than 4%.

We continue to drive operating leverage: Income growth of 8.9% is significantly ahead of cost growth of 4.5%, and our cost income ratio reduced 2.8 percentage points to 46%, getting close to our 2028 target. Strong operating leverage, together with a low cost of risk, has driven 23% growth in earnings per share to 38 pence, with a 26% increase in our interim dividend to 12 pence, and 13% uplift in TNAV per share, excluding Evelyn Partners.

We also generated high levels of capital at 137 basis points, and our balance sheet remains strong with a CET1 ratio of 13.2%, after the acquisition of Evelyn Partners. Given the strength of our performance, and our confidence in the outlook, we are upgrading our 2026 returns guidance to more than 19%. Our strong capital generation has allowed us to invest in growth and acquire Evelyn Partners, whilst still having surplus capital. So we are bringing forward the point at which we consider buybacks by six months to the year end results. You can see from the distribution of CAL on this slide that, with the addition of Evelyn Partners, we now have three scale businesses.

Growth is broad based and diversified across them, each one shows increasing operating leverage, and each one delivers industry leading returns of 20% or more. All three businesses are well positioned to benefit from attractive structural growth opportunities. And we are allocating capital dynamically to optimise risk-adjusted returns.
Our Retail Bank has a strong track record of gaining share at attractive returns with a clear opportunity for further growth in key target areas

We now have the UK's leading Private Banking and Wealth Management business in a high growth market, where regulatory change is accelerating customer demand. And Commercial and Institutional is capturing structural growth opportunities by building on its leading position in mid-market banking and in sectors such as Infrastructure and Social Housing. So let me update you on our strategic progress …

Our Retail Bank serves 19 million customers - or one in three UK families - with an opportunity to continue growing in savings, investments and lending to align with our share of current accounts of over 16%. One way we are capturing this is by targeting growth in key customer segments such as youth, families and affluent. By strengthening our leading position in the youth market, we are creating the next generation of primary banking relationships and boosting our long-term funding base. We are building here on the success of our Natwest Rooster Money app. Its customer base has grown 18 times since 2021 and it has a leading Net Promoter Score of 72. We increased the number of Rooster customers by 15% over the last year, we opened around 50% more Junior ISAs, and we enhanced our offer for teenagers with a new card and new features on the app. We also grew our share in Savings and Investments, mainly with affluent customers, as we opened 20% more ISA accounts, and attracted 32% more customers to invest with us. There was also strong momentum in our Private Banking and Wealth Management business. Prior to the acquisition of Evelyn Partners, it attracted 2 billion of net inflows to assets under management. This is a record performance, representing a 33% uplift on last year and more than 9% of opening balances. These inflows were supported by: over 45,000 customers across the Group investing with us for the first time, a 60% uplift on last year, as well as 11% growth in the number of high-net-worth clients we serve with more than 3 million of assets and liabilities. This progress will be accelerated by the acquisition of Evelyn Partners which I'll talk about on the next slide

Commercial and Institutional is the UK's biggest bank for business. It serves one and a half million customers across the UK, ranging from start-ups, where we have a leading 20% share, through the mid-market to large corporates and financial institutions. We gain a clear competitive advantage here from our longstanding presence across the nations and regions, as well as our highly experienced network of more than 1000 relationship managers. They are rooted in their local communities, offering businesses both local knowledge and deep sector expertise. This enables us to play an important role in regional economies, giving us a distinctive platform to support investment and capture growth.

We are capitalising on our market leading positions in areas such as Infrastructure, Social Housing and transition finance to take advantage of structural growth. And building on our leading position in Debt Capital Markets to support corporates not just with lending, but with broader funding needs. We delivered £23 billion of Climate and Transition Finance in the first half, making good progress towards our £200 billion 2030 target.

All three businesses continue to leverage simplification to improve customer and colleague experience and drive efficiency. The use of AI is changing how our customers live and work, as well as their expectations of us. It is also reshaping financial services. While the pace is faster and the tools have evolved, the fundamentals remain the same. Success in our sector has long been built on relationships and trust. So the real value of AI comes when it builds stronger customer relationships, strengthens trust and delivers growth - through better insight, experience and outcomes. That's why we continue to invest in leading capabilities. Last year we created a new AI Research Office to enable faster innovation and to accelerate our responsible deployment of AI. The benefits for both customers and colleagues are clear: a smoother customer experience; quicker, more informed decisions; and more time for colleagues to focus on what matters most: building trusted relationships and delivering better customer outcomes. So for example, we are using AI: to deliver new customer propositions faster, in hours rather than weeks; to help customers understand their spending habits better; to help them resolve cases of fraud, through natural language conversations with our digital assistant Cora; and to provide relationship managers with greater client insight and more capacity for productive engagement. The operational momentum in each of our businesses is demonstrated by operating profit growth of more than 15%. I'd like to turn now to the acquisition of Evelyn Partners

Evelyn Partners allows us to deliver an exciting step-change in our private banking and wealth management business, generating sustainable growth and returns. We now have a highly differentiated, scalable end-to-end wealth proposition comprising advice, planning and investments - with the largest employed network of financial advisers across the UK and a highly regarded direct to consumer investment platform. The combination of planning and investment capabilities, with banking, savings and wealth management services, gives us a unique position in the market and a distinctive offering for our 20 million customers. One month in, Evelyn Partners is performing in line with expectations and the integration is going well. We were able to hit the ground running, having planned since February, and we're executing at pace with a focus on the most valuable revenue opportunities. We have a single leadership team under Emma Crystal, we have created an integrated financial planning team to take advantage of opportunities like Targeted Support, and we are already seeing business referrals in both directions. So we are excited about the opportunity ahead and the value that Evelyn Partners brings both for the Group and for shareholders. We look forward to updating you further at an in-depth Spotlight in the fourth quarter.

Our strategy is focussed on driving strong sustainable growth and returns, which in turn generates higher levels of capital, giving us both resilience and flexibility. So let me remind you of our approach to capital allocation. We have a robust balance sheet and aim to operate with a CET1 ratio of around 13%, giving us appropriate headroom above minimum requirements. Our strong capital generation enables us to invest in our business, to grow and deepen customer relationships. We are both disciplined and dynamic in our deployment of capital, and our diversification across three businesses gives us optionality through the cycle to optimise risk-adjusted returns. We also apply a high bar as we consider acquisitions that accelerate our progress through additional scale or capabilities. Our strategy is delivering attractive and growing shareholder returns, and we remain committed to a dividend pay-out ratio of around 50% and to returning surplus capital to shareholders via share buybacks. This translates into compounding growth in earnings, dividends and TNAV per share. Given the strength of our performance and the inclusion of Evelyn Partners we are upgrading our 2026 guidance. We now expect a Return on Tangible Equity of more than 19% and we are bringing forward the date when we consider share-buybacks to our full year 2026 results. The momentum we're seeing in customer growth, efficiency and returns gives us great confidence for the future. By driving disciplined growth, increasing our operating leverage and managing our balance sheet and risk, we have created a business capable of delivering strong compounding sustainable returns through the cycle. With that I'll hand over to Katie to take you through the results.

Katie: Thank you, Paul. I'll cover the second quarter using the first quarter as a comparator. Our strong performance in the first quarter continued in the second, with broad-based growth, income momentum and improved operating leverage. Income excluding notable items increased 5.4% to 4.4 billion, and total operating costs grew 1.8% to 2.1 billion, driving a 1 percentage point improvement in the cost income ratio to 45.5%**.** The impairment charge was 140 million, equivalent to 13 basis points of loans. This resulted in 12.4% growth in operating profit to 2.3

billion pounds. Profit attributable to ordinary shareholders was 1.6 billion, and we delivered a return on tangible equity of 21.0%. Turning now to income. Income excluding notable items was up 5.4% at 4.4 billion. Income across our three businesses continued to grow, supported by an increase in CAL, margin expansion and higher non-interest income. Net interest margin was 249 basis points, up 2 basis points, with deposit margin expansion partly offset by the mix of lending. Non-interest income grew 15%, or 124 million, supported by: strong customer activity in Commercial and Institutional together with higher insurance fee income following our decision to partner with a new insurance provider. Looking forward to the second half, we expect an income contribution of around 275 million pounds from Evelyn Partners. Given the strength of our performance and the inclusion of Evelyn Partners we now expect full year income, excluding notable items, of around 17.9 billion. Turning now to customer assets and liabilities, or CAL.

We are pleased with our continued track record of growth and the addition of Evelyn Partners. CAL increased by 86.8 billion in the quarter, or 9.6% to 986.9 billion. This comprises: 9.7 billion of broad-based customer lending growth, 2.8 billion of customer deposit growth, and a 73.9 billion pounds increase in Assets Under Management and Administration, including Evelyn Partners. I'll touch on each of these elements in turn.

We are reporting another quarter of strong broad-based loan growth across the group with gross loans to customers up by 9.7 billion. Retail Banking and Private Banking & Wealth Management balances grew 4.0 billion, or 1.7%. This comprises 3.9 billion in mortgages and 0.1 billion in unsecured lending. Our Mortgage stock share increased slightly in the quarter to 12.7%, with record applications in March. Commercial and Institutional continues to be the fastest growing segment with lending up 5.7 billion, or 3.6%. Within this, growth is strongest for larger Corporate & Institutions where we see continued strong demand driven by structural trends including digitisation and decarbonisation. Our mid-market customers are showing healthy demand driven by manufacturing and social housing. And our smaller Business Banking customer balances are stable with potential for growth once government schemes are fully repaid. Turning now to deposits

Customer deposits grew by 2.8 billion in the quarter. This was driven by Commercial and Institutional where deposits increased by 2.5 billion, with broad-based growth across Business Banking, Commercial Mid-Market and our large corporates. Private Banking & Wealth Management deposits were up 0.3 billion, mainly as a result of growth in savings balances. Retail Banking deposits were stable, with further migration to fixed and variable rate ISAs as customers prioritised tax efficient saving options. Overall, deposit mix continues to be stable. Turning now to assets under management

Assets under management and administration closed the quarter at 130.6 billion. This includes the addition of 71.7 billion from Evelyn Partners and a 4.0 billion reduction in Assets under Administration following the sale of Cushon in May. Excluding both Evelyn and Cushon, AUMAs were 6.2 billion higher in the quarter, comprising positive market performance of 5.1 billion and net inflows of 1.4 billion.

Net inflows to Assets under Management of 1.1 billion, were a record high at 10.2% of opening AUM on an annualised basis, demonstrating accelerating client confidence and strong momentum. Turning now to costs…

We are pleased that once again we have driven operating leverage, as income growth outpaced cost growth. Other operating expenses were 2.0 billion in the second quarter taking the total to 4.1 billion for the first half. Our persistent focus on simplification delivered a further 250 million of gross cost savings in the first half, which gives us the capacity to continue investing in the business, and we frontloaded investment spend in the first half to speed up our transformation. We also increased pay for staff by 4.1% which took effect in April. The impact of this has been largely offset by a reduction in the number of employees. Our Cost Income Ratio reduced by 2.8 percentage points to 46.0%. And we now expect other operating expenses of around 8.5 billion for the full year, including around 300 million for Evelyn Partners. We have given you a more detailed breakdown on the slide. Turning to impairments…

Credit performance remains strong and we benefit from a structurally low loan impairment rate and strong asset quality. The impairment charge for the quarter was 140 million, equivalent to 13 basis points of loans. We saw no new signs of stress across our three businesses, and we continue to expect a loan impairment rate below 25bps for 2026. The change in our economic scenarios and weights this quarter was immaterial for Expected Credit Loss. We carry economic uncertainty

Post Model Adjustments of 284 million, with total PMAs of 316 million. Turning now to capital.

Paul explained our capital allocation policy earlier and our capital bridge here is aligned with that. As you know, our business is highly capital generative. We ended the first half with a Common Equity Tier 1 ratio of 14% before distributions, in line with the year end. 142 basis points was invested in our acquisition of Evelyn Partners. Our earnings power is reflected in 197 basis points of CET1 capital generation, which was boosted by 31 basis points of capital generation from RWA management. Our ongoing investment spend consumed 19 basis points, and organic lending growth consumed 61 basis points. This means that in effect, all our Investment in Growth was funded with just 6 months of capital generation. And we are reporting a CET1 ratio of 13.2%, after accruing 50% of attributable profit for ordinary dividend payments. We expect to continue generating strong capital from earnings and RWA management, and for 2026 we now anticipate capital generation before distributions and the impact of Evelyn Partners of more than 240 basis points. This is also before the impact of Basel 3.1 on 1st January 2027 where we continue to assume around 10 billion of RWA uplift. Turning now to guidance

Given our strong first-half performance and the inclusion of Evelyn Partners we are strengthening our 2026 guidance. We now expect: income, excluding notable items, of around 17.9 billion, other operating expenses of around 8.5 billion, capital generation before distributions and the impact of Evelyn Partners greater than 240 basis points, and a Return on Tangible Equity of more than 19%. Finally, we now expect to announce our next buyback with our full year results in February With that, I’ll hand back to the operator for Q&A. Thank you.

Operator We will now take your questions. If you'd like to ask a question today, you may do so by using the raised hand function on the Zoom app. If you're dialling in by phone, you can press star nine to raise your hand and star six to unmute once prompted.

We ask that questions are limited to two per person to allow an opportunity for more people to ask questions. We'll pause for a moment to give everyone an opportunity to signal for questions. We will take our first question from Sheel Shah of JP Morgan.

Sheel, please unmute and go ahead.

Katie Hi Sheel.

Sheel Good morning. I've got two please. First, we've seen some changes to the leverage ratio come through and your leverage ratio requirement has fallen as have some peers as well. You clearly have improved the mortgage stock market share and this is a market that continues to grow. I'd like to hear your thoughts on the changes to the leverage ratio and its application to the mortgage market. We had a peer yesterday talk about long-term asset margins declining in the mortgage market, so I'd be keen to get your thoughts there. And then secondly, can I ask with regards to the private banking wealth inflows of 2 billion that you saw in the first half, you made a point that 45,000 customers across the group have contributed to these inflows. I'm wondering when it comes to customer segmentation of your overall retail and corporate base, what is the target market we should be thinking of that are maybe applicable for wealth products within the existing customer base? How are you doing in terms of penetration of this customer base, please? Thanks.

Paul That's great, Sheel. Okay, Katie, why don't you talk a little bit about the leverage ratio, maybe then go on and talk about the mortgage market and I'll cover wealth as well.

Katie Super, Thanks very much. Morning, Sheel. Look, the leverage framework announcements were very much as we had expected. We would expect to see a 42 basis point reduction in our leverage requirements. However, I think, Sheel, it's really important to note that we are not leverage constrained, so it doesn't release day one balance sheet capacity, but instead ensures that leverage does remain a backstop measure for us, but all kind of very much in line with expectations.

Paul I guess then the link to mortgages and asset margins, Sheel, if you look at the half one for ourselves on mortgages, as you say, we've grown slightly our mortgage market share, which is great, but our approach really has been very thoughtful in terms of trying to ensure that we're driving quality, decent growth. We've been very mindful around making sure that we're right in deploying capital in the mortgage market, acceptable returns, but also driving low cost of risk.

We've played the market really to take growth at the right times in what, as you alluded to, at specific points was a very competitive market. We've grown our balances by 4 billion and yes, we've increased share, but if you look at the areas we've focused on, we've been broadening our addressable market, first-time buyers, family-based mortgages, buy to let.

We've also signed a number of partnerships with digital platforms where we're, putting ourselves earlier in the customer journey to secure volume, Rightmove, Chat GPT would be two examples of that. We're being very thoughtful there and the strategy on mortgages is to grow, but to absolutely ensure that we're growing at the right returns. I think it's a little bit too early to draw any wider conclusions about, I guess, the long-term prognosis for mortgage asset margins.

I think the reality of some of the building societies is you may see on what I call vanilla mortgages, more competitive pricing, but I think it's very early to draw conclusions. On the second question, different topic, on private banking and wealth management, very, very pleasing organic AUM flows in the private bank. Two billion net new money to record 30% up on the same time last year. That's great. Part of that is from the broader distribution, or I guess, new customers investing with us, but that's a proportion of it. We've got a target to treble the number of customers who are investing with us. We're making good progress on that. I'd also remember that it's not just the retail base, the commercial institutional base is a great source of referrals. In terms of our customer segmentation and the opportunity and how we're going to execute across that opportunity, the spotlight I announced in the presentation will be a great opportunity to dig into that further. And we're going to talk about the different customer segments, how the proposition plays and how excited we are about the opportunities. But delighted with two things just to close off, the underlying momentum of the wealth management business, that the organic momentum and then obviously completing Evelyn, which adds a whole host of expertise and capabilities, which opens up much wider opportunities. Thanks, Sheel.

Operator Our next question comes from Alvaro Serrano of Morgan Stanley. Alvaro, please unmute and go ahead

Paul Hey Alvaro

Alvaro Good morning. Two questions on a similar theme around NII. Your growth in loans in CIB and corporate institutions continue to be very strong, if anything, accelerating. Can you, again, sort of talk us through what you're seeing latest in demand because it's accelerating more than sort of normalising and looking at your pipeline conversations, should we continue to expect an acceleration? Is this kind of level of pace for the foreseeable future sustainable in your view. Just a bit of colour on that as we think about the next few quarters and next year without explicit guidance, I presume. And then on deposits, competition, again, your competitor yesterday was making pretty cautious comments and assumptions around limited deposit growth in the system with strong loan growth that doesn't bode well for competition. Obviously in this quarter, we saw the ISA season, but again, any colour of how you're thinking about your best guess of how deposit competition may evolve over the next few quarters, given the loan growth pictures, it sounds like it could continue to be pretty competitive? Thank you.

Paul Thanks, Alvaro. I'll probably take both of them, thanks for acknowledging the strong lending in C&I. We continue to be pleased with that. As you alluded to, it's not just one quarter, it's a strong track record of growth. And I think really it talks to the book, the scale of the franchise, but also the quality of the franchise. We have, in our view, distinct competitive advantages that are positioning against some of the key structural trends that we've had for almost a decade, at least a decade, I would say, be that infrastructure, social housing, ect., is positioned as well. Over 5 billion growth in the quarter, 9 billion for the half year. I've touched on the areas it's coming through.

You'll see in the disclosures, infrastructure, social housing, aspects of tech, funds lending. There was also growth though in the mid-market and in business banking as well. So it's not exclusively the large end. Looking at the pipeline, there's a lot of demand, so there is a strong pipeline, Alvaro, so to that direct question. So we feel that demand is resilient. Plus, if you look at the system level data, which I know you do, the Bank of England data, the PNFC growth is around 8 or 9% from memory. There's resilient demand. The good news is we're not needing to change any sort of risk appetite. We're able to grow with the same risk appetite that business we're writing at high risk-adjusted returns, which obviously is a great support. So very encouraged there. And we think the strength of our franchise positions us very, very well. On the other side of the balance sheet deposits, so some growth in the quarter, just under 3 billion. You can see that's come through the private bank and also through the commercial franchise. Retail, give or take, is flat, although there are some ups and downs. Current account balance is up, for example. I think we should think quite broadly about this. We don't just see it as funding. We see it as a key part of the customer relationship and how we grow with customers. So aspects of retail are competitive where we've chosen to focus. You'll have seen this during the first six months, is where we see real relationship value. We haven't chased hot money. For example, the ISA season, yes, we've competed there, we've taken share. But that's because we see great relationship value. Affluent would be another segment where we see that opportunity. Likewise, youth. So that's how we think about it. Looking out, we take quite a holistic approach. We work very closely. The treasury teams and the strategy teams do a great job to make sure that we're optimising in terms of both the customer proposition, but also the cost of funding. I think strategically, what we've done over the last couple of years is really try and ensure that we're owning the customer relationship early. So whether that's startups, whether that's innovation economy, whether it's youth through Rooster. And that means we build the primary relationship earlier. And that comes with the high value deposits. So strategically, that's how we're thinking about it. Net-net, that's our strategic positioning, but there will be some competition, I'd say, in the retail hot money space. We're going to remain disciplined. And we want to be thoughtful about where we invest. And that needs to be where we can see wider customer value. Thanks, Alvaro.

Operator Thank you. Our next question comes from Benjamin Cavan-Roberts of Goldman Sachs. Benjamin, please unmute and go ahead.

Ben C-R Good morning. Thank you very much for the presentation and taking the questions. Two for me, please. First, a lot of focus today on capital generation. And it's, of course, positive to see the share buyback expectations being pulled forward six months. If we look further ahead, how are you thinking about uses of capital generated as we move into 2027 and 2028, particularly in terms of how much RWA growth is consistent with that strong lending activity you're seeing, and then how much capital that leads to be returned to shareholders? And then secondly, just on income, of course, strong as well this quarter. Could you talk through your expectations into the second half? And if you're seeing much of a different backdrop on income between the different segments of the business and the balance of tailwinds versus headwinds in NII and non-NII. Thank you.

Paul Thanks, Ben. On capital, Ben, very strong capital generation in the first half, 137 basis points. Obviously, we've raised the guidance there in terms of year-end expectations greater than 240 excl. Evelyn. This is a testament to the, high growth, high returns business model that we've built. In terms of how you should think about it in terms of allocation, so in terms of organic, we still see growth opportunities across all three businesses. You can see with the momentum we've got, we're executing well. We've now got a multi-year CAL record. We've got CAL targets out there and we've demonstrated in the first half that we see opportunity. So, we will deploy across the three businesses, but in a disciplined way, per the answer earlier, to make sure we get the right risk-adjusted returns. On the inorganic side, obviously, we've made our choices over the last few years, whether that's purchase of retail mortgages, unsecured, purchase unsecured and more recently wealth. So the near-term focus is very much on the successful integration of Evelyn. Pleased to say that that's on track and performing well. So then that links to, I guess, the latter part of your first question, which is distributions, committed to the 50% of attributable profit for ordinary. And then on surplus capital, we've got a very strong track record of returning our excess capital. We'll assess it as you would expect us to with the board at the half year and the full year, but we certainly see good value in buying back our shares where they currently are. And we're absolutely committed to returning at the earliest opportunity and the signal we've given today, we expect to return at the year-end is good evidence of that. I think all of that really is to me is, I guess, evidence of the model that we built.

We've got a highly capital-generative model that gives us great choices to deploy into the business to grow, but also to drive good returns and then drive the distributions for shareholders. Katie.

Katie

Thanks very much. Morning, Ben. So obviously we're really pleased with the strategic progress we've made in the first half of the year and the strengthening of that guidance. I mean, that reflects in a large part of the completion of the Evelyn Partners transaction, which we're delighted about, but also our increased confidence following that strong H1 performance we've had and then our line of sight that we have for the rest of the year. I think a couple of things that I would bear in mind in terms of economics, we obviously, as you know, early in the year, removed the two bank rates from our plan. We still expect bank rates to remain at 375 this year, so no change in that rate assumption as we go from here. If I think of where we'll kind of see the growth coming through to get to 17.9, 275 million of it is Evelyn in terms of where we are. Then other things I would think about across the

	businesses, the strong balance growth that we've had and pipeline that we can see in corporate lending, you know, that will come through and will continue to drive NII growth.
	We then have the reinvestment, obviously in the structural hedge that will come through, but then if I look to the non-interest income area, you know that we're continuing to deliver a lot of product propositions for our customers. We were really pleased with the performance in C&I at the beginning of the year, but expect that to continue. And then obviously the AUMA fees, which I've already talked about. As we look at it, a solid performance, one thing I would think about is, that we did have in the first half of the year, we had higher insurance income in that non-interest income space. That was 45 million that came in. That won't be a repeat, but overall a good trajectory for income in the second half, continued growth across all of the businesses and importantly, supported by ongoing balance sheet growth.
	Thanks very much, Ben.
Operator	Thank you. Our next question comes from Guy Stebbings of BNP Paribas. Guy, please unmute and go ahead.
Katie	Hey, Guy.
Guy	Hi, morning. Thank you for taking the questions. First question was just on net interest income. Thanks for the refinements in the hedge guidance. Are you able to confirm what swap assumptions you're using to sort of underpin that guidance this year, future years, etc. ? That'd be very helpful. And then on the lending spreads, they went backwards a little bit more than the sort of pure mortgage back to front book spread compression. I think that was just partly a function of good lending growth, but maybe you could elaborate on the dynamics there and how we should think about that in future periods. And then a question just on buybacks and capital. Very pleasing to see that commitment come forward. Just interested, is that purely a reflection of the better capital generation that you're seeing this year? Or does it reflect in any way in terms of comfort around where Basel III lands precisely or how the capital framework might evolve later this year? Thank you.
Paul	OK, thanks, Guy. Why don't I take the third one very quickly. So the buyback is very much driven by the performance in the first half of the year, Guy. It doesn't make any assumptions in terms of around future regulations. So we've got Evelyn, we've got the performance of the first

half, We obviously got a good line of sight on the H2 performance. That's a simple answer. Katie.

Katie Sure, thanks very much. If we deal with the hedge reinvestment rates, first of all, Guy, so we assume a blended hedge reinvestment rate of around 4% for the full year 2026, and that's 3.9% on the product hedge and 4.7% on the equity hedge. That's well ahead of the expectations we had at the start of the year, where at that time our assumption was that we would have two rate cuts coming down to a terminal rate of 3.25. So clearly we're benefiting from that reinvestment rate. It's also supporting our out-of-year hedge income. And I would remind you that we did say in February that we expect growth in our hedge income every year out to 2030. So there is further upside if the current market rates are sustained.

If I then go on to NIM, I mean, you're absolutely right. You can see within NIM, while there's a two basis point increase that we've had in the second quarter, you know, that's built on four basis points in the deposit margin, clearly coming from the hedge, two basis points from funding and other, and then that's partly offset by the four basis point decrease in the lending margin.

A couple of things happening within there. We've talked a lot this year already around the roll off of the higher five year fixed mortgages that's coming through that will be completed as we get to the end of this year. So that's good to see a little bit more stability that will come through in later years on that.

But also we've had strong growth in lower risk, high return, but of course, lower margin areas like mortgages, but also in our corporate and institution business. And so while we look forward, the structural hedge continues to be a positive tailwind for the rest of the year. But that those trends that we're seeing in the lending margins as we add on high returning business, it will continue as we go forward from here. I would expect, Ben, that the NIM trajectory is likely to be flatter for the second half of the year. But obviously NII is going to be driven by the volume growth that we're seeing. This for us is really discipline choices in our capital allocation, and the loan origination that we do. You should expect this growth to drive higher returns as we've seen in H1 26. And that's what's been reflected in our increased ROTE guidance. Thanks very much, Guy.

Operator Our next question comes from Benjamin Toms of RBC. Benjamin, please unmute and go ahead.

Ben T Thanks for my question. Just firstly, clarification on that buyback and the quantum of the buyback at year end. Is the right way to think about it that we assume that you distribute down to 13% on a post-Basel basis?

And then secondly, a question on buy-to-let. We're seeing continued structural shifts from amateur to professional landlords. Do you think you have the current capabilities to deal with that shift? Or do you need some further build out here? And then just a personal point on your rooster card. Can you stop charging for the jazzy front covers on the card? It's costing me a fortune.

Katie Ben, we were really clear and deliberate when we set our target of around 13% so that we can be flexible with that number for our capital allocation decisions. We're not paying down to a specific number.

But as we have said before, we wouldn't have a problem printing a 12 handle for CET1 given that this is a point in time metric. We're really confident in our strong, ongoing capital generation as we've just demonstrated again these last six months. Obviously, you know, we haven't hit that 12 yet, despite even the absorption of the Evelyn partner's acquisition at Q2, given how strong our capital generation has been.

Paul Good. And then on buy-to-let, good observation, Ben. You're right that the market has evolved in terms of, I guess, the amateur to professional landlords. That's the reason why we put the strategic partnership in place with Land Bay and that's working really well for us, a really successful partnership. Obviously, the combination of them and ourselves, we have the necessary capability. We have also been building out in parallel our internal capability.

So we feel very, very comfortable in terms of both of an underwriting perspective from a face-to-market perspective. So yeah, that's why we took those steps last year, actually. So well placed on that front.

Thanks, Ben. And pleased your family is a Rooster customer. Thank you.

Operator Our next question comes from Perlie Mong of Bank of America. Perlie, please unmute and go ahead.

Paul Hi, Perlie.

Perlie Hello, good morning. So two more questions. Just one on the hedge and the reinvestment rate. I think the footnote says it is the macroeconomic assumptions not for this year, but outer years. If I look at IMS, I think it's 3.8%. Can I just clarify that that is what you're assuming for outer year hedge roll-off assumption? And then second question on non-NII. Can you help us understand a little bit more about the sort of sustainable, organic growth rate in that business? Because it's been a bit of a lumpy and this quarter, obviously, it's very, very good.

But it's just one of those lines that I think we all find a little bit difficult to forecast. And then maybe more specifically, maybe talk to you about the wealth growth prospects, other than, you know, the even advisory side of things, but the D2C side of things as well, because obviously some of your peers have been quite aggressive in pricing there and not charging any platform fees. So how do you make money and how do you monetise that D2C platform? And how does that link to the non-NII growth?

Katie Yeah, super. Thanks very much. Apologies if I wasn't clear. Forgive me. So if I look at the rate that we're assuming for 2026, it's the product hedge reinvesting at 3.9% and 4.7% on the equity hedge. We haven't marked our outer year targets to market in terms of where they are. So that's still sticking with the kind of original assumption of the five-year swap rates of 3.5% through to 2028. So clearly, if this higher rate sustains as we go forward, you would see some additional benefit coming through from that as well. Paul,

Paul On D2C, Pearlie, so you can see we've shared today, we've now got 45,000 people in the first half invested with us for the first time. So we're pleased with that. Obviously, as part of the Evelyn acquisition, we acquired a digital investing platform.

We already have NatWest Invest as well. We'll lay out in more detail at the spotlight where we see the opportunities and how we plan to execute against those opportunities. But the mindset we have around that is we see ourselves very much as the challenger, not the incumbent. In most of the markets we operate in, we are the incumbent. But the reality is in that space, we are the challenger. So we believe there are levers that we can pull, given we have the customer relationships and we have the product set to be very competitive and very attractive. We've got the full end-to-end proposition in place now.

	Very excited about the opportunity and growth that can come from it, but more to come in the quarter four spotlight.
Operator	Thanks, Perlie. Our next question comes from Andrew Coombs of Citi. Andrew, please unmute and go ahead.
Andrew	Morning. I'm just going to dig a bit further into C&I. On slide 34, you helpfully give the lending and deposit margins by division. If I look at C&I, I think the lending margin is, or asset yield, gross yield, I should say, is dipped from six to five and a half. So interesting in any comments you have on the margin on the flow versus the stock, because obviously you're seeing strong growth there, but I assume it's into lower margin segments. And then secondly, staying on the same slide, deposit yield in C&I is actually trending up slightly in the quarter four basis points. Anything you can say on deposit competition in that space as well, please.
Paul	Yeah, thanks, Andrew. Okay, I'll take them, Katie. So on the C&I story, it’s very much the mix story. We're deploying capital in areas which are low risk weights, high risk adjusted returns, infrastructure, social housing, etc. But obviously they're at lower margin. So we're very comfortable. That's a great deployment of capital. It's driving growth, but it's also driving returns. So you should think of it as a conscious mix choices. On the other side, on the deposit side, it's primarily a function of where the deposit growth has come from. There's very different ranges of pricing within the commercial and institutional base. Some of the growth this quarter has come from the large corporate institutional end. Obviously, the pricing on that is finer. These are the, for example, aspects of SME operational balances. So it just reflects that. That's how I think about it. Thanks, Andrew
Operator	Our next question comes from Robert Noble of Deutsche Bank. Rob, please unmute and go ahead.
Rob	Morning. Thanks for taking my questions. It's just one question, really. Loans are growing very quickly and the deposits not as quickly at the moment. So your loans deposit ratios jumped to 92%, I think. So how far are you willing to let that go? And what are the margin implications for just solely that aspect of loans growing faster than deposits going forward? Thanks.
Katie	Let me talk to that, Rob. So as we look at it, we obviously manage our funding very holistically.

We don't traditionally manage on an LDR basis. Within the bank, clearly something we look at, but it's not one of our key kind of metrics. So as we're looking at things, we really manage on the LCR, where we've still got capacity to move lower than the current 140 average LCR that we have. You've also seen us this year be a little bit more active in covered bonds. We may do a little bit more of that in the second half of the year. But basically, as we see the growth of the assets on the balance sheet, we're very mindful of actually where's the right place to fund them from, whether that's to go to the market or whether that's to do a little bit more on deposits. Paul talked a lot about the importance of deposits from a customer relationship as well. So we look to manage that. But clearly there is a little bit of an impact on that within the NIM as lending margins, as you can see, are a bit tighter still at the moment.

We just look to manage all of those things, which is also why we're really focused on ROTE to make sure that we're getting the right return to the capital that we're deploying. And then obviously balancing and fully loading in the costs of where that funding is coming from. Thanks very much.

Operator Thanks, Katie. Thanks, Rob. Thank you.

Our next question comes from Chris Cant of Autonomous. Chris, please go ahead and ask your question.

Paul Hey, Chris.

Chris Good morning. Thanks for taking the questions. Appreciate it. I wanted to ask on capital and data centres, please. So on the 13% and kind of flexing around that 13% target, I think the more interesting thing to come out to Bank of England, FPC review process was actually this flexibility they expect to introduce around the OCI buffer under stress.

And effectively, if that happens, you're going to have one of the more hyperflexible MDAs in the sector. Just curious how that feeds into your thinking about headroom to MDA over time, particularly with your pillar two likely coming down next year. It seems to me there's room to actually nudge that target lower potentially over time, understand you're not announcing that today, but I was interested in your thinking noting that one of your domestic peers indicated there may be room to review that in their case next year. And they already run with a tighter headroom to MDA than you do. And then on data centres, there's obviously a relatively high number being built in the UK. As you say, you're the largest commercial bank. I'm just interested in whether you can comment on your exposure there, how you think about that area. And in particular, if you are taking exposures, how those get structured from a lending perspective, whether you have any sort of direct linkage into delivery of data centre revenues down the line?

Thank you.

Paul OK, Katie, do you want to take the first one? Sure, absolutely.

Katie That's great. Good morning. When we look at the target, I will just repeat again that we set our target very deliberately around 13 percent.

So we're not paying down to a specific number in mind. We wouldn't have a problem paying down to a 12 handle in terms of CET1. What I would say is I look at the risk weight framework that is going on.

I mean, I know that you and Donal from our side are very involved in a lot of these conversations as well. We're pleased that they're looking at the kind overlap between different parts of the framework, whether it's Pillar 2A or OSII or the CCYB numbers. I think one of the things that you can see that's helpful is that the committee reaffirming its judgement that the appropriate benchmark for tier one capitals, that's around that 13 percent of risk weighted assets. Interestingly, that's equivalent to about a CET1 ratio of about 11 percent. So we may see some changes come through from that. We've obviously got Basel 3.1 coming in, confirming today that's still around 10 that we're estimating for that. As you can imagine, we don't manage our capital today on what may or may not happen in terms of future buffers. But we do like the approach of making it easier to access those buffers. And I think we'll just very much watch to see how things develop.

Again, we welcome the move that they are more releasable in stress. But at the moment, it's no change in terms of what we're doing or what we're talking with you externally. Paul, can I come back to you?

Paul Yeah, on your second question on data centres, we could probably spend a very long time talking about that. And I'm sure the team are also happy to pick up bilaterally, but maybe try some broader thoughts which should help you.

It won't surprise you, given the acceleration of data centre and the associated infrastructure build out that we're very thoughtful in terms of where to deploy credit and capital towards data centres. When you think about your points on how these things are structured, you very much think about they can be the physical security or it can be the long term cash flows where you're dependent on long term cash flows. We're very focused on, I guess, high quality occupants, highly rated, highly graded, you know, almost exclusively the hyperscalers that that would be how you should think about how these things are structured.

As I said, we've got multi-decade history and project finance, structured finance. So I feel we've got very strong expertise and we only participate where we are very confident around the security that sits behind. There's a lot of talk and there's a lot of noise. I think it's key that you remain disciplined in this part of the market. And that's our approach. Hopefully that gives you a sense of it. But the key really is if it's cash flows, then it's all about the credit worthiness of the occupants or the offtake, as it is in fairness in other in other energy and utility deals. Thanks, Chris.

Operator Our next question comes from Amit Goel of Mediobanca. Amit, please unmute and go ahead.

Amit Hi, thank you. Just one follow up just on the capital. Apologies for asking again, but I guess I'm just still trying to size how much buyback you could contemplate at year end and appreciate the comments that you you'd be happy or you'd be comfortable running with a 12 handle. I'm still just trying to get a sense of like, pro forma for the basel 3.1 effect. Would you be happy running down to like a 12 and a half percent type ratio? Or is that is that too far out of the bounds of circa 13?

And then my second question was just on the non-interest income in retail. Just the comment about there were some effects relating to the accelerated recognition of back book insurance income.

Just curious how big was that? And then does that mean that we're not getting that income in the second half of the year? So just how much of a delta to expect going into Q3, Q4 on that? Thank you.

Katie Yes, sure. Let me let me try to help you a little bit. I'm not going to get into the niceties of what around 13 might mean. You guys are the masters of that debate. But when we look at it, obviously we consider the pro forma for Basel 3.1 when we're doing any capital decisions, as we would always be looking a good few years out as we make these decisions. I think probably a way that could be helpful to you to think around on the RWA trajectory that we'll see in the second half.

So we've been growing well this first half in lower risk weighted lending areas, such as mortgages and CIB. And we're confident that's going to continue in H2, partially offsetting that you've seen our successful ongoing programme of RWA management, we will continue to exercise transactions where economics makes sense. We do have good line of sight of those RWA management actions for the rest of the year, following the 3.9 billion we did in the first half. Also, you should just bear in mind that we have got the annual op risk uplift in Q4 as well. You can see historically what that number generally is. But so if I bring all of those things together, I would think from an RWA perspective, we would expect to see a little bit of growth coming through in the in the second half of the year in on an RWA basis.

And then if I go to the retail side, so what this was very much the recognition of a transaction we did with our existing home insurance provider as we move to a new provider. And so it's simply recognising the income that would have been flowing through over the next number of years into just now. The reality is, Amit, it was 45 million pounds. So that will be a non-repeat in the in future quarters, but you won't see a particular impact on it on the different quarters because the way that would have amortised through and obviously with the new provider, although it will have to build up a little bit, you'll see coming back in. So for your model, I would kind of think of the 45 for this quarter and not worry too much about the how it flows in and out over the next the next number of quarters. Hopefully that's helpful.

Operator Our next question comes from Nicolas Payen of Kepler Cheuvreux. Nicolas, please unmute and go ahead.

Nicolas Hi, morning. Thanks for the presentation. I have two questions, please. The first one would be on the retail banking and on the cost income ratio. I can see a very strong improvement in the cost income ratio. We are getting closer to the 40% mark. I just wanted to know what is the frontier, actually? Because I can see that, you know, talking about AI quite a lot. I think the AI usage has tripled in the quarters. You are deploying Cora. You also mentioned that your headcount, I think, decreased by 400 ex-Evelyn partners. So, yeah, anything structural going there. And if we could expect the cost income ratio to actually go below the 40% mark? That's the first question.

And the second question is coming back on your comment, Katie, regarding RWA management. Just wanted to know what your SRT benefit is currently including your CET1 ratio. You mentioned it was part of your toolkit. So I just wanted to know whether or not it's going to accelerate or if we have hit a run rate on that front. Thank you.

Katie This is year three of our SRT programme. I would say at the moment that we're not quite at our run rate. But by the end of this year, you'd sort of see that while there would still be more actions, you'd be filling in a lot of the historic deals. So we would expect to do more transactions as we go through. You can see a bit more detail in the Pillar 3 in terms of where we are. But we do think we still have a little bit more capacity building on the 3.9 total RWA actions that we did earlier in the year. Paul, do you want to talk about cost income? So on the cost income ratio. So overall, Nick, great, great progress. You can see cost income ratio is improved again. We're driving the cost income ratio through improvement through all of the businesses, I would say. But the retail team have done a great job, as you alluded to, to get to they've got a circa 40% number.

They pulled a lot of levers to do that. And they continue to drive productivity and efficiency. And when we laid out our group target of less than 45% for 28, obviously we had some assumptions about what the different businesses would contribute.

We've also said, you know, our ambitions go beyond 45% at a group level. And when we see the opportunities in front of us, some of them driven by AI, but not exclusively by AI. You may have heard me say before, you know, I don't see AI as the Hail Mary here. We've still got a lot of good productivity and efficiency levers that we're pulling across the group that is improving the underlying efficiency of the business. So I'm not going to give you, in your words, a frontier number for retail, but we are absolutely confident that as well as growing, we can continue to drive operating leverage via an improved cost income ratio. And that will be the case across all the businesses, including retail. Thanks.

Operator Thank you. Our final question comes from Ed Firth of KBW. Ed, please go ahead and ask your question.

Ed Thanks very much. Good morning, everybody. Yeah, I just had two quick questions. The first one was just picking up on a comment you made, I think, Katie, tell me if I'm wrong, that you thought the NIM trajectory would be flatter in the second half. I mean, given that it was up only four basis points in the first half, that sounds like we're getting pretty close to flat.

So first, you just wanted to check that is correct understanding. And I guess in that context, we've got another big year for the hedge next year. But after that, it grows, but grows quite modestly.

And I'm just trying to think, is there some correlation between the hedge benefits and pricing in the market, do you think? So as that starts to disappear, some of these competitive pressures will disappear. Because I think you said a lot of the pressure came from mix. Now that's not going to change. So once these hedge benefits go, which will be sort of 28, 29, are we actually saying the underlying margin will start declining? So I guess that's my first question.

And the second one was, there's an awful lot of talk on this call and all the other calls about capital and the Bank of England potentially reducing capital requirements, etc. and pillar 2 cover, etc. But I mean, you're making a 20% return. You're growing well above nominal GDP. I mean, what are we looking for in terms of this benefit from reducing capital requirements? Are you saying that actually 20% is not enough? We should be making 25? Have you got unutilized capacity for growth that you can put to work? I don't really understand. It seems to me that if you reduce capital requirements, all that's going to happen is margins will come down and your return will return. I mean, 20% returns plenty, isn't it? Thanks very much.

Katie Shall I start on the first one. You know, Ed, as ever, you're absolutely right. I did reference a flatter NIM. My comment was directional. As you know, we don't guide on NIM. I think the important thing is that it really is around the deliberate choices that we've made to grow in lower risk but higher return areas like CIB and mortgages, which is driving that lower lending margin. You know that at the end of this year, we've got the drag from the roll off of the higher margin five year mortgage business is coming to an end, which will be helpful. So that will give us a little bit more stability as we go on from here. And then there's the offset in our margin with the improvements on the deposit hedge and the structural hedge, which continues to deliver into 2027, 28 and beyond. And obviously I've talked about the better rates that we've had just now that will strengthen not just 2027, but it will also strengthen the later years as well as we move forward from that. You know, I don't generally comment on consensus, but we have given you good guidance on what our expectation is for the full year income as we go forward from here. But overall, while I do expect flatter NIM based on the pipeline, we do expect the volume to drive higher NII in the second half in line with our guidance and then further income growth each year out to 2028 and beyond from there.

Paul Thank you. And then on the second question, I guess simply on the capital reg side, I think our message is we just want the various consultations to conclude so everybody knows exactly where they stand. We're at the very tail end of IRB, the tail end of Basel III. I just think conclusion and certainty would be helpful for all stakeholders. Our message is in a way no more complicated on that. In terms of then what we would do with any hypothetical additional capital, we manage the business for returns. We'll deploy it where we see demand. At the moment, we can see that demand is there and that growth obviously will support returns into the into the medium term. I don't want to oversimplify it, but that's how we're thinking about the regs. And that's how we're thinking about how we deploy capital organically. And that's a virtuous cycle, as you know, we deployed into growth high returns that drive that drives capital generation, drives distributions. It's no more, no more, no more complicated than that. But hopefully that just gives you a little bit of colour and a little bit of flavour. Thanks, Ed.

Operator Thanks so much. There are no more questions, so I'd now like to hand back to Paul for closing comments.

Paul OK, thank you, and thank you, everybody, for your questions. We appreciate it. I hope you've seen today in the presentation and hopefully in the Q&A the momentum we've got in terms of driving both sustainable growth and returns. We're very pleased with that. We've delivered growth across all three businesses as we've touched on several times. We've improved and increased our operating leverage. We're now the most efficient large UK bank. We have the lowest cost of risk and we're delivering the strongest capital generation and highest returns.

But the mindset of management is that this is very much the start, not the end. We're very ambitious for the future of the business. So we're determined to capitalise on some of those leading positions that we've created and also our exposure to some of the structural drivers within the UK.

And hopefully that will lead us to accelerate the momentum you've already seen today. Our strategy is all about driving strong compounding growth and sustainable returns. We look forward to updating you that both in the spotlight in Q4 and then in our Q3 results.

So wish you a good Friday and a good weekend. Thank you.