# H1 Results 2025

**MEDIA Conference Call**
Held at the offices of the Company
250 Bishopsgate London EC2M 4AA
on Friday 25th July 2025

## FORWARD-LOOKING STATEMENTS



NatWest Group

**Paul Thwaite, Chief Executive**

**Katie Murray, Chief Finance Officer**

**Operator** Good morning, and welcome to the media call for NatWest Group's H1 2025 financial results. This call is hosted by Group Chief Executive Paul Thwaite and Chief Financial Officer Katie Murray. If you'd like to ask a question today, you can do this by using the raised hand function on the Zoom app. If you are dialling by phone, you can press *9 to raise your hand and *6 to unmute when prompted. Paul, please go ahead.

**Paul** Good morning, everyone, and thank you for joining us for NatWest Group's Half 1 results. I'll first say a few words about our progress before Katie takes you through the numbers in more detail, and then we'll open it up for questions. As you're all aware, since our first quarter results, the Government has sold its remaining stake in NatWest Group. This was clearly an important milestone, and the accelerated sell-down of Government shares over the past 18 months allowed us to attract new investors who share our focus of driving growth across the business.

Our strong performance in the first half of the year reflects our consistent support for customers and in turn for shareholders. Income, profits and return on tangible equity are all up on last year. And as a result of the continued positive momentum in our business, we have upgraded our income and returns guidance for the year. We have also announced a £750 million share buyback, and with an increased payout ratio of 50%, we are proposing an interim dividend of nine and a half pence. As ever, the strength of our performance is underpinned by the support and services we provide to more than 20 million households and businesses throughout the UK. And we have delivered growth across all three of our businesses, with increases in deposits, lending and assets under management in the first half of the year.

Looking ahead, we are confident in our strategic priorities with a focus on discipline growth, bank-wide simplification and active balance sheet and risk management. I'm pleased to say we've made significant progress against these priorities, starting with disciplined growth. We welcomed over 100,000 new customers as a result of organic growth in the first half, and around a million new customers through our Sainsbury's bank acquisition, which completed in May.

In retail, we continue to build out our mortgage proposition, including for first-time buyers, which has driven a 4% increase in our share of this market since early last year. During the first half, we helped 24,000 people buy their first home, and we recently launched a family-backed mortgage product that helps customers get on the property ladder by adding a second person to their mortgage while retaining independent ownership. For unsecured personal lending, our share in credit cards increased from around 9.5% to 11%, with our Sainsbury's transaction complementing the organic growth we are generating in this area.

In our Commercial and Institutional business, we continue to support businesses of all sizes. This includes those critical mid-market businesses that are well-established but looking to grow, where we saw strong lending growth of £2.1 billion across various sectors throughout the first half of the year. Within this, we are building on our strength in social housing, and are now more than 90% of the way to achieving our £7.5 billion 2026 target. Earlier this week, we launched a new £500 million loan offering to support housing associations building social houses to rent, at a time when there are more than 1.3 million people and families on social housing waiting lists. In Private Banking and Wealth Management, we grew lending and deposits, as well as attracting £1.5 billion of net new assets under management in the first half. And we recently held an investor spotlight with our CEO Emma Crystal, setting out the key areas of opportunity in this business going forward.

Finally, on growth, we remain focused on helping our customers to manage the climate transition and make the most of the opportunity this presents. Having reached around £110 billion of climate and sustainable funding and financing, exceeding our £100 billion target, we are announcing a new £200 billion target for climate and transition finance by 2030. Progress against our second priority of bank-wide simplification means we are improving customer and colleague experience and increasing productivity.

Customer use of our AI-enabled Assistant Cora has grown by 12% year-on-year, supporting nearly 6.7 million interactions in half one, with users able to access the information they need quickly and easily. We are also improving customer journeys through digitisation. For example, we are now able to offer unsecured lending of up to £100,000 within 24 hours to our business banking and commercial mid-market customers. This means they can receive personalised quotes in under three minutes and complete their applications in as little as 10 minutes. This is all underpinned by the acceleration of our AI and tech capabilities. During the last six months, we have rolled out AI tools to all of our 60,000 colleagues, and we now have around 5,000 engineers across the bank writing code with AI Assistants.

Our recently announced collaborations with OpenAI and with AWS and Accenture, as well as the appointment of our first Chief AI Research Officer, will allow us to go faster in our progress as we quietly revolutionise how we operate and serve our customers. In addition, we continue to simplify our operational model, and having handed back our Ulster Bank licence in half one, we recently sold our remaining shares in PTSB, one of the final steps as we complete our exit from the Republic of Ireland.

Our final strategic priority is active balance sheet and risk management, and we have generated 101 basis points of capital in the first half, including 139 basis points from earnings. Taken together, this progress shows how we are consistently delivering against our strategy and constantly innovating to improve the services we offer. Fundamentally, everything we do comes back to serving our customers better, and that is what we are focused on. I'll now hand over to Katie, who can talk in more detail to some of the numbers behind our performance, as well as our upgraded guidance.

**Katie**

Thank you, Paul, and good morning, everyone. As Paul mentioned, we are pleased with our performance for the first half of the year. Income grew almost 13.7% year-on-year to £8 billion, while costs reduced 1.4% to £3.9 billion. This resulted in operating profit of £3.6 billion and a return on tangible equity of 18.1%. By executing on our strategic priorities, we are driving strong capital generation, which enables us to deliver attractive returns for shareholders, with total distributions in the first half of around £1.5 billion. As a result of this strong performance, we are upgrading our 2025 guidance for both income and returns. We now expect income greater than £16 billion and a return on tangible equity above 16.5%. Our cost impairment and RWA guidance remains unchanged, and we continue to target returns of more than 15% in 2027.

Looking at Q2 specifically, we remain disciplined in our approach by deploying capital where returns are attractive. Customer lending across our three businesses grew by £8.4 billion to £384 billion. Taking retail banking together with private banking, mortgage balances grew by £1.3 billion, with growth improving through the quarter following the Stamp Duty deadline at the end of March. Unsecured balances increased by £2.7 billion, reflecting the addition of the credit card and personal loan portfolios from Sainsbury's Bank.

In Commercial and Institutional, gross customer loans, excluding Government schemes, increased by £4.6 billion. Within this, loans to corporates and institutions grew by £2.1 billion, driven by project finance, infrastructure, sustainable finance and funds lending. Returning to deposits, these were up £2.4 billion in Q2 to £436 billion, continuing the quarterly growth trend. Assets under management and administration grew £3.3 billion, or around 7%, to £52 billion. All of this activity is underpinned by the strength of our balance sheet, with a CET1 ratio of 13.6%.

Our diversified prime loan book continues to perform well, and there are limited changes to our economic assumptions. We are reporting a net impairment charge of £193 million for Q2, equivalent to 19 basis points of loans. This reduces to 11 basis points if we exclude an £81 million one-time charge from our Sainsbury's

Bank transaction. Overall, we have no significant concerns about the credit portfolio at this time, and given the current performance of the book, we continue to expect a lower impairment rate below 20 basis points for the full year. Looking ahead, we believe the business is well positioned to continue to grow income, simplify the way we operate and serve customers, whilst maintaining strong capital and risk management. And with that, I'll now hand back to Paul before we take your questions.

**Paul** Thanks Katie. The strength of our performance and our ambitions for the future must be set against the wider operating context and the role we play in the economy. Whilst there has been some stabilisation in recent months, there is no doubt that global economic uncertainty persists. However, looking at the facts, there are some reassuring economic indicators in the UK.

Both consumer and business confidence have increased since the April dips, and we are seeing a resilient housing market, strong savings habits and a continued increase in discretionary spending, as well as good levels of business investment activity. This improved confidence is reflected in many of the conversations I have with customers up and down the country. However, it is important to dig into the detail, and individual circumstances will differ. There are a number of shifting external factors we are keeping close to, but our customers remain resilient, and our strong capital position and high levels of liquidity mean we are well positioned to support them where necessary.

Looking to the longer term, we welcome the Chancellor and Government's recognition, once again, of the critical role that the financial sector has to play in supporting economic growth and prosperity across every region and nation of the UK. That is why the Financial Services Strategy is so important. It rightly focusses on unlocking investment, driving innovation and delivering for consumers, businesses and communities. This should be the beginning of a sustained effort by both the Government and industry to deliver meaningful change that benefits the whole economy, not just the city. Having returned to full private ownership in Quarter 2, NatWest Group is committed to playing our part in building a financial system that supports our 20 million customers and the opportunities for success in every part of the UK. By doing so, we will create sustainable value for all our stakeholders. Thank you. I'll now hand back to the operator for questions.

**Operator** If you'd like to ask a question today, you can do this by using the raised hand function on the Zoom app. If you are dialling by phone, please press *9 to raise your hand and *6 to unmute when prompted. We'll now pause for a moment to allow everyone to indicate if they have a question.

Our first question today comes from Ben Martin at The Times. Ben, if you'd like to unmute and ask your question.

**Ben** Hello, can you hear me?

**Paul** Hi, Ben. Morning, we can.

**Ben** Lovely. Two questions, please. Just the first one on – you're returning quite a lot of surplus capital, the dividend and the share buyback are a little bit bigger than analysts expected. Why is it you've decided to return capital to shareholders rather than make another acquisition such as TSB? Why did you not decide to have a go at that? Secondly, you talked about the Government recognising the importance of financial services. There's also quite a lot of speculation the Government might try and increase taxes on banks in the autumn budget to help fill a hole in the public finances. What would you make of that? Thank you very much.

**Ben** Thanks, Ben. On the first on capital, as you say, pleased to announce the interim dividend of nine and a half pence. That's up significantly on last year. You'll probably remember in February, we increased the payout ratio for our interim dividend from 40 to 50%. So in many respects, that increase in the interim dividend is simply a reflection of that.

In terms of the buyback, you can see overall our CET1 is at 13.6%. So we had the capacity to return capital to shareholders. We know that's an important part of the investment case, and hence we did that. I guess the link to the second part of your first question, you've heard my response consistently on that in terms of M&A and inorganic activity. We're pleased with the two acquisitions we did last year, the Sainsbury's acquisition completed in May of this year. That's going well. We're very pleased, and you can see in the results today, in terms of the organic performance of the business, our retail business, our commercial business, and our wealth business are performing strongly.

We will look at inorganic activity, but given how well the core business is performing in terms of returns, it's a very high bar both financially and operationally. So the risk reward has to be worth it, and it needs to be genuinely compelling to shareholders. So I won't talk about individual targets. You'll understand that, but that's how we think about it. We've got confidence in the plan. We want to use our capital to invest in the business, support customers, but also provide returns to shareholders.

On the second question around, I guess, competitiveness of financial services, I think I've said on numerous occasions, the way I think about this is banking as a sector really matters. Strong economies need strong banks. Strong banks need strong economies. I think what you can see in the results today is how much support NatWest provides to the wider economy, whether that's one in eight of every mortgages in the UK, one in four businesses, one in five startups. What I want to do is use the bank's capital to invest in the business, but also to support customers. If we do that, that supports the wider UK growth agenda, and I have been encouraged by what the Government and the Chancellor have said, and I think how clear they've been on the key role or crucial role that banks have to play in delivering the economic growth. So that's my perspective on that. I want to use the bank's capital to invest in the business and support customers. Thanks, Ben.

**Operator** Our next question comes from Anna Wise from PA. Anna, if you'd like to unmute and ask your question.

**Anna** Thanks so much for the call. Just a couple of questions. This is obviously the first set of results since privatisation. So I wonder if there's any changes that you've been able to make since that's happened, or any parts of the business that you're kind of focused on growing now that you're not answerable to taxpayers in the same way? And then secondly, I wondered if you could tell us a bit more about consumer confidence, which you say has increased. Why do you think that is? And in terms of kind of behaviour, are people saving more? Are they saving less? What's happened there? Yeah, thank you.

**Paul** Thank you, Anna. On privatisation, as you say, happened during the second quarter. We're very pleased to have got to that point. I would characterise it though more as symbolic. It is very important. It's very important to our colleagues. And it's certainly a milestone. We're very grateful for the support of the Government over the course of the last few years. From a strategic perspective, though, Anna, it doesn't change anything. The strategy I laid out 18 months ago is clearly working. We've had numerous quarters of strong performance and growth. So in of itself, there are no direct strict changes to strategy. I remain consistently ambitious for the business. I think we've got lots of opportunities to grow and we've got lots of opportunities to help the UK. And that's what the strategy is laid out to do.

On consumer confidence. You heard my opening remarks. I would say that both families, households, businesses have showed good levels of continue to show good levels of resilience. Savings are above the long term average. If you look at the consumer spending data in quarter two, it has edged up. You can see some positive trends in discretionary spend that they've continued, especially around things like recreation and entertainment. The housing market volumes have been strong. House prices have been fairly resilient and actually continue after some of those, I guess, the spike in activity related to the stamp duty changes. Mortgage volumes have continued.

Corporate debt levels against long term averages are relatively low. Corporates and businesses have been able to service their debts well. So when you look at some of the surveys from May and June, it's been, I'd say, encouraging to see the consumer and business confidence edge up. There was an obvious low in March and April around some of the tariff news. So what I see and what I hear from when I talk to customers is that they're resilient. They're very mindful of that changing external environment. But activity levels are good. And you can see that reflected really in our deposit balances. You can see it reflected in our spending data. And you can see it reflected in the lending we're doing to businesses and also to households in terms of mortgages and unsecured credit.

So cautiously optimistic on that front. Some of the indicators are encouraging, but you have to be mindful, you know, it isn't the same for every sector and isn't the same in every region either. So there is some ongoing uncertainty, but generally reassuring indicators. Thanks, Anna.

**Operator** Our next question comes from Laith at the Financial Times. Laith, if you'd like to unmute and ask your question.

**Laith** Cool. I was going to ask about the income statement. Maybe it's more for Katie. But I was going to ask, it seems that net interest income growth there has sort of outstripped growth in the non-net interest income side of the business. And I was just wondering if you sort of feel that that means that eventually you'll become overexposed to the interest rate cycle. Yeah.

**Paul** Thank you, Laith. Katie?

**Katie** Yeah, sure. Absolutely. So if I look at both of them on first blush, I would agree with you. You see NII has been up 13%, while non-interest income is 15%. What I think is really important, Laith, is to look at what's in the core of the three businesses. And then you actually see a slightly different trend. But I think what's really important, actually, is that they're both growing well. And I think that's been the real performance thing that we've seen through this first half, driven by the strength of our loans and our deposits and the growth we've had in our AUM. So overall, very comfortable on that.

You know, and the interest rate has been beneficial to us as well in terms of that strength of the structural hedge we have in our numbers. Great growth in that this year and continuing growth as we go through into next year. So it's really, for me, is a story of making sure that the strategy continues to work and deliver, which we're very happy with, and seeing the underlying growth coming through from our businesses, which is contributing on strong growth on both of those lines.

**Paul** Thanks, Katie. Thanks, Leith.

**Operator** Our next question comes from Kaleeyna of The Guardian. Kaleeynana, if you'd like to unmute and ask your question.

**Katie** Hi, Kalyeena.

**Paul** Hey, Kalyeena. Kayleena, are you there?

**Operator** Unfortunately, we can't currently hear you, Kalyeena, so we're going to come back to you in a moment. We're going to go to John-Paul of The Daily Mail. John-Paul, if you'd like to unmute and ask your question.

**John-Paul** Oh, hello. Good morning. A couple of things, please. Just following up on Ben's question about taxes, do you agree with your counterpart, Charlie Nunn at Lloyd's, that putting up taxes for the city would be not consistent with the Government's growth mission? And indeed, do you agree with Goldman Sachs boss, David Solomon, who thinks that the non-dom tax arrangements are driving people away from the UK?

Secondly, on the economy, you're understandably optimistic about what you see as reassuring signs of consumer confidence, but other indicators, GDP falling, jobs falling, inflation going up, borrowing going up, seem quite worrying. Do you detect any sense of drift or even crisis growing in the economy?

**Paul** Thanks, John-Paul. Good to hear from you. On the point around tax and financial services competitiveness, I guess I'd go back to my answer to Ben. My view is strong economies need strong banks. You've heard me say that before. I really want to use the bank's capital to invest in the business and also support customers. Ultimately, as I've said, that will be beneficial to the UK. What's very important from an investor perspective is they have consistency and stability and predictability. So from that perspective, I think it's very important that policy makers are thoughtful about any signals that they can send in respect of policy. But ultimately, I want to use the bank's capital to support customers and help them grow for the greater good of the country.

In terms of high net worth customers and non-dom, obviously, we've got a wealth business. I'm very pleased with the performance of Coutts and the wealth business. You can see that we're growing across all lines. Lending to high net worth clients is up, deposits are up, and investments are up as well. It is, as you know, a UK-focused, primarily a UK-focused private bank. It does have some international clients though. And what I would say is we're not at this stage seeing any meaningful change in terms of behaviour. But that customer base is very alive to policy change, be that tax or regulatory. So we're monitoring it very closely, but no meaningful change at this stage.

Your second question, John-Paul, which was really around, I guess, the mixed signals and the potential for conflicting signals around the economy. I think the way I characterise it is that I have seen some reassuring indicators in terms of stabilisation, maybe since the tariff announcements and some of the geopolitical events of early April. But I'm very mindful that there is a degree of uncertainty that persists. So we're very clear-eyed about that. And it does vary. It varies depending upon the particular sectors. It varies depending upon particular customers' situations. And our job, and the bank's job, is to stand by the side of customers, whatever circumstances they're in.

But I would say, if you look at some of the underlying data, there are reassuring indicators. Rates are obviously coming down. They're not in that trajectory. Whilst inflation ticked up last month, the medium-term trajectory is obviously down. Wage growth is still outpacing inflation. The housing market is resilient, both from a volume and a price perspective. Households are saving more versus the long-term average. So I think there is a balance of signals being sent by the market. And ultimately, we have to stay vigilant in respect of that and make sure we support our customers. Thanks, John-Paul.

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| **Operator** | Thank you very much. We're going to go back to Kalyeena, if you'd like to unmute and ask your question. Hi. |
| **Kalyeena** | Hi, can you hear me now? |
| **Paul** | We can. We've got you, Kalyeena. |
| **Kalyeena** | Great, thank you. So you mentioned your climate funding today. But I've got two questions around that. Firstly, can you confirm that NatWest is still committed and is not reviewing or planning to drop its membership in the Net Zero Banking Alliance in light of the wave of exits that we've seen by some of your international peers? And secondly, are you at all concerned in particular about HSBC dropping its membership in the alliance? And I'm wondering what you think that this signals about the UK banking industry's climate commitments. Thanks. |
| **Paul** | Thanks, Kalyeena. On the first question, very simple answer. We remain as members of the Net Zero Banking Alliance. We see a number of benefits of being part of that alliance in terms of the cross-industry working and the discussions we can have about the agenda. So very clear on that. I wouldn't comment on other institutions and the decisions they've taken. I just refer you back to the first piece, which is we remain a benefits of being a member of the Net Zero Banking Alliance.<br><br>More generally around climate transition, we're pleased to increase our target for climate and transition financing today to £200 billion, having exceeded our original £100 billion target. We see significant opportunities to support our customer base with the transition. My strategy and our strategy is very much to follow our customers, whether that's greening vehicles, greening properties, whether that's issuing sustainable loans. We want to be able to support them if indeed that's their aspiration. And we remain very committed to that. And in my view, have some of the best teams in the market who can support clients with that. So that's our clear position. Thanks, Kalyeena. |
| **Operator** | Our next question comes from Ronan Martin of Bloomberg. Ronan, if you'd like to unmute and ask your question. |
| **Ronan** | Hi. Yeah. Good morning. I just want to hear your opinions on the Rachel Reeves's potential changes to the ring fencing regime and then Andrew Bailey's pushback on that. What are your thoughts on it? How do you think it could benefit, hinder the bank, et cetera? Thank you. |

**Paul** Yeah, thanks, Ronan. More generally on, I know you asked specifically about ring fencing, but more generally on the reforms from the Financial Services Competitive Strategy and Mansion House, I think they're a welcome step, I would say, for both the sector and the economy. But I do think it's very important that they bring meaningful benefits to consumers and to households. And that's going to take the combination of Government and the banking industry and the regulators to work together to make sure some of those proposals result in intangible benefits. I guess that's where ring fencing fits in.

Again, I welcome the review that has been committed to as part of the Mansion House speech. I've said previously, I think there are opportunities to improve the regime. I think there is elements of duplication. And I see it every day that there are elements of friction in terms of how customers can engage on both sides of the ring fence. So we'll lean into the review. We'll give our perspectives on where the opportunities are. We are very mindful that we don't want to do anything that jeopardises the stability of the system or consumer protection. So we'll be very thoughtful in the inputs that we give. But as the Skeoch review found, there are opportunities, I believe, to improve it. And that's the case that we'll be making as the review and consultation happens over the course, I think it's by the first quarter of next year. Thanks, Ronan.

**Operator** Thank you all for your questions today. I'm now going to hand you back to Paul to close.

**Paul** Thanks. Thank you, everybody. Appreciate the questions. So just to wrap things up, we're very pleased with the performance today. It demonstrates the continued momentum in the business. You can see that across all three of our businesses. And I'm pleased to strengthen our guidance for both income and returns. Ultimately, though, that's because of the support we're providing to our 20 million customers. I hope you've got a sense from Katie and myself today that they were very optimistic about the opportunities ahead for the bank and the role that we can play in supporting the wider UK growth agenda.

Do please feel free to pick up with the media team on any specifics within the results. They're ready and willing to do that. And if I don't see you before, I do hope you all have a very good summer. Thank you.

**Operator** Thank you for joining. You may now disconnect.

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