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Summary financial statements

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Chief Financial Officer



We are pleased to report an attributable profit in 2022 of £3,340 million, with earnings per share of 33.8 pence and a RoTE of 12.3%.

Total income, excluding notable items, was 28.3% higher in the year. Go-forward income, excluding notable items, was £13.1 billion, exceeding our income guidance for the year, and we achieved our cost reduction target of around 3%. A net impairment charge of 9 basis points was in line with guidance and, whilst default levels remain low, we continue to monitor the evolving economic outlook. This strong operating performance was net of a £1.0 billion attributable loss from our continued withdrawal from the Republic of Ireland.

Total income increased by 26.1% to £13,156 million compared with 2021. Excluding notable items, income was £2,877 million, or 28.3%, higher than 2021 driven by volume growth, increased transactional related fees, higher trading income and favourable yield curve movements. Bank NIM of 2.85% was 55 basis points higher than 2021.

Total operating expenses were £71 million lower than 2021. Other operating expenses, for the Go-forward group, were £201 million, or 2.9%, lower than 2021, in line with our cost reduction target of around 3%. The decrease in the year principally reflects property exits, continued focus on customer journeys and strategic efficiency initiatives.

A net impairment charge of £337 million principally reflects the latest macro-economics, including updated scenarios and their associated weighting. Underlying book performance remains strong, with credit conditions remaining benign and levels of default remaining low. Compared with 2021, our ECL provisions have reduced by £0.4 billion to £3.4 billion, and our ECL coverage ratio has decreased from 1.03% to 0.91%.

The tax charge for the year includes a £267 million credit in the carrying value of the deferred tax asset in respect of tax losses, reflecting an improvement in the outlook when compared with the position at the end of 2021. In addition, the charge also includes a credit of £135 million in respect of an inflationary uplift in the value of UK Government Index Linked Gilt assets that is not subject to corporation tax.

Net lending increased by £7.3 billion, or 2.0%, in 2022 primarily reflecting £14.4 billion of mortgage lending growth in Retail Banking and £5.7 billion of growth in Commercial & Institutional, partially offset by a £14.6 billion reduction in Central items & other, which included a £6.4 billion decrease as we continued our exit from the Republic of Ireland. Retail Banking gross new mortgage lending for the year was £41.4 billion compared with £36.0 billion in 2021. Within Commercial & Institutional, growth was largely within Corporate & Institutions whilst UK Government Scheme lending reduced by £3.4 billion.

Customer deposits reduced by £29.5 billion in the year to £450.3 billion principally reflecting a £14.2 billion reduction in Commercial & Institutional, due to an overall market liquidity contraction in the second half of the year and reduction in Corporate and Institutions, particularly non-operational accounts in Financial Institutions and professional services with relatively low margin and funding value, and a £12.2 billion reduction due to our withdrawal from the Republic of Ireland.

TNAV per share reduced by 8 pence in the year to 264 pence principally reflecting movements in cash flow hedging reserves of 34 pence per share, dividend payments and other reserve movements partially offset by the attributable profit.

Capital and leverage

The CET1 ratio remains robust at 14.2%, or 14.0% excluding IFRS 9 transitional relief. The 170 basis point reduction compared with 1 January 2022 primarily reflected distributions and linked pension accruals of c.310 basis points. Compared with the 1 January 2022 position, RWAs reduced by £0.2 billion as lending growth and model changes were offset by a £5.7 billion reduction in the Republic of Ireland.

We reached agreement with our pension trustees to restructure the previous agreement to make dividend linked contributions and we will no longer pay £471 million in 2023. We have agreed to create a trust structure to hold those assets and that gives the pension fund rights to assets in the value of £471 million in the event a future funding requirement arises based on pre-agreed triggers. These assets will remain on the Group balance sheet in the meantime. We continue to hold the same deduction against capital.

Funding and liquidity

LCR reduced to 145% during the year driven by a decrease in the liquidity portfolio, primarily reflecting lending growth and reduced customer deposits along with shareholder distributions, and a relatively lower reduction in net outflows.

	Year ended		
	2022	2021 ⁽¹⁾	Variance
Continuing operations			
Total income	£13,156m	£10,429m	26.1%
Total income excluding notable items ⁽²⁾	£13,061m	£10,184m	28.3%
Operating expenses	(£7,687m)	(£7,758m)	(0.9%)
Profit before impairment (losses)/releases	£5,469m	£2,671m	104.8%
Operating profit before tax	£5,132m	£3,844m	33.5%
Go-forward group ⁽³⁾			
Total income excluding notable items ⁽⁴⁾	£13,063m	£10,074m	29.7%
Other operating expenses ⁽⁴⁾	(£6,648m)	(£6,849m)	(2.9%)

Performance key metrics and ratios

Bank net interest margin ^(4,5)	2.85%	2.30%	55bps
Bank average interest earning assets ^(4,5)	£345bn	£327bn	5.5%
Cost:income ratio (excl. litigation and conduct) ⁽⁴⁾	55.5%	69.9%	(14.4%)
Loan impairment rate ⁽⁴⁾	9bps	(32bps)	41bps
Profit attributable to ordinary shareholders	£3,340m	£2,950m	13.2%
Total earnings per share attributable to ordinary shareholders – basic ⁽⁶⁾	33.8p	27.3p	6.5p
Return on tangible equity ⁽⁴⁾	12.3%	9.4%	2.9%

Lending and deposits

Loans to customers – amortised cost	£366.3bn	£359.0bn	2.0%
Customer deposits	£450.3bn	£479.8bn	(6.1%)

Capital, funding and liquidity

Common Equity Tier 1 (CET1) ratio ⁽⁷⁾	14.2%	18.2%	(400bps)
Risk-weighted assets (RWAs) ⁽⁷⁾	£176.1bn	£157.0bn	£19.1bn
Liquidity coverage ratio (LCR)	145%	172%	(27%)
Total wholesale funding	£74.4bn	£76.7bn	(£2.3bn)
Tangible net asset value (TNAV) per ordinary share ⁽⁸⁾	264p	272p	(8p)

(1) Comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations.
(2) Refer to the following page for details of notable items within total income.
(3) Go-forward group excludes Ulster Bank RoI and discontinued operations.
(4) Refer to the Non-IFRS financial measures section for details of the basis of preparation and reconciliation of non-financial measures and performance metrics.
(5) NatWest Group excluding liquid asset buffer.
(6) At the General Meeting and Class Meeting on 25 August 2022, the shareholders approved the proposed special dividend and share consolidation. On 30 August 2022 the issued ordinary share capital was consolidated in the ratio of 14 existing shares for 13 new shares. The average number of shares for earnings per share has been adjusted retrospectively.
(7) Refer to the Capital, liquidity and funding risk section for details of basis of preparation. On 1 January 2022 the proforma CET1 ratio was 15.9% and RWAs were £176.3 billion following regulatory changes.
(8) The number of ordinary shares in issue excludes own shares held. Comparatives for the number of shares in issue and TNAV per ordinary share have not been adjusted for the effect of the share consolidation referred to in footnote 6 above.

Three legally binding agreements for the sale of the UBIDAC business have been announced as part of the phased withdrawal from the Republic of Ireland: the transfer of performing commercial loans to Allied Irish Banks, p.l.c. (AIB), the sale of performing non-tracker mortgages, performing micro-SME loans, UBIDAC's asset finance business and 25 of its branch locations to Permanent TSB p.l.c Group Holdings p.l.c (PTSB) and an agreement with AIB for the sale of performing tracker and linked mortgages. The business activities relating to these sales that meet the requirements of IFRS 5 are presented as a discontinued operation and as a disposal group on 31 December 2022. The Financial review presents the results of the NatWest Group's continuing operations. For further details refer to Note 8 Discontinued operations and assets and liabilities of disposal groups in the Notes to the consolidated financial statements.

Financial summary

	2022	2021 ⁽¹⁾	Variance	
	£m	£m	£m	%
Income - Continuing operations				
Interest receivable ⁽²⁾	12,637	9,234	3,403	36.9
Interest payable ⁽²⁾	(2,795)	(1,699)	(1,096)	64.5
Net interest income	9,842	7,535	2,307	30.6
Net fees and commissions	2,292	2,120	172	8.1
Income from trading activities	1,133	323	810	250.8
Other operating income	(111)	451	(562)	(124.6)
Non-interest income	3,314	2,894	420	14.5
Total income	13,156	10,429	2,727	26.1
Total income excluding notable items	13,061	10,184	2,877	28.3

Notable items within total income ⁽³⁾

Private Banking

Consideration on the sale of the Adam & Company Investment Management Ltd

Commercial & Institutional

Fair value and disposal losses and asset disposals/strategic risk reduction

Tax variable lease repricing

Own credit adjustments (OCA)

Central items & other

Loss on redemption of own debt

Effective interest rate adjustment as a result of redemption of own debt

Profit from insurance liabilities

Ulster Bank Rol gain arising from the restructuring of structural hedges

Ulster Bank Rol fair value mortgage adjustments

Liquidity asset bond sale (losses)/gains

Share of associate (losses)/profits for Business Growth Fund

Property strategy update

Interest and FX risk management derivatives

not in accounting hedge relationships ⁽⁴⁾

Total

(1) Comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in Note 8 to the consolidated financial statements.

(2) Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.

(3) Refer to the Non-IFRS financial measures section for details of the basis of preparation and reconciliation of Non-IFRS financial and performance measures.

(4) Included in income from trading activities.

2022 compared with 2021

- Total income increased by 26.1% to £13,156 million compared with 2021. Excluding notable items, income was £2,877 million, or 28.3%, higher than 2021 driven by volume growth, increased transactional related fees, higher trading income and favourable yield curve movements.
- Bank NIM of 2.85% was 55 basis points higher than 2021 principally reflecting the impact of base rate increases.
- Structural hedges, which averaged £223 billion notional in 2022, generated £2.1 billion of net interest income for the year, compared with £1.4 billion of net interest income on a balance of £190 billion in 2021.

Financial summary continued

Operating expenses - Continuing operations

	2022	2021 ⁽¹⁾	Variance	
	£m	£m	£m	%
Staff expenses	3,671	3,676	(5)	(0.1)
Premises and equipment	1,112	1,133	(21)	(1.9)
Other administrative expenses	1,686	1,560	126	8.1
Depreciation and amortisation	833	923	(90)	(9.8)
Other operating expenses	7,302	7,292	10	0.1
Litigation and conduct costs	385	466	(81)	(17.4)
Operating expenses	7,687	7,758	(71)	(0.9)

(1) Comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in Note 8 to the consolidated financial statements.

2022 compared with 2021

- Operating expenses were £71 million lower than in 2021. Operating expenses in the Go-forward group, excluding litigation and conduct costs of £385 million (2021 - £466 million), were £6,648 million (2021 - £6,849 million). The decrease of £201 million, or 2.9%, was in line with our cost reduction target of around 3% and principally reflects property exits, continued focus on customer journeys and strategic efficiency initiatives. This has been supported by ongoing strategic investment in key areas, including Data, Technology and Financial Crime.
- Litigation and conduct costs of £385 million represent the net impact of a number of remediation and litigation matters concluding, including customer due diligence costs paid during the year. Refer to Note 26 to the consolidated financial statements for additional information on other litigation and conduct matters.

	2022	2021 ⁽¹⁾	Variance	
	£m	£m	£m	%
Impairments - Continuing operations				
Loans - amortised cost and FVOCI	377,153	369,827	7,326	2.0%
ECL provisions	3,434	3,806	(372)	(9.8%)
ECL provisions coverage ratio	0.91%	1.03%	(0.12%)	(11.7%)
Impairment losses/(releases)				
ECL charge/(release) ⁽²⁾	337	(1,173)	1,510	(128.7%)
Amounts written off	482	876	(394)	(45.0%)

(1) Comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in Note 8 to the consolidated financial statements.

(2) The table above summarises loans and related credit impairment measured on an IFRS 9 basis. Refer to Credit Risk – Banking activities in the Risk and capital management section for further details.

2022 compared with 2021

- A net impairment charge of £337 million principally reflects the latest macro-economics, including updated scenarios and their associated weighting, with more weight being placed on the downside scenario. Underlying book performance remains strong, with credit conditions remaining benign, with levels of default remaining low. Compared with 2021, our ECL provisions have reduced by £0.4 billion to £3.4 billion, and our ECL coverage ratio has decreased from 1.03% to 0.91%. The element of our economic uncertainty post model adjustments (PMA) that relates to COVID-19 risks has been reduced, which, when combined with revisions to our scenario weightings, has allowed us to reduce the amount we hold as economic uncertainty PMA to £0.4 billion, or 10.3% of total impairment provisions.

Tax - Continuing operations

	2022	2021 ⁽¹⁾
	£m	£m
Tax charge	(1,275)	(996)
UK corporation tax rate	19.0%	19.0%
Effective tax rate	24.8%	25.9%

(1) Comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in Note 8 to the consolidated financial statements.

2022 compared with 2021

- A tax charge of £1,275 million for the year ended 31 December 2022 arises rather than the expected charge of £975 million based on the corporation tax rate of 19%. The higher tax charge reflects the UK banking surcharge, no tax relief for Rol tax losses, and other non-deductible items. These factors have been partially offset by tax credits in respect of the carrying value of loss DTAs and the RPI uplift on indexed linked gilts. Further details can be found in Note 7 to the consolidated financial statements.

Summary consolidated balance sheet as at 31 December 2022

	2022 £m	2021 £m	Variance £m	%
Assets				
Cash and balances at central banks	144,832	177,757	(32,925)	(19)
Trading assets	45,577	59,158	(13,581)	(23)
Derivatives	99,545	106,139	(6,594)	(6)
Settlement balances	2,572	2,141	431	20
Loans to banks - amortised cost	7,139	7,682	(543)	(7)
Loans to customers - amortised cost	366,340	358,990	7,350	2
Other financial assets	30,895	46,145	(15,250)	(33)
Other assets (including intangible assets)	16,292	14,965	1,327	9
Assets of disposal groups	6,861	9,015	(2,154)	(24)
Total assets	720,053	781,992	(61,939)	(8)
Liabilities				
Bank deposits	20,441	26,279	(5,838)	(22)
Customer deposits	450,318	479,810	(29,492)	(6)
Settlement balances	2,012	2,068	(56)	(3)
Trading liabilities	52,808	64,598	(11,790)	(18)
Derivatives	94,047	100,835	(6,788)	(7)
Other financial liabilities	49,107	49,326	(219)	(0)
Subordinated liabilities	6,260	8,429	(2,169)	(26)
Notes in circulation	3,218	3,047	171	6
Other liabilities	5,346	5,797	(451)	(8)
Total liabilities	683,557	740,189	(56,632)	(8)
Total equity	36,496	41,803	(5,307)	(13)
Total liabilities and equity	720,053	781,992	(61,939)	(8)
Tangible net asset value per ordinary share (pence) (1)	264p	272p	(8)p	(3)

(1) Tangible net asset value per ordinary share represents tangible equity divided by the number of ordinary shares.

- Total assets of £720.1 billion as at 31 December 2022 decreased by £61.9 billion, 8%, compared with 31 December 2021. This was primarily driven by decreases in cash and balances at central banks, other financial assets, trading assets and derivative assets partially offset by an increase in loans to customers.
- Cash and balances at central banks decreased by £32.9 billion mainly due to net business segment funding outflows driven by an overall market liquidity contraction, £28.0 billion, movements in FX swaps £8.0 billion and higher levels of debt market activity £4.0 billion partly offset by liquidity management measures, £8.0 billion.
- Other financial assets decreased by £15.3 billion mainly as a result of net Government and Supranational bond trading of £13.5 billion and lower mark-to-market valuations of £1.6 billion on account of higher interest rates.
- Trading assets and trading liabilities reduced by £13.6 billion and £11.8 billion respectively, reflecting the lower trading activity in response to the volatility in key currency rates.
- Derivative assets decreased by £6.6 billion, 6%, to £99.5bn and liabilities decreased by £6.8 billion, 7%, to £94.0 billion. These movements were driven by a decrease in interest rate trading books on account of lower mark-to-market valuations in main currencies partially offset by an increase in exchange rate assets trading book.
- Total loans to customers increased by £7.4 billion to £366.3 billion, primarily reflecting £14.4 billion growth in Retail Banking mortgage business and a £5.7 billion increase in Commercial & Institutional partially offset by a £14.6 billion reduction in Central items & other, which included a £6.4 billion decrease as we continued our exit from the Republic of Ireland.
- Customer deposits decreased by £29.5 billion principally reflecting a reduction of £14.2 billion in Commercial & Institutional, due to an overall market liquidity contraction in the second half of the year and a £12.2 billion reduction as a result of the withdrawal from the Republic of Ireland.
- Bank deposits decreased by £5.8 billion mainly due to lower repo activity due to market conditions.
- Other financial liabilities, which includes customer deposits at fair value through profit and loss and debt securities in issue, decreased by £0.2 billion, to £49.1 billion.
- Subordinated liabilities have decreased by £2.2 billion, 26%, to £6.3 billion due to redemptions partially offset by new issuances.
- Other liabilities decreased by £0.5 billion, 8%, to £5.3 billion mainly due to a decrease in financial guarantees and accrued lease liabilities.
- Owners' equity decreased by £5.3 billion, 13%, to £36.5 billion, driven by share repurchase, ordinary and paid-in equity dividends paid, partially offset by the attributable profit for the year.

Segmental summary income statements

Two changes to reportable segments have been made;

On 27 January 2022, NatWest Group announced that a new business segment, Commercial & Institutional, would be created, bringing together the Commercial, NatWest Markets and RBSI businesses to form a single business segment, with common management and objectives, to best support our customers across the full non-personal customer lifecycle.

Following good progress with respect to the phased withdrawal from the Republic of Ireland, announced in February 2021, Ulster Bank Rol continuing operations are now included in Central items & other.

Comparatives have been re-presented. The re-presentation of operating segments does not change the consolidated financial results of NatWest Group.

Continuing operations

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total NatWest Group £m
2022					
Net interest income	5,224	777	4,171	(330)	9,842
Non-interest income	422	279	2,242	371	3,314
Total income	5,646	1,056	6,413	41	13,156
Direct expenses	(700)	(219)	(1,497)	(4,886)	(7,302)
Indirect expenses	(1,784)	(391)	(2,066)	4,241	—
Other operating expense	(2,484)	(610)	(3,563)	(645)	(7,302)
Litigation and conduct costs	(109)	(12)	(181)	(83)	(385)
Operating expenses	(2,593)	(622)	(3,744)	(728)	(7,687)
Operating profit/(loss) before impairment losses/releases	3,053	434	2,669	(687)	5,469
Impairment (losses)/releases	(229)	2	(122)	12	(337)
Operating profit/(loss)	2,824	436	2,547	(675)	5,132
Total income excluding notable items	5,646	1,056	6,416	(57)	13,061
Return on tangible equity (1)	na	na	na	na	12.3%
Return on equity (2)	28.6%	24.5%	12.2%	nm	na
Cost:income ratio (excl. litigation and conduct) (1)	44.0%	57.8%	55.6%	nm	55.5%
Customer deposits (£bn)	188.4	41.2	203.3	17.4	450.3
Average interest earning assets (£bn)	190.8	19.1	126.1	nm	345.2
Net interest margin (1)	2.74%	4.07%	3.31%	nm	2.85%
Third party asset rate (3)	2.64%	3.01%	3.53%	nm	nm
Third party customer funding rate (3)	(0.20%)	(0.27%)	(0.21%)	nm	nm

For the notes to this table, refer to the following page. nm = not meaningful, na = not applicable.

Segmental summary income statements continued

Continuing operations

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total NatWest Group £m
2021 (4)					
Net interest income	4,074	480	2,974	7	7,535
Non-interest income	371	336	1,864	323	2,894
Total income	4,445	816	4,838	330	10,429
Direct expenses	(805)	(200)	(1,773)	(4,514)	(7,292)
Indirect expenses	(1,632)	(323)	(1,873)	3,828	—
Other operating expense	(2,437)	(523)	(3,646)	(686)	(7,292)
Litigation and conduct costs	(76)	3	(111)	(282)	(466)
Operating expenses	(2,513)	(520)	(3,757)	(968)	(7,758)
Operating profit/(loss) before impairment releases/losses	1,932	296	1,081	(638)	2,671
Impairment releases/(losses)	36	54	1,160	(77)	1,173
Operating profit/(loss)	1,968	350	2,241	(715)	3,844
Total income excluding notable items	4,445	762	4,886	91	10,184
Return on tangible equity (1)	na	na	na	na	9.4%
Return on equity (2)	26.1%	17.0%	10.9%	nm	na
Cost:income ratio (excl. litigation and conduct) (1)	54.8%	64.1%	75.4%	nm	69.9%
Customer deposits (£bn)	188.9	39.3	217.5	34.1	479.8
Average interest earning assets (£bn)	179.1	18.3	121.0	nm	327.3
Net interest margin (1)	2.27%	2.63%	2.46%	nm	2.30%
Third party customer asset rate (3)	2.66%	2.36%	2.71%	nm	nm
Third party customer funding rate (3)	(0.06%)	—	(0.02%)	nm	nm

nm = not meaningful, na = not applicable.

- (1) Refer to the Non-IFRS financial measures section for details of the basis of preparation.
- (2) NatWest Group's CET1 target is approximately 13-14% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit or loss adjusted for preference share dividends and tax, is divided by average notional equity allocated at different rates of 13% (Retail Banking), 11% (Private Banking), and 14% (Commercial & Institutional), of the period average of segmental risk-weighted assets equivalents (RWAE) incorporating the effect of capital deductions. NatWest Group return on equity is calculated using profit attributable to ordinary shareholders. Refer to the Non-IFRS financial measures section for details of the basis of preparation.
- (3) Third party customer asset rate is calculated as annualised interest receivable on third-party loans to customers as a percentage of third-party loans to customers. This excludes assets of disposal groups, intragroup items, loans to banks and liquid asset portfolios. Third party customer funding rate reflects interest payable or receivable on third-party customer deposits, including interest bearing and non-interest bearing customer deposits. Intragroup items, bank deposits, debt securities in issue and subordinated liabilities are excluded from the customer funding rate calculation. Net interest margin is calculated as net interest income as a percentage of the average interest-earning assets, and excludes liquid asset buffer.
- (4) Comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in Note 8 to the consolidated financial statements.

Segment performance

Retail Banking

Income statement

	2022 £m	2021 £m	Variance	
			£m	%
Net interest income	5,224	4,074	1,150	28.2%
Non-interest income	422	371	51	13.7%
Total income	5,646	4,445	1,201	27.0%
Other operating expenses	(2,484)	(2,437)	(47)	1.9%
Litigation and conduct costs	(109)	(76)	(33)	43.4%
Operating expenses	(2,593)	(2,513)	(80)	3.2%
Impairment (losses)/releases	(229)	36	(265)	(736.1)%
Operating profit	2,824	1,968	856	43.5%

Performance ratios (1)

Return on equity	28.6%	26.1%	2.5%
Net interest margin	2.74%	2.27%	0.47%
Cost:income ratio (excl. litigation and conduct)	44.0%	54.8%	(10.8%)
Loan impairment rate	11bps	(2bps)	13bps

(1) Refer to the Non-IFRS financial measures section for details of the basis of preparation and reconciliation of non-IFRS financial measures and performance metrics.

Capital and balance sheet

	2022 £bn	2021 £bn	Variance	
			£bn	%
Loans to customers (amortised cost)				
- personal advances	7.6	7.1	0.5	7.0%
- mortgages	187.2	172.8	14.4	8.3%
- cards	4.4	3.8	0.6	15.8%
Total loans to customers (amortised cost)	199.2	183.7	15.5	8.4%
Loan impairment provisions	(1.6)	(1.5)	(0.1)	6.7%
Net loans to customers (amortised cost)	197.6	182.2	15.4	8.5%
Total assets	226.4	210.0	16.4	7.8%
Customer deposits	188.4	188.9	(0.5)	(0.3%)
Risk-weighted assets	54.7	36.7	18.0	49.0%

2022 compared with 2021

- In 2022, Retail Banking continued to pursue sustainable growth with an intelligent approach to risk, delivering a return on equity of 28.6% and an operating profit of £2,824 million.

— Retail Banking provided £4.0 billion of climate and sustainable funding and financing in 2022.

— Total income was £1,201 million, or 27.0%, higher than 2021 reflecting strong loan growth and higher transactional-related fee income, higher deposit income, supported by interest rate rises, partially offset by lower mortgage margins.

— Net interest margin was 47 basis points higher than 2021 reflecting higher deposit returns, partly offset by mortgage margin pressure.

— Other operating expenses were £47 million, or 1.9%, higher than 2021 primarily driven by higher fraud losses, increased investment in financial crime prevention, increased data related costs and the impact of pay awards to support colleague cost of living challenges. This was partly offset by a 4.4% headcount reduction as a result of the continued digitalisation, automation and improvement of end-to-end customer journeys.
- Impairment losses of £229 million in 2022 primarily reflect continued low level of stage 3 defaults as well as updated economic outlook scenarios partly offset by provision releases in stage 2. Provision coverage of 0.81% remains strong.

— Net loans to customers increased by £15.4 billion, or 8.5%, in 2022 mainly reflecting continued mortgage growth of £14.4 billion, with gross new mortgage lending of £41.4 billion representing flow share of around 13%. Cards balances increased by £0.6 billion and personal advances increased by £0.5 billion in 2022 reflecting continued strong customer demand.

— Customer deposits decreased by £0.5 billion, or 0.3%, in 2022 driven by higher outflows in H2 2022 as customers started to spend following relaxation of Covid-related restrictions and competition for deposit balances increased. Personal savings balances decreased by £0.9 billion partly offset by personal current accounts balance growth of £0.4 billion in 2022.

— RWAs increased by £2.6 billion, or 5.0% versus 1 January 2022 reflecting lending growth and a further increase of 1st January 2022 mortgage regulatory changes of £1.0 billion, partly offset by quality improvements. No material impact of procyclicality evident.

Segment performance continued

Private Banking

	2022	2021	Variance	
	£m	£m	£m	%
Income statement				
Net interest income	777	480	297	61.9%
Non-interest income	279	336	(57)	(17.0%)
Total income	1,056	816	240	29.4%
Other operating expenses	(610)	(523)	(87)	16.6%
Litigation and conduct costs	(12)	3	(15)	(500.0%)
Operating expenses	(622)	(520)	(102)	19.6%
Impairment releases	2	54	(52)	(96.3%)
Operating profit	436	350	86	24.6%
Performance ratios (1)				
Return on equity	24.5%	17.0%	7.5%	
Net interest margin	4.07%	2.63%	1.4%	
Cost:income ratio (excl. litigation and conduct)	57.8%	64.1%	(6.3%)	
Loan impairment rate	(1bp)	(29bps)	28bps	
Net new money (£bn)	2.0	3.0	(1.0)	

(1) Refer to the Non-IFRS financial measures section for details of the basis of preparation and reconciliation of non-IFRS financial measures and performance metrics.

	2022	2021	Variance	
	£bn	£bn	£bn	%
Capital and balance sheet				
Loans to customers (amortised cost)				
- personal	2.2	2.3	(0.1)	(4.3%)
- mortgages	12.7	11.8	0.9	7.6%
- other	4.4	4.4	—	—
Total loans to customers (amortised cost)	19.3	18.5	0.8	4.3%
Loan impairment provisions	(0.1)	(0.1)	—	—
Net loans to customers (amortised cost)	19.2	18.4	0.8	4.3%
Total assets	29.9	29.9	—	—
Assets under management (AUMs) (1)	28.3	30.2	(1.9)	(6.3%)
Assets under administration (AUAs) (1)	5.1	5.4	(0.3)	(5.6%)
Assets under management and administration (AUMA) (1)	33.4	35.6	(2.2)	(6.2%)
Customer deposits	41.2	39.3	1.9	4.8%
Loan:deposit ratio (excl. repos and reverse repos) (1)	47%	47%	—	—
Risk-weighted assets	11.2	11.3	(0.1)	(0.9%)

(1) Refer to the Non-IFRS financial measures section for details of basis of preparation and reconciliation of non-IFRS financial measures and performance metrics.

2022 compared with 2021

- During 2022, Private Banking provided a strong operating performance with continued balance growth, delivering a return on equity of 24.5%, 7.5 percentage points higher than 2021, and operating profit of £436 million.
- Private Banking provided £0.2 billion of climate and sustainable funding and financing in 2022. At the end of 2022, £6.5 billion of AUM are invested in funds that are on net zero trajectory and are decarbonising at an average rate of 7% per annum.
- Total income of £1,056 million was £240 million, or 29.4%, higher than 2021 driven by higher deposit and lending balances and improved deposit returns supported by interest rate rises. This represents a particularly strong performance given that Q4 2021 reflected the £54 million consideration from the sale of Adam & Company Investment Management Ltd.
- Net interest margin was 144 basis points higher than 2021 reflecting higher deposit returns and lending growth. Mortgage book margin was 163 basis points in the year.
- Other operating expenses were £87 million, or 16.6%, higher than 2021 due to continued investment in people and technology to enhance AUMA growth propositions and increased investment in financial crime prevention.
- Impairment releases of £2 million in 2022 primarily reflect continued low level of stage 3 defaults and release of post model adjustments, partly offset by a revision of the economic outlook scenario assumptions.
- AUM net new money was £2.0 billion during 2022, which represented 5.6% of opening AUMA balances on an annualised basis, demonstrating a strong performance given volatile investment market conditions. Digital net new money was £0.3 billion, which represented 20.6% of opening Digital AUMA balances. AUMAs decreased by £2.2 billion, or 6.2%, in 2022 primarily reflecting adverse investment market movements of £4.0 billion.
- Customer deposits increased by £1.9 billion, or 4.8%, largely driven by strong savings growth, particularly during H1 2022.
- Net loans to customers increased by £0.8 billion, or 4.3%, in 2022 due to above market mortgage growth of 8%, whilst RWAs decreased by £0.1 billion, or 0.9% driven by capital optimisation initiatives.

Segment performance continued

Commercial & Institutional

	2022	2021	Variance	
	£m	£m	£m	%
Income statement				
Net interest income	4,171	2,974	1,197	40.2%
Non-interest income	2,242	1,864	378	20.3%
Total income	6,413	4,838	1,575	32.6%
Other operating expenses	(3,563)	(3,646)	83	(2.3%)
Litigation and conduct costs	(181)	(111)	(70)	63.1%
Operating expenses	(3,744)	(3,757)	13	(0.3%)
Impairment (losses)/releases	(122)	1,160	(1,282)	(110.5%)
Operating profit	2,547	2,241	306	13.7%
Performance ratios (1)				
Return on equity	12.2%	10.9%	1.3%	
Net interest margin	3.31%	2.46%	0.9%	
Cost:income ratio (excl. litigation and conduct)	55.6%	75.4%	(19.8%)	
Loan impairment rate	9bps	(92bps)	101bps	

(1) Refer to the Non-IFRS financial measures section for details of basis of preparation and reconciliation of non-IFRS financial measures and performance metrics.

	2022	2021	Variance	
	£bn	£bn	£bn	%
Capital and balance sheet				
Loans to customers (amortised cost)				
- Business Banking	6.1	8.0	(1.9)	(23.8%)
- Commercial Mid-market	71.7	72.5	(0.8)	(1.1%)
- Corporate & Institutions	53.7	45.4	8.3	18.3%
Total loans to customers (amortised cost)	131.5	125.9	5.6	4.4%
Loan impairment provisions	(1.6)	(1.7)	0.1	(5.9%)
Net loans to customers (amortised cost)	129.9	124.2	5.7	4.6%
Total assets	404.8	425.9	(21.1)	(5.0%)
Funded assets	306.3	321.3	(15.0)	(4.7%)
Customer deposits	203.3	217.5	(14.2)	(6.5%)
Loan:deposit ratio (excl. repos and reverse repos) (1)	64%	57%	7.0%	
Risk-weighted assets	103.2	98.1	5.1	5.2%

2022 compared with 2021

- During 2022, Commercial & Institutional delivered a strong performance with a return on equity of 12.2% and an operating profit of £2,547 million.
- Commercial & Institutional provided £20.3 billion of climate and sustainable funding and financing in 2022.
- Total income was £1,575 million, or 32.6%, higher than 2021 reflecting higher deposit returns from an improved interest rate environment, net loan growth, improved card payment fees and higher markets income. Markets income⁽¹⁾ of £698 million, was £231 million, or 49.5%, higher than 2021 reflecting stronger performance across the product suite.
- Net interest margin was 85 basis points higher than 2021 reflecting higher deposits returns.
- Other operating expenses were £83 million, or 2.3%, lower than 2021 reflecting cost efficiencies whilst continuing to invest in the business. A 4.2% headcount increase was a result of continuing to build capability including the take payment proposition.
- A net impairment charge of £122 million in 2022 was predominantly driven by the downward revision of economic outlook assumptions in the scenarios compared to a £1,160 million credit in 2021.
- Net loans to customers increased by £5.7 billion, or 4.6%, in 2022 due to increased term loans and funds activity within Corporate and Institutions, growth in invoice and asset finance balances within the Commercial Mid-market business partly offset by UK Government scheme balance reductions of £3.4 billion across Commercial Mid-market and Business Banking.
- Customer deposits decreased by £14.2 billion, or 6.5% in 2022 due to overall market liquidity contraction in the second half of the year following heightened levels built up during Covid in 2020 and 2021 and reductions in Corporate and Institutions, particularly non-operational accounts in Financial Institutions and professional services with relatively low margin and funding value.
- RWAs increased by £5.1 billion, or 5.2%, in 2022 primarily reflecting 1st January 2022 regulatory changes and lending growth partly offset by a reduction in counterparty credit risk, operational risk and management actions.

(1) Markets income excludes asset disposals/strategic risk reduction, own credit risk adjustments and central items.

Segment performance continued

Central items & other

Following good progress with respect to the phased withdrawal from the Republic of Ireland, announced in February 2021, Ulster Bank Rol continuing operations are now included in Central items & other.

	2022	2021	Variance	
	£m	£m	£m	%
Continuing operations				
Total income	41	330	(289)	(87.6%)
Operating expenses	(728)	(968)	240	(24.8%)
<i>of which: other operating expenses</i>	(645)	(686)	41	(6.0%)
<i>of which: Ulster Bank Rol (1)</i>	(678)	(482)	(196)	40.7%
Impairment releases/(losses)	12	(77)	89	(115.6%)
Operating loss	(675)	(715)	40	(5.6%)
<i>of which: Ulster Bank Rol</i>	(723)	(414)	(309)	74.6%
	2022	2021	Variance	
	£bn	£bn	£bn	%
Net loans to customers (amortised cost) (2)	19.6	34.2	(14.6)	(42.7%)
Customer deposits	17.4	34.1	(16.7)	(49.0%)
RWAs	7.0	10.9	(3.9)	(35.8%)

(1) Includes withdrawal-related direct program costs of £195 million for the year ended 31 December 2022 (£17 million – 31 December 2021) and £151 million for the quarter ended 31 December 2022 (£21 million – 30 September 2022 and £17 million – 31 December 2021).

(2) Excludes £0.5 billion of loans to customers held at fair value through profit or loss (£0.6 billion – 30 September 2022 and nil – 31 December 2021).

Funding and operating costs have been allocated to operating segments based on direct service usage, the requirement for market funding and other appropriate drivers where services span more than one segment. Residual unallocated items relate to volatile corporate items that do not naturally reside within a segment.

2022 compared with 2021

- Total income for 2022 included £369 million of gains from risk management derivatives not in hedge accounting relationships, partially offset by £202 million of losses on redemption of own debt and £88 million of bond disposal losses.
- 2021 included litigation and conduct charges of £282 million and losses on redemption of own debt of £138 million related to the repurchase of legacy instruments, partially offset by a £219 million share of gains under equity accounting for Business Growth Fund.
- 2022 operating expenses included £678 million in Ulster Bank Rol, of which £195 million were withdrawal related costs. In 2021 operating expenses in Ulster Bank Rol totalled £482 million, of which £17 million were withdrawal related costs.

Summary financial statements

NatWest Group's financial statements are prepared in accordance with IFRS. Selected data under IFRS for each of the last three years is presented below.

Summary consolidated income statement

	2022	2021 (1)	2020 (1)
	£m	£m	£m
Net interest income	9,842	7,535	7,389
Non-interest income	3,314	2,894	3,014
Total income	13,156	10,429	10,403
Operating expenses	(7,687)	(7,758)	(7,858)
Profit before impairment losses/releases	5,469	2,671	2,545
Impairment (losses)/releases	(337)	1,173	(3,098)
Operating profit/(loss) before tax	5,132	3,844	(553)
Tax charge	(1,275)	(996)	(74)
Profit/(loss) from continuing operations	3,857	2,848	(627)
(Loss)/profit from discontinued operations, net of tax	(262)	464	193
Profit/(loss) for the year	3,595	3,312	(434)
Attributable to:			
Ordinary shareholders	3,340	2,950	(753)
Preference shareholders	—	19	26
Paid-in equity holders	249	299	355
Non-controlling interests	6	44	(62)
	3,595	3,312	(434)

(1) Comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in Note 8 to the consolidated financial statements.

Summary consolidated balance sheet

	2022	2021	2020
	£m	£m	£m
Cash and balances at central banks	144,832	177,757	124,489
Trading assets	45,577	59,158	68,990
Derivatives	99,545	106,139	166,523
Settlement balances	2,572	2,141	2,297
Loans to banks and customers - amortised cost	373,479	366,672	367,499
Other financial assets	30,895	46,145	55,148
Other and intangible assets	16,292	14,965	14,545
Assets of disposal groups	6,861	9,015	—
Total assets	720,053	781,992	799,491
Deposits	470,759	506,089	452,345
Trading liabilities	52,808	64,598	72,256
Settlement balances, derivatives, other financial liabilities and subordinated liabilities	151,426	160,658	222,023
Other liabilities	5,346	5,797	6,388
Owners' equity	36,488	41,796	43,860
Notes in circulation	3,218	3,047	2,655
Non-controlling interests	8	7	(36)
Total liabilities and equity	720,053	781,992	799,491