Serving our customers every day

Financial review

Group Chief Financial Officer's review

'We have delivered a strong operating performance in 2023 with a RoTE of 17.8%. Total income excluding notable items of £14.3 billion was up by 9.8% and levels of default remain stable across our portfolio. We remain focused on cost discipline and have achieved our cost target of around £7.6 billion, with a cost:income ratio of 51.8%.'

Financial performance

Total income increased by 12.1% to £14.8 billion compared with 2022. Total income excluding notable items, was 9.8% higher than the prior year principally driven by lending growth, higher income in our markets business and favourable yield curve movements partially offset by the change in deposit mix from non-interest bearing to interest bearing and lower deposit balances. Bank NIM of 3.04% was 19 basis points higher than 2022 primarily due to benefits from yield curve movements, net of changes in deposit mix, partially offset by lending margin pressure.

Total operating expenses were £309 million higher than 2022. Other operating expenses were £339 million, or 4.6%, higher for the year at £7.6 billion, in line with our full year guidance. The increase was principally due to higher staff costs, including a payment to support our colleagues with cost of living challenges and inflationary pressures on utility and contract costs. FTE(1) reduced by c.300 to c.61,200 principally reflecting reductions as we continue our exit from the Republic of Ireland and automation and simplification in Retail Banking, partially offset by investment in technology and data roles.

A net impairment charge of £578 million, or 15 basis points of gross customer loans, primarily reflects continued low and stable levels of stage 3 defaults across the portfolio and good book charges related to unsecured lending. Compared with 2022, our ECL provision increased by £0.2 billion to £3.6 billion and our ECL coverage ratio has increased from 0.91% to 0.93%. We retain post model adjustments of £0.4 billion related to economic uncertainty, or 11.8% of total impairment provisions.

As a result, we are pleased to report an attributable profit for 2023 of £4.4 billion, with earnings per share of 47.9 pence and a RoTE of 17.8%, above our guided range. The profit for the year includes a deferred tax asset write back of £385 million in respect of tax losses.

Net loans to customers excluding central items increased by £8.9 billion in the year largely reflecting a £7.6 billion increase in Retail Banking and £2.0 billion of growth in Commercial & Institutional due to an increase in term loan facilities and private financing within Corporate & Institutions, net of £2.7 billion of UK Government scheme repayments. Retail Banking mortgage lending increased by £5.9 billion, with gross new mortgage lending of £29.8 billion in 2023 compared with £41.4 billion in 2022 reflecting the smaller mortgage market, and unsecured lending increased by £2.0 billion with continued strong customer demand. Private Banking net loans to customers decreased by £0.7 billion driven by higher repayments on mortgages. Up to 31 December 2023 we have provided £61.9 billion against our target to provide £100 billion climate and sustainable funding and financing between 1 July 2021 and the end of 2025.

(1) Full Time Equivalents of our permanent and internal fixed term resource. Each full-time employee is one FTE, with part-time employees recorded based on hours worked.

As part of this we aim to provide at least £10 billion in lending for residential properties with Energy Performance Certificate (EPC) ratings A and B between 1 January 2023 and the end of 2025. During 2023 we provided £29.3 billion climate and sustainable funding and financing, which included £3.9 billion in lending for residential properties with EPC ratings A and B.

Customer deposits excluding central items decreased by £13.8 billion during 2023 to £419.1 billion principally reflecting the competitive environment for deposits and an overall market liquidity contraction. Despite the reduction, LDR (excl. repos and reverse repos) remains healthy at 84%. In the fourth quarter customer deposit balances reduced by £4.5 billion largely within Corporate & Institutions as a result of active management, with growth in Retail Banking and Private Banking partially offsetting. We have continued to see the mix of our book shift towards interest bearing and term balances, with non-interest bearing balances now accounting for 34% of balances and term at 16%.

TNAV per share increased by 28 pence in the year to 292 pence primarily reflecting the attributable profit for the period and an £872 million movement in cash flow hedging reserves as rate expectations lowered, partially offset by the impact of distributions. Intangible assets increased by £498 million in the year, primarily reflecting software capitalisation and the acquisition of Cushon.

Capital and leverage

The CET1 ratio remains strong at 13.4%, or 13.2% excluding IFRS 9 transitional relief. The 80 basis point reduction compared with 31 December 2022 principally reflected distributions deducted from capital of c.200 basis points, partially offset by the attributable profit. The NatWest Group's minimum requirement for own funds and eligible liabilities (MREL) ratio was 30.5%. RWAs increased by £6.9 billion during 2023 to £183.0 billion principally reflecting lending growth in Commercial & Institutional and a £3.0 billion uplift associated with CRD IV model updates, partially offset by a £4.0 billion reduction as we continue our exit from the Republic of Ireland.

Funding and liquidity

The LCR of 144%, representing £45.4 billion headroom above 100% minimum requirement, decreased by 1 percentage point during the year, driven by growth in customer lending and reduced customer deposits offset by an increase in wholesale funding and UBIDAC asset sale.

Katie Murray
Group Chief Financial Officer

Financial Summary

	Year ended or as at		
	2023	2022	Variance
Performance key metrics and ratios			
Total income	**£14,752m**	£13,156m	12.1%
Notable items within total income (1)	**£413m**	£95m	nm
Total income excluding notable items (1)	**£14,339m**	£13,061m	9.8%
Bank net interest margin (1)	**3.04%**	2.85%	19bps
Bank average interest earning assets (1)	**£363bn**	£345bn	5.2%
Cost:income ratio (excl. litigation and conduct) (1)	**51.8%**	55.5%	(3.7%)
Loan impairment rate (1)	**15bps**	9bps	6bps
Profit attributable to ordinary shareholders	**£4,394m**	£3,340m	31.6%
Total earnings per share attributable to ordinary shareholders – basic	**47.9p**	33.8p	14.1p
Return on tangible equity (RoTE) (1)	**17.8%**	12.3%	5.5%
Climate and sustainable funding and financing (2)	**£29.3bn**	£24.5bn	19.6%
Balance sheet			
Total assets	**£692.7bn**	£720.1bn	(3.8%)
Loans to customers – amortised cost	**£381.4bn**	£366.3bn	4.1%
Loans to customers excluding central items (1,3)	**£355.6bn**	£346.7bn	2.6%
Loans to customers and banks – amortised cost FVOCI	**£392.0bn**	£377.1bn	4.0%
Total impairment provisions (4)	**£3.6bn**	£3.4bn	5.9%
Expected credit loss (ECL) coverage ratio	**0.93%**	0.91%	2bps
Assets under management and administration (AUMA) (1)	**£40.8bn**	£33.4bn	22.2%
Customer deposits	**£431.4bn**	£450.3bn	(4.2%)
Customer deposits excluding central items (1,3)	**£419.1bn**	£432.9bn	(3.2%)
Liquidity and funding			
Liquidity coverage ratio (LCR)	**144%**	145%	(1.0%)
Liquidity portfolio (5)	**£223bn**	£233bn	(4.3%)
Net stable funding ratio (NSFR)	**133%**	145%	(12.0%)
Loan:deposit ratio (excl repos and reverse repos) (1)	**84%**	79%	5.0%
Total wholesale funding	**£80bn**	£74bn	8.1%
Short-term wholesale funding	**£28bn**	£21bn	33.3%

	Year ended or as at		
	2023	2022	Variance
Capital and leverage			
Common Equity Tier 1 (CET1) ratio (6)	**13.4%**	14.2%	(80bps)
Total capital ratio (6)	**18.4%**	19.3%	(90bps)
Pro forma CET1 ratio (excl. forseeable items) (7)	**14.2%**	15.4%	(120bps)
Risk-weighted assets (RWAs)	**£183.0bn**	£176.1bn	3.9%
UK leverage ratio	**5.0%**	5.4%	(0.4%)
Tangible net asset value (TNAV) per ordinary share (1,8)	**292p**	264p	28p
Number of ordinary shares (millions) (8)	**8,792**	9,659	(9.0%)

(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.
(2) NatWest Group uses its climate and sustainable funding and financing inclusion (CSFFI) criteria to determine the assets, activities and companies that are eligible to be included within its climate and sustainable funding and financing target. This includes both provision of committed (on and off-balance sheet) funding and financing, including provision of services for underwriting issuances and private placements.
(3) Central items includes Treasury repo activity and Ulster Bank RoI.
(4) Includes £0.1 billion relating to off-balance sheet exposures (31 December 2022 – £0.1 billion).
(5) Comparative periods have been re-presented on an LCR basis in line with the Liquidity portfolio definition as of 31 December 2023.
(6) Refer to the Capital, liquidity and funding risk section for details of the basis of preparation.
(7) The pro forma CET1 ratio at 31 December 2023 excludes foreseeable items of £1,538 million: £1,013 million for ordinary dividends and £525 million foreseeable items. (31 December 2022 excludes foreseeable items of £2,132 million: £967 million for ordinary dividends and £1,165 million foreseeable charges).
(8) The number of ordinary shares in issue excludes own shares held.

Financial summary

Income – continuing operations

	2023	2022	Variance	
	£m	£m	£m	%
Interest receivable (1)	**21,026**	12,637	8,389	66.4%
Interest payable (1)	**(9,977)**	(2,795)	(7,182)	257.0%
Net interest income	**11,049**	9,842	1,207	12.3%
Net fees and commissions	**2,330**	2,292	38	1.7%
Income from trading activities	**794**	1,133	(339)	(29.9%)
Other operating income	**579**	(111)	690	nm
Non-interest income	**3,703**	3,314	389	11.7%
Total income	**14,752**	13,156	1,596	12.1%
Total income excluding notable items	**14,339**	13,061	1,278	9.8%

Notable items within total income		
Commercial & Institutional		
Fair value, disposal losses and asset disposals/ strategic risk reduction	**-**	(45)
Own credit adjustments (OCA)	**(2)**	42
Tax interest on prior periods	**3**	-
Central items & other		
Loss on redemption of own debt	**-**	(161)
Effective interest rate adjustment as a result of redemption of own debt	**-**	(41)
Profit from insurance liabilities	**-**	92
Liquidity Asset Bond sale losses	**(43)**	(88)
Share of associate losses for Business Growth Fund	**(4)**	(22)
Property strategy update	**(69)**	-
Interest and foreign exchange management derivatves not in hedge accounting relationships	**79**	369
Foreign exchange recycling gains	**484**	-
Ulster Bank RoI fair value mortgage adjustments	**-**	(51)
Tax interest on prior periods	**(35)**	-
	413	95

nm = not meaningful

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

- Total income increased by 12.1% to £14,752 million compared with 2022. Total Income excluding notable items was £14,339 million, or 9.8%, higher than 2022 driven by lending growth, higher income in our markets business and favourable yield curve movements partially offset by the change in deposit mix from non-interest bearing to interest bearing and lower deposit balances.
- Bank NIM of 3.04% was 19 basis points higher than 2022 primarily due to benefits from yield curve movements, net of changes in deposit mix as customers shifted to lower margin fixed term accounts, partially offset with lending margin pressure.
- Interest receivable was materially above the prior year reflecting the higher rate environment. The increase in interest payable reflects the impact of the pass-through of rate increases on interest-bearing deposit balances and the migration of balances from non-interest bearing to interest-bearing and term deposits. Net interest income was £1,207 million higher than 2022 benefitting from favourable yield curve movements partially offset by the change in deposit mix from non-interest bearing to interest bearing and lower deposit balances.
- Net fees and commissions increased £38 million to £2,330 million compared with 2022, largely within Commercial & Institutional, driven by increased lending fees and card volumes coupled with higher payment services income.
- Income from trading activities of £794 million decreased £339 million, or 29.9% primarily due to Treasury volatility, with a partial offset in other operating income, and hedge accounting adjustments on foreign exchange swaps which are largely offset in net interest income.
- Other operating income was £690 million higher for the year principally reflecting movements in notable items, in particular: foreign exchange recycling gains of £484 million; £161 million loss on redemption of own debt in 2022; and lower losses on liquidity asset bond sales.

Financial summary continued

Operating expenses – continuing operations

	2023	2022	Variance	
	£m	£m	£m	%
Staff expenses	**3,839**	3,671	168	4.6
Premises and equipment	**1,153**	1,112	41	3.7
Other administrative expenses	**1,715**	1,686	29	1.7
Depreciation and amortisation	**934**	833	101	12.1
Other operating expenses	**7,641**	7,302	339	4.6
Litigation and conduct costs	**355**	385	(30)	(7.8)
Operating expenses	**7,996**	7,687	309	4.0

- Staff expenses were £168 million, or 4.6%, higher than 2022 primarily due to a 6.4% average wage increase effective in April 2023 and around a £60 million colleague cost of living payment, offset by lower costs, including redundancy expenses, within our operations in the Republic of Ireland.
- Premises and equipment costs of £1,153 million were £41 million higher than 2022 primarily due to increased utilities and repairs costs driven by inflationary pressures.
- Other administrative expenses increased £29 million over the year driven by inflationary pressures, increasing third party costs, offset by the reduction of operating and strategic costs as a result of the withdrawal of operations in the Republic of Ireland.
- Depreciation and amortisation of £934 million was £101 million higher than 2022 due to capitalised technology spend and a property impairment in 2023.
- Litigation and conduct costs of £355 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.

Tax – continuing operations

	2023	2022
	£m	£m
Tax charge	**(1,434)**	(1,275)
UK corporation tax rate	**23.5%**	19.0%
Effective tax rate	**23.2%**	24.8%

A tax charge of £1,434 million for the year ended 31 December 2023 arises rather than the expected charge of £1,452 million based on the corporation tax rate of 23.5%. The lower tax charge reflects tax credits in respect of the carrying value of loss DTAs and the foreign exchange recycling on the UBIDAC capital reduction. These factors have been partially offset by the UK banking surcharge, no tax relief for RoI tax losses, adjustments relating to prior years, and other non-deductible items. Further details can be found in Note 7 to the consolidated financial statements.

Impairments – continuing operations

	2023	2022	Variance	
	£m	£m	£m	%
Loans - amortised cost and FVOCI	**392,040**	377,153	14,887	3.9
ECL provisions	**3,645**	3,434	211	6.1
ECL provisions coverage ratio	**0.93%**	0.91%	0.02%	2.2
Impairment (releases)/losses				
ECL charge (1)	**578**	337	241	71.5
Amounts written off	**319**	482	(163)	(33.8)

(1) 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.

Compared with 2022, our ECL provision increased by £0.2 billion to £3.6 billion and our ECL coverage ratio has increased from 0.91% to 0.93%. We retain post model adjustments of £0.4 billion related to economic uncertainty, or 11.8% of total impairment provisions.

A net impairment charge of £578 million, or 15 basis points of gross customer loans, primarily reflects continued low and stable levels of stage 3 defaults across the portfolio and good book charges related to unsecured lending.

Profit for the year

	2023	2022	Variance	
	£m	£m	£m	
Operating profit before tax	**6,178**	5,132	1,046	20.4
Tax charge	**(1,434)**	(1,275)	(159)	12.5
Profit from continuing operations	**4,744**	3,857	887	23.0
Loss from discontinued operations, net of tax	**(112)**	(262)	150	(57.3)
Profit for the year	**4,632**	3,595	1,037	28.8
Attributable to:				
Ordinary shareholders	**4,394**	3,340	1,054	31.6
Paid-in equity holders	**242**	249	(7)	(2.8)
Non-controlling interests	**(4)**	6	(10)	nm

Operating profit before tax of £6,178 million is £1,046 million, or 20.4%, higher than 2022 primarily due to increased income as a result of the favourable yield curve movements partially offset with higher costs largely attributable to inflationary pressures.

Financial summary continued

Summary consolidated balance sheet as at 31 December 2023

	2023	2022	Variance	
	£m	£m	£m	%
Assets				
Cash and balances at central banks	**104,262**	144,832	(40,570)	(28)
Trading assets	**45,551**	45,577	(26)	(0)
Derivatives	**78,904**	99,545	(20,641)	(21)
Settlement balances	**7,231**	2,572	4,659	181
Loans to banks - amortised cost	**6,914**	7,139	(225)	(3)
Loans to customers - amortised cost	**381,433**	366,340	15,093	4
Other financial assets	**51,102**	30,895	20,207	65
Other assets (including intangible assets)	**16,374**	16,292	82	1
Assets of disposal groups	**902**	6,861	(5,959)	(87)
Total assets	**692,673**	720,053	(27,380)	(4)
Liabilities				
Bank deposits	**22,190**	20,441	1,749	9
Customer deposits	**431,377**	450,318	(18,941)	(4)
Settlement balances	**6,645**	2,012	4,633	230
Trading liabilities	**53,636**	52,808	828	2
Derivatives	**72,395**	94,047	(21,652)	(23)
Other financial liabilities	**55,089**	49,107	5,982	12
Subordinated liabilities	**5,714**	6,260	(546)	(9)
Notes in circulation	**3,237**	3,218	19	1
Other liabilities	**5,202**	5,346	(144)	(3)
Total liabilities	**655,485**	683,557	(28,072)	(4)
Total equity	**37,188**	36,496	692	2
Total liabilities and equity	**692,673**	720,053	(27,380)	(4)
Tangible net asset value per ordinary share (1)	**292p**	264p	28p	11%

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

- Total assets of £692.7 billion as at 31 December 2023 decreased by £27.4 billion, 4%, compared with 31 December 2022. This was primarily driven by decreases in cash and balances at central banks and derivative assets partially offset by an increase in other financial assets and loans to customers.
- Cash and balances at central banks decreased by £40.6 billion mainly due to net business segment funding outflows of £17.3 billion and a decrease of £19.5 billion mainly driven by the acquisition of non-cash liquid assets as part of on going liquidity management.
- Other financial assets increased by £20.2 billion mainly as a result of net bonds activity of £16.5 billion and an increase in Commercial & Institutional, £3.8 billion, mainly driven by an increase in held-to-collect securities purchased to support customer primary issuance.
- Derivative assets decreased by £20.6 billion, 21%, to £78.9 billion and liabilities decreased by £21.7 billion, 23%, to £72.4 billion. These movements were driven by a decrease in exchange rate and interest rate trading books mainly due to matured and buyouts trades exceeding new trades.
- Total loans to customers increased by £15.1 billion to £381.4 billion, primarily reflecting £7.6 billion growth mainly in the Retail Banking mortgage and credit cards business and a £6.5 billion increase in Treasury mainly due to higher reverse repos.
- Total loans to banks decreased by £0.2 billion, 3%, to £6.9 billion due to lower Commercial & Institutional nostro balances.
- Customer deposits decreased by £18.9 billion reflecting a reduction of £9.9 billion in Commercial & Institutional and £3.5 billion reduction in Private Banking, lower business current accounts, savings and non-interest bearing deposits, and a £6.0 billion reduction as a result of the withdrawal from the Republic of Ireland.
- Bank deposits increased by £1.7 billion mainly due to higher repo activity.
- Other financial liabilities, which includes customer deposits at fair value through profit and loss and debt securities in issue, increased by £6.0 billion, to £55.1 billion.
- Subordinated liabilities have decreased by £0.5 billion, 9%, to £5.7 billion due to redemptions partially offset by new issuances.
- Other liabilities decreased by £0.1 billion, 3%, to £5.2 billion mainly due to lower lease liabilities partially offset by higher financial guarantees.
- Owners' equity increased by £0.7 billion, 2%, to £37.2 billion, driven by higher profit for the year of £4.8 billion offset by dividends paid of £1.5 billion and shares repurchased in the year of £2.0 billion.

Segment performance

Segmental summary income statements

2023	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total NatWest Group £m
Continuing operations					
Net interest income	5,496	710	5,044	(201)	11,049
Non-interest income	435	280	2,377	611	3,703
Total income	5,931	990	7,421	410	14,752
Direct expenses	(815)	(255)	(1,510)	(5,061)	(7,641)
Indirect expenses	(1,896)	(421)	(2,357)	4,674	-
Other operating expenses	(2,711)	(676)	(3,867)	(387)	(7,641)
Litigation and conduct costs	(117)	(9)	(224)	(5)	(355)
Operating expenses	(2,828)	(685)	(4,091)	(392)	(7,996)
Operating profit before impairment losses	3,103	305	3,330	18	6,756
Impairment losses	(465)	(14)	(94)	(5)	(578)
Operating profit	2,638	291	3,236	13	6,178
Total income excluding notable items	5,931	990	7,420	(2)	14,339
Return on tangible equity (1)	na	na	na	na	17.8%
Return on equity (1,2)	23.8%	14.8%	15.4%	nm	na
Cost:income ratio (excl. litigation and conduct) (1)	45.7%	68.3%	52.1%	nm	51.8%
Customer deposits (£bn)	188.0	37.7	193.4	12.3	431.4
Average interest earning assets (£bn)	205.4	19.0	131.5	nm	362.9
Net interest margin (1)	2.68%	3.74%	3.84%	nm	3.04%
Third party asset rate (1)	3.23%	4.54%	6.15%	nm	nm
Third party customer funding rate (1)	(1.42%)	(2.17%)	(1.40%)	nm	nm

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

Segment performance continued

Segmental summary income statements continued

2022	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total NatWest Group £m
Continuing operations					
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	(709)	(235)	(1,506)	(4,852)	(7,302)
Indirect expenses	(1,775)	(375)	(2,057)	4,207	-
Other operating expenses	(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 (1,2)	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 (1)	2.64%	3.01%	3.53%	nm	nm
Third party customer funding rate (1)	(0.20%)	(0.27%)	(0.21%)	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 13.5% for Retail Banking (2022 - 13%), 11.5% for Private Banking (2022 – 11%), and 14% for Commercial & Institutional (2022 – 14%) 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.

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Segment performance continued

Retail Banking

Income statement	2023 £m	2022 £m	Variance £m	Variance %
Net interest income	**5,496**	5,224	272	5.2%
Non-interest income	**435**	422	13	3.1%
Total income	**5,931**	5,646	285	5.0%
Other operating expenses	**(2,711)**	(2,484)	(227)	9.1%
Litigation and conduct costs	**(117)**	(109)	(8)	7.3%
Operating expenses	**(2,828)**	(2,593)	(235)	9.1%
Impairment losses	**(465)**	(229)	(236)	103.1%
Operating profit	**2,638**	2,824	(186)	(6.6)%

Performance ratios (1)	2023	2022	Variance
Return on equity	**23.8%**	28.6%	(4.8%)
Net interest margin	**2.68%**	2.74%	(0.06%)
Cost:income ratio (excl. litigation and conduct)	**45.7%**	44.0%	1.7%
Loan impairment rate	**22bps**	11bps	11bps

- During 2023, Retail Banking continued to pursue sustainable lending growth, increasing £7.6 billion, whilst taking a measured approach to risk. Retail Banking delivered operating profit of £2.6 billion and a return on equity of 23.8%, against a more challenging operating environment and inflationary cost impacts.
- Retail Banking provided £3.7 billion of climate and sustainable funding and financing in 2023 from lending on properties with an EPC rating of A or B.
- Total income was £285 million, or 5.0%, higher than 2022 reflecting higher lending growth and the impact of rate rises on deposit income, partly offset by mortgage margin dilution, higher treasury funding costs and the impact of the deposit balance mix shift from non-interest bearing current accounts to interest bearing term balances.
- Net interest margin was 6 basis points lower than 2022 largely reflecting the movements impacting total income, partly offset by the impact of pass-through management and hedges on deposit income as interest rates increased.
- Non-interest income of £435 million was £13 million, or 3.1%, higher than 2022 primarily due to increased spend-related fee income.
- Other operating expenses were £227 million, or 9.1%, higher than 2022 reflecting higher pay awards to support our colleagues with cost of living challenges, property lease termination losses, increased restructuring costs and continued investment in the business. This was partly offset by savings from a 6.3% reduction in headcount.
- An impairment charge of £465 million in 2023, £236 million higher than 2022, reflecting higher stage 3 inflows and increased good book charges driven by both lending growth and normalisation of risk parameters.

Capital and balance sheet	2023 £bn	2022 £bn	Variance £bn	Variance %
Loans to customers (amortised cost)				
- personal advances	**8.1**	7.6	0.5	6.6%
- mortgages	**193.1**	187.2	5.9	3.2%
- cards	**5.9**	4.4	1.5	34.1%
Total loans to customers (amortised cost)	**207.1**	199.2	7.9	4.0%
Loan impairment provisions	**(1.9)**	(1.6)	(0.3)	18.8%
Net loans to customers (amortised cost)	**205.2**	197.6	7.6	3.8%
Total assets	**228.7**	226.4	2.3	1.0%
Customer deposits	**188.0**	188.4	(0.4)	(0.2%)
Risk-weighted assets	**61.6**	54.7	6.9	12.6%

(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.

- Net loans to customers increased by £7.6 billion, or 3.8%, in 2023 reflecting mortgage growth of £5.9 billion, with gross new mortgage lending of £29.8 billion, representing flow share of around 13%. Cards balances increased by £1.5 billion and personal advances increased by £0.5 billion in 2023 with continued strong customer demand.
- Customer deposits decreased by £0.4 billion in 2023 reflecting lower current accounts of £10.2 billion, partly offset by higher fixed term deposits driving savings growth of £9.8 billion. Term deposits now represents 11% of deposit balances.
- RWAs increased by £6.9 billion, or 12.6%, in 2023 driven by both lending growth in the period and IRB temporary model adjustments.

Segment performance continued

Private Banking

Income statement	2023 £m	2022 £m	Variance £m	Variance %
Net interest income	**710**	777	(67)	(8.6%)
Non-interest income	**280**	279	1	0.4%
Total income	**990**	1,056	(66)	(6.3%)
Other operating expenses	**(676)**	(610)	(66)	10.8%
Litigation and conduct costs	**(9)**	(12)	3	(25.0%)
Operating expenses	**(685)**	(622)	(63)	10.1%
Impairment (losses)/releases	**(14)**	2	(16)	nm
Operating profit	**291**	436	(145)	(33.3%)

Performance ratios (1)	2023	2022	Variance
Return on equity	**14.8%**	24.5%	(9.7%)
Net interest margin	**3.74%**	4.07%	(0.33%)
Cost:income ratio (excl. litigation and conduct)	**68.3%**	57.8%	10.5%
Loan impairment rate	**8bps**	(1bp)	9bps
AUM net flows (£bn)	**1.3**	2.0	(0.7)

Capital and balance sheet	2023 £bn	2022 £bn	Variance £bn	Variance %
Loans to customers (amortised cost)				
- personal	**1.8**	2.2	(0.4)	(18.2%)
- mortgages	**12.3**	12.7	(0.4)	(3.1%)
- other	**4.5**	4.4	0.1	2.3%
Total loans to customers (amortised cost)	**18.6**	19.3	(0.7)	(3.6%)
Loan impairment provisions	**(0.1)**	(0.1)	-	-
Net loans to customers (amortised cost)	**18.5**	19.2	(0.7)	(3.6%)
Total assets	**26.9**	29.9	(3.0)	(10.0%)
Assets under management (AUMs) (1)	**31.7**	28.3	3.4	12.0%
Assets under administration (AUAs) (1)	**9.1**	5.1	4.0	78.4%
Assets under management and administration (AUMA) (1)	**40.8**	33.4	7.4	22.2%
Customer deposits	**37.7**	41.2	(3.5)	(8.5%)
Loan:deposit ratio (excl. repos and reverse repos) (1)	**49%**	47%	2%	4.3%
Risk-weighted assets	**11.2**	11.2	-	-

(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.

- During 2023, Private Banking continued to support customers to meet their financial goals and manage their wealth responsibly, delivering a return on equity of 14.8% which reflected the impact of a more challenging operating environment. AUMA was 22.2% higher at £40.8 billion and is now greater than customer deposits of £37.7 billion which fell as a result of competitive pressure and a change in customer behaviour.
- Private Banking provided £0.2 billion of climate and sustainable funding and financing in 2023, principally in relation to mortgages on residential properties with EPC A or B certificates.
- Total income was £66 million, or 6.3%, lower than 2022 reflecting lower deposit balances with mix shifting from non-interest bearing to interest bearing balances, as customers migrated to savings products offering higher returns, combined with reduced lending volumes and mortgage margin dilution.
- Net interest margin was 33 basis points lower than 2022 reflecting lower deposit balances with mix shift from non-interest bearing to interest bearing balances and an increase in pass-through of interest rate increases to customers, partly offset by the impact of rate rises on deposit income.
- Non-interest income of £280 million was broadly flat compared to 2022 primarily driven by higher payment services fees offset by reduced investment management income due to product re-pricing.
- Other operating expenses were £66 million, or 10.8%, higher than 2022 reflecting an increase in pay awards to support our colleagues with cost of living challenges, an additional VAT charge, property revaluation costs and strategic spend to increase operational efficiency.
- The impairment charge of £14 million in 2023, compared with a £2 million release in 2022, largely reflects non-recurrence of good book releases in 2022 whilst overall impairments remain at low levels.
- A net impairment charge of £5 million in Q4 2023 largely reflects good book charges whilst stage 3 defaults remain at low levels.
- Net loans to customers decreased by £0.7 billion, or 3.6%, in 2023 as higher levels of customer repayments more than offset gross new lending.
- Customer deposits decreased by £3.5 billion, or 8.5%, in 2023 reflecting an increase in competition and higher tax outflows in Q1 2023. Changes in customer behaviour drove a shift in mix of deposits with a decrease in instant access savings and current accounts, and a switch to term and notice accounts which now represent 30% of deposit balances.
- AUMA increased by £7.4 billion to £40.8 billion, reflecting net inflows of £1.3 billion for AUM and £0.4 billion AUA: strong market performance of £3.4 billion and £2.3 billion Cushon balances following the acquisition in June 2023.

Segment performance continued

Commercial & Institutional

Income statement	2023 £m	2022 £m	Variance £m	Variance %
Net interest income	**5,044**	4,171	873	20.9%
Non-interest income	**2,377**	2,242	135	6.0%
Total income	**7,421**	6,413	1,008	15.7%
Other operating expenses	**(3,867)**	(3,563)	(304)	8.5%
Litigation and conduct costs	**(224)**	(181)	(43)	23.8%
Operating expenses	**(4,091)**	(3,744)	(347)	9.3%
Impairment losses	**(94)**	(122)	28	(23.0%)
Operating profit	**3,236**	2,547	689	27.1%

Performance ratios (1)	2023	2022	Variance
Return on equity	**15.4%**	12.2%	3.2%
Net interest margin	**3.84%**	3.31%	0.53%
Cost:income ratio (excl. litigation and conduct)	**52.1%**	55.6%	(3.5%)
Loan impairment rate	**7bps**	9bps	(2bps)

Capital and balance sheet	2023 £bn	2022 £bn	Variance £bn	Variance %
Loans to customers (amortised cost)				
- Business Banking	**4.5**	6.1	(1.6)	(26.2%)
- Commercial Mid-market	**71.5**	71.7	(0.2)	(0.3%)
- Corporate & Institutions	**57.4**	53.7	3.7	6.9%
Total loans to customers (amortised cost)	**133.4**	131.5	1.9	1.4%
Loan impairment provisions	**(1.5)**	(1.6)	0.1	(6.3%)
Net loans to customers (amortised cost)	**131.9**	129.9	2.0	1.5%
Total assets	**385.0**	404.8	(19.8)	(4.9%)
Funded assets	**306.9**	306.3	0.6	0.2%
Customer deposits	**193.4**	203.3	(9.9)	(4.9%)
Loan:deposit ratio (excl. repos and reverse repos) (1)	**68%**	64%	4%	6.3%
Risk-weighted assets	**107.4**	103.2	4.2	4.1%

(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.

- During 2023, Commercial & Institutional continued to support customers with an increase in lending of 1.5% and delivered a strong performance with growth in revenues and operating profit supporting a return on equity of 15.4%, an increase from 12.2% in 2022.
- Commercial & Institutional provided £25.4 billion of climate and sustainable funding and financing in 2023 to support customers investing in the transition to net zero.
- Total income was £1,008 million, or 15.7%, higher than 2022 primarily reflecting higher deposit returns supported by interest rate rises, growth in lending and higher markets income partly offset by higher funding costs.
- Net interest margin was 53 basis points higher than 2022 reflecting higher deposit returns partly offset by higher funding costs.
- Non-interest income was £135 million, or 6.0%, higher than 2022 principally driven by higher lending and financing fees in relation to volume growth, increased credit and debit card fees reflecting higher volumes and margins, higher payment services fees and fixed income performance.
- Other operating expenses were £304 million, or 8.5%, higher than 2022 reflecting higher pay awards to support our colleagues with cost of living challenges and continued investment in the business.
- An impairment charge of £94 million in 2023, £28 million lower than 2022, reflecting good book releases and lower stage 3 charges.
- Net loans to customers increased by £2.0 billion, or 1.5%, in 2023 reflecting an increase of £4.7 billion from growth in private financing activity, an increase in term loan facilities including an increase in revolving credit utilisations within Corporate & Institutions, and asset finance growth within Commercial Mid-market, partly offset by £2.7 billion of UK Government scheme repayments.
- Customer deposits decreased by £9.9 billion, or 4.9%, in 2023 primarily due to overall market liquidity contraction, particularly in Commercial Mid-market. We have seen strong growth in term deposits balances in 2023 which now represent 19% of deposit balances. Across the year we continued to see a reduction in non-interest bearing balances which now represent 36% of deposit balances.
- RWAs increased by £4.2 billion, or 4.1%, in 2023 primarily reflecting lending facility growth, partly offset by capital optimisation activity and foreign exchange benefits.

Segment performance continued

Central items & other

Income statement - continuing operations	2023 £m	2022 £m	Variance £m	Variance %
Total income	**410**	41	369	900.0%
Operating expenses (1)	**(392)**	(728)	336	(46.2%)
of which: Other operating expenses	**(387)**	(645)	258	(40.0%)
of which: Ulster Bank RoI direct expenses	**(275)**	(433)	158	(36.5%)
Impairment (losses)/releases	**(5)**	12	(17)	(141.7%)
Operating profit/(loss)	**13**	(675)	688	nm
of which: Ulster Bank RoI	**(473)**	(723)	250	(34.6%)

- Total income was £369 million higher than 2022 primarily reflecting notable items including foreign exchange recycling gains of £484 million, lower losses on redemption of own debt, business growth fund gains and lower losses on liquidity asset bond sales, partially offset by lower gains on interest and foreign exchange risk management derivatives not in accounting hedge relationships and losses associated with property lease terminations.
- Other operating expenses were £258 million, or 40.0%, lower than 2022 principally reflecting the reduction in cost due to our withdrawal of operations from the Republic of Ireland.
- Net loans to customers increased by £6.2 billion, to £25.8 billion, over the year mainly due to reverse repo activity in Treasury.
- Customer deposits decreased by £5.1 billion 2023 primarily reflecting our withdrawal of our operations from the Republic of Ireland. Ulster Bank RoI customer deposit balances were £0.2 billion as at Q4 2023.

Capital and balance sheet	2023 £bn	2022 £bn	Variance £bn	Variance %
Net loans to customers (amortised cost) (2)	**25.8**	19.6	6.2	31.6%
Customer deposits	**12.3**	17.4	(5.1)	(29.3%)
RWAs	**2.8**	7.0	(4.2)	(60.0%)

(1) Includes withdrawal-related direct program costs of £91 million for the year ended 31 December 2023 (31 December 2022 – £195 million).

(2) Excludes £0.3 billion of loans to customers held at fair value through profit or loss (31 December 2022 – £0.5 billion).

Summary financial statements

Summary consolidated income statement

For the year ended 31 December 2023

	2023 £m	2022 £m	2021 £m
Net interest income	**11,049**	9,842	7,535
Non-interest income	**3,703**	3,314	2,894
Total income	**14,752**	13,156	10,429
Operating expenses	**(7,996)**	(7,687)	(7,758)
Profit before impairment losses	**6,756**	5,469	2,671
Impairment losses	**(578)**	(337)	1,173
Operating profit before tax	**6,178**	5,132	3,844
Tax charge	**(1,434)**	(1,275)	(996)
Profit from continuing operations	**4,744**	3,857	2,848
(Loss)/profit from discontinued operations, net of tax	**(112)**	(262)	464
Profit for the year	**4,632**	3,595	3,312
Attributable to:			
Ordinary shareholders	**4,394**	3,340	2,950
Preference shareholders	**-**	-	19
Paid-in equity holders	**242**	249	299
Non-controlling interests	**(4)**	6	44
	4,632	3,595	3,312

Summary consolidated balance sheet

As at 31 December 2023

	2023 £m	2022 £m	2021 £m
Cash and balances at central banks	**104,262**	144,832	177,757
Trading assets	**45,551**	45,577	59,158
Derivatives	**78,904**	99,545	106,139
Settlement balances	**7,231**	2,572	2,141
Loans to banks and customers - amortised cost	**388,347**	373,479	366,672
Other financial assets	**51,102**	30,895	46,145
Other and intangible assets	**16,374**	16,292	14,965
Assets of disposal groups	**902**	6,861	9,015
Total assets	**692,673**	720,053	781,992
Deposits	**453,567**	470,759	506,089
Trading liabilities	**53,636**	52,808	64,598
Settlement balances, derivatives, other financial liabilities and subordinated liabilities	**139,843**	151,426	160,658
Other liabilities	**5,202**	5,346	5,797
Owners' equity	**37,157**	36,488	41,796
Notes in circulation	**3,237**	3,218	3,047
Non-controlling interests	**31**	8	7
Total liabilities and equity	**692,673**	720,053	781,992

NatWest Group's financial statements are prepared in accordance with UK adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).