

National Westminster Bank Plc

2022 Annual Results



NatWest

Financial review

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Presentation of information

National Westminster Bank Plc ('NWB Plc') is a wholly-owned subsidiary of NatWest Holdings Limited ('NWH Ltd' or 'the intermediate holding company'). The term 'NWB Group' or 'we' refers to NWB Plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NWH Ltd and its subsidiary and associated undertakings. NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

NWB Plc publishes its financial statements in pounds sterling (£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling ('GBP'), respectively, and references to 'pence' represent pence where amounts are denominated in sterling. Reference to 'dollars' or '\$' are to United States of America ('US') dollars. The abbreviations '\$m' and '\$bn' represent millions and thousands of millions of dollars, respectively. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively.

Description of business

The principal entities under NWH Ltd are National Westminster Bank Plc (which wholly owns Coutts & Company and Ulster Bank Limited), The Royal Bank of Scotland plc and Ulster Bank Ireland DAC (UBIDAC).

Principal activities and operating segments

NWB Group serves customers across the UK with a range of retail and commercial banking products and services. A wide range of personal products are offered including current accounts, credit cards, personal loans, mortgages and wealth management services. NWB Plc is the main provider of shared services for NatWest Group.

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

The reportable operating segments are as follows:

Retail Banking serves personal customers in the UK and includes Ulster Bank customers.

Private Banking serves UK-connected, high-net-worth, individuals and their business interests.

Commercial & Institutional offers SME's, Commercial, Corporate and Institutional clients comprehensive banking and financing solutions throughout the UK and internationally.

Central items & other includes corporate functions, such as ring-fenced bank and NatWest Group treasury, finance, risk management, compliance, legal, communications and human resources. The services are mainly provided to NWH Group, however, in certain instances, where permitted, services are also provided to the wider NatWest Group including the non ring-fenced business.

Performance overview

Strong financial performance

NWB Group profit for the year was £3,689 million compared with £2,907 million in 2021, driven by increased income, partially offset by additional operating expenses and net impairment losses.

Total income increased by £2,474 million compared with 2021, reflecting the beneficial impact of interest rate increases, combined with higher fee income.

Operating expenses increased by £89 million compared with 2021, primarily reflecting continued investment in technology and data capabilities, partially offset by a reduction in conduct and litigation charges. The cost:income ratio decreased from 66.9% to 53.5%.

Net impairment losses of £341 million principally reflects the latest macro-economics, including updated scenarios, with more weight being placed on the downside scenarios. Underlying book performance remains strong. Total impairment provisions increased by £0.1 billion to £2.6 billion in the year, which resulted in a reduction in the ECL coverage ratio from 0.85% at 31 December 2021 to 0.84%.

Robust balance sheet with strong capital levels

Total assets decreased by £25.1 billion to £409.5 billion compared with £434.6 billion at 31 December 2021. This was primarily driven by a net decrease of £28.1 billion in cash balances, resulting from growth in loans to customers and customer deposit outflows.

Loans to customers increased by £14.7 billion primarily driven by growth in mortgage balances and an increase in commercial lending due to increased facility utilisation, partially offset by continued UK Government financial support scheme repayments.

Customer deposits decreased by £6.8 billion primarily reflecting higher outflows from savings and current account balances due to an overall market liquidity contraction.

The CET1 ratio decreased 480 basis points over the period due to a £1.2 billion decrease in CET1 capital and a £26.2 billion increase in RWAs. The CET1 decrease reflects the attributable profit in the period, offset by dividends paid, the removal of the adjustment for the prudential amortisation on software development costs and an increase in intangible assets.

Total RWAs increased by £26.2 billion to £112.4 billion mainly reflecting an increase in credit risk RWAs, due to new regulations impacting model adjustments, combined with increased exposures, partially offset by improved credit risk metrics.

Summary consolidated income statement for the year ended 31 December 2022

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Year ended			
					31 December 2022	31 December 2021	Variance	
					£m	£m	£m	%
Net interest income	4,494	754	2,740	(456)	7,532	6,002	1,530	25
Non-interest income	399	271	1,286	2,255	4,211	3,267	944	29
Total income	4,893	1,025	4,026	1,799	11,743	9,269	2,474	27
Operating expenses	(2,115)	(596)	(1,939)	(1,638)	(6,288)	(6,199)	(89)	1
Profit before impairment losses/releases	2,778	429	2,087	161	5,455	3,070	2,385	78
Impairment (losses)/releases	(218)	2	(126)	1	(341)	813	(1,154)	(142)
Operating profit before tax	2,560	431	1,961	162	5,114	3,883	1,231	32
Tax charge					(1,425)	(976)	(449)	46
Profit for the year					3,689	2,907	782	27

Key metrics and ratios

	2022	2021
Cost:income ratio (%) ⁽¹⁾	53.5	66.9
Loan impairment rate (bps) ⁽²⁾	11	(28)
CET1 ratio (%) ⁽³⁾	11.3	16.1
Leverage ratio (%) ⁽⁴⁾	4.4	4.8
Risk weighted assets (RWAs) (£bn)	112.4	86.2
Loan:deposit ratio (%) ⁽⁵⁾	90	83

(1) Cost:income ratio is total operating expenses divided by total income.

(2) Loan impairment rate is the loan impairment charge divided by gross customer loans.

(3) Common Equity Tier 1 (CET1) ratio is CET1 capital divided by RWAs.

(4) Leverage ratio is Tier 1 capital divided by total exposure. This is in accordance with changes to the UK's leverage ratio framework, refer to page 63 of the NatWest Bank Plc 2022 Annual Report and Accounts for further details.

(5) Loan deposit ratio is total loans divided by total deposits.

NWB Group reported a profit of £3,689 million compared with £2,907 million in 2021, driven by an increase in total income of £2,474 million, partially offset by an increase in operating expenses of £89 million and net impairment losses of £341 million compared with releases of £813 million in 2021.

Total income increased by £2,474 million, or 27%, to £11,743 million compared with £9,269 million in 2021.

Net interest income increased by £1,530 million, or 25%, to £7,532 million compared with £6,002 million in 2021, reflecting mortgage balance growth and a beneficial impact from interest rate increases.

Non-interest income increased by £944 million, or 29%, to £4,211 million compared with £3,267 million in 2021.

– Net fees and commissions increased by £144 million to £1,626 million, primarily due to higher transaction-related fee income.

Other operating income increased by £800 million to £2,585 million compared with £1,785 million in 2021, reflecting:

- £676 million higher income from hedging activities, including gains on economic hedging derivatives, due to interest rate rises;
- non-repeat of 2021 incurred losses of £117 million upon partial redemption of debt instruments and £44 million upon the sale of properties;
- an £80 million payment received from an insurance settlement; and
- additional £152 million income from the recharging of costs to other NatWest Group entities, principally reflecting the impact of organisational restructure activity; partially offset by
- bond disposal losses of £88 million in 2022, a reduction of £208 million compared with gains of £120 million in 2021 and a number of other small movements.

Operating expenses increased by £89 million to £6,288 million, compared with £6,199 million in 2021, reflecting:

- a staff costs increase of £81 million primarily due to continued investment in key areas, including Data, Technology and Financial Crime, as well as an increase in costs subsequently recharged to other NatWest Group entities;
- additional increases in premises and equipment and outsourcing costs resulting from investment in technology and data capabilities, partially offset by
- non-repeat of one-off conduct and litigation charges in 2021.

Net impairment losses of £341 million principally reflects the latest macro-economics, including updated scenarios, with more weight being placed on the downside scenarios. Underlying book performance remains strong. Total impairment provisions increased by £0.1 billion to £2.6 billion in the year, which resulted in a reduction in the ECL coverage ratio from 0.85% at 31 December 2021 to 0.84%.

Summary consolidated balance sheet as at 31 December 2022

	2022	2021	Variance	
	£m	£m	£m	%
Assets				
Cash and balances at central banks	73,065	101,213	(28,148)	(28)
Derivatives	4,407	2,460	1,947	79
Loans to banks - amortised cost	3,197	4,182	(985)	(24)
Loans to customers - amortised cost	301,684	286,971	14,713	5
Amounts due from holding companies and fellow subsidiaries	4,903	3,519	1,384	39
Other financial assets	14,546	29,031	(14,485)	(50)
Other assets	7,667	7,187	480	7
Total assets	409,469	434,563	(25,094)	(6)
Liabilities				
Bank deposits	16,060	22,831	(6,771)	(30)
Customer deposits	322,614	329,440	(6,826)	(2)
Amounts due to holding companies and fellow subsidiaries	38,771	45,136	(6,365)	(14)
Derivatives	2,088	4,119	(2,031)	(49)
Other financial liabilities	5,384	7,251	(1,867)	(26)
Subordinated liabilities	197	211	(14)	(7)
Notes in circulation	809	904	(95)	(11)
Other liabilities	3,470	3,934	(464)	(12)
Total liabilities	389,393	413,826	(24,433)	(6)
Total equity	20,076	20,737	(661)	(3)
Total liabilities and equity	409,469	434,563	(25,094)	(6)

Total assets decreased by £25.1 billion to £409.5 billion at 31 December 2022, compared with £434.6 billion at 31 December 2021.

Cash and balances at central banks decreased by £28.1 billion to £73.1 billion, compared with £101.2 billion at 31 December 2021, driven primarily by:

- £25.0 billion decrease resulting from growth in loans to customers and customer deposit outflows;
- £8.9 billion decrease in balances held at central banks; and
- £3.5 billion decrease due to repo activity; partially offset by
- £11.7 billion net increase in liquidity assets held.

Loans to banks – amortised cost decreased by £1.0 billion to £3.2 billion, compared with £4.2 billion at 31 December 2021, mainly representing a decrease in US dollar and European Central Bank balances as part of treasury activities.

Loans to customers increased by £14.7 billion to £301.7 billion, compared with £287.0 billion at 31 December 2021, driven by:

- £17.6 billion mortgage growth as a result of strong gross new lending;
- £4.5 billion increase in commercial lending, primarily due to increased facility utilisation, whilst repayments drove further reductions in UK Government scheme balances;
- £6.8 billion net decrease in relation to Treasury reverse repo activity; and
- £1.4 billion decrease due to collateral placed for net repo trades.

Amounts due from holding companies and fellow subsidiaries increased by £1.4 billion to £4.9 billion, compared with £3.5 billion at 31 December 2021, primarily reflecting loans and advances provided to UBIDAC to support liquidity management during the phased withdrawal from the Republic of Ireland.

Other financial assets decreased by £14.5 billion to £14.5 billion, primarily driven by bond disposals and maturities of £25.4 billion, a reduction in fair value of the remaining bond portfolio of £1.6 billion due to changes in interest and FX rates, partially offset by bond purchases of £11.9 billion.

Bank deposits decreased by £6.8 billion to £16.1 billion, driven by a £6.5 billion decrease in repo balances.

Customer deposits decreased by £6.8 billion to £322.6 billion, driven by:

- £5.9 billion reflecting higher outflows from savings and current account balances due to an overall market liquidity contraction;
- £5.0 billion decrease in repos facing customers; partially offset by
- £4.1 billion deposit growth in Private Banking.

Amounts due to holding companies and fellow subsidiaries decreased by £6.4 billion to £38.8 billion, compared with £45.1 billion at 31 December 2021, primarily due to movements on balances with NWG Plc and NWH Ltd.

Derivative liabilities decreased by £2.0 billion to £2.1 billion, compared with £4.1 billion at 31 December 2021, driven by interest rate rises across all currencies and GBP spot rate depreciation.

Other financial liabilities decreased by £1.9 billion to £5.4 billion, compared with £7.3 billion at 31 December 2021, driven by a reduction in long term fixed rate investment products, as a result of the current market environment and increasing rates outlook.

Other liabilities decreased by £0.5 billion to £3.5 billion, compared with £3.9 billion at the 31 December 2021, primarily due to a reduction in financial guarantees and accruals.

Total equity decreased by £0.7 billion to £20.1 billion, compared with £20.7 billion at 31 December 2021. The decrease reflects dividends paid to NatWest Holdings and decreases in cash flow hedging reserves due to interest rate rises, partially offset by attributable profit of £3.7 billion.

Consolidated income statement for the year ended 31 December 2022

	2022 £m	2021 £m
Interest receivable	9,159	6,721
Interest payable	(1,627)	(719)
Net interest income	7,532	6,002
Fees and commissions receivable	2,119	1,862
Fees and commissions payable	(493)	(380)
Other operating income	2,585	1,785
Non-interest income	4,211	3,267
Total income	11,743	9,269
Staff costs	(2,896)	(2,815)
Premises and equipment	(994)	(948)
Other administrative expenses	(1,630)	(1,660)
Depreciation and amortisation	(768)	(776)
Operating expenses	(6,288)	(6,199)
Profit before impairment losses/releases	5,455	3,070
Impairment (losses)/releases	(341)	813
Operating profit before tax	5,114	3,883
Tax charge	(1,425)	(976)
Profit for the year	3,689	2,907
Attributable to:		
Ordinary shareholders	3,564	2,793
Paid-in equity holders	120	109
Non-controlling interests	5	5
	3,689	2,907

Consolidated statement of comprehensive income for the year ended 31 December 2022

	2022 £m	2021 £m
Profit for the year	3,689	2,907
Items that do not qualify for reclassification		
Remeasurement of retirement benefit schemes (1)	(556)	(531)
Tax	146	158
	(410)	(373)
Items that do qualify for reclassification		
FVOCI financial assets	(392)	(96)
Cash flow hedges (2)	(542)	180
Currency translation	(2)	(22)
Tax	276	(40)
	(660)	22
Other comprehensive loss after tax	(1,070)	(351)
Total comprehensive income for the year	2,619	2,556
Attributable to:		
Ordinary shareholders	2,494	2,442
Paid-in equity holders	120	109
Non-controlling interests	5	5
	2,619	2,556

- (1) Following the purchase of ordinary shares from UKGI in Q1 2022, NatWest Group contributed £500 million to its main pension scheme in line with the memorandum of understanding announced on 17 April 2018. After tax relief, this contribution reduced total equity by £365 million. Other material movements came from asset underperformance relative to movements in the schemes' liabilities over the year. In line with our policy, the present value of defined benefit obligations and the fair value of plan assets at the end of the reporting period, are assessed to identify significant market fluctuations and one-off events since the end of the prior financial year.
- (2) The unrealised losses on cash flow hedge reserves is mainly driven by deferment of losses on GBP net received fixed swaps as interest rates have increased.

Balance sheet as at 31 December 2022

	NWB Group		NWB Plc	
	2022	2021	2022	2021
	£m	£m	£m	£m
Assets				
Cash and balances at central banks	73,065	101,213	73,062	101,210
Derivatives	4,407	2,460	4,430	2,547
Loans to banks - amortised cost	3,197	4,182	2,870	3,638
Loans to customers - amortised cost	301,684	286,971	267,401	255,443
Amounts due from holding companies and fellow subsidiaries	4,903	3,519	32,133	27,122
Securities subject to repurchase agreements	2,140	10,813	2,140	10,813
Other financial assets excluding securities subject to repurchase agreements	12,406	18,218	12,040	17,836
Other financial assets	14,546	29,031	14,180	28,649
Investment in group undertakings	—	—	2,030	2,319
Other assets	7,667	7,187	5,641	5,183
Total assets	409,469	434,563	401,747	426,111
Liabilities				
Bank deposits	16,060	22,831	16,059	22,829
Customer deposits	322,614	329,440	281,558	292,470
Amounts due to holding companies and fellow subsidiaries	38,771	45,136	75,037	76,722
Derivatives	2,088	4,119	2,582	4,336
Other financial liabilities	5,384	7,251	4,525	6,384
Subordinated liabilities	197	211	191	205
Notes in circulation	809	904	809	904
Other liabilities	3,470	3,934	2,743	3,095
Total liabilities	389,393	413,826	383,504	406,945
Owners' equity	20,066	20,727	18,243	19,166
Non-controlling interests	10	10	—	—
Total equity	20,076	20,737	18,243	19,166
Total liabilities and equity	409,469	434,563	401,747	426,111

Owners' equity of NWB Plc as at 31 December 2022 includes the profit for the year of £3,457 million (2021- £2,752 million).

Statement of changes in equity for the year ended 31 December 2022

	NWB Group		NWB Plc	
	2022 £m	2021 £m	2022 £m	2021 £m
Called-up share capital - at 1 January and 31 December	1,678	1,678	1,678	1,678
Share premium - at 1 January and 31 December	2,225	2,225	2,225	2,225
Paid-in equity - at 1 January	2,377	2,370	2,377	2,370
Redeemed	(359)	(934)	(359)	(934)
Issued	500	941	500	941
At 31 December	2,518	2,377	2,518	2,377
Merger reserve - at 1 January	14	9	(89)	(140)
Additions	24	—	—	—
Amortisation	39	5	87	51
At 31 December	77	14	(2)	(89)
FVOCI reserve - at 1 January	192	280	193	279
Unrealised (losses)/gains (3)	(485)	26	(486)	28
Realised losses/(gains)	93	(122)	93	(122)
Tax	124	8	124	8
At 31 December	(76)	192	(76)	193
Cash flow hedging reserve - at 1 January	(1)	(133)	(2)	(133)
Amount recognised in equity (4)	(283)	102	(288)	100
Amount transferred from equity to earnings	(259)	78	(255)	79
Tax	152	(48)	152	(48)
At 31 December	(391)	(1)	(393)	(2)
Foreign exchange reserve - at 1 January	(85)	(63)	(16)	(13)
Retranslation of net assets	29	(44)	31	(18)
Foreign currency (losses)/gains on hedges of net assets	(31)	22	(33)	15
At 31 December	(87)	(85)	(18)	(16)
Capital redemption reserve - at 1 January	820	796	820	796
Redemption of preference shares	—	24	—	24
At 31 December	820	820	820	820
Retained earnings - at 1 January	13,507	12,720	11,980	11,402
Profit attributable to ordinary shareholders and other equity owners	3,684	2,902	3,457	2,752
Ordinary dividends paid	(3,293)	(1,600)	(3,293)	(1,600)
Paid-in equity dividends paid	(120)	(109)	(120)	(109)
Remeasurement of retirement benefit schemes (2)				
- gross	(556)	(531)	(565)	(545)
- tax	146	158	146	159
Amortisation of merger reserve	(39)	(5)	(87)	(51)
Redemption of preference shares	—	(24)	—	(24)
Redemption/reclassification of paid-in equity				
- gross	(29)	(23)	(29)	(23)
- tax	(6)	5	(6)	5
Share-based payments				
- gross	—	(3)	—	(3)
- tax	2	7	2	7
Employee share schemes	6	10	6	10
At 31 December	13,302	13,507	11,491	11,980
Owners' equity at 31 December	20,066	20,727	18,243	19,166

For the notes to this table refer to the following page.

Statement of changes in equity for the year ended 31 December 2022 continued

	NWB Group		NWB Plc	
	2022	2021	2022	2021
	£m	£m	£m	£m
Non-controlling interests - at 1 January	10	10	—	—
Profit attributable to non-controlling interests	5	5	—	—
Dividends paid	(5)	(5)	—	—
At 31 December	10	10	—	—
Total equity at 31 December	20,076	20,737	18,243	19,166
Attributable to:				
Ordinary shareholders	17,548	18,350	15,725	16,789
Paid-in equity holders	2,518	2,377	2,518	2,377
Non-controlling interests	10	10	—	—
	20,076	20,737	18,243	19,166

- (1) The total distributable reserves for NWB Plc is £11,002 million (2021 – £11,873 million).
- (2) Following the purchase of ordinary shares from UKGI in Q1 2022, NatWest Group contributed £500 million to its main pension scheme in line with the memorandum of understanding announced on 17 April 2018. After tax relief, this contribution reduced total equity by £365 million. Other material movements came from asset underperformance relative to movements in the schemes' liabilities over the year. In line with our policy, the present value of defined benefit obligations and the fair value of plan assets at the end of the reporting period, are assessed to identify significant market fluctuations and one-off events since the end of the prior financial year.
- (3) Certain assets within this category have been hedged with derivatives which are not in an accounting hedge relationship. The effect of this creates a temporary difference between other comprehensive income and the income statement due to the difference in recognition criteria. This temporary difference is expected to reverse through the income statement over the duration of the hedge.
- (4) The unrealised losses on cash flow hedge reserves is mainly driven by deferment of losses on GBP net received fixed swaps as interest rates have increased.

Cash flow statement for the year ended 31 December 2022

	NWB Group		NWB Plc	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash flows from operating activities				
Operating profit before tax	5,114	3,883	4,687	3,542
Adjustments for:				
Impairment losses/(releases)	341	(813)	389	(732)
Amortisation of discounts and premiums of other financial assets	—	181	—	181
Depreciation and amortisation	768	776	598	594
Net impairment charges of investments in Group undertakings	—	—	336	61
Change in fair value taken to profit or loss on other financial assets	1,177	1,595	1,177	1,595
Change in fair value taken to profit or loss on other financial liabilities and subordinated liabilities	(912)	(420)	(924)	(418)
Elimination of foreign exchange differences	(47)	1,120	(3)	1,118
Other non-cash items	(195)	87	(215)	58
Income receivable on other financial assets	(303)	(412)	(303)	(412)
Loss/(profit) on sale of other financial assets	93	(120)	93	(120)
Dividends receivable from subsidiaries	—	—	(1,010)	(424)
Loss on sale of other assets and net assets/liabilities	5	34	6	34
Loss on redemption of own debt	—	117	—	117
Interest payable on MREs and subordinated liabilities	371	315	358	310
Charges and releases on provisions	122	388	122	388
Defined benefit pension schemes	154	173	132	146
Net cash flows from trading activities	6,688	6,904	5,443	6,038
(Increase)/decrease in derivative assets	(2,230)	930	(2,171)	991
Increase in loans to banks	(198)	(89)	(164)	(155)
Increase in loans to customers	(14,448)	(14,511)	(12,313)	(12,741)
(Increase)/decrease in amounts due from holding companies and fellow subsidiaries	(355)	(443)	(6,204)	5,288
Decrease/(increase) in other financial assets	239	(116)	239	(116)
(Increase)/decrease in other assets	(34)	(19)	14	(16)
(Decrease)/increase in bank deposits	(6,771)	7,960	(6,770)	7,963
(Decrease)/increase in customer deposits	(9,065)	35,835	(10,912)	28,707
(Decrease)/increase in amounts due to holding companies and fellow subsidiaries	(7,218)	6,033	(2,191)	5,426
Decrease in derivative liabilities	(2,031)	(2,433)	(1,754)	(2,437)
Decrease in other financial liabilities	(1,867)	(5)	(1,859)	(100)
Decrease in notes in circulation	(95)	(108)	(95)	(362)
Decrease in other liabilities	(1,197)	(1,199)	(1,194)	(1,121)
Changes in operating assets and liabilities	(45,270)	31,835	(45,374)	31,327
Income taxes paid	(1,161)	(923)	(998)	(791)
Net cash flows from operating activities (1)	(39,743)	37,816	(40,929)	36,574
Cash flows from investing activities				
Sale and maturity of other financial assets	25,721	10,272	25,339	9,884
Purchase of other financial assets	(13,388)	(3,193)	(13,022)	(2,811)
Income received on other financial assets	371	412	371	412
Net movement in business interests and intangible assets	(992)	(3,701)	(719)	(3,093)
Dividends received from subsidiaries	—	—	1,010	424
Sale of property, plant and equipment	138	58	82	17
Purchase of property, plant and equipment	(618)	(876)	(316)	(617)
Net cash flows from investing activities	11,232	2,972	12,745	4,216
Cash flows from financing activities				
Movement in MREs	548	1,762	509	1,515
Movement in subordinated liabilities	(200)	(1,267)	(199)	(1,267)
Dividends paid	(3,418)	(1,714)	(3,413)	(1,709)
Issue of paid-in equity	500	941	500	941
Redemption of paid-in equity	(388)	(934)	(388)	(934)
Net cash flows from financing activities	(2,958)	(1,212)	(2,991)	(1,454)
Effects of exchange rate changes on cash and cash equivalents	1,142	(979)	1,101	(984)
Net (decrease)/increase in cash and cash equivalents	(30,327)	38,597	(30,074)	38,352
Cash and cash equivalents at 1 January	106,645	68,048	105,546	67,194
Cash and cash equivalents at 31 December	76,318	106,645	75,472	105,546

(1) NWB Group includes interest received of £9,167 million (2021 - £6,623 million) and interest paid of £1,412 million (2021 - £693 million), and NWB Plc includes interest received of £8,421 million (2021 - £5,937 million) and interest paid of £1,623 million (2021 - £779 million).

(2) The total cash outflow for leases for NWB Group was £130 million (2021: £149 million) and for NWB Plc £119 million (2021: £138 million). This included payment of principal for NWB Group of £111 million (2021: £126 million) and NWB Plc of £99 million (2021: £114 million). These amounts are included in the operating activities in cash flow statement.

Notes to the financial statements

1 Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Bank Plc's 2022 Annual Report and Accounts. The critical and significant accounting policies are the same as those applied in the consolidated financial statements.

The directors have prepared the condensed consolidated financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date they are approved.

2 Critical accounting policies and key sources of estimation uncertainty

The critical accounting policies and judgements are noted in NatWest Bank Plc's 2022 Annual Report and Accounts.

Information used for significant estimates

Key financial estimates are based on management's latest five-year revenue and cost forecasts. Measurement of deferred tax and expected credit losses are highly sensitive to reasonably possible changes in those anticipated conditions. Changes in judgements and assumptions could result in a material adjustment to those estimates in future reporting periods. (Refer to the Risk factors in NatWest Bank Plc's 2022 Annual Report and Accounts).

3 Operating expenses

	2022	2021
	£m	£m
Wages, salaries and other staff costs	2,138	2,079
Temporary and contract costs	207	206
Social security costs	263	241
Pension costs	288	289
- defined benefit schemes	154	173
- defined contribution schemes	134	116
Staff costs	2,896	2,815
Premises and equipment	994	948
Depreciation and amortisation	768	776
Other administrative expenses (1)	1,630	1,660
Administrative expenses	3,392	3,384
	6,288	6,199

(1) Includes redress and litigation. Further details are provided in Note 7.

4 Segmental analysis

Reportable operating segments

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

NWB Plc is organised into the following reportable segments: Retail Banking, Private Banking, Commercial & Institutional and Central items & other.

Retail Banking serves personal customers in the UK and includes Ulster Bank customers.

Private Banking serves UK-connected high-net-worth individuals and their business interests.

Commercial & Institutional offers SME's and Corporate and Institutional clients comprehensive banking and financing solutions throughout the UK and internationally.

Central items & other includes corporate functions, such as NatWest Group treasury, finance, risk management, compliance, legal, communications and human resources. NWB Plc is the main provider of shared services and treasury activities for NatWest Group. The services are mainly provided to NWH Group, however, in certain instances, where permitted, services are also provided to the wider NatWest Group including the non-ring fenced business.

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
2022					
Net interest income	4,494	754	2,740	(456)	7,532
Net fees and commissions	334	243	1,038	11	1,626
Other operating income	65	28	248	2,244	2,585
Total income	4,893	1,025	4,026	1,799	11,743
Depreciation and amortisation	—	—	(135)	(633)	(768)
Other operating expenses	(2,115)	(596)	(1,804)	(1,005)	(5,520)
Impairment (losses)/releases	(218)	2	(126)	1	(341)
Operating profit	2,560	431	1,961	162	5,114

2021					
Net interest income	3,541	461	2,171	(171)	6,002
Net fees and commissions	303	239	947	(7)	1,482
Other operating income	42	24	93	1,626	1,785
Total income	3,886	724	3,211	1,448	9,269
Depreciation and amortisation	—	—	(146)	(630)	(776)
Other operating expenses	(1,917)	(513)	(1,746)	(1,247)	(5,423)
Impairment releases	23	53	737	—	813
Operating profit/(loss)	1,992	264	2,056	(429)	3,883

Total revenue⁽¹⁾

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
2022					
External	5,039	856	3,660	4,308	13,863
Intersegment	29	416	118	(563)	—
Total	5,068	1,272	3,778	3,745	13,863

2021					
External	4,660	703	3,030	1,975	10,368
Intersegment	97	161	147	(405)	—
Total	4,757	864	3,177	1,570	10,368

(1) Total revenue comprises interest receivable, fees and commissions receivable and other operating income.

Total income

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
2022					
External	4,865	721	4,112	2,045	11,743
Intersegment	28	304	(86)	(246)	—
Total	4,893	1,025	4,026	1,799	11,743

2021					
External	3,791	668	3,191	1,619	9,269
Intersegment	95	56	20	(171)	—
Total	3,886	724	3,211	1,448	9,269

Segmental analysis continued

Analysis of net fees and commissions

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
2022					
Fees and commissions receivable					
- Payment services	254	25	489	—	768
- Credit and debit card fees	323	14	170	—	507
- Lending and financing	15	8	446	—	469
- Brokerage	34	6	—	—	40
- Investment management, trustee and fiduciary services	4	213	—	—	217
- Underwriting fees	—	—	3	—	3
- Other	—	3	113	(1)	115
Total	630	269	1,221	(1)	2,119
Fees and commissions payable	(296)	(26)	(183)	12	(493)
Net fees and commissions	334	243	1,038	11	1,626

2021					
Fees and commissions receivable					
- Payment services	248	33	415	—	696
- Credit and debit card fees	276	10	111	—	397
- Lending and financing	11	10	416	—	437
- Brokerage	38	5	—	—	43
- Investment management, trustee and fiduciary services	3	214	—	—	217
- Underwriting fees	—	—	—	—	—
- Other	—	35	128	(91)	72
Total	576	307	1,070	(91)	1,862
Fees and commissions payable	(273)	(68)	(123)	84	(380)
Net fees and commissions	303	239	947	(7)	1,482

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
2022					
Assets	184,140	19,734	86,406	119,189	409,469
Liabilities	153,304	41,489	127,301	67,299	389,393

2021					
Assets	168,228	18,509	83,347	164,479	434,563
Liabilities	153,653	37,219	133,156	89,798	413,826

5 Tax

	2022 £m	2021 £m
Current tax		
Charge for the year	(1,187)	(998)
Over provision in respect of prior years	63	38
	(1,124)	(960)
Deferred tax		
Charge for the year	(151)	(195)
UK tax rate change impact (1)	(82)	161
(Decrease)/increase in the carrying value of deferred tax assets in respect of UK losses	(6)	14
(Under)/over provision in respect of prior years (2)	(62)	4
Tax charge for the year	(1,425)	(976)

(1) It was announced in the UK Government's budget on 27 October 2021 that the main UK banking surcharge will decrease from 8% to 3% from 1 April 2023. This legislative change was enacted on 24 February 2022.

(2) Prior year tax adjustments incorporate refinements to tax computations made on submission and agreement with the tax authorities and adjustments to provisions in respect of uncertain tax positions.

The actual tax charge differs from the expected tax charge, computed by applying the standard rate of UK corporation tax of 19% (2021 – 19%), as follows:

	2022 £m	2021 £m
Expected tax charge	(972)	(738)
Losses and temporary differences in period where no deferred tax asset recognised	—	1
Foreign profits taxed at other rates	(8)	(6)
Items not allowed for tax:		
- losses on disposals and write-downs	(8)	(50)
- UK bank levy	(12)	(12)
- regulatory and legal actions	6	(73)
- other disallowable items	(13)	(15)
Non-taxable items	18	9
Taxable foreign exchange movements	2	1
Unrecognised losses brought forward and utilised	—	2
(Decrease)/increase in the carrying value of deferred tax assets in respect of:		
- UK losses	(6)	14
Banking surcharge	(373)	(328)
Tax on paid in equity dividends	22	16
UK tax rate change impact	(82)	161
Adjustments in respect of prior years	1	42
Actual tax charge	(1,425)	(976)

Judgment: Tax contingencies

NWB Group's corporate income tax charge and its provisions for corporate income taxes necessarily involve a significant degree of estimation and judgment. The tax treatment of some transactions is uncertain and tax computations are yet to be agreed with the tax authorities in a number of jurisdictions. NWB Group recognises anticipated tax liabilities based on all available evidence and, where appropriate, in the light of external advice. Any difference between the final outcome and the amounts provided will affect current and deferred income tax assets and charges in the period when the matter is resolved.

For accounting policy information see Accounting policies note 3.7 of the NatWest Bank Plc 2022 Annual Report and Accounts.

6 Loan impairment provisions

Loan exposure and impairment metrics

The table below summarises loans and related credit impairment measures within the scope of ECL framework.

	NWB Group		NWB Plc	
	31 December 2022 £m	31 December 2021 £m	31 December 2022 £m	31 December 2021 £m
Loans - amortised cost				
Stage 1	266,722	264,656	236,809	236,255
Stage 2	37,216	26,003	32,765	22,492
Stage 3	3,783	2,985	3,383	2,548
Inter-Group (1)	4,220	2,555	30,633	25,362
Total	311,941	296,199	303,590	286,657
ECL provisions (2)				
Stage 1	506	231	459	207
Stage 2	813	1,105	765	1,026
Stage 3	1,262	1,167	1,170	1,037
Inter-Group	4	1	48	8
	2,585	2,504	2,442	2,278
ECL provision coverage (3)				
Stage 1 (%)	0.19	0.09	0.19	0.09
Stage 2 (%)	2.18	4.25	2.33	4.56
Stage 3 (%)	33.36	39.10	34.58	40.70
Inter-Group (%)	0.09	0.04	0.16	0.03
	0.84	0.85	0.88	0.87
Impairment (releases)/losses				
ECL (release)/charge (4)				
Stage 1	(243)	(995)	(256)	(945)
Stage 2	348	(30)	373	48
Stage 3	233	213	234	183
Third party	338	(812)	351	(714)
Inter-Group	3	(1)	40	(18)
	341	(813)	391	(732)
Amounts written-off	321	388	272	352

(1) NWB Group's intercompany assets are classified in Stage 1.

(2) Includes £2 million (2021 – £3 million) related to assets classified as FVOCI.

(3) ECL provisions coverage is calculated as total ECL provisions divided by third party loans – amortised cost and FVOCI.

(4) Includes a £0 million charge (2021 – £1 million charge) related to other financial assets, of which a £1 million release (2021 – £2 million charge) related to assets classified as FVOCI; and a £0 million release (2021 – £13 million charge) related to contingent liabilities.

(5) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to Financial instruments within the scope of the IFRS 9 ECL framework of the NatWest Bank Plc 2022 Annual Report and Accounts for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totaling £72.5 billion (2021 – £100.6 billion) and debt securities of £14.1 billion (2021 – £28.2 billion).

Credit risk enhancement and mitigation

For information on credit risk enhancement and mitigation held as security, refer to Risk and capital management – credit risk enhancement and mitigation section of the NatWest Bank Plc 2022 Annual Report and Accounts.

Critical accounting policy: Loan impairment provisions

Accounting policies note 2.3 of the NatWest Bank Plc 2022 Annual Report and Accounts sets out how the expected loss approach is applied. At 31 December 2022, customer loan impairment provisions amounted to £2,585 million (2021 – £2,504 million). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan was advanced. Such evidence includes changes in the credit rating of a borrower, the failure to make payments in accordance with the loan agreement, significant reduction in the value of any security, breach of limits or covenants, and observable data about relevant macroeconomic measures.

The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate. The measurement of credit impairment under the IFRS expected loss model depends on management's assessment of any potential deterioration in the creditworthiness of the borrower, its modelling of expected performance and the application of economic forecasts. All three elements require judgments that are potentially significant to the estimate of impairment losses. For further information and sensitivity analysis, refer to Risk and capital management – measurement uncertainty and ECL sensitivity analysis section of the NatWest Bank Plc 2022 Annual Report and Accounts.

IFRS 9 ECL model design principles

Refer to Credit risk – IFRS 9 ECL model design principles section of the NatWest Bank Plc 2022 Annual Report and Accounts for further details.

Approach for multiple economic scenarios (MES)

The base scenario plays a greater part in the calculation of ECL than the approach to MES. Refer to Credit risk – economic loss drivers – probability weightings of scenarios section of the NatWest Bank Plc 2022 Annual Report and Accounts for further details.

7 Provisions for liabilities and charges

NWB Group					
	Redress and other litigation(1) £m	Property £m	Financial commitments and guarantees £m	Other (2) £m	Total £m
Provisions for liabilities and charges					
At 1 January 2022	302	166	63	109	640
Expected credit losses impairment charge	—	—	(4)	—	(4)
Currency translation and other movements	—	—	—	1	1
Charge to income statement	134	20	—	96	250
Release to income statement	(30)	(53)	—	(45)	(128)
Provisions utilised	(114)	(28)	—	(67)	(209)
At 31 December 2022	292	105	59	94	550

NWB Plc					
	Redress and other litigation (1) £m	Property £m	Financial commitments and guarantees £m	Other (2) £m	Total £m
Provisions for liabilities and charges					
At 1 January 2022	294	163	60	87	604
Expected credit losses impairment release	—	—	(3)	—	(3)
Charge to income statement	134	18	—	94	246
Release to income statement	(30)	(52)	—	(42)	(124)
Provisions utilised	(112)	(26)	—	(66)	(204)
At 31 December 2022	286	103	57	73	519

(1) Includes payment protection insurance provision which reflects the estimated cost of PPI redress attributable to claims prior to the Financial Conduct Authority (FCA) complaint deadline of 29 August 2019. All pre-deadline complaints have been processed which removes complaint volume estimation uncertainty from the provision estimate. NatWest Group continues to conclude remaining bank-identified closure work and conclude cases with the Financial Ombudsmen Service.

(2) Other materially comprises provisions relating to restructuring costs.

Provisions are liabilities of uncertain timing or amount and are recognised when there is a present obligation as a result of a past event, the outflow of economic benefit is probable and the outflow can be estimated reliably. Any difference between the final outcome and the amounts provided will affect the reported results in the period when the matter is resolved.

For accounting policy information see Accounting policies note 2.4 of the Natwest Bank Plc 2022 Annual Report and Accounts for further details.

Critical accounting policy: Provisions for liabilities

The key judgment is involved in determining whether a present obligation exists. There is often a high degree of uncertainty and judgment is based on the specific facts and circumstances relating to individual events in determining whether there is a present obligation. Judgment is also involved in estimation of the probability, timing and amount of any outflows. Where NWB Group can look to another party such as an insurer to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

Estimates - Provisions are liabilities of uncertain timing or amount and are recognised when there is a present obligation as a result of a past event, the outflow of economic benefit is probable and the outflow can be estimated reliably. Any difference between the final outcome and the amounts provided will affect the reported results in the period when the matter is resolved.

- Customer redress: Provisions reflect the estimated cost of redress attributable to claims where it is determined that a present obligation exists.
- Litigation and other regulatory: NWB Group is engaged in various legal proceedings, both in the UK and in overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, refer to Note 8.
- Property: This includes provision for contractual costs associated with vacant properties.
- Other provisions: These materially comprise provisions for onerous contracts and restructuring costs. Onerous contract provisions comprise an estimate of the costs involved in fulfilling the terms and conditions of contracts net of any expected benefits to be received. This includes provision for contractual costs associated with vacant properties. Redundancy and restructuring provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists.
- Background information on all material provisions is given in Note 8.

8 Memorandum items

Contingent liabilities and commitments

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2022. Although NWB Group is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of NWB Group's expectation of future losses.

For accounting policy information see Accounting policies note 2.4 of the NatWest Bank Plc Annual Report and Accounts for further details.

	NWB Group		NWB Plc	
	2022	2021	2022	2021
	£m	£m	£m	£m
Contingent liabilities and commitments				
Guarantees	1,728	796	1,664	742
Other contingent liabilities	1,197	1,193	1,190	1,187
Standby facilities, credit lines and other commitments	87,221	79,826	83,321	75,936
	90,146	81,815	86,175	77,865

(1) In the normal course of business, NWB Plc guarantees specified third party liabilities of certain subsidiaries; it also gives undertakings that individual subsidiaries will fulfil their obligations to third parties under contractual or other arrangements which are excluded from the table above.

Trustee and other fiduciary activities

In its capacity as trustee or other fiduciary role, NWB Group may hold or place assets on behalf of individuals, trusts, companies, pension schemes and others. The assets and their income are not included in NWB Group's financial statements. NWB Group earned fee income of £215 million (2021 - £216 million) from these activities.

The Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort for customers of authorised financial services firms, pays compensation if a firm is unable to meet its obligations. The FSCS funds compensation for customers by raising management expenses levies and compensation levies on the industry. In relation to protected deposits, each deposit-taking institution contributes towards these levies in proportion to their share of total protected deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March), subject to annual maxima set by the Prudential Regulation Authority. In addition, the FSCS has the power to raise levies on a firm that has ceased to participate in the scheme and is in the process of ceasing to be authorised for the costs that it would have been liable to pay had the FSCS made a levy in the financial year it ceased to be a participant in the scheme.

Litigation and regulatory matters

NWB Plc and its subsidiary and associated undertakings ('NWB Group') are party to legal proceedings and involved in regulatory matters, including as the subject of investigations and other regulatory and governmental action (Matters) in the United Kingdom (UK), the United States (US), the European Union (EU) and other jurisdictions.

NWB Group recognises a provision for a liability in relation to these Matters when it is probable that an outflow of economic benefits will be required to settle an obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

In many of these Matters, it is not possible to determine whether any loss is probable, or to estimate reliably the amount of any loss, either as a direct consequence of the relevant proceedings and regulatory matters or as a result of adverse impacts or restrictions on NWB Group's reputation, businesses and operations. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and document production exercises and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before a liability can reasonably be estimated for any claim. NWB Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, damages, fine, penalty or other relief, if any, may be, particularly for claims that are at an early stage in their development or where claimants seek substantial or indeterminate damages.

There are situations where NWB Group may pursue an approach that in some instances leads to a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, or in order to take account of the risks inherent in defending claims or regulatory matters, even for those Matters for which NWB Group believes it has credible defences and should prevail on the merits. The uncertainties inherent in all such Matters affect the amount and timing of any potential outflows for both Matters with respect to which provisions have been established and other contingent liabilities in respect of any such Matter. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

The future outflow of resources in respect of any Matter may ultimately prove to be substantially greater than or less than the aggregate provision that NWB Group has recognised. Where (and as far as) liability cannot be reasonably estimated, no provision has been recognised. NWB Group expects that in future periods, additional provisions, settlement amounts and customer redress payments will be necessary, in amounts that are expected to be substantial in some instances. Please refer to Note 7 for information on material provisions.

Matters which are, or could be material, having regard to NWB Group, considered as a whole, in which NWB Group is currently involved are set out below. We have provided information on the procedural history of certain Matters, where we believe appropriate, to aid the understanding of the Matter.

For a discussion of certain risks associated with NWB Group's litigation and regulatory matters, see the Risk Factors relating to legal, regulatory and governmental actions and investigations set out on pages 190-192 of the NatWest Bank Plc Annual Report and Accounts.

8 Memorandum items continued

Litigation

London Interbank Offered Rate (LIBOR) and other rates litigation

In August 2020, a complaint was filed in the United States District Court for the Northern District of California by several United States retail borrowers against the USD ICE LIBOR panel banks and their affiliates (including NatWest Group plc, NatWest Markets Plc, NatWest Markets Securities Inc. and NWB Plc), alleging (i) that the very process of setting USD ICE LIBOR amounts to illegal price-fixing; and (ii) that banks in the United States have illegally agreed to use LIBOR as a component of price in variable retail loans. In September 2022, the district court dismissed the complaint, subject to re-pleading by the plaintiffs. The plaintiffs filed an amended complaint in October 2022, which the defendants are again seeking to have dismissed.

Offshoring VAT assessments

HMRC issued protective tax assessments in 2018 against NatWest Group plc totalling £143 million relating to unpaid VAT in respect of the UK branches of two NatWest Group companies registered in India. NatWest Group formally requested reconsideration by HMRC of their assessments, and this process was completed in November 2020. HMRC upheld their original decision and, as a result, NatWest Group plc lodged an appeal with the Tax Tribunal and an application for judicial review with the High Court of Justice of England and Wales, both in December 2020. In order to lodge the appeal with the Tax Tribunal, NatWest Group plc was required to pay £143 million to HMRC, and payment was made in December 2020. The appeal and the application for judicial review have both been stayed pending resolution of a separate case involving another bank.

Regulatory matters

NWB Group's financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, the US, the EU and elsewhere. NWB Group and/or NatWest Group have engaged, and will continue to engage, in discussions with relevant governmental and regulatory authorities, including in the UK, the US, the EU and elsewhere, on an ongoing and regular basis, and in response to informal and formal inquiries or investigations, regarding operational, systems and control evaluations and issues including those related to compliance with applicable laws and regulations, including consumer protection, investment advice, business conduct, competition/anti-trust, VAT recovery, anti-bribery, anti-money laundering and sanctions regimes. NWB Group expects government and regulatory intervention in financial services to be high for the foreseeable future, including increased scrutiny from competition and other regulators in the retail and SME business sectors.

Any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, other action being taken by governmental and regulatory authorities, increased costs being incurred by NWB Group, remediation of systems and controls, public or private censure, restriction of NWB Group's business activities and/or fines. Any of the events or circumstances mentioned in this paragraph or below could have a material adverse effect on NWB Group, its business, authorisations and licences, reputation, results of operations or the price of securities issued by it, or lead to material additional provisions being taken.

NWB Group is co-operating fully with the matters described below.

Investment advice review

In October 2019, the FCA notified NatWest Group of its intention to appoint a Skilled Person under section 166 of the Financial Services and Markets Act 2000 to conduct a review of whether NatWest Group's past business review of investment advice provided during 2010 to 2015 was subject to appropriate governance and accountability and led to appropriate customer outcomes. The Skilled Person's review has concluded and, after discussion with the FCA, NatWest Group has now commenced additional review/remediation work.

9 Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of NatWest Group plc. The UK Government's shareholding is managed by UK Government Investments Limited, a company wholly owned by the UK Government. As a result the UK Government and UK Government controlled bodies are related parties of the Group.

At 31 December 2022, HM Treasury's holding in NatWest Group's ordinary shares was 45.97%.

NWB Group enters into transactions with many of these bodies. Transactions include the payment of: taxes, principally UK corporation tax (Note 5) and value added tax; national insurance contributions; local authority rates; and regulatory fees and levies; together with banking transactions such as loans and levy sits undertaken in the normal course of banker-customer relationships.

Bank of England facilities

NWB Group may participate in a number of schemes operated by the Bank of England in the normal course of business.

Members of NWB Group that are UK authorised institutions are required to maintain non-interest bearing (cash ratio) deposits with the Bank of England amounting to 0.403% of their average eligible liabilities in excess of £600 million. They also have access to Bank of England reserve accounts: sterling current accounts that earn interest at the Bank of England base rate.

NWB Plc guarantees certain liabilities of NWH Group to the Bank of England.

Other related parties

- (a) In their roles as providers of finance, NWB Group companies provide development and other types of capital support to businesses. These investments are made in the normal course of business.
- (b) To further strategic partnerships, NWB Group may seek to invest in third parties or allow third parties to hold a minority interest in a subsidiary of NatWest Group. We disclose as related parties where stakes of 10 per cent or more are held. Ongoing business transactions with these entities are on normal commercial terms.
- (c) NWB Group recharges NatWest Group Pension Fund with the cost of administration services incurred by it. The amounts involved are not material to NWB Group.
- (d) In accordance with IAS 24, transactions or balances between NWB Group entities that have been eliminated on consolidation are not reported.
- (e) The captions in the primary financial statements of the parent company include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements. Other net income/(expenses) represents the share of post-tax results of associates and joint ventures, profit (or loss) on disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.

Holding companies and fellow subsidiaries

Transactions NWB Group enters with its holding companies and fellow subsidiaries also meet the definition of related party transactions. The table below discloses transactions between NWB Group and subsidiaries of NatWest Group.

	2022 £m	2021 £m
Interest receivable	41	33
Interest payable	(777)	(220)
Fees and commissions receivable	97	31
Fees and commissions payable	(70)	(6)
Other operating income ⁽¹⁾	1,641	1,497
	932	1,335

(1) Includes internal service recharges of £1,616 million.

10 Date of approval

The annual results for the year ended 31 December 2022 were approved by the board of directors on 16 February 2023

11 Post balance sheet events

On 6 February 2023, NWB reached agreement with the trustees of the Main Section of the Group pension scheme to recognise that the final distribution linked contribution to the Main Scheme, of up to £471 million, in 2023 is not expected to be required. In its place, agreement was reached to establish a new legal structure to hold assets with a value equivalent to £471 million. These assets would become transferrable to the Main section in the event that future triggers, reflecting a funding requirement, were met. The assets are not de-recognised from NWB balance sheet, but are recorded as encumbered. The Group believes likelihood of triggers being met are remote given the current funding position of the Main section.

There have been no other significant events between 31 December 2022 and the date of approval of these accounts which would require a change to or additional disclosure in the accounts.

Statement of directors' responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on pages 89 to 99 of the NatWest Bank Plc 2022 Annual Report and Accounts.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required to prepare Group financial statements, and as permitted by the Companies Act 2006 have elected to prepare company financial statements, for each financial year in accordance with UK adopted International Accounting Standards. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of NWB Group and NWB Plc. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of NWB Group and to enable them to ensure that the Annual Report and Accounts complies with the Companies Act 2006. They are also responsible for safeguarding the assets of NWB Plc and NWB Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report and Directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Directors' report (incorporating the Financial review) includes a fair review of the development and performance of the business and the position of the Bank and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Howard Davies
Chairman

Alison Rose-Slade DBE
Chief Executive Officer

Katie Murray
Chief Financial Officer

16 February 2023

Board of directors

Chairman
Howard Davies

Executive directors
Alison Rose-Slade DBE
Katie Murray

Non-executive directors

Francesca Barnes
Graham Beale
Ian Cormack
Roisin Donnelly
Patrick Flynn
Morten Friis
Yasmin Jetha
Mike Rogers
Mark Seligman
Lena Wilson

Forward-looking statements

Cautionary statement regarding forward-looking statements

This document may include forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NWB Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWB Group in respect of, but not limited to: its economic and political risks, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of NatWest Group's purpose-led strategy, its environmental, social and governance and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, the transition of LIBOR and IBOR rates to replacement risk free rates and NWB Group's exposure to, operational risk, conduct risk, financial crime risk, cyber, data and IT risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, and general economic and political conditions and the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or the NWB Group's actual results are discussed in the NWB Plc's UK 2021 Annual Report and Accounts (ARA). The forward-looking statements contained in this document speak only as of the date of this document and NWB Plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

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