



**'The bank's financial strength, and that of our business segments, allowed us to grow our lending throughout 2022, while investing to create a simpler and better banking experience for our customers.'**

**Howard Davies**  
Chairman

# Resilient for the long term

2022 proved to be another extraordinary year.

The UK inflation rate reached a 40-year high, and Russia's invasion of Ukraine not only inflicted devastation on the country and its people, but also led to volatility in energy and financial markets, as well as heightened costs and uncertainty for businesses and consumers around the world.

In response to the surge in inflation, the Bank of England's Monetary Policy Committee voted to increase the Bank Rate from 0.5% in February 2022 to 3.5% in December 2022.

Against a difficult and uncertain economic backdrop, NatWest Group delivered a strong financial performance in 2022. We saw continued growth in our lending and progress against our strategy. The bank's share price rose by 17.5% over the year, outperforming our major UK competitors, while during 2022 the UK Government's shareholding fell from 53% to 46%.

Clearly, the outlook for 2023 remains challenging, with declines in economic activity expected and a further tightening of consumer spending and real incomes. Indications of weakening housing market activity are also emerging. The UK labour market, however, remains strong, with the unemployment rate at 3.7%<sup>(1)</sup>.

As a bank with 19 million customers in the UK – and an employer of around 60,000 people worldwide – we know that many are worried about this economic outlook and its impact on their own financial situation. In the Stakeholder focus area of this report (pages 42–43) we explain the work we have been doing to help our customers, especially those in vulnerable situations, to navigate through this difficult period.

NatWest Group has a high-quality, well-diversified loan book where we are not yet seeing any material signs of deterioration, and credit losses remain low. However, we continue to monitor customer activity and behaviours closely for signs of stress, taking action where appropriate.

<sup>(1)</sup> UK labour market overview in January 2023.

Our strong financial performance, continued capital generation and robust balance sheet mean that we are able to stand alongside customers, colleagues and communities; providing practical, proactive support as they face into this challenging economic environment.

The bank's financial strength, and that of our business segments, allowed us to grow our lending throughout 2022, while investing to create a simpler and better banking experience for our customers.

Looking back at the three years since we set out our purpose-led strategy, there is a strong track record of success. The Board is fully supportive of our strategy: building on the progress we have made; diversifying our business in order to generate sustainable growth and returns through the economic cycle.

In total, we paid and proposed £5.1 billion of capital returns to shareholders in 2022. As well as paying a £364 million interim dividend and a £1.0 billion final dividend, we paid a special dividend of £1.75 billion along with a share consolidation.

We were also pleased to complete our second directed buyback of £1.2 billion of UK Government shares in March 2022 and we maintain capacity to do more in future. In addition, we completed our second £750 million on-market buyback announced in February 2022 and we will consider further buybacks of that kind.

The drop in the UK Government's shareholding to below 50% for the first time since the financial crisis was a significant moment. While it had no material effect on the way the bank operates, it was an important milestone, underlining the progress we have made.

NatWest Group's strong financial performance has been reflected in the bonus pool for 2022, which has increased from the previous year as our profits rose, while we continue to demonstrate restraint given the market conditions. We kept pay under review through 2022 as the increasing cost of living impacted our people. We focused support on those colleagues working in lower-paid roles, with a permanent pay rise in September 2022 and a one-off cost of living payment announced in December 2022.

We also agreed a 2023 pay package which was supported by our employee representatives and their members, and which recognises the impact inflation is having on spending power, with many colleagues receiving a pay rise of at least £2,000.

There was also strong support at our annual general meeting (AGM) in April 2022 for the Board's recommended changes to normalise executive pay policy and to bring it in line with other UK banks.

The changes will result over time in a more competitive policy for our most senior leaders, recognising the strong progress that has been made against our strategy in recent years. Around two-thirds of pay will continue to be delivered in shares, aligning it to the long-term interests of the bank and its investors.

Board succession planning was a key area of focus in 2022, as two of our long-standing directors approached the end of their tenure on the Board.

In December 2022 we said farewell to Robert Gillespie, who resigned as a non-executive director after nine years. To allow for an orderly handover of responsibilities, Robert stepped down as Chair of the Group Performance and Remuneration Committee in September 2022 and was succeeded by Lena Wilson.

Robert expertly chaired the Group Performance and Remuneration Committee from 2018 until 2022, successfully navigating a period of continued change for the bank. I would like to thank him for his tremendous contribution over the years. We have benefited greatly from his wisdom and experience.

In October 2022, we were pleased to welcome Roisin Donnelly to the Board as an independent non-executive director. Roisin has an impressive executive track record in customer experience, data and digital transformation, together with significant board experience, and brings valuable perspectives to Board discussions.

And in December 2022, we announced that Stuart Lewis will join the Board as a non-executive director in April 2023. Subject to regulatory approval, Stuart will be appointed as Chair of the Group Board Risk Committee on 1 August 2023. He will replace Morten Friis, who has confirmed his intention to step down as a non-executive director in July 2023.

Mike Rogers has also confirmed he will be stepping down as a non-executive director in April 2023, in order to take up the role of Chairman of Admiral Group plc. I would like to record my thanks to both Morten and Mike for their commitment, diligence and immense contributions as non-executive directors.

During a period of significant change in the external environment, the Board was kept regularly informed by management on the impacts of geopolitical and economic developments on the bank and its customers.

Strategy and climate were also high on the Board's agenda. Following strong shareholder support at our AGM for our 'Say on Climate' resolution, the Board continued its close oversight of progress towards our climate ambitions ahead of the publication of the initial iteration of our Climate transition plan.

As they did during the COVID-19 pandemic, Alison and her leadership team have used the bank's purpose to support our commercial and retail customers while growing the business and delivering against the strategic priorities.

The Board is pleased with the progress that has been made over the last three years and supports the priorities that Alison and her capable team have set out.

I would also like to take this opportunity to congratulate Alison on being appointed a Dame in the New Year Honours List in December 2022, which recognised her contribution to the financial services sector.

While we are operating in an uncertain landscape, I am confident that NatWest Group's strategy will continue to ensure that we can support all of our stakeholders through the challenges and opportunities in the years to come.

**Howard Davies**  
Chairman