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JESSICA O'DONNOR · LEAD STORY NEWS · 16/02/2024
NatWest confirms CEO and sees 20% annual profit increase in 2023

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Publishing its financial results for 2023, [NatWest](#) has revealed that it recorded an operating profit of £6.2bn, up 20% on 2022.

The bank's return on tangible equity was 17.8%, compared with 12.3% at the end of 2022, while income, excluding notable items, was up 10% on 2022 at £14.3bn, with total expenses up 5%.

In 2023, the bank increased its lending to customers by £9bn and helped over 379,000 retail banking customers to buy or remortgage their home.

In addition, NatWest also confirmed the appointment of Paul Thwaite as its group chief executive officer and executive director with immediate effect.

This follows his appointment on an initial 12-month basis in July 2023.

Richard Hunter, head of markets at interactive investor, said: "The UK banks' reporting season is off to a flying start, with NatWest displaying a pleasing mix of lending and income growth, a tight focus on costs and a reward to patient shareholders with a further increase to the dividend.

"In addition, and as trailed, the new chief executive has been confirmed, removing a plank of uncertainty and potentially opening the door to a retail share sale later this year.

"The government holding, which currently stands at 35%, has been an overhang on the shares for some considerable time and its sale would leave the bank free of these shackles.

"The results today should certainly strengthen the investment case and increase the appeal to retail investors, although the level of the discount to the prevailing share price will be critical in attracting new buying interest.

"The numbers themselves show few causes for concern.

"Overall profit of £4.6 billion represented an increase of 28% on the previous year, with pre-tax operating profit jumping by 20% to £6.2 billion.

"Total income of £14.3 billion was in line with estimates and 8.8% higher than the corresponding period.

"While mortgage lending inevitably fell given the economic backdrop from £41.4 billion to £29.8 billion, loans to retail banking customers increased by £7.6 billion."

Matt Britzman, equity analyst at Hargreaves Lansdown, added: "NatWest is out with a big profit beat as Paul Thwaite gets confirmed as permanent CEO.

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"Impairment charges were better than expected as customers continued to show remarkable resilience in the face of higher inflation and interest rates.

"Absent any major shock to unemployment, low default rates are expected to continue over 2024.

"Retail customers continue to go in search of better rates from longer-term savings accounts. But crucially for NatWest, the pace of deposit migration was significantly slower in the fourth quarter than in the prior.

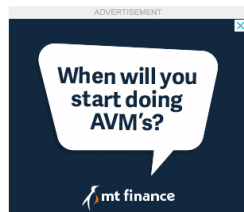
"Perhaps a sign that the peak in migration has come and gone – good news for net interest margins."

He continued: "Investors will be a little put off by NatWest giving no net interest margin guidance, especially considering income for 2024 is guided slightly lower than the consensus was looking for.

"This will likely be a key discussion point on today's analyst call and the reason shares have opened down.

"UK banks continue to suffer from a post-Brexit valuation slump. While it looks like net interest income has peaked, there are enough tailwinds on the horizon to make the sector worth attention at current valuations.

"NatWest's scandal-filled end to 2023 means its valuation is even more attractive, especially considering it should be one of the biggest benefactors of its structural hedge rolling on to higher yields – an ongoing income tailwind.



"Retail clients will be closely watching how things develop, given they may get a chance to snap up shares at a discounted price later this year if the government goes ahead with its plans to sell its stake.

"For existing investors, the ordeal will be a small blip and NatWest's valuation should continue to trade based on its fundamentals."

[Newspage](#) asked brokers for further comment on the results.

Reaction:

Riz Malik, founder and director at R3 Mortgages:

"Not surprisingly, 2023 seems to have been very kind to NatWest and its shareholders.

"However, retail banking gross new mortgage lending was down significantly to £29.8bn from £41.4bn in the previous year, reflecting the lack of demand in the property market.

"Expect the same decline from other lenders reporting their results."

Justin Moy, managing director at EHF Mortgages:

"NatWest have shown a reasonably clean set of heels this last year, with profits up 20% overall.

"This has been driven by a wider profit on mortgage and savings rates, at a time when borrowers have suffered higher payments and savers have seen their money eroded by higher inflation.

"Higher provision for bad debts will be similar throughout the industry, both for unsecured and mortgage lending, supported by the Direct Debit failure figures this week."

Gary Bush, financial adviser at MortgageShop.com: "NatWest's annual results are promising, led by them dipping their toes in and out of the mortgage market with their product range at the right time.

"It's saddening, however, to hear feedback from business owners of NatWest's hunger, at this difficult time, to cancel overdrafts from trading entities when they need them most.

"Banks need to be seen to act responsibly, especially at times like these, when they are showing good financial results off the back of the struggling general public."

Akhil Mair, Director at Our Mortgage Broker:

"NatWest's release of its annual results marks a significant milestone, showcasing its robust performance and resurgence since the 2007 financial crisis.

"Bolstered by high interest rates, the bank achieved its highest annual profit since 2007, totaling £6.2bn in pre-tax profits for the year ending in December.

"This remarkable 20% increase underscores NatWest's steadfast commitment to financial excellence and its ability to navigate challenging economic landscapes.

"The confirmation of Paul Thwaite as the permanent chief executive further solidifies NatWest's leadership stability, signaling confidence in its future trajectory.


"As the bank prepares for the sale of its government-owned shares, this announcement sets a positive tone for investors and stakeholders alike, highlighting NatWest's resilience and forward-thinking approach in today's dynamic financial environment."


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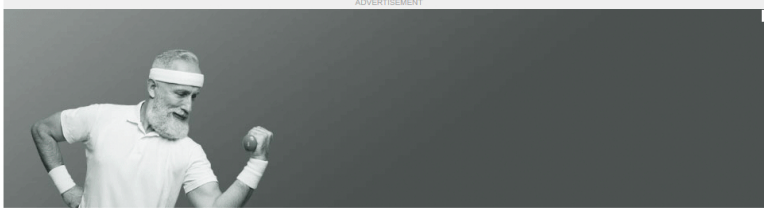
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


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