Bank profits poised to top £40 billion while UK economy struggles

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RITAIN'S top banks are poised to report record annual profits of about £40 billion, results that are likely to generate public anger and calls for a windfall tax on the industry.

This week the Commons Treasury select committee gave bank bosses a hostile grilling for putting up mortgage prices due to higher interest rates while failing to pass on the benefit to savers.

Figures compiled for the Evening Standard show those same bosses will, starting with Barclays on Wednesday, reveal profits for 2022 that beat those made in 2007 before the financial crash that saw the government forced to bail out the banking sector.

AJ Bell estimates that Barclays profits for 2022 will top £7 billion as will those of Lloyds. HSBC will make more than £14 billion, NatWest well above £5 billion and Standard Chartered £4 billion.

Santander, the Spanish lender which features Ant & Dec in its adverts will make about £2 billion from its UK arm.

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Smaller lenders will also have boomed thanks to rising interest rates and still low levels of bad debts.

Net interest margins – the difference between what banks charge borrowers and pay savers – have jumped lately as interest rates have risen.

Harriett Baldwin, the Conservative chairwoman of the Select Committee, said to the bank CEOs including Alison Rose of Natwest and Charlie Nunn of Lloyds this week that “when mortgage rates go up you raise rates very quickly and yet they don’t see the increases on their savings rates at the same sort of pace”.

With figures today showing Britain just narrowly avoiding a recession and many workers on strike due to pay demands, the bank profits are likely to prompt fierce reaction.

The City thinks profits will keep rising and are pushing bank share prices higher.

Gary Greenwood Shore Capital said: “Net interest margins have risen sharply over the past year, and this will likely continue through 2023 as the benefit of recent rate rises annualises. In turn, we expect this to drive further revenue growth that will continue to offset the headwind from cost inflation and a rise in impairments.”

He added: “With returns reaching such levels, calls for banks to pass on more of the rate rises to depositors will only become stronger.”

Russ Mould at AJ Bell said the banks have seen their own funding costs rise. He added: “They have cut borrowers some slack in 2022, given other pressures on the cashflows from utility bills, food prices and the wider ravages of inflation. Admittedly, this may have partly come at the expense of savers, who have not benefited from the full increase in interest rates on their nest-eggs either, but the modest increase in net interest margins means it is not as easy as you might think to portray the banks as ruthless profiteers.”