



NatWest Group plc
Q1 2023 Results – Fixed Income Presentation
Hosted by Katie Murray (CFO) and Donal Quaid (Treasurer)
1pm, 28th April 2023

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Katie Murray, CFO

Slide 2: Welcome

Good afternoon everyone - thank you for joining our quarter one Fixed Income results presentation. I'm joined today by Donal Quaid, our Treasurer, and Paul Pybus, Head of Debt IR.

I will take you through the headlines for the quarter and then move onto some of the detail. Donal will then take you through the balance sheet, capital and liquidity and then we'll open up for questions.

So starting on slide 3.

Slide 3: Strong Q1 2023 performance

Our strategy continues to deliver, against a backdrop of increased market volatility since we last spoke in February.

We are well positioned both for the upside, as we build on our strong customer franchise to drive targeted growth, and for the downside as a result of our strong balance sheet and liquidity, high quality deposit base and disciplined risk management.

We delivered operating profit of 1.8 billion in the first quarter, an increase of 49% on the same period in 2022.

Attributable profit was 1.3 billion, up 52% on the first quarter last year.

Our return on tangible equity increased from 11.3% to 19.8%.

And income, excluding all notable items, grew 37% to £3.8bn.

Costs increased by 214 million which includes the one-off payment we made to staff in January to help manage the rising cost of living, and we continue to focus on tight cost discipline.

We expect to generate and return significant capital to shareholders this year and intend to maintain our 40% pay-out ratio.

We have completed more than half of the 800 million on-market buy back announced in February.

The government shareholding now stands at just over 41% and we have regulatory permission to undertake a directed buyback, though any transaction remains at the Government's discretion.

Turning to slide 4 and an overview of the balance sheet.

Slide 4: We have built an all-weather balance sheet and are supporting customers

We have seen an expected reduction in deposits during the quarter, which Donal will talk about later.

Our funding is well diversified and our loan to deposit ratio is 83%, resulting in surplus deposits of 53 billion pounds;

Our liquidity coverage ratio of 139% is well in excess of minimum requirements with headroom of 43 billion.

On the asset side, we have a well-diversified loan book where our top 10 wholesale customers account for around 5% of total loans.

We have limited exposure to Commercial Real Estate which is around 5% of the total book.

93% of personal lending is secured, and our mortgage books have prudent loan to value ratios with an average of 53%.

The book's performance demonstrates our strong risk management with low levels of arrears and impairment.

Procyclicality remains at low levels and we continue to monitor this closely.

Turning to slide 5.

Slide 5: We are making good progress in our objectives

You can see from this slide that we are making good progress on our objectives and are on track to meet our 2023 guidance on income, costs and capital.

As a leading provider of sustainable financing, we play an important role in helping our customers transition to a net zero economy.

We have delivered over 40 billion of Climate and Sustainable Funding since July 2021 to meet our 100 billion target.

In addition to our focus on driving targeted growth, we continue our strong track record of disciplined cost management and investment.

We are on track to meet our cost guidance for the year of around 7.6 billion and our guided cost income ratio of less than 52%.

And we expect to invest in the region of 3.5 billion over the next 3 years continuing our digital transformation, which includes improved customer journeys, data analytics, machine learning and robotics.

We continue to allocate capital effectively across the business as we continue our phased withdrawal from the Republic of Ireland.

RWAs have reduced by a further 800 million in the quarter to £4.6 billion, around 95% of accounts are now closed or in the process of being closed, and we expect the agreed asset sales to complete by the year end.

As I said earlier, we expect to make significant distributions to shareholders in 2023 and intend to maintain our pay-out ratio of 40%, for which we have accrued 500 million pounds in the quarter.

Moving onto net interest income on slide 6.

Slide 6: Stable net interest income and margin

Net interest income, excluding notable items, was broadly stable at 2.9 billion.

Net Interest Margin, excluding notable items, increased 2 basis points to 327.

Wider deposit margins added 12 basis points reflecting the benefit of higher average interest rates partly offset by lower average deposit balances, ongoing passthrough to savers, for which there is a timing lag; and ongoing customer migration to higher interest-paying accounts.

Lower lending margins reduced NIM by 9 basis points, driven by lower front book mortgage margins.

We continue to expect net interest margin for the full year of around 320 basis points.

Turning now to loan growth on slide 7.

Slide 7: Responsible lending across all our businesses

We are pleased to have delivered a strong quarter of balanced lending growth across the Group.

Gross loans to customers across our three businesses increased by 1.6% or £5.7 billion to £356 billion.

Taking Retail Banking together with Private Banking,

Mortgage balances grew by £3.9 billion or 2% in the quarter.

Gross new mortgage lending for the quarter was £10 billion, representing flow share of around 17%.

This is higher than normal reflecting our decision to stay in the market during the market volatility in Q4 when others withdrew and a shorter period between application and completion.

Unsecured balances increased by a further 200 million in the quarter to £14.4 billion, driven by new card issuance and market share gains.

In Commercial & Institutional, gross customer loans increased by £1.5 billion.

At the mid to large end we saw good demand across RCFs, term lending and Funds Banking

At the small end, demand remains muted and we have seen some deleveraging by customers with surplus liquidity, as well as ongoing repayment of government lending schemes.

I'd like to turn now to non-interest income on slide 8.

Slide 8: Non-Interest Income supported by improved fixed income trading

Non-interest income, excluding notable items, was £918 million.

We are pleased with the performance of our Markets business, which delivered higher Fixed Income revenues and benefited from currency volatility.

Capital markets income grew as we supported more commercial customers with their issuance.

Fees and commissions decreased £32 million to 583 million, due to seasonally lower spending.

Going forward non-interest income will be influenced by economic activity and customer confidence as you would expect.

Turning now to Costs on slide 9.

Slide 9: Other operating expenses increased by £214m in Q1 2023 versus Q1 2022. On track for FY 2023 guidance.

Other operating expenses were £1.9 billion for the first quarter.

That's up £214 million or 12.5% on the same period last year.

Excluding the one-off cost of living payment to staff and higher strategic costs relating to our phased withdrawal from the Republic of Ireland, cost growth was around 7% year on year.

We continue to expect other operating costs of £7.6 billion for the full year, equivalent to around 4% annual cost growth.

I'd like to turn now to credit risk on slide 10.

Slide 10: Well diversified, de-risked, high-quality loan book

We have a well-diversified prime loan book, which is performing well.

Over 50% of our Group lending consists of mortgages, where the average Loan to Value is 53% or 69% on new business.

Overall, we have low levels of arrears and forbearance in our mortgage book.

91% of our book is at fixed rate, 5% are trackers and 4% is on a Standard Variable Rate.

Over two thirds of mortgage balances are on 5 year fixed rates and less than a quarter are 2 year.

Our personal unsecured exposure is less than 4% of group lending and is performing in line with expectations.

Our corporate book is well diversified and we have brought down concentration risk over the past decade.

Our Commercial Real Estate exposure represents less than 5% of group loans, with an average loan to value of 47%. We have carefully managed this exposure for several years reducing absolute exposure and pivoting away from retail towards industrial, so we are comfortable with the risk in this actively-managed portfolio.

Turning now to look at impairments on slide 11.

Slide 11: Well provided for the economic cycle and impairments remain benign

We are reporting a net impairment charge of £70 million in the first quarter, equivalent to 7 basis points of loans on an annualised basis.

We have not updated our economic scenarios this quarter, as we are comfortable they adequately reflect the current macro uncertainty.

So this charge largely reflects stage 3 impairments, which remain stable.

Our through-the-cycle impairment guidance is 20-30 basis points, and I continue to see this as an appropriate level for 2023, given both the economic outlook and relatively benign trends in our book.

Our Expected Credit Loss coverage is broadly stable at £3.4 billion, equivalent to 89 basis points of loans.

This includes £333 million of Post Model Adjustments for economic uncertainty, which are also broadly stable in the quarter.

We remain comfortable with coverage of the book which is not showing any material signs of stress

With that I will hand over to Donal.

Donal Quaid, Treasurer

Thanks Katie

Good afternoon and thank you for joining today's call.

I will start by sharing some highlights from the first quarter before moving into more detail on deposits, liquidity and capital. I will then give an update on our progress against our funding plans for 2023 before we open for questions.

Starting with the highlights on slide 13.

Slide 13: Treasurer's key messages

We ended the quarter with strong capital, MREL and leverage position; comfortably above the regulatory minima with a CET1 ratio of 14.4%, a Leverage ratio of 5.4% and a total loss absorbing capacity ratio of 32.4%.

The group's funding is well diversified; we have a strong deposit franchise and a robust liquidity position.

The Liquidity Coverage Ratio was 139% at the end of the quarter, giving us a comfortable surplus over minimum requirements with the liquidity portfolio primarily concentrated in central bank deposits.

We've made good progress against our funding requirements in the quarter, achieving over 50% of our annual issuance requirements, despite challenging market conditions.

It was very pleasing to see further progress on our credit ratings this month, with S&P upgrading all NatWest Group entities, recognising the Group's strong earnings outlook, resilient balance sheet and solid funding and liquidity.

Turning to liquidity on slide 14.

Slide 14: Strong liquidity portfolio and key metrics

Our liquidity position remains robust, although we are seeing a reduction from elevated levels, with an LCR ratio at 139% at the end of Q1, reflecting around £43bn of surplus primary liquidity above minimum requirements. Our Liquidity coverage ratio was 151% on a 12-month rolling average view.

The decrease in the ratio in the quarter was primarily due to a reduction in the customer funding surplus as customer deposits reduced and lending grew, partially offset by Treasury funding activity.

We continue to manage a high-quality liquid asset pool with primary liquidity of £149bn and secondary liquidity of £61bn.

Primary liquidity is concentrated in cash, with £120bn deposited with central banks. The remaining £29bn comprises highly rated government and other level 1 LCR bonds, the majority of which are held on the balance sheet at fair value.

Approximately 4% of our primary liquidity, or £6.5bn, is held to collect at amortised cost, so the fair value is not reflected in the Group balance sheet.

Looking at customer deposits on slide 15.

Slide 15: Robust deposit funding with expected Q1 net outflows

Customer deposits across our three businesses were £422bn at the end of the quarter, resulting in a loan to deposit ratio of 83%.

During the quarter, we saw a reduction in balances across our three core franchises, from the elevated position built up during the pandemic, reducing by approximately £11bn, driven by increased competition and tax payments, which were around £8bn higher than the fourth quarter.

Retail Banking deposits reduced by £4.4bn in the quarter driven by tax payments and higher customer spending.

In Private Banking, the impact of tax was most pronounced given the customer demographic.

In Commercial & Institutional, deposits reduced by £2.8bn mainly reflecting the reduction in system liquidity.

Within Central & Other we saw a further £8.7bn reduction, around half of this is the result of our phased withdrawal from the Republic of Ireland, with the remainder due to Treasury repo activity.

Going forward our deposit flows will be a function of macro-economics, changes in net lending and customer behaviour and we think deposit balances at the end of 2023 are likely to be stable to modestly lower than the £433 billion at the end of 2022, although the evolution of balances remains difficult to predict.

Looking at the deposit mix on slide 16.

Slide 16: Managing deposits for income and liquidity value

We operate with a diverse deposit franchise, with a mix of retail and commercial deposits, across interest bearing and non-interest bearing product offerings.

During the quarter we saw limited change between interest bearing balances, which account for 60% of the mix, and non-interest bearing balances, which make up the remainder.

Within interest-bearing balances we continue to see migration from instant access into term accounts. Term deposits are around 8% of total deposits, up from 6% at the year end and 3% at the end of 2021.

Around 40% of total deposits are insured, although this varies by customer type.

Across our Retail and Private Banking businesses 68% of deposits are insured, although this is higher in Retail banking than in Private.

For corporate customers around 11% of balances are insured and this will be higher for smaller Business Banking customers than for Markets and Funds Banking customers.

Our cumulative pass through is now around 40% across interest-bearing deposits, up from 35% at Q4, which includes pricing decisions after the base rate increase to 4.25% in March.

Turning to our capital and leverage position on slide 17.

Slide 17: Strong capital and leverage positions provide flexibility

Our CET1 ratio at the end of the year was 14.4%. The CET1 ratio is well above the current Maximum Distributable Amount of 9.5% and above our target range of 13-14%. This leaves us well positioned to participate in a direct buyback from the government should they choose to sell.

Our total capital ratio for the first quarter is 19.6%. Given our CET1 target range of 13-14%, we expect to operate with optimal levels of AT1 and Tier 2 capital relative to minimum requirements.

We have a comfortable AT1 position with £3.9bn in issue, an AT1 ratio of 2.2% compared to a minimum regulatory requirement of 2.1%. We have no near term AT1 considerations, with the next call date in August 2025.

Our Tier 2 ratio is 3%, with our most recent issuances last December and in March of this year.

Our UK leverage ratio was 5.4%, leaving around 115bps of headroom above the Bank of England minimum requirement.

Moving to slide 18 and our quarterly movements in CET1 and Risk Weighted Asset's.

Slide 18: Continued sustainable capital generation and distribution

We generated 50 basis points of capital pre-distributions. This includes 72bps of capital from earnings, partly offset by the change in the IFRS 9 transitional relief of 8bps and RWA growth of 16bps. The ordinary dividend accrual is equivalent to 29bps.

RWAs increased by £2bn in the quarter to £178.1bn. Credit risk RWA increased £1.7bn primarily due to stronger lending. Operational risk RWA increased following the annual recalibration exercise. This was partly offset by a £0.8bn reduction in market risk.

Looking at our issuance during the quarter on slide 19.

Slide 19: Good progress against 2023 wholesale funding plan

I'm very pleased with the transactions we executed in the quarter, particularly in light of challenging market conditions, and again thank you for your continued support for NatWest Group and NatWest Markets.

From NatWest Group, we issued around £2bn equivalent in senior MREL format, including a \$2bn dual tranche trade as well as a €500m Social bond with proceeds dedicated to supporting women-led enterprises; the first such issuance by a European financial institution.

In addition to issuing MREL, we also issued €700m of Tier 2.

And finally, from NatWest Markets plc, we issued €1.5bn in fixed and floating format.

Turning to credit ratings on slide 20.

Slide 20: Credit ratings – S&P raised the long-term issuer ratings for NatWest Group and its operating subsidiaries in April 2023

It's pleasing to see further progress in our credit ratings this year.

This month, S&P upgraded the ratings of all NatWest Group entities.

The NatWest Group Holding company is now rated BBB+, the ring-fenced bank core operating companies are now A+ and our non ring-fenced banking operating companies are now single A.

The Outlook from Moody's, S&P and Fitch are Stable across all group entities.

We will continue to proactively engage with the agencies to support ongoing progress in our credit and ESG ratings.

With that I'll hand back to Katie.

Katie Murray, CFO

Slide 22: We are reaffirming all 2023 guidance

Thank you Donal.

I'd like to finish with guidance on slide 22. For 2023 we continue to expect:

Income, excluding notable items to be around 14.8 billion,

Net Interest Margin of about 3.2%,

And group operating costs, excluding litigation and conduct, to be around 7.6 billion

delivering an improvement on the Cost income ratio to below 52%

We anticipate a loan impairment rate in the range of 20-30 basis points,

And together we expect this to lead to a Return on Tangible Equity of 14 to 16%, and to be at the upper end of this range.

We expect to return significant capital to shareholders this year with a pay-out ratio of 40% and capacity for additional buybacks. In the first quarter, we have already accrued just over 500 million for dividend payments and completed more than half our 800 million on-market buy-back

With that I'll open the line for questions.

Operator

Thank you, Katie. If you would like to ask a question today, you might do so using the raise hand function on the Zoom app. If you are doing it by phone, you can press Star nine to raise your hand and star six to unmute once prompted. I will pause for a moment to give everyone an opportunity to signal for any questions.

As you wait for you to ask. We've had a few pre submitted questions.

The first asks, can you tell me about your funding plan and expected currency mix for 2023?

Katie Murray Donal, do you want to take that?

Donal Quaid Yep, sure Katie, thanks for the question.

Donal Quaid

So, we're 50% complete as you can see in our slides year to date. So, in effect, what we have left, if I remind you what we guided to at full year results. So, from a Tier 2 perspective, we said we had up to a billion to do and you see that we did one transaction, so there is a further transaction that we'd look at probably in H2, but we'll keep our options open on that.

And then from Senior MREL, we guided from 3 to 5 billion, so from the midpoint there, we are around 50% complete with the \$2 billion dual tranche and also the €500 million social bond. So, I would expect to be active in Q2 on a senior MREL perspective.

We will, as always, keep our options open from a currency perspective. But you know, I think sterling or euros are what probably too we would look at just given current levels. So, probably expect at least once to two MREL transactions in Q2.

Operator

Thank you very much. Our next question comes from Robert Smalley of UBS. Robert, if you could please unmute and go ahead.

Robert Smalley, UBS

Hi. Good morning and thanks for doing the call. I just wanted to talk two things.

One, if you could walk me through the provision line. Why the seven basis points? You're keeping your economic assumptions the same as they were to start the year and your base case is still a pretty big fall off in house prices and commercial real estate. So, if you could just walk me through how that squares up with the provision where it is.

Second part is how does that translate for the rest of the year? And are you concerned about a market perception with that going up to meet the guidance?

And then third, unrelated question. One of your competitors bought Silicon Valley Bank's UK operations and there was a change in or an allowance in the in the ring fencing rules around that. Can this prompt a discussion about changing the ring fencing rules and some of the corporate structure for banks in the UK. Thanks.

Katie Murray

Thanks, Rob. Thanks very much for joining. I'll take the first one and then I'll let Donal talk a little bit about the second one. But if I look at the provision line, so and in terms of why at seven basis points, I mean, the reality is the book is incredibly, is performing incredibly well.

If I look at the underlying of that seven basis points, what you actually saw was a credit coming through from C&I reflecting the lack of any kind of deterioration within that book.

So, when you've made provisions, you've kind of moved back from stage two back into stage one. There's the normal kind of stage three charges you'd expect to see in retail. But again, not kind of significant, which is why you get to the £70 million charge.

If I look at the kind of the economics that are there, I mean, obviously we built them in at the end of the year. We then we examined them each quarter and what we kind of felt was they were broadly basically where they were. And we're not keen to kind of keep moving economics by, by small amounts, rather, wait until there is actually something more significant. So, we'll do another review of them as we go into Q2.

And when I look to the 20 to 30 basis point guidance we've given you, I'd probably say that I'm increasingly comfortable about the kind of that number in terms of where we'd land on that, particularly given where we kind of started at the seven the seven-basis point support, expected to be a bit lower at the lower end rather than at the upper end in terms of where that would be.

You know, as you as we look, the book is performing well. If I look at the macro, it's still a challenging kind of macro environment, we would expect companies to have at some point to take a bit more pain than they're taking. And I think we're also really conscious it's only Q1. So, this is let's not kind of get ahead of ourselves at this point. Let's wait to see what happens over H1 and then into Q3 in terms of making any change on that.

You know, and then in terms of Silicon Valley, I mean, obviously, the change we made was very much over resolution kind of action in terms that change. But I mean, Donal, I know you working a lot on some of the Skeoch Reviews and things, how would you look at that question?

Donal Quaid

Yeah, sure. Hi, Rob. So, no, I think, you know, Katie's right. I think the exemption that you've seen from HSBC's perspective is purely under resolution authority, is very very specific to what's what went on. But I think in terms of potential changes to ring fencing rules, we're in the process of just finalising our response to the first call for evidence, which will be submitted next week.

And that's really related to the, I suppose, the potential overlap between resolution regime and ring-fencing regime. You know, and there was I think one of the recommendations which raised the question of whether ring fencing is required going forward for resolution is embedded. And my own view is I'm not expecting any material change, I think, to those regimes in the in the near future.

Probably more importantly, as we move into to H2 there will be the second call for evidence, which will focus on the other recommendations that were that were laid out in the Skeoch report, including the definition of RFI non-EEA activity and excluded activities as well.

So that's one probably where we'll be more focused on probably where there is more potential for a change potentially to some of the ring fencing rules. But we we'll probably update if there's any progress on that into what would like to be into '23. Before we get more clarity.

Rob Smalley That's great. Thanks very much.

Katie Murray Thanks Rob.

Operator Thank you.

Our next question comes from Paul Fenner-Leitao of Société Générale. Paul, please do go ahead. Please unmute and go ahead.

Paul Fenner-Leitao Hi. Can you hear me?

Operator We can. Thank you.

Paul Fenner-Leitao

Hello. Hi team. Just. Just a very quick point on the on the on the Tier two. I don't know if your comments around euro and sterling where specific to the senior unsecured, or also included Tier two, you're thinking of doing up to a billion, you've done 600 million, so you've got a maximum of 400 sterling left to do.

Obviously, that's a pretty small transaction in euros and it's probably pretty small transaction in sterling. I'm just trying to understand what it is that you're that you're thinking there or maybe you go to another market.

Donal Quaid

Yeah. What I'd say is Paul. Yeah, I think we'll be open from a currency perspective on Tier two as well. Obviously, just depending on the time. I would say I know we did guide up to a billion. I don't think we would hold ourselves strictly to a cap of 400 million or whatever is left. You know, I think we'd be cognisant of the fact of doing a benchmark transaction size when we did when we did come. So, we look across the three majors, I think, and, and decide when the time is right.

Paul Fenner-Leitao Okay. But it could be another Euro?

Donal Quaid

It could, we wouldn't rule out another euro. But I think, you know, a number of our recent you know, the recent Tier two issuances were in euros, so we probably would have a preference for another currency, but we won't commit to that at this stage.

Paul Fenner-Leitao Okay. Very clear. Thank you.

Operator Thank you.

Our next question because from Jesse Norcross of 91 Asset Management. Jesse, please do unmute and go ahead.

Katie Murray Hi, Jesse.

Jesse Norcross

Hi. Good afternoon. Thanks for the call. Just two questions for me. The third question was just asked by Paul.

So, in terms of your deposits, particularly on the corporate segment like non-interest-bearing deposits. Is there any reason for you to potentially look at changing your assumptions in terms of duration and stressed outflow levels? Just given, obviously, the recent volatility in the U.S.

And then the second question really on the recent proposals from the European Commission on implementing failed depositor preference. I was just wondering if you've had any discussions with U.K. authorities on something similar or what your expectations would be potentially if this would be implemented in the U.K. as well? Just from memory, I think there has been a review, but I'm not sure about any updates.

Donal Quaid

Yeah, I'm happy to take that. So, maybe just starting with the with the second question. No conversations to date on depositor preferences. I have no indications that it's something that they're looking at in the U.K.

I think any of the kind of comments I think to date have been really around the financial services compensation scheme and potential. I suppose increases in the in the level of insured deposits. But, again, no active dialog with regulators at this stage on that on that topic.

I think in terms of duration, stress outflow assumptions, you know, I would say, you know, when you get events like SVB and CS, you'll always look at your, you know, your

internal assumptions, we're very, very comfortable in terms of the way we approach our risk management and liquidity management is very, very prudent.

But again, we have seen comments from regulators around looking at potential outflow assumptions more under kind of liquidity coverage ratio. And again, we'll you know, we will keep you up to date and engage with the regulator on any potential change. But, you know, we're as I said, overall, very, very comfortable with the approach we take internally in our on our risk management process.

Jesse Norcross Okay. Thanks.

Maybe just a quick follow up, if I may, on the Tier two, actually. Yeah. Just given your guidance, up to 1 billion, but you've already got a tier two tranche of 3%. My inclination would be to think that there wouldn't be any Tier two, but is that correct or incorrect?

Donal Quaid

Yeah, I think probably just so far, I would say point in time, 3%. You know, we do have two maturities through '23. We've we June '23 maturity and also Dec '23 to maturity as well. So, you know, I expect us to kind of when we guide that kind of 1 billion that is taking into account maturities. And we said as we do try and run our AT1 or Tier two to more optimal levels. So really it is looking ahead and refinancing that needs to take place.

Jesse Norcross Okay. Thank you very much.

Donal Quaid Thank you.

Operator

Thank you. If you'd like to ask a question today, you may do so by using the right-hand function on the Zoom app. If you want a dialling in by phone, you can press star nine to raise your hand and star six to unmute once prompted?

We do also have an additional pre-submitted question which asks, "Can you give us an update on the shape of your bond portfolio? Do you hedge all your securities and your liquid assets portfolio?"

Donal Quaid

Yes, I shall take that one as well, Katie. So, from a bond portfolio perspective, we have actually included some more detailed disclosure on in the in the fixed income deck. And you can see actually our bond composition of our of our liquid asset buffers is quite small at 29 billion. And the large majority of our portfolio is sitting in cash 81%.

And but in terms of our 29 billion of securities, the large majority of it is hedged. And maybe just to give a little bit more detail there, we've also broken it down by the securities component of what's held in fair value to OCI and amortised cost.

So, the fair value to OCI portfolio, which makes up 77% of it, is fully hedged within the amortised cost portfolio there is a small portion of securities there that sit within our RBSI entity offshore where those securities form part of the structural hedge in that legal entity. So that would be only component of our liquid asset portfolio that's unhedged. And you'll see in our full year '22 disclosures we disclose all our securities held at amortised cost and the carrying value of those securities as well.

Thank you for the question.

Operator

Thank you. We do have another base hand from Stéphane Suchet of Point72. Please do go ahead with your question.

Katie Murray Hi, Stéphane

Stéphane Suchet

It was if you don't mind, I would like to ask three-pointed question on commercial real estate. The first one is it was possible to know what is the level of provisioning you hold against your commercial real estate portfolio.

Secondly, do you plan to expand this portfolio because for a number of real estate companies wholesale funding is more challenging to get.

And thirdly, if I if I may, do you expect more deterioration on this portfolio. Obviously, you made a point about LTV's being low. What do you see on the ground? And do you do you take advantage of that to expand margin on this part of the portfolio? If I may ask.

Katie Murray

Yes, sure. Let me let me take that. Thanks very much, Stéphane. So, if you look at the provisions, I guide you to page 17 of our statement where you can see the sorry, that's the BBLs. Sorry, page 16, where you can see in terms of what we've got in terms of the loans and the amount of ECL provision that we have against them.

So, you'll be able to pull that up. Annoyingly, my eye is not landing on real estate just immediately, but overall, if I look at the total portfolio, I mean, we've got 377 of loans and the total stage three we have against that is 1.7 billion. So, it's very small and we have 1.7 billion. Thanks very much in terms of the numbers. Sorry, I just my sorry. Forgive me. Thank you very much. So, Paul, just helped me from the side.

So, we've got total loans, but then real estate of 32.5 and 229 million of provisions at stage three against them total provisions of 441. And you if you went to our year end account, you'd be able to see how that's evolved.

No particular plans to expand CRE per se, happy the size is within the portfolio just kind of around four, 4% and 4 to 7% kind of LTV. Obviously, we work with our customers as they're coming up for renewal with that process starts about 18 months before they actually do renew to see what they have in mind.

So we've worked well over the last ten years to really kind of limit the amount of exposure that we've got in this place, but make sure that we're exposed to the things that we see as very good credits and very good quality companies within the within the organization. And then just remind me of your third point.

Sorry, Stéphane.

Stéphane Suchet

Yeah. It was a wrong margin expansion potentially because wholesale funding is more challenging for some of these companies. And in terms of asset quality, what eventual LTVs are quite low? What you see for me, if I may ask.

Katie Murray

Yes, I mean, I guess the way that I would look at this in terms of margin expansion is it's not something I would say is a philosophy overall for the portfolio as an aim for the organization. As each of these trades would be coming up for renewal, we'd be looking that repricing on a case-by-case basis very much linked to the underlying risks that we're covering and the exposures that they have within there.

It wouldn't be, and obviously we would look at that time to the funding that we are paying, but it's not it's not something that we go actually that's the thing that we're going to definitively expand that. They will be priced on an individual basis.

Stéphane Suchet Thank you very much, Katie.

Katie Murray Thanks so much, Stefan. And have a good day.

Operator

Thank you. There are no more questions at this time, so I'd like to hand back to Katie for any closing comments.

Katie Murray

Super. Thanks very much indeed. Just as ever. Thank you very much for joining us this afternoon. We hope that it was helpful and just to be able to touch sides, given the volatility that has been in the markets.

As ever, we also thank you tremendously for your support. We really do appreciate it. And if you've any other further queries or anything you'd like to follow up on, Paul Pybus from our Debt IR is always happy to take your call.

Thanks very much indeed. Take care and enjoy your afternoon and weekend when you get to it.

Operator

That concludes today's presentation. Thank you for your participation. You may now disconnect.