



RedwoodBank
IT'S ABOUT TIME

Half-Year Financial Performance Summary Report

Up to 30th June 2024 (unaudited)

Published: October 2024

2024 Half-year summary

Total assets are £596m
(2023: £569m)

Annualised net interest margin is 4.21% (2023: 5.13%)

CET1 Ratio is 15.2%
(2023: 15.9%)

Foreword from the CEO

Redwood Bank has delivered a strong performance in the first half of 2024 with profit before tax of £2.0m (H1 2023: £2.8m), despite a challenging domestic economic environment.

The Bank has grown both its lending and savings balances during the period, with total lending balances now standing at £449m (December 2023: £414m). In particular, the Bank grew its fixed rate residential lending balances to £141m (December 2023: £81m), at a time when the Bank of England Base Rate is considered to be at the peak of the current interest rate cycle, positioning the Bank well for declining interest rates. Investment in systems and people has continued as the Bank has remained focused on its mission to provide products and services to SMEs in the UK. The Bank has continued to maintain strong capital ratios to mitigate against the uncertain current macro-economic environment.

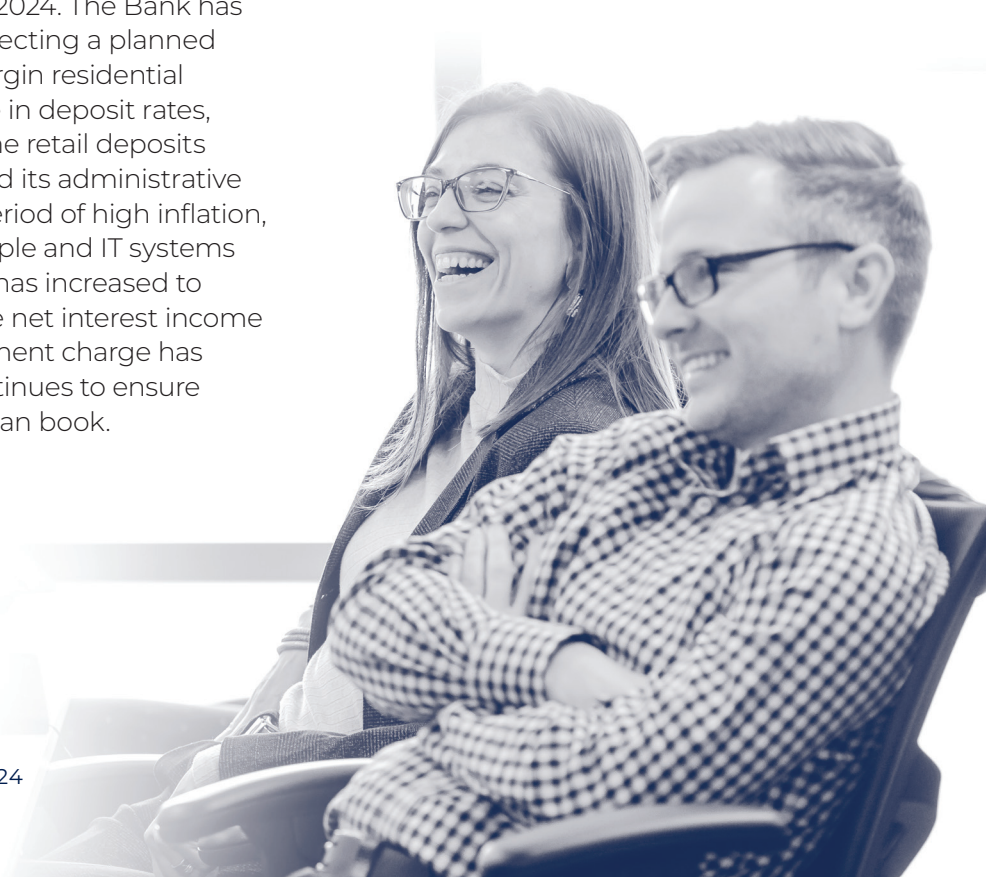
GARY WILKINSON,
CEO and Co-Founder



Half-Year Financial Performance – Profitability

Profit & Loss £000s	Six months Ended 30 June 2024	Six months Ended 30 June 2023	12 months Ended 31 December 2023
Interest Income	24,574	21,515	46,124
Interest Payable	(11,161)	(7,334)	(17,295)
Net Interest Income	13,413	14,181	28,829
Administrative Expenses	(10,950)	(10,683)	(20,510)
Operating Profit before Impairment Charge	2,463	3,498	8,319
Impairment Charge on Loans and Advances to Customers	(433)	(669)	(2,782)
Profit Before Tax	2,030	2,829	5,537
Tax Charge	(508)	(665)	(1,333)
Profit for the Period	1,522	2,164	4,204
Cost Income Ratio	79.9%	75.3%	71.1%
Net Interest Margin	4.21%	5.13%	4.79%

Profit before tax for the half year is £2.0m (2023: £2.8m). During the first half of 2024 the annualised net interest margin reduced from 5.13% in June 2023 to 4.21% in June 2024. The Bank of England Base Rate has been sustained at a rate of 5.25% during H1 2024. The Bank has experienced margin compression, reflecting a planned shift to an increased level of lower margin residential property lending, and also an increase in deposit rates, reflecting increasing competition in the retail deposits market. The Bank has, however, limited its administrative cost increases to only 2.5% during a period of high inflation, while it has continued to invest in people and IT systems and processes. The cost income ratio has increased to 79.9% (H1 2023: 75.3%), mainly because net interest income has declined year on year. The impairment charge has reduced by 35% year-on-year and continues to ensure sufficient provision coverage for our loan book.



Half-Year Financial Performance – Balance Sheet

Balance sheet £000s	As at 30 June 2024	As at 30 June 2023	As at 31 December 2023
Cash and Cash Equivalents	143,557	155,451	182,745
Other Assets	3,120	1,879	1,995
Loans and Advances to Customers	448,592	410,861	413,983
Deferred Tax Asset	332	777	332
Total Assets	595,601	568,968	599,055
Amounts Due to Banks	25,226	37,996	38,068
Customer Deposits	507,358	472,714	499,967
Other Liabilities	4,941	3,744	4,468
Subordinated Debt	9,000	9,000	9,000
Total Liabilities	546,525	523,454	551,503
Share Capital and Premium	47,923	47,923	47,923
Reserves	1,153	(2,409)	(371)
Total Equity	49,076	45,514	47,552
Total Equity and Liabilities	595,601	568,968	599,055
CET1 Ratio	15.2%¹	15.9%	16.0%

The Bank has grown its lending book by 8.4% over the past six months. Following the PRA's decision to grant the Bank permission¹ to include the 2024 half year profits in Common Equity Tier 1 (CET1), capital has increased from 15.2% to 15.6%, which provides the Bank further headroom to grow and weather headwinds that the current macro-economic environment may generate. The Bank currently holds impairment provisions totalling £4.7m, or 1.04% (December 2023: 1.57%) of total lending, which have reduced as a number of impaired loans have been successfully removed from the balance sheet.

1. CET1 Ratio has increased to 15.6% post 2024 half year profit verification on 1st October 2024 in accordance with Article 26(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law (the "CRR").



Economic environment

CPI inflation is now within the range of the BoE target rate of 2.0%, and the Base rate has reduced by 0.25% to 5.0% in August 2024, with an expectation for rates to fall further over the next two years. Whilst we expect this to have a positive impact on our customers' ability to service their loans, we remain cautious with respect to market conditions, and will continue to provide support to them where required.

