



**RedwoodBank.**  
IT'S ABOUT TIME



# Performance Summary

For period ended **31 December 2022**



# Contents

Board members.....	3
Business review.....	4
About us.....	5
Our values.....	5
Our products.....	6
Performance highlights.....	8
Our customers.....	11
Key financials.....	13
Our people and culture.....	15
Intermediaries.....	17
Our community.....	19
Company information.....	21

A photograph of two men in a grassy field. The man in the foreground is seen from the back, wearing a white polo shirt with the text 'IT'S ABOUT TIME' printed in blue on the back. He is looking down at a large, dark, cylindrical object, possibly a piece of machinery or a log. Another man is visible in the background, looking towards the same object. The scene is brightly lit, suggesting a sunny day.

IT'S ABOUT TIME



## Board members



**Mark Winlow**  
Non-Executive Director and  
Chairman



**Robert Endersby**  
Non-Executive Director and  
Chair of Risk Committee



**Gary Wilkinson**  
Chief Executive Officer and  
Co-Founder



**Jerry Loy**  
Non-Executive Director  
and Chair of Audit and  
Compliance Committee



**Brian Mulholland \***  
Chief Financial Officer

\* resigned 7 August 2022



**Maria Darby-Walker**  
Senior Independent  
Non-Executive Director  
and Chair of Remuneration  
Committee



**Rajesh Khosla \***  
Chief Risk Officer

\* appointed 7 April 2022



**John Lowe**  
Non-Executive Director



**Ashraf Piranie \***  
Chief Financial Officer and  
Executive Director

\* appointed 4 April 2023

**At Redwood Bank we are  
tireless in seeking to build a  
high achievement culture.**





# Business review

**Redwood Bank reports continued growth and profitability through the economic cycle signalling the quality of the Bank's proposition.**

## **Challenging environment for growth**

The market rapidly shifted away from the previous low interest rate environment, driven by rising inflation due to the long-term impact of Brexit, the Russian invasion of Ukraine and the subsequent cost-of-living crisis.

We remained steadfast in our values and commitment to supporting UK SMEs, growing the balance sheet and delivering strong financial results, with a profit before tax for the 2022 financial year of £2.3m (2021: £2.2m).

## **Strength of proposition**

We are a specialist Bank that thrives on complexity. The customers we serve trust us because we are open to creating solutions instead of adopting a one-size-fits-all approach. Our expert and professional underwriting team ensures we deliver decisions made by people not algorithms. Our speed and strength of loan commitment give certainty in an uncertain market. Finally, we are bespoke. We know each case is different and that's how we treat them. Pricing is tailored to deliver the flexibility our customers need.

## **Investing for growth**

To continue delivering a customer-focused experience, we have invested in our core banking platform to enhance resilience and scalability. As customer numbers increase, further investments will be made to ensure ongoing efficient customer journeys.



# About **Redwood** Bank

Redwood Bank is a specialist British business bank established to offer a real alternative for small and medium-sized organisations looking to make sure that their properties and cash work harder for them.

## Our **values**



### **Integrity**

It's about treating people as you'd like to be treated.



### **Certainty**

It's about reassurance that, finally, you're in the right place.



### **Tireless**

It's about a genuine passion for our customers' success.



### **Simplicity**

It's about not hiding behind the asterisk.

## **Mission** statement

Our mission is to become the UK's best, go to, **specialist business bank**, working tirelessly to provide our SME customers with simple, clear products and fast decisions that allow their businesses to grow.



# Our products

We are *the* British business bank delivering for small and medium-sized organisations. Our range of products has been carefully created to deliver certainty, flexibility and stability for British businesses.

## Lending

We are specialists. We thrive on the complex, and it's part of our DNA to make the complicated simple via our manual underwriting carried out by experienced professionals.

We provide secured property loans mainly to professional landlords, including those frustrated with the time it takes to get a decision from other lenders. Our personal approach and customer-focused commitment is what keeps us one step ahead of our competitors.

Speed remains an important part of our service, so we provide credit-backed terms earlier to our customers, giving them greater reassurance. Other lenders tend to give an immediate Agreement in Principle (AIP) but subsequently want more information which can increase the risk that the deal stalls or drops away.

We are proud to be different from the mainstream market and support our customers by providing certainty through:

- A flexible approach to loan terms
- Expert and professional human underwriting
- Speed of loan commitment
- Bespoke customer pricing



Mortgages for professional landlords



Mortgages for business owners



Mortgages for property refurbishment





## Savings

We are award-winning. Our business savings accounts are competitive, straightforward and easy to access.

Our range of notice accounts and bonds supports businesses and charities to grow their savings with terms that suit the needs of the organisation, enabling them to make their cash work harder.

Following rigorous product monitoring across the market, we secured our fourth consecutive win at the Business Moneyfacts Awards for Best Business Variable Rate Deposit Account Provider.



Best Business Variable Rate Deposit Account Provider



We value our customers' time and make sure our products are available instantly online.





# Performance highlights

Our strength in being a specialist Bank was evident in 2022 as, despite the macroeconomic environment, the Bank continued to grow and invest in the business while maintaining profitability, with a profit before tax of £2.3m (2021: £2.2m). This was driven by an increase in net interest income of £5.7m, offset by an increase in the impairment loss charge of £2.5m and an increase in administrative costs of £3.1m. Operating profit before impairment more than doubled to £4.8m (2021: £2.2m) driven by growth in the loan book and an improvement in net interest income. The Bank delivered a net interest margin of 3.65% (2021: 3.00%) during the year. Administrative costs increased by 25% to £16.1m, reflecting investment in the Bank's infrastructure, processes, controls and resources, as the Bank enters the next phase of its development.

Throughout the pandemic, and continuing in the period which followed, which experienced a rise in inflation, the long-term impact of Brexit, the Russian invasion of Ukraine and the cost-of-living crisis, Redwood has remained very much open for business with a strong appetite to lend.

Taking advantage of our market positioning, investing in our people and in developing our scalable and resilient infrastructure, have allowed us to support a customer base of more than 5,000 British SMEs.

## Growth in 2022



## Profit before tax







# Our lending proposition

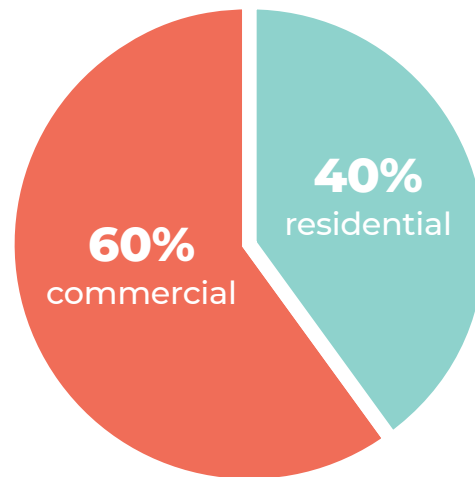
## Residential lending

In supporting UK professional landlords, our residential investment mortgages (including Buy to Lets and Houses in Multiple Occupation) were impacted by an increased interest-rate environment driven by increased customer demand for fixed rates and lower interest only coverage ratios. In response, we launched our first fixed rate, capital and interest or interest only, two- and three-year mortgages, to ensure customers were supported through the challenging economic conditions. Our interest only offering was extended to cover a lifetime period of up to 30 years.

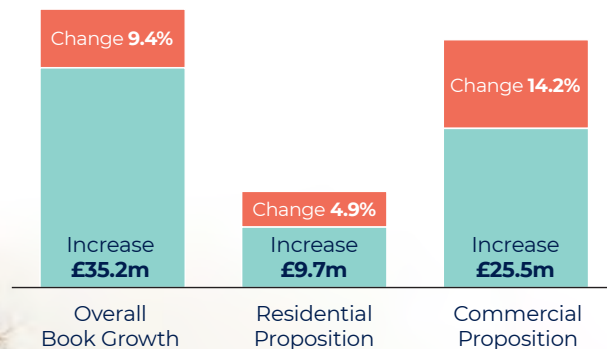
## Commercial lending

In our commercial investment and owner occupier mortgages we saw a 14.2% increase in portfolio growth. Our commitment to consider complexity, and having a strong broker network and competitive product offering, fuelled this growth. Our two- and three-year fixed rate products were also made available for commercial mortgages.

## Net drawdowns in 2022



## Book performance





# Our saving proposition

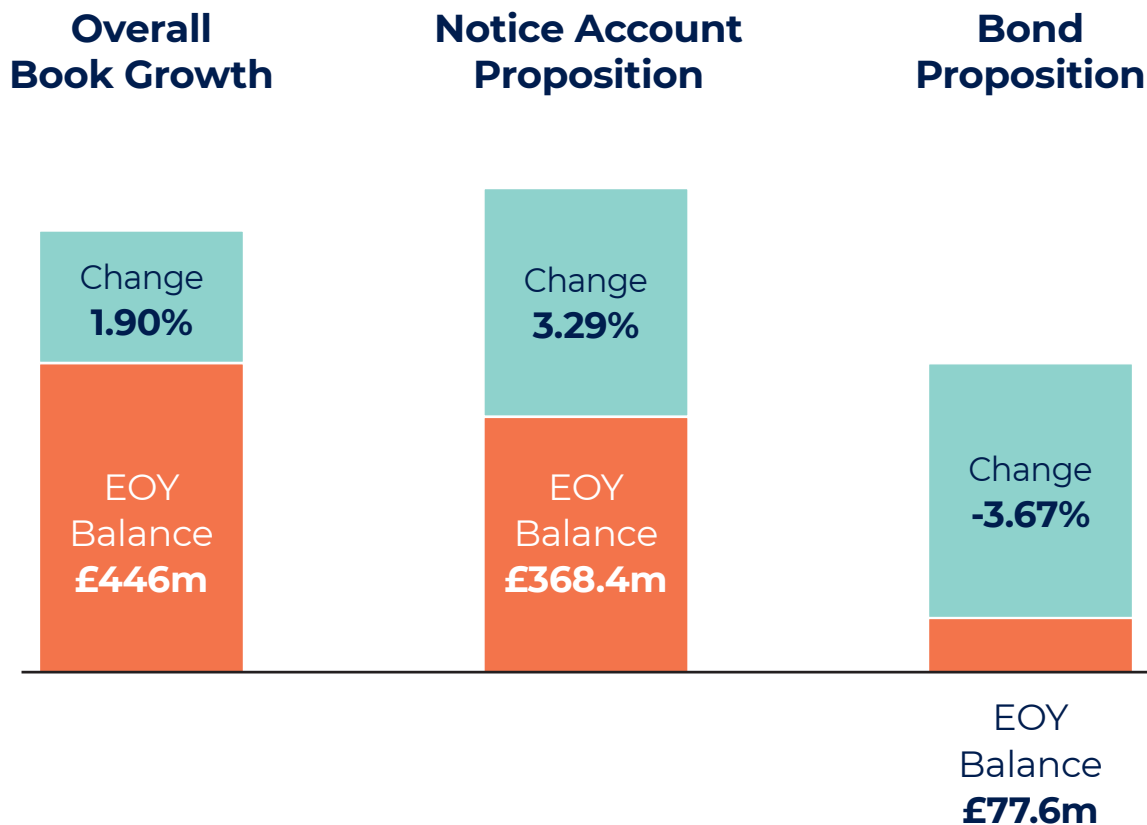
With nine consecutive base rate rises in 2022, we continued to reward savers and ensure their cash worked harder.

## Notice accounts

The increased interest-rate environment drove customers to seek higher-rate and longer-dated products. However, our 35- and 95-day notice accounts continued to perform well, with 83% of our deposits held in notice accounts.

## Fixed term bonds

The launch of the two-year bond in October 2022 supplementing our one-year bond, expanded our product offering and boosted customer retention, providing customers with greater assurance against a volatile market environment.

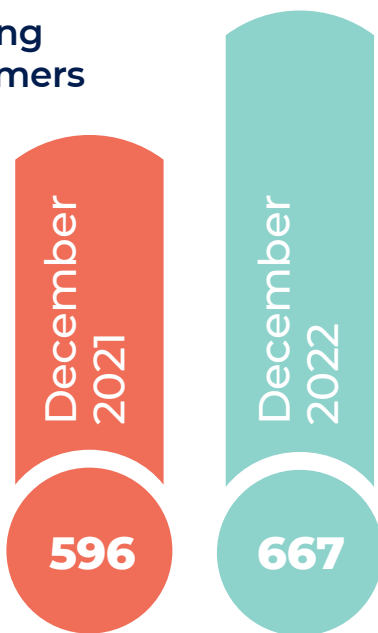




# Our customers

We are passionate about our customers and proactively monitor customer sentiment through monthly surveys. This ensures we remain consistently agile in our approach for British businesses.

## Lending customers



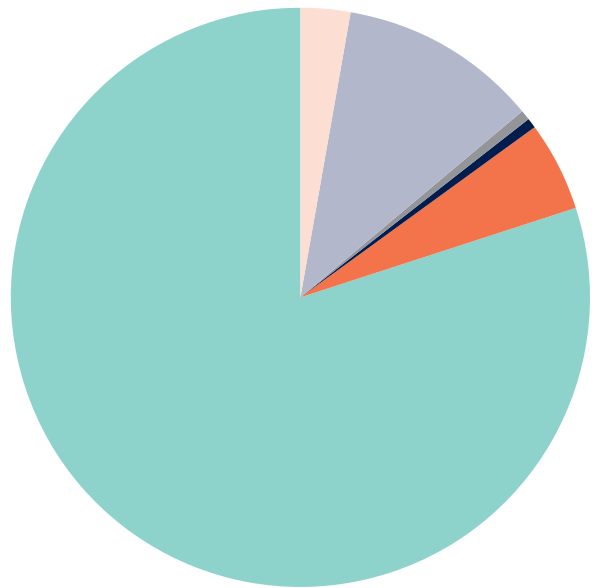
**+11.9%**

increase in lending customers

## Reasons for borrowing

The National Association of Commercial Finance Brokers (NACFB) Annual Survey revealed that of the primary reasons SMEs borrowed in 2022, 88% were driven by growth ambitions, whereas only 12% of borrowing was for reasons that imply more distressed factors.

### Primary rationale\*

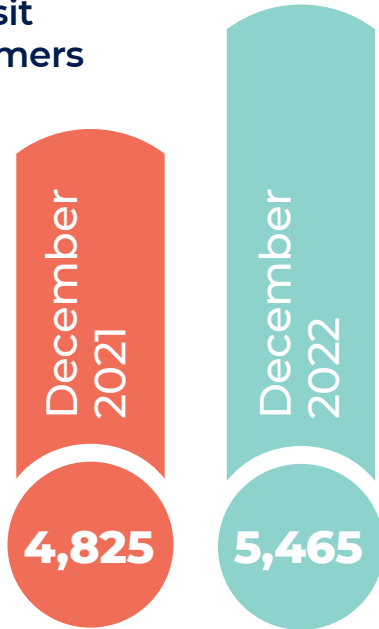


- 3% Improve operational efficiencies
- 11% Maintain daily operations
- 0.5% Prevent insolvency
- 0.5% Save jobs
- 5% Product/service innovation
- 80% Acquire property/assets

\* Source - NACFB Annual Survey 2022



### Deposit customers



**+13.2%**

increase in deposit customers

### Deposit customer feedback

**93.8%** overall satisfaction

**95.4%** likelihood to recommend



# Key financials

## Statement of profit and loss

For the year ended 31 December 2022

	Year ended 31/12/2022	Year ended 31/12/2021
	£	£
Interest receivable	28,087,329	19,924,820
Interest payable	(7,219,223)	(4,789,284)
<b>Net interest income</b>	<b>20,868,106</b>	<b>15,135,536</b>
Administrative expenses	(16,105,258)	(12,922,871)
<b>Operating profit before impairment charge</b>	<b>4,762,848</b>	<b>2,212,665</b>
Impairment charge on loans and advances to customers	(2,496,977)	(38,873)
<b>Profit before tax</b>	<b>2,265,871</b>	<b>2,173,792</b>
Tax (charge)/credit	(468,257)	1,910,683
<b>Profit for the year</b>	<b>1,797,614</b>	<b>4,084,475</b>
Other comprehensive income:		
Movement in available-for-sale investments	32,241	(69,078)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>32,241</b>	<b>(69,078)</b>
<b>Total comprehensive income</b>	<b>1,829,855</b>	<b>4,015,397</b>

## Statement of financial position

As at 31 December 2022

	2022 £	2021 £
<b>Assets</b>		
Cash and balances at central banks	84,018,745	105,308,945
Treasury bills and gilts	49,958,358	49,938,351
Other assets and prepayments	853,781	652,247
Loans and advances to customers	403,371,972	369,798,691
Tangible fixed assets	166,207	182,226
Intangible fixed assets	448,996	182,069
Deferred tax assets	1,442,426	1,910,683
<b>Total assets</b>	<b>540,260,485</b>	<b>527,973,212</b>
<b>Liabilities</b>		
Amounts due to banks	37,862,456	37,611,747
Customer deposits	447,173,300	438,038,613
Other liabilities and accruals	2,898,770	1,826,748
Subordinated debt	9,000,000	9,000,000
<b>Total liabilities</b>	<b>496,934,526</b>	<b>486,477,108</b>
<b>Issued capital and reserves</b>		
Called up share capital	111	111
Share premium reserve	47,922,405	47,922,405
Available-for-sale reserve	(21,961)	(54,202)
Retained earnings	(4,574,596)	(6,372,210)
<b>Total equity</b>	<b>43,325,959</b>	<b>41,496,104</b>
<b>Total equity and liabilities</b>	<b>540,260,485</b>	<b>527,973,212</b>



## Our **people** and culture

We are a team of talented individuals who make a genuine difference to the future of business lending and savings. As the market becomes increasingly competitive, we know that we have an advantage. Our people differentiate us.

Our values and behaviours ensure we:

- Continuously improve performance
- Further professional development
- Recruit and retain talented people

A Diversity, Equity and Inclusion (“DE&I”) group was established in 2022 to further support our active initiatives and policies already in place, and to ensure that we continue to provide equal opportunities to all.

We continued to invest in the people that power us and grew our team by 18%.



Employee word cloud from Financial Services Culture Board (FSCB) survey 2022





## Women in Finance Charter

The Bank is committed to providing a workplace culture characterised by inclusivity, building on a foundation of respect and an appreciation of diversity. We aspire to achieve an appropriate gender-balanced and diverse workforce and are fully committed to having more females in senior positions.

We saw a positive trajectory in the proportion of women in senior management roles, increasing from 20% in 2019 to 34.5% at the end of December 2022.

The Bank promotes the fact that it is a signatory to the Women in Finance Charter and has achieved its Charter target of having at least 30% female representation at “Senior Management Level”, this being defined as members of the Board and Executive Committee and Heads of Departments. The Bank is committed to maintaining the Charter target of 30% and sees this as a minimum threshold.

## FSCB Survey

In June 2022, the Bank participated in the Financial Services Culture Board (FSCB) Employee Survey for the fifth successive year, with 22 other banks and other firms.

### Results

- **84%** staff response rate
- First quartile in four out of the **36** overall questions
- Second quartile for **18** of the questions

Employees across the Bank continue to describe the Bank as ‘friendly’, ‘supportive’ and ‘flexible’, closely followed by ‘growing’ and ‘caring’, while ‘busy’ continued to remain in the top 10 answers.



Growth in number of staff

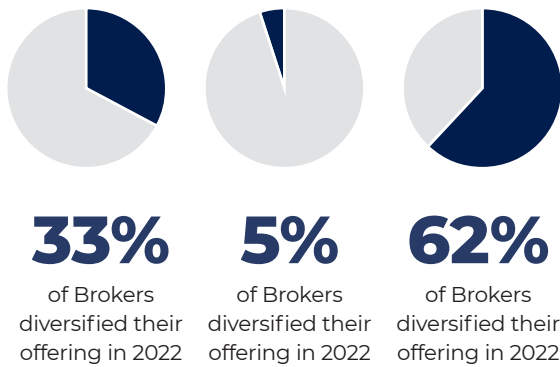




# Intermediaries

Our market is complex. That's why we work with, and have a diverse portfolio of, specialist brokers. They know our customers; they understand the challenges and they drive our business. This underlines the strength of our business model.

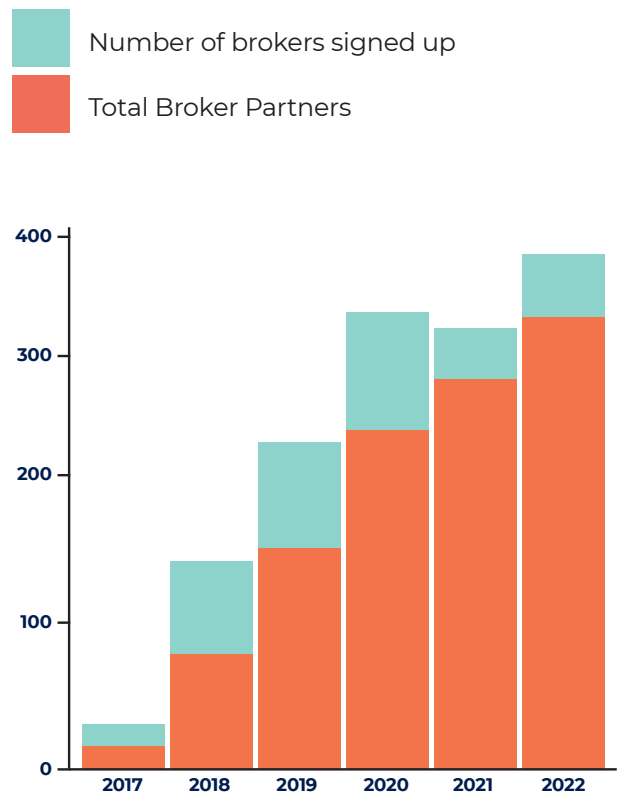
We help customers to take advantage of new property opportunities and work with specialist organisations, such as the National Association of Commercial Finance Brokers and The Financial Intermediary and Broker Association, to ensure we're growing our network annually. Brokers are a key sales channel for Redwood Bank and deliver more than 90 per cent of our business.



Source - NACFB Annual Survey 2022

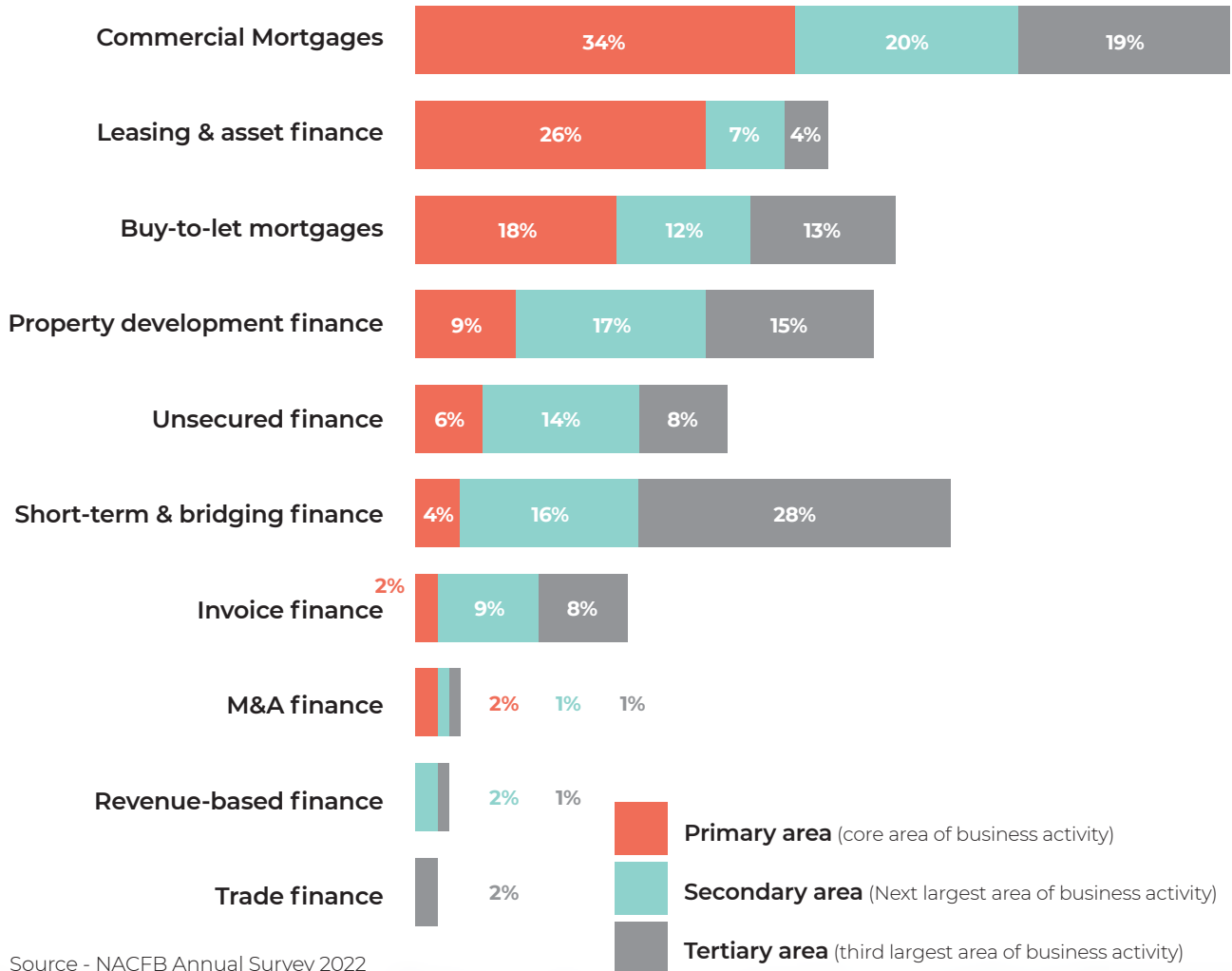
## Annual growth of brokers/intermediaries

We value quality over quantity when it comes to our broker network. Our infrastructure delivers the complex deals that don't fit the banality of the rest of the market. That's why we value and invest in the sustainable growth of our network.





## Broker market specialism



Source - NACFB Annual Survey 2022





# Our approach to **environmental, social and governance (ESG)**

The environmental, social and governance (ESG) agenda is key to the Bank and its Board, and during the year we appointed a senior executive member of the team to the role of Director of Sustainability, emphasising the importance that the Bank places on this.

Our ESG principles:

- To be committed to our society, locally and nationally
- To apply responsible governance across the business
- To be a responsible and responsive employer
- To champion colleague development and potential at all levels
- To champion sustainability by becoming carbon neutral and integrating sustainability into our business
- To expand and apply responsible banking in all that we do and be a good corporate citizen
- To treat customers impartially through fair, and transparent products
- To support SME growth through access to appropriate products

## Climate and the environment

Climate change is one of the most significant challenges facing society. The Bank is focusing on a proactive approach to its environmental responsibilities through its strategic aims in respect of the transition to net zero, but also in supporting customers, colleagues and our wider community. While Redwood does not operate traditional branches and, as such, avoids the environmental impact of operating a large network, it does recognise that its operations will still have an impact on the global climate crisis and the production of carbon emissions. The Bank is focusing on how it can reduce its carbon footprint and has created a climate change team that is dedicated to reducing harmful carbon emissions and general waste that negatively impact our environment.



*Redwood Bank supporting the Queen's Green Canopy initiative in Hertfordshire.*





## Social and community

The Bank introduced a new charitable donation plan in 2022 and was proud to support two main chosen charities; PoetsIN (a mental health support organisation) and The Queen's Green Canopy. Close to £20k was donated during the year across a number of charities and community events.

## Governance

Redwood is committed to achieving and delivering consistently high corporate standards that are part of a robust governance structure, with clear and transparent individual lines of Board responsibility. This is supported by relevant committee oversight, with individual statements of responsibilities that comply with the regulatory Senior Managers Certification Regime. Our continued commitment to sustainability will help define the Bank's purpose and mission, which are not concerned with financial returns, but will also consider clear articulation of and action in respect of a positive ESG nature and impact.

We will **champion sustainability** by becoming carbon neutral and integrating sustainability into our business.





# Company information



**Company secretary**

Eleanor Kenny

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