

Saffron Building Society delivers financial performance before exceptional items in line with internal expectations.

The key performance indicators disclosed below are based on the position at 30th June or for the 6-month period ended 30th June, unless otherwise stated.

- **Underlying Profit Before Tax:** £3.7m (2023: £4.9m)
- **Net Interest Income:** £14.5m (2023: £15.5m)
- **Operating Expenses (incl. depreciation):** (£9.9m) (2023: £10.2m)
- **Investment & Transformation Projects:** (£0.7m) (2023: £0.2m)
- **Manex:** 1.46% (2023: 1.51%)
- **Mortgage book:** £1,125m (2023: £1,072m)
- **Funding book:** £1,340m (2023: £1,184m)
- **Liquid Assets:** £307m (2023: £220m)
- **Regulatory Capital:**
 - **Capital Surplus over internal risk appetite:** £25.0m (2023: £18.2m)
 - **CET1 Ratio:** 15.3% (2023: 15.1%)
 - **Total Capital Ratio:** 17.8% (2023: 17.1%)

Retail Funding growth supports another instalment of the TFSME loan to repaid.

The continued growth in retail balances has supported the Society to repay another £30m of the TFSME loan, leaving £130m remaining to be repaid by Q4 2025. The Society has also repaid its original subordinated debt.

We have seen a positive response to the new Corporate savings range with balances increasing £10m since their launch in May. Together with continued growth in retail savings, the Society is well on track to achieve its funding targets for the year.

Mortgage cases slower than anticipated

Historically, mortgages have taken around 3 months to work from application to completion. In 2024, the average time has now extended beyond 4 months, which is linked to conveyancing delays across the wider market. The consequence of slower completions has been to delay the expected growth in mortgage lending.

Underlying P&L performance is on track with one-off items impacting the profitability

Despite lower mortgage lending, net interest income in the period remained in line with expectations, boosted by higher liquidity income leaving underlying profit at the month end at £3.7m.

The Society has recognised a provision of £1.45m due to its participation in a voluntary agreement relating to the administration of a third party, Philips Trust Corporation. The Society also recognised a gain on disposal of £0.4m on the legacy £10m subordinated debt instrument that partially offset the one-off costs discussed above, resulting in an exceptional cost year to date of £1m.

Whilst the Society is anticipating further reductions in interest rates, the timing and scale of them will have an influence on the future financial performance of the Society. Following the general election in early July, we wait to see how the change of government will affect the macro-economic climate and how this plays out through movements in base rate and market yield curves.

Maurice Mills, Chief Financial Officer commented on the results:

“The Society has maintained its growth trajectory, whilst also adjusting to the reducing interest rate environment. The focus for the Society continues to be to protect its Net Interest Margin, to continue to build both Savings and Mortgage balances and to support its systems improvement strategy. The next six months are expected to see stronger competition with institutions looking to lock in higher margins ahead of the anticipated downward trend of interest rates. The Society will continue to balance the needs of our Members with the commercial resilience of the Society.”

Maurice Mills

Chief Financial Officer

Group Income Statement	Period to 30 June 2024 (Unaudited)	Period to 30 June 2023 (Unaudited)	Year Ended 31 Dec 2023 (Audited)
£'000			
Interest Receivable:			
<i>Liquidity</i>	7,412	3,584	9,394
<i>Mortgage</i>	35,608	27,654	64,768
Interest Payable:			
<i>Funding</i>	(28,552)	(15,757)	(41,265)
Net interest income	14,469	15,482	32,897
Net Fees, Commissions & Other Charges	(247)	40	51
Operating Expenses (inc. Depn)	(10,564)	(10,398)	(21,120)
Impairment	68	(272)	(750)
Underlying Profit Before Tax (excl. Fair Value)	3,726	4,852	11,078
Profit/(Loss) on Financial Instruments	404	556	(3,329)
Exceptional Items	(1,050)	-	-
Net Profit before Tax	3,079	5,408	7,749

Group Balance Sheet	Period to 30 June 2024 (Unaudited)	Period to 30 June 2023 (Unaudited)	Year Ended 31 Dec 2023 (Audited)
£m			
Liquid assets	307	220	278
Loans and advances to customers	1,124	1,072	1,133
EIR and equity release fair values	(5)	(28)	(2)
Derivative assets	19	41	21
Tangible fixed assets	6	5	7
Intangible fixed assets	1	1	1
Other assets	4	5	3
Total assets	1,456	1,316	1,441

Shares	1,088	899	1,034
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Deposits	109	73	95
Wholesale/TFSME	143	212	200
Swap Collateral	10	34	7
Derivative liabilities	9	8	14
Other liabilities	5	5	3
Subordinated liabilities	12	10	10
	1,376	1,241	1,363
Reserves	80	75	78
Total Liabilities	1,456	1,316	1,441