

May 2024

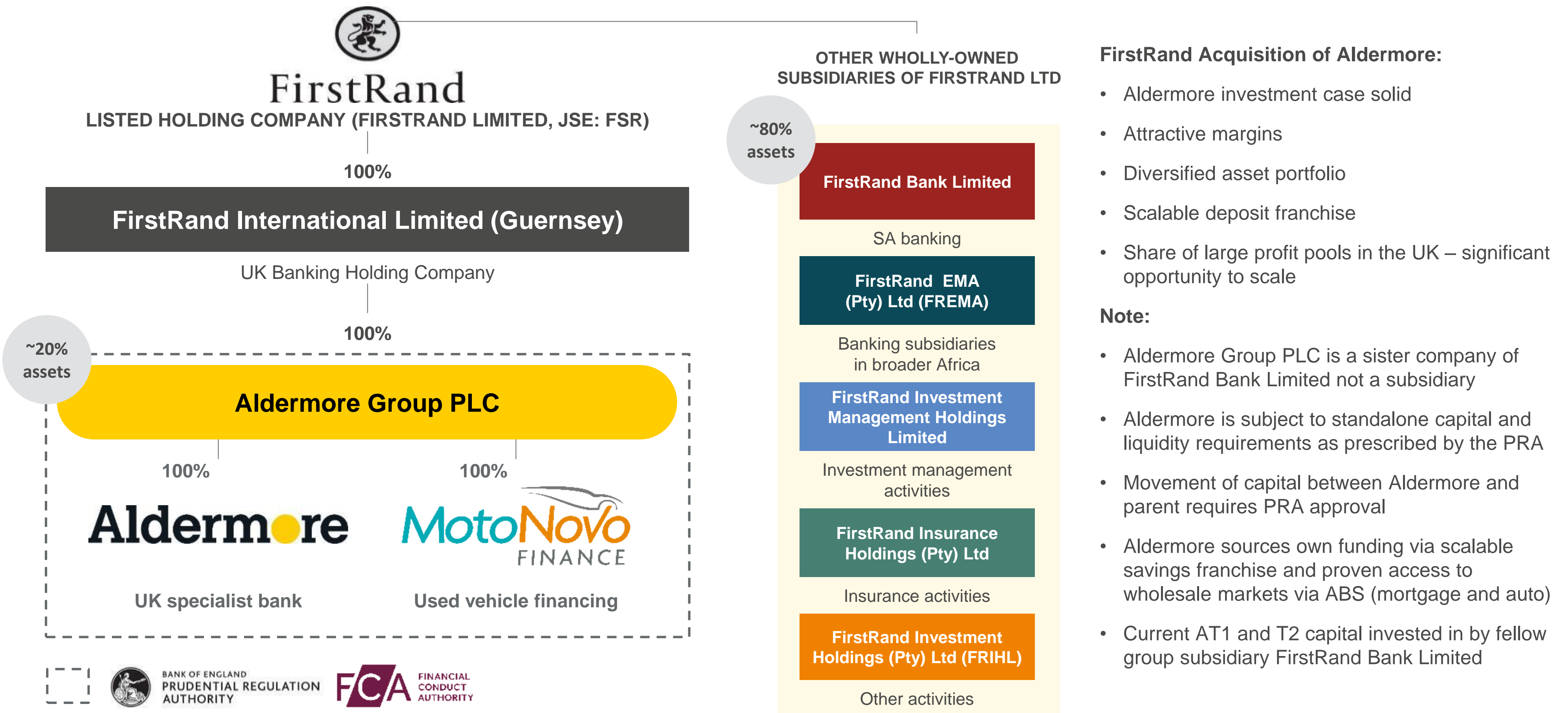
Aldermore Group PLC Credit Update



Overview & Strategy



A Transparent Ownership Structure and Governance



Source: Aldermore Group PLC Data.

A Benefits to Aldermore Group of FirstRand Ownership



Access to **best-in-class financial resource management** disciplines

- Product returns assessed on **marginal, and fully allocated cost** basis
- **Transfer pricing for liabilities** rolled out
- **Consistent pricing framework** and models implemented
- **Earnings volatility** and reporting developed



Close collaboration **across the group**

- Able to **tap technical resources at FirstRand** including Treasury, Risk modelling and Internal Audit
- **FirstRand supporting on key initiatives** such as BCBS239 and ESG strategy
- **Utilise FirstRand expertise to inform and refine strategies** for capital issuance and securitisation
- In **IT**, leverage **info security** expertise, **threat intelligence** and **tooling**



Stable, strongly capitalised and highly liquid parent

- Current AT1 and T2 **capital is internally sourced**
- **Contingent liquidity lines available** if needed to be drawn upon

A Experienced Leadership Team

Executive Directors



Steven Cooper CBE
CEO

Aldermore Group CEO since 2021. Former CEO at C. Hoare & Co. Before this spent 30 years at Barclays, leading several of its major businesses including Barclaycard Business Solutions, Personal Banking for UK & Europe, and UK Business Banking



Ralph Coates
CFO

Aldermore Group CFO since May 2022. Former CFO at TSB for 5 years, Finance Director at the Bank of England, and Finance Director of Barclays UK Retail & Business Bank

Executives



Michelle Mott
Chief Risk Officer

Joined Aldermore in February 2024 from Commonwealth Bank of Australia where she was CRO and Executive GM of the Group's enterprise risk function from 2019



Nick Ulcyz
Chief Operating Officer

Joined Aldermore in January 2022, is responsible for HR, Real Estate, Organisational Effectiveness and Tech. Prior to this he was COO at D&G



Ross Dalzell
MD: Property

Joined Aldermore in October 2022. Previously at Barclays where he was MD for Business Banking Relationships



Richard Jones
MD: MotoNovo

Joined Aldermore in February 2023 from Lloyds Banking Group, where he was CEO of its motor finance and leasing business



Danielle Soto
MD: Savings & Commercial Shared Services

20 years of financial services experience built at Barclays, most recently as MD for Mortgage and Premier Distribution



Tim Boag
MD: Specialist & Structured Solutions

Over 30 years' banking experience, including roles within Corporate & Commercial Banking, Finance and Risk



Ben Taylor
Chief Customer Experience Office





Joined from Virgin Money, where he was Group Operations Director. Over 20 years' experience in customer service and consumer ops



Reg Dhanjal
General Counsel

Over 25 years' experience advising on corporate, commercial, compliance and regulatory matters. Previously at WorldFirst, Ant Group and Partner at Pinsent Masons

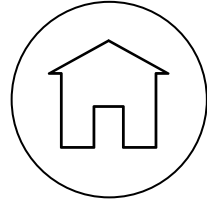
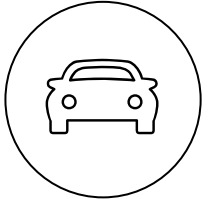

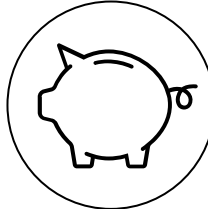
A Strategy for Sustainable and Controlled Growth

 Property	 Motor	 Structured and Specialist Finance	 Savings
<ul style="list-style-type: none">• Focus on delivering personalised relationship management to help professional landlords grow their portfolio• Deliver value in specialist sub-segments of the residential market, including self-employed, complex income and credit repair• Double down on our service proposition and ease of doing business, focusing on our select group of “Platinum brokers”	<ul style="list-style-type: none">• Strengthening core offering to improve returns• Build propositions to support the transition to electric vehicles• Expand into adjacencies where we can offer relevant products and services throughout the customer lifecycle	<ul style="list-style-type: none">• Offer distinctive, specialist lending• Build deep sub-sector expertise to move from broad participation in smaller deals to focused participation in more profitable segments• Realise growth opportunities in renewables and healthcare• Expand presence in Agriculture, Construction and Energy & Infrastructure	<ul style="list-style-type: none">• Expand core capability in the personal/business deposits market to back more people and businesses• Continue to optimise cost of funds, diversification and liquidity• Evolve product propositions to appeal to a broader market and in support of ‘levelling-up’ goals, e.g. younger customers

- Technology** > **Stay ahead with tech stack** and data capabilities
- Efficiency** > **Invest in operating model**, automate and digitise activities
- Talent and culture** > **Build diverse talent pool** and culture
- Capital, risk and funding** > **Careful management** of capital, liquidity and funding

A Purpose-led participation

Present in Markets with Attractive Fundamentals, Requiring Specialist Expertise

	Property Finance	Motor Finance	Structured and Specialist Finance	Retail Savings
				
Addressable Market Size	>£25bn	~£50-60bn	~£50bn	~£60bn
Segment description	Owner Occupied and Buy to Let mortgages	Personal contract purchase and Hire purchase for new and used cars and motorcycles	Asset Finance, Invoice Finance and Commercial Real Estate	Personal and Small Business Savings
Outlook	Steady UK growth with favourable underlying drivers	Relatively fast UK growth with cyclical upturn anticipated	Growing UK market, benefiting from post-pandemic rebound	Relatively fast-moving market given current economic rates environment
Go-to-market	Heavily intermediated, broker led model	Dealership model drives significant share of deal flow	Heavily intermediated, broker led model	Simple and convenient online account opening and servicing
Critical Success Factors	Profitably grow in existing markets and adjacent sub segments Expansion into sustainable property financing	Grow in core market and improve returns Capitalise on Electric Vehicle market transition and associated ecosystems	Increased transaction size, leverage bigger opportunities with mid-sized enterprises Grow in renewables and healthcare	Aim to be competitive on price but not leading the market

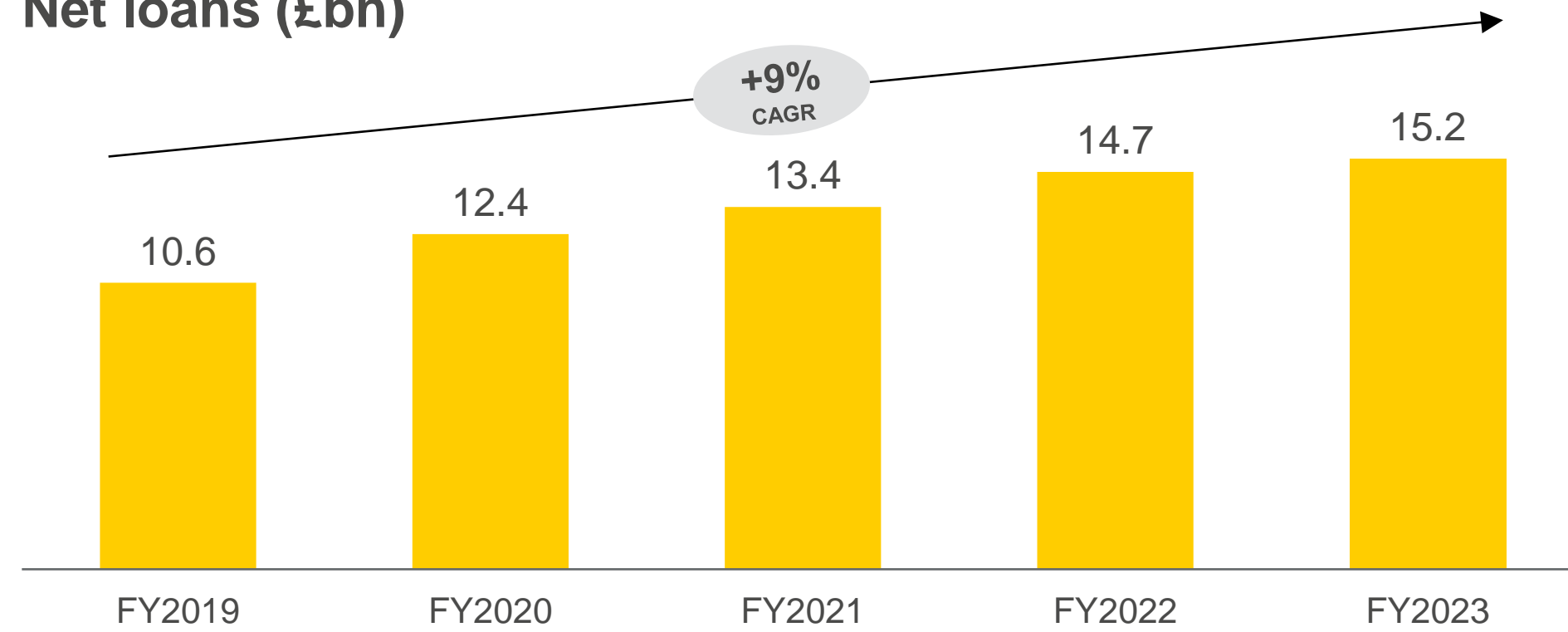
A Our Approach to ESG and Sustainability



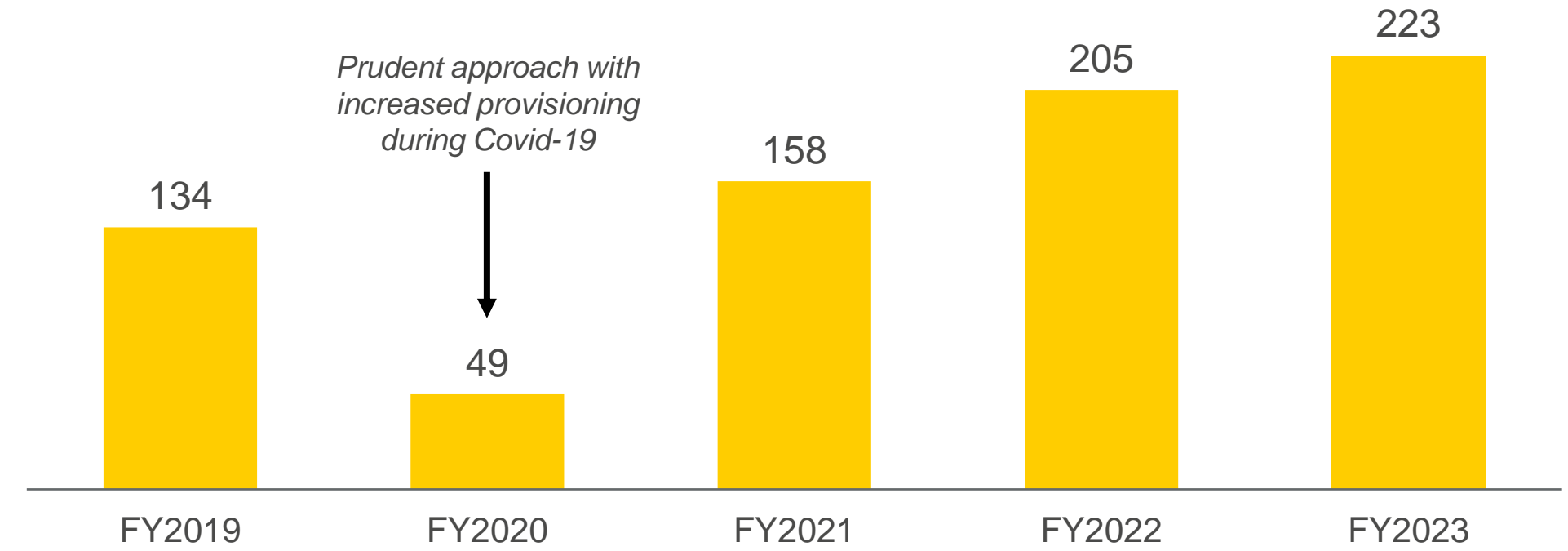
- In May 2021 we aligned with the UK Purpose Goals and became principal partner for Goal 7: Widening Access to Savings & Credit.
- In October 2022 we became a signatory to the United Nation’s **Principles for Responsible Banking** and in March 2024 we published our first progress report.
- In November 2022 we published our first **annual 'Report to Society'** detailing how our strategy and purpose is delivered through core business activities to create positive impact for stakeholders.
- In **September 2023 we completed our first TCFD report** outlining our approach to Climate Risk and Net Zero target setting.
- In Summer 2023, as one of the leading members of the **Equality of Opportunity Coalition**, we incorporated 4 questions within our self-serve data portal to help measure and benchmark the socio-economic background of all colleagues, with completion currently at 40%.

A Track Record of Sustainable Profitable Growth and Financial Position

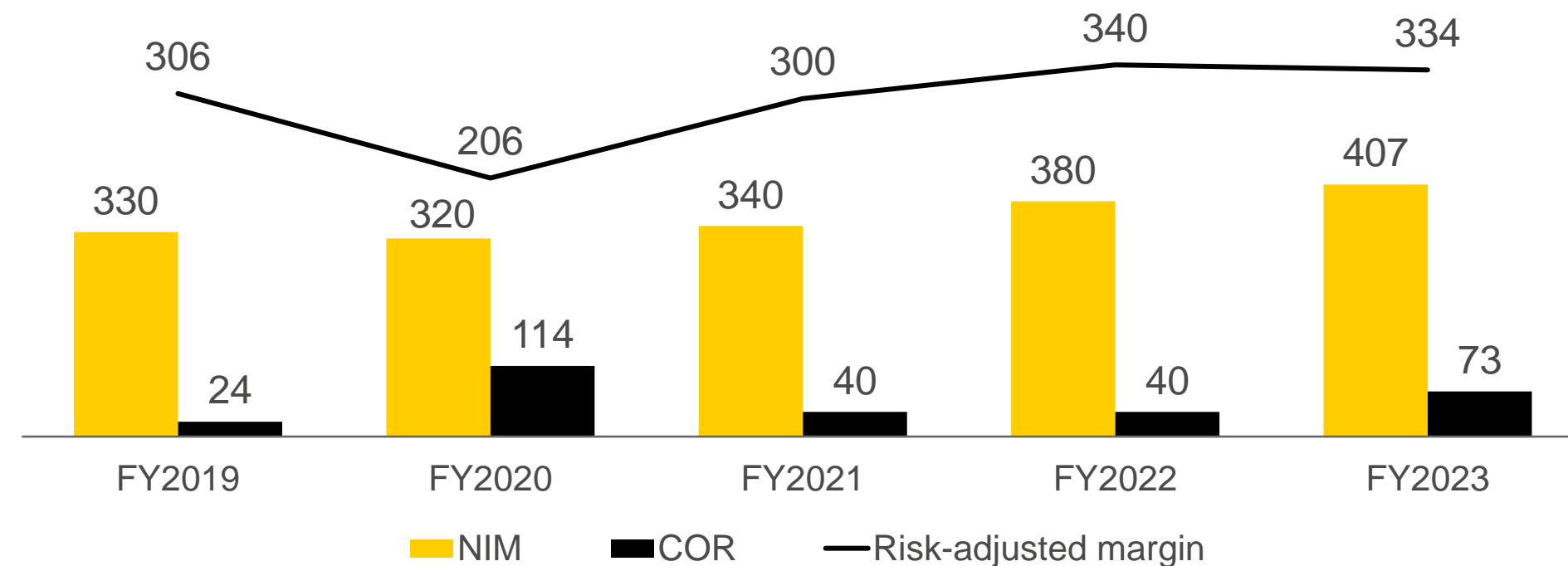
Net loans (£bn)



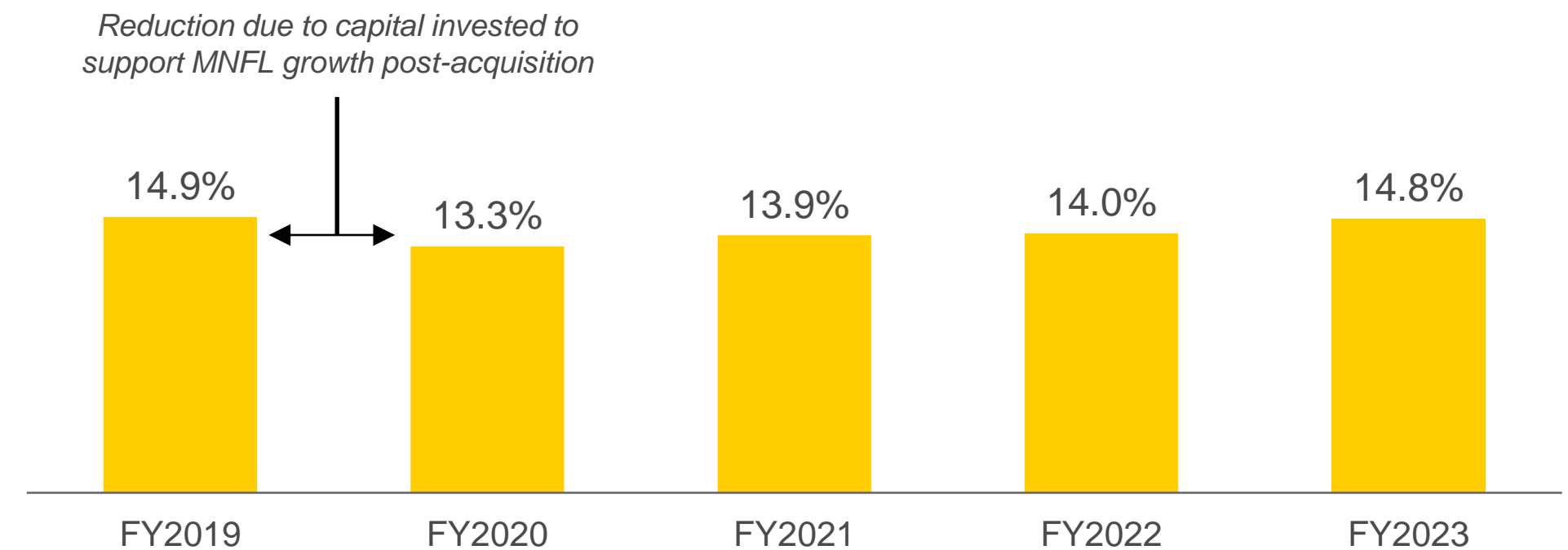
Profit before tax (£m)



Risk-adjusted margin (bps)



CET1 ratio¹ (%)



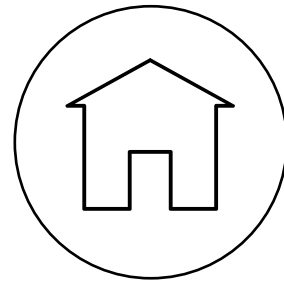
1. Calculated on an IFRS9 transitional markets basis, including verified profits
Source: Aldermore Group PLC financial results.

A Diversified Portfolio and Established Position in the UK Market

£15.2bn

Financial Highlights – 12 months to 30 June 2023

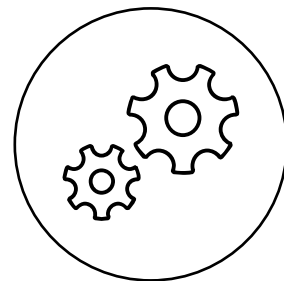
Property Finance



Owner Occupied (16%)

Buy to Let (33%)

Structured and Specialist Finance

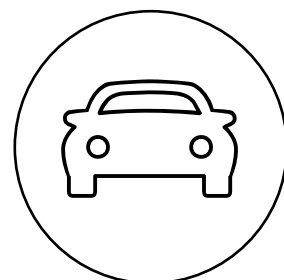


Asset Finance (12%)

Invoice Finance (3%)

Commercial Real Estate (8%)

Motor Finance



Motor Finance (28%)

Aldermore Net Loans FY23

Profit Before Tax

£222.5m

+9% YoY

Pre-provision Operating Profit

£335.8m

+28% YoY

Net Interest Margin

4.07%

+0.28% YoY

Cost-to-Income ratio¹

49.5%

-4.1% YoY

Return On Equity

12.0%

-0.4% YoY

CET 1 Ratio²

14.8%

+0.8% YoY

Cost of Risk

0.73%

+0.33% YoY

Net Lending

£15.2bn

+3% YoY

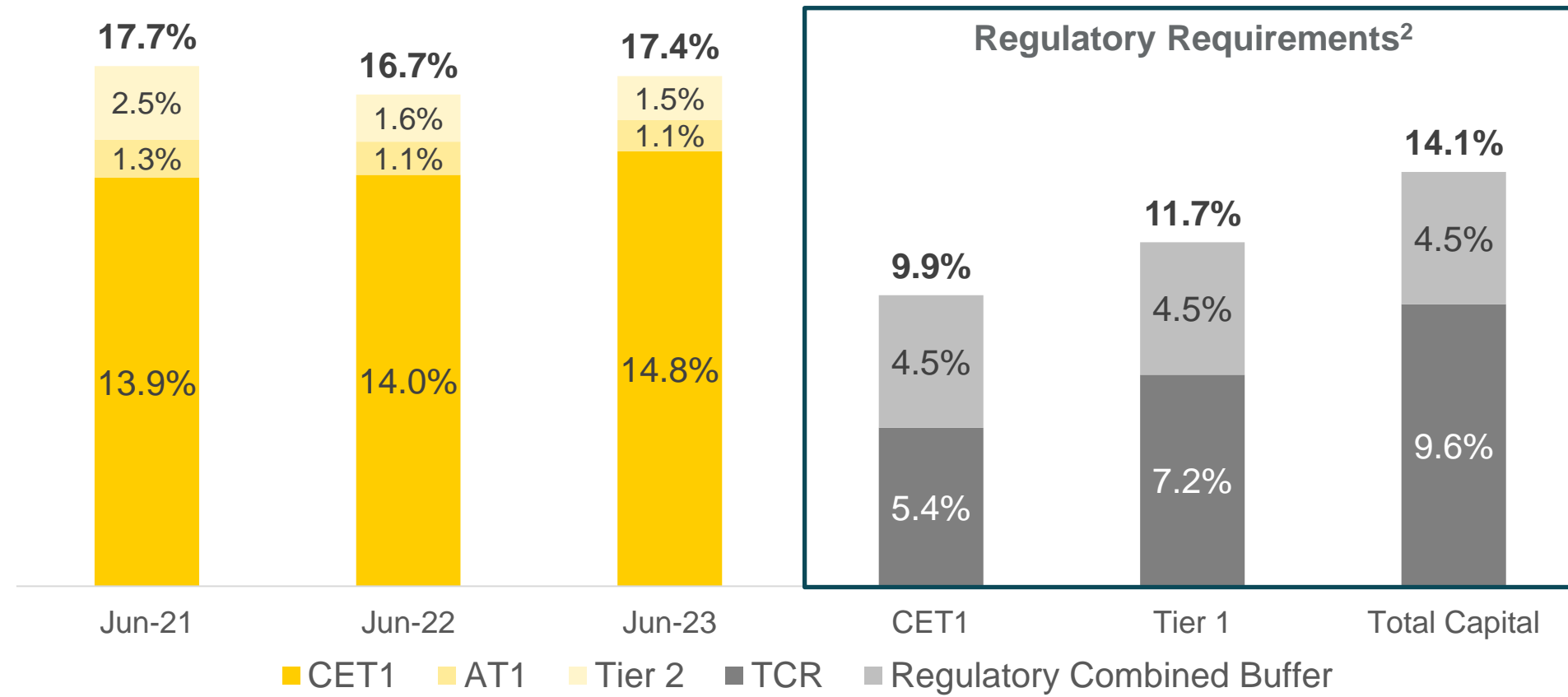
Customer Deposits

£15.0bn

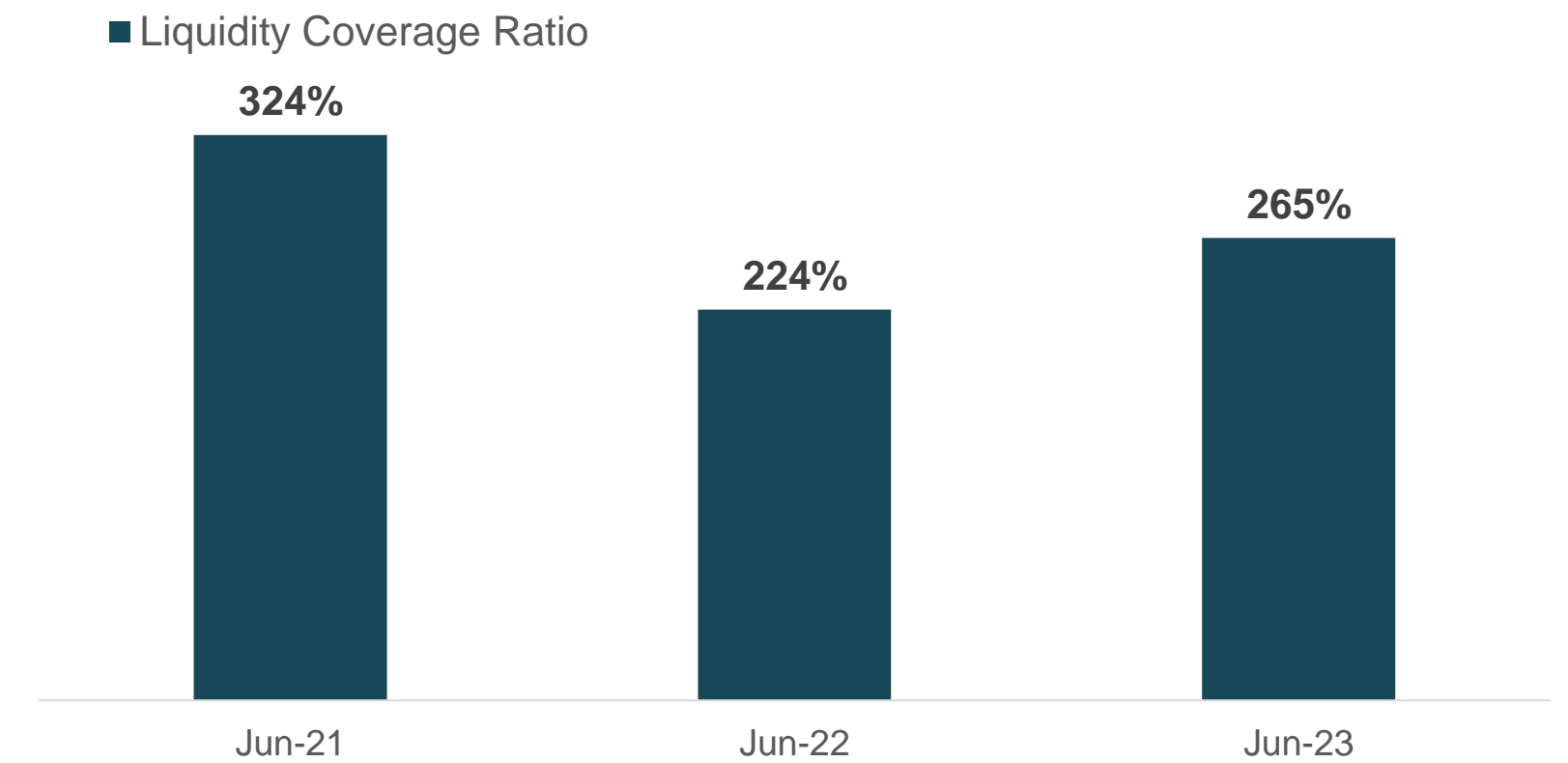
+7% YoY

A Conservative Capital and Liquidity Management

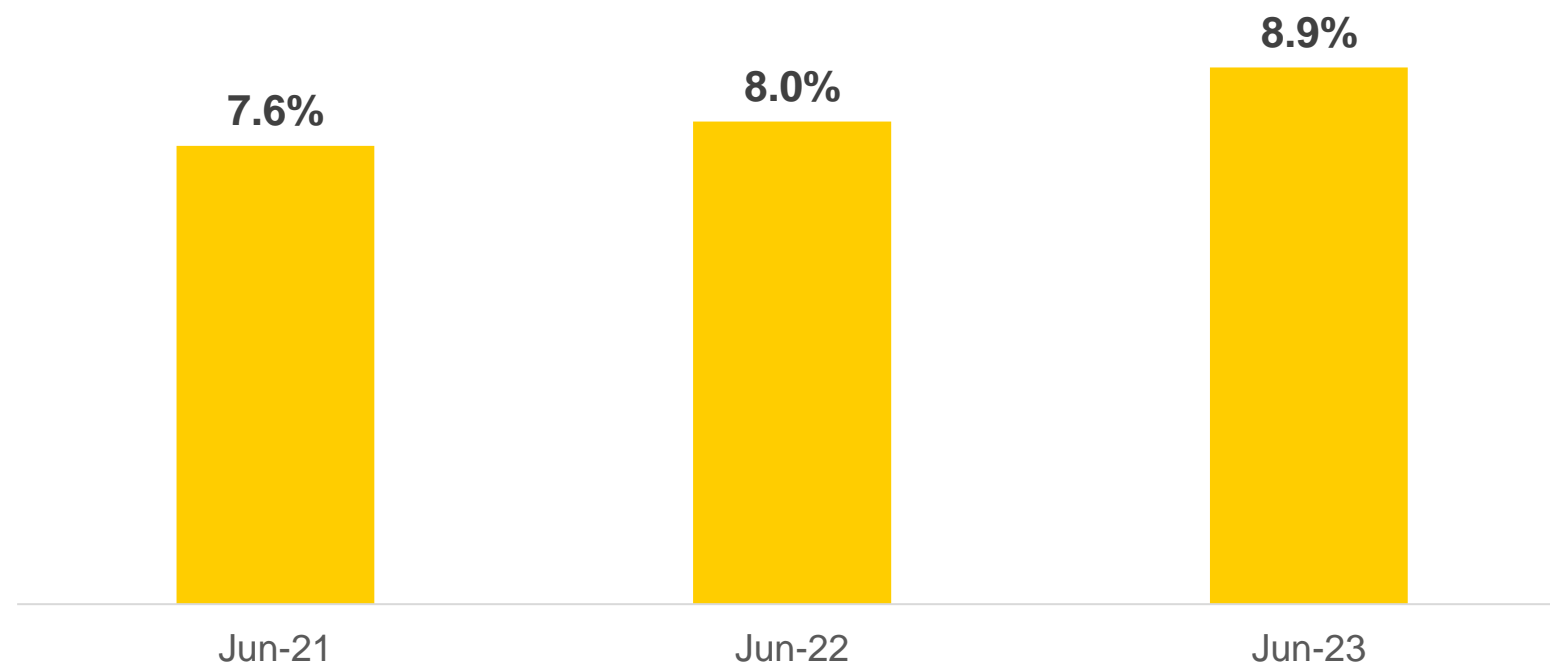
Capital Ratios¹ (% of Risk-Weighted Assets)



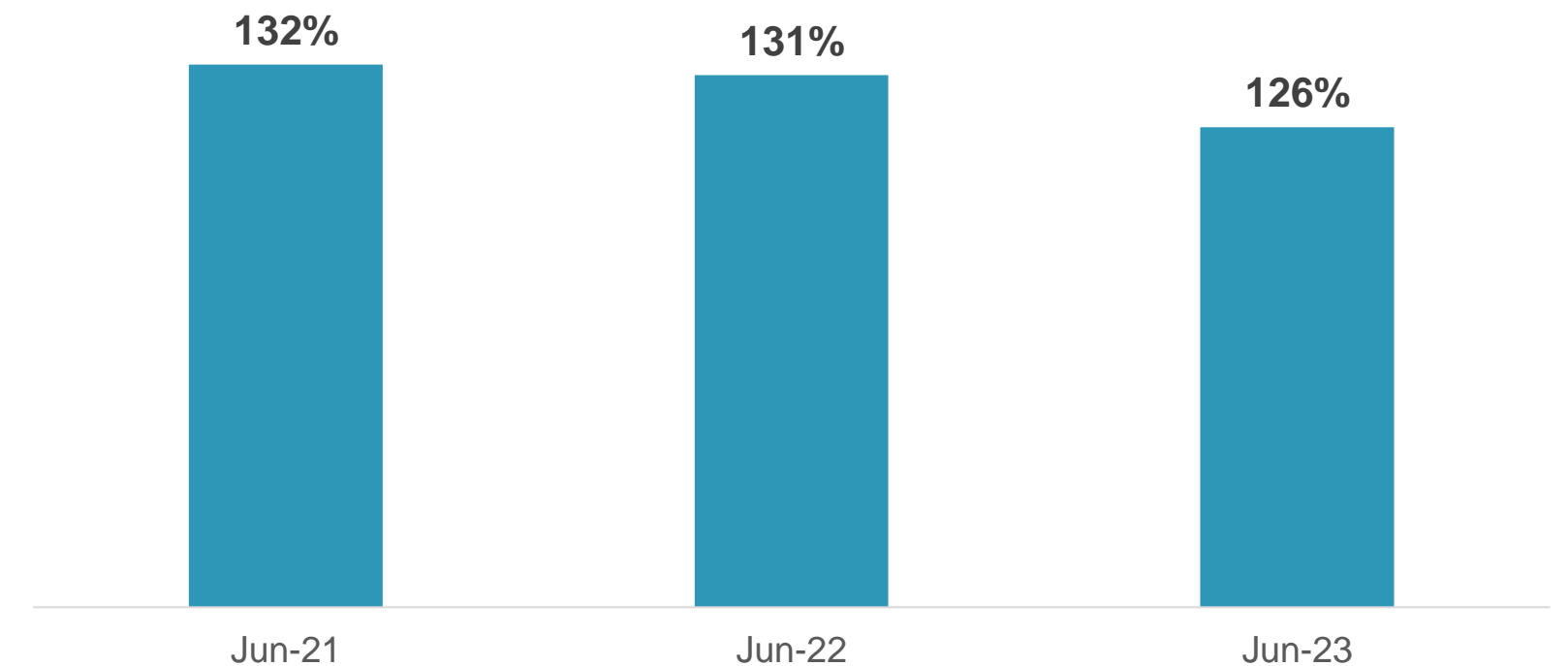
Liquidity Coverage Ratio and Net Stable Funding Ratio³ (%)



Leverage Ratio⁴ (% of Leverage Exposure)



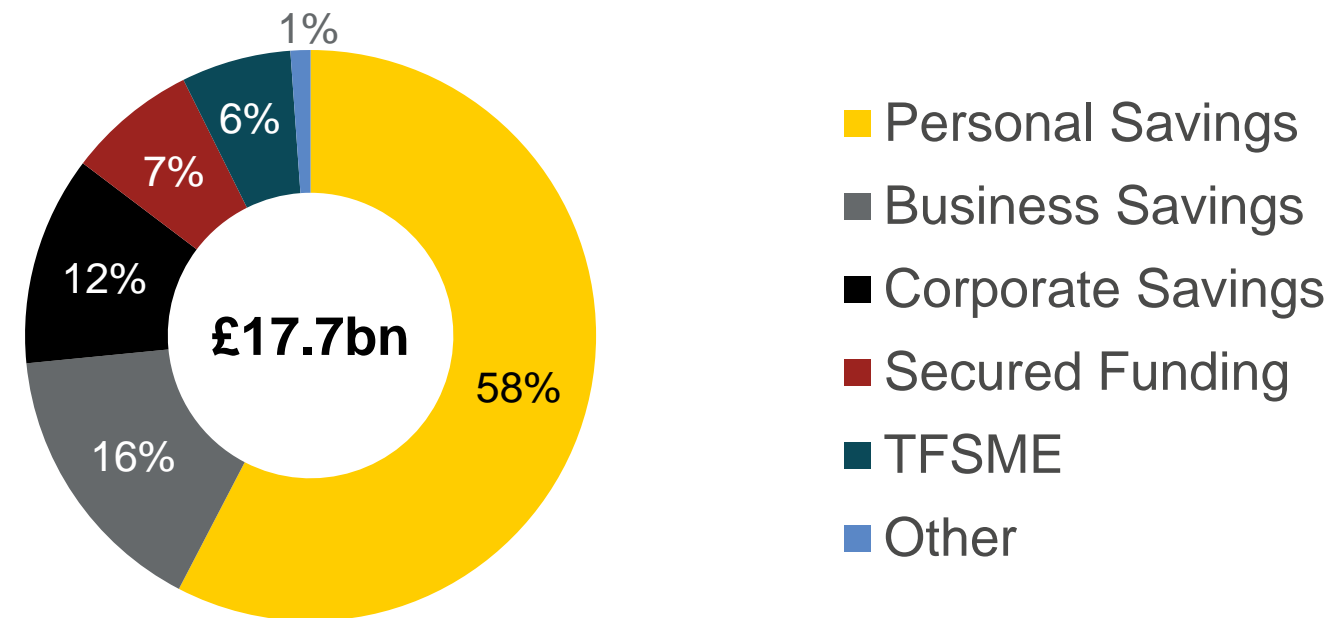
Net Stable Funding Ratio



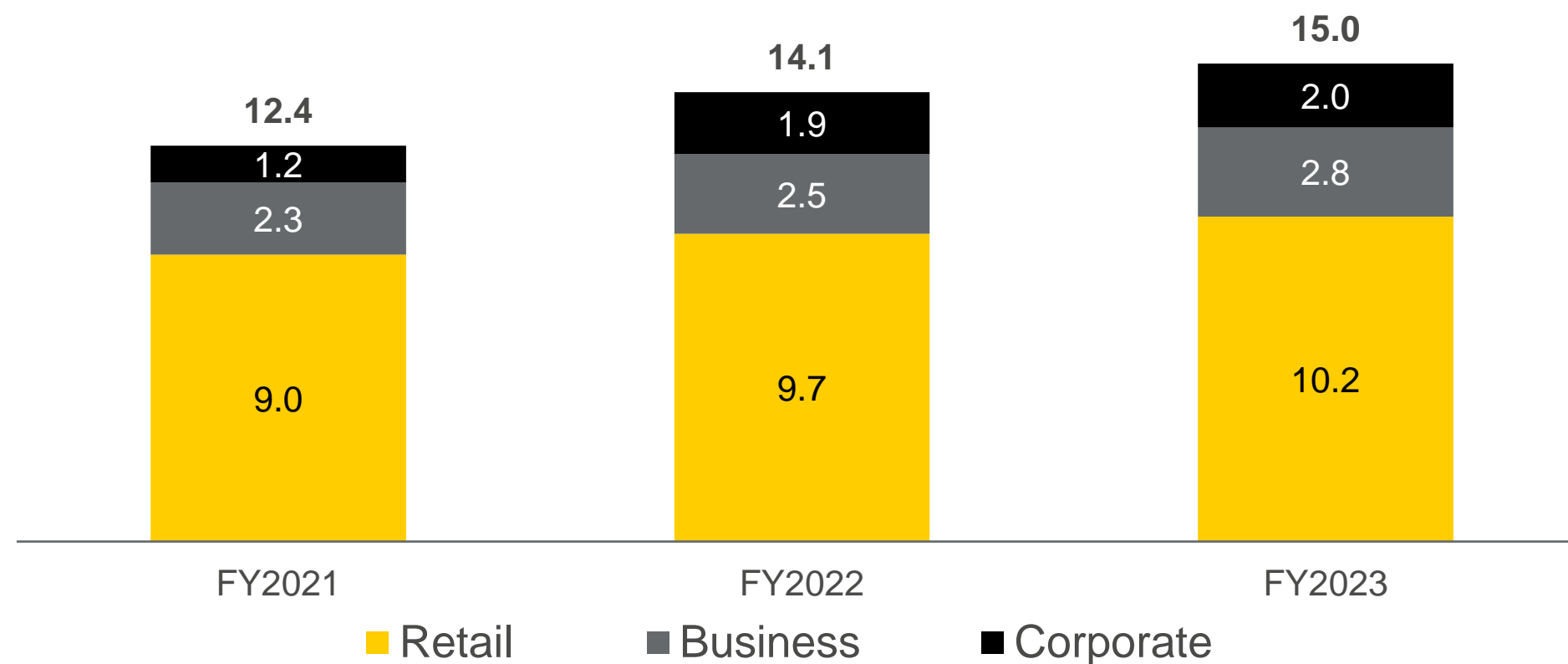
1. Capital ratios are reported on an IFRS 9 transitional markets basis
 2. Regulatory combined buffer is made up of 2.5% CCOB and 2% UK CCyB
 3. Regulatory minimum for Liquidity Coverage Ratio and Net Stable Funding Ratio is 100%
 4. Tier 1 capital / leverage exposure. Aldermore Group is not within scope of the UK Leverage Framework Regime

A Successful Deposit-Led Funding Strategy with Focus on Diversification

Diversified funding platform



Led by successful deposit strategy and growing book (£m)



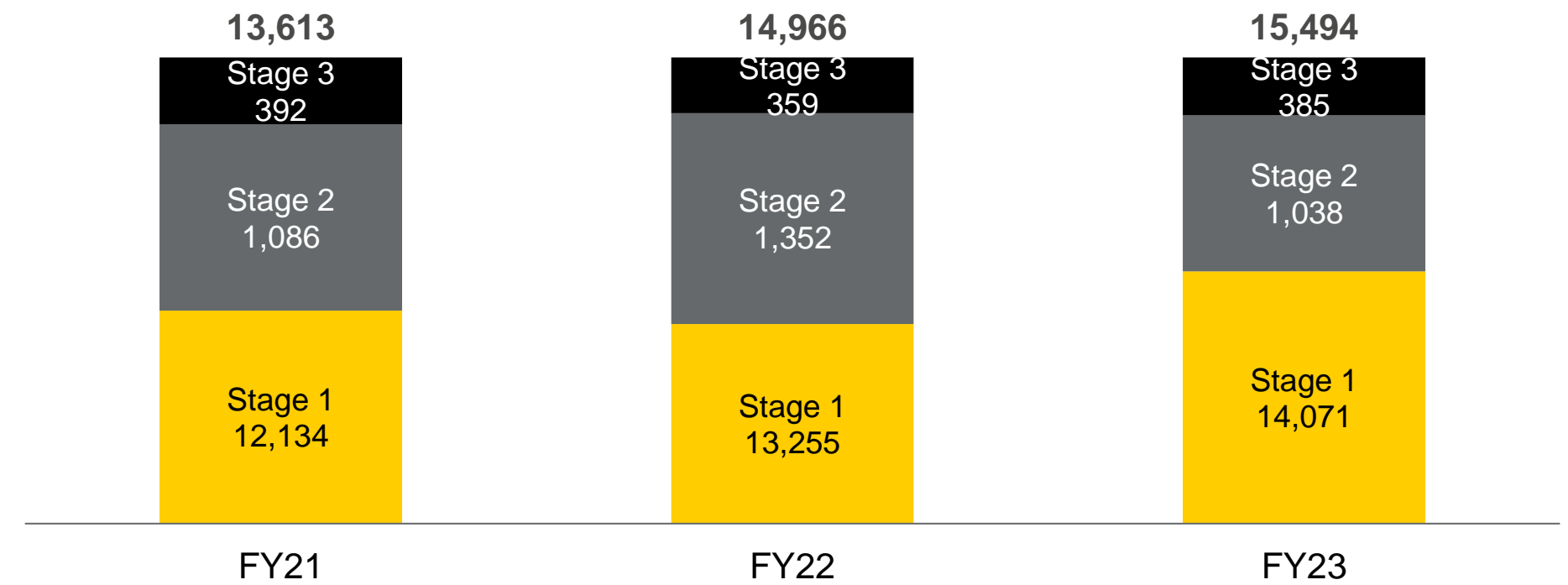
And proven access to public wholesale funding

	Oak No.1 April 2014 (redeemed)	£372m
	Additional Tier 1 Notes (Externally Issued) December 2014 (redeemed)	£75m
	Oak No.2 September 2018 (redeemed)	£365m
	Oak No.3 September 2019	£381m
	Turbo 9 Finance September 2020 (redeemed)	£605m
	Oak No.4 May 2023	£447m
	Auto-loan backed Warehouse Facility	£840m

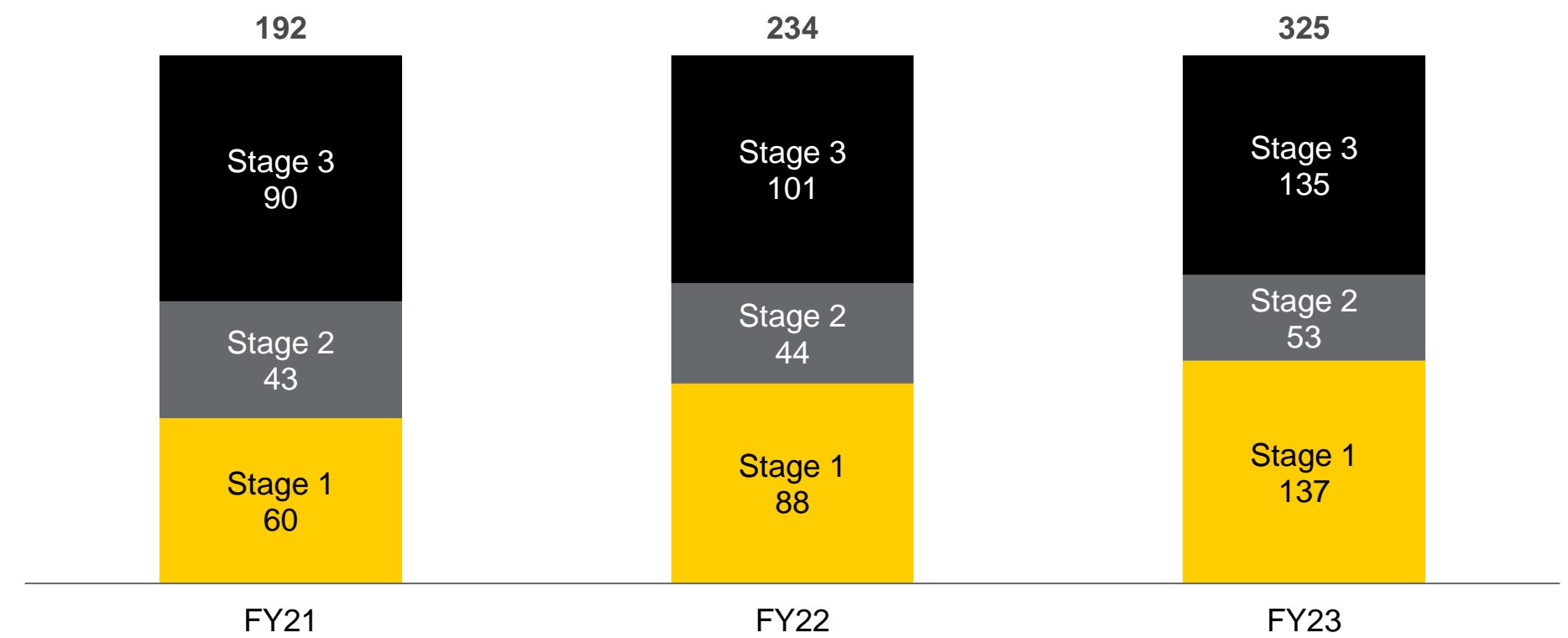
A Resilient Credit Performance

Financial year ended (£m)	Jun-21	Jun-22	Jun-23	YoY [22 vs. 21]	YoY [23 vs. 22]	CAGR [FY21 - 23]
Gross Loans	13,613	14,966	15,494	1,353	528	7%
Expected Credit Loss	(192)	(234)	(325)	(42)	(91)	31%
Provision Coverage (%)	1.4%	1.6%	2.1%	0.20%	0.50%	n/m
NPLs	392	351	388	(41)	37	(1)%
NPL Ratio (%)	2.9%	2.4%	2.5%	(0.50)%	0.10%	n/m
Stage 3 ECLs	90	101	145	11	44	27%
NPL Coverage (%)	22.6%	28.3%	34.8%	5.70%	6.50%	n/m
Cost of Risk (bps)	40	40	73	0	33	n/m

Gross Loans by Stage (£m)



ECL by Stage (£m)



**Financial
Performance &
Outlook**



Solid H1 2024 Performance

Aldermore Bank

- Operating PBT for H124 up 17% vs. PY
- Despite a muted and more competitive market, strong price discipline maintained, resulting in 21bps NIM expansion vs. PY
- Improving macros enabled a reduction in cost of risk to 5bps
- Operating costs increased 13%, reflecting inflationary pressures and continued customer investment

MotoNovo Finance

- PBT for H124 down 4% vs. PY, impacted by balance sheet and NIM pressures in a more muted used car market
- There remains significant uncertainty surrounding the resolution of claims, complaints or class actions in relation to FCA review of motor finance commissions. No provision has been recognised.

Aldermore Group

- Statutory PBT of £104.6m down 7% vs. PY, primarily driven by anticipated accounting losses on the net derivatives portfolio
- Continued investment in the modernisation of the Group's platforms

Income Statement Summary

	H1 2024	H2 2023	H1 2023	Change vs H2 2023	Change vs H1 2023
Total Income	223.7	241.9	217.7	(7)%	3%
Operating Expenses	(106.4)	(115.1)	(94.5)	(8)%	13%
Impairment Losses	(3.1)	(25.9)	(25.5)	(88)%	(88)%
Aldermore Bank¹ operating PBT	114.3	100.9	97.7	13%	17%
MotoNovo Finance ¹ PBT	18.5	13.4	19.3	37%	(4)%
Group Operating PBT	132.8	114.4	117.0	16%	13%
Net derivatives (loss) / gain ²	(10.8)	19.0	6.7	(<100)%	(<100)%
Strategic technology investment	(17.4)	(22.7)	(11.8)	(24)%	47%
Group Statutory PBT	104.6	110.6	111.9	(5)%	(7)%

Income Statement KPIs

Aldermore Bank [Operating]	Net interest margin	4.00%	4.29%	3.79%	(0.29)%	0.21%
	Cost / income ratio	47.5%	47.6%	43.5%	(0.0)%	4.0%
	Cost of risk	5bps	46bps	45bps	(41)bps	(40)bps
	Return on Equity	13.0%	12.5%	12.8%	0.5%	0.2%
Aldermore Group [Statutory]	Net interest margin	3.99%	4.23%	3.91%	(0.24)%	0.08%
	Cost / income ratio	55.9%	51.4%	47.4%	4.5%	8.5%
	Cost of risk	33bps	76bps	70bps	(43)bps	(38)bps
	Return on Equity	9.6%	11.9%	12.1%	(2.4)%	(2.6)%

1. Aldermore Group comprises two operating companies: Aldermore Bank plc and MotoNovo Finance Limited. Amounts relating to Aldermore Bank plc include amounts relating to its associated securitisation vehicles, consolidation entries and the Aldermore Group Holding Company (Aldermore Group); amounts relating to MotoNovo Finance include amounts relating to its associated securitisation vehicles.

2. Net derivatives loss / gain relates to fair value movements in derivative and other financial instruments held for risk management purposes. It includes all realised and unrealised movements, interest and foreign exchange differences.



Controlled growth, with strong capital, liquidity and funding maintained

- Customer lending decreased £0.5bn or 3%, reflecting subdued lending markets
- Despite this, the Group was able to deliver targeted lending growth in Buy to Let and Asset Finance, whilst continuing to maintain a disciplined price approach across all portfolios
- Total customer deposits increased £0.6bn or 4% driven by Business and Corporate Savings
- Strong capital ratios have been maintained, and the liquidity coverage ratio increased to 248%

Lending and Funding Summary

	Dec-23	Jun-23	Dec-22	Change vs Jun-23	Change vs Dec-22
Property	7.5	7.5	7.6	0%	(2)%
Motor	3.9	4.2	4.2	(6)%	(6)%
Structured & Specialist Finance	3.6	3.5	3.7	1%	(3)%
Total Customer Lending	15.0	15.2	15.5	(1)%	(3)%
Personal Savings	10.4	10.2	10.5	3%	(1)%
Business Savings	3.2	2.8	2.7	15%	18%
Corporate Savings	2.3	2.1	2.0	9%	14%
TFSME	1.1	1.1	1.1	0%	(1)%
Secured Funding	0.8	1.3	1.1	(34)%	(18)%
Tier 2	0.2	0.2	0.2	0%	0%
Total Funding	18.0	17.7	17.6	2%	2%

Balance Sheet KPIs

Loan-to-Deposit ratio	94%	101%	102%	(7)%	(8)%
Liquidity Coverage ratio	248%	265%	218%	(17)%	30%
Group CET1 ratio ¹	14.9%	14.8%	14.0%	0.1%	0.9%
Group Total Capital ratio ¹	17.5%	17.3%	16.6%	0.2%	0.7%
Bank CET1 ratio	18.5%	18.5%	17.5%	0.0%	1.0%

1. Calculated on an IFRS9 transitional markets basis