

Update on Aldermore

Steven Cooper, CEO

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Aldermore

Investment case for Aldermore acquisition positive for FirstRand shareholders

FirstRand acquired a **profitable specialist bank** in 2018

- Attractive margins
- More diversified asset portfolio
- Scalable deposit franchise
- Small share of very large profit pools in the UK – significant opportunity to scale

Aldermore investment case **remains solid**, delivering appropriate risk-adjusted returns above cost of equity

- Sustainable, efficient funding for MotoNovo
- Integration progressing and FRM practices gaining traction
- Ultimately should be monetised through growth in NAV and dividend flow
- Remained profitable during Covid-19, with further recovery seen in H1 results



FirstRand

FirstRand believes more **value unlock** to come

Benefits to Aldermore of FirstRand ownership

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

- Significant **cultural shift** driven by FRM
- **Product returns assessed on 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 resource at FirstRand** including savings, mortgages, modelling and internal audit
- **FirstRand supporting on key projects** such as IRB, FRM and BCBS239
- **Utilise FirstRand expertise to mature strategies** for MREL and securitisation
- In **IT**, leverage **info security** expertise, **threat intelligence** and **tooling**

Strongly capitalised **stable parent**

- All **capital now internally sourced** and **liquidity lines available**, e.g. to manage Covid-19 volatility
- Able to **issue capital at speed to parent**

Aldermore participates in 4 of the most attractive markets in UK banking

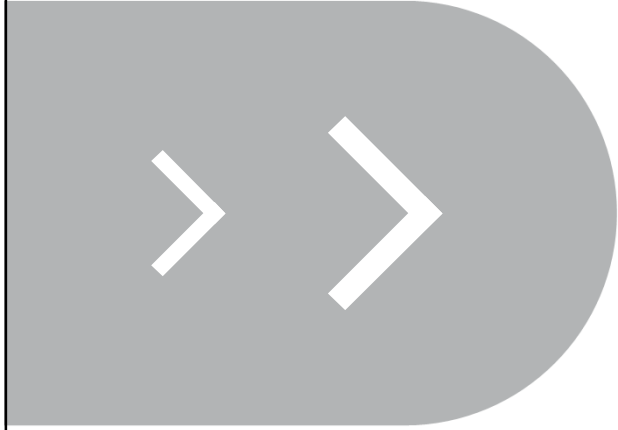
	Property Finance	Auto/MotoNovo	Structured and specialist finance	Savings
				
Market Size >	>£500bn	~£50-60bn	~£50bn	~£1.8trn
Outlook >	Steady UK growth with favourable underlying drivers	Relatively fast UK growth with cyclical upturn anticipated	Growing UK market, benefiting from post-pandemic rebound	Mature, stable but modest growth
Go-to-market >	Heavily intermediated, broker led model	Dealership model drives significant share of deal flow	Specialist expertise critical to success	Largely direct
Fintech disruption >	Growing primacy of digital brokers requiring modern interfaces	Limited fintech traction	Limited fintech threats given need for expertise	Fintech traction among digital native generation

Our purpose continues to resonate

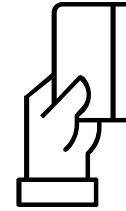
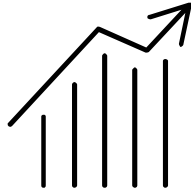
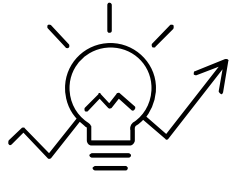
What

Back more people to go for it, in life and business

How



An exciting business with tangible opportunities to drive value and accelerate transformation



Exciting market opportunities

Specialty property, auto finance and asset finance are underserved by mainstream banks; we know these customers well

Proven ability to compete and grow

Built an asset base of £16bn; consistently above (FirstRand) cost of equity pre-pandemic

Genuine customer and broker advocacy

Strong feedback from our customers; our staff go **“above and beyond”**

Proven structuring and specialist expertise

Unique capability set for mid-sized enterprises; with **deep understanding** of property and asset finance

Our vision is to refocus on key areas of strengths, shifting to a multi-slim model, while building next-gen infrastructure

Property finance

Profitably grow in core and sustainable property financing



Auto/MotoNovo

Double down on growth in core, improve returns and explore electric vehicles



Structured and specialist finance

Leverage structuring skillset to focus on bigger opportunities with mid-sized enterprises



Savings

Expand our core capability in the retail/SME deposit market while continuing to optimise cost of funds and liquidity profile



Technology > Modernise tech stack and data capabilities

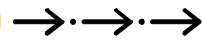
Efficiency > Reset operating model, automate and digitise activities

Talent and culture > Reshape talent pool and reset culture

Capital, risk and funding > Further optimise management of capital and funding

We are rapidly progressing on a number of critical opportunities

What we have achieved so far



Opportunities going forward

Business recovering well from Covid-19; market share growing again in Auto/MotoNovo and Structured and Specialist Finance

Strengthened leadership team with new execs in Risk, Technology, HR, Finance and Chief of Staff roles

Reset **tech strategy**, developed execution roadmap and rolled out key enablers, e.g., new general ledger

Re-energised the organisation and reset the operating model

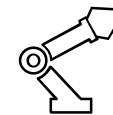
Enhanced **risk-based pricing** disciplines to improve risk-return decision-making



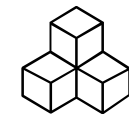
Accelerate **sustainable profit growth** by refreshing propositions and sharpening focus on attractive micro-segments



Invest differentially in **modernising our Tech estate**



Develop **next-generation capabilities** and embed in our talent pool



Reorganise for effectiveness and efficiency



Continue **transition to IRB** over the medium term