



**FIRSTRAND**

## **MEDIA RELEASE**

### **FirstRand announces terms of offer for UK specialist lender Aldermore**

*Johannesburg, 6 November 2017* – FirstRand Limited today announced the terms of a cash offer for Aldermore PLC, one of the UK's leading specialist lenders. Aldermore's board intends to recommend the offer to Aldermore shareholders. The offer is being made through FirstRand International Limited, a wholly owned subsidiary of FirstRand Limited (FirstRand).

The offer, at 313 pence per share, values Aldermore at approximately £1.1 billion (R20 billion) and represents a premium of 22% to Aldermore's closing price on 12 October 2017, being the day before the first transaction announcement. The offer also implies a price to net tangible book value multiple of 1.80 times.

Aldermore is a UK based and LSE listed bank providing award-winning asset finance, invoice finance, mortgage and deposit products to small and medium-sized enterprises, homeowners, landlords and savers.

FirstRand's stated strategy is to achieve a more diversified revenue profile across products, segments and geographies. Currently 4% of total group earnings is generated by the group's UK business MotoNovo, one of the largest providers of motor finance for second hand vehicles in the country. The success of this business, since it was acquired in 2006, can largely be attributed to the introduction of WesBank's operating model.

FirstRand recognises that MotoNovo is currently undiversified from a product and market perspective and the acquisition of Aldermore will accelerate the diversification process using the strength of Aldermore's position in the SME, mortgage and savings markets.

Commenting on the transaction Johan Burger, FirstRand CEO said;

*"I am very pleased that the Board of Aldermore, one of the UK's leading specialist lenders, will be recommending our offer. This transaction is the latest step in FirstRand's strategy of protecting and building shareholder value by achieving a more diversified revenue profile and we believe it will provide the platform to fulfil our growth objectives in the UK. It will allow FirstRand to allocate more financial resources to our operations in Africa, whilst diversifying earnings in the UK."*

FirstRand recognises that the existing management team of Aldermore has a deep understanding of the business environment within which Aldermore operates. MotoNovo, which has built a meaningful market share in financing second hand vehicles and is organically building a more diversified product set, including personal loans and insurance, will be integrated within Aldermore to form a separate pillar. Phillip Monks, Aldermore's CEO will lead the new combined UK business.

Once MotoNovo and Aldermore are integrated, all new business will be funded through further scaling Aldermore's deposit and funding platform. MotoNovo's back books which are currently in FirstRand's London branch, will be run down over time. This has the added benefit for FirstRand that capacity currently allocated to MotoNovo from FirstRand's domestic balance sheet can be redeployed into its South African and rest of Africa growth strategies.

FirstRand will work closely with Aldermore's management team to identify growth opportunities that Aldermore can explore under FirstRand's ownership. FirstRand already sees the potential to broaden the business model of the combined platform. FirstRand also believes further UK growth can be unlocked through (a) cross-selling the current product offerings across the MotoNovo and Aldermore customer bases and (b) in the longer term, developing further financial services offerings.

*"The team at Aldermore have built a fantastic bank in a short period of time and we look forward to working closely with them to identify further growth opportunities. Aldermore, under the leadership of Phillip Monks, joins our multi-branded portfolio of leading financial services franchises; First National Bank, Rand Merchant Bank, WesBank and Ashburton Investments. FirstRand's unique operating model and organisational culture empowers the management teams of these franchises to formulate and execute on their respective growth plans within the group's strategic framework. This approach has resulted in a track record of superior growth and returns,"* said Burger.

Aldermore and MotoNovo are both highly profitable businesses delivering returns above FirstRand group hurdles and FirstRand believes it can unlock further value in the short to medium term through applying its proven practices in financial resource management. FirstRand defines financial resource management as capital, funding, liquidity and risk capacity and its approach is a recognised key differentiator and a significant contributor to its outperformance relative to peers.

Burger said FirstRand had carefully considered how current and potential macroeconomic future scenarios in the UK could impact the broader business.

*"We are very comfortable that the financial impact of this transaction is supportive of FirstRand's previous guidance to shareholders on growth, returns, capital position and dividend policy" he concluded.*

**ENDS**

**Note to editors**

Further information is available in FirstRand's announcement of a firm intention to make an offer which can be found at <https://www.firstrand.co.za/InvestorCentre/Pages/OfferDisclaimer.aspx>.

Aldermore is a UK based bank providing award-winning asset finance, invoice finance, mortgage and deposit products to Small and Medium-sized Enterprises, homeowners, landlords and savers. Founded in 2009 by funds advised by AnaCap Financial Partners, Aldermore is listed on the Main Market of the London Stock Exchange, is a constituent of the FTSE 250 leading share index and has total assets of £9.6 billion (at 30 September 2017).