Aldermore update to FirstRand shareholders

May 2023

Aldermore's purpose

Purpose

- Aldermore's purpose guides everything we do and extends beyond just the products and services we offer
- Our aim is to seek out more undervalued and underserved people and do good by helping them take the action needed to move forward in life, ensuring we meet the needs other institutions do not
- To ensure our purpose remains central to our activity, it sits at the heart of our blueprint; reflecting our ambitions to differentiate our business and bringing together the 'what' and the 'how' to make it happen

What – strategic drivers

Stay-ahead propositions	Relationships that last	Progressive platform
Use insight and foresight to build products and services that help underserved and undervalued customers	Build loyalty with customers, colleagues and partners, by anticipating and responding to, their changing needs and circumstances	Create systems, processes and capabilities that are easy and efficient, enabling us to live our purpose and grow our business

How – behaviours

Start with why	Try it out	Crack it together	Think next need
We think about outcomes before taking on tasks and we are always asking ourselves how what we do is aligned to our blueprint and how will it make things better for colleagues and customers	We are open to new ideas and ways of working and we are not afraid to give things a go	We collaborate with others purposefully, which means involving the right people on the right things at the right time, to avoid duplication of effort and to ensure a better result	As well as delivering on what we need to be successful now, we are also looking ahead to the future and developing ourselves so we can sustain our success in the long term

Aldermore growth trajectory reflects maturation of business

2009
Acquisition of Ruffler Bank, Base Commercial Mortgages Ltd, and Absolute Invoice Finance

Retail savings and asset finance business launch

2010
Residential Mortgage Business launch

2012
SME Business Savings launch

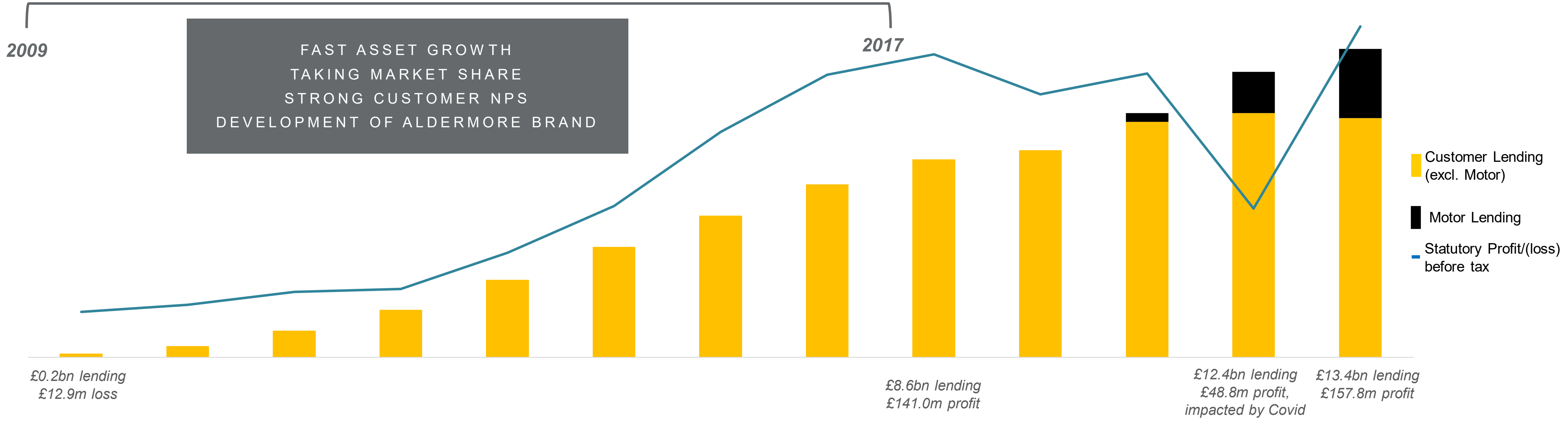
2017
Acquires 48% equity stake in AFS Group Holdings Ltd.

2017
FirstRand agreement to acquire Aldermore

2018
Acquired by FirstRand

2019
MotoNovo integration completed

2021
Change of CEO



Strategy launched in 2022 aimed to 'Modernise and Focus' the business, whilst continuing to be a multi-specialist lending and savings provider

Organised into three similar sized business lines, plus savings…….

Property finance

Stop the decline and profitably grow in existing markets and new sub-segments

Expansion into sustainable property financing

Motor finance

Double down on growth in core market and improve returns.

Capitalise on electric vehicle market growth and associated ecosystems

Structured and Specialist finance

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

Realise growth opportunity in renewables and healthcare

Savings

Diversifying our core offering to drive growth in the retail/SME deposit market while continuing to optimise cost of funds and liquidity profile

Achieving this strategy requires short term focus on results and performance, while driving tech and capabilities transformation

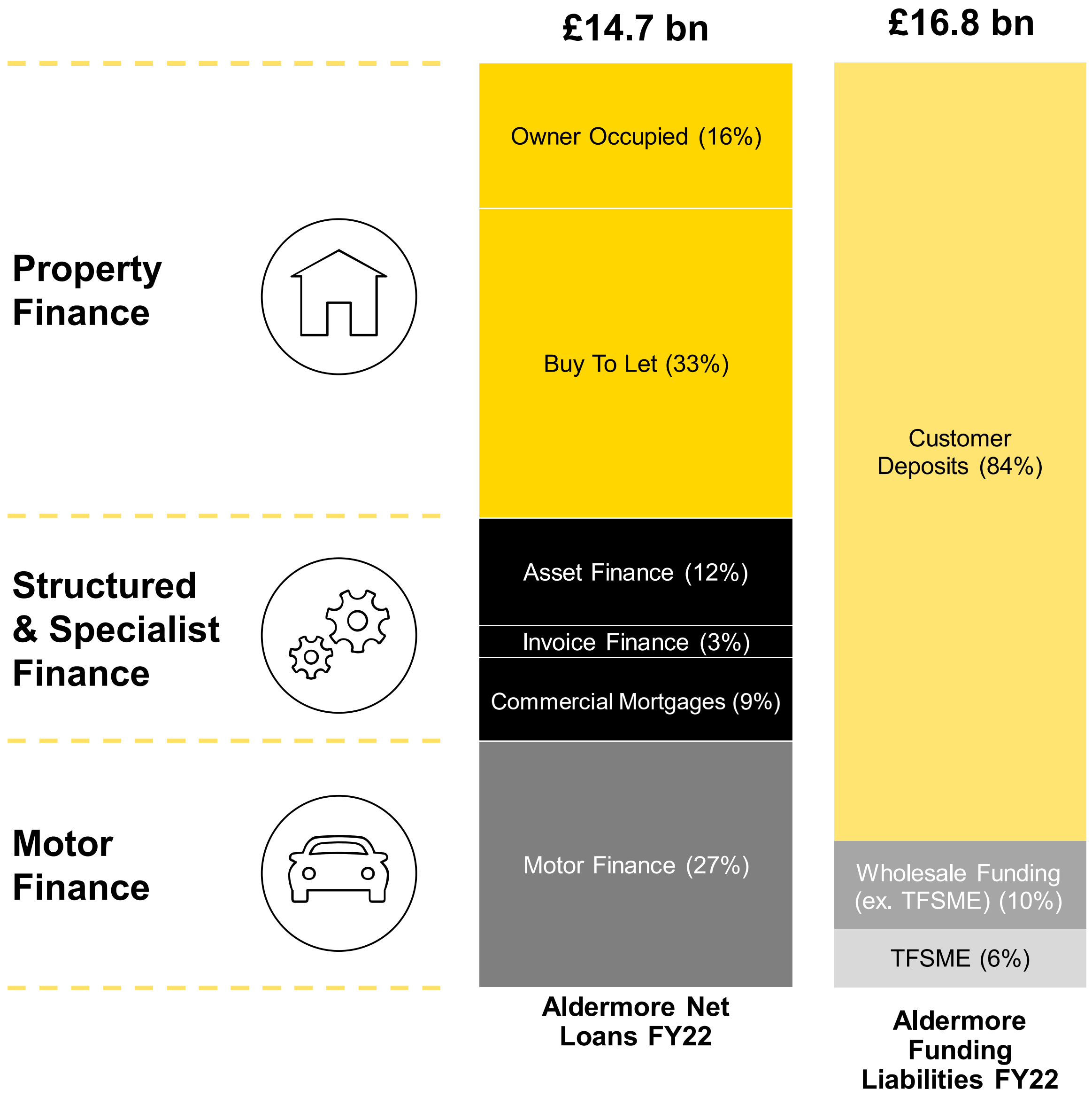
Short Term priorities

- Return to **growth** through focus and simplification
- Focus on **core segments** and **sectors** to compete
- Focus on **brokers / intermediaries** we want business from
- Simplify our **ways of working** and **organisational design**
- Increase **operational resilience** and **reduce risk**

Medium Term opportunities

- **Re-platform the business** to enable scale and agility
- **Use data more** to improve risk mgmt. and customer opportunity
- **Automate** to lower operating cost / risk
- **Invest in next-generation capabilities** to embed into talent
- **Additional revenue sources** once strategy is well-mobilised

Diversified lending portfolio and diversifying funding base



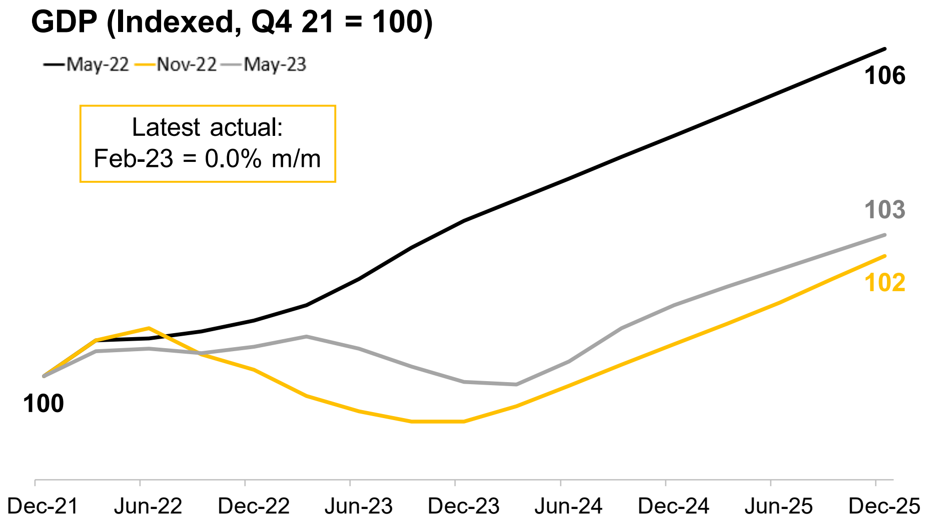
Deposit funding

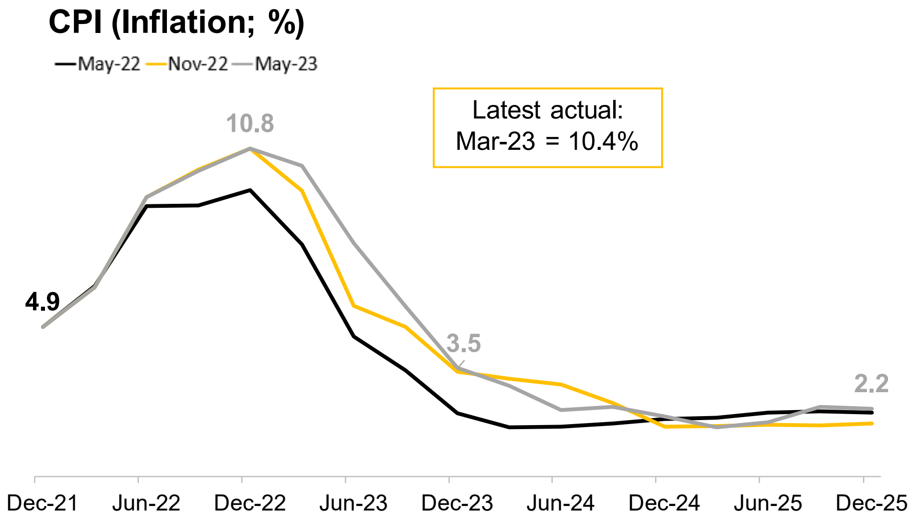
- Predominantly customer deposit led funding model, complemented by wholesale funding
- Award-winning franchise across the savings business
- Growing corporate deposit book

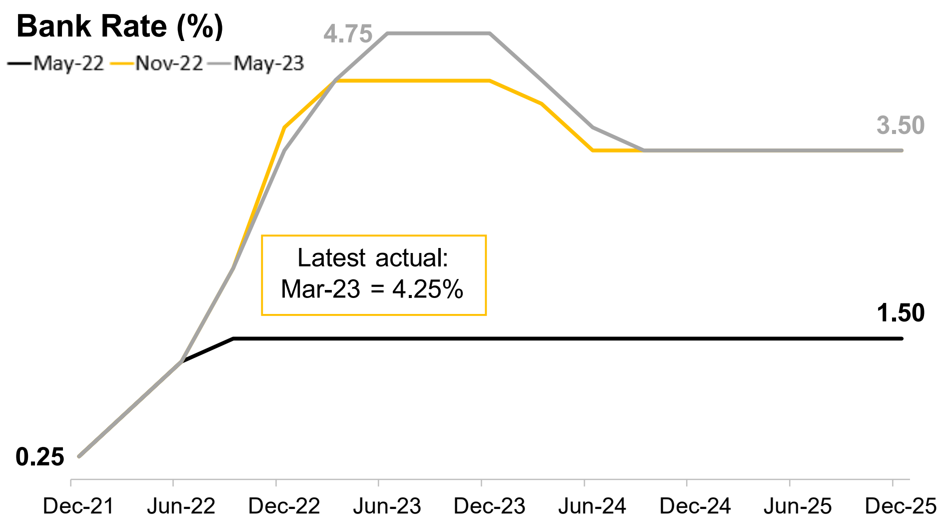
Wholesale funding

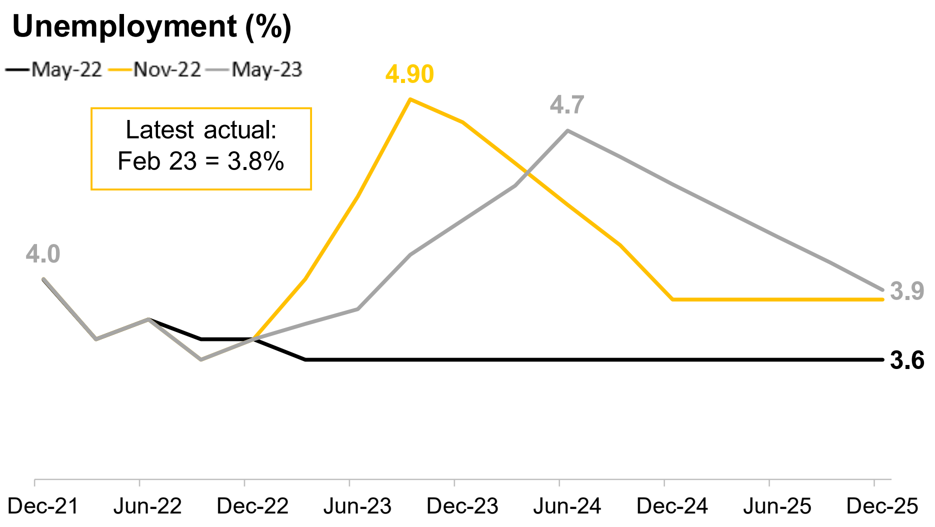
- Three prime RMBS have been issued since 2014
- Oak No. 3 executed in September 2019
- Intention to be a regular issuer of RMBS (through the Oak platform) and auto ABS (through the Turbo Finance platform) as TFSME funding matures

UK macroeconomic environment has shifted since the strategy was launched in March 2022 however, the longer term outlook remains strong and steady









Economic data provided represents Aldermore's UK macroeconomic houseview as at Mar-22 and Mar-23

Despite the tough environment, we've seen solid green shoots of success as our strategy has developed and started to embed across the businesses for customers

Property Finance

- **Doubled application** capacity
- Launch of **Platinum Broker**
- **Halved time** to re-price
- Shift of simple **commercial property transactions** from SaS
- Launched **variable rate products** and rate discounts for more **energy efficient properties**

Structured & Specialist Finance

- Average **deal size up £40k**
- Progress being made on sale of **working capital business**
- CRE increasingly writing more **complex, long-term business**
- Product development and **enhancement in key markets** such as fleet finance and asset backed lending
- **Climate friendly** transactions in all business lines

Motor Finance

- Reviewed **dealer / broker relationships** to drive greater value
- **Simplified** product range
- Significant work on better understanding **CCA-related conduct issues** and determining forward fixes

Savings

- **Balances surpassed £14bn**
- Quicker, more **active re-pricing**
- **Improved** customer experience
- Growth in **business savings** through targeted marketing

…and we reshaped our organisation around the updated strategy which, together, is driving renewed success for the Group

Organisation refresh

- **Executive team** – **80% of the team** joined in the past 15 months
- Reset **organisational shape** to drive efficiencies; reduced headcount by 5% whilst growing the business
- **% of female senior managers** increased to 36% from 21%
- **Enhanced benefits** and harmonisation of T&Cs; **27 contract formats reduced to 1**
- **Improved colleague tech experience** with migration to Microsoft 365 and move to **cloud based platforms**

AO Group

- **PBT has grown to £200m+** from mid £100m's
- **Net loan growth** returned following a subdued period
- Launched our inaugural **Report to Society**, detailing our **ESG and sustainability** progress and providing a baseline from which to improve and track against
- **Enhanced our risk frameworks**, including greater use of data modelling, which has supported **recession readiness** activity
- **Increased flexibility across Ops** teams, allowing resource to be flexed depending on market activity / volatility

But there is more to do…

	From	To
Diversify funding sources	Primarily **personal savings in narrow market segment**, plus business savings, simple corporate deposits and limited secured funding issuances	Broaden **savings target market** and introduce products attractive to these segments. Achieve **credit rating** to access wider wholesale options and **expand corporate deposit** offering
Develop Motor strategy	Significant **change in leadership** over the past 12-18 months, robust business **operating well in existing markets**	**New MD** joined on 1 Feb 2023. **Strategy review underway** with appropriate focus on returns and **exploration of new market segments** and products
Reshape organisation	Legacy tech estate leads to an ongoing high number of **manual processing roles**, often resulting **higher levels of operational risk**	**Automation and improved tech estate** reduce risk inherent in systems/processes. Supported by creation of an **Aldermore hub in Mumbai**
Deliver new tech platform	Numerous **historic, and disconnected, systems** which are **difficult to maintain and upgrade** to keep pace with business growth aspirations	A modern, secure **cloud-based platform** to support the Group's products and allow us to **retire our legacy systems**
Embed new regulations	Significant regulatory changes being implemented in the UK over the next couple of years including **Consumer Duty** and **BCBS239**	Transition from planning and project phase to **embedding in all that we do across the Group** ahead of deadlines

Financial highlights for financial year 2022

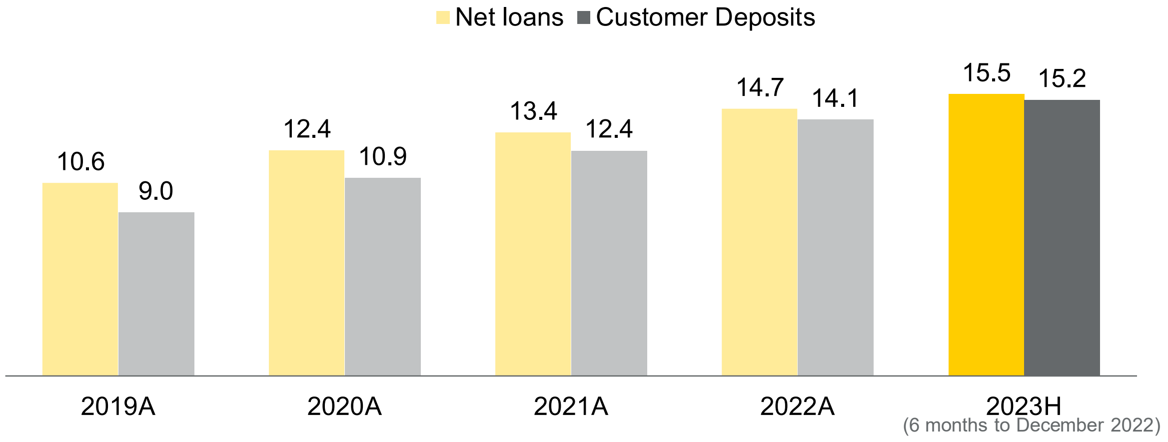
Profit Before Tax	Pre-provision Operating Profit	Net Interest Margin
£204.7m	**£262.1m**	**3.8%**
(HY2023: £111.9m)	(HY2023: £166.5m)	(HY2023: 3.9%)

Cost-to-Income ratio[1]	Return On Equity	CET 1 Ratio[2]
54%	**12.5%**	**14.0%**
(HY2023: 47%)	(HY2023: 12.2%)	(HY2023: 14.0%)

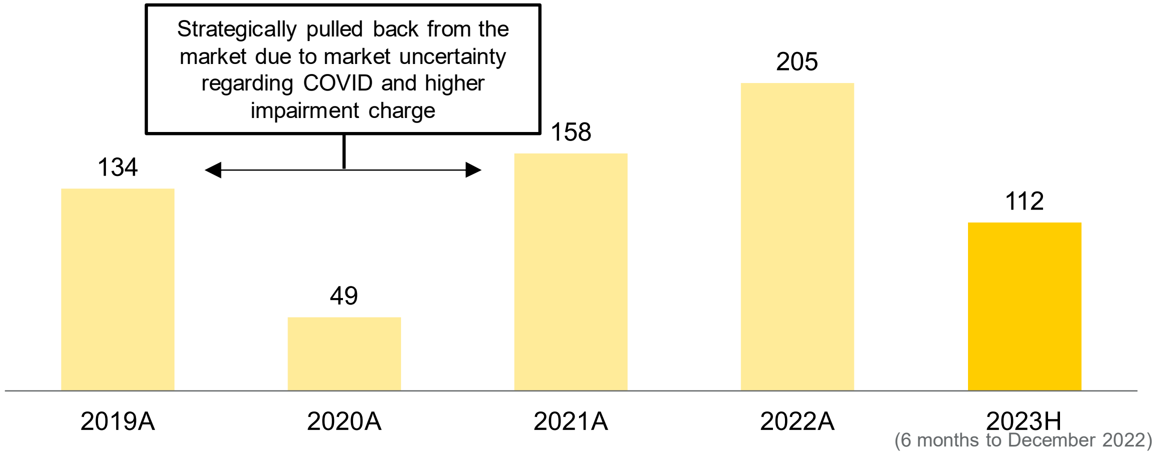
Cost of Risk	Net Lending	Customer Deposits
0.41%	**£14.7bn**	**£14.1bn**
(HY2023: 0.72%)	(HY2023: £15.5bn)	(HY2023: £15.2bn)

Track record of sustainable, profitable growth and strong financial position

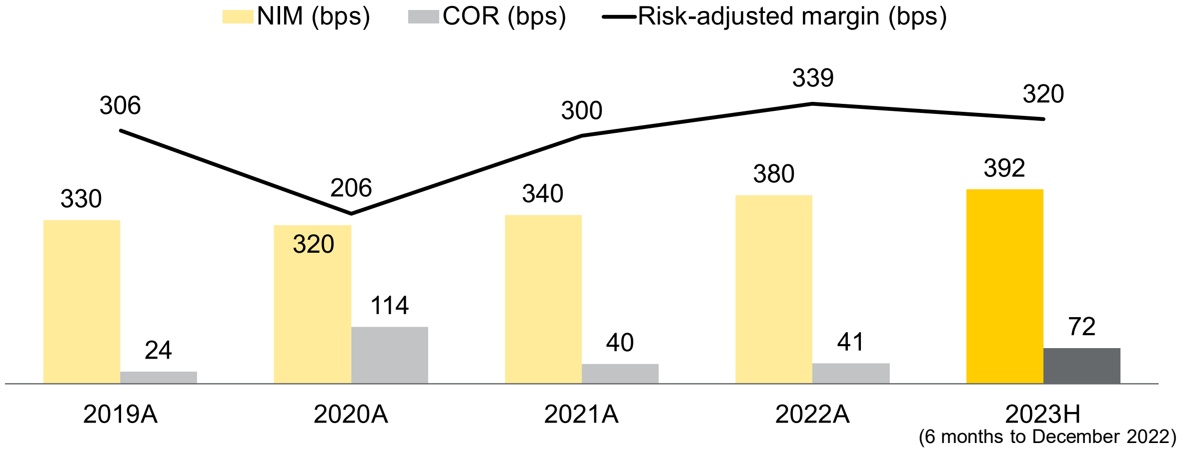
Net loans and customer deposits (£bn)



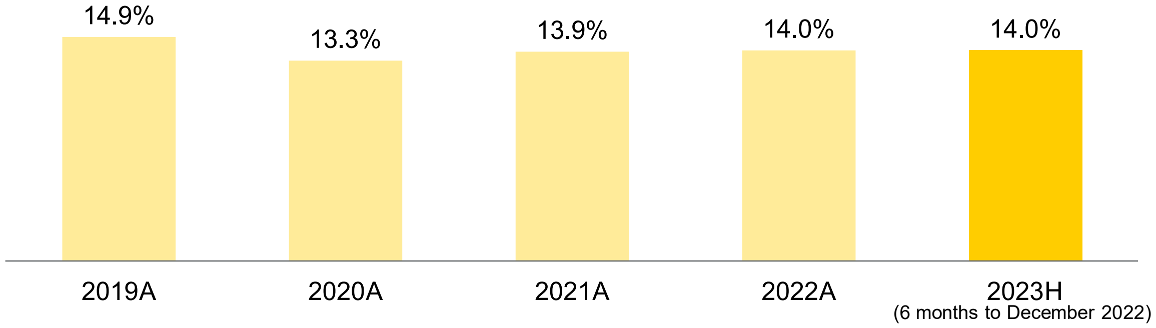
Profit before tax (£m)



Risk-adjusted margin (bps)

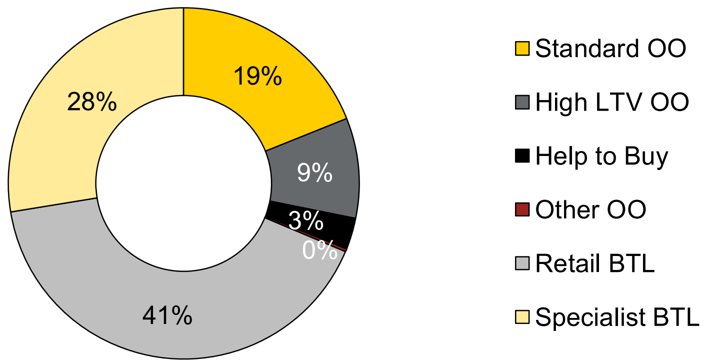


CET1 ratio (%)

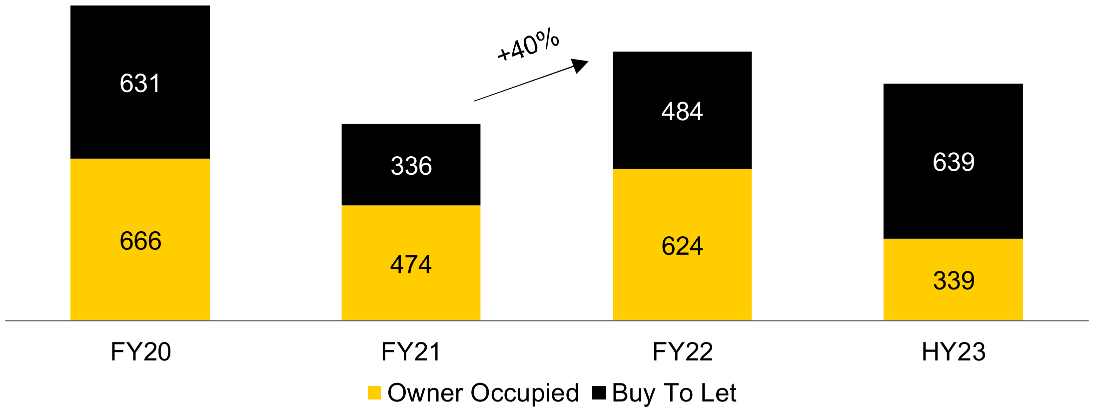


Simple mortgage products that meet the needs of borrowers

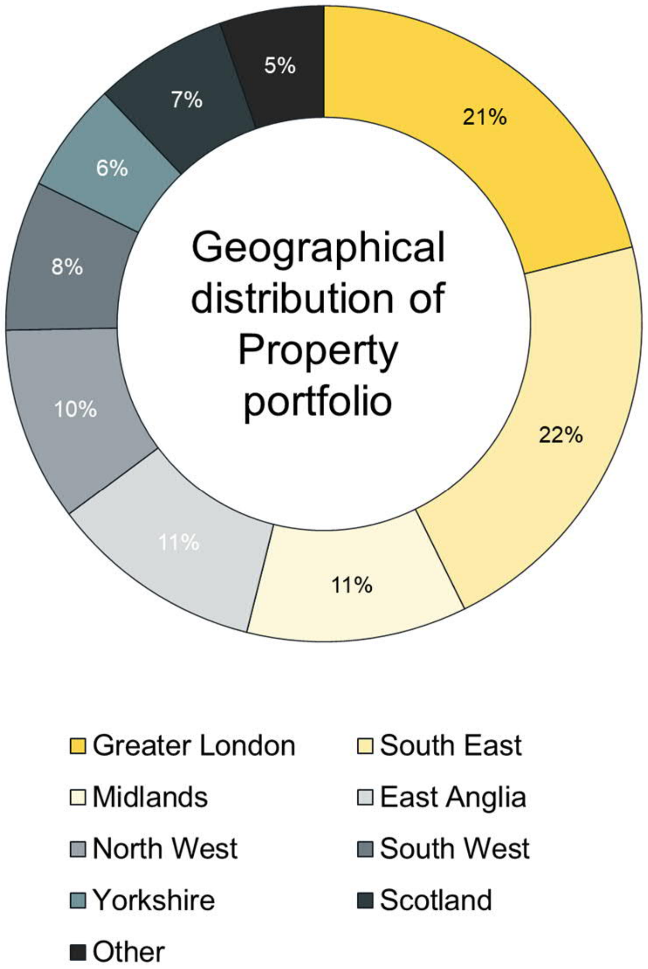
Residential mortgage balance composition (Dec 22)



Gross originations (£m)



2020/21 saw us reducing our product offering and tightening our lending appetite. Despite considerable turbulence late last year, Aldermore had some record months of asset growth during H1 FY23, with BTL particularly strong in volumes.



Property Market Comparison

- Following uncertainty around the macro environment in 2020/21 Aldermore tightened lending standards. The conservative growth in new originations was more than off-set by **very strong traction with our retention offering.**
- A revamped proposition was re-launched in the latter half of 2021 with limited editions. Capacity was also increased and changes made to increase efficiency in the operational teams to turn around cases. As a result of the changes in late 2021, the originations growth in FY2022 was robust.
- HY2023 has been a period of intense competition in a market exposed to considerable turbulence; particularly following the mini-budget. Originations have remained strong during H1 due to the high level of opening pipeline, particularly in the BTL space.

Owner-Occupied

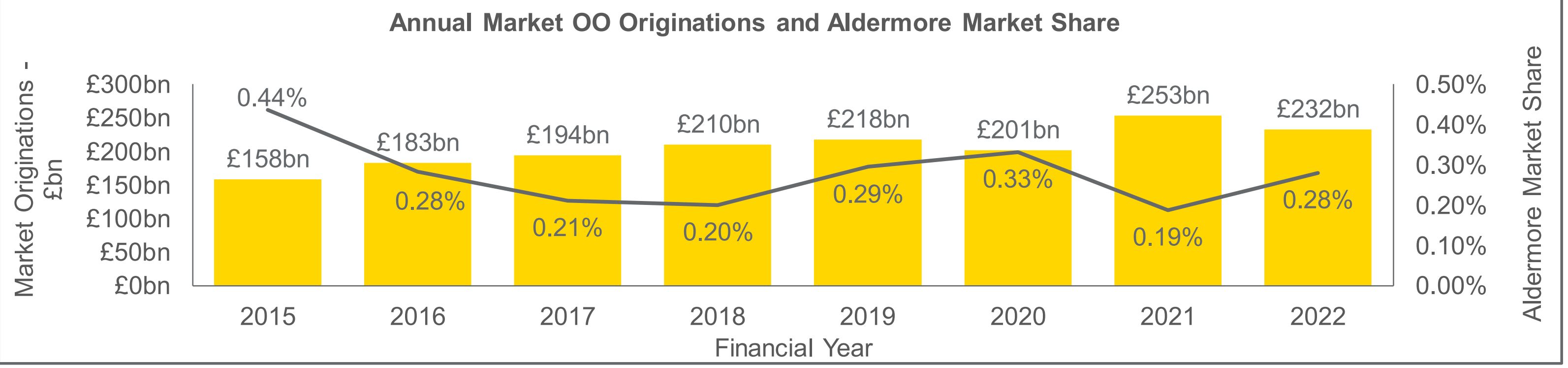
Our key competitors…

Kensington

Precise Mortgages

pepper money

The Mortgage Lender



Buy To Let

Our key competitors...

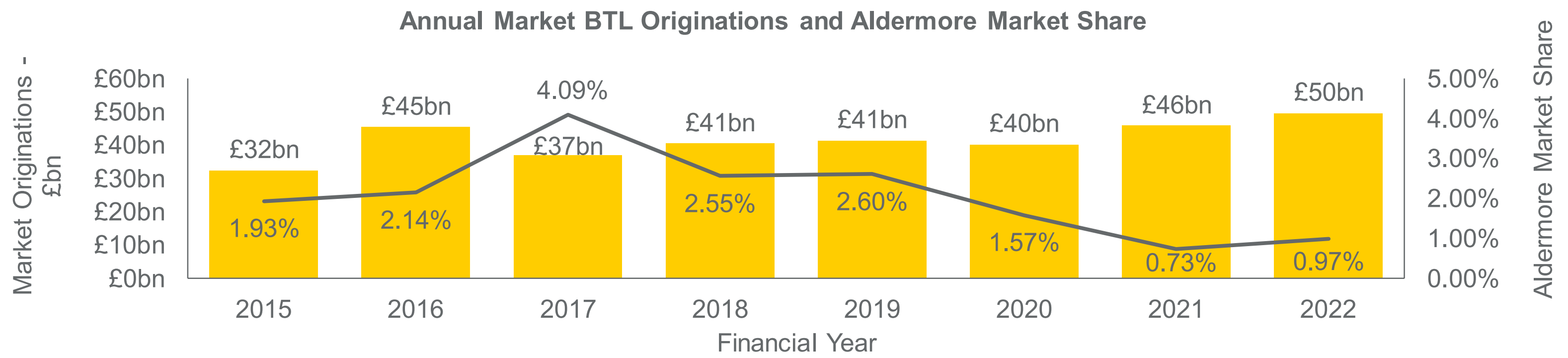
Vida Homeloans

Precise Mortgages

paragon

The Mortgage Lender

Foundation Home Loans



•Source: UK Finance and Aldermore Data.

Tightening of underwriting criteria for mortgages

- There were a number of changes made since June 2021 to tighten underwriting criteria, the majority of which were a result of the enhanced approach to risk appetite and portfolio management

- On residential mortgages, we have implemented:
  - Tighter scorecard cut-offs
  - Enhanced risk layering, including restricting borrower quality for high-LTV mortgages
  - Withdrawn from marginal credit segments
  - Set specific limits for higher risk portfolio segments
  - Tightened affordability

Hard work in executing our ‘Modernise and Focus’ strategy provides good growth trajectory

We have reorganised our business around the ‘Modernise and Focus’ strategy and delivery is progressing ahead of plan, driving a significant improvement in performance as well as greater contribution to FirstRand Group

We may be experiencing both structural and cyclical changes to the UK macro environment

There is likely to be consolidation in the mid-tier banking landscape driven by changing macros and the desire by some to sustain value through scale and business breadth, as well as a regulatory desire to see consolidation

We are a good business, delivering improving returns with growth and runway ahead, whilst at the same time being open to opportunities that make strategic and commercial sense