

# Oak No. 4 PLC RMBS Investor Presentation

May 2023



**Aldermore**

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# Section 1: Oak No. 4 PLC Transaction Overview



# Transaction Overview

Class	Expected Rating (Moody's / Fitch)	Credit Enhancement (%) <sup>1</sup>	Principal Amount (£mm)	WAL to Call <sup>2</sup> (years)	WAL to Maturity (years)	Benchmark Index	Spread over Benchmark Index	Step-Up and Call Date	Legal Final Maturity Date	Status
A	Aaa(sf) / AAA(sf)	10.00	402,571,000	2.68	3.00	Compounded Daily SONIA	0.62%	26/02/2028	26/02/2065	Offered
Z VFN	Not Rated	0.00	44,062,400	N/A	N/A	Compounded Daily SONIA	0.00%	N/A	26/02/2065	Retained

<b>Structure</b>	Oak No. 4 will have a standalone, static, sequential and pass-through structure.
<b>Credit Enhancement</b>	Provided by Subordination of Z notes 8.63% and General Reserve Fund of 1.50% of the principal amount of Class A Notes for a total of 10.00% AAA credit enhancement.
<b>Step-Up and Turbo</b>	From the Step-Up Date the spread over SONIA on the Class A notes will step up by 1.5x times and any remaining Available Revenue Receipts will be applied as Available Principal Receipts for Class A Notes after the General Reserve Fund is replenished up to the General Reserve Fund Required Amount and the curing of any debit balances on the Z VFN PDL.
<b>Liquidity Support</b>	Liquidity Support is provided by the availability of the General Reserve Fund and the ability to use Available Principal Receipts to pay items up to and including Class A interest in the event of there being insufficient Available Revenue Receipts. Further liquidity support is provided by excess Available Revenue Receipts which remain after paying interest to the Class A Notes.
<b>Back-Up Arrangements</b>	These include a Back-up Service Facilitator and a Back-up Cash Manager Facilitator, all appointed on closing and further detailed later in the presentation.
<b>Hedging</b>	The transaction benefits from a Balance Guaranteed fixed-to-floating interest rate swap with Banco Santander, S.A., London Branch.
<b>STS</b>	Oak No. 4 is structured to comply with the Simple, Transparent and Standardised (STS) criteria for securitisations. PCS have provided Third-Party Verification with respect to STS status on Oak No.4 plc.
<b>Risk Retention</b>	Aldermore will retain a material net economic interest of at least 5 per cent. in the securitisation in accordance with (a) Article 6(1) of the UK Securitisation Regulation and (b) Article 6 of the EU Securitisation Regulation (which does not take into account any corresponding national measures), as if it were applicable to it and solely as such article is interpreted and applied on the Closing Date. As at the Closing Date, such interest will be comprised of an interest in the first loss tranche, in this case the Class Z VFN.

<sup>1</sup> Includes the Z note subordination and the General Reserve sized 1.5% of the Class A notes.

<sup>2</sup> Assumes 20% pricing CPR and Issuer call being exercised on the Step-Up Date.



# Prime Customer Base

	Owner Occupied	Oak No. 4 <sup>2</sup>
Average age	38	44
Average current loan size (£'000s)	195	175
Weighted average Original LTV	74.6%	66.6%
First-time buyer (OO) (by balance)	41%	17.68%
Self-employed (by balance)	35%	39.75%
Adverse credit <sup>1</sup> in last 3 years (by balance)	16%	0.00%

<sup>1</sup> Adverse Credit is any account where the application has a registered default and/or county court judgment (CCJ) within 36 months before applying for the Aldermore mortgage.

<sup>2</sup> As at end of April 2023.

# Lending Criteria - Loan

Loan Criteria	Owner Occupied Level 1	Oak No. 4 Criteria (Prime RMBS)	Loan criteria
<b>Purpose</b>	Purchase, re-mortgage or help to buy	Purchase or re-mortgage	<ul style="list-style-type: none"> <li>Changes to Lending Policy approved by <b>Chief Credit Officer (CCO)</b> as Accountable Executive.</li> <li>Changes to Lending Standards approved by <b>Head of Credit Risk Lending Policy &amp; Standards</b>.</li> <li>Lending Policy / Standards lay down the parameters within which any mortgage products can be designed and provides guidelines that are used to determine the underwriting decision.</li> <li>Lending policy <b>exceptions</b> are <b>excluded from the Oak programme</b>.</li> </ul>
<b>Minimum Loan</b>	£25,000		<p><b>Mortgage indemnity guarantee</b></p> <p>Residential mortgage loans with an LTV over 80% (excluding fees) <b>have a Mortgage Indemnity Guarantee (MIG)</b>.</p> <p><b>Cover</b></p> <ul style="list-style-type: none"> <li>Fixed at inception and remains constant for seven or eight years<sup>1</sup>, with no first loss for the insured. <b>Policy pays up to the full individual limit</b> of indemnity for the loan in the event of a claim.</li> </ul> <p><b>Insurer</b></p> <ul style="list-style-type: none"> <li>Canopus Managing Agents Limited, through a <b>Lloyd's of London Syndicate</b>. Rating of insurance capacity is <b>A+ (S&amp;P), AA- (Fitch)</b>.</li> </ul> <p><b>Exclusions</b></p> <ul style="list-style-type: none"> <li>Defects in Title &amp; Negligence or fraud of solicitor/valuer – risks covered by separate insurance and mitigated through Solicitors Professional Indemnity Cover.</li> <li>Property Damage Risks - <b>risks covered by standard buildings insurance</b> policy.</li> </ul> <p><b>Claims trigger</b></p> <ul style="list-style-type: none"> <li>Loans must be at least 90 days in arrears for claim to be made.</li> </ul>
<b>Maximum Loan</b>	£1,000,000 (Maximum Loan dependant on product type)		
<b>Repayment Type</b>	<ul style="list-style-type: none"> <li>Capital &amp; interest repayment</li> <li>Interest only with an acceptable repayment strategy</li> </ul>		
<b>Minimum Term</b>	10 Years		
<b>Maximum Term</b>	40 Years		
<b>Maximum LTV</b>	<p>Capital Repayment 90%<sup>2</sup> LTV (Max Loan £500k) 80% LTV (Max Loan £1m)</p> <p>Interest Only 75% LTV (Max Loan £1m)</p> <p>Other Max LTV limits also apply based on additional criteria</p>	< 80% LTV	

<sup>1</sup> Loans originated prior to 1 January 2020 are covered for a seven year period, and each Loan originated on or after 1 January 2020 is covered for an eight year period, in each case following inception of the insurance of the Loan or Additional Borrowing.

<sup>2</sup> From October 2022, the maximum LTV for Residential Owner Occupied mortgages have been reduced from 95% to 90%.

## Oak No. 4 Loan Criteria

- Loans with MIG coverage are **excluded** from the Oak No.4 portfolio.

# Lending Criteria – Applicants and Affordability

Applicant Criteria	Owner Occupied Level 1	Oak No. 4 Criteria (Prime RMBS)
<b>Credit Status</b>		
<b>Prior Mortgage Arrears</b>	0 in last 3 months 1 in last 12 months 2 in last 24 month	None in last 12 months
<b>CCJ's/Defaults</b>	None in last 36 months	None in the last 72 months
<b>Bankruptcy Order / IVA</b>	None	
<b>Maximum Applicants</b>	2 Applicants; Anyone on the Title Deeds must be on the mortgage application	
<b>Minimum Age</b>	21 Years	
<b>Maximum Age</b>	70 Years (at the end of mortgage term)	
<b>Minimum Income</b>	£10,000 (will be verified)	
<b>Employed / Self Employed</b>	Employed - minimum 12 months history Self employed – minimum trading 2 years. 1 year can be considered	
<b>Residency Status</b>	<ul style="list-style-type: none"> <li>All applicants must be in the UK for the last 2 years.</li> <li>Non-UK/Republic of Ireland nationals are acceptable if they have resided in the UK for the last 24 months and have non-conditional and permanent right to reside or indefinite leave to enter/remain or rights of abode.</li> <li>Applicants from the EU (excluding Irish) or EEA will require Settled or Pre-Settled Status.</li> <li>Applicants from the rest of the world will require indefinite leave to enter/remain or rights of abode.</li> <li>Applicants with diplomatic immunity and UK nationals who are not resident in the UK (i.e. ex-patriates) are unacceptable.</li> </ul>	

## AFFORDABILITY

### OWNER OCCUPIED

- Aldermore uses an affordability calculation to assess the maximum available loan using the income and expenditure for the applicant(s).
- Income multiple must not exceed 5.5 x total allowable income. Where the total Allowable Income on the application is less than £60,000, the loan to income multiple must not exceed 4.49x.

In conjunction with:

- Mortgage term
- Gross **income**, **credit** commitments and other **expenditure** in addition to basic expenditure
- Household composition
- Affordability factor estimating HMRC deductions and basic expenditure / living costs, is applied to the income and calculated as follows:

$$\text{Gross Income} - \text{Tax \& NI, other commitments, other living costs and basic expenditure} = \text{Disposable Income}$$

- Affordability for interest only** loans calculated on a **capital and interest basis**

# Lending Criteria – Income and Property

## Income

- No self-certified income.
- Income verified for all mortgage applications.
- Employed applicant: Income verified by payslip(s) and P60 (or end March payslip).
- Self-employed applicant: Income verified by HMRC tax calculation(s) and tax year overview(s). Projections of future income not acceptable.
- Will accept certified copy of original documents sent electronically by broker, who is accountable for their authenticity.

## Property

Property Criteria	Owner Occupied Level 1	Oak No. 4 Criteria (Prime RMBS)
Location	England, Scotland & Wales	England & Wales
Minimum Valuation	£60,000	
Tenure	Freehold (heritable title in Scotland) or leasehold (with 85 years unexpired at completion and 45 years at end of mortgage term)	

## Property

- The property which a loan is secured against is used as **protection of our interest** as a lender, rather than as an alternative method of repaying the debt for the borrower.
- **All applications require a full valuation of the property**, based on a full external and internal inspection by a suitably qualified surveyor.
- The report of the property is carried out by an associate or member of **RICS in line with ‘Red Book’ specifications**.
- All report formats provide valuations for the **valuation for three comparable properties** which were **recently sold** in the local market and photographs of a minimum of internal and external aspects of the loans security are required in the report.
- **No right to buy.**
- **No shared ownership.**
- **Help to buy excluded from Oak No. 4.**

**Oak No. 4  
Transaction  
Structure**



# Provisional Portfolio Characteristics

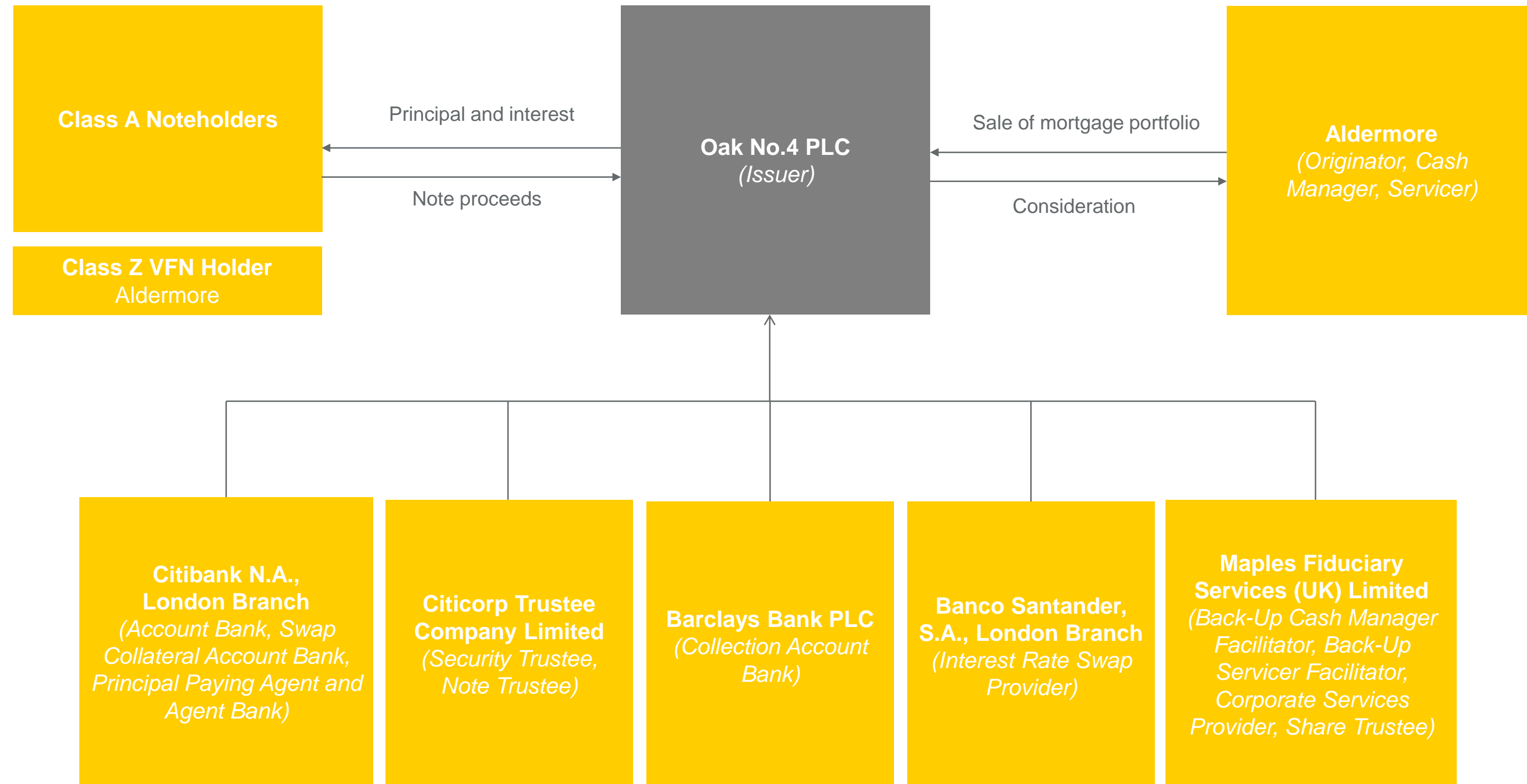
Portfolio eligibility criteria	
All loans Aldermore tier 1	✓
No CCJ or bankruptcy history <sup>1</sup>	✓
No self certified income	✓
No BTL	✓
No offset	✓
No right to buy	✓
No help to buy	✓
No shared ownership	✓
No shared equity	✓
No fast track loans	✓
No loans currently in arrears	✓
No borrower in arrears with any mortgage lender during 12 months prior to initial advance	✓

<sup>1</sup>During the past six years.

Provisional portfolio overview	
Aggregate loan balance (GBP)	440,950,912
Number of loans	2520
Average current loan balance (GBP)	174,981
WA original LTV (% balance)	66.57%
WA current LTV (% balance)	57.60%
WA seasoning (months)	23.26
WA remaining term (years)	23.88
Fixed rate loans (% balance)	95.34%
Interest only (% balance)	6.36%
Arrears at closing (%)	0.00%
Greater London (% balance)	14.30%
South East (% balance)	21.34%



# Transaction Structure



# Possible Weighted Average Lives

CPR	Assuming issuer call on step-up date (WAL)	Assuming no issuer call (WAL)
0%	4.44 years	8.00 years
5%	3.92 years	5.94 years
10%	3.46 years	4.60 years
15%	3.05 years	3.68 years
20% <sup>1</sup>	2.68 years	3.00 years
25%	2.35 years	2.49 years
30%	2.05 years	2.10 years

Reversion year	Aggregate current balance (£)	Per cent. Of total
2023	92,772,824	22.1%
2024	159,608,018	38.0%
2025	22,679,189	5.4%
2026	44,215,556	10.5%
2027	97,312,553	23.2%
2028	3,828,233	0.9%

## Assumptions

- The Issuer exercises its option to redeem the Class A on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-Up Date, in the second scenario;
- The Loans are subject to a constant annual rate of pre-payment (exclusive of scheduled principal redemptions) of between 0% and 30% per annum;
- No Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- No Additional Borrowings or Product Transfers;
- The Mortgages continue to be fully performing;
- Notes are issued on May 2023;
- The payments dates are on 26th day of every February, May, August, and November with the first Payment date being in August 2023 and the step-up date being the Interest Payment Date falling in February 2028;
- Please see Oak No. 4 Preliminary Prospectus for further details

<sup>1</sup> Pricing CPR is 20%.

# Priority of payments

## Summarised pre-acceleration priority of payments

### Revenue

- (a). Amounts due to the Note Trustee and Security Trustee
- (b). Amounts due to the Agent Bank, Paying Agents, Account Bank, Swap Collateral Account Bank, Reporting Delegate, Corporate Services Provider and Class Z VFN Registrar
- (c). Third party expenses (including but not limited to (if applicable) any fees, costs, liabilities and expenses of any securitisation repository)
- (d). Amounts due to Servicer, Cash Manager, Back-Up Cash Manager Facilitator and Back-Up Servicer Facilitator
- (e). Amounts due to the Interest Swap Provider (excluding any Interest Rate Swap Excluded Termination Amounts)
- (f). Issuer Profit Amount
- (g). Class A Interest
- (h). Class A PDL
- (i). General Reserve Ledger
- (j). Class Z VFN PDL
- (k). Principal due and payable on the Class Z VFN in an amount up to (but not exceeding) the General Reserve Release Amount determined in respect of such Interest Payment Date provided that, so long as the Class A Notes remain outstanding, the principal amount outstanding of the Class Z VFN shall not be reduced to an amount lower than 5 per cent. of the aggregate Current Balance of the Loans
- (l). Class Z VFN Interest
- (m). Interest Rate Swap Excluded Termination Amounts
- (n). If such Interest Payment Date falls directly after a Determination Period, then the excess (if any) to the Transaction Account
- (o). Following redemption in full of the Class A Notes, Class Z VFN Principal
- (p). Deferred Consideration

### Principal

- (a). Class A Principal
- (b). Class Z VFN Principal
- (c). Available Revenue Receipts

### Principal to pay interest

If there is insufficient revenue to pay items (a) to (g) of the pre-acceleration revenue priority of payments then available principal receipts will be used to cover such revenue deficiency

### Turbo mechanism

If the Class A Notes remain outstanding on and from the Step-Up Date (taking into account redemptions on the Step-Up Date) remaining Available Revenue Receipts will be applied as Available Principal Receipts after the General Reserve Fund is replenished up to the General Reserve Required Amount

### Post-acceleration priority of payments

- (a). Amounts due to the Note Trustee and the Security Trustee
- (b). Amounts due to the Agent Bank, Paying Agents, Back-Up Servicer, Transaction Account Bank, Swap Collateral Account Bank, Reporting Delegate, Class Z VFN Registrar and Corporate Services Provider
- (c). Amounts due to the Servicer, Cash Manager, Back-Up Cash Manager Facilitator and Back-Up Servicer Facilitator
- (d). Amounts due to the Interest Swap Providers (excluding any Interest Rate Swap Excluded Termination Amounts)
- (e). Class A Principal and Interest
- (f). Class Z VFN Principal and Interest
- (g). Interest Rate Swap Excluded Termination Amounts
- (h). Issuer Profit Amount
- (i). Deferred Consideration

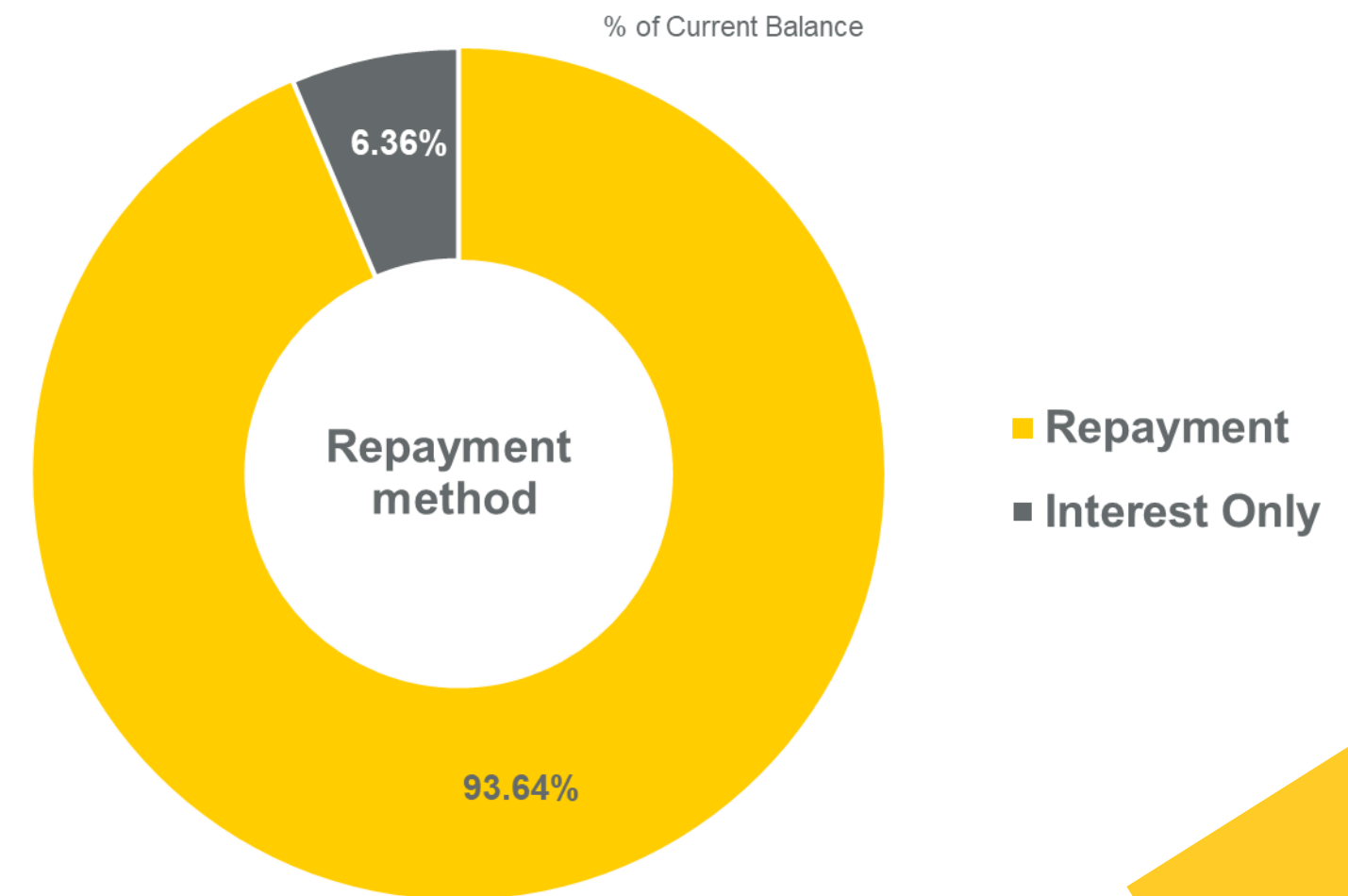
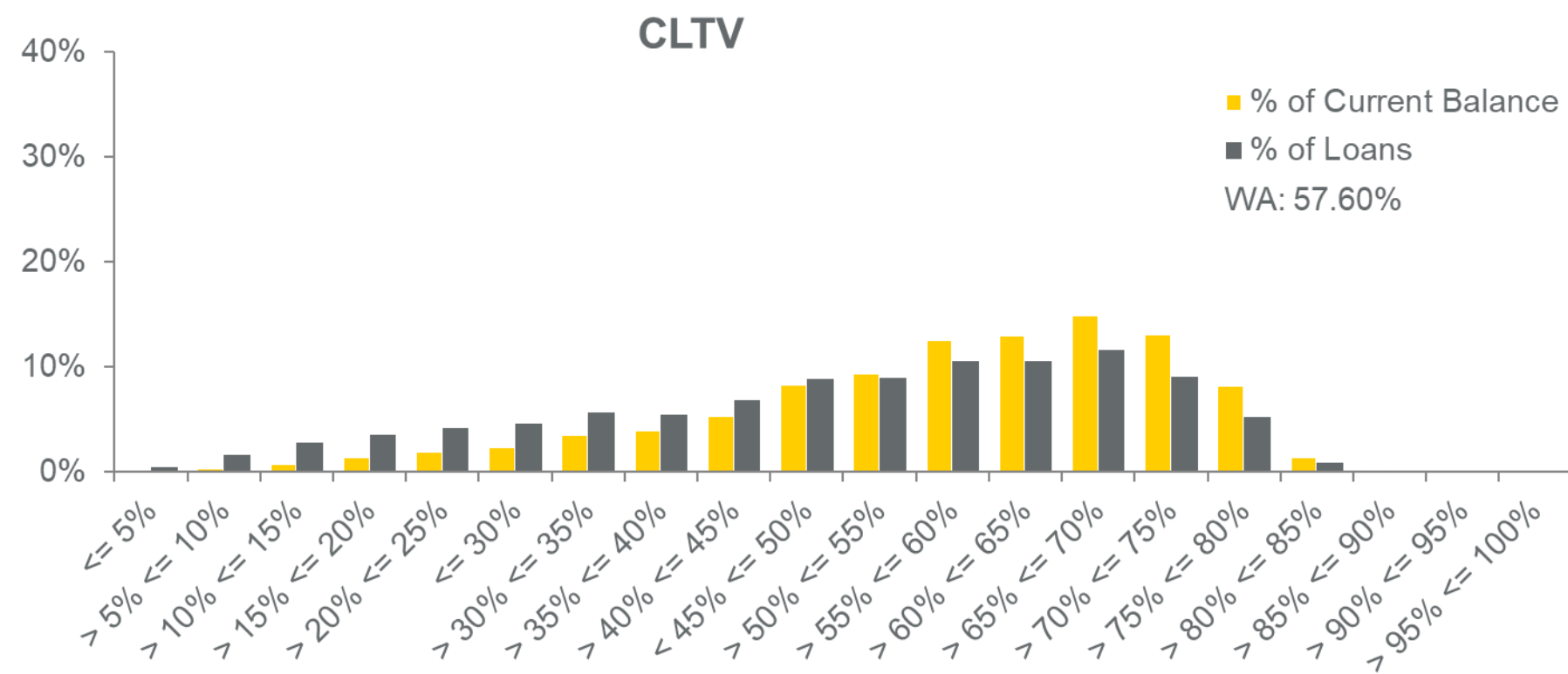
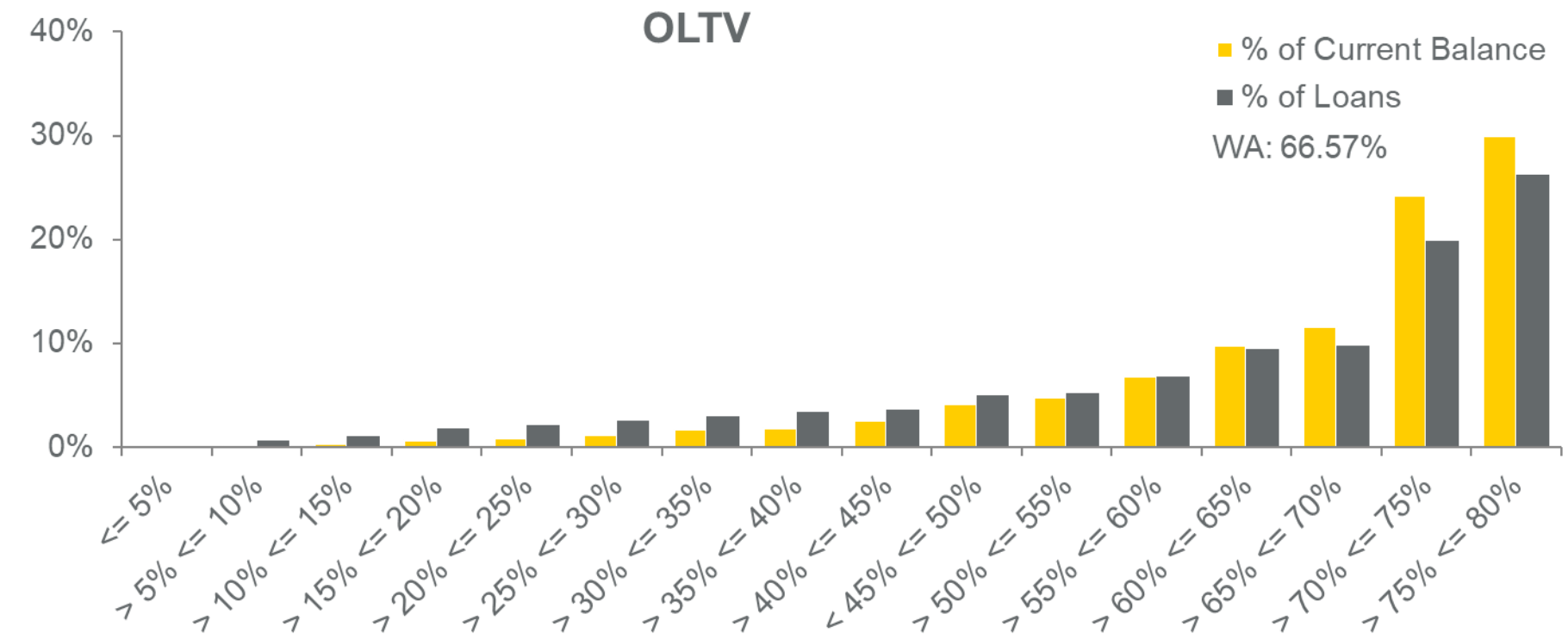
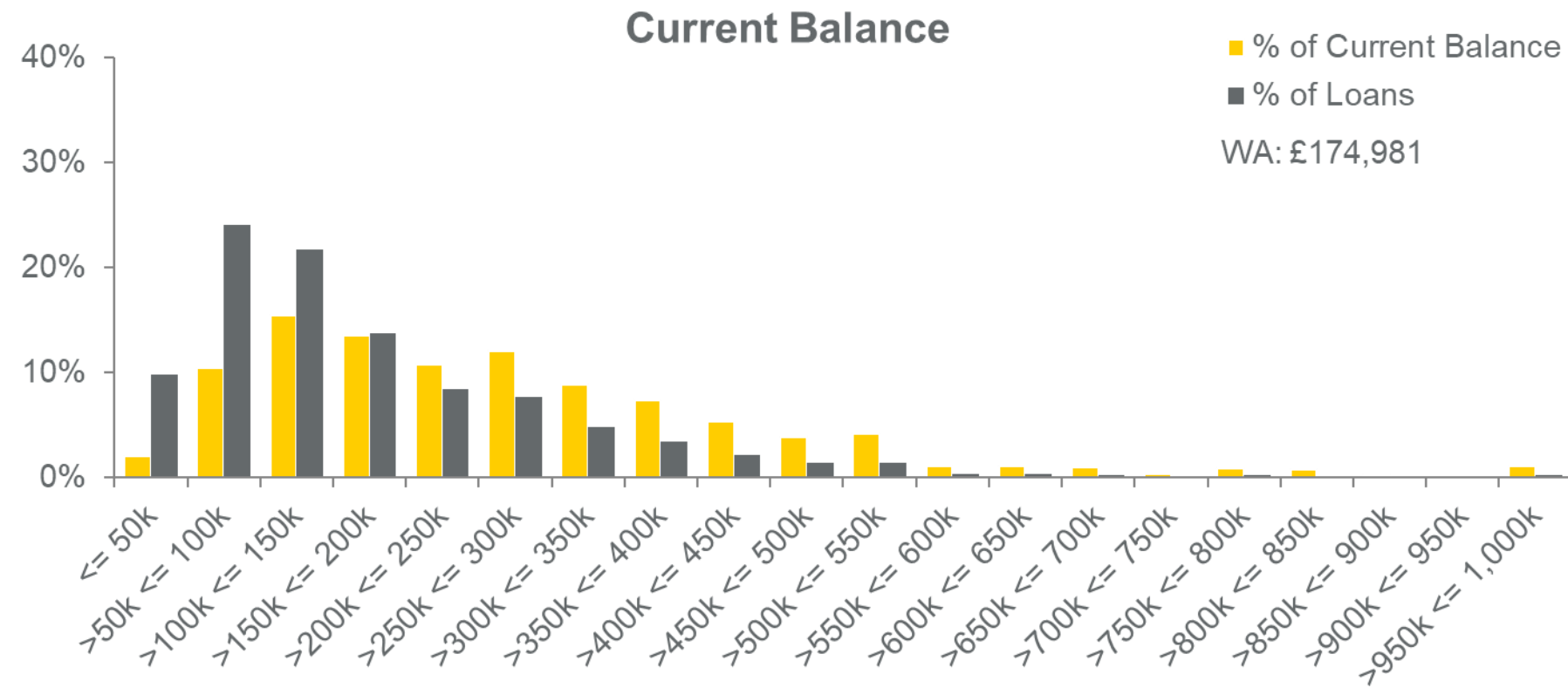
# Comparing Key Characteristics from RMBS Transactions

Oak RMBS	Oak No. 4	Oak No. 3	Oak No. 2	EMI 2023-1	Brass 11	Brass 10	Elvet RMBS 2021-1	CMF 2020-1	Darrowby No.5
Originator	Aldermore	Aldermore	Aldermore	Coventry BS	Yorkshire BS	Yorkshire BS	Atom Bank	CCFS	Skipton BS
Structure	Standalone	Standalone	Standalone	Master Issuer	Standalone	Standalone	Standalone	Standalone	Standalone
Closing Date	May-23	Sep-19	Oct-18	Jan-23	Oct-22	Mar-21	Oct-21	Feb-20	Feb-20
Aggregate loan balance (GBP)	440,950,912	386,198,071	390,189,433	2,120,748,911	4,854,490,282	1,834,210,022	367,991,308	350,429,747	813,418,781
Number of loans	2520	2,708	2,535	15,292	22,092	9,396	2,016	2,085	5,373
Average current loan balance (GBP)	174,981	142,614	153,921	138,684	219,740	195,212	182,535	168,072	151,390
WA original LTV (%)	66.6	72.2	75.7	58.3	77.5	77.2	79.7	71.2	69.3
WA indexed LTV (%)	59.9	69.0	72.8	42.7	67.5	73.0	77.6	69.0	60.8
WA seasoning (yrs)	1.9	1.2	1.0	3.0	1.8	0.9	0.6	0.9	2.2
WA remaining term (yrs)	23.9	23.8	25.0	19.5	26.5	26.3	27.1	25.5	22.3
WA interest rate (%)	3.5	3.6	4.0	1.9	2.2	2.1	2.63	4.0	2.2
Fixed rate loans (%)	95.3	95.9	97.4	95.9	99.3	99.7	99.4	98.8	89.8
Interest only (incl. P&P) (%)	6.4	10.3	8.3	2.1	4.4	5.8	0.0	4.9	6.3
Arrears at closing (%)	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Buy to let (%)	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Largest Geographic Region	South East (21.3%)	South East (17.9%)	South East (20.5%)	South East (19.8%)	South East (23.4%)	South East (20.4%)	South East incl. London (22.3%)	South East incl. London (31.4%)	South East (18.6%)

# Oak No. 4 Portfolio and Historical Performance

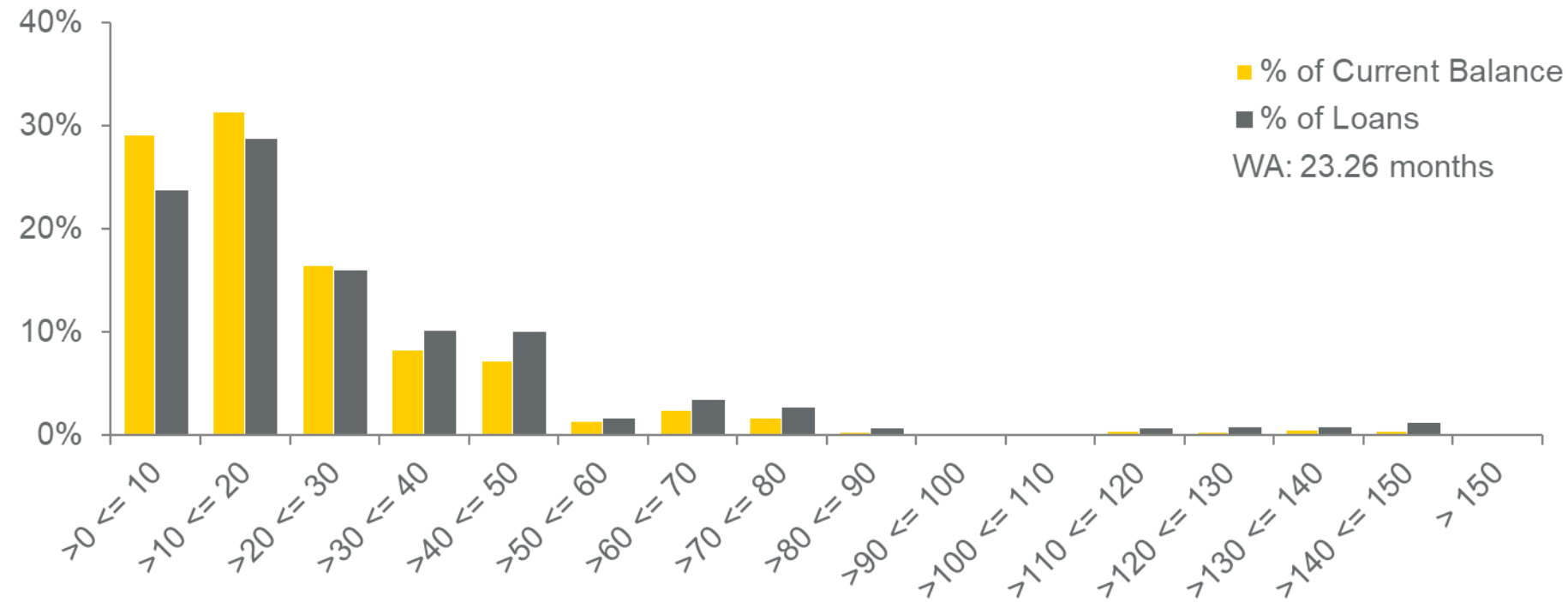


# Provisional Portfolio Characteristics

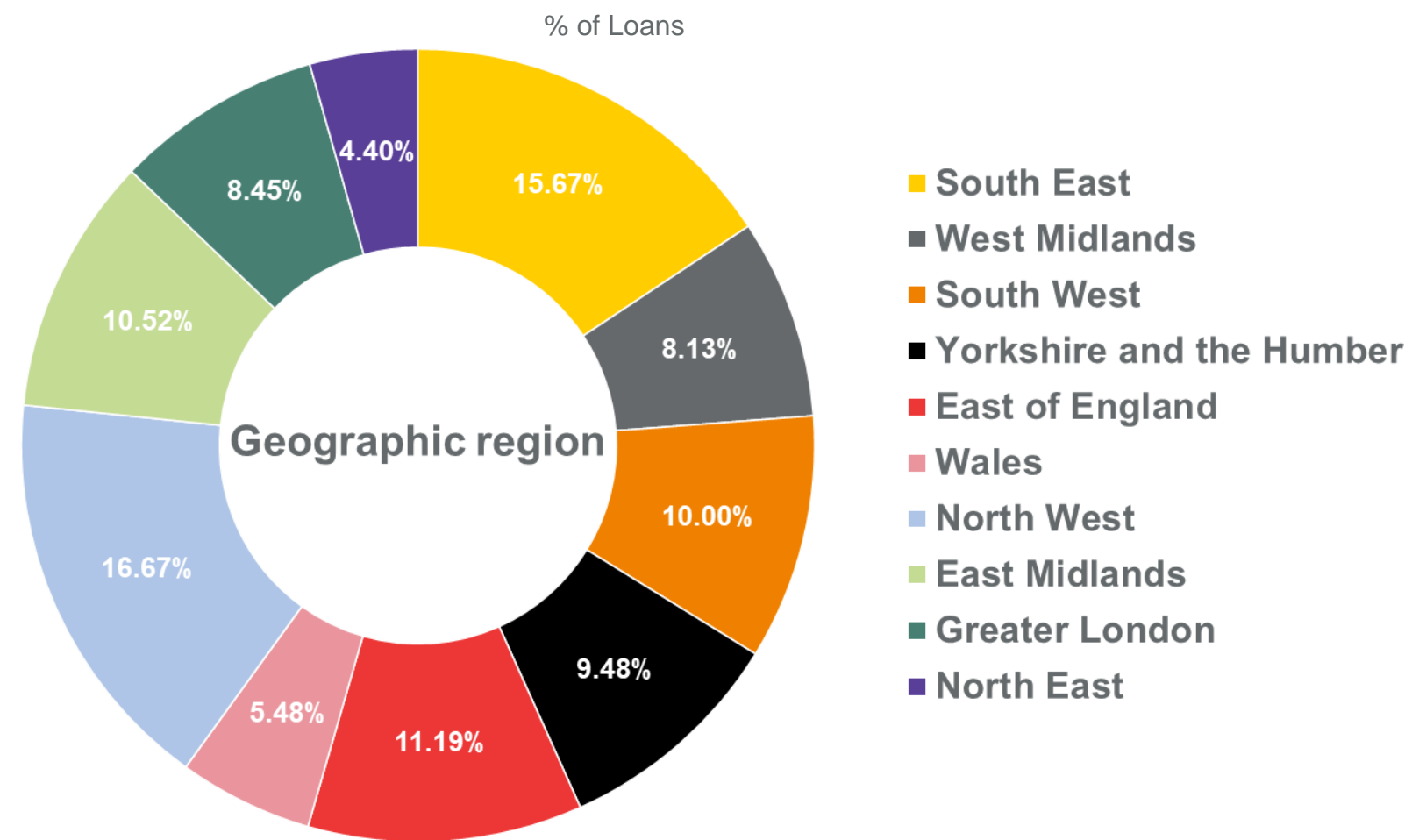
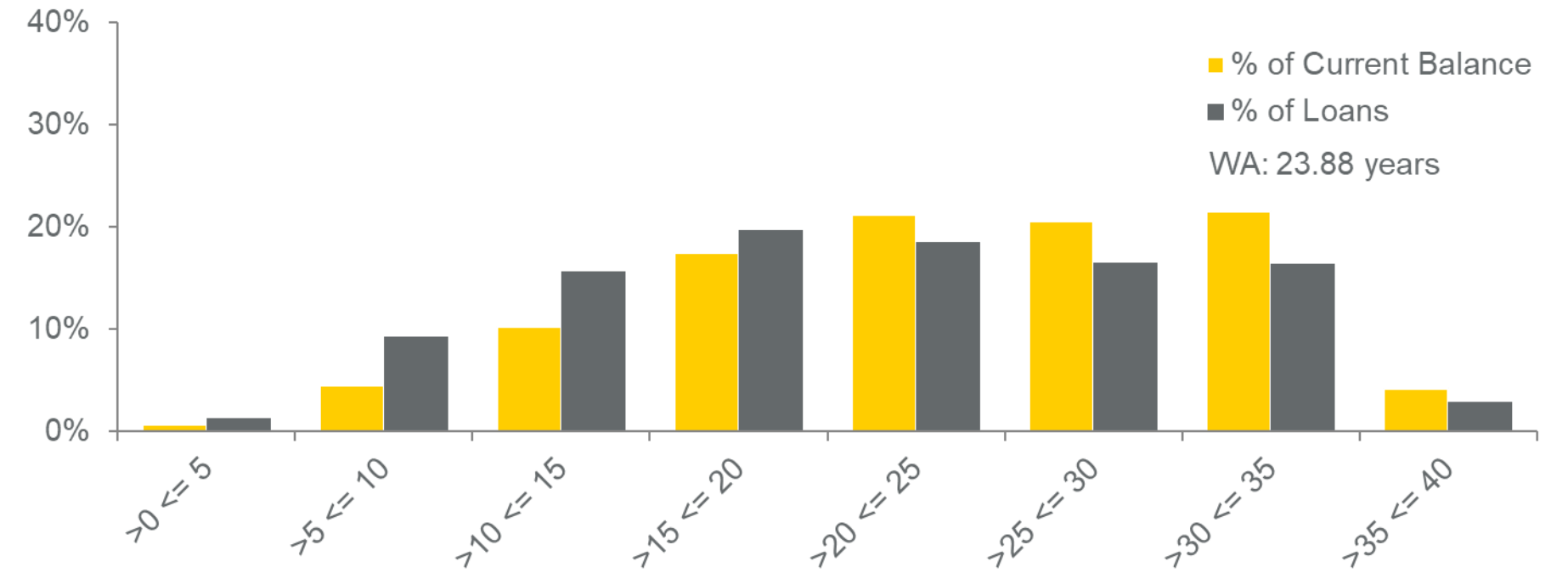


# Provisional Portfolio Characteristics

Seasoning (months)

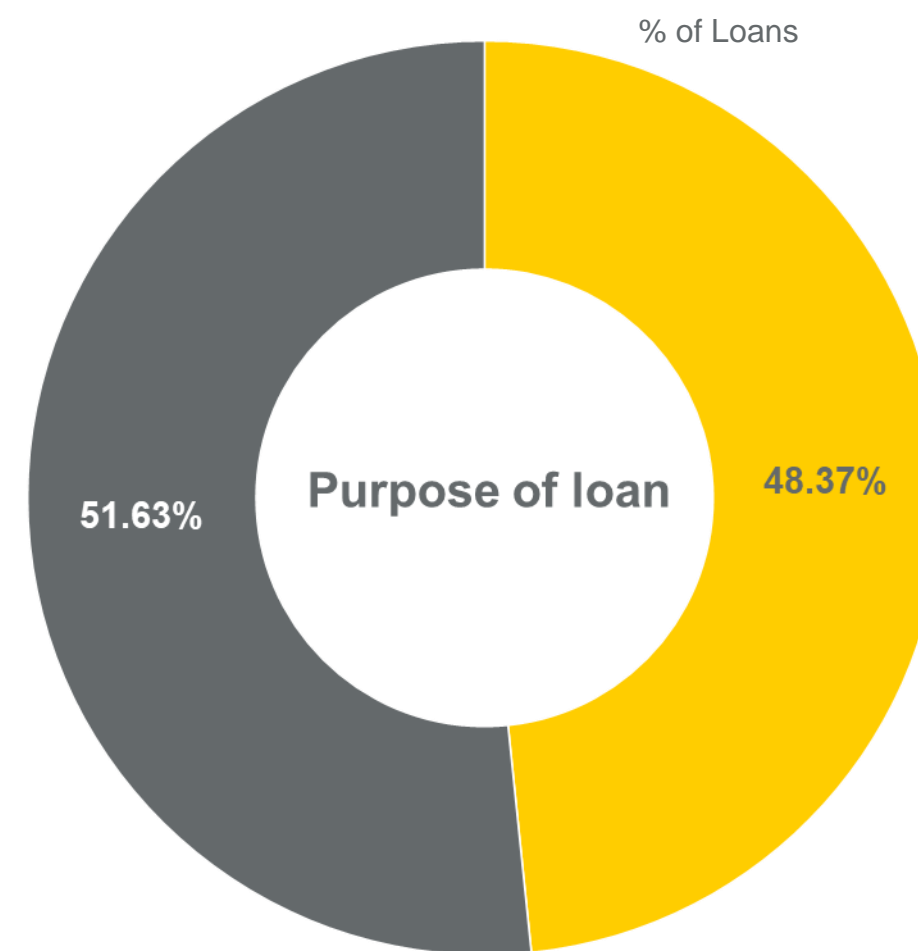


Years to Maturity

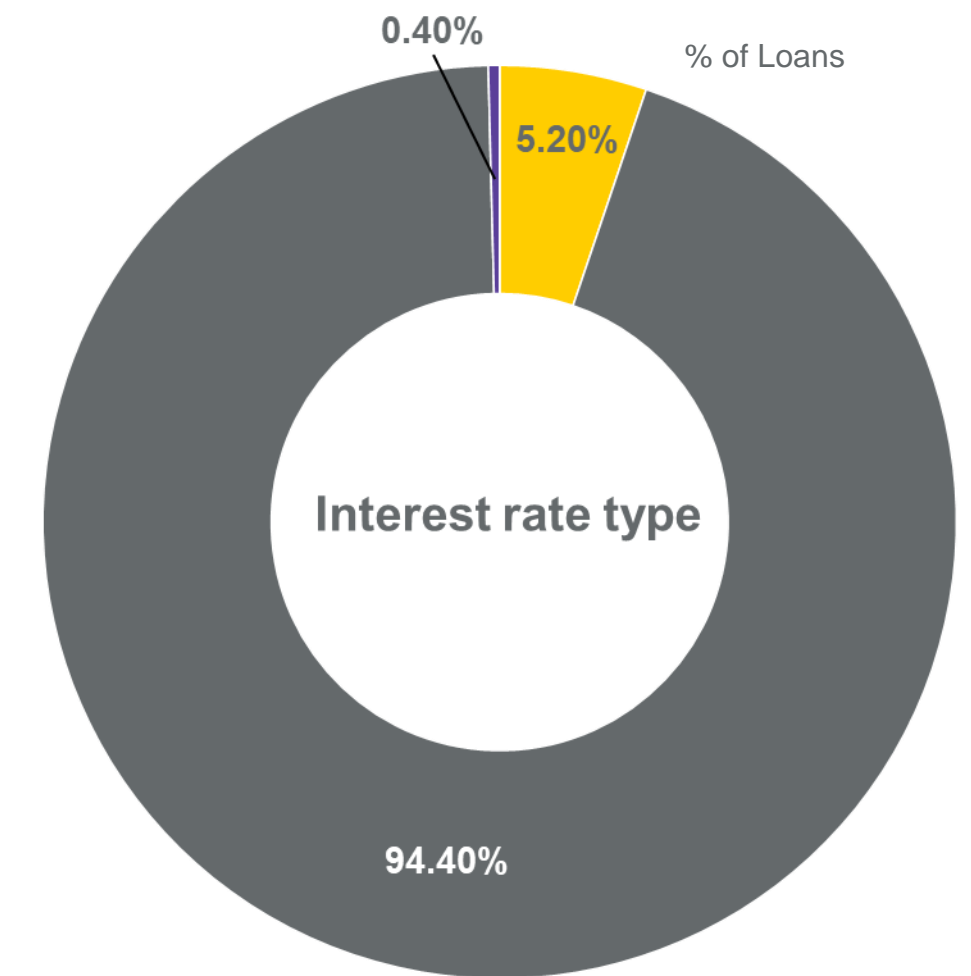




# Provisional Portfolio Characteristics



- Purchase
- Remortgage



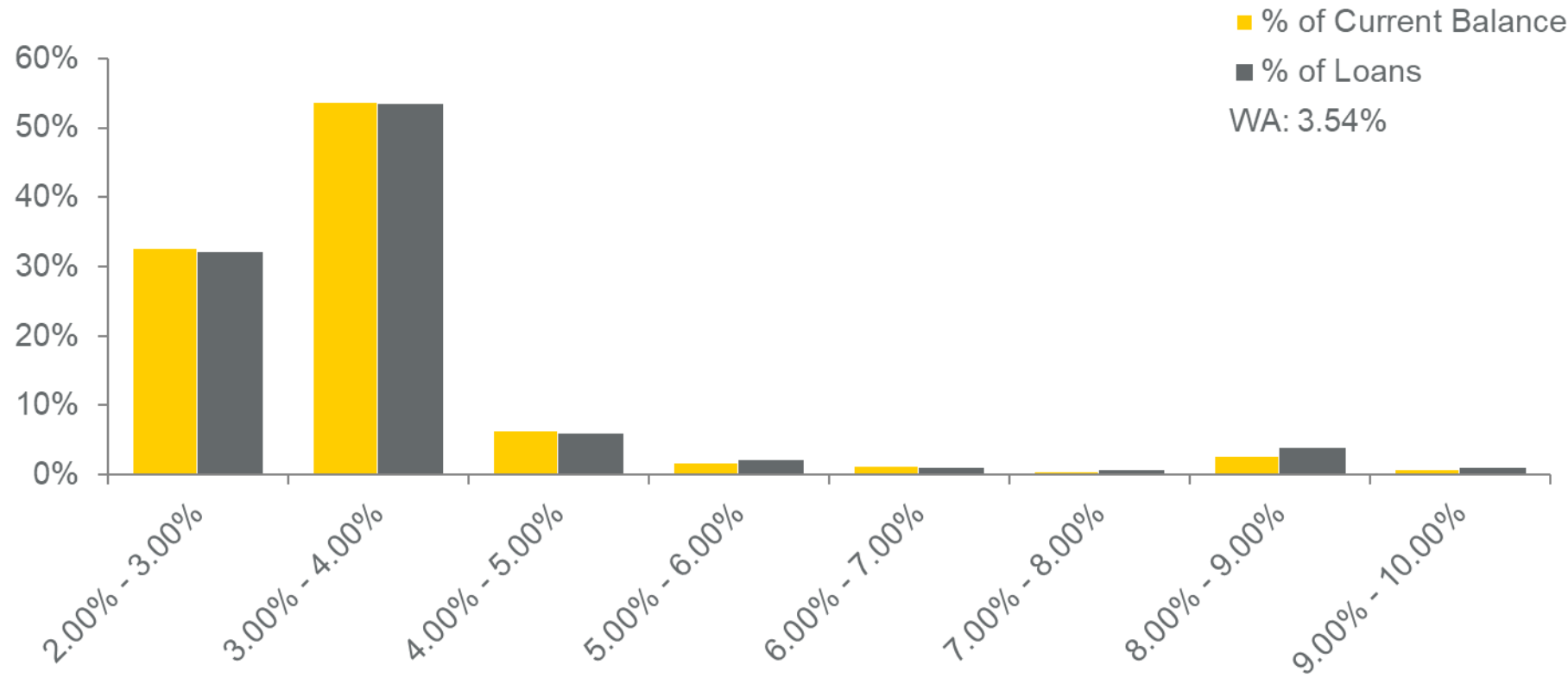
- Floating rate loan (for life)
- Fixed rate loan with compulsory future switch to floating
- Discount



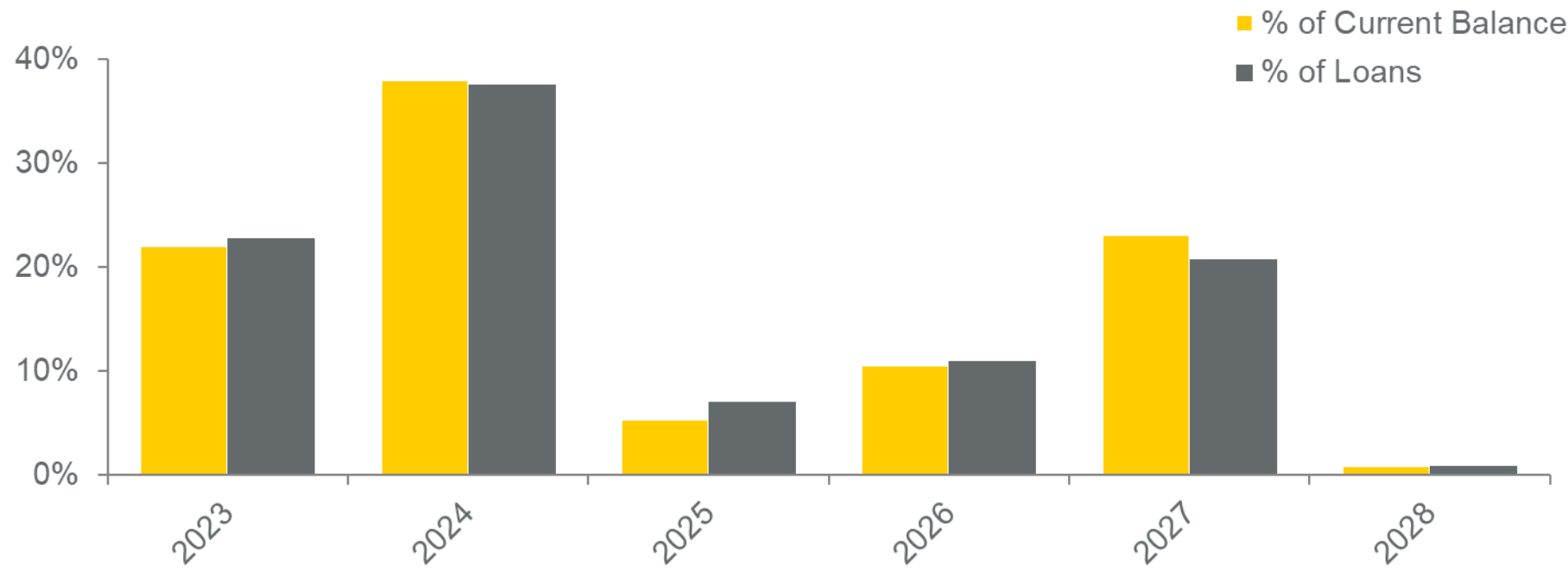


# Provisional Portfolio Characteristics

Current Interest Rates



Fixed Rate Loans Reversion Date



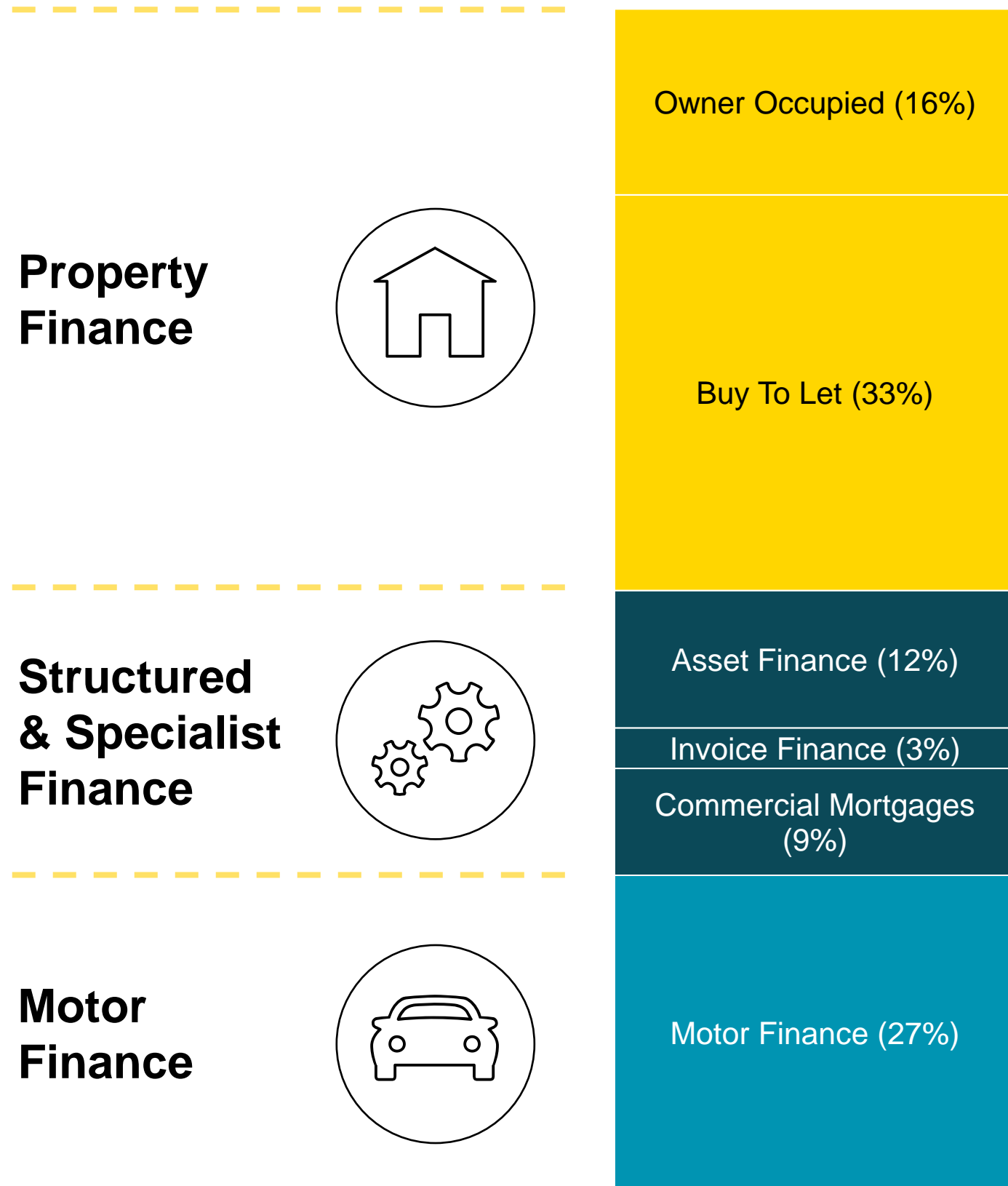
Information Classification: Confidential.  
Source: Oak No. 4 Preliminary Prospectus.

## **Section 2: Aldermore Overview**

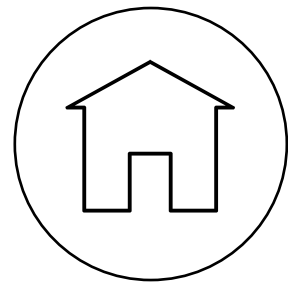


# Highly Diversified Portfolio and Established Position in the UK Market

£14.7 bn



## Property Finance



## Property

- Profitably growing in existing segments and new sub-segments e.g. sustainable property financing.



## Motor

- Strengthening our 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.



## Structured & Specialist Finance

- 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.



## Savings

- 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.

Aldermore Net Loans FY22

# Diversified Funding Base

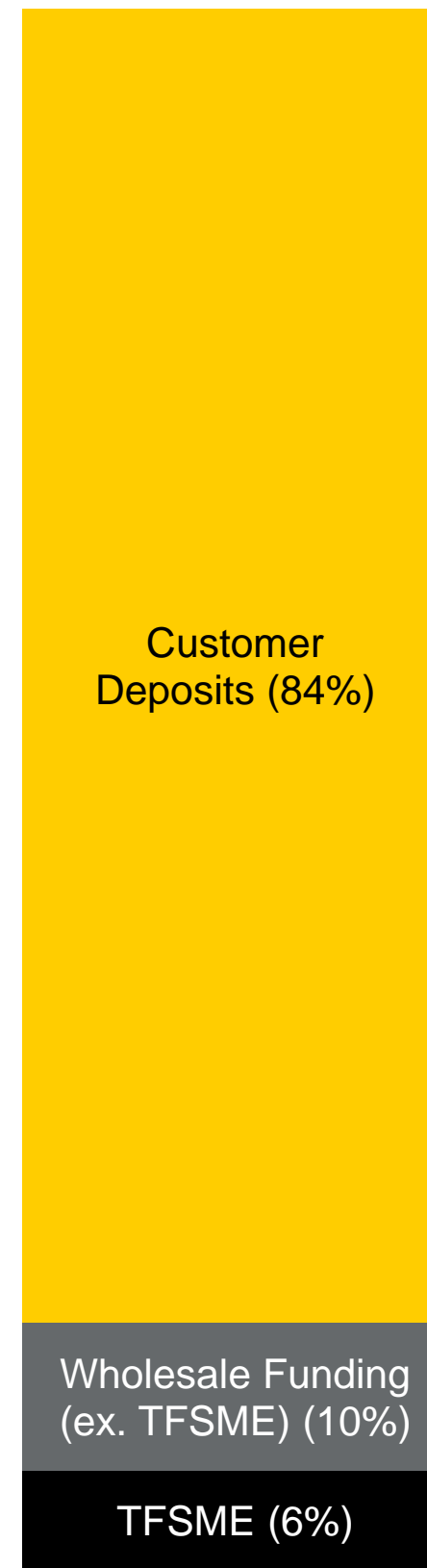
## Deposit funding

- 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.

**£16.8 bn**



**Aldermore  
Funding  
Liabilities FY22**

## Securitisations



**Oak No. 1  
April 2014**

**£372m**

**Redeemed:  
May 2019**



**Oak No. 2  
September 2018**

**£365m**

**Redeemed:  
February 2023**



**Oak No. 3  
September 2019**

**£381m**

**Step-Up Date:  
July 2024**



**Turbo 9 Finance  
September 2020**

**£605m**

**Final Legal Maturity:  
August 2028 with  
10% Clean Up Call**

# Financial Highlights for Financial Year 2022

Profit Before Tax

**£204.7m**

Pre-provision Operating Profit

**£262.1m**

Net Interest Margin

**3.8%**

Cost-to-Income ratio<sup>1</sup>

**54%**

Return On Equity

**12.5%**

CET 1 Ratio<sup>2</sup>

**14.0%**

Cost of Risk

**0.41%**

Net Lending

**£14.7bn**

Customer Deposits

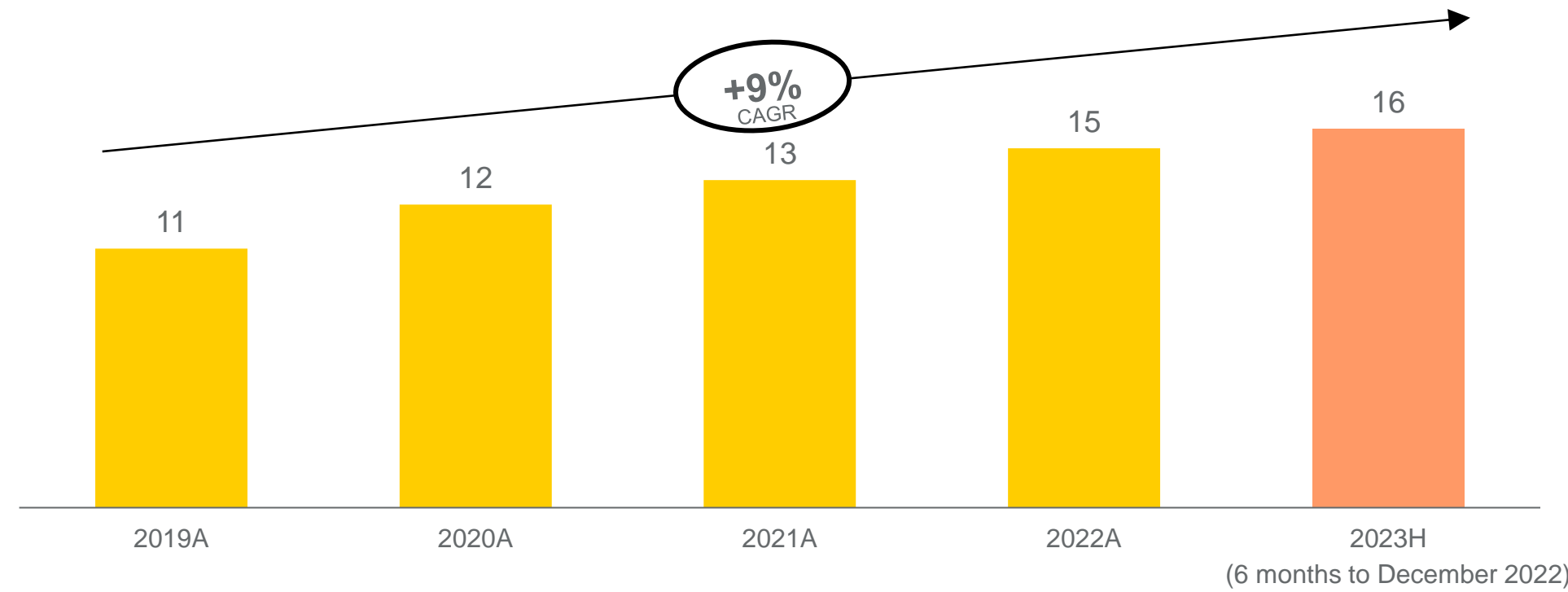
**£14.1bn**

<sup>1</sup> Cost-to-income ratio is statutory.

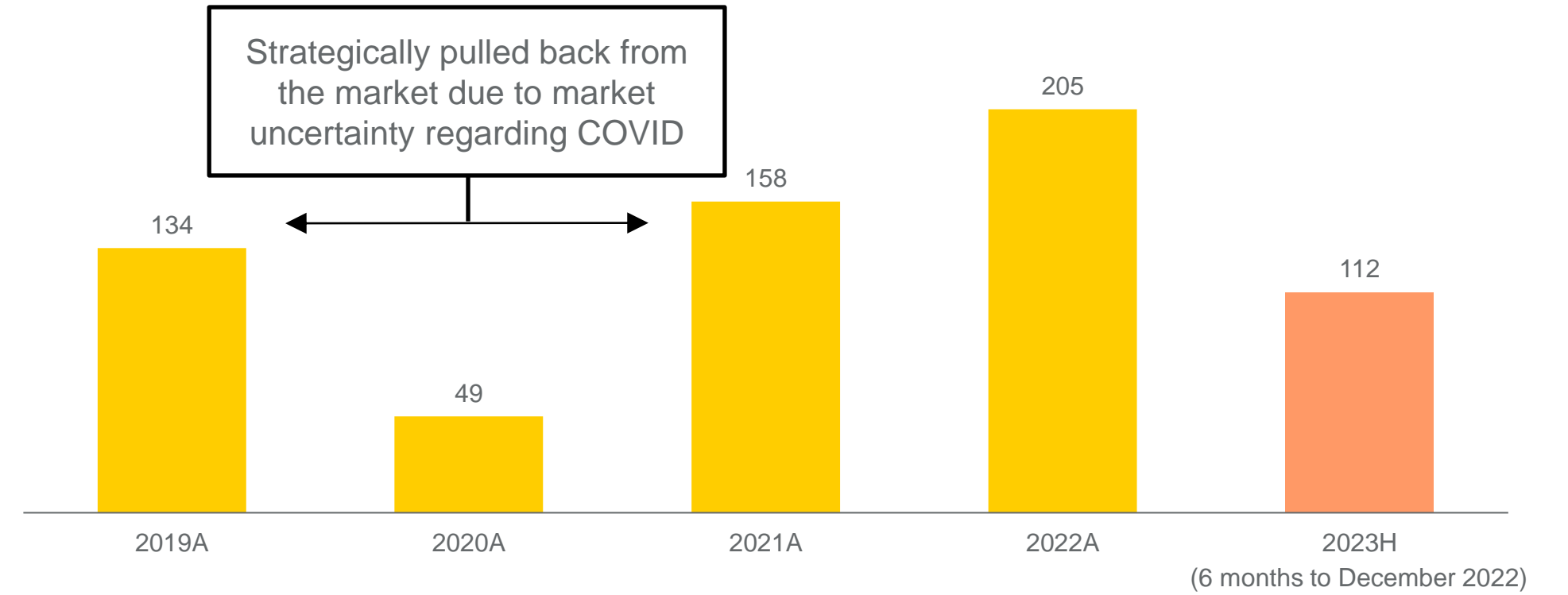
<sup>2</sup> CET1 ratio is IFRS 9 transitional basis. The fully loaded CET1 ratio at H1 2023 is 13.5% (H1 2022: 13.5%).

# Track Record Of Sustainable Profitable Growth and Financial Position

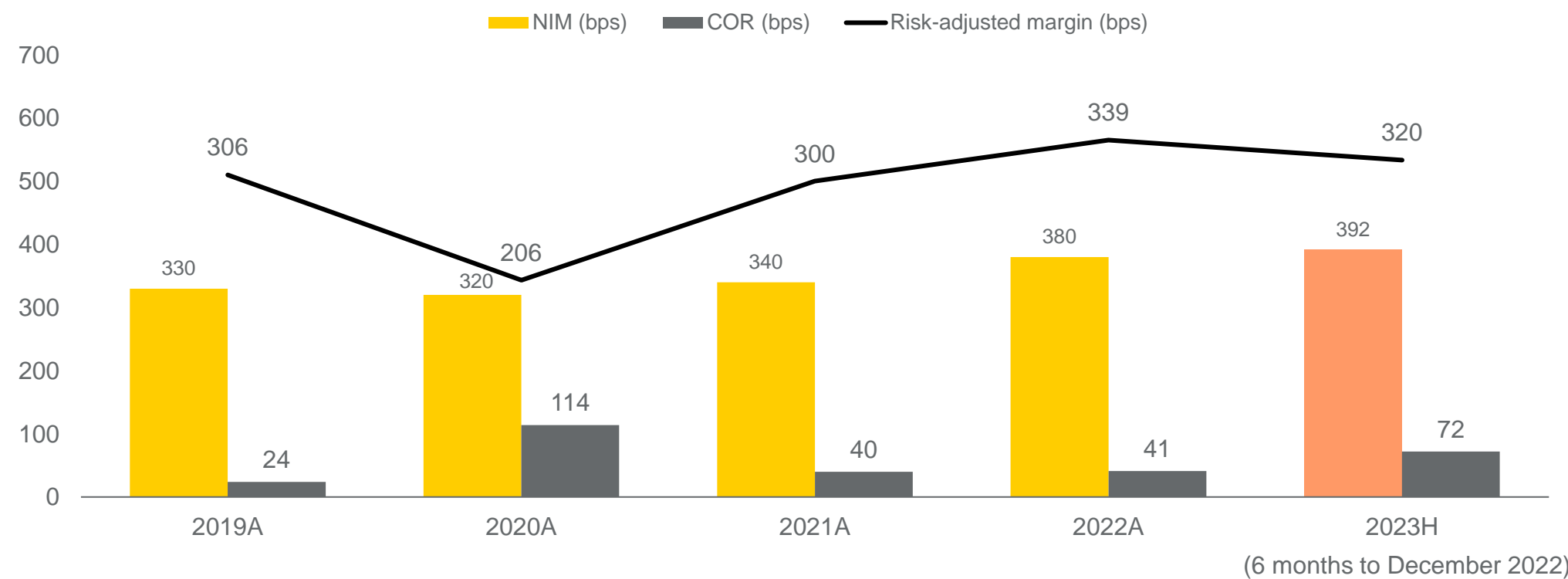
## Net loans (£bn)



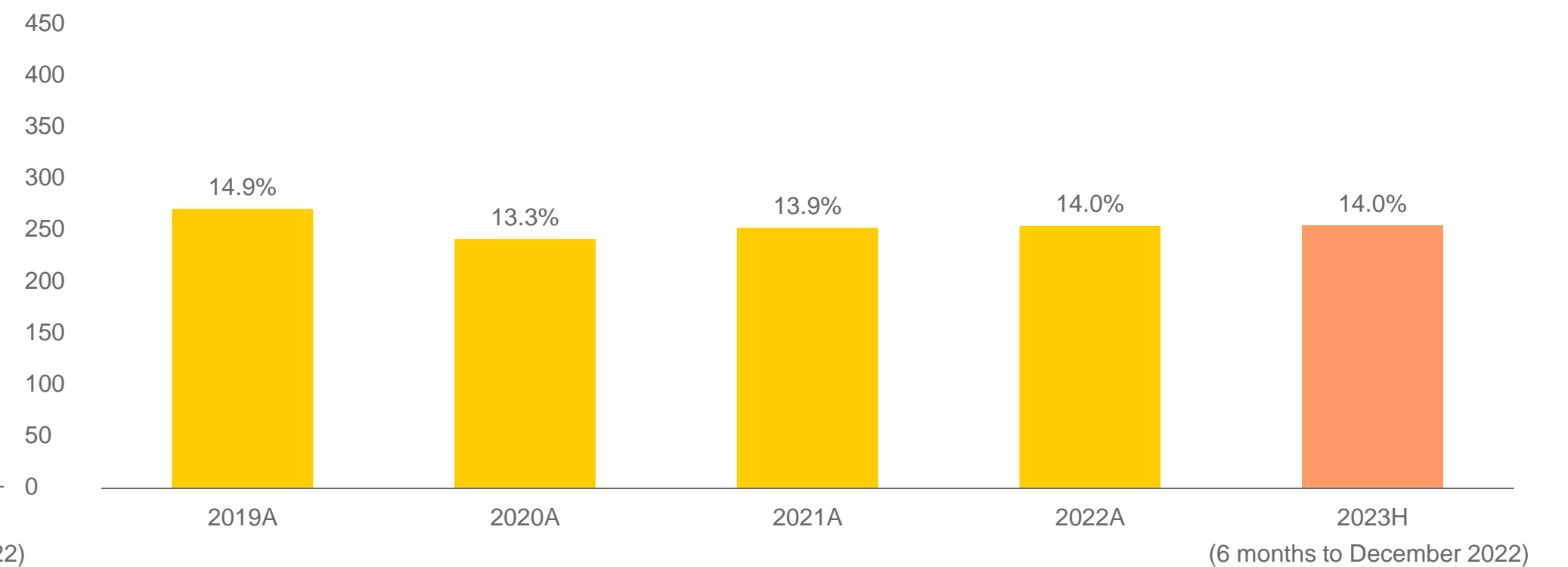
## Profit before tax (£m)



## Risk-adjusted margin (bps)



## CET1 ratio (%RWA)



# Mortgage Overview



**Aldermore**

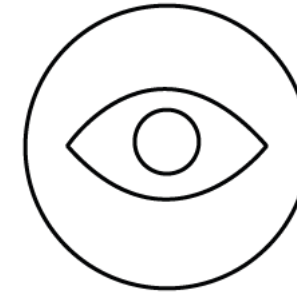
# Prime Retail Mortgage Business



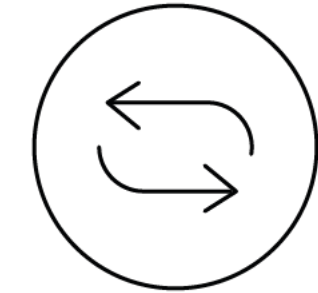
c. **43,000** mortgage customers and **£7.7bn** balance



Work with **>17,000** registered brokers



**Net Promoter Score**  
**>50%** for customers evidencing strong service



**2/3** of customers stay with us after product maturity, with most taking a new loyalty product

## We are...

- A **renowned specialist mortgage lender** since 2010
- A **prudent lender** that strives for the sweet-spot between manual underwriting, scorecards and automation
- **Intermediary led**, underpinned by strategic relationships with key brokers (“Platinum broker” model) complemented with a direct customer proposition
- Proud of **strong customer satisfaction**, with all originations and servicing managed internally

## Our customers are...

- Creditworthy but have complexities so are **underserved by highly automated mainstream lenders**
- People who **consistently improve their credit score** throughout their Aldermore mortgage
- Key segments include self-employed, business owners, customers with minor adverse credit subject to enhanced underwrite, and landlords ranging from individuals with one property to established firms with large portfolios



# Simple Mortgage Products that Meet the Needs of Borrowers

## Mortgage Products

### Owner Occupied

#### Standard Mortgage Range (<=80% LTV)

Standard Prime Owner Occupied up to 80% LTV for purchase & re-mortgage

#### High LTV Mortgage Range (>80% LTV)

For first time buyers and home movers up to 95% LTV and re-mortgages up to 90% LTV. [Owner Occupied loans with an LTV over 80% (excluding fees) have a Mortgage Indemnity Guarantee (MIG)]

#### Cascade

Owner-occupier up to 80% LTV for customers who have demonstrated credit repair after an adverse life event; subject to risk-based pricing and enhanced underwriting

### Buy to Let<sup>1</sup>

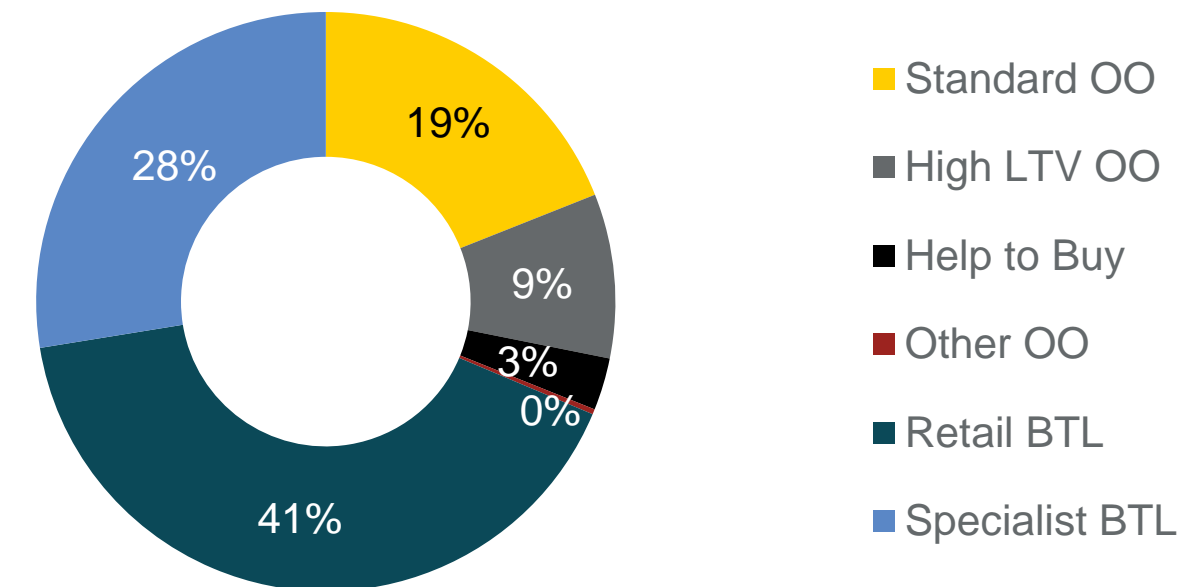
#### Residential Buy to Let

Single individual residential units

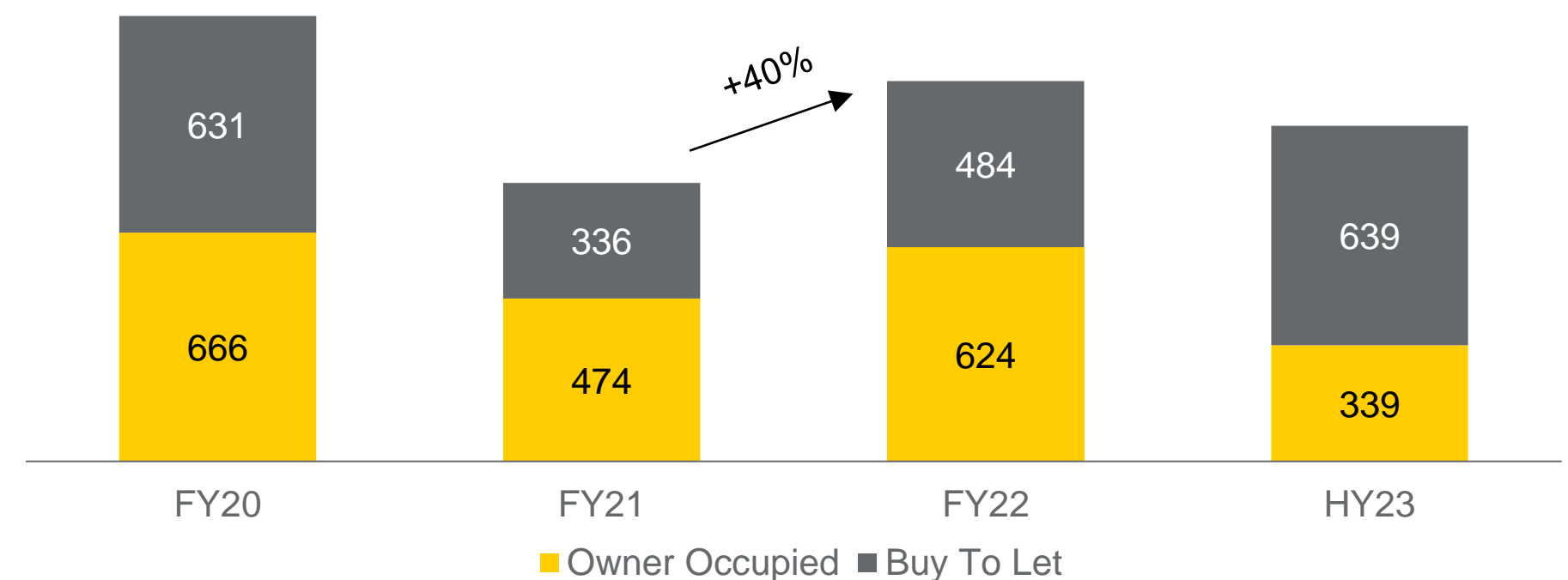
#### Specialist Buy to Let

Multi-property units and/or using limited companies houses of multiple occupancy, multi-unit freeholds

Residential Mortgage Balance Composition (Dec 22)



Gross Originations (£m)

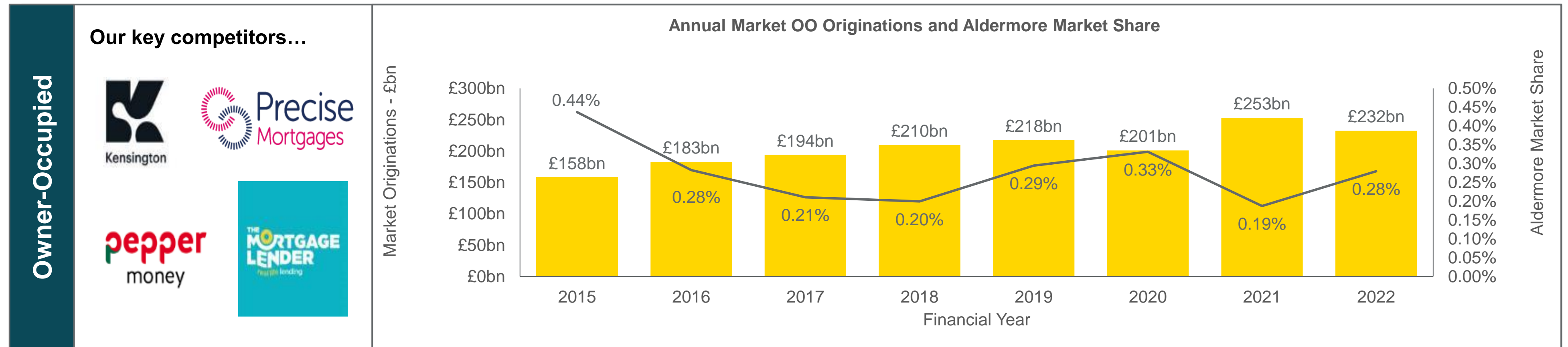


2020/21 saw us reducing our product offering and tightening our lending appetite. Despite considerable turbulence late last year, Aldermore had some record months of asset growth during H1 FY23, with BTL particularly strong in volumes.

<sup>1</sup> Note that Oak No. 4 includes only Owner Occupied loans.

# 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.

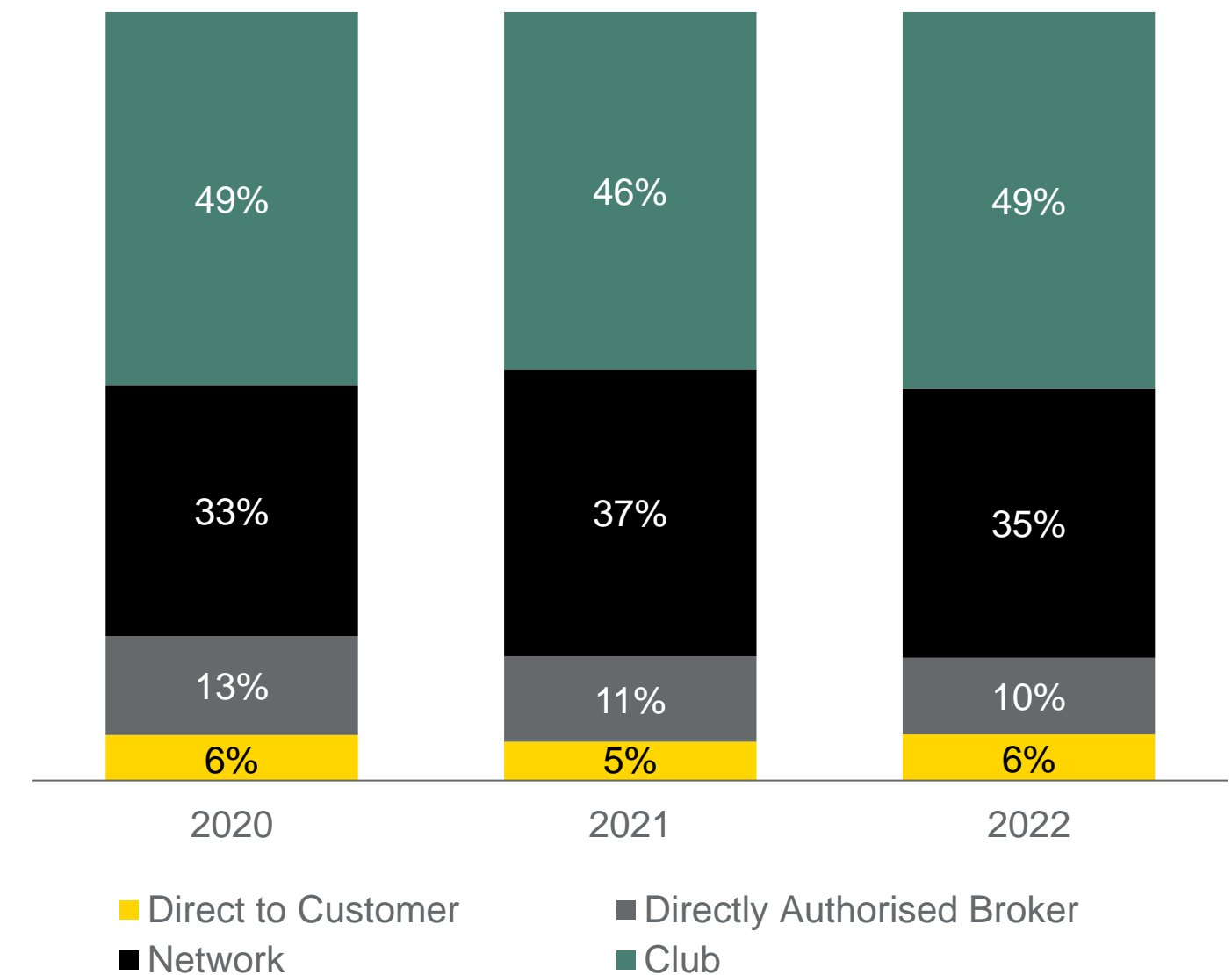


# Strong Distribution Network of more than 10,000 FCA Registered Brokers

## Broker administration and monitoring

- Online registration process via secured Aldermore Mortgages web portal – **Broker FCA number essential to access.**
- We use our “**Grow, Acquire, Maintain**” model – using data analytics to target the right brokers – and are driving strategic alignment with key accounts such as networks, clubs and packagers.
- Started an **online switching portal** for brokers to easily move Aldermore customers to a new product (“six clicks to product switch”).
- Initial action on low conversion (DIP to APP, APP to OFF or DIP to OFF) would be increased contact via telephony or field based BDM to ensure that the distributor fully understands Aldermore’s **product offering and lending criteria.**
- **Distributor removal** would be considered if initial action did not yield sufficient improvement in measured metrics.
- In January 2023, Aldermore launched its “**Platinum broker**” model, which ensures preferential service and strategic relationships with the highest-value brokers in terms of volumes, quality and conversion.
- **Prudent panel management** is a key priority for Aldermore, including the monitoring of broker performance and conduct, and interventions as appropriate, including removal from panel where circumstances dictate.

## Mortgage distribution<sup>1</sup>

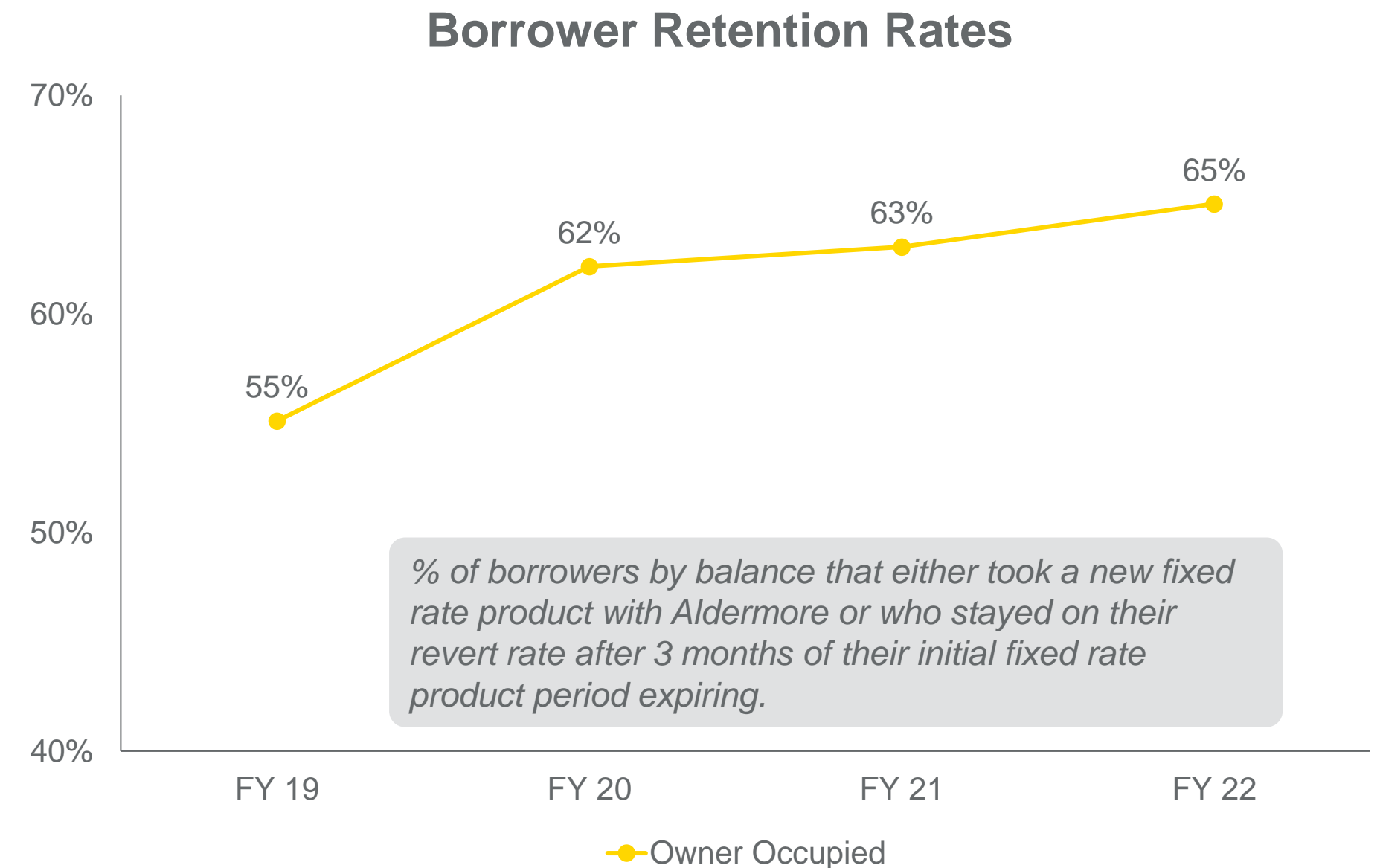


<sup>1</sup> Includes both Buy To Let and Owner-Occupied completions. Where both a network and club have been selected, the case is included within the “Mortgage Club” figures.

# Leading Retention Proposition

We have a leading retention proposition spanning products, sales, and tech-enabled service and outperform most other specialists on retention, driving financial and credit risk benefits.

- **Online switching** – Self-service portals for customers and brokers to quickly and simply switch products.
- **Automated valuations** – Using latest property valuations, statistical models where appropriate, to determine suitable loyalty products.
- **Sales strategy** – Enhanced loyalty strategy (including use of **retention propensity models**) to proactively contact “free to leave” customers.
- **Product / pricing** – Loyalty pricing in line with Financial Risk Management principles, and risk-based loyalty pricing (i.e. on individual customer level).
- **Enhanced reporting** – Embedded retention market data and sales performance into internal reporting to track the benefits of the initiatives above and identify re-mortgage opportunities.



# Our Approach to Cost-Of-Living Pressures

We are taking a prudent and proactive approach to cost-of-living pressures, striving to achieve a balance of credit and conduct risk mitigation

## Originations

- We have a **sophisticated and controlled affordability model**, with new iterations launched in May 2022 and October 2022 in response to cost of living pressures
- We took the conservative decision to **update our affordability model for existing pipeline business** in the aftermath of the “mini-budget” in Q3-Q4 2022
- We apply **automated “high layered risk” rules** to decline applications at the outer edge of risk appetite across affordability, credit score and LTV
- **Manual underwriting** supports us to verify income and understand each applicant’s financial position in detail
- We continue to avail of **MIG insurance** for originations > 80% LTV – coverage with no first loss for 8 years from origination

## Back-Book Management

Several actions to support existing customers and mitigate conduct and credit risk in the current environment:

- We recently launched a **pre-delinquency campaign** to identify and support the minority of customers who are up-to-date with mortgage payments but showing increased signs of financial distress
- We have reviewed our **forbearance toolkit** in light of cost of living pressures and rate rises
- We have closely monitored the **rate differential for customers maturing onto materially higher rates**, and taking action as appropriate, including enhanced training and scripting for customer-facing teams
- We continue to **bolster our collections capability** with a “tone from the top” prioritising fair customer outcomes

## Risk Appetite

- We maintain a **“Recession Readiness Framework”** to pre-emptively agree the key mitigating actions we will take in response to certain economic triggers
- Actions include **increasing minimum credit score, temporarily withdrawing our credit impaired range and reducing max LTV from 95% to 90% for existing housing stock**, and lower for newbuild

## Proposition Development

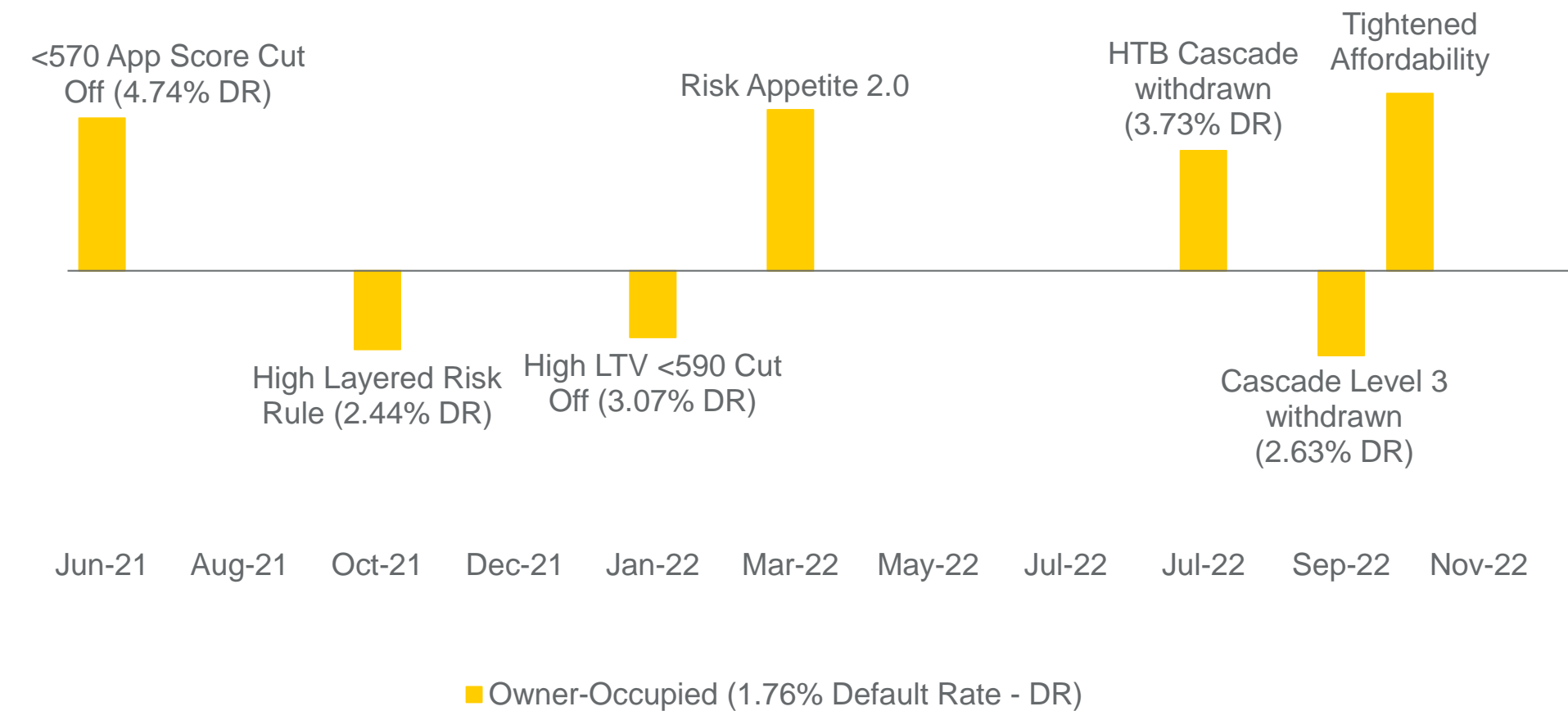
- We launched **variable rate products with a “fix for free” feature** in Q4 2022, which support customers with a lower initial rate and option to fix as required
- In addition, we are due to launch **“higher fee / lower rate” products for landlords** in 2023, an attractive product option in the current environment

# Origination and Underwriting



# Tightening of Underwriting Criteria

## Timeline of Risk Changes – Residential 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 (where possible default rates have been indicated on the graph).
- 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; and
  - Tightened affordability.

# Robust Underwriting Framework

## 1 Clear products, credit policies and procedures

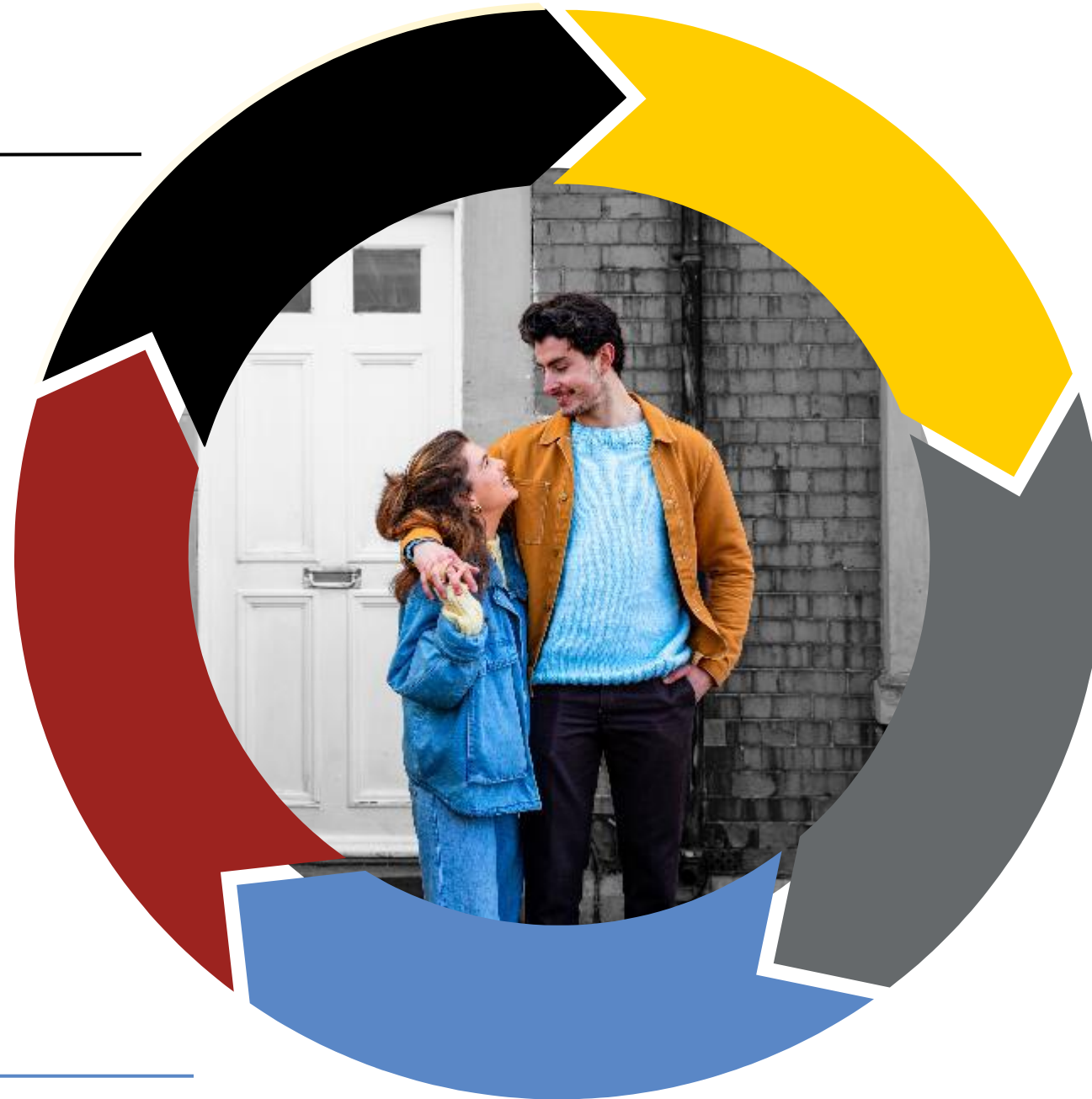
- Clearly defined credit criteria and product terms
- Underwriting processes designed to ensure consistency of approach and decision
- Structured underwriting mandates in place within business lines – criteria for escalation to central credit for larger deals

## 5 Reporting and feedback systems

- Monitoring of new and historic asset quality and performance
- On-going review of underwriting through QC oversight
- Feedback provided into products, credit policies and procedures

## 4 Decision making by underwriters

- Risk-based approach to underwriting
- No facility granted without review, challenge and ultimate decision from an experienced underwriter
- Underwriters undergo targeted training that focuses on core skills and capability. A delegated mandate is awarded upon demonstration of suitable decisioning and product knowledge.
- Supported by system rules, credit data and case information



## Robust underwriting approach 2

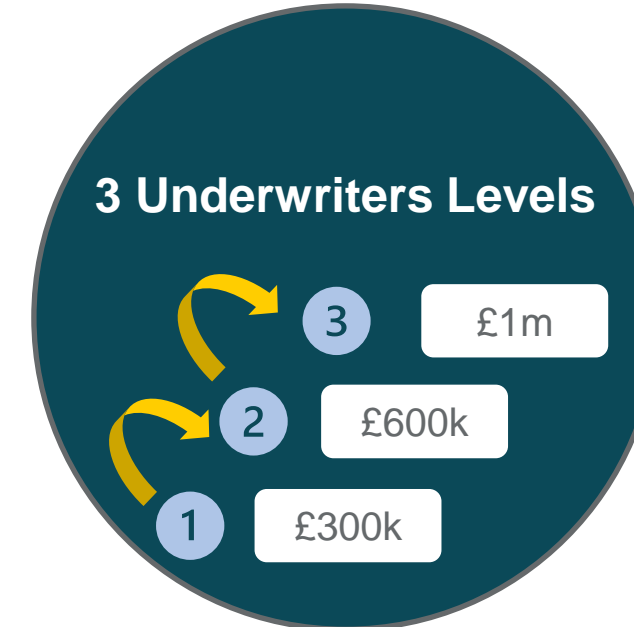
- Traditional approach to assessing creditworthiness
- Comprehensive understanding of asset risks and valuation (internal and external)
- Cash flows and debt serviceability a key focus
- Scalable approach to credit assessment in place

## Full client due diligence 3

- Focused due diligence on credit sensitive information
- Use of third party data – credit and fraud reference information
- Documented review of security and borrower
- Compliance process in place AML, KYC, TCF



# Experienced Underwriting Team



- All underwriting undertaken in Aldermore offices - no devolved authority granted to any intermediary.
- Property **Underwriting** consists of 46 FTE responsible for underwriting residential, BTL and limited company BTL mortgages from application through to mortgage offer. Managed by five team managers, overseen by the Head of Underwriting.
- **Training and competency frameworks** are in place, covering training and quality assurance. Underwriter Trainees are 100% signed off by trainers until mandated, followed by enhanced QC until achieved fully competent status.
- Mortgage Applications are **fully reviewed** by mandated underwriters from full mortgage application through to mortgage offer - adopting a "whole case" review approach, utilising application score cards. System rules and affordability calculations support a manual review of credit searches, electronic identification (EID) & verification documentation, income, as well as undertaking a pre-offer call direct with the customer where necessary to confirm key details.

Job Title	Underwriter			
Mandate Level	Trainee	1	2	3
Mandate Amount	£0	£300k	£600k	£1m
*No. of Mandate Holders	6	12	14	14
Average Tenure with Aldermore (years)	2	2	4	7
Average Time holding a Lending Mandate at Aldermore (years)	NA	1	3	6
Average Previous Mortgage Mandate	1	1	2	6

Information Classification: Confidential.  
Source: Aldermore Group PLC Data.  
Note: Mandate levels are segregated by product type.  
Operations Managers who hold Lending Mandates have been included in the table above.

# Closely Managed and Monitored Underwriting Process

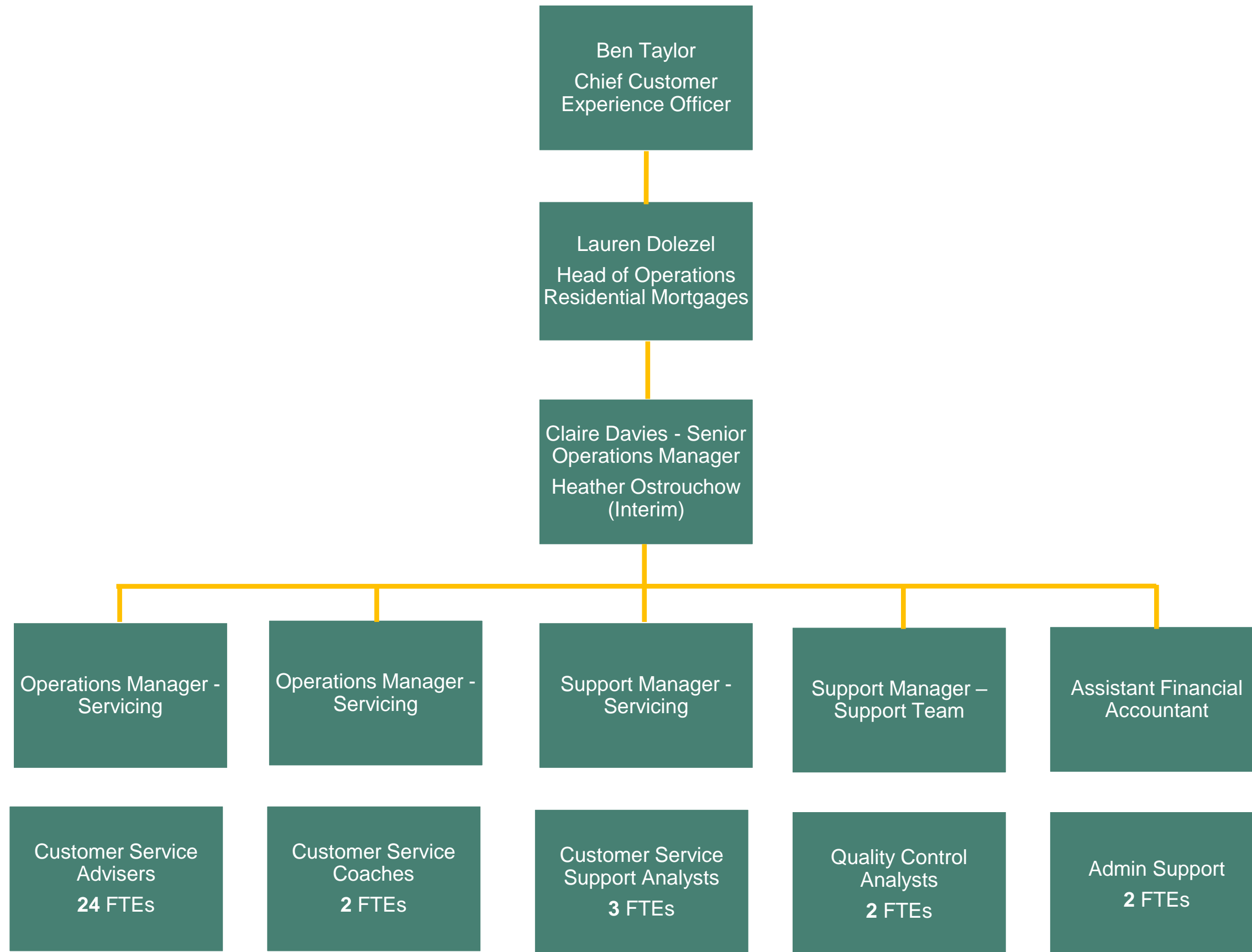
Summary of monitoring process			
Area	Description of monitoring undertaken	Quantity	Frequency
Decision quality	Full offer review	1 per person	Monthly
	First touch review	1 per person	Monthly
Decision/process	Bank statement	Sample	Monthly
	Income verification	Sample	Monthly
	Deposit	Sample	Monthly
	Security assessments	Sample	Monthly
	Credit quality	Sample	Monthly
Behaviours/conduct	One to one	All	Monthly
	Performance reviews	All	Quarterly
	Personal development plans	All	Bi-annually
Call handling	Telephony review	1 per person	Monthly
Efficiency	Individual efficiency monitoring	All	Daily

- Underwriters are closely **trained, managed and monitored** through a robust T&C Framework, and Quality Control Framework.
- Independent assurance** over decision quality, adherence to policy, regulation, accuracy and procedures is provided by the first line Mandates and Standards team.
- Robust **performance management** in conjunction with 1L QC monitoring, is in place to satisfy efficiency and adherence to communication strategy.
- Root cause, themes and trends analysis reviewed by management team to inform and enhance ongoing department training in line with market and policy / proposition enhancements.
- Decisioning quality is **audited** for each individual underwriter at key stages of the application process – from first touch review (application underwriter) through to offer.

# Servicing and Collections



# Mortgage Servicing Team



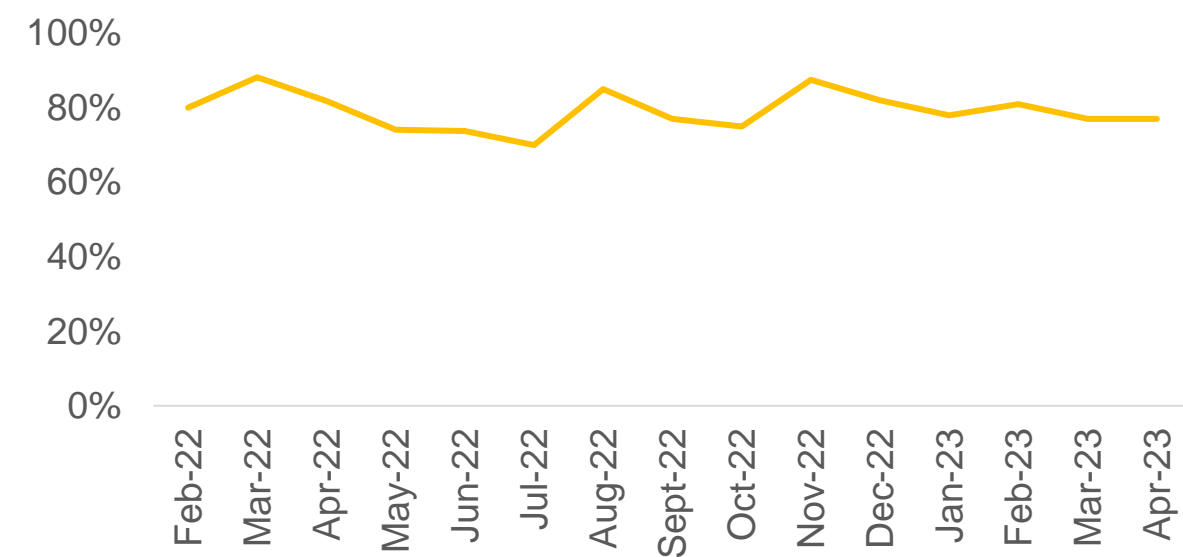
- The Customer Service team is the **front line support** to all our customers who have an existing account. Supporting customers throughout the life cycle of their mortgage from completion up until account closures.
- The teams are structured around **direct contact for customer** through multiple channels (in and outbound telephony, email and post). They handle all processing of **customer requests** (payments, mortgage details and information) and **any changes to the terms of the facilities** (undertaken by authorised advisors).
- The team is supported by **servicing coaches** focused on building the technical capability of processing skills, and the support and management of vulnerable customers, as well as dealing with complaints at first touch.
- We have 1st line QC across all processes with a **Quality Control test pass rate at 97.90%** as an average for the last quarter.
- We have a servicing support team in place that oversees system testing, rate changes and more technical queries related to the management of a mortgage account (understanding interest rate changes etc.).
- Month to date we have a **NPS score of +51, higher than banking industry average.**

# Collections Capacity and Competency

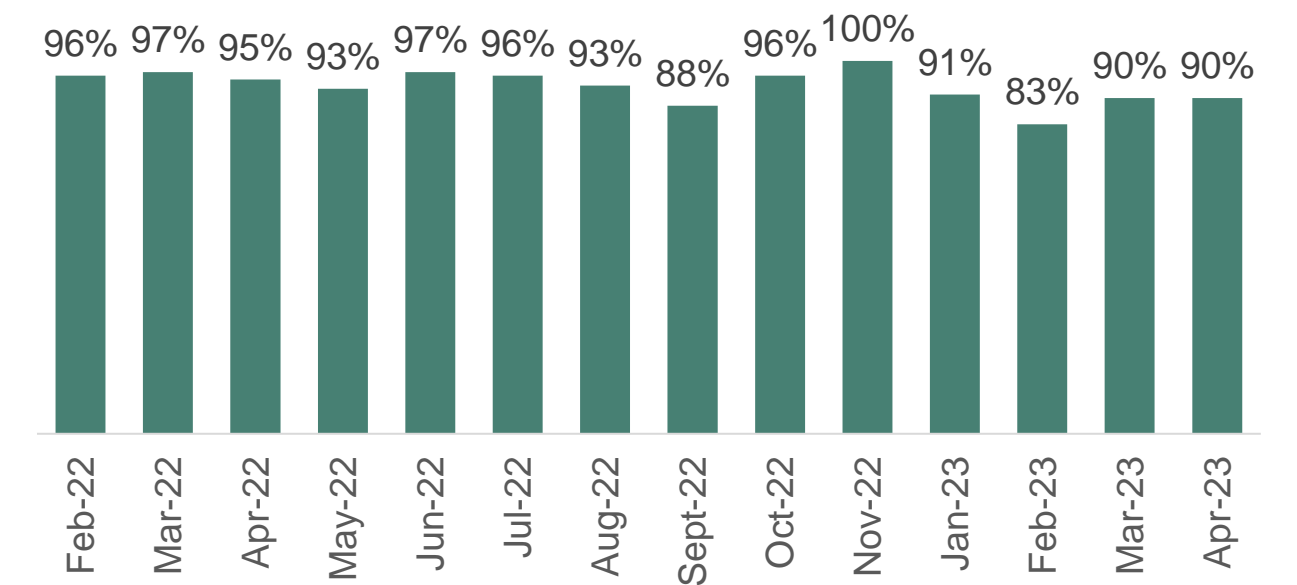
## Post COVID

- Collections is based across 2 sites (**Manchester & Peterborough**) with a significant uplift in resource numbers in the past 12 months, including a transition from contractor to permanent staff base. The team has today **sufficient capacity to deal with volumes** and spare capacity to deal with seasonal and macroeconomic peaks of volumes (35 FTE).
- The teams are structured around early arrears, late arrears, and forbearance/vulnerable with 11 mandated colleagues across the area, primarily in the forbearance/vulnerable team with other areas working to mandate their population.
- All new arrangements made under a forbearance perspective are monitored for sustainability in the initial 3 months of any such plan. All customer agreements are monitored for their kept rate and reported monthly to evidence sustainable agreed solutions with customers.
- Fair Outcomes have been sustained over the rolling 12 months consistently. Positive customer outcomes remains a core focus for mortgage collections.

**% of Forbearance arrangements adhered to post 3 months**  
Measuring effective arrangements strategy



**% of fair customer outcome scores**  
Measuring Fair Customer Outcomes<sup>1</sup>



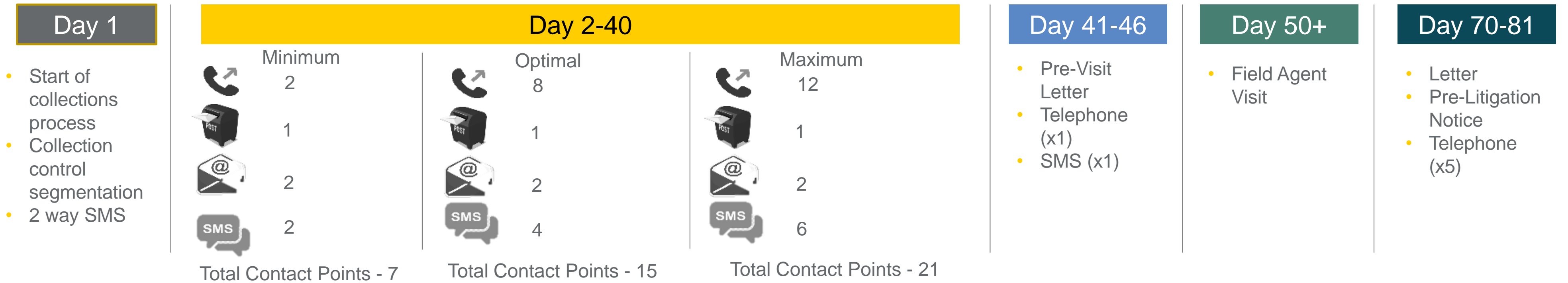
## Communications



<sup>1</sup> Based on the Huntswood model for measuring fair customer outcomes.

# Dedicated In-house Collections and Recoveries Team

## Collections Strategy

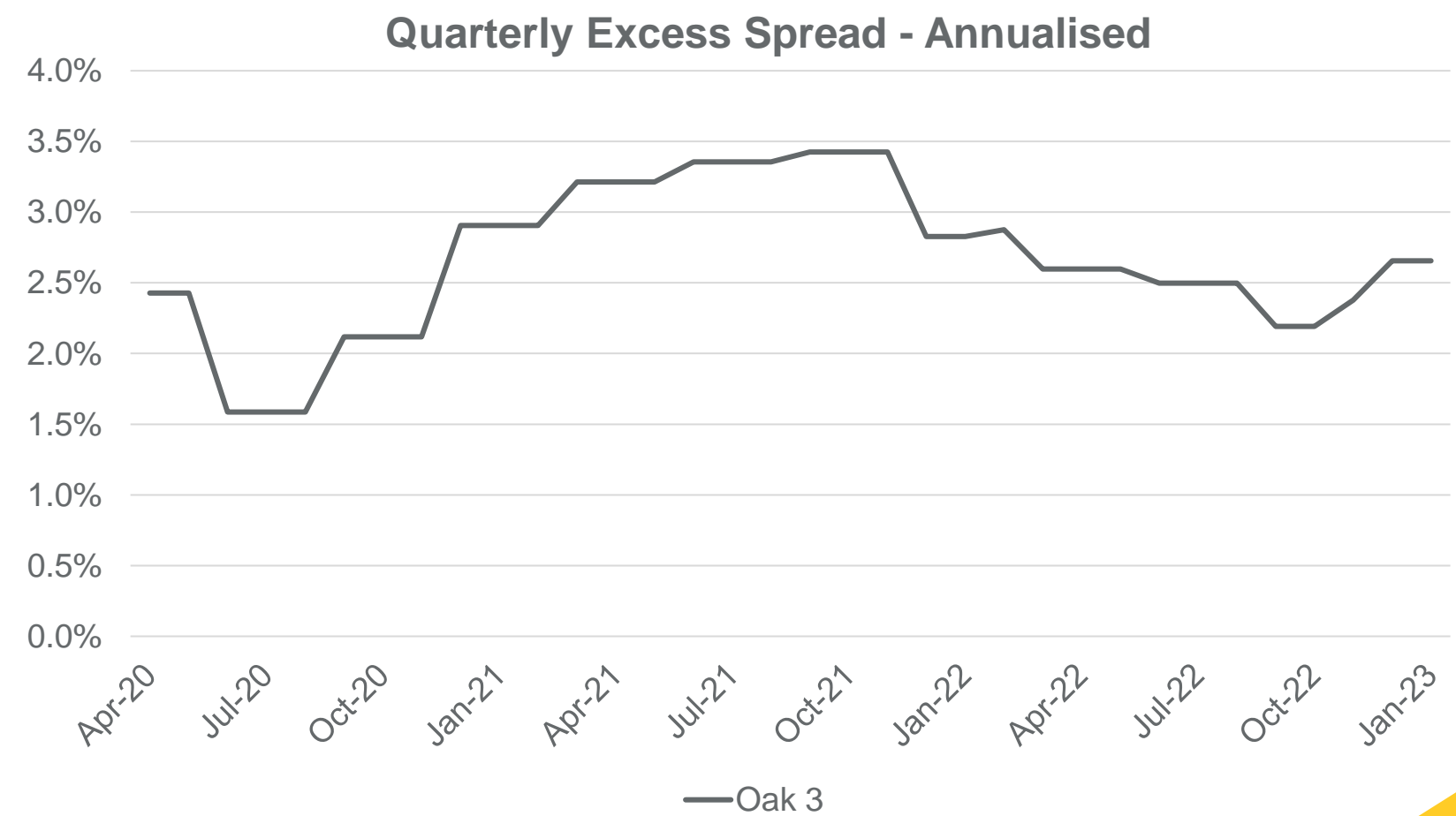
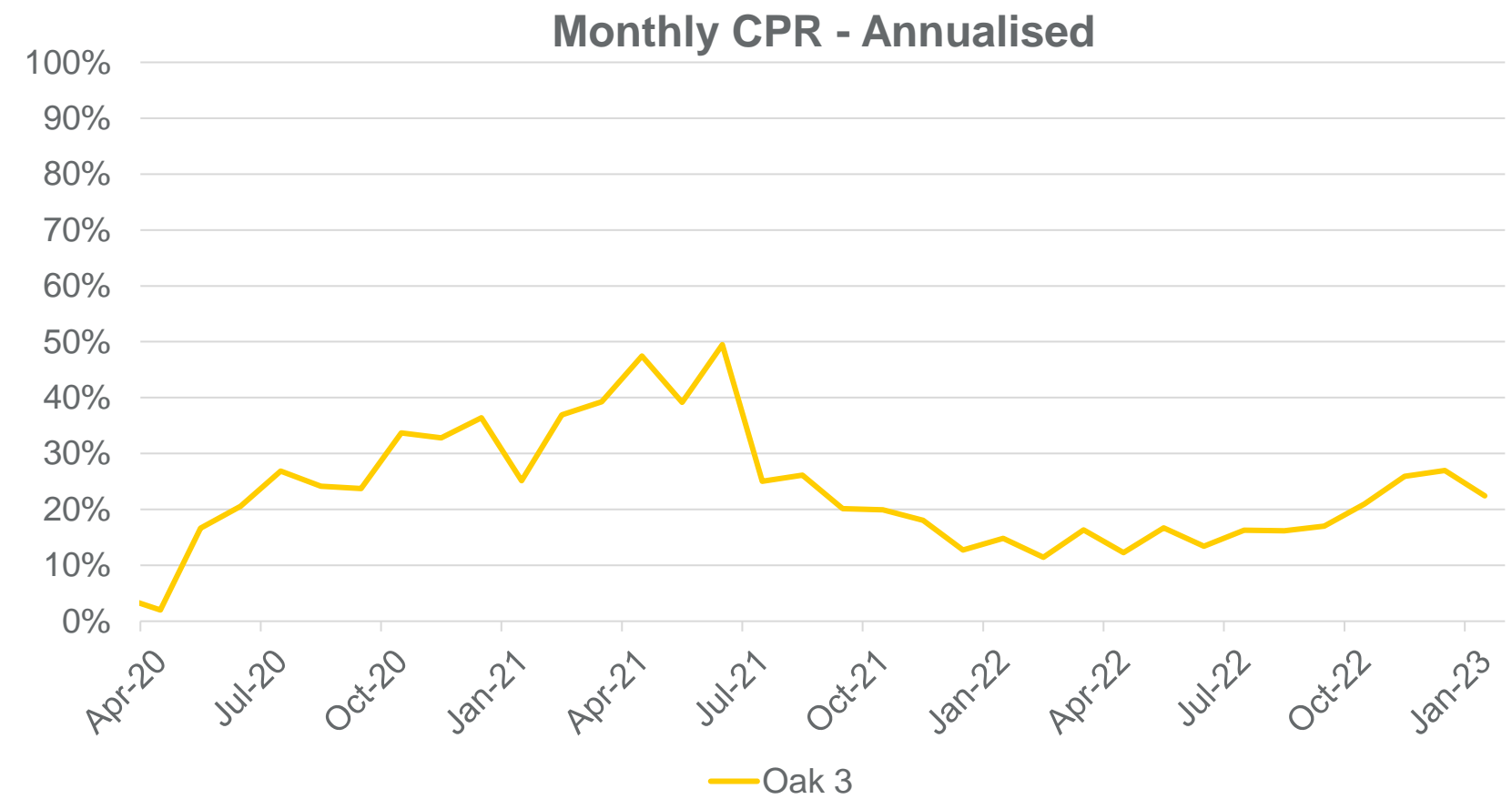
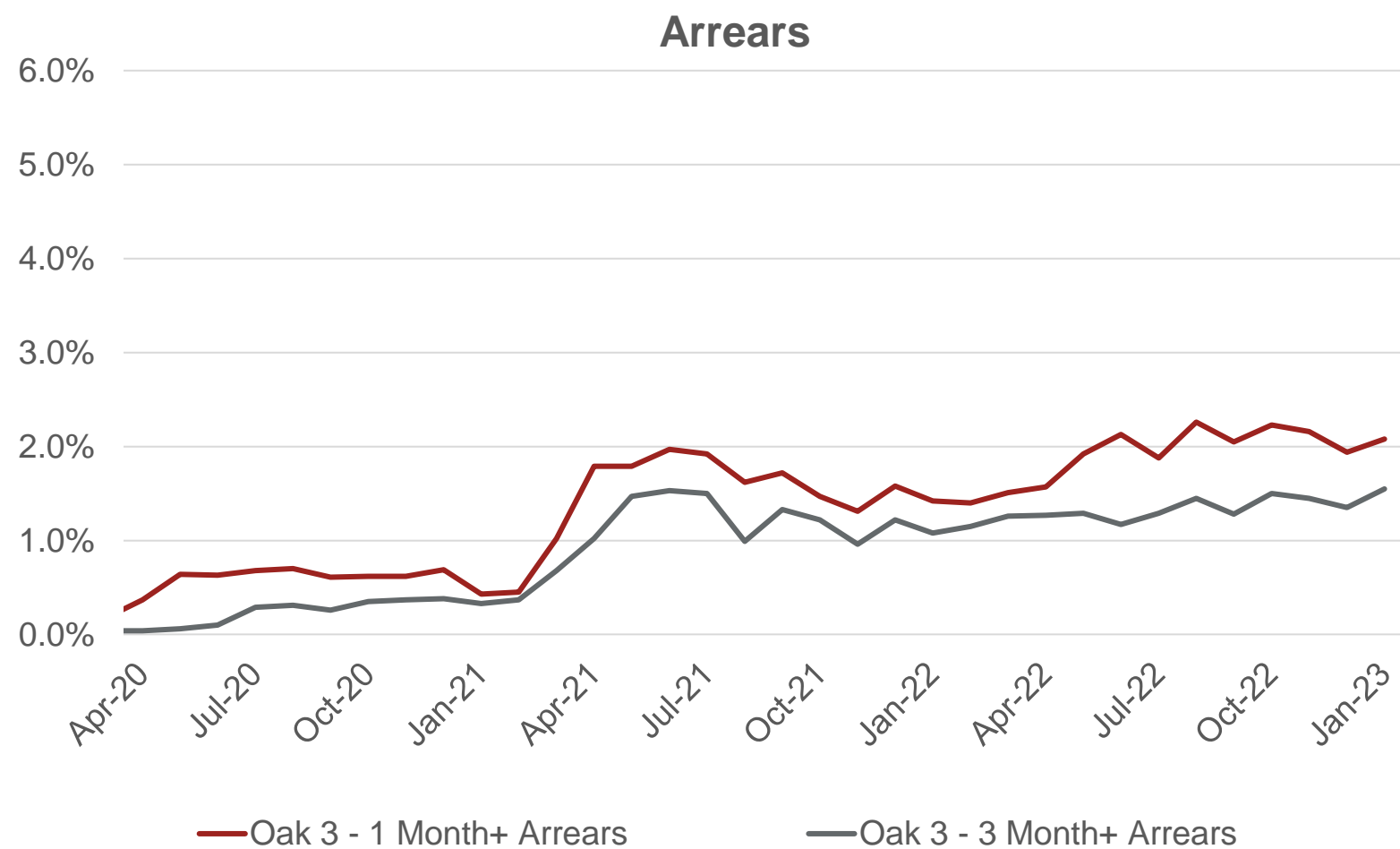


## Servicing and Collection Overview

- Aldermore operates a **shared servicing and collections** platform, which allows consistent standards for each boarded loan. Customer Service Advisers **manage all activity post completion** of the mortgage application through to the redemption of the loan, with training centred on telephony skills, identifying and managing vulnerable customers, and dealing with customer requests.
- Collections and Recoveries team manage the end to end recovery process from **pre delinquency to early arrears through to litigation action** and possible sale of the asset as a last resort. Every effort to prevent or rehabilitate and repair an arrears position is made before asset sale is considered.
- Guardrail approach to contact has been developed in early arrears with both minimum and maximum contact attempts defined to ensure all mediums are used to attempt contact. However, no customer is over inundated.
- Designated teams** for early / late arrears customers and a further designated team for **vulnerable** customers. Case ownership model in place with the aim of **reducing arrears** and manage borrowers financial and personal circumstances.
- Depth of experience** within the collections team allows a mixture of case ownership, which allows for customers to have **one to one relationships** in cases where it is deemed required, while also offering efficiencies due utilisation of technology in early arrears.
- There is a **standardised collections strategy** in place with tailored solutions for Owner Occupied and Buy to Let customers that need support in these extraordinary times. We always ensure that all actions put the customer outcome at the fore front.

# Oak Historical Performance

**No repossessions or losses on all Oak deals since closing**



# Section 3: Appendices





# Experienced Leadership Team

## Executive Directors



**Steven Cooper CBE**  
CEO

30+ years of banking experience predominantly at Barclays with experience in retail and business banking, payments, digital, data and technology



**Ralph Coates**  
CFO

Former CFO at TSB for 5 years and Finance Director at the Bank of England from 2013 to 2016. Has over 17 years of banking experience

## Executives



**Andrew Lewis**  
CRO

Former global expert partner at Bain & Co in their financial services and digital practices. Over 25 years in financial services



**Paula Walter**  
Chief Technology & Information Officer

Over 20 years of experience working in technology within financial services firms



**Nick Ulcyz**  
Chief People Officer

Over 29 years in financial services, holding roles across products and distribution



**Ross Dalzell**  
MD: Property

Over 15 years in financial services, where he was last MD for Business Banking Relationships at Barclays



**Richard Jones**  
MD: MotoNovo

Extensive experience in Auto Finance having held senior positions including CEO of Lloyds' Motor Finance and Leasing business



**Danielle Soto**  
MD: Savings & Commercial Shared Services

20 years of financial services experience built at Barclays



**Tim Boag**  
MD: Specialist & Structured Solutions

Extensive career predominantly corporate and commercial banking, finance and risk with RBS/NatWest



**Ben Taylor**  
Chief Customer Experience Office

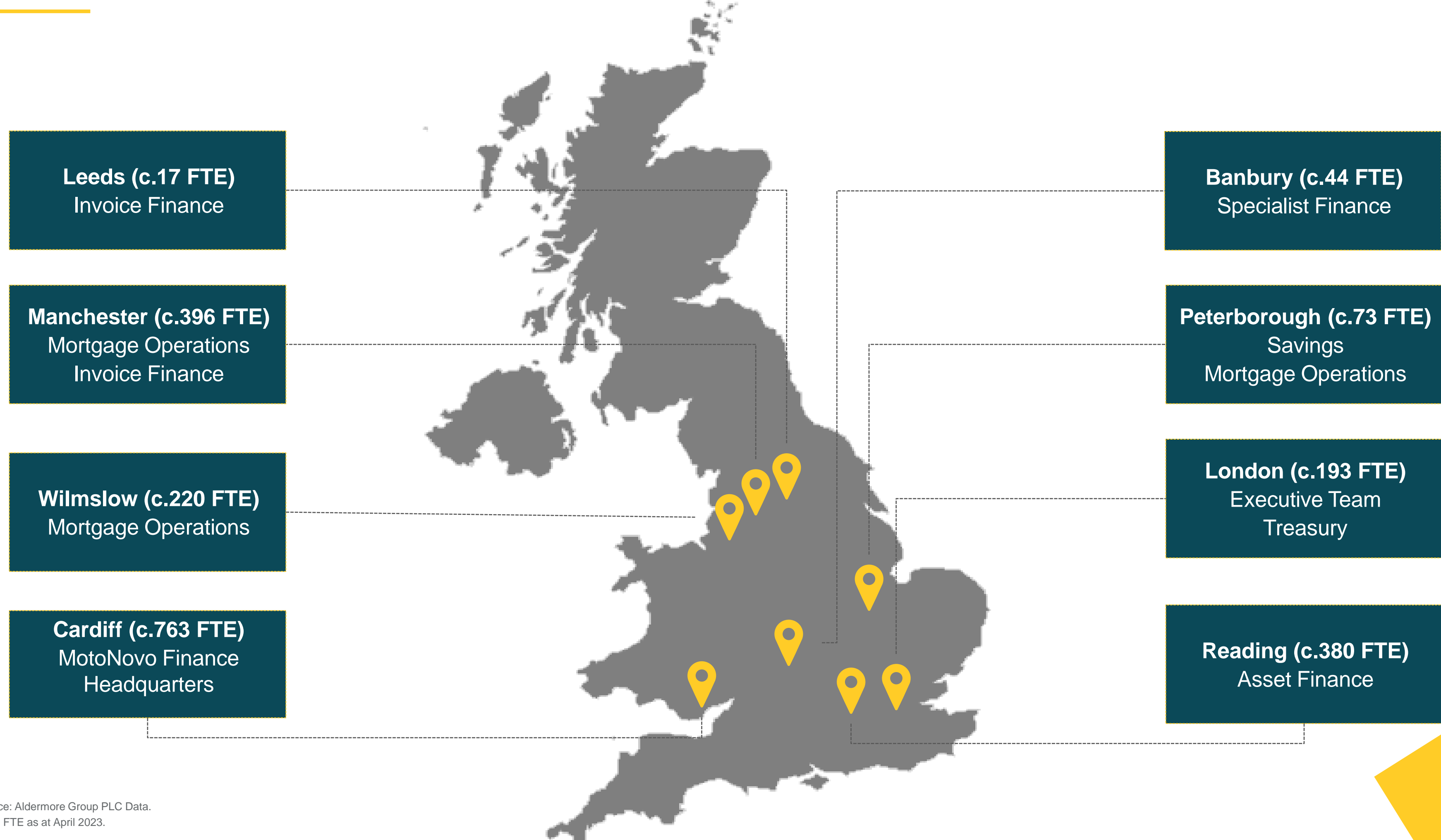
Over 20 years of experience in building centres of excellence focusing on customer experience and building relationships



**Reg Dhanjal**  
General Counsel

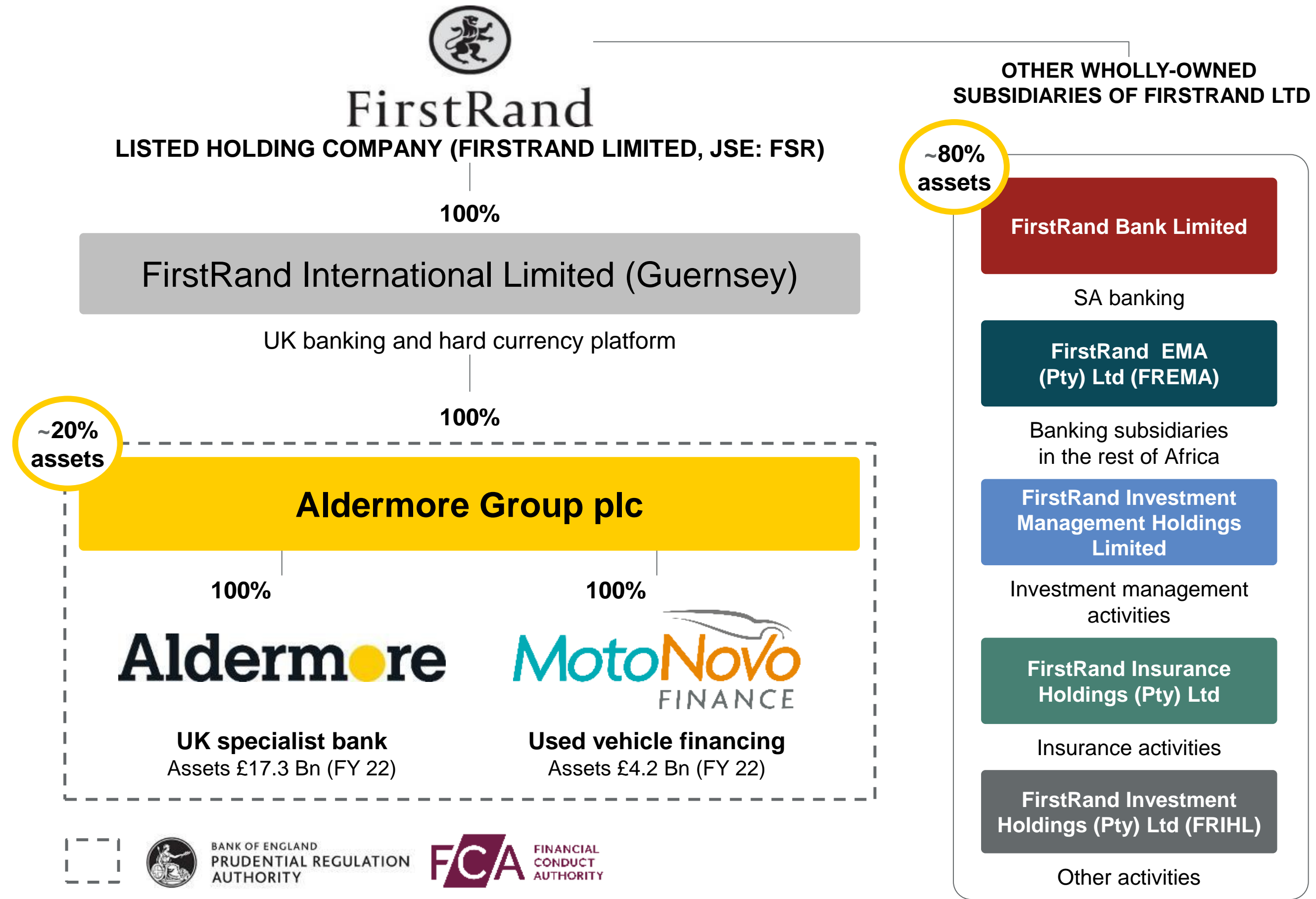
Over 25 years' experience advising on corporate, commercial, compliance and regulatory matters. Previously at WorldFirst, Ant Group and Partner at Pinsent Masons

# Operational Teams Spread Across The Country



Source: Aldermore Group PLC Data.  
Note: FTE as at April 2023.

# Transparent Ownership Structure And Governance



# Our Blueprint and Purpose



## Our 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

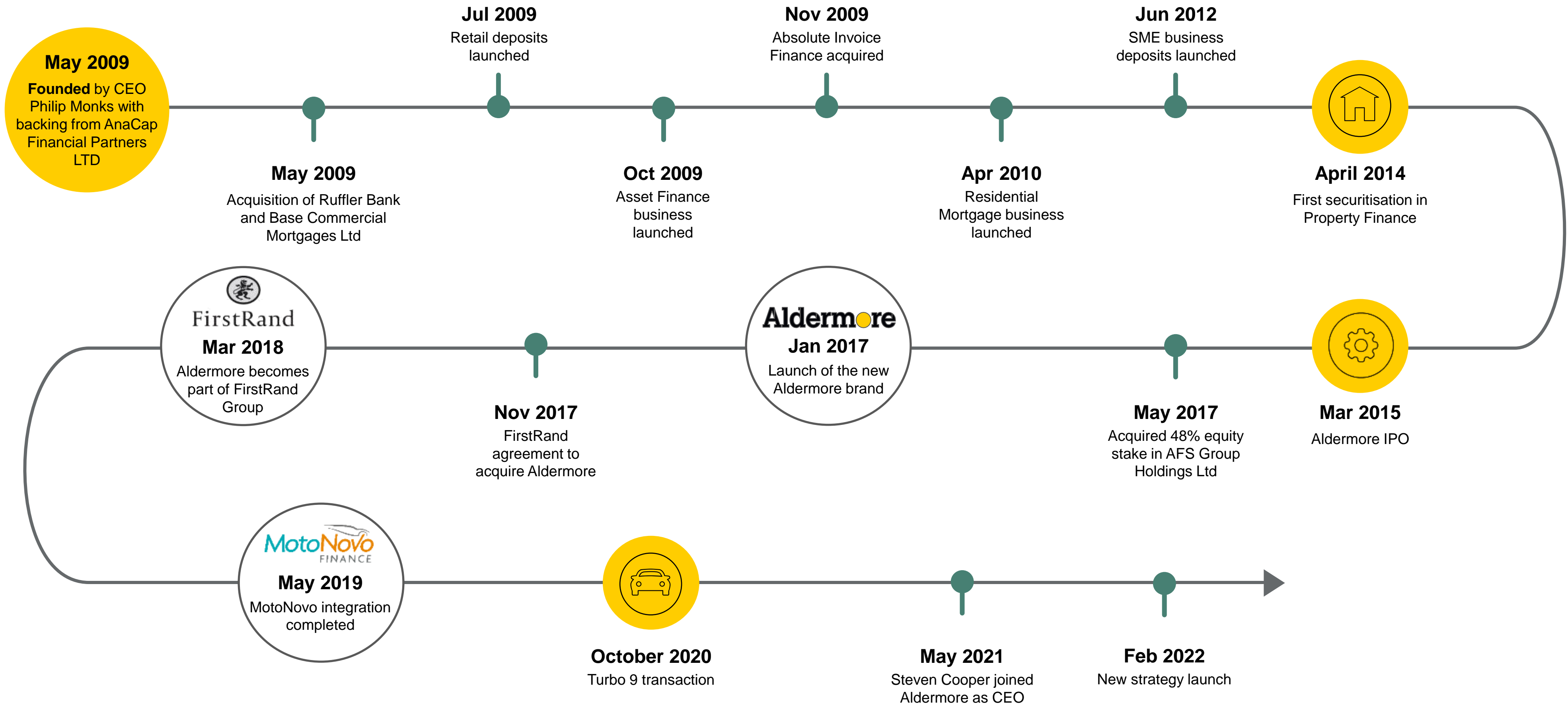
## What – Our Strategic Drivers

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 – Our 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

# Successful Story of Organic and Inorganic Growth



# ESG and Sustainability Approach

- The Group’s approach to ESG and Sustainability is aligned to our corporate strategy and supports our commitment to the UK Levelling Up Goals, making sure we **focus our impacts in the areas that matter most to our stakeholders.**
- Sustainability was recognised as a strategic imperative in Autumn 2022 and in December, we launched **Aldermore's first Report to Society**. The next phase focuses on embedding sustainability as part of BAU throughout the Group and on mobilising intentional products and propositions.
- For more information on our ESG & Sustainability activities and our progress on the UK Levelling Up Goals please see our first annual [Report to Society](#).
- For more information on our climate disclosures please see our [Annual Report](#).



Information Classification: Confidential.  
Source: Aldermore Group PLC Data.

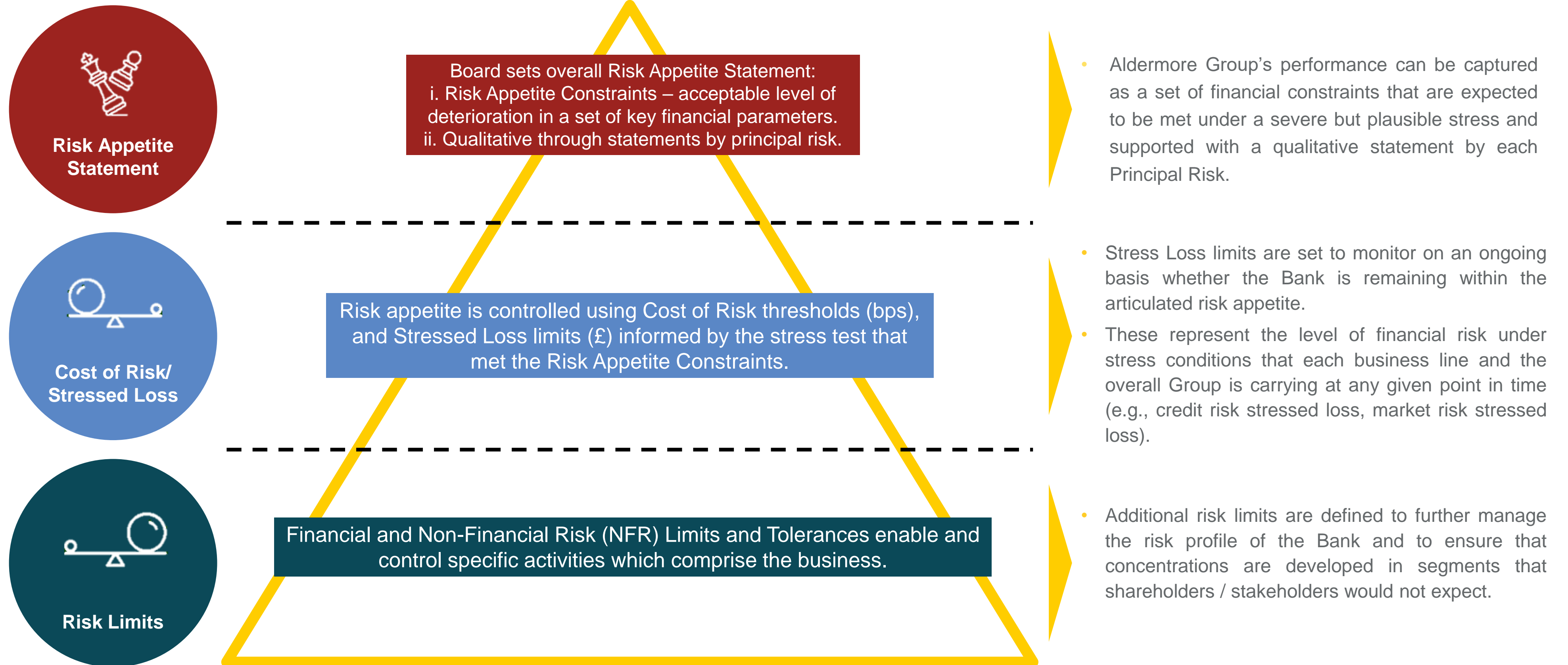
# ESG And Sustainability Progress So Far

	<b>Products</b> To supply products that enable people to operate effectively within their market	<b>People</b> Create an inclusive culture where everybody can thrive	<b>Planet</b> Reduce our environmental impact for a more sustainable future	<b>Partners</b> Collaborate with partners to deliver a wider-reaching positive impact
FY22	<ul style="list-style-type: none"> <li>• <b>Backed first-time buyers</b> by lending £274m in the housing market, which made up 44% of our owner-occupier lending.</li> <li>• <b>Backed 317 motor dealer intermediaries</b> with stock funding worth nearly £400m to provide 32,415 used cars for the industry</li> <li>• <b>Backed 11,154 customers</b> with funding worth over £1.73bn in the Structured and Specialist Solutions market.</li> <li>• <b>Backed 323,256 savers</b> worth £12.2bn across the personal and business savings market.</li> </ul>	<ul style="list-style-type: none"> <li>• Backed our people by supporting 317 <b>internal promotions</b> and <b>increasing the annual leave</b> allowance for all colleagues to 30 days.</li> <li>• Increased our colleague self service diversity data from 30% to 70% with our #CountMeIn campaign.</li> <li>• Supported 1,465 colleagues with a £1,000 payment in response to the rising cost of living.</li> <li>• <b>Launched GROW, an internal and external diversity and inclusion network</b> to support opportunities for women in the motor industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Refining our own plan to support the transition to a low-carbon future, having joined <b>Bankers for Net Zero</b> in June 2022.</li> <li>• Began a programme to <b>transition Group fleet to low-carbon options</b>, reducing our fleet of internal combustion engines (ICE) vehicles to 29%.</li> <li>• <b>Enhanced our climate risk disclosures</b> in our annual report.</li> <li>• Developed capabilities to track our financed emissions across our Residential Mortgages and Motor Finance portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Signed the United Nations Principles</b> for Responsible Banking.</li> <li>• Delivered 19 volunteering events and raised £60,858 across our Community Giving activities.</li> <li>• Provided £60,000 via our apprenticeships levy to Sandcastle Care Limited and gave 382 school students access to financial literacy platform EVERFI as part of our community engagement activities.</li> <li>• Continued our strategically aligned partnership with the Purpose Coalition on the UK Levelling Up Goals and the Equality of Opportunity Coalition.</li> </ul>

FY23	<ul style="list-style-type: none"> <li>• Held action planning workshops with senior stakeholders to <b>identify intentional ways we can better support the Levelling Up Goals</b> in our talent pipeline and our products and propositions, prioritising FY23 quick wins.</li> <li>• Created our <b>first EPC related mortgage</b>, which gives a discount for Buy To Let mortgages of A, B or C certificates.</li> </ul>	<ul style="list-style-type: none"> <li>• Provided another £1,000 cost of living payment to 70% of colleagues.</li> <li>• <b>Hired a Group DE&amp;I Manager</b> and worked with a third party to rebuild our DE&amp;I strategy, shaped by colleague insight and feedback sessions.</li> </ul>	<ul style="list-style-type: none"> <li>• Building out a <b>net zero strategy</b> covering our operational and financed emissions.</li> <li>• Maturing our approach to climate risk appetite.</li> <li>• Integrating climate risk considerations into decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• Scheduled events across different schools to <b>engage with young careers</b> as part of our Community Engagement activities.</li> <li>• Agreed a <b>long term strategic charity partnership</b> with The Money Charity, helping provide financial literacy and wellbeing to young people and underprivileged communities.</li> </ul>
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# Risk Appetite Framework

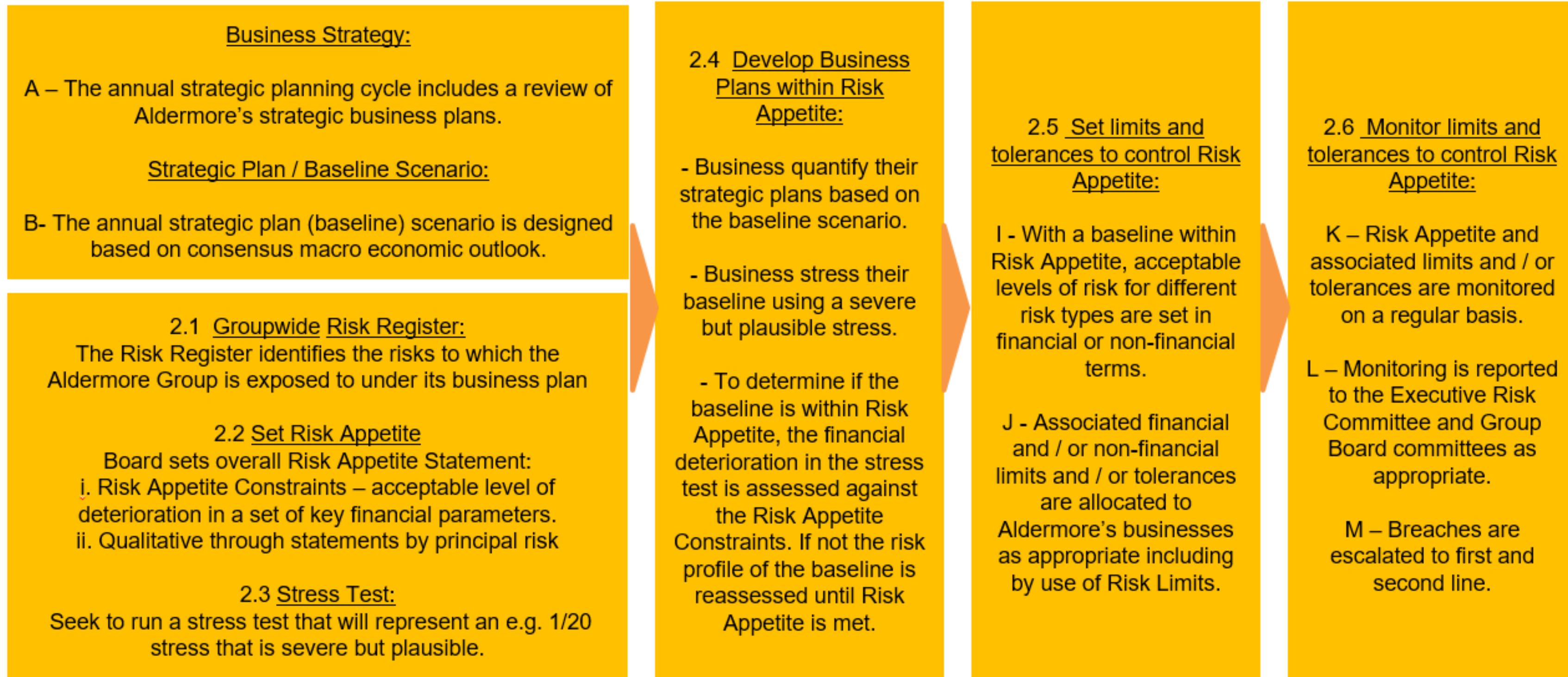
Risk appetite can be primarily articulated as the desired performance of Aldermore Group under stress conditions.



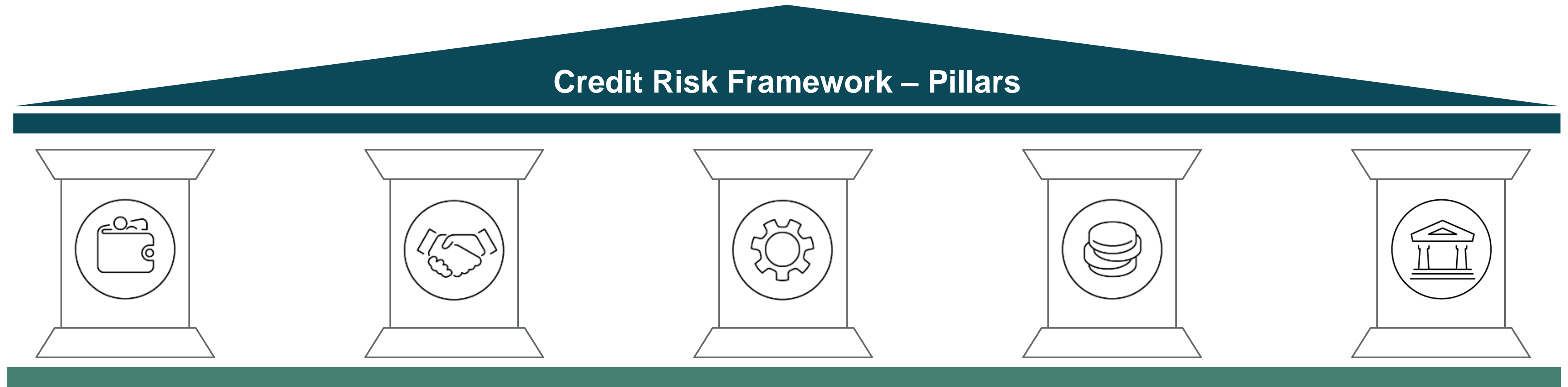


# Risk Appetite Framework Processes

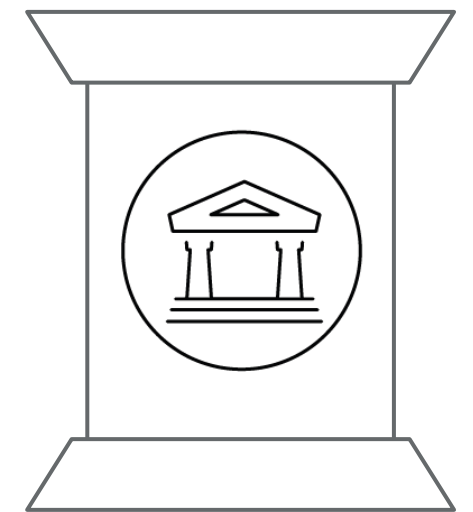
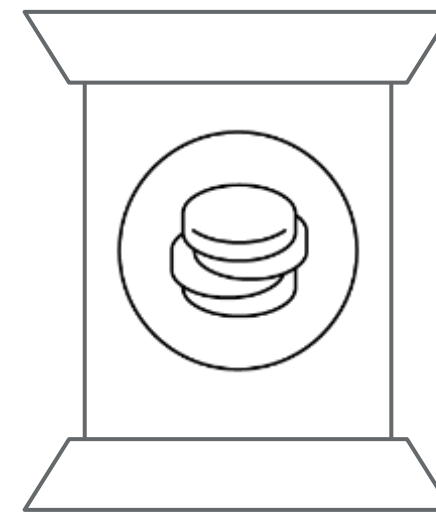
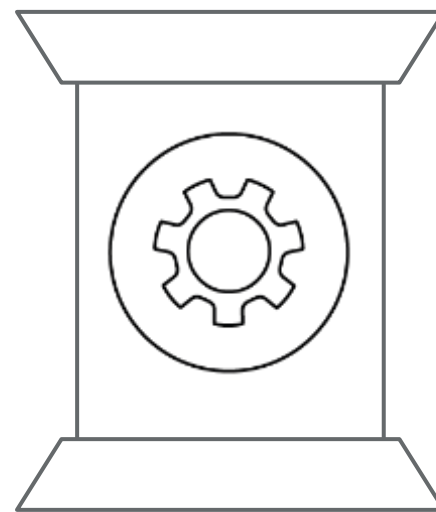
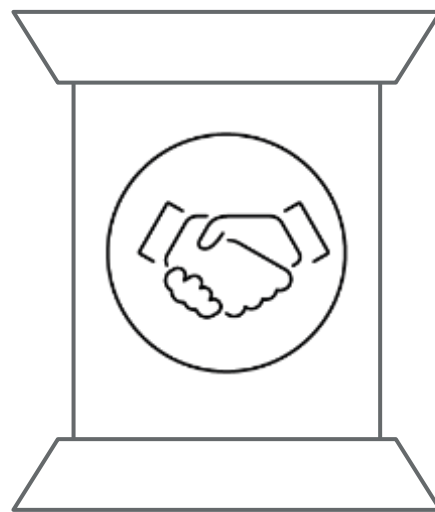
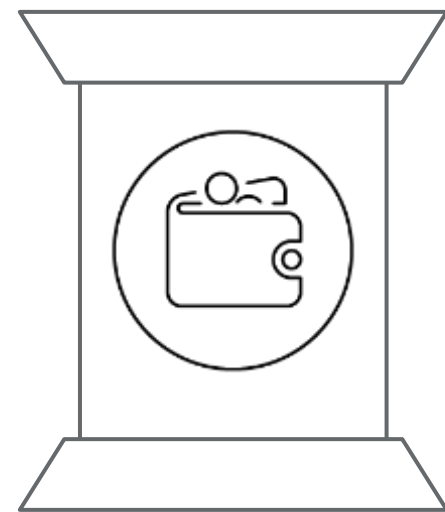
The Aldermore Group Risk Appetite encompasses numerous processes that operate within the financial year and contribute to, or relate to, the understanding and monitoring of risk appetite.



# Credit Risk Framework – Pillars



## Credit Risk Framework – Pillars



### **Risk reward**

Lending at the marginal level of credit risk breaks even under stress over 5 years

### **Layered risk**

Restricts lending to clients that have multiple drivers of high risk

### **Single name concentration**

Max exposure for single names and linked to credit quality

### **Affordability / Debt serviceability**

Ensure clients have financial resilience to changing economic circumstances

### **Recession readiness framework**

Early warning indicators for deterioration and associated actions to control credit profile

# Contacts

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