

10 March 2020

Net lending to customers exceeds £12.0bn Half year results to 31 December 2019

Aldermore Group's half year results successfully demonstrate our continued strong support to UK SMEs, homeowners, landlords, savers, and now vehicle owners with the inclusion of a full six months of new business from MotoNovo Finance Limited (MNFL).

Phillip Monks, CEO of Aldermore Group, commented:

"Aldermore Group has maintained good levels of profitability and customer growth with the Group now serving nearly 420,000 customers. Entering our second decade with a renewed purpose, we have achieved significant milestones in the face of an uncertain economic and political environment with lending and deposit balances exceeding £12bn and £10bn respectively. Aldermore's first time buyer growth, in particular, demonstrates that we are delivering competitive products to help our customers fulfil their hopes and dreams.

"Throughout 2020, we expect market conditions to continue to be challenging. The economic outlook for the UK remains uncertain, especially in light of the on-going coronavirus impact, and as further clarity is required on Brexit and the UK's future trading arrangements to help businesses prepare effectively.

"We are confident that as part of the FirstRand Group, together with our diversified portfolio, effective risk management and on-going investment in digital capabilities, we are well positioned for any future developments. As a purpose-led organisation, our focus is to back more people with a high level of service and straightforward financial products for many years to come."

Good Strategic Progress:

- Shaped an organisational purpose of 'Backing people to fulfil life's hopes and dreams' to underpin the enlarged Group's capabilities and market propositions to our customers
- Aldermore's first time buyer originations almost doubled to c.£0.2bn in the first six months of this year
- MNFL delivers a very positive customer experience with a strong Net Promoter Score of +70pts and its findandfundmycar.com digital disruptor platform continues to perform well for customers and dealers
- Claire Cordell appointed as Chief Financial Officer, Damian Thompson¹ appointed as Group Managing Director, Retail Finance and Tim Boag confirmed as permanent Group Managing Director, Business Finance

Solid Financial Delivery:

- Net lending to customers up 13% to £12.0bn (30 June 2019: £10.6bn)
 - Continued diversified growth, with Retail Mortgages up 6% to £7.2bn, Business Finance up 1% to £3.5bn, and Motor Finance up £0.9bn to £1.3bn
- Total customer deposits grew 14% to £10.1bn (30 June 2019: £9bn)
- Aldermore Group profit before tax of £59.4m (H1 2019²: £74.7m)
 - Mark to market losses of £4.4m on portfolio hedging³ in Bank⁴ (H1 2019: £6.4m profit)
 - MNFL recorded a loss of £7.8m due to the dynamics of scaling a new lending book with costs and provisions being recognised up front and interest earnings being recognised over time⁵
- Bank profit before tax of £67.2m (H1 2019: £74.7m) with Return on Equity (ROE) at 12.4% (H1 2019: 15.8%) impacted by the mark to market losses on portfolio hedging and higher retained earnings
 - Bank operating profit before tax⁶ up to £71.6m from £68.3m
- Net interest margin (NIM) of 3.2% (H1 2019: 3.4%)
- Cost of Risk of 46bps (H1 2019: 23bps) includes the MNFL front book. Excluding MNFL, the cost of risk continues to be well managed at 22bps
- Cost to income ratio⁷ at 53.5% (H1 2019: 50.0%) reflects the addition of MNFL with operating expenses recognised ahead of interest income
- CET1 Ratio at 13.6% (30 June 2019: 14.9%) reflects the expected utilisation of the capital previously injected to pre-fund MNFL lending growth

-ENDS-

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Notes to Editors

1. Subject to regulatory approval.
2. H1 2019 refers to the first half of Aldermore Group's financial year to 30 June 2019.
3. Adjustments relate to fair value movements on our interest rate hedging on the portfolio due to movements in yield curves.
4. Aldermore Group excluding MNFL.
5. MotoNovo Finance profit before tax for the six months ended 31 December 2019 was £20.8m, of which a loss of £7.8m, as the front book grows, was reported via Aldermore Group, with a profit of £28.5m relating to the backbook run-off reported via other parts of the FirstRand Group.
6. Operating profit before tax excludes mark to market movements on interest rate hedging.
7. Excludes costs and income incurred by MNFL in servicing the existing backbook of loans on behalf of FR London Branch.

Aldermore Group

Aldermore Bank provides financing to support UK small and medium sized enterprises ("SMEs"), and supports investors and homebuyers with mortgage finance, while offering a dynamic online savings proposition. We serve our customers and intermediary partners online, by phone, and face to face through eight offices in the UK.

MotoNovo Finance, based in Cardiff, helps UK consumers by bringing straightforward finance to people looking to buy their next car, van or motorcycle. It owns and operates the online platform findandfundmycar.com

Aldermore Group's overall purpose is to back people to fulfil life's hopes and dreams.

Established in 2009, Aldermore has grown significantly. In March 2018, Aldermore Group became part of FirstRand Group, the largest financial services group in Africa by market capitalisation. At the end of December 2019, Aldermore Group lending to customers stood at £12.0bn.

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