

10 September 2020

Resilient Performance despite Covid-19 Full year results to 30 June 2020

Aldermore Group's results represent the first full year of the enlarged Group¹ and show a pre-tax profit of £48.8m despite the current economic crisis brought on by Covid-19. Like many others in the market, the Group has experienced the impact of the pandemic through reduced customer activity as well as significantly increased impairments. However, Aldermore has maintained a strong capital position and is therefore well placed to back its SME, homeowner, landlord, and vehicle owner customers as the UK continues to work through the health and economic impacts of the pandemic.

Phillip Monks, CEO of Aldermore Group, commented:

"Aldermore was born out of a previous economic crisis and backing our customers to fulfil life's hopes and dreams is in our DNA. The Covid-19 crisis has been massively challenging for many of our customers and we know how many difficulties they've experienced. I'm hugely proud of our dedicated colleagues who've worked hard to help nearly 45,000 of our customers through the effects of the crisis and the ongoing issues they face. From mortgage payment breaks and forbearance support; to providing businesses with guidance on the Government support available and business topics such as safeguarding and protecting their employees; we've been there for our customers.

"I'm pleased that our results show a robust performance and the delivery of a profit for the year, despite a global health pandemic and continued Brexit uncertainty. Our business model and approach has again been proven to provide customers with award-winning financial services and the support they need when it matters most.

"Aldermore continues to have the financial strength and focus of purpose to support our customers in the future, but there remains significant uncertainty ahead. Therefore, as the country continues to deal with the effects of the pandemic, the UK Government must do what it can to support a distressed economy, ensure an orderly Brexit at the end of the year, and mitigate any further shocks to help protect jobs and businesses in the future."

Good Strategic Progress:

- Continued to transform our services to customers and intermediaries including:
 - Launching Asset Backer in Business Finance to streamline the application process for our brokers as part of our digital transformation²
 - Developing and launching MotoRate in MotoNovo Finance, a risk-based pricing proposition, as a positive response to the FCA's changes to commission charges in the motor financing sector
 - Introducing an 'Experts with Empathy' programme in Retail Mortgages to enhance our customer experience, which included piloting a new Tone of Voice, to be rolled out across the Group, and launching NPS customer scoring technology
- Andrew Lewis appointed as Chief Risk Officer and will join the Aldermore executive team later this year³

Resilient Financial Performance Reflects Economic Environment:

- Net lending to customers at £12.4bn (30 June 2019: £10.6bn) reflecting the first full year of lending growth for MotoNovo Finance within the Aldermore Group
 - MotoNovo Finance up £1.5bn to £1.8bn
 - £0.5bn growth in Retail Mortgages to £7.3bn driven by strong retention activity as a result of improved customer loyalty propositions, while Business Finance reduced £0.2bn to £3.3bn as the division was significantly impacted by lower customer activity due to Covid-19
- Total customer deposits grew 21% to £10.9bn (30 June 2019: £9.0bn) as we actively managed funding to support business growth
- Aldermore Group profit before tax of £48.8m (2019: £129.6m)

- Impairment charge of £131.7m (2019: £23.8m) reflects the worsening macroeconomic outlook, the impact of payment breaks and expected defaults as a result of Covid-19, and the first full year of MotoNovo Finance
- Cost of Risk of 114bps (2019: 24bps) reflects the increased impairments due to the impacts of Covid-19 and the first full year of MotoNovo Finance. Excluding MotoNovo Finance, the cost of risk is 73bps (2019: 21bps)
- Net interest margin (NIM) remains robust at 3.2% (2019: 3.3%)
- Underlying Cost to Income ratio⁴ improved to 51% (2019: 52%) as a result of cost management measures applied across the Group
- Group Return on Equity of 3.1% (2019: 10.9%) reflecting lower profit
- CET1 Ratio at 13.3% (30 June 2019: 14.9%) as the capital previously injected to pre-fund MotoNovo Finance lending growth is utilised

-ENDS-

Notes to Editors

1. Enlarged Group includes MotoNovo Finance Ltd, which started trading as part of the Aldermore Group in May 2019.
2. Asset Backer is an online portal that streamlines the process of submitting new proposals to Aldermore by sending them direct to our credit underwriters for review. Asset Backer enables brokers to easily manage their portfolio in one place, calculate and deliver quotes, submit new business proposals, generate documentation and electronically sign agreement documents.
3. Andrew Lewis is a senior business, risk and finance executive with board level experience. He joins us from Bain & Co, a global management consultancy, where he is an Expert Partner in their Financial Services and Simple & Digital practice. Prior to joining them in 2019, Andrew spent 23 years at RBS in several senior roles including Head of Enterprise Risk Management, MD Capital & Transaction Management and latterly Co-founder and Chairman of Esmé loans, NatWest's innovative digital SME lending platform created as an alternative finance disruptor.
4. Excludes costs and income incurred by MotoNovo Finance Ltd in servicing the existing backbook of loans on behalf of FR London Branch.

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Aldermore Group

Aldermore Group's purpose is to back people to fulfil life's hopes and dreams. It has two operating companies Aldermore Bank PLC and MotoNovo Finance Limited. Aldermore Bank was established in 2009 and provides financing to back UK small and medium sized enterprises ("SMEs"), and supports investors and homebuyers with mortgage finance, while offering a dynamic online savings proposition. The Bank services customers and intermediary partners predominantly online and by phone. MotoNovo Finance Limited, 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 is part of FirstRand Group, the largest financial services group in Africa by market capitalisation.

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