Press release

15 September 2022

Strong growth in lending and profits as Aldermore continues to back more people and businesses

Full year results to 30 June 2022

Aldermore Group has delivered 30% growth in profit before tax to £204.7m (FY2021: £157.8m). The bank is now supporting a record 750,000[1] customers which has helped drive 10% growth in net lending at improved margins and at a stable cost of risk.

It comes as a strategic refresh undertaken in recent months to refocus the business' strength as a specialist lending and savings bank comes into effect, underpinned by disciplined investment in future growth.

Financial Performance (£million)	FY2022	FY2021	Change
Total income	564.1	471.6	20%
Operating expenses	(302.0)	(261.7)	15%
Impairment losses	(57.4)	(52.1)	10%
Profit before tax	**204.7**	**157.8**	**30%**
Net Interest Margin (%)	3.8%	3.4%	0.4%
Return on Equity (%)	12.5%	10.9%	1.6%
Cost of Risk	41bps	40bps	1bps
Balance Sheet and Capital (£million)	**FY2022**	**FY2021**	**Change**
Customer loan balances	14,731	13,420	10%
Customer deposit balances	14,105	12,427	14%
Common Equity Tier 1 ratio[2] (%)	14.0%	13.9%	0.1%
Group loan to deposit ratio (%)	106%	108%	(2)%

Steven Cooper, CEO of Aldermore Group said:

"This has been a positive year for Aldermore with significant growth in net lending and profits, resulting in a good performance, despite a challenging economic environment.

"We are pleased to have seen a strong increase in new owner occupied lending as we continue to help more people realise their home ownership dreams. We've seen net loan growth of 15% to businesses over the prior year through new targeted opportunities, customer retention and increased facility utilisation. This has all been underpinned by strong deposit growth in personal and business savings. MotoNovo Finance, our automotive finance business, has had another strong year. We saw lending volumes break through the £2bn barrier for the first time, with net lending increasing by 30 per cent year on year.

"We understand that the cost of living crisis has placed real pressure on people and their families, as well as businesses in recent months. Our strong profitability and capital position mean we're on hand to support those who are facing difficulty.

“We’ve recently undertaken a strategic refresh of our business, which has reaffirmed our purpose and our credentials as a specialist lending and savings bank and will see the business renew its focus on our longstanding strengths and expertise. We remain committed to being a bank that is there to help those people and businesses whose ambitions haven’t always been supported by the high street lenders.

“There will be a renewed and targeted focus on our property business, which we believe provides opportunity for growth and better returns. We’re already seeing this show some early signs of success with strong net lending in the second half of the financial year. We’re re-committing ourselves to our business customers, continuing our structured and specialist lending to them, while working to build successful, long-lasting relationships with each by meeting their unique needs focussing on specific sectors and segments. Our savings business, which continues to offer award winning products with consistently competitive rates, will remain central to the bank’s funding model and growth plans.

“Despite the ongoing economic uncertainty, the outlook for Aldermore is positive as we invest in our technology and people capabilities to help us build a more efficient bank, which combined with a strong balance sheet, will set us up for future growth.”

Strong lending growth supported a 30% increase in PBT:

- Statutory profit before tax for FY2022 was £204.7m, £46.9m (30%) higher than the prior year (FY2021: £157.8m) largely due to higher loan balances and a 38bps improvement in net interest margin (NIM) to 3.8% (FY2021: 3.4%)
- Group net lending grew £1.3bn, or 10%, to £14.7bn (FY2021: £13.4bn)
  - MotoNovo Finance net loans increased £1.0bn (31%) to £4.0bn (FY2021: £3.0bn), with growth driven by ongoing high demand in the used car market and new dealership acquisitions
  - Business Finance, which includes asset finance, invoice finance and SME commercial mortgages, saw net lending growth of £0.5bn to £3.6bn (FY2021: £3.1bn) as all business lines recovered well post-Covid and pivoted towards larger size deals
  - Retail Mortgages net lending reduced £0.1bn to £7.2bn (FY2021: £7.3bn). However, growth returned in the second half of the year with net loans £0.1bn higher than December 2021, as redemption levels normalised and originations increased in both Owner Occupied and Buy to Let portfolios
- Total customer deposits increased 14% to £14.1bn (FY2021: £12.4bn) with growth in Personal Savings, Business Savings and Corporate Treasury as the Group sought to optimise deposit mix whilst actively responding to market and customer demand
- Total income of £564.1m increased 20% (FY2021: £471.6m), reflecting the growth and change in mix of lending, the one – off positive impact of new EIR models implemented during the year, and lower funding costs. This was partly offset by the impact of remediation activity in MotoNovo Finance. As a result, NIM was 40bps higher at 3.8%
- Operating expenses increased 15% in the year to £302.0m (FY2021: £261.7m) as the Group continued to invest in the future growth of the Group to support the strategy
- The Group’s impairment charge was 10% higher than prior year at £57.4m (FY2021: £52.1m), largely driven by loan growth, and as a result cost of risk was broadly flat at 41bps (FY2021: 40bps). We continue to monitor our book given the deterioration in the economic outlook and cost of living crisis, and although Covid-19 related provisions were released in the year, these were broadly offset by recent updates to macroeconomic scenarios and weightings
- As a result of higher profitability Group Return on Equity was 12.5% (FY2021: 10.9%)
- Common Equity Tier 1 (CET1) ratio[2] remains strong at 14.0% (FY2021: 13.9%) and the Liquidity Coverage Ratio was 324% (FY2021: 453%)

-ENDS-

Notes to Editors

[1] Customer numbers as at 30 June 2021: 650,000.

[2] CET1 ratio is presented on an IFRS9 transitional basis.

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Aldermore Group
Aldermore backs more people to go for it, in life and business. We champion equality by supporting and getting finance to the people who want to get on in life; building businesses, buying property and purchasing vehicles.

The Group consists of two operating companies, Aldermore Bank plc and MotoNovo Finance Limited. Aldermore Bank provides finance to business owners, homeowners and landlords, and supports savers. It operates exclusively online, by phone and through networks. MotoNovo Finance helps people buy their next car, van or motorcycle and it owns and operates findandfundmycar.com.

Aldermore Group is part of FirstRand Group, the largest financial services group in Africa by market capitalisation.

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