



Rating Action: Moody's Ratings affirms Aldermore Group PLC's Baa2 issuer rating; upgrades Aldermore Bank plc's long-term deposit and issuer ratings to Baa1; outlook stable

16 Jan 2026

London, January 16, 2026 -- Moody's Ratings (Moody's) today affirmed Aldermore Group PLC's (Aldermore) long-term issuer rating of Baa2, senior unsecured MTN ratings of (P)Baa2, Other Short Term ratings of (P)P-2, subordinate MTN ratings of (P)Baa3 and subordinate ratings of Baa3. We also affirmed Aldermore Bank plc's (Aldermore Bank) Baseline Credit Assessment (BCA) of baa2 and Adjusted BCA of baa2, short-term deposit ratings at P-2, and short-term Counterparty Risk Ratings (CRR) of P-2. In the same rating action, we upgraded Aldermore Bank's long-term deposit and issuer ratings to Baa1 from Baa2, long- and short-term Counterparty Risk Assessments (CRA) to A2(cr)/P-1(cr) from A3(cr)/P-2(cr), and long-term CRR to A3 from Baa1. The outlook on the long-term bank deposit and issuer ratings of Aldermore Bank and long-term issuer rating of Aldermore remains stable.

RATINGS RATIONALE

The upgrade of Aldermore Bank's long-term deposit, issuer ratings and CRR, and long-term and short-term CRA, reflects our expectation of reduced loss severity for these instruments, supported by Aldermore's issuance of £300 million subordinated notes in October 2025. Due to the larger volumes of loss absorbing liabilities, the bank's long-term deposit and issuer ratings of Baa1 are now positioned one notch above the bank's Adjusted BCA of baa2, indicating a low loss-given-failure under our Advanced Loss Given Failure (LGF) analysis for these instruments. Aldermore Bank's ratings do not benefit from any uplift from affiliate support from its parent FirstRand Limited, whose consolidated credit profile mainly reflects FirstRand Bank Limited (Baa3/Ba1 stable, ba2). We assume a low probability of support from the Government of the United Kingdom (UK, Aa3 stable) given the bank's low systemic importance, which does not result in any rating uplift.

The affirmation of Aldermore Bank's baa2 BCA reflects its robust solvency, supported by solid capitalisation and profitability, despite moderate asset quality deterioration due to higher interest rates and ongoing regulatory uncertainty over motor finance commission compensation. The bank's reliance on online retail savings deposits increases its sensitivity to consumer behavior and competitor pricing.

We expect Aldermore's asset quality to stabilize as borrower affordability improves with lower interest rates. The group's problem loan ratio stood at 3.4% at end-June 2025, unchanged from a year earlier but up from 2.5% in June 2023, reflecting the higher credit risk of Aldermore's portfolio, notably in buy-to-let and vehicle finance.

Aldermore's capitalisation and profitability provide robust loss absorption capacity. The group's Common Equity Tier 1 (CET1) ratio was 14.9% at the end of June 2025, down from 15.9%, reflecting the inaugural dividend payment of £125 million to FirstRand group. This significant distribution underscores Aldermore's strategy to align its CET1 ratio with its medium-term target range of 13%-14%.

Aldermore's profitability in fiscal year 2025 was impacted by provisions for motor finance commissions, resulting in a Moody's adjusted return on tangible assets of 0.6%. Aldermore's underlying profitability, which we estimate to be approximately 0.8%, is slightly below that of peers due to weaker cost efficiency.

OUTLOOK

The stable outlook on Aldermore's long-term issuer ratings and Aldermore Bank's long-term deposit and issuer ratings reflects our view that Aldermore will maintain its currently solid financial performance, notwithstanding the impact of still elevated interest rates on borrowers' affordability and increased competition. The outlook also

reflects our expectation that Aldermore will be able to absorb redress costs related to motor finance commissions, while maintaining satisfactory capital buffers above its minimum requirements.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Aldermore Bank's BCA and Adjusted BCA are unlikely to be upgraded absent an upgrade of FirstRand Bank Limited, its sister bank, which accounts for around 80% of consolidated assets of FirstRand Limited, the ultimate parent of Aldermore. Aldermore Bank's BCA of baa2 is constrained at three notches above the ba2 BCA of FirstRand Bank Limited.

If FirstRand Bank Limited's BCA is upgraded, Aldermore Bank's BCA could be upgraded if it sustains improvements in asset quality and profitability, while maintaining sound levels of capitalisation, and if the ultimate redress costs for motor finance commissions do not reduce the bank's capitalisation beyond target levels. Positive rating pressure could also emerge from a more resilient funding profile through reduced reliance on price-sensitive savings deposits, alongside continued successful issuance of wholesale funding. For the ratings to be upgraded, Aldermore Bank would also have to maintain strong liquidity buffers.

A BCA upgrade would likely result in an upgrade of all the bank's long-term ratings and CRA. Furthermore, the bank's long-term ratings and assessment could be upgraded following additional issuances of bail-in-able liabilities.

Aldermore Bank's BCA could be downgraded as a result of material deterioration in the bank's asset quality, a decline in capitalisation and sustained reduction in profitability. The bank's BCA could also be downgraded if the ultimate cost of redress for motor finance commissions materially reduces its capital, beyond target levels. A downgrade of FirstRand Bank Limited's BCA would also lead to a downgrade of Aldermore Bank's BCA.

A downgrade of Aldermore Bank's BCA would likely result in a downgrade of all of its ratings. The bank's long-term ratings and assessment could be downgraded following a reduction in the volumes of loss absorbing liabilities.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at <https://ratings.moodys.com/rmc-documents/454566>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Aldermore Bank's "Assigned BCA" score of baa2 is set two notches below the "Financial Profile" initial score of a3, reflecting the elevated risk of its loan portfolio, regulatory risk related to motor finance commission compensation, the anticipated reduction in capitalisation, and its reliance on price-sensitive online savings deposits.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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