

14 September 2023

Aldermore delivers solid FY23 results amidst challenging economic conditions

Full year results to 30 June 2023

Aldermore Group has posted a 9% growth in profit before tax to £222.5m (FY2022: £204.7m). The Group delivered both solid lending and customer deposit growth, supported by improved margins, whilst continuing to invest in the business.

| Financial Performance (£million) | | FY2023 | FY2022 | Change |
|---|-----------------------|---------------|---------------|---------------|
| <i>Income Statement</i> | | | | |
| Total income | | 459.6 | 392.6 | 17% |
| Operating expenses | | (209.6) | (218.4) | (4)% |
| Impairment losses | | (51.4) | (5.1) | >100% |
| Aldermore Bank¹ operating profit before tax | | 198.6 | 169.1 | 17% |
| MotoNovo Finance ¹ profit before tax | | 32.7 | 28.6 | 14% |
| Strategic technology investment ² | | (34.6) | (0.7) | >100% |
| Net derivatives gains ³ | | 25.8 | 7.7 | >100% |
| Group statutory profit before tax | | 222.5 | 204.7 | 9% |
| <i>Key Performance Indicators</i> | | | | |
| Net interest margin (%) | | 4.04% | 3.64% | 0.40% |
| Aldermore Bank | Cost:Income ratio (%) | 45.7% | 55.8% | (10.1)% |
| | Cost of risk (bps) | 46bps | 5bps | 41bps |
| [Operating] | Return on equity (%) | 12.7% | 11.9% | 0.8% |
| | CET1 (%) | 18.5% | 17.0% | 1.5% |
| Net interest margin (%) | | 4.07% | 3.79% | 0.28% |
| Aldermore Group | Cost:Income ratio (%) | 49.5% | 53.6% | (4.1)% |
| | Cost of risk (bps) | 73bps | 40bps | 33bps |
| [Statutory] | Return on equity (%) | 12.0% | 12.4% | (0.4)% |
| Group Balance Sheet (£million) | | FY2023 | FY2022 | Change |
| Customer lending balances | | 15,167 | 14,731 | 3% |
| Customer deposit balances | | 15,033 | 14,105 | 7% |
| Group Capital and Liquidity (%) | | FY2023 | FY2022 | Change |
| Common equity tier 1 ratio ⁴ | | 14.8% | 14.0% | 0.8% |
| Liquidity coverage ratio ⁵ | | 265% | 324% | (59)% |
| Group loan to deposit ratio | | 101% | 104% | (4)% |

Steven Cooper, CEO of Aldermore Group said:

“We’re proud of what Aldermore has achieved in the last year, delivering a strong increase in profits against a backdrop of challenging economic conditions. Lending and customer deposits have both grown steadily and we’re pleased to be supporting more people than ever with over 825,000 customers.

“We are mindful that many are still struggling with the increased cost of living and so we are continuing to provide extra support to customers, while proactively contacting the most vulnerable to offer our help.

“Looking to the future, the UK is facing considerable economic uncertainty, with much tighter financial conditions. Over the last year we’ve significantly modernised Aldermore so that we can deliver new products and services at pace and quickly take advantage of changes in a market that is more unpredictable than ever. When we combine this greater flexibility in our business, with a strong, stable capital and liquidity position we’re confident that we’re well placed to weather these challenging economic conditions. By helping customers through these difficult times while investing in our own people and capabilities, we believe the business will continue to deliver steady growth.”

- **Bank operating profit before tax** for FY2023 was £198.6m, £29.5m (17%) higher than the prior year (FY2022: £169.1m). This was largely driven by balance sheet growth and a 40bps expansion in net interest margin to 4.04% (FY2022: 3.64%). Operating expenses of £209.6m decreased 4% in the year (FY2022: £218.4m) reflecting progress on efficiency, partly offset by inflationary pressures. Impairment charges increased reflecting a deteriorating macroeconomic outlook, with cost of risk increasing to 46bps (FY2022: 5bps)
- Bank operating return on equity was 12.7% (FY2022: 11.9%), reflecting increased profit, partly offset by higher capital resources, with Bank CET1 now standing at 18.5% (FY2022: 17.0%)
- **MotoNovo Finance profit before tax** (excluding derivatives gains) for FY2023 was £32.7m, £4.1m (14%) higher than the prior year (FY2022: £28.6m). This was driven by balance sheet growth and a broadly stable net interest margin, partially offset by higher impairment charges. Both FY2023 and FY2022 PBT outcomes include sizeable customer remediation impacts which have increased modestly year on year
- **Group net lending** at £15.2bn increased £0.5bn or 3% (FY2022: £14.7bn) primarily due to growth in the Property and Motor businesses despite a challenging macroeconomic environment
- **Group customer deposits** at £15.0bn increased £0.9bn or 7% (FY2022: £14.1bn) with growth predominantly in Personal and Business Savings as the Group sought to optimise deposit mix whilst actively responding to market and customer demand
- **Group cost of risk** increased to 73bps (FY2022: 40bps), driven by worsening forward-looking economic indicators, with arrears increasing modestly and in line with expectation

Group Statutory PBT increased by 9%

- Statutory profit before tax for FY2023 was £222.5m, £17.8m (9%) higher than the prior year (FY2022: £204.7m)
- Strategic investment in the Group’s core technology capability increased notably in the year to £34.6m (FY2022: £0.7m). The investment forms part of a de-risking and modernisation programme to support the Group’s long-term growth ambitions. The bulk of the expenditure relates to Aldermore Bank
- Net derivatives gains in the Group’s hedging portfolio amounted to £25.8m (FY2022: £7.7m gain), of which £9.5m (FY2022: £6.5m) related to MotoNovo Finance. These one-off gains, which are expected to unwind over time, were driven by the magnitude and velocity of interest rate rises during the year
- The Group’s statutory return on equity was 12.0% (FY2022: 12.4%)
- Common Equity Tier 1 (CET1) ratio remains strong at 14.8% (FY2022: 14.0%). The liquidity coverage ratio (LCR) decreased to 265% (FY2022: 324%) mainly reflecting an update to Aldermore’s retail customer deposit stressed outflow assumptions. On a comparable basis, the FY2022 LCR would have been circa 225%

-ENDS-

Notes to Editors

¹ Aldermore Group comprises two operating companies: Aldermore Bank plc and MotoNovo Finance Limited. Amounts relating to Aldermore Bank plc include amounts relating to its associated securitisation vehicles, consolidation entries and the Aldermore Group Holding Company (Aldermore Group); amounts relating to MotoNovo Finance include amounts relating to its associated securitisation vehicles. Bank ROE and CET1 reflects Aldermore Bank plc on a standalone basis.

² Strategic technology investment forms part of a programme of work to support the Group's long-term growth ambitions.

³ Net derivatives gains relate to fair value movements in derivative and other financial instruments held for risk management purposes. They include all realised and unrealised movements, interest and foreign exchange differences.

⁴ CET1 ratio is presented on an IFRS9 transitional basis.

⁵ The year-on-year movement in LCR reflects a FY23 update to Aldermore's retail customer deposit stressed outflow assumptions.

For further information contact:

Andrew Horne, Aldermore

Phone: +44 (0) 7770 099 674

Email: andrew.horne@aldermore.co.uk

Twitter: [@aldermorenews](https://twitter.com/aldermorenews)

Ed Hooper, Lansons

Phone: +44 (0) 7783 387713

Email: edh@lansons.com

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.

For more information, please visit aldermore.co.uk motonovofinance.com

Follow us on Twitter: @AldermoreBank @AldermoreNews @motonovofinance @findfundmycar.com

Follow us on LinkedIn: Aldermore Bank / MotoNovo Finance

Aldermore Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. (Financial services register number: 204503). Registered office: Apex Plaza, Forbury Road, Reading, RG1 1AX. Registered in England. Company no. 947662. Invoice finance, commercial mortgages, property development and buy to let mortgages are not regulated by the FCA or PRA. Some asset finance contracts are not regulated. Consumer buy to let mortgages are regulated by the Mortgage Credit Directive Order 2015. MotoNovo Finance Limited is authorised and regulated by the Financial Conduct Authority.