

6 September 2018

Aldermore to bring more competition to UK banking - 18 month results show continued strategic and financial delivery

Following its acquisition by the FirstRand Group earlier this year, Aldermore today announces its results for the 18 month period to 30 June 2018, which demonstrate continued strategic and financial delivery. The 18 month period reflects a change in Aldermore's financial year end from 31 December to 30 June to align with the FirstRand Group and comparative figures are shown in the accompanying table.

Strategic Progress:

- Acquisition by the FirstRand Group, completed in March 2018, will enable us to broaden our propositions and bring more competition to UK banking
- Strong cultural alignment driving significant progress of integration into FirstRand and planning for MotoNovo, one of the UK's leading independent motor finance companies, to become part of the Aldermore Group
- Our strategic review of capabilities, people and propositions is underway as we plan the investment in our joint future, including reviewing the potential to build a transactional offering over the longer term
- Commitment to delivering a superior service sees high levels of customer satisfaction – Net Promoter Score (NPS), improved even further, up 1 point to +44
- Launched our later-life mortgage proposition for applicants aged up to 85 as part of ongoing drive to provide innovative solutions for Britain's homeowners
- Pat Butler joined as Chairman in March 2018 and we have welcomed to the Board, the FirstRand representative Directors, Alan Pullinger, Chief Executive Officer, and Harry Kellan, Chief Financial Officer. Harry Kellan joins the Board subject to regulatory approval.
- Strengthened our executive team with the appointment of Sue Hayes, as Group Managing Director - Retail Finance, in June 2018

Financial Delivery:

- 18 months underlying¹ profit before tax of £232m (2017: £160m and 2016: £133m)
- Strong underlying return on equity of 17.2% (2017: 18.5% and 2016: 18.0%)
- Statutory profit before tax and return on equity of £195m and 13.9% respectively
- Net lending to customers now totals £9.0bn (2017: £8.6bn and 2016: £7.5bn) as Aldermore strengthens its support to SMEs, homeowners and landlords
 - Diversified portfolio² with Business Finance lending of £3.1bn and Retail Finance lending totalling £5.9bn
- Originations for the 18 months of £4.7bn (both 2017 and 2016: £3.2bn) within existing risk appetite
- Net interest margin maintained at 3.5% as guided (both 2017 and 2016: 3.5%)
- Continued secure and well controlled credit performance with cost of risk of 16bps (2017: 15bps and 2016: 23bps)
- Customer deposits grew to £7.8bn (2017: £7.1bn and 2016: £6.7bn) to support lending growth across enlarged portfolio
- Underlying¹ cost/income ratio of 46% (both 2017 and 2016: 45%) reflects continued investment
- Statutory cost/income ratio of 54% (2017: 51% and 2016: 46%)
- CET1 ratio strong at 12.3% (2017: 12.2% and 2016: 11.5%)



Phillip Monks OBE, Chief Executive Officer, commented:

“Our results demonstrate continued financial delivery, strengthening our balance sheet with a CET1 ratio in excess of 12% and, in an increasingly competitive market, maintaining our asset quality, net interest margin, and our profitability. This reflects our disciplined approach to growth across SME lending, Buy-to-Let and Residential Mortgages. The growth in customer savings, to support our enlarged lending portfolio, demonstrates the flexibility of our funding model.

“We have been providing customers with “banking as it should be” for almost a decade, through our award-winning products and services. As we enter this new stage in our journey, we see real potential to further increase the breadth and depth of what we offer customers as part of the FirstRand Group by exploring opportunities for product diversification. The process of integration with MotoNovo is underway and we are excited about the possibilities to strengthen our competitive position in our core markets.”

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Note to editors:

Johan Burger, the former Chief Executive Officer of FirstRand, who joined the Aldermore Board on its acquisition by FirstRand on 14 March 2018, stood down on 31 August 2018.

A reconciliation of underlying to statutory profit is shown below

Aldermore

Financial Results

Balance Sheet and capital	30 June 2018	31 December 2017	31 December 2016
Total customer lending (£m)	8,991	8,562	7,477
Growth in net lending (£m)	429	1,085	1,333
Growth in net lending (2018 annualised)	10%	15%	22%
Origination (£bn)	4.7	3.2	3.2
Non-performing loans ratio (%)	0.38%	0.39%	0.47%
Total customer deposits (£m)	7,776	7,065	6,674
Loan to deposit ratio	116%	121%	112%
CET1 capital ratio	12.3%	12.2%	11.5%

Financial Performance (£m)	18 months ending 30 June 2018	12 months ending 31 December 2017	12 months ending 31 December 2016
Underlying¹ profit before tax	231.7	159.5	132.8
Transaction costs	(19.8)	(18.5)	-
Integration costs	(2.4)	-	-
Impairments of intangibles	(14.2)	-	-
Goodwill write-off	-	-	(4.1)
Statutory profit before tax	195.3	141.0	128.7
%			
Underlying ¹ return on equity (2018 annualised)	17.2%	18.5%	18.0%
Statutory return on equity (2018 annualised)	13.9%	15.5%	17.2%
Net interest margin (2018 annualised)	3.5%	3.5%	3.5%
Cost of risk (2018 annualised)	16bps	15bps	23bps
Underlying ¹ cost/income ratio	46%	45%	45%
Statutory cost/income ratio	54%	51%	46%

¹ Underlying basis excludes pre-tax costs of £19.8m re FirstRand transaction; £2.4m of integration costs and £14.2m re the impairment of intangibles assets in 2018 and goodwill impairment of £4.1m (pre-tax and post-tax) in 2016

² Business Finance comprises Asset Finance, Invoice Finance and SME Commercial Mortgages and Retail Finance includes Buy-to-Let and Residential Mortgages

Aldermore

Aldermore Group PLC is a specialist bank offering straightforward products to Small and Medium-sized Enterprises (SMEs), homeowners, landlords and individuals.

Aldermore has no branch network but serves customers and intermediary partners online, by phone and face to face through its network of regional offices located around the UK.

Building on its core values of being reliable, expert, dynamic and straightforward, Aldermore aims to deliver banking as it should be.

Established in 2009, Aldermore has grown significantly. At the end of June 2018, lending to customers stood at £9bn. In March 2018, Aldermore became part of FirstRand Group, South Africa's largest financial services institutions by market capitalisation.

For more information, please visit www.aldermore.co.uk.
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