

29 February 2024

Positive outlook for Aldermore as Group delivers solid H1 results

Half year results for six months to 31 December 2023

Aldermore Group has posted a 13% growth in operating profit before tax to £132.8m (H1 2023: £117.0m). Despite the subdued lending market, the Group was able to drive portfolio growth in higher returning lending segments, and continued deposit growth. Profits have also benefited from a more stable macroeconomic outlook leading to a reduced impairment charge. The Group remains well capitalised, with a CET1 ratio of 14.9% and a strong liquidity coverage ratio of 248%.

Steven Cooper, CEO of Aldermore Group said:

“We’re pleased with our performance in the half, delivering strong underlying profits supported by increased revenues, a fall in impairments and steady growth in customer deposits despite fierce competition. This has been achieved against a backdrop of difficult economic conditions and a property market which has been at its most subdued in many years. We’re now supporting over 800,000 customers – helping those that the traditional high street banks typically overlook, to ensure they get the support to go for it in life and business.

“Looking ahead, we’re optimistic about what the future holds. Our Buy to Let and Asset Finance businesses have been performing particularly well and with confidence slowly starting to return to the property market, we think we’re well placed to take advantage of improving conditions. However, there is no room for complacency as economic headwinds may persist in 2024. That’s why we continue to maintain a strong and resilient capital and funding position, while investing in our people and technology so that we can build great products and services for our customers.”

Financial Performance (£million)	H1 2024	H2 2023	H1 2023	Change vs H2 2023	Change vs H1 2023	
<i>Income Statement</i>						
Total income	223.7	241.9	217.7	(7)%	3%	
Operating expenses	(106.4)	(115.1)	(94.5)	(8)%	13%	
Impairment losses	(3.1)	(25.9)	(25.5)	(88)%	(88)%	
Aldermore Bank¹ operating profit before tax	114.3	100.9	97.7	13%	17%	
MotoNovo Finance ¹ profit before tax	18.5	13.4	19.3	37%	(4)%	
Group operating profit before tax	132.8	114.4	117.0	16%	13%	
Net derivatives (loss) / gain ²	(10.8)	19.0	6.7	(<100)%	(<100)%	
Strategic technology investment ³	(17.4)	(22.7)	(11.8)	(24)%	47%	
Group statutory profit before tax	104.6	110.6	111.9	(5)%	(7)%	
<i>Key Performance Indicators</i>						
	Net interest margin (%)	4.00%	4.29%	3.79%	(0.29)%	0.21%
Aldermore Bank [Operating]	Cost:Income ratio (%)	47.5%	47.6%	43.5%	(0.0)%	4.0%
	Cost of risk (bps)	5bps	46bps	45bps	(41)bps	(40)bps
	Return on equity (%)	13.0%	12.5%	12.8%	0.5%	0.2%
	CET1 ratio ⁴ (%)	18.5%	18.5%	17.5%	0.0%	1.0%
Aldermore Group [Statutory]	Net interest margin (%)	3.99%	4.23%	3.91%	(0.24)%	0.08%
	Cost:Income ratio (%)	55.9%	51.4%	47.4%	4.5%	8.5%
	Cost of risk (bps)	33bps	76bps	70bps	(43)bps	(38)bps
	Return on equity (%)	9.6%	11.9%	12.1%	(2.4)%	(2.6)%

Group Balance Sheet (£million)	Dec 2023	Jun 2023	Dec 2022	Change vs Jun 2023	Change vs Dec 2022
Customer lending balances	14,983	15,167	15,468	(1)%	(3)%
Customer deposit balances	15,892	15,033	15,245	6%	4%

Group Capital and Liquidity (%)	Dec 2023	Jun 2023	Dec 2022	Change vs Jun 2023	Change vs Dec 2022
CET1 ratio ⁴	14.9%	14.8%	14.0%	0.1%	0.9%
Total capital ratio ⁴	17.5%	17.4%	16.6%	0.1%	0.9%
Liquidity coverage ratio	248%	265%	218%	(17)%	29%

Aldermore Bank

- Operating profit before tax for H1 2024 was £114.3m, £16.6m (17%) higher than the prior year (H1 2023: £97.7m). Despite the more muted and competitive market, strong price discipline was maintained resulting in a 21bps expansion in net interest margin to 4.00% (H1 2023: 3.79%). An improving macroeconomic outlook enabled a reduction in cost of risk to 5bps (H1 2023: 45bps). Operating expenses of £106.4m increased 13% (H1 2023: £94.5m) reflecting the impact of inflationary pressures, as well as continued investment in our products and propositions for customers
- Operating return on equity increased to 13.0% (H1 2023: 12.8%), reflecting increased profit, partly offset by higher capital resources, with Bank CET1 ratio standing at 18.5% (H1 2023: 17.5%)

MotoNovo Finance

- Profit before tax (excluding derivative loss / gain) for H1 2024 was £18.5m, £0.8m (4%) lower than the prior year (H1 2023: £19.3m). Motor Finance performance was impacted by balance sheet and NIM pressures in a more muted used car market

Aldermore Group

- Net lending at £15.0bn decreased £0.5bn or 3% (H1 2023: £15.5bn), reflecting subdued lending markets. Despite this, the Group was able to deliver targeted lending growth in Buy to Let and Asset Finance, whilst continuing to maintain a disciplined price approach across all portfolios
- Total customer deposits at £15.9bn increased £0.6bn or 4% (H1 2023: £15.2bn) driven by Business and Corporate Savings as the Group continues to grow and diversify its funding base, whilst actively responding to market and customer demand
- Cost of risk decreased to 33bps (H1 2023: 70bps), reflecting a more stable macroeconomic outlook, with observed arrears increasing broadly in line with expectation amid higher interest rates and cost of living pressures. The Group's impairment coverage ratio remains robust at 2.22% (H1 2023: 1.81%)
- Statutory profit before tax for H1 2024 was £104.6m, £7.3m (7%) lower than the prior year (H1 2023: £111.9m) primarily driven by anticipated accounting losses on the net derivatives portfolio
- Net derivatives losses on the hedging portfolio amounted to £10.8m (H1 2023: £6.7m gain), largely driven by the expected phased unwind of accounting fair value gains recognised in the previous year
- Strategic investment in the Group's technology capability increased to £17.4m (H1 2023: £11.8m), as the Group continues to invest in the modernisation of its platforms to support long-term growth ambitions
- The Group's statutory return on equity was 9.6% (H1 2023: 12.1%)
- Strong capital ratios have been maintained, with a CET1 ratio of 14.9% (H1 2023: 14.0%), total capital ratio of 17.5% (H1 2023: 16.6%), and the liquidity coverage ratio increased to 248% (H1 2023: 218%)

FCA Review of Motor Finance Commissions

- The FCA announced it would undertake a review of historical motor finance commission arrangements and aims to communicate next steps by end of September 2024. Significant uncertainty surrounding the resolution of claims, complaints or class actions in relation to this matter remains. The nature, extent and timing of any potential financial impact is therefore currently unclear, and consequently no financial provision has been recognised at this stage

-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 Net derivatives loss / gain relates to fair value movements in derivative and other financial instruments held for risk management purposes. It includes all realised and unrealised movements, interest and foreign exchange differences.

³ Strategic Technology Investment forms part of a programme of work to support the Group's long-term growth ambitions.

⁴ CET1 and total capital ratio is presented on an IFRS9 transitional markets 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.

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

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