Aldermore Group PLC

Pillar 3 Disclosures

for the year ended 30 June 2024

Aldermore

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Introduction

This document comprises Aldermore Group PLC's ("the Group") and Aldermore Bank PLC's ("Bank") Pillar 3 disclosures on capital and risk management as at 30 June 2024. It has two principal purposes:

- To provide useful information on the capital and risk profile of the Group and Bank; and
- To meet the regulatory disclosure requirements set out by the Prudential Regulation Authority ("PRA") in the Disclosure section of the PRA Rulebook.

With effect from 1 January 2022, the PRA introduced a single source of disclosure requirements under the PRA Capital Requirements Regulation. The Group meets the definition of a non-listed "Other Institution" and complies with the requirements in accordance with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook.

In October 2021, the PRA published its Policy Statement on the UK leverage ratio framework confirming that the CRR leverage ratio will not apply to UK banks. The Group does not meet the criteria set out in the PRA rulebook for a binding minimum leverage ratio, however the Group has disclosed the ratio in accordance with the PRA's requirements.

The Aldermore Group was founded in 2009, as a multi-product specialist lender, with a focus on providing straightforward lending and savings products to SMEs, homeowners, landlords and individuals. Aldermore Group was acquired by FirstRand, the largest financial services group in Africa by market capitalisation in 2018. Operating across South Africa, other markets in sub-Saharan Africa, the UK and India, FirstRand's commitment is to building a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves.

MotoNovo Finance Limited was established in 2019 as a sister company of Aldermore Bank, and enabled the Aldermore Group to expand its offering to address a wider set of needs, by helping people buy their next car, van or motorcycle. The MotoNovo business has specialised in motor finance for over 40 years and is recognised as a market leader in the industry.

Additional relevant information may be found in the 2024 Aldermore Group PLC Annual Report and Accounts (hereafter referred to as the "ARA"), which includes a description of the Group's strategy and business model. The disclosures contained in this document should be read in conjunction with the ARA. The Pillar 3 disclosures and the ARA are published on the Group's website: https://www.investors.aldermore.co.uk/.

Key Metrics

The table below shows the key metrics for both Aldermore Group PLC ('Group') and Aldermore Bank PLC ('Bank'):

	Group		Bank	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Available capital (£m) [1]				
Common Equity Tier 1 (CET1) capital	1,627.1	1,506.6	1,321.5	1,203.8
Tier 1 capital	1,788.1	1,614.6	1,382.5	1,264.8
Total capital	1,888.1	1,766.6	1,482.5	1,364.8
Risk-weighted Assets ('RWA') (£m) [1]				
Total RWA	10,246.3	10,167.0	6,875.6	6,504.9
Capital ratios (as a percentage of RWA) (%) [1]				
Common Equity Tier 1 ratio	15.9	14.8	19.2	18.5
Tier 1 ratio	17.5	15.9	20.1	19.4
Total capital ratio	18.4	17.4	21.6	21.0
Additional own funds requirements based on SREP [2] **(% of RWA)**				
Additional CET1 SREP requirements	0.9	0.9	1.2	1.2
Additional AT1 SREP requirements	0.3	0.3	0.4	0.4
Additional T2 SREP requirements	0.4	0.4	0.5	0.5
Total SREP own funds requirements	9.6	9.6	10.1	10.1
Combined buffer requirement (% of RWA)				
Capital conservation buffer	2.5	2.5	2.5	2.5
Institution specific countercyclical capital buffer	2.0	1.0	2.0	1.0
Combined buffer requirement	4.5	3.5	4.5	3.5
Overall capital requirements	14.1	13.1	14.6	13.6
CET1 available after meeting the total SREP own funds requirements	9.4	9.4	12.8	12.8
Leverage ratio				
Total exposure measure excluding claims on central banks (£m)	18,385.5	18,175.9	14,337.2	13,609.6
Leverage ratio excluding claims on central banks (%)	9.7	8.9	9.6	9.3
Liquidity Coverage Ratio ('LCR')				
Total high-quality liquid assets (HQLA) (Weighted value average) (£m)	4,210.9	3,280.6	4,208.6	3,280.6
Cash outflows - Total weighted value (£m)	2,022.2	1,825.5	2,206.4	1,951.0
Cash inflows - Total weighted value (£m)	234.8	266.6	247.0	264.6
Total net cash outflows (adjusted value) (£m)	1,787.5	1,558.9	1,959.4	1,686.4
Liquidity coverage ratio (%)	235.6	210.4	214.8	194.5
Net Stable Funding Ratio ('NSFR')				
Total available stable funding (£m)	16,611.6	16,245.4	16,133.4	15,490.2
Total required stable funding (£m)	12,054.1	12,941.0	11,778.0	12,161.3
NSFR ratio (%)	137.8	125.5	137.0	127.4

[1] The Group has adopted the regulatory transitional arrangements for IFRS 9 as set out in Article 473a of the UK CRR. These arrangements allow certain impacts of IFRS 9 to be phased in over a 5-year period, including revisions made in June 2020 under the EU's 'Quick Fix' relief package. The Group's capital and ratios presented above are under these arrangements.
[2] The outcome of the Group and Bank Supervisory Review and Evaluation Process ("SREP") has been shown here.

Disclosure policy

The following sets out a summary of the Group's Pillar 3 disclosure policy.

Basis of preparation

This document has been prepared to comply with the Disclosure (CRR) Part of the PRA Rulebook which was incorporated into the PRA Rulebook from 1 January 2022. No material disclosures have been omitted and nor have any disclosures been omitted from this document for confidentiality purposes.

The disclosures provide information as at 30 June 2024, with comparative information as at 30 June 2023, unless otherwise stated.

Frequency, media and location

The Group's policy is to publish the Pillar 3 disclosures on an annual basis. The information is published in conjunction with the ARA. The Pillar 3 disclosures are published on the Group's website: www.investors.aldermore.co.uk.

The frequency of disclosure will be reviewed should there be a material change in any approach used for the calculation of capital, business structure or regulatory requirements.

Verification

The Group's Pillar 3 disclosures have been reviewed and approved by the Group Audit Committee on behalf of the Board. In addition, the remuneration disclosures as detailed in this document have been reviewed and approved by the Group Remuneration Committee. The disclosures are not subject to audit.

Scope

There are no differences between the basis of consolidation of the Group for accounting and regulatory purposes. All of the Group's subsidiary undertakings are included in the data provided in the Pillar 3 disclosures. Full details of the Group's subsidiaries as at 30 June 2024 are provided in note 32 to the ARA.

Aldermore Group PLC is subject to consolidated supervision, with Aldermore Bank PLC also subject to solo regulatory supervision by the PRA. Therefore, it is a requirement to calculate and maintain regulatory capital ratios on both a Group basis and on a solo basis for the Bank. Capital requirements for both Group and the Bank have been presented in these disclosures. The differences between the Group and the Bank relate primarily to risk weighted assets and reserves held by entities that sit outside of the scope of the Bank, including MotoNovo Finance Limited, amounts included in the Bank's results in relation to transactions with the Group's securitisation vehicles which are eliminated upon consolidation and a small impact from the risk weighted assets of these entities.

There are no current or foreseen material, practical or legal impediments to the transfer of capital resources or the repayment of liabilities between consolidated entities within the Group, with the exception of assets and liabilities of the Group's securitisation vehicles which are not immediately available to other members of the Group.

Board responsibility for risk management and disclosures

A core objective of the Group is the effective management of risk. The responsibility for identifying and managing the principal risks rests with the Group's Board of Directors, who are also responsible for setting the Group's strategy, risk appetite and control framework.

The Board considers that, as at 30 June 2024, it had in place adequate systems and controls with regard to the Group's risk profile and strategy. Furthermore, the Board can confirm that the Group remained within defined limits for risk exposure throughout the year for all principal risks (refer to page 10). The Group also operated in line with its internal capital targets.

In accordance with the Disclosure part of the CRR and the Group's Pillar 3 disclosure policy, the Group is required to ensure that its external disclosures portray its risk profile comprehensively. The Directors have considered the adequacy of the Pillar 3 disclosures in relation to these requirements and are satisfied that they convey the risk profile of the Group comprehensively. The disclosures of risk management objectives and procedures within this Pillar 3 document are detailed further within the Risk Management Report of the ARA.

Capital and Risk-weighted assets (RWA)

The composition of regulatory capital, RWA and capital requirements are shown in the tables below for the Group and Bank.

	Group		Bank	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Common Equity Tier 1 (CET1) capital: instruments and reserves (£m)				
Capital instruments and the related share premium accounts	318.5	318.5	310.8	310.8
of which: share capital	243.9	243.9	3.3	3.3
of which: share premium	74.4	74.4	307.5	307.5
of which: capital redemption reserve	0.2	0.2	0.0	-
Retained earnings	1,285.6	1,108.6	1,000.7	843.9
Accumulated other comprehensive (expense)/income (and other reserves)	(0.7)	3.3	(0.6)	3.3
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,603.4	1,430.4	1,310.9	1,158.0
Common Equity Tier 1 (CET1) capital: regulatory adjustments (£m)				
Intangible assets	(8.6)	(8.6)	(4.3)	(4.3)
Other regulatory adjustments to CET1 capital	32.3	84.8	14.9	50.1
Total regulatory adjustments to Common Equity Tier 1 (CET1)	23.7	76.2	10.6	45.8
Common Equity Tier 1 (CET1) capital	1,627.1	1,506.6	1,321.5	1,203.8
Additional Tier 1 (AT1) capital: instruments (£m)				
Capital instruments and the related share premium accounts	161.0	108.0	61.0	61.0
of which: classified as equity under applicable accounting standards	161.0	108.0	61.0	61.0
Additional Tier 1 (AT1) capital	161.0	108.0	61.0	61.0
Tier 1 capital (T1 = CET1 + AT1)	1,788.1	1,614.6	1,382.5	1,264.8
Tier 2 (T2) capital: instruments (£m)				
Capital instruments and the related share premium accounts	100.0	152.0	100.0	100.0
Tier 2 (T2) capital	100.0	152.0	100.0	100.0
Total capital (TC = T1 + T2)	**1,888.1**	**1,766.6**	**1,482.5**	**1,364.8**
Total risk-weighted assets (RWA)	**10,246.3**	**10,167.0**	**6,875.6**	**6,504.9**
Capital ratios and buffers (%)				
Common Equity Tier 1 (as a percentage of total RWA)	15.9	14.8	19.2	18.5
Tier 1 (as a percentage of total RWA)	17.5	15.9	20.1	19.4
Total capital (as a percentage of total RWA)	18.4	17.4	21.6	21.0
of which: capital conservation buffer requirement	2.5	2.5	2.5	2.5
of which: countercyclical buffer requirement	2.0	1.0	2.0	1.0

Overview Of RWA	Group				Bank			
	RWAs		Capital Requirement		RWAs		Capital Requirement	
	£m 30 June 2024	£m 30 June 2023	£m 30 June 2024	£m 30 June 2023	£m 30 June 2024	£m 30 June 2023	£m 30 June 2024	£m 30 June 2023
Credit risk (excluding CCR)[1]	**9,123.7**	**9,181.4**	**729.9**	**734.7**	**6,071.2**	**5,802.1**	**485.7**	**464.2**
Of which the standardised approach	9,123.7	9,181.4	729.9	734.7	6,071.2	5,802.1	485.7	464.2
Counterparty credit risk - CCR	**21.0**	**57.5**	**1.7**	**4.6**	**20.9**	**37.1**	**1.7**	**3.0**
Of which the standardised approach	21.0	57.5	1.7	4.6	20.9	37.1	1.7	3.0
Securitisation exposures in the non-trading book	**40.1**	**22.6**	**3.2**	**1.8**	**40.0**	**22.5**	**3.2**	**1.8**
Of which SEC-SA approach[2]	40.1	22.6	3.2	1.8	40.0	22.5	3.2	1.8
Position, foreign exchange and commodities risks	0.1	1.8	0.0	0.1	0.1	1.8	0.0	0.1
Of which the standardised approach	0.1	1.8	0.0	0.1	0.1	1.8	0.0	0.1
Operational risk	**1,061.4**	**903.7**	**84.9**	**72.3**	**743.4**	**641.4**	**59.5**	**51.3**
Of which basic indicator approach	1,061.4	903.7	84.9	72.3	743.4	641.4	59.5	51.3
Total	**10,246.3**	**10,167.0**	**819.7**	**813.5**	**6,875.6**	**6,504.9**	**550.1**	**520.4**

[1] The Group has adopted the regulatory transitional arrangements for IFRS 9 as set out in Article 473a of the UK CRR. The calculations shown above are under these arrangements.
[2] Securitisation standardised approach ("SEC-SA").

During the year, total capital resources for the Group have increased by £121.5 million (30 June 2023: £164.5 million) to £1,888.1 million (30 June 2023: £1,766.6 million) primarily as a result of the inclusion of the Group's profit after tax for the period (included within retained earnings). The total capital ratio has increased to 18.4% (30 June 2023: 17.4%) as a result of increase in retained earnings partially offset by a slight growth in RWAs.

The Group redeemed and subsequently re-issued £100 million of Tier 2 subordinated debt to FirstRand Bank Limited in November 2023. In May 2024, the Group redeemed a further £52 million of Tier 2 subordinated debt.

During the year, the Group also issued £100 million and redeemed £47 million of Additional Tier 1 capital notes. Further details on the Additional Tier 1 securities are included in note 26 to the ARA and details of the subordinated notes qualifying for Tier 2 capital are included in note 22 to the ARA.

Pillar 2 capital requirements

The Pillar 2 capital requirements concern the capital supervisory review process and include a requirement for firms to undertake an Internal Capital Adequacy Assessment Process (“ICAAP”). The ICAAP represents the aggregated view of the risks faced by the Group and is used by the Board and management to understand the levels of capital required to be held over the planning horizon to cover these risks and to withstand a range of adverse stress scenarios. The ICAAP is reviewed by the PRA during its Supervisory Review and Evaluation Process (“SREP”) and is used to determine the overall capital requirements that apply to the Group and the Bank.

Pillar 2A requirements are designed to capture the firm specific risks that are not addressed or not fully captured by the minimum capital requirements under Pillar 1. Together, the Pillar 1 minimum requirement and the Pillar 2A form the Group’s Total Capital Requirement (“TCR”).

The Group’s TCR as at 30 June 2024 equates to 9.56% of risk weighted assets (30 June 2023: 9.56%).

The Bank’s TCR as at 30 June 2024 equates to 10.12% of risk weighted assets (30 June 2023: 10.12%).

Risk management

The Group's approach to risk

The Board is ultimately responsible for establishing and ensuring maintenance of a sound system of risk management and internal controls and approving the Group's overall risk appetite.

Effective risk management is a key pillar in the execution of the Group's strategy. The Board and senior management seek to ensure that the risks the Group is taking are clearly identified, managed, monitored and reported and that the Group remains sustainable including during a plausible but severely adverse economic downturn and/or idiosyncratic conditions.

The Risk Management approach applies across Aldermore Group and its subsidiaries. The Risk Management Framework ("RMF") provides the overarching approach on how the Group manages risk. A detailed description of the Group's approach to risk management is contained in pages 82 to 84 of the ARA.

The effectiveness of the risk management processes, and internal controls were regularly reviewed by the Board, Audit Committee and Risk Committee during the period. This involved receiving reports from management including reports from Finance, Risk, Compliance, Internal Audit and the business lines. The Audit Committee also receives reports on internal controls from the Group's external auditor. Where recommendations are identified for improvements to controls, these are monitored by Internal Audit who report the progress made in implementing them to the Audit Committee.

Based on the review performed during the period, and the monitoring and oversight activities performed, the Audit Committee, in conjunction with the Risk Committee, concluded that the Group's risk management and internal control systems were effective. The Audit Committee recommended a statement to this effect to the Board.

Based on this assessment, the Board is satisfied with the effectiveness of the Group's risk management and internal control systems.

The Pillar 3 document requires all principal risks to be disclosed to provide a comprehensive view of a bank's risk profile. These risks, and how they are mitigated have been disclosed within the ARA:

- Credit risk (refer to pages 86 and 94 in the ARA)
- Capital risk (refer to pages 87 and 118 in the ARA)
- Liquidity risk (refer to page 87 in the ARA)
- Market risk (refer to page 88 in the ARA)
- Operational risk (refer to page 89 in the ARA)
- Compliance, conduct and financial crime risk (refer to page 90 in the ARA)
- Reputational risk (refer to page 91 in the ARA)
- Model risk (refer to page 91 in the ARA)

Aldermore continues to develop its maturity and capabilities around climate risk. In the financial year, a decision was taken to not elevate climate to principal risk status, reflecting its treatment as an intersecting risk. In accordance with Aldermore's climate-related financial disclosure requirements , material climate-related financial information has been included within the ARA (pages 47 to 50).

Stress testing is an important risk management tool, with specific approaches documented for the Group's key annual assessments including the ICAAP, Individual Liquidity Adequacy Assessment Process ("ILAAP"), the Recovery Plan and Reverse Stress Testing ("RST"). The Group maintains a Stress Testing Policy ("STP") which is updated on an annual basis, or more frequently if required. The STP sets the approach and rules for analysis of the key risks, scenarios and sensitivities that may adversely impact the financial or operational position of the Group. The STP is a Tier 1 policy under the Treasury Risk Management Framework.

The Board Risk Committee reviews the ICAAP, ILAAP and Recovery Plan, ensuring the processes are in accordance with regulatory rules and makes a recommendation to the Board for approval.

Governance

Full details of the Group's corporate governance structure, including details of the Group's Directors can be found on pages 57 to 61 in the Group's ARA. Additional disclosures required under CRD V[1] in relation to governance arrangements are presented in this section below.

Directorships held by members of the Board

The number of external directorships and partnerships, including their roles within the Group, held by the Executive and Non-Executive Directors who served on the Board as at 30 June 2024 are detailed below:

Name	Position	Directorships
Pat Butler	Chairman	2 (Non-Executive)
Steven Cooper	Executive Director	3 (1 Executive, 2 Non-Executive)
Markos Davias[3]	Non-Executive Shareholder Director	2 (1 Executive, 2 Non-Executive)
Mary Vilakasi[3]	Non-Executive Shareholder Director	1 (Executive)
Alasdair Lenman[4]	Independent Non-Executive Director	1 (Non-Executive)
Richard Banks	Independent Non-Executive Director	3 (Non-Executive)
Desmond Crowley	Independent Non-Executive Director	3 (Non-Executive)
John Hitchins	Independent Non-Executive Director	2 (Non-Executive)
Romy Murray	Independent Non-Executive Director	3 (Non-Executive)
Ruth Handcock	Independent Non-Executive Director	2 (1 Executive, 1 Non-Executive)
Ralph Coates	Executive Director	1 (Executive)

[1] CRD V sets a limit on the number of directorships which may be held by a member of the management body in an institution that is "significant" in terms of its size, internal organisation and the nature, scope and complexity of its activities.
[2]Directorships within the same group count as one and directorships of organisations which do not pursue commercial objectives do not count.
[3] Holds a non-executive directorship and executive directorship position within the same group.
[4] Alasdair Lenman joined the Board on 1 July 2024.

Board recruitment

The Board has delegated specific powers and authority to the Corporate Governance and Nomination Committee (the "Nomination Committee") to lead the appointments process for nominations to fill Board vacancies. It is also responsible for keeping the size, structure and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary. The Nomination Committee also formulates succession plans for the Chair, Non-Executive Directors and the Executive Directors.

All Board appointments are subject to a formal, rigorous and transparent procedure. Before an appointment is made to the Board, the Nomination Committee evaluates the balance of skills, knowledge and experience on the Board and in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nomination Committee will

- Use open advertising or the services of external advisers to facilitate the search;
- Have regard to the balance of skills, experience and knowledge on the Board appropriate for the business and the cognitive skills, personal strengths and, where relevant, the independence of the candidate, as well as assessing the impact individual candidates will have on overall Board diversity;
- Consider candidates on merit and against defined job specifications and criteria, taking care that appointees have enough time to devote to the position; and
- Have due regard to regulatory approval criteria.

The Board has delegated specific powers and authority to the Remuneration Committee for determining the total individual remuneration package of each of the Group's Executive Directors and the Chairman. The remuneration of Non-Executive Directors is set by the Board. No Director or senior manager is involved in any decisions as to their own remuneration.

Board diversity

The Board believes that diversity is an important ingredient of board effectiveness, and that a diverse board will bring richer and more broad-based perspectives to governance and decision-making. The Board adopted the targets of the Hampton-Alexander Review (33% female representation on the Board) and the Parker Review (one director of colour on the Board) in February 2021, as part of a longer-term aspiration for the composition of the Board to broadly match the gender mix of the UK population. As at the date of this report, the representation of women on our Board stands at 27%. The Board's membership includes one director who identifies as being a person of colour.

The Board also acknowledges its leadership role, beyond Board composition, to promote the Group's broader societal responsibility to embrace and encourage diversity and inclusiveness. The Board has committed to encouraging people to uphold values and behaviours that promote diversity and inclusiveness, that ensure fairness of opportunities and that remove any barriers to diversity, inclusivity, and fairness where they might exist, through its governance processes and priorities.

Remuneration

This section contains disclosures which are required in accordance with UK regulatory requirements and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. They also take into account the European Banking Authority (EBA) guidelines on sound remuneration policies. It should be read in conjunction with the Remuneration Committee Report starting on page 72 of the Group's 2024 Annual Report.

Approach to remuneration

The Prudential Regulation Authority and Financial Conduct Authority have defined certain requirements relating to remuneration, referred to as the Remuneration Code ("the Code"). Firms that fall within the scope of the Code (which includes banks) must establish, implement, and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

The Group's Remuneration Policies are designed to comply with the Code and the Group is committed to adherence to its practices and guidelines in respect of Material Risk Takers (MRTs). Aldermore seeks to pay all of its staff competitively and fairly for the roles they undertake and applies similar principles for remuneration across the workforce (including MRTs) to those which apply to our Executive Directors.

The overall aim of the Group's Remuneration Policies is to attract, motivate and retain individuals of high calibre who can deliver sustained performance consistent with strategic goals, appropriate risk management and to reward them for enhancing value. They are based on key principles which reflect the Group's values and recognise the need to be competitive within the UK banking market.

This year, the Group introduced its new pay philosophy with the following key principles:

- **Clear & Simple:** The approach to pay and bonus is easy to understand and to explain to others.
- **Fair**: Everyone is entitled to equal pay for performing equal work
- **Consistent:** The Group has transparent frameworks that enable it to be clear and consistent in all pay decisions.
- **Motivating:** Compensation drives and rewards high performance and the right behaviours, whilst encouraging teamwork and collaboration across the organisation.
- **Market Competitive:** We are competitive to the market, whilst reflecting our organisation size & brand.

In addition to salary, permanent employees are eligible to receive variable pay on a discretionary basis. Bonus awards are based on an assessment of Group, business area and individual performance, with measures set by the Remuneration Committee at the beginning of the financial year.

Levels of remuneration are designed to align to the Group's stated risk appetite and ICAAP measures, and to ensure that the Executive Directors, senior management and employees are fairly and responsibly rewarded in return for high levels of individual and business performance.

Decision-making process for determining Remuneration Policy

In line with regulatory guidance, remuneration is overseen by the Remuneration Committee ("the Committee"). The Committee consists of a majority of independent non-executive Directors, one of whom is the Chair of the Committee. In accordance with the Committee's terms of reference (last reviewed and updated in August 2023), the Committee meets at least four times a year, although it can meet more frequently as required. For 2024, the Committee met six times over the course of the performance year.

Only members of the Committee have the right to attend Committee meetings. However, other individuals (such as the CEO, Chief Operating Officer, Group HR Director, Business Partnering and Reward, Chief Financial Officer and Chief Risk Officer) are invited to attend meetings when appropriate or necessary but are excluded from discussions relating to their own remuneration arrangements. The Committee is also supported by the Risk Committee on risk-related matters including the design of performance-related pay structures (ensuring incentivisation does not encourage undue risk), assessment of specific performance measures, and wider discussions related to risk management.

The Committee may take external professional advice as appropriate and during the course of the year, Aon acted as the Committee's independent remuneration advisors. The Committee also continued to measure and benchmark against comparative remuneration packages within the financial sector.

Design and structure of remuneration for Material Risk Takers

There are three main elements of remuneration available to MRTs:

- Fixed pay;
- Variable awards (made under the Annual Incentive Plan ("AIP") and, in the case of Executive Committee members, Long-Term Incentive Plan ("LTIP"); and
- Benefits (such as car allowance, pension, and insurances).

The AIP is a one-year scheme to motivate Executive Directors and other MRTs during the period to which the performance relates. A portion of the AIP is deferred in line with regulatory guidance, dependent on MRT status and total remuneration value.

Executive Committee members are eligible to receive LTIPs. These are three-year performance-based remuneration schemes to motivate and incentivise delivery of performance over the long-term. They are settled in equity-linked instruments relative to the Group's ultimate parent FirstRand Limited's share price and in line with regulatory requirements. Measures and targets are determined at the beginning of the performance period and awards are granted to individuals based on prior year performance. Awards may be subject to further pre-vest performance conditions and will, in any event, be subject to risk and individual performance underpins.

In addition to oversight from the Group's Remuneration Committee, all variable pay schemes are reviewed and overseen by the Group's parent FirstRand Limited's Remuneration Committee. Guaranteed variable awards are only permitted in exceptional circumstances usually in the context of hiring and any severance payments made for a leaver will consider any applicable contractual requirements, the Group's internal policies, regulatory requirements, and legal obligations as well as any reputational risk considerations.

Link between pay and performance

The Remuneration Committee assesses progress against a number of key financial and operational drivers including profit before tax; return on equity; cost/income ratio; net lending growth; risk management; performance against People and Customer metrics and compliance with internal business procedures.

Where individual KPIs are achieved but the underlying performance of the Group is unsatisfactory, annual performance-based payments may be reduced in part or withheld altogether at the Remuneration Committee's discretion.

Performance of individuals within control functions is assessed independently of the financial performance of the business area that the individual controls. These measures are all set to provide challenging objectives that are aligned with the Group's strategy.

Risk in the remuneration process

Performance-based remuneration is awarded by the Committee in a manner which promotes sound risk management (within the Group's stated risk appetite and ICAAP measures) and does not induce excessive risk taking. The Group's Remuneration Policies focus on ensuring sound and effective risk management through:

- Having a clear distinction and appropriate balance between fixed remuneration which reflects the role undertaken and variable remuneration which is directly linked to performance;
- A stringent governance structure for setting goals and communicating these to employees;
- Performance assessment metrics for Executive Directors and other Material Risk Takers being reviewed by the Chief Risk Officer and including both financial and non-financial goals;
- Making all variable remuneration awards at the discretion of the Committee and subject to individual, business unit and overall Group performance, stated within the risk appetite and ICAAP measures; and
- Ensuring variable remuneration is able to be subject to ex-ante and ex-post risk adjustment as a collective adjustment and/or at an individual level through the application of malus and clawback.

The ratio of fixed to variable remuneration will differ depending on the specific incentive schemes in operation across the business, however, as an overriding rule, the Group seeks to ensure that an appropriate balance between fixed and variable remuneration is maintained for all colleagues, with the fixed proportion being sufficient to allow variable pay to operate on a fully flexible basis. Variable remuneration is subject to a limit (capped at 2:1 variable to fixed ratio) for any individual.

In practice, all key remuneration decisions are approved by relevant senior leaders and go through internal reward governance before implementation. For Material Risk Takers, the remuneration decisions are reviewed and approved by the Remuneration Committee but the Group's Risk function will also play a role in providing input around risk measurement and performance. No individual in the Group is involved in determining their own compensation recommendations.

Overview of remuneration for Material Risk Takers

A firm must maintain a record of its Material Risk Takers (being those staff whose professional activities have a material impact on the firm's risk profile) and take reasonable steps to ensure Material Risk Takers understand the implications of their status.

The PRA issued criteria for identifying MRT roles, which includes those staff whose activities have a material influence over the Group's performance or risk profile. These criteria are both qualitative (based on the nature of the role) and quantitative (based on the amount a colleague is paid). The qualitative criteria can be summarised as: staff within the management body; senior management; other staff with key functional or managerial responsibilities including for risk management; and staff who individually, or as part of a Committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels. The quantitative criteria are individuals earning £660,000 or more in the previous year; individuals earning less than £660,000 in the previous year, but more than a threshold set at the higher of £440,000 or the average total earnings of the management body and senior management and who can impact the risk profile of a material business unit; and individuals in the top 0.3% of earners for the previous year.

During the year, the Group employed a total of 25 individuals who were classified as Material Risk Takers (30 June 2023: 29 individuals). Of these, 18 individuals (30 June 2023: 21 individuals) were categorised as senior management (being the Executive and Non-Executive Directors and members of the Executive Committee), as well as 7 individuals (30 June 2023: 8 individuals) categorised as other Material Risk Takers or identified staff. These figures include colleagues who left the Group prior to the end of the year.

Disclosure tables

The following mandatory tables provide additional remuneration details.

- 'MB Supervisory function' means Non-Executive members of the Board
- 'MB Management function' means Executive members of the Board
- 'Other senior management' means those individuals (excluding the Executive Directors) who were members of the Group's Executive Committee; and
- 'Other identified staff' means MRTs excluding those included in MB Supervisory function, MB Management function and Other senior management during the year ending June 2024.

REM 1: Remuneration awarded for the financial year

Year ending 30 June 2024		MB Supervisory function[1]	MB Management function[1]	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	6	2	10	7
	Total fixed remuneration (£)	942,250	1,891,854	3,240,357	1,797,872
	Of which: cash-based (£)	942,250	1,891,854	3,240,357	1,797,872
Variable remuneration	Number of identified staff	6	2	10	7
	Total variable remuneration (£)	-	2,784,872	3,736,250	1,114,000
	Of which: cash-based (£)	-	955,500	1,305,000	569,000
	Of which: deferred (£)	-	398,526	419,000	218,000
	Of which: share-linked instruments or equivalent non-cash instruments (£)	-	1,829,372	2,431,250	545,000
	Of which: deferred (£)	-	1,829,372	2,431,250	545,000
Total remuneration		**942,250**	**4,676,726**	**6,976,607**	**2,911,872**

[1] The Group's Executive Directors and Non-Executive Directors have been split this year into the MB Management Function and MB Supervisory function categories respectively. For year ending June 2023, they were all included in the MB Supervisory function.

Year ending 30 June 2023		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	10	-	11	8
	Total fixed remuneration (£)	2,696,086	-	2,959,847	899,937
	Of which: cash-based (£)	2,696,086	-	2,959,847	899,937
Variable remuneration	Number of identified staff	10	-	11	8
	Total variable remuneration (£)	2,761,333	-	4,236,750	741,080
	Of which: cash-based (£)	963,288	-	1,475,000	370,540
	Of which: deferred (£)	411,021	-	442,650	148,216
	Of which: share-linked instruments or equivalent non-cash instruments (£)	1,798,045	-	2,761,750	370,540
	Of which: deferred (£)	1,798,045	-	2,761,750	370,540
Total remuneration		**5,457,419**	**-**	**7,196,597**	**1,641,017**

REM 5: Information on remuneration of staff whose professional activities have a material impact on Aldermore's risk profile (identified staff)

	Management Body Remuneration[1]		Business Areas			
Year ending 30 June 2024	**MB Supervisory Function (Non-Executive Directors)**	**MB Management Function (Executive Directors)**	**Retail Banking**	**Corporate Functions**	**Internal Control Functions**	**Total**
Total number of identified staff	6	2	4	6	7	**25**
Of which: members of the MB	6	2	-	-	-	**8**
Of which: other senior management	-	-	4	4	2	**10**
Of which: other identified staff	-	-	-	2	5	**7**
Total remuneration of identified staff (£)	942,250	4,676,726	3,492,042	4,072,267	2,324,170	**15,507,455**
Of which: variable remuneration (£)	-	2,784,872	1,950,000	2,042,500	857,750	**7,635,122**
Of which: fixed remuneration (£)	942,250	1,891,854	1,542,042	2,029,767	1,466,420	**7,872,333**

[1] The Group's Executive Directors and Non-Executive Directors have been split this year into the MB Management Function and MB Supervisory function categories respectively. For year ending June 2023, they were all included in the MB Supervisory function.

	Management body remuneration	Business Areas			
Year ending 30 June 2023	**MB Supervisory Function**	**Retail Banking**	**Corporate Functions**	**Internal Control Functions**	**Total**
Total number of identified staff	10	5	9	5	**29**
Of which: members of the MB	10	-	-	-	**10**
Of which: other senior management	-	5	5	1	**11**
Of which: other identified staff	-	-	4	4	**8**
Total remuneration of identified staff (£)	5,457,419	3,325,778	4,012,562	1,499,274	**14,295,033**
Of which: variable remuneration (£)	2,761,333	2,125,000	2,414,290	438,540	**7,739,163**
Of which: fixed remuneration (£)	2,696,086	1,200,778	1,598,272	1,060,734	**6,555,870**