Aldermore Group PLC

Report and Accounts

for the year ended 30 June 2024

Aldermore

Table of contents

1. Company Information

Company Information

Non-Executive Directors

Pat Butler
Richard Banks CBE
Desmond Crowley
Markos Davias –appointed 1 April 2024
Ruth Handcock
John Hitchins
Harry Kellan – resigned 31 March 2024
Alasdair Lenman – appointed 1 July 2024
Romy Murray
Alan Pullinger – resigned 31 March 2024
Mary Vilakazi – appointed 1 April 2024

Executive Directors

Steven Cooper CBE
Ralph Coates

Secretary and Registered Office

Melissa Conway
David Hughes – appointed 1 January 2024

Aldermore Group PLC
4th Floor, Block D
Apex Plaza, Forbury Road
Reading
Berkshire
RG1 1AX

Independent Auditor

Deloitte LLP
2 New Street Square London
EC4A 3BZ

Incorporated in England and Wales - Company number: 06764335

2. Strategic Report

Strategic Overview

About Aldermore

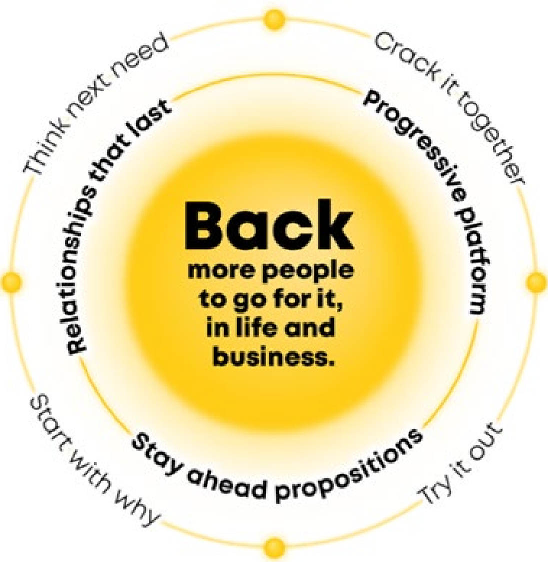
As a specialist bank we are driven by our purpose to "Back more people to go for it, in life and business". Having been founded in 2009 to challenge the high street banks and do more to address the needs of those overlooked and underserved by mainstream providers, we remain focused on delivering for SMEs, homeowners, landlords, intermediaries and individuals.

Upon integrating with MotoNovo Finance Limited in 2019, the Aldermore Group ("The Group") collectively expanded its offering to address a wider set of needs, by helping people buy their next car, van or motorcycle. MotoNovo has specialised in motor finance for over 40 years and is recognised as a market leader in the industry.

Aldermore Group is part of FirstRand Group, the largest financial services group in Africa by market capitalisation. Operating across South Africa, other markets in sub-Saharan Africa, the UK and India, FirstRand's commitment is to build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves.

Our blueprint and purpose

As a Group, Aldermore's enduring purpose supports FirstRand's commitment to enrich lives, by backing more people to go for it, in life and business. Our purpose guides everything we do and extends beyond just the products and services we offer. Our environmental, social & governance ("ESG") ambitions further underpin our group strategy by focusing on intentional actions that create lasting value to society, across four areas of impact: financial inclusion, financial wellbeing, climate impact and economic transformation. More information on our approach to ESG can be found on page 24.



We ensure our purpose remains central to our activity, by placing it at the heart of our blueprint; bringing our purpose together with our three strategic drivers and the behaviours necessary to deliver against it. Our blueprint serves as a daily reminder of why we are here, what we must do to back more people, and how we will collectively make it happen.

Business Model

What we do

As a multi-specialist lending and savings provider, we operate across four markets, where we utilise our proven expertise to back more people:

Property Finance – offering mortgages to landlords and homebuyers, working with intermediaries.

Motor Finance – providing used vehicle finance to customers, working with our dealer partners.

Structured and Specialist Finance ("SaS") - offering distinctive, specialist lending across Asset Finance, Invoice Finance and Commercial Real Estate, working with intermediaries.

Savings – offering rewarding savings solutions to customer and businesses, including via our online channel.

How we add value

- **Specialist expertise**
  Through maintaining focus on underserved segments where we use insight to understand customer needs, we are well placed to utilise our deep expertise to provide relevant solutions and achieve growth.

- **Distribution**
  Our business model offers diversified distribution, across intermediaries and direct digital marketplaces, where we remain committed to continuously improving the service we offer to both brokers and customers.

- **Relationships**
  Building relationships that last with all stakeholders sits at the heart of what we do.

- **Purpose**
  Our strength of purpose drives us to find new ways to support people and advocate for social mobility. More information on our commitments can be found on page 29.

Our operating model

We recognise that our long-term sustainable success is only possible with a customer-centric business model. Re-invigorating our business means building upon the solid foundations we have in place, to further deepen our customer and intermediary relationships, increase efficiencies and deliver exceptional experience:

- We secure funding and capital from personal customer deposits, business customer deposits and our investors.
- Customers trust us to offer the experience they expect and keep their funds safe.
- We utilise funding to deliver lending against assets, through our intermediary partners.

Our stakeholders

Backing people to go for it, in life and business, requires continued focus on how we create value for each of our key stakeholder groups by addressing their needs, while achieving our growth ambitions. Our stakeholders are further detailed in the Section 172 statement on page 51.

- Customers – we put them at the centre of decision-making to help them find the right solutions to get more out of life and business, with the confidence of being backed by a company that champions them where others would not.
- Colleagues – we regard them as the foundation to success and have a clear value exchange, offering great benefits, working environments and development opportunities, while bringing clarity on what is expected in return.
- Distribution Partners: Intermediaries - we provide products and services to a number of brokers and intermediaries, actively working with them to understand their needs and the needs of their clients.
- Distribution Partners: Dealers – we deliver products and services to support their business and ensure dealer finance remains vibrant and sustainable in an evolving market.
- Society – we utilise our key strengths and capabilities to drive impactful change in the areas where we can make the biggest difference to the society we serve.
- Investors – we generate sustainable returns by focusing on long-term growth in four of the most attractive markets in UK banking.
- Regulators – we maintain regular, open, and transparent dialogue, ensuring alignment on evolving regulatory priorities.

As we continue to navigate the volatile UK macro-economic environment, we recognise the needs of our stakeholders are evolving rapidly. Our refreshed strategy was rolled out in 2022 to modernise and focus our business, ensuring we remain relevant for our stakeholders.

Our strategy set out our focus across our four business divisions of Property Finance, Motor Finance, Structured & Specialist Finance and Savings.

Property Finance	Motor Finance	Structured and Specialist Finance	Savings
Profitably growing in existing market segments and new sub-segments where we can back more people, with expansion into targeted adjacencies.	Strengthening our core motor finance offering to improve returns, while supporting the transition to Electric Vehicles and expanding into adjacencies where we can offer relevant products and services throughout the customer lifecycle.	Offering distinctive, specialist lending and building deep sub-sector expertise to move from broad participation in smaller deals to focused participation in more profitable segments, while realising growth opportunity in renewables and healthcare.	Expanding our core capability in the retail/SME deposit market to back more people and businesses, while continuing to optimise cost of funds and liquidity.

Our long-term ambitions are focused on three core strategic drivers (shown below), defining what we will do to accelerate sustainable growth and back more people. Across each, we will maintain a consistent and rigorous approach to risk management and governance, ensuring we continue to safely grow and achieve our ambitions.

We have identified both shorter-term and medium-term priorities that will enable us to achieve our strategy. While simplification and targeted activity are an immediate focus, further building our technology and data capabilities sit at the heart of our medium-term plans, including updating our platforms, increasing levels of automation and utilising data to improve risk management and customer opportunity.

Since rolling out our refreshed strategy, we have continued to embed our blueprint within the business, building collective understanding of our strategy, creating greater alignment and delivering at pace. Our internal Strategy Hub provides all colleagues with access to a central, interactive resource that aims to build understanding of what our strategy is, why it matters and how we are delivering against it, recognising that transparency around how we are progressing in delivering our strategy is a key factor in building belief and engagement.

We continue to make significant progress in delivering and embedding our strategy for our customers, with delivery enabled through our strategy execution governance structure, focusing on priority activities aligned to each of our strategic drivers.

Stay ahead propositions	Relationships that last	Progressive platform
What it means Using insight and foresight to build products and services that help underserved and undervalued customers across Property Finance, Motor Finance, Structured & Specialist Finance and Savings	**What it means** Building loyalty with customers, colleagues and partners, by anticipating and responding to, their changing needs and circumstances.	**What it means** Creating systems, processes and capabilities that are easy and efficient, enabling us to live our purpose and grow our business.
What we've delivered • New product launches and identification of new segments for participation. • Agreed goals, with focus on targeted product and proposition development. • New segmentation tools to better understand customer needs and design for them.	**What we've delivered** • New leadership appointments. • Enhanced colleague benefits. • Defined Diversity, Equity and Inclusion ("DEI") & Wellbeing Strategy. • Enhanced broker propositions.	**What we've delivered** • Improved cyber security maturity and defined data strategy. • New platform build underway and new front-end for Business Savings delivered. • Simplification of Risk frameworks, polices and processes. • Reduction of manual processing via mobilisation of bots.

What's next • New segment expansion. • Diversifying funding options.	**What's next** • Refreshed premises across all key sites. • Customer journey enhancements.	**What's next** • Increased automation. • New platform build out.
How we're measuring success • Net lending. • Customer deposits. • Increased green propositions.	**How we're measuring success** • Colleague engagement. • Broker / dealer / customer satisfaction. • Number of customers.	**How we're measuring success** • Cost:income ratio. • Net Interest Margin ("NIM"). • Profit Before Tax ("PBT"). • Return on Equity ("RoE").

Through delivering against each of our strategic drivers, we are incrementally strengthening the positive impact we are making, as we seek to back more people to go for it, in life and business. As a result, we have seen successes across each of our business divisions in the past 12 months, in turn generating growth and enhancing the value we offer to both our lending and savings customers:

Property Finance	Motor Finance	Structured and Specialist Finance	Savings
• Product launch improved with new products live in <5 days, down from 4 weeks. • Doubled operational capacity.	• New senior leadership appointments, including the addition of three strategic leadership positions. • Motor strategy, aligned to Group strategy, refreshed and approved, refinement and implementation ongoing. • Strengthened trading position through more effective margin management.	• Focused participation, with average deal size up across all lines. • Expansion into the agriculture sector.	• Business savings re-platformed. • New products and pricing agility improved.

Our behaviours

Delivering on our strategy would not be possible without our colleagues. Our people are our biggest asset and are the driving force behind collectively re-energising our business. The behaviours set out in our blueprint guide how we deliver on our ambitions and ensure every one of our people is unified in approach. Through providing a single-minded call to action, our four behaviours provide all colleagues with absolute clarity around what is expected of them as we progress our strategy. Further information regarding our culture and people strategy, can be found on page 27.

Start with why	Try it out	Crack it together	Think next need
We think about outcomes before taking on tasks and we are always asking ourselves how what we do is aligned to our blueprint and how will it make things better for colleagues and customers.	We are open to new ideas and ways of working and we are not afraid to give things a go.	We collaborate with others purposefully, which means involving the right people on the right things at the right time, to avoid duplication of effort and to ensure a better result.	As well as delivering on what we need to be successful now, we are also looking ahead to the future and developing ourselves so we can sustain our success in the long term.

Market Overview

UK economy

In the past 12 months, Aldermore has continued to navigate the particularly volatile UK macro-economic environment. While the economic shocks of the pandemic and mini-budget are largely behind us, a wide range of factors continue to impact delivery and decision-making.

Inflationary pressures have created challenges for consumers and businesses. Although the inflation rate has fallen to its lowest level in more than two years and now sits close to the Bank of England target of 2.0%, concern around high prices remains. The significant fall from the historic high of 11.1% in October 2022 has largely been driven by falling gas and electricity prices, marking a welcome easing for already stretched budgets.

Geopolitical instability continues to add ongoing pressure, with the war in Ukraine and sanctions on Russia disrupting supply chains already fragile from the pandemic. Ongoing Middle East tensions have also contributed to rising prices for oil and commodities.

Brexit-related political and economic uncertainty further adds to business pressures, impacting investment in Britain. Such uncertainty has however been partially offset by greater political stability, enabled via a known general election outcome rather than an impending vote.

Consumer Confidence increased to -13 in July 2024, up from -14 in June and -30 in July 2023[1]. The improvement reflects the impact on household budgets of lower inflation and the anticipation of further tax cuts, however, confidence remains a long way from firmer sentiment last seen in the period before Brexit, Covid and the conflict in Ukraine. In conjunction, interest rates, debt repayments, job security, rent and mortgages are still weighing on consumers' spending intentions, with PwC's Consumer Sentiment Survey 2024[2] showing a main index fall from -4 in January to -5 in March 2024.

Despite the level of challenge in the market, our ownership structure and strong capital base allow us to take a long-term perspective on how best to support consumers and businesses. Aldermore has delivered a robust performance in the financial year with a profit before tax of £253.1 million (30 June 2023: £222.5 million). The increase in PBT is primarily driven by careful cost management and a lower impairment charge. The Group's capital and liquidity position has remained strong, with a CET1 ratio at the end of June 2024 of 15.9% (30 June 2023: 14.8%) and a liquidity coverage ratio ("LCR") of 241% (30 June 2023: 265%).

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[1] GfK Consumer Confidence Barometer | UK monthly consumer survey
[2] PwC Consumer Sentiment Survey - Summer 2024 - PwC UK

In order to assess impacts to Aldermore Group and ongoing delivery of our strategy, we consider the following key external environmental factors, across the markets in which we operate:

Savings market	Car finance market
The past 12 months has seen a heightened level of change in customer behaviour in the savings market, with base rate rises and increased regulatory and media focus on the pass through of base rate changes to savings, leading to increased competition. Comparing June 2024 to June 2023 the weighted average personal savings market rate increased from 1.45% to 2.11%, with business savings increasing from 2.17% to 2.72% [1]. As customers have become more alert to improved Savings rates, current account balances have reduced £17bn since June 2023 with the market showing strong take up in Fixed and ISA deposits, which grew £11bn in aggregate in the twelve months to June 2024[2]. Aldermore has delivered multiple initiatives to drive steady growth during this competitive period, including the launch of new Fixed Term and Regular Saver products, and targeted customer journey enhancements. Such initiatives have contributed to Aldermore being ranked as the #1 Bank in the UK for our Savings franchise, within the Forbes 2024 World's Best Banks list. Aldermore has also delivered a new business savings platform, enhancing the customer experience for businesses.	Although used car sales increased by just over 6% in the first quarter of 2024[3], slowing economic growth is expected to feed lower demand for new and used cars, with stronger growth outlook for subscriptions and leasing. Demand for electric cars has increased, with sales increasing in the first quarter of 2024 to post a new record market share of 2.1% of the market. The increase has been driven by consumer desire to reduce their carbon footprint and the prevalence of salary sacrifice schemes. Aldermore has been consistently monitoring changes in the market and shifts in consumer behaviour, with the MotoNovo team defining its strategic response during 2023 and execution against its plan underway, including delivery of activity to support new participation. The Group is actively planning its response to the FCA investigation into motor finance discretionary commission models and has raised a provision to account for potential legal and operational costs. Customer journey enhancements also include delivery of a new biometric authentication journey, to increase consumer protection as MotoNovo's market participation broadens.

[1] Bank of England | Database
[2] Welcome - CACI - Retail Finance Benchmarking
[3] Used Car Sales Archives - SMMT Media Centre

Mortgage market	Rental market
Prior to the August 2024 base rate cut, fourteen consecutive increases suppressed demand in the mortgage market, with the value of new mortgage commitments decreasing by 6.6% in the final quarter of 2023 to £46.0 billion, sitting at 21.2% lower than a year earlier[1]. Borrowers have been further impacted by affordability pressures, as the cost of living crisis has endured, leading to house prices edging up 0.2% in June (Nationwide[2]). House prices are now around 3% below the all-time highs recorded in the summer of 2022. With interest rates and household costs remaining high, UK Finance[3] data points to the number of homeowners in arrears continuing to rise, with the number of homeowner mortgages in arrears of 2.5% or more of the outstanding balance showing a 3% rise in the first quarter of 2024, when compared with the previous quarter. This increase puts arrears at 26% higher than the fourth quarter of 2023. With consumers experiencing such pressures, there is growing opportunity for specialist lenders to respond. During 2024 Aldermore has revitalised its 'Cascade' product range, with the aim of supporting more customers with adverse credit history caused by discrete life events, where they have since begun to "credit repair". Additionally, Aldermore has expanded its product range from circa 50 to circa 90 products, and digitised its retention journey, to increase both choice and convenience for customers.	The buy-to-let sector has experienced challenges in the form of rising interest rates, lower house prices and increased costs all impacting on landlord returns. As a result the share of gross mortgage advances for buy-to-let purposes increased during the first quarter of 2024, for the first time since the first quarter of 2022. However, the 1.2pp increase to 8.3% remains 1.6pp lower than a year earlier[4]. For tenants, increasing rent prices remains a key issue, alongside competition for properties, with two thirds of landlords saying the demand for private rented housing is continuing to increase[5]. Aldermore's commitment to landlords remains a priority, with ongoing activity to review the buy-to-let product range and enhance the broker and customer journey. Key activity has included ongoing development of an enhanced value proposition for our highest value brokers and launch of automated and remote valuations to enable accelerated offers and greater efficiency.

[1] Mortgage Lenders and Administrators Statistics - 2024 Q1 | Bank of England
[2] Nationwide HPI News - Reports (nationwidehousepriceindex.co.uk)
[3] Mortgage lending to fall in 2024 | Insights | UK Finance
[4] Mortgage Lenders and Administrators Statistics - 2024 Q1 | Bank of England
[5] National Residential Landlords Association research

Business finance market	Technology
High interest rates have suppressed appetite to borrow, with firms relying more on existing resources. When faced with ongoing cost pressures, higher borrowing costs and reducing consumer demand, businesses have few reasons to push ahead with ambitious investment plans. Recognising competition and market volatility, Aldermore's Structured and Specialist Finance teams have revisited their strategic priorities to ensure a targeted focus on backing more good quality businesses to go for it, in targeted sectors. January 2024 saw the launch of a new agriculture product, allowing Aldermore to successfully enter the market, increasing visibility and gaining positive feedback for the proposition and our people. During 2024 Aldermore has also appointed a Head of Energy and Infrastructure to shape a new energy and Infrastructure financing strategy and proposition.	Acceleration in digital adoption and the rise of Artificial Intelligence are two key technological themes that continue to change the way customers access and engage with financial services. As these themes endure, there is growing need for banks to adapt to compete in the digital age. Modernising legacy systems and evolving data capture and architecture capabilities are key prioritising in unlocking potential for banks. Over the past 12 months, Aldermore has continued to progress its re-platform activity, supported by new data and cyber security strategies that ensure the Group remains both relevant in its approach and continues to operate safely, for all stakeholders. The business has also invested in enhancing the colleague experience through technology enhancements that support new ways of working, including deployment of new mobile and laptop devices and rollout of new collaboration tools.

Regulation	Environment
Regulatory developments continue to focus on ensuring good outcomes for customers. The FCA's Consumer Duty regulation has set higher and clearer standards of consumer protection across financial services, with the requirement for firms to put their customers' needs first. Motor finance discretionary commission models have also been subject to a market wide FCA investigation and the Renters Reform Bill aims to bring in measures that protect renters' rights in the housing market. Aldermore places significant focus on monitoring of and adherence to regulation. Over the past 12 months a substantial programme of activity has been delivered in relation to Consumer Duty, while the business continues to work collaboratively with the FCA on its motor commission review. During 2024, a new programme of work has also been established, with the purpose of designing and implementing a refreshed risk target operating model, further enhancing risk management across the Group.	Climate change is a key emerging risk for banks. As extreme weather events prevail, and the world moves toward establishing a lower-carbon economy, banks have a substantial role to play in backing customers and communities to navigate this area, while stay abreast of fast-evolving regulatory perspectives. Aldermore has set out its ESG ambitions, with focus on four areas of impact, including climate. A key target is reaching net zero for our operational emissions (Scopes 1-2) by 2030. During 2023 the business also completed a full review of its real estate strategy, with focus on reviewing the space utilised across all Aldermore offices, and engaging with an expert third party to complete an energy and sustainability audit. As a result, Aldermore has taken steps to reduce and refresh workspaces in key locations, with further decisions made to close the Leeds, Banbury and Peterborough sites.

Outlook

The year ahead is likely to bring yet more economic uncertainty, political change and cost of living challenges, but Aldermore is in a strong position to support its customers through them as a result of our progress in delivering growth and strengthening our foundations to be a better, safer and more resilient business.

As Aldermore navigates uncertainty, the business is further backed by the FirstRand leadership team. FirstRand's new Chairman, Johan Burger, succeeded Roger Jardine in December 2023, while 2024 has seen the appointment of Mary Vilakazi as CEO and Markos Davias as CFO. Additionally, Jacques Celliers has taken up a new role with executive responsibility for FirstRand Group's fintech strategy, having previously been CEO of First National Bank within the FirstRand Group. These appointments provide continued endorsement from the FirstRand executive team, supporting the Aldermore leadership team to further build and enhance the Group. The lagged impact of higher interest rates is expected to continue to weigh on growth this year. The tax cuts delivered in the Spring Budget will bring a small boost to near-term growth, however, it remains to be seen what impact the new Government will have on the UK tax burden, which was set to rise to its highest level since World War II over the next five years.

With the Bank of England bank rate cut for the first time in four years in August 2024, the outlook for consumer confidence appears more positive, as pressures on household finances start to ease for some, particularly those on tracker and variable mortgages. However, the higher cost-of-living is expected to continue to squeeze finances of borrowers coming off fixed rate mortgage deals, requiring more of their income to be set aside for higher payments.

As global headwinds continue, the UK remains sensitive to a further slowdown or downturn in global activity. The US economy is expected to slow over the next 12 months, which will impact global economic activity. This is also against the backdrop of a slowdown in China as real estate and confidence turmoil persists.

Arrears are expected to continue to rise during 2024, though at a slower rate than the previous year. This slowdown is anticipated as interest rates, wages and prices begin to normalise and improve affordability for more customers. Despite financial pressures, previously anticipated levels of rises in arrears have been alleviated by low levels of unemployment and improved lender forbearance options. Enhanced underwriting standards in place since 2014 have also ensured lenders' stress tests confirm higher payments can be maintained by customers in a rising rate environment. These mitigating factors have contributed to a more positive outlook for 2025, with predicted arrears forecast to peak below previous levels[1].

While global headwinds continue, the UK remains sensitive to a further slowdown or downturn in global activity. The US economy is expected to slow over the next 12 months, which will impact global economic activity. The UK base rate drop has added further pressure to the US central bank to cut rates, with fears of persistent high interest rates forcing a recession. This is also against the backdrop of a slowdown in China as real estate and confidence turmoil persists.

[1] Mortgage lending to fall in 2024 | Insights | UK Finance

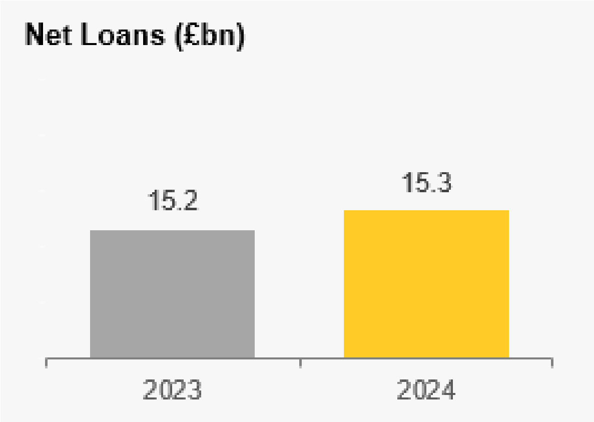
Aldermore's purpose is more relevant than ever, as our commitment to back more people to go for it, in life and business, remains steadfast. This, combined with our financial strength, our successful strategy, and our skilled colleagues, firmly positions us to build the trust and confidence required to support our stakeholders through uncertain times.

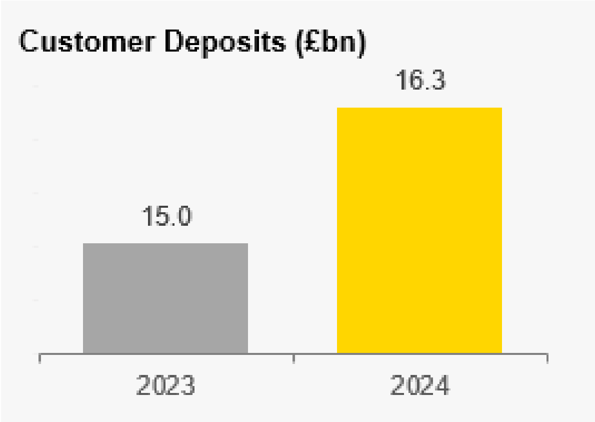
Financial Highlights

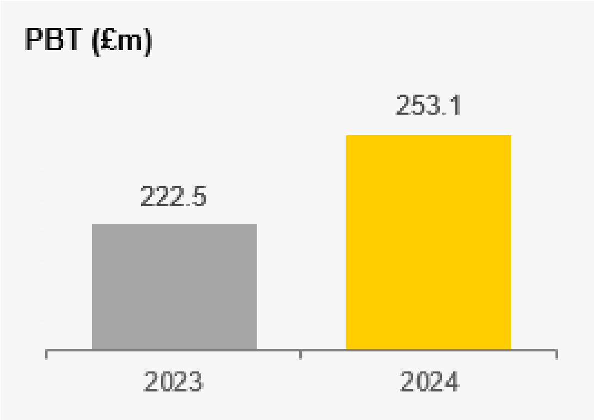
- Aldermore Group has delivered a robust trading performance, with income pressures more than offset by a lower impairment charge, delivering improved profitability and resilient returns. This was achieved against a backdrop of subdued lending markets and market-wide pressure on margins.
- The financial highlights and KPIs presented in this section reflect the Group's statutory performance. This includes the impact of the following items, which drive a net reduction in reported profitability and returns:
- Fair value accounting adjustments on interest rate risk hedging instruments, which have a net nil impact on profit across the life of the hedged exposures;
- Remediation activity within the Group's Motor Finance division relating to historical non-compliance with the Consumer Credit Act ('CCA'); and
- Impacts connected with the FCA's ongoing Motor Commission review
- Net loans to customers increased by 1% to £15.3 billion (2023: £15.2 billion), supported by an 8% growth in customer deposits to £16.3 billion (2023: £15.0 billion)
- Profit Before Tax ('PBT') improved by 14% to £253.1 million (2023: £222.5 million), reflecting a robust trading performance and a lower impairment charge, partially offset by fair value accounting adjustments on interest rate risk hedging instruments and costs connected with the FCA's ongoing Motor Commission review
- Cost / Income Ratio ('CIR') increased to 59.9% (2023: 49.5%) reflecting the adverse impact of costs connected with remediation activity, income pressures and the impact of fair value accounting adjustments on interest rate risk hedging instruments
- Cost of Risk ('CoR') improved to (12)bps (2023: 73bps) reflecting the impact of a more stable macroeconomic outlook (allowing for the partial release of cost-of-living overlays raised in the previous year) and the release of impairment provisions connected with the Group's CCA remediation programme (noted above)
- Impairment coverage remains robust at 1.93% (2023: 2.06%), with underlying arrears performance continuing to track in line with expectation
- Return on Equity ('RoE') reduced to 11.8% (2023: 12.0%), with higher profits more than offset by the impact of higher average equity holdings in the year
- The Group's CET1 ratio[1] improved to 15.9% (2023: 14.8%). Group LCR remains robust at 241% (2023: 265%)

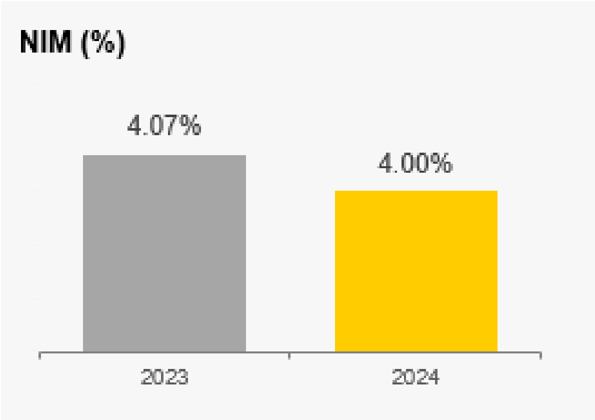
[1] CET1 is presented on an IFRS9 transitional basis, further detail on this is provided on page 118.

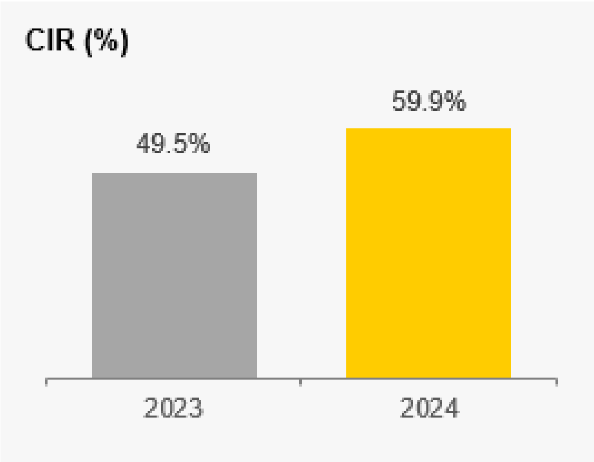
Key Performance Indicators

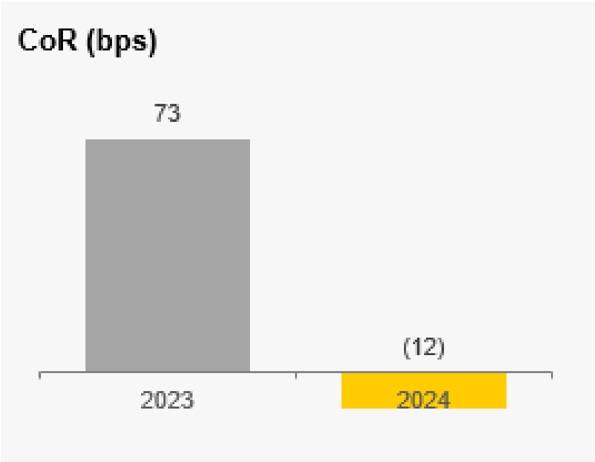


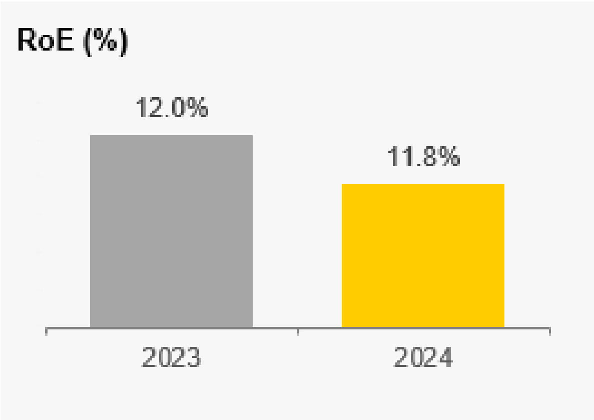


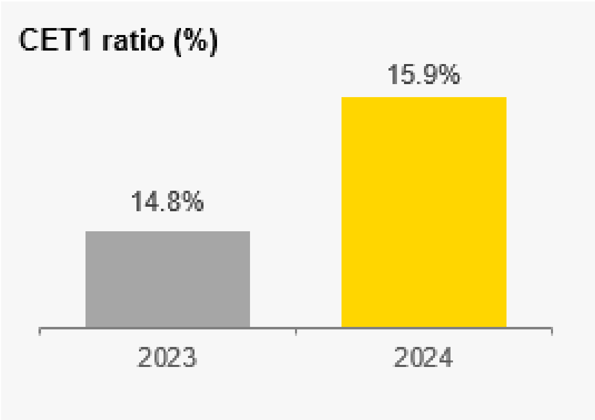












Business Overview

Summary balance sheet	30 June 2024 £m	30 June 2023 £m	Change %
Net loans to customers	15,337	15,167	1%
Cash and investments	4,866	4,291	13%
Fixed, intangible and other assets	337	461	(27)%
Total assets	**20,540**	**19,919**	**3%**
Customer deposits	16,306	15,033	8%
Wholesale funding	1,958	2,515	(22)%
Other liabilities	512	833	(39)%
Total liabilities	**18,776**	**18,381**	**2%**
Ordinary shareholders' equity	1,603	1,430	12%
AT1	161	108	49%
Equity	**1,764**	**1,538**	**15%**
Total liabilities and equity	**20,540**	**19,919**	**3%**

Net loans to customers of £15.3 billion

Aldermore Group delivered net lending growth this year of £0.2 billion (1%), reflecting subdued lending markets and a conscious decision to ensure that loan growth was achieved at the right returns across each of the Group's three lending divisions: Property Finance ("Property"), Motor Finance ("Motor") and Structured and Specialist Finance ("SaS").

Analysis of Net Loans to Customers by Division

	30 June 2024 £m	30 June 2023 £m	Change %
Property	7,772	7,490	4%
Motor	3,921	4,168	(6)%
SaS	3,644	3,509	4%
Total Net loans to Customers	**15,337**	**15,167**	**1%**

Lending in the Group's Property division increased £0.3 billion in the year to £7.8 billion, driven by the continued growth of our Specialist Buy to Let portfolio. Owner Occupied net lending contracted year on year, with strong end of term retention performance offset by the impact of muted purchase markets.

Motor saw net lending contract by £0.2 billion in the year, reflecting the impact of subdued used car markets, with the business making a conscious decision to prioritise strong through the cycle returns ahead of in-year portfolio growth. Originations volumes increased significantly in the second half of the year, reflecting a pick-up in market activity and positioning the business to drive portfolio growth heading into the next financial year.

Net lending in SaS increased by £0.1 billion in the year to £3.6 billion, with targeted growth in Asset Finance offsetting the impact of subdued commercial real estate markets. Total assets grew 3% to £20.5 billion (2023: £19.9 billion), driven by loan book growth and increased cash and investments, as the Group maintained its prudent liquidity position.

Funding strategy is deposit-led, with continued focus on diversification

Group funding continues to come primarily from the Savings business, complemented by wholesale funding to diversify the funding base and to carefully manage the Group's funding and liquidity requirements.

Customer deposits grew 8% to £16.3 billion (2023: £15.0 billion), supported by growth from across all three core franchises: Personal Savings, Business Savings and Corporate Treasury. Customer deposits represent 87% of Group liabilities (2023: 82%), leading to a loan to deposit ratio[1] of 96% (2023: 101%).

Analysis of Customer Deposits by core franchise

	30 June 2024 £m	30 June 2023 £m	Change %
Personal Savings	11,010	10,169	8%
Business Savings	3,092	2,780	11%
Corporate Treasury	2,204	2,084	6%
Total Customer Deposits	**16,306**	**15,033**	**8%**

Personal Savings remains the Group's largest portfolio, with balances increasing by £0.8 billion in the year to £11.0 billion. This growth was achieved despite a period of intense competition for consumer deposits, led by strong demand for fixed rate ISAs, with customers looking to take advantage of tax efficient products in a higher interest rate environment.

Business Savings remains a strong channel for growth, with balances this year increasing to £3.1 billion (2023: £2.8 billion), supported by the launch of a new customer platform in January, delivering an enhanced customer experience and greater processing efficiency.

Balances held in Corporate Treasury grew by 6% in the year, led by an increase in balances from aggregation platforms, and continue to represent a key component of the Group's diverse, stable base of funding.

Wholesale funding is 22% lower year on year at £2.0 billion (2023: £2.5 billion) with the Group managing its funding and liquidity position in response to its anticipated funding requirements. Secured funding reduced 39% in the year to £0.7 billion as existing residential mortgage securitisations continued to be repaid, partially offset by the renewal of the

[1] Loan to deposit ratio calculated based on net loans to customers as a percentage of customer deposits.

Group's motor finance loan backed warehouse ('Motomore'). The Group also holds £1.1 billion of Term Funding Scheme for SME funding ("TFSME"; 2023: £1.1 billion). The Group is well positioned to repay its TFSME portfolio as it begins to mature in the next financial year.

The Group's Additional Tier 1 ("AT1") holdings increased to £161 million (2023: £108 million). This increase reflects the issuance of £100 million of subordinated notes to FirstRand Bank Limited (which is 100% owned by Aldermore's ultimate parent, First Rand Limited), partially offset by the redemption of an existing £47 million AT1 instrument (also issued to FirstRand Bank Limited). The Group's Tier 2 holdings reduced to £101 million (2023: £153 million) following the redemption of £52 million of subordinated capital notes. These transactions form part of an ongoing programme of activity to optimise the Group's capital mix whilst maintaining prudent capital ratios.

The Group's total liabilities and equity have increased by 3% to £20.5 billion, reflecting the movements summarised above and increased retained earnings.

Summary income statement	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m	Change %
Net interest income	**604.3**	**621.8**	**(3)%**
Net fee and other operating income	0.2	15.3	(99)%
Net fair value (loss) / gain on financial instruments	(20.7)	25.8	(180)%
Gains on disposal of debt securities	2.0	2.1	(4)%
Other operating income	**(18.5)**	**43.2**	**(143)%**
Operating income	**585.8**	**664.2**	**(12)%**
Operating expenses	(351.0)	(328.9)	7%
Share of Profit of Associate	-	0.5	(100)%
Impairment losses on customer loans	18.3	(113.3)	(116)%
Profit Before Tax	**253.1**	**222.5**	**14%**
Tax	(67.4)	(51.3)	31%
Profit after tax	**185.7**	**171.2**	**8%**

Key performance indicators	30 June 2024	30 June 2023	Change
Net interest margin %	4.00%	4.07%	(7) bps
Cost/income ratio %	59.9%	49.5%	10.4 pp
Cost of risk (bps)	(12)	73	(85) bps
Return on equity %	**11.8%**	**12.0%**	**(0.2) pp**

Lower Net Interest Income reflects market-wide pressure on margins

The Group's net interest income reduced by 3% to £604.3 million (2023: £621.0 million), reflecting the impact of subdued lending markets and pricing pressures. The Group traded well against this backdrop: targeting pockets of opportunity to deliver continued loan growth at appropriate returns, whilst remaining agile on price and proposition to optimise the cost of deposit funding, with NIM reducing by 7bps to 4.00%.

Other operating income

The Group's net fee and other operating income reflects a loss of £18.5 million (2023: £43.2 million gain), largely driven by the impact of fair value accounting adjustments on derivatives and other financial instruments used by the Group to hedge interest rate risk. These adjustments in 2024 resulted in a loss of £20.7 million (2023: £25.8 million gain), mainly due to the unwind of gains recognised in the previous year as a result of the magnitude and velocity of interest rate increases in 2023. As noted previously, these adjustments have a net nil impact on the Group's profits across the life of the hedged exposures. The year-on-year reduction in other operating income also reflects lower income from FirstRand London Branch ('FRLB') in relation to costs incurred to support MotoNovo's back book operations (a closed portfolio which has now materially run off), the impact of more subdued lending markets and the sale of the Group's Working Capital Finance business (completed in July 2023).

Operating Expenses demonstrate careful cost management

Operating expenses increased by 7% to £351.0 million (2023: £328.9 million), largely as a result of costs incurred in connection with the FCA's ongoing Motor Commission review (2024: £18.1 million; 2023: nil). Further detail in relation to this matter is provided on page 199.

Excluding the impact of remediation activity the Group's operating expenses were broadly flat year-on-year, reflecting careful cost management against a backdrop of continued inflationary pressure. The Group's operating expenditure continues to reflect investment in both its proposition, and a programme of investment in its technology estate which will support its long term growth ambitions (2024: £34.6 million; 2023: £34.6 million).

Cost of risk reflects an improving economic outlook and progress on remediation

The Group has recognised a net impairment release of £18.3 million (2023: £113.3 million charge). This reflects the impact of a more stable macroeconomic outlook, allowing for the partial release of cost of living overlays raised in the previous year, as well as the release of provisions connected with CCA remediation activity in the Group's Motor division (2024: £39.5 million release; 2023: £22.0 million charge). These provisions, raised over the life of the programme due to uncertainties in relation to the recoverability of balances in arrears, are now able to be released as the programme begins to draw to a close.

Underlying arrears performance continues to track broadly in line with expectation and the Group's impairment coverage ratio remains robust at 1.93% (2023: 2.06%).

Analysis of Cost of Risk by Division

	30 June 2024 (bps)	30 June 2023 (bps)	Change (bps)
Property	(37)	39	76
Motor	2	144	142
SAS	25	60	35
Group Cost of Risk	**(12)**	**73**	**85**

The Group's Property division recorded a net impairment release of £28.1 million (2023: £29.5 million charge). This reflects a significantly more certain macroeconomic outlook, particularly in relation to future interest rates, which has allowed for the partial release of overlays raised at the end of the previous year. Impairment coverage remains robust at 0.77% (2023: 0.83%), commensurate with observed arrears (which have increased only marginally, from historically low levels) and portfolio coverage (with just 3.5% of the portfolio at greater than 85% loan-to-value).

Cost of Risk in the Group's Motor division reduced to £0.8 million (2023: £61.9 million), largely as a result of progress made in relation to CCA remediation, which (as noted above) has allowed for additional impairment provisions raised in previous years to be released. Excluding the impact of CCA remediation activity, cost of risk was broadly flat year-on-year, with the impact of normalising second hand car values (following a period of market dislocation) largely offset by a more stable macroeconomic outlook.

The impairment charge in the Group's SaS division reduced to £9.0 million (2023: £21.9 million) as a result of the partial release of provisions made in the prior year (amid a more uncertain macroeconomic outlook), offset in part by a more proactive approach to the management of large exposures, ensuring the Group maintains an appropriate level of impairment coverage in this segment.

The Group's Non Performing Loan ('NPL') ratio has increased to 3.3% (2023: 2.5%) as a result of a small increase in arrears balances, broadly in line with expectation amid continued cost of living pressures. The NPL coverage ratio reduced to 32.9% (2023: 35.1%) reflecting as previously noted, progress in relation to CCA remediation and the improved macroeconomic outlook.

Statutory profit before tax of £253.1 million

Group statutory profit before tax increased by £30.6 million to £253.1 million. This increase reflects a robust trading performance and a lower impairment charge (including the release of impairment provisions connected with CCA remediation activity), partially offset by fair value accounting adjustments on interest rate risk hedging instruments and costs connected to the FCA's ongoing Motor Commission review.

Higher average equity holdings in the year, on the back of a number of years of strong profitability, have resulted in a modest reduction in the Group's return on equity to 11.8% (2023: 12.0%).

Environmental, Social and Governance

As a financial institution, Aldermore is well placed to make a positive difference to society, and we embrace our responsibility to do this for all stakeholders.

Our purpose is 'back more people to go for it, in life and business' and our ongoing ESG ("Environmental, Social & Governance") and Sustainability ambitions underpin our corporate strategy by translating it into intentional action within our core business activities. These can range from supplying products and services for underserved communities or limiting our negative impacts on the environment.

The following provides a high-level overview of our ESG and sustainability activities during the financial year under review. For more detail on the way our business positively impacts society, please see our annual 'Report to Society' – the 2023 edition can be found here. The 2024 edition will be released in Winter 2024 and will provide an update on how we are intentionally delivering value to society.

Financial year highlights

During the financial year, we focused our ESG and sustainability activities around refining our foundational enterprise position outlined in 2023. We did this by challenging our existing thinking and suitably prioritising activities that could make the most meaningful difference. The following provides the notable highlights:

- In the process of preparing the 2023 Report to Society, the Sustainability Steering Committee reviewed the previous edition and concluded the Group's ESG and sustainability materiality should be made clearer to aid in reporting and communications. We did this by removing additional previous headings of People, Planet, Products & Partners and instead reported purely on our chosen focus areas of financial wellbeing, financial inclusion, economic transformation and climate impact. The Sustainability Steering Committee also carried out a review of each of the focus areas' definitions to ensure they were as accessible as possible for colleagues and other stakeholders.
- In collaboration with our purpose and social impact partner 'This Is Purpose', we launched our 2023 Report to Society at a roundtable event in the House of Commons. The roundtable focused on addressing the challenges SME's face in accessing financial services and was hosted by the Aldermore CEO and joined by leaders of other purpose led organisations, NGO's and invited MPs.
- We have published our first progress report on how we are integrating the United Nations Principles for Responsible Banking.
- We finalised Aldermore's first complete Net Zero pathway including emissions for scopes 1, 2 and 3. More details of this can be found in our Climate-related Financial Disclosures ("CFD") report on page 35.
- Integrated delivery of key ESG and sustainability priorities within the Group's non-financial remuneration scorecard to support Aldermore's ambitions of positively impacting climate impact, financial wellbeing, financial inclusion and economic transformation.
- As part of our commitment to improving financial wellbeing and inclusion, we signed the Armed Forces Covenant to make our business and industry more accessible to ex-forces personnel.
- We launched our internal colleague education proposition on ESG and sustainability, with bespoke mandatory foundational training for all colleagues and specialist behavioural training for our decision-making colleagues.

Environmental

Facilities management

We continue to monitor our energy usage across the estate, looking for ways to reduce our impact to the environment. Over the past year we have reduced our footprint by over 2000sqm resulting in a 19% tCO_2e reduction in our emissions against the previous financial year. This work continues with further space reviews underway, creating more efficient workspaces and reducing low use areas that are being heated, cooled and lit.

Energy audits have been conducted across the remaining estate with improvements implemented such as LED lighting installed and timers recalibrated to reduce the amount of time equipment is left on. We are also working closely with our landlords to improve the number of waste streams we utilise, including adding in food waste receptacles across the estate. Further improvements on monitoring how our waste is managed and transparency on recycling rates continues.

During the workspace improvements, we had a large quantity of unwanted furniture to deal with. We worked in partnership with the social enterprise, Waste to Wonder, to have all furniture redistributed to support educational facilities across the UK and Africa and avoid good quality furniture being wasted. To date we have achieved over 56,000kg of carbon saving through reuse. Of the furniture removed to date, only 7% was not suitable for reuse and was recycled, resulting in zero waste to landfill on these projects.

As work continues across the estate, how we impact our environment is forefront in our planning. It remains a key objective to continue to reduce emissions and improve our waste management processes into the next financial year.

Climate change

Aldermore recognises climate change as a defining issue. We are committed to supporting the UK's transition to a net zero economy and have set emissions reduction targets relating to Scopes 1-2 and financed emissions. More details on these targets, our performance against them and our approach to managing climate-related risks and opportunities can be found in our climate-related financial disclosures, which start on page 35.

Company fleet and colleague vehicles

During this financial year, we have continued to transition more colleagues out of petrol and diesel vehicles with approximately 69% of cars being fully electric and 29% being hybrid. A small number of internal combustion engine (ICE) vehicles remain within the fleet to meet specific colleague needs. However we continue to aspire to operate a fully battery-powered electric vehicle fleet. We will continue to explore options to ensure the needs of our corporate fleet meet the needs of our colleagues, without compromising on plans to lower our operational emissions.

FY	Number of company cars	Number of electric vehicles	Number of plug-in hybrid electric vehicles	Number of internal combustion engine vehicles
2023-24	111	77	33	1
2022-23	109	65	34	10
2021-22	120	47	40	33
2020-21	131	30	41	60

Social

People

In 2024 we've continued to evolve our People Strategy. Building on the success of its original launch in 2022, this progressive approach is supported by our Employee Value Proposition, known internally as 'The Deal'. This is a two-way value exchange that sets out what Aldermore will offer in return for high performance and commitment to delivering on our company purpose. From benefits and rewards to a clear performance process, our people strategy aims to create a best-in-class employee experience. This approach has seen Aldermore Group recognised as a Sunday Times Top 10 Best Places to Work Employer in 2024.

Over the past 12 months our people strategy has evolved to focus on three core themes:

- Colleague experience: the creation and sustainability of a highly engaged workforce.
- Future skills: driving personal and commercial growth
- High performance: through a focus on superior efficiency and value-creation.

Our core enablers are strategic partnerships, innovation within our technology estate and people capability, leveraging external insight and creating refreshed office locations that allow for effective co-located and hybrid working.

Colleague experience: Creating an engaged and inclusive culture

We measure the engagement of individual teams through our colleague surveys, conducted twice this financial year in October 2023 and April 2024. Our October 2023 survey yielded an overall engagement score of 73%, and as of April 2024, this score has further improved to 77% with a response rate of 88% and an eNPS (employee net promoter score) of 40.

As noted above for the first time this year, we participated in the Sunday Times Best Places to Work Survey 2024, aiming to benchmark our organisational culture and track our progress at a UK level. We surpassed expectations with a strong 49% response rate, showcasing a robust engagement level of 82% and an eNPS of 40.

This year, our heightened engagement levels are the result of several significant initiatives and achievements:

- Around 2,000 colleagues joined together for our Aldermore Day celebration in February 2024, reinforcing our strategy and purpose.
- Aldermore clinched the top spot in the Forbes 2024 World's Best Bank UK and received an above-industry score in the Sunday Times Best Places to Work survey.
- We've enhanced our benefits package with offerings such as discounted gym memberships, health assessments and a new private medical insurance provider.
- Our office spaces have been revamped to foster collaboration and promote employee wellbeing.
- We've expanded our colleague recognition programme with over 1,700 peer to peer recognitions made to date.

In the past year, we've also focused on embedding our newly developed diversity, inclusion, and wellbeing strategy. This new approach is underpinned by an identified set of behaviours to encourage colleagues to bring their best self to work: calling it out; taking action; respecting differences; and demonstrating active listening.

We continue our commitment to the Women in Finance Charter, achieving 38% female representation in senior leadership roles as of June 2024.

We are ongoing supporters of the Women of the Year Awards and the 30% Club Moving Ahead programme. Additionally, we have joined the Moving Ahead Mission Include programme, which aims to level the playing field for people from under represented backgrounds, with a total of 80 colleagues participating in the programme as either a mentor or mentee.

Recognising the importance of mental health, we have invested in training up 40 new Mental Health First Aiders to support our colleagues' mental wellbeing across the organisation.

Our commitment to ensuring equity of opportunity for all is further strengthened by our commitment to the Race at Work Charter. This commitment was explicit in the launch of the "Count Me In" campaign, which seeks to increase disclosure rates of colleague personal demographic data to better understand the make-up of our workforce and make subsequent data-informed decisions.

This has led to the development of the "Embrace Your Future" programme, in collaboration with our race equality network 'EmbRace'. The in-person programme focuses on self-awareness and self-mastery, enterprise-level understanding, building a career around your strengths and becoming a leader through adversity. This year's cohort includes 22 participants, each paired with a senior leader sponsor from within the business.

We continue to be mindful on how we attract and support colleagues with disabilities by reviewing appropriate policies and looking for intentional external partnerships. For example, in recruitment we ensure reasonable adjustments are made to reduce are disadvantage declared by any applicant when applying for a role and we have also partnered with Leonard Cheshire, a UK based health and welfare charity, to match the best diverse talent with opportunities in our business to kickstart the careers of disabled graduates. Finally, these initiatives are underpinned by our ongoing commitment to policies such as the Group's Equal Opportunities and Respect at Work and FirstRand's Code of Ethics.

We're also proud sponsors and funding partners of the 10,000 Black Interns initiative which looks to change the face of British business by creating opportunities for underrepresented talent with a target of 10,000 internships over the next five years. We've recruited interns in our Chief Technology & Information Office, Chief Information Security Office, Product & Proposition, HR and Treasury teams. We welcomed our second cohort of interns during the summer of 2024.

Lastly, we have introduced three new networks to complement our existing ones on race (EmbRace), gender (GROW Network and the Women's Network), lgbtq+ (Rainbow) and mental health (Great Minds).

- DAWN network- Which stands for Disability Awareness Network: empower our disabled colleagues by providing a platform for knowledge sharing, resource exchange to promote disability inclusion in addition to educating our colleagues of visible and invisible disabilities and celebrate our differences to provide advocacy by promoting policies and practices that support the needs of colleagues with disabilities.
- The Family and Carers Network which has three key pillars – early years; backing people on their journey to become parents and during the first 5 years of parenthood, education years; backing parents during the educational years, caring for others; backing people during their caring journey.
- Lastly, the Veterans Network supports Armed Forces Reservists, Veterans, Families and Supporters. The network will act as Aldermore's guardians of the Armed Forces Covenant.

Learning, talent management and succession planning

Our learning and talent strategy strives to ensure that financial services is open and accessible to all, placing equity of opportunity at the heart of our purpose. We're committed to providing our colleagues with a wide range of development opportunities and believe that there is significant value in working in a meritocratic environment, where our people progress based on their hard work, approach and the positive relationships they build. During the financial year, we promoted 115 colleagues, representing over 5% of the Group's employees. We've invested £330,000 in apprenticeship development to attract, retain and develop a diverse demographic of talent. We also enrolled 64 colleagues onto levy or government funded programmes of learning, allowing them to build out their knowledge, skills, and behaviours towards more expansive careers. As of June 2024, we have over 100 colleagues in live study.

Our colleagues have access to LinkedIn Learning; a high quality learning experience platform offering over 48,000 high-quality, on demand courses. The platform also includes a AI powered coaching tool to help identify training based on your job role, skills and learning needs, helping facilitate enhanced career mobility. Career mobility has also been a focus within our operational teams. The 'Aldermore Academy' created opportunities for colleagues across the business to pivot their careers into technology. Through an immersive selection and training process, that assessed for aptitude over experience, 10 individuals started new roles in technology and helped grow our internal succession.

Our people leaders have been supported through ongoing access to World Class Manager. Launched in January 2023, this online learning portal specifically targeted at managers to aid their growth and capability, has three levels of training available; foundational, advanced and support for aspiring managers.

CoachHub has complimented this by providing our senior leader community access to an online portal of over 3,500 professional, highly qualified coaches. Over 120 of our managers have taken part in the programme completing nearly 400 hours of coaching with feedback ratings averaging 9 out of 10.

In a more targeted approach we've created development opportunities for high potential colleagues to stretch their remit and continue their professional development. 'Advancing Aldermore' supported 20 colleagues to grow their influence and increase their level of readiness for a future Executive position. Whilst 'Leading the Way' (a middle to upper management initiative) helped 20 colleagues gain increased understanding of strategic leadership principles through achievement of their Executive Mini-MBA. Thus, increasing levels of readiness for future roles.

All of this activity has been the basis of creating a high performance culture which we celebrated in October 2023 through our inaugural 'Month of Learning'. During a comprehensive schedule of activity we ran a series of in person and virtual learning events across all of our locations. Activities included guest speakers, presentation skills masterclass, individual career coaching with some events attracting over 1,000 attendees.

Community impact

We strive to play an important role within the communities we serve, especially the ones where we have a large operational footprint. The impact we provide in these activities outside of products and services falls within our 'community impact programme' which has two components: community giving (philanthropic and charitable giving) and community engagement (corporate outreach).

Community giving

Following our refreshed approach in the prior year, we continued to build upon that momentum in this financial year. Our colleague-led committee continues to meet monthly to discuss matters that aim to enhance the colleague giving experience and increase impact to the communities we serve.

- Strategic charity partnership: We partnered with The Money Charity in 2022 due to their activities aligning with our chosen societal focus areas of financial wellbeing and financial inclusion, and for the second year in a row we donated £40,000. These funds enabled The Money Charity to reach almost 2,350 people and provide vital financial education. Members of the Community Giving Committee continue to work closely with The Money Charity to raise awareness of these activities to all internal and external stakeholders.

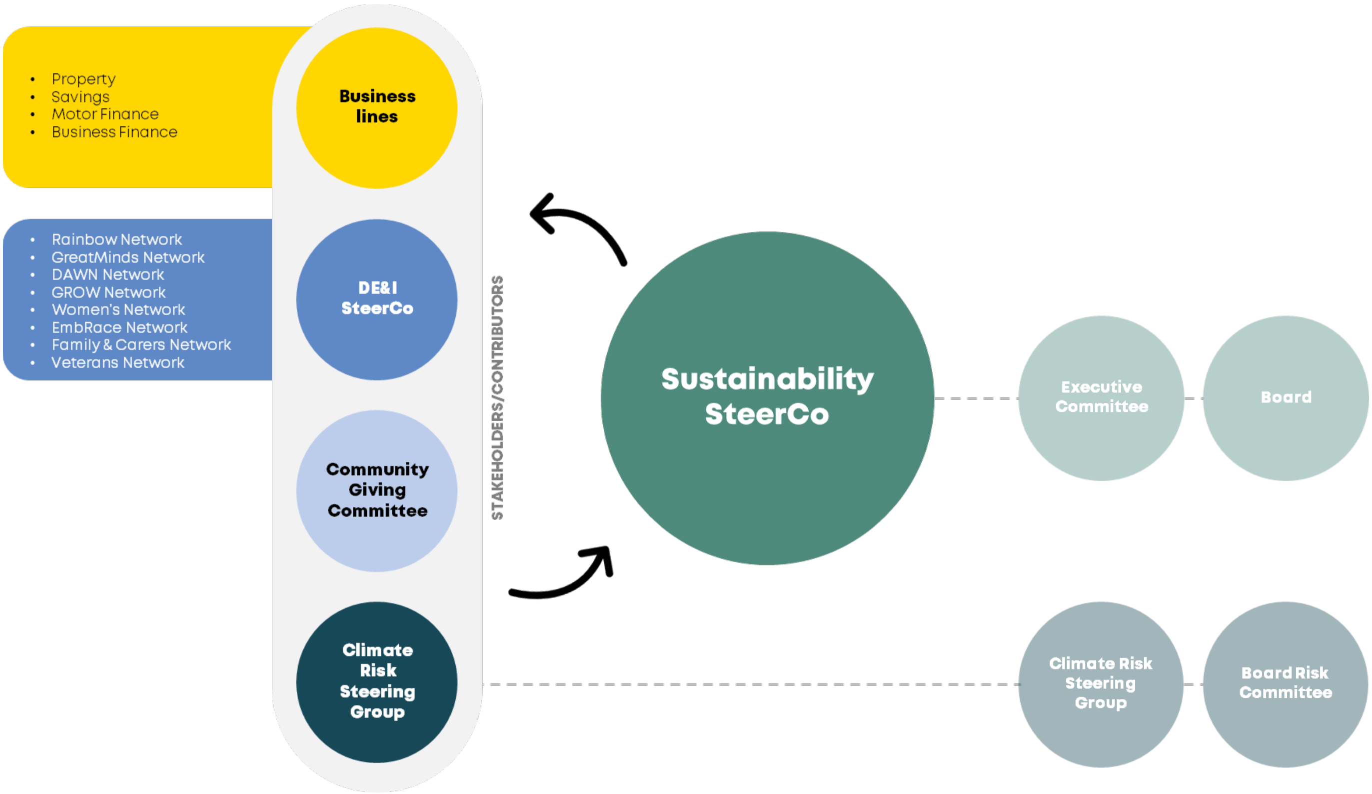
- Matched Funding: We encourage our colleagues to support causes that are important to them and back them further by matching their donation pound for pound, in line with our policy. During the financial year we have donated over £14,000 of matched funding to our colleagues' chosen causes.
- Volunteering day: During 2023 we introduced a paid day’s leave for all colleagues so that they can give their time to charitable causes and organisations they care about. With 2024 being the first full financial year of this benefit, we are delighted Aldermore colleagues have provided over 750 hours to charities across the UK.
- Nominated causes: In addition to supporting our colleagues giving to the causes that matter to them, we have also provided corporate charitable donations when the Executive Committee or Community Giving Committee identify a cause that aligns with our Purpose. We have donated over £36,000 to the following charities:
    - Headlines Craniofacial Support
    - Smiling Families Charity
    - Alder Hey Children’s Hospital
- Laptop donation: This year we donated 1,400 of our previous-generation laptops to local charities to help support their goals and the people they serve. We additionally funded over £8,000 of Microsoft licences to further enhance the impact these laptops have on the communities these charities serve.

Community engagement

- We play an active role in bridging the gap between education and employment delivering 39 early careers events (more than one per week over the course of the academic year) to secondary, further education (“FE”) and higher education (“HE”) institutions with over 90 separate colleague involved. This activity has engaged with 5,550 students across 386 hours of time and expertise.
- Since its launch in 2022, our partnership with EVERFI from Blackbaud has provided us with an even broader reach, offering a digital financial literacy platform to 51 schools in the Cardiff and Greater Manchester regions. To date this has seen almost 1,900 students complete the programme. The results of this initiative have shown 49% of students feeling more prepared to manage their finances, 52% being more confident about establishing and sticking to a budget and 49% more knowledgeable about the financial market and how to invest. As a result of the programme 30% now plan to put money into a savings account in the next 12 months, initiating a positive start to their relationship with money.

Governance

Our governance structure for ESG and sustainability matters was established in 2022 and has been maintained with additional members being included with the Sustainability Steering Committee (SteerCo) for broader Group representation. These additional memberships mean that we now have Exco-nominated representation from every core function of the Group. In addition, during the past 12 months we have created new colleague networks around family and carers, disability and veterans of our armed forces.



Tax

The Aldermore Group's business model is focused on the UK where our customers and operations are largely established. We respect that as a corporate citizen we have a duty to act with honesty and integrity with our approach to taxation and recognise that through the payment of tax, we contribute towards our stakeholders and towards wider society.

Appropriate, prudent and transparent tax behaviour is a key component of corporate responsibility. Through good governance, controls and procedures, the Gro up seeks to pay the right amount of tax at the right time and to maintain the Group's reputation as a fair contributor to the UK economy. We comply with the HMRC Code of Practice on Taxation for Banks and aim to maintain constructive and professional relationships with the tax authorities. We actively support and work with tax authorities to combat tax evasion. We do not interpret tax laws in a way that we believe is contrary to the intention of Parliament. We apply tax rules in good faith and in the spirit they are intended. We aim to ensure that our tax returns are filed on time. Our overall tax objectives reflect our honest and transparent approach to our tax obligations and are also reflected in the products and services we offer to our customers.

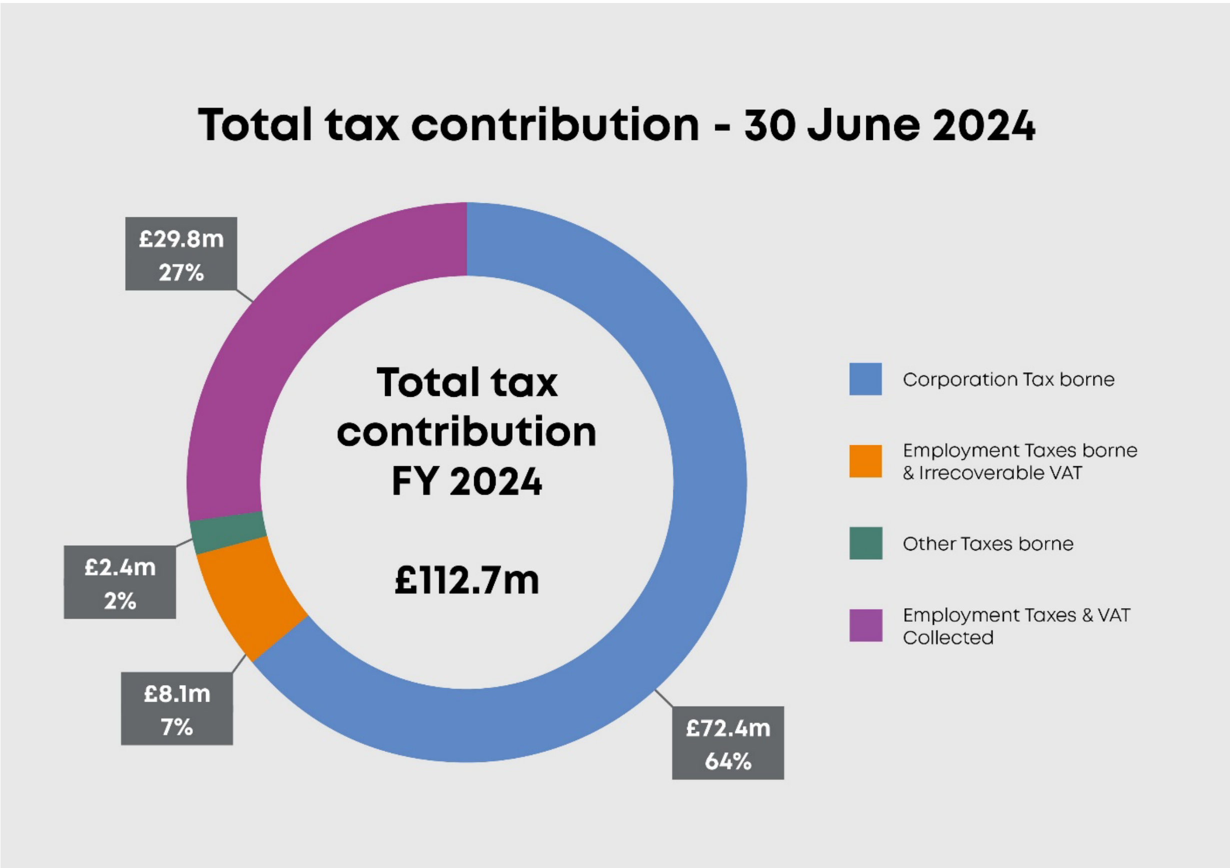
Our annual tax strategy is reported on our corporate website. This aligns with the principles set out in our tax risk management framework. The tax strategy and risk management objectives are approved by the Board and the Audit Committee is regularly updated on matters relating to tax. Our tax strategy and tax risk management framework are aligned with the FirstRand group. Regular meetings with HM Revenue and Customs provide a platform to discuss our business activities and enable open two-way communication.

The Group has a responsibility to the communities we serve and our tax contributions are used to support the societies in which we operate. The majority of the taxes contributed by the Group are to the UK tax authorities and used for public spending. We measure our Total Tax Contribution for a financial year by reference to the tax payments we have made in that year. The Group monitors and updates its Total Tax Contribution records annually for all new forms of taxation including any in scope environmental taxes.

Our Total Tax Contribution for 2024 was £112.7 million (2023: £101.6 million) comprising taxes borne and collected. The increase compared with 2023 arises primarily in taxes borne. Taxes borne represent the direct cost to the Group of taxes which impact the financial results of the business and for 2024 were £82.9 million (2023: £70.5 million). Taxes borne in 2024 were more than 2023 because of higher profits and also reflect the higher rates of mainstream corporation tax following increases effective from 1 April 2023 (19% to 25%).

In addition to taxes borne, we also collect and administer taxes on behalf of the UK tax authority. For 2024 the Group collected £29.8 million of taxes (2023: £31.1 million), the reduction arising from increased VAT recovery in the period.

The chart below shows the proportion of the Group's Total Tax Contribution in the financial year ended 30 June 2024, of which the most significant are corporation tax borne (64%) and employment taxes and VAT collected (27%).



Industry communities

We act as a responsible member of the UK financial community by joining and contributing to communities and partnerships that help maximise our impact and that supports our purpose:

- Actively involved with industry bodies including UK Finance, the FLA and IMLA
- A member of the Banking Standards Board
- A signatory of the Women in Finance Charter
- A signatory of the Race to Work Charter
- A signatory of the Mindful Business Charter
- A signatory of the United Nation's Principles for Responsible Banking
- A member of The Purpose Coalition and active supporter of the UK Purpose Goals
- A member of Business In The Community
- A member of Progress Together

Human Rights and Modern Slavery Act

Aldermore Group PLC, and its principal operating subsidiaries, Aldermore Bank PLC and MotoNovo Finance Limited, take a zero-tolerance approach to slavery and human trafficking. As a UK group with a growing number of international suppliers, the Aldermore Group recognises that there is a risk, however small, for slavery or human trafficking to occur in its supply chains.

The Group has taken appropriate steps to ensure that slavery or human trafficking is not taking place in its supply chains by reviewing its existing business and supply chains; reviewing and revising its procurement processes; changing its due diligence processes; conducting a risk assessment with due regard to the sector and geographical locations in which its suppliers operate and disseminating relevant information through its businesses by means of its procurement and due diligence processes to ensure Group wide awareness of the risks of slavery and human trafficking in supply chains.

As part of its supplier on-boarding process, Aldermore engages with its suppliers to seek assurances about their anti-slavery and human trafficking policies and whether they are taking steps to prevent slavery and human trafficking in their respective business and supply chains. Aldermore will not support or engage suppliers where it is aware of slavery or human trafficking in such suppliers' businesses or supply chains.

In addition, Aldermore uses new supplier due diligence documentation to include confirmations from suppliers on anti-slavery and human trafficking compliance.

Equal opportunities and respect at work

We take equal opportunities and respect at work seriously. All staff are aware that if guilty of unlawful discrimination, harassment or victimisation they may also be personally legally liable for their actions. All managers must set an appropriate standard of behaviour, lead by example and ensure that those that they manage adhere to the Equal Opportunities and Respect at Work Policy and promote our aims and objectives with regard to equal opportunities.

We encourage colleagues to tell us about any conditions they have so that we can consider what reasonable adjustments or support may be appropriate. Job applicants should not be asked about health or disability before a job offer is made, except in the very limited circumstances allowed by law: for example, to check that the applicant could perform an intrinsic part of the job (taking account of any reasonable adjustments), or to see if any adjustments might be needed at interview because of a disability. Where necessary, job offers can be made conditional on a satisfactory medical check. Health or disability questions may be included in equal opportunities monitoring forms, which must not be used for selection or decision-making purposes.

Anti-Bribery

The Group has an Anti-Bribery and Corruption Policy which applies to all directors, colleagues, contractors and third party outsource providers, which is reviewed annually by the Board to ensure it is fit for purpose. The Group promotes a culture of awareness and understanding at all levels and mandatory training is provided.

Climate related financial disclosures

Aldermore has set net zero targets for operational emissions (Scopes 1-2) by 2030 and for financed emissions by 2050. Further details on Aldermore's sustainability activities are available on page 24.

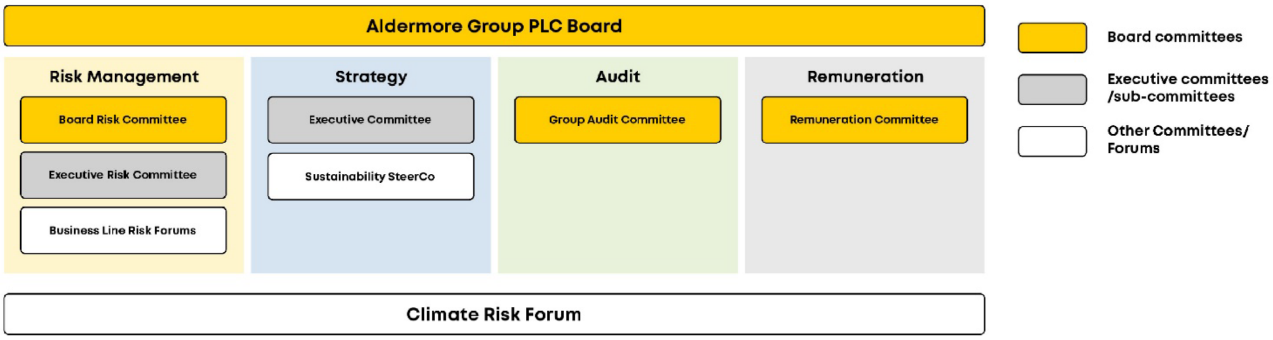
Aldermore is in scope of the UK Government's mandatory climate-related financial disclosures ("CFD") requirements[1]. This report addresses those requirements beneath the headings of: Governance, Risk Management, Strategy, and Metrics & Targets. The introduction to each section outlines which CFD requirements (A-H) are being addressed.

Section 1: Governance

This section provides: (1) an overview of the climate risk governance structure; and (2) a summary of management and board responsibilities. It addresses CFD disclosure item A.

a. Governance Structure overview

Climate risk and opportunity-related items have been tabled at various committees and fora across the Group during the financial year, as indicated below, under the headings of: Risk Management; Strategy; Audit; and Remuneration.



Management responsibilities

Executive Risk Committee ("ERC") is the management executive committee with primary climate risk responsibilities. The identification, assessment and management of climate-related risks and opportunities has been supported through updates to the committee during the financial year including on metric performance. In the financial year ERC received 6 climate-related updates. A paper in January 2024 refreshed the approach to executive climate-related MI, linking metrics to risk appetite.

Business Line Risk Forums for Motor Finance, Property Finance, and Specialist and Structured Solutions (SaS) also receive regular updates on climate risk exposure. The **Climate Risk Forum** considers climate-relevant information from across the Group, including the Group's climate risk materiality assessment, and climate-related scenario analysis. **Sustainability SteerCo** receives various climate-related updates, including on net zero progress and colleague training.

[1] The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (legislation.gov.uk)

Individual responsibilities

Senior Management Function (SMF) responsibilities for climate risk management are held by the CRO. The Risk Function is responsible for providing regular updates to relevant management committees, and for coordinating the development of climate risk capabilities across the Group. This has included rolling out colleague training, and developing data and tools to improve understanding of climate-related risks and opportunities.

Activity is further supported through specialist capability in the Risk and Strategy team and engagement with industry, including through onboarding Partnership for Carbon Accounting Financials ("PCAF") methodologies to calculate financed emissions.

Remuneration

Delivery of the financial year sustainability plan which included the delivery of net zero pathways was part of the Group's non-financial scorecard. In addition, climate risk performance was integrated into the CRO's year end Remuneration Committee report.

FirstRand

Aldermore engages regularly with its parent company on climate change, with representation at the FirstRand Climate Risk Committee, and the FirstRand Technical Climate and Data Committee. Aldermore provides quarterly updates on its climate risk exposures and progression of its climate risk programme to FirstRand.

a. Board responsibilities

The Board delegates certain responsibilities to Board Committees, and the **Board Risk Committee** ("BRC") is responsible for monitoring and reviewing the approach by which risks arising from climate change are managed, mitigated and included in risk management frameworks. A climate risk deep-dive was held at BRC in February 2024, covering: (1) climate risk reporting; and (2) the status of climate within the risk taxonomy.

The Audit Committee reviews the Group's annual climate-related disclosures. The **Remuneration Committee** considers: (1) the CRO's year end Remuneration Committee report which integrates climate risk performance; and (2) the delivery of related objectives, which in the financial year included the delivery of net zero pathways.

Section 2: Risk management

This section addresses CFD disclosure items B and C and explains: (1) Aldermore's approach to identifying, assessing and managing climate-related risks and opportunities; and (2) the integration of climate risk into the overall risk management process. These activities are coordinated at Aldermore Group level, with Aldermore Bank PLC and MotoNovo Finance Limited representation at Climate Risk Forum. The Climate Risk Framework outlines the Group's approach to managing climate-related risks and opportunities.

a. Identifying and assessing climate-related risks and opportunities

Techniques to identify and assess climate-related risks and opportunities, alongside their frequency include:

Materiality assessment (annually)	Climate risk exposure (quarterly)	Scenario Analysis (annually)	Industry engagement (ongoing)
• Materiality assessment supports understanding of climate-related risks faced by the Group, and associated time horizons. The assessment is reviewed by Climate Risk Forum.	• Assessment of transition and physical risk exposure across Property Finance, Motor Finance and SaS.	• Understanding of climate-related vulnerabilities continues to be informed by scenario analysis (see Section 3).	• Participation in external programmes and forums. • Use of PCAF methodologies to quantify financed emissions.

b. Managing climate-related risks and opportunities

Mechanisms for managing climate-related risks and opportunities include:

Climate-related metrics	Employee training	Assessment criteria	Enhancing understanding
• Climate related metrics have been agreed with thresholds set and are monitored regularly. • Maturing of the climate risk appetite approach will continue to develop.	• All colleague training on sustainability-related topics including climate risk. • In-depth training rolled out to over 200 colleagues, focused on influencing decision making and behavioural change.	• Property Finance: assessment of flood risk through application. • SaS: certain credit applications require information on climate risks and mitigants. • Standardised climate-related engagement questions are included in large customer reviews.	• Enhancing understanding of climate-related risks and opportunities. • For example, the Group sourced a suite of data covering risks of flood, subsidence and coastal erosion on its Property portfolio.

Techniques for identifying, assessing and managing climate-related risks and opportunities have been supported through two specialist roles: a Head of ESG & Sustainability; and an ESG Risk Lead.

c. Integrating processes for identifying, assessing, and managing climate-related risks into the overall risk management process

Climate risk integration into the overall risk management process is supported through: (1) development of frameworks / policies; (2) monitoring of metric performance; (3) developing reporting capabilities; and (4) scenario analysis.

Frameworks / Policies	Metric Performance	Reporting	Scenario Analysis
• The Climate Risk Framework outlines the approach to management and disclosure of climate-related risks. • Climate risk is also incorporated into certain Risk frameworks / policies, including the Credit Risk Management Framework.	• Performance against climate-related metrics is included in risk reports. • Approach to setting climate risk appetite outlined in the Climate Risk Framework.	• Climate risk reports integrated into committees and fora. • Reports covers various metrics across transition and physical risk.	• Climate-related scenario analysis embedded into the ICAAP.

In the financial year, a decision was taken to not elevate climate to principal risk status, reflecting its treatment as an intersecting risk. Although progress has been made further activity remains to effectively embed climate risk into the overall risk management process.

d. Aldermore's approach to portfolio climate risk quantification

Aldermore has conducted long and short-medium term analysis to quantify climate-related risks and better understand vulnerabilities. This has focused on the Property Finance and Motor Finance portfolios as discussed in Section 3. The outputs continue to inform capital assessments.

Section 3: Strategy

This section explores the principal climate-related risks (actual and potential) and opportunities that the Group is exposed to. It also assesses Aldermore's resilience under different climate-related scenarios. The section addresses CFD disclosure items D, E and F.

Understanding how climate-related risks and opportunities could manifest is supported through:

- Time horizons: risks and opportunities are identified over short (0-1 year), medium (1-5 years) and long-term (period to 2050) time periods. These have been selected with reference to: (1) Aldermore's planning / budgeting process; and (2) the change in customer behaviour on Aldermore's book.

- Understanding climate risk concentrations: Aldermore regularly assesses its climate risk exposure and concentrations across its lending portfolios.

Principal climate-related risks and opportunities that arise through Aldermore's business activities, alongside: (1) affected business lines, (2) time horizons, and (3) current and future mitigating actions are summarised below.

a. Climate-related physical risks

<table>
<tr><th>Ref</th><th>Physical Risk</th><th>Description</th><th>Business lines</th><th>Time horizon</th><th>Mitigations</th></tr>
<tr><td>1.1</td><td>Acute physical risk</td><td>The increased severity of extreme weather events such as floods could:
• Reduce property values and result in stranded assets.
• Cause operational issues, including supplier outages and buildings access issues.</td><td>Property Finance, SaS, Operations</td><td>L</td><td rowspan="2">Current:
• Data sourced and reviewed on flood, subsidence and coastal erosion risk for Property Finance under different emissions scenarios.
• Regular monitoring of:
· Flood risk for Property Finance exposure in England.
· Exposure to SaS sectors with high and very high physical risk.
· Long-term flood risk for company buildings.
• Suppliers are provided with an ESG 'score', which supports understanding of current performance and how to improve their ESG approach. Supplier questionnaires include questions on physical risk exposure and climate risk preparedness.
Future:
• Continue maturing understanding of physical risk vulnerabilities across asset lines and supply chains.</td></tr>
<tr><td>1.2</td><td>Chronic physical risk</td><td>Changes in precipitation patterns and temperatures could impact asset values, e.g. through subsidence on properties.</td><td>Property Finance, SaS, Operations</td><td>L</td></tr>
</table>

b. Climate-related transition risks

<table>
<tr><th>Ref</th><th>Transition Risk</th><th>Description</th><th>Business line</th><th>Time horizon</th><th>Mitigations</th></tr>
<tr><td>2.1</td><td>Policy</td><td>Changing regulations and political uncertainty can result in volatility, asset impairments and increased compliance costs. This could include:

• Property Finance: expectations being placed on landlords or homeowners to increase the energy efficiency of their properties.

• Motor Finance: the zero emission vehicle mandate could result in constrained supply for ICE vehicles, and Residual Value volatility for Battery Electric Vehicles.</td><td>Property Finance, Motor Finance, SaS, Operations</td><td>M-L</td><td rowspan="3">Current:

• Net zero roadmaps developed across asset lines to codify how business lines will decarbonise with reference to anticipated transitional risks.

• Regular monitoring of:

· EPC distributions with related metrics and thresholds for Property.

· Fuel type distributions including industry benchmarking.

• Scenario analysis (see Section 3) which analyses the impacts of different transitional pathways on the Property Finance and Motor Finance books.

• Employee training undertaken.

• See earlier comments on suppliers.

Future:

• Continue delivering training as a means to develop understanding and employ effective climate risk management.

• Education of brokers to promote awareness of climate-relevant risks and opportunities.

• Continue working with industry to support landlords and the private rental sector.</td></tr>
<tr><td>2.2</td><td>Market</td><td>Changing consumer preferences could negatively impact the value of lower energy efficient properties / vehicles.</td><td>Property Finance, Motor Finance, SaS</td><td>M-L</td></tr>
<tr><td>2.3</td><td>Technology</td><td>Greener technologies could influence an acceleration towards lower emitting vehicles, impacting the residual values of ICE vehicles. Technology advancements could also negatively impact early electric vehicle entrants.</td><td>Motor Finance, SaS</td><td>M-L</td></tr>
</table>

2.4	**Reputation**	Increased scrutiny on firms' lending activities and sustainability claims could result in reputational damage.	All	M-L	**Current:** • Development of net zero roadmaps, leveraging third party support. • Regular monitoring of SaS lending to higher transition risk sectors. • Consideration of climate-related features during product reviews. **Future:** • Continued development and monitoring of net zero pathways.

c. Climate-related opportunities

<table>
<tr><th>Ref</th><th>Opportunity</th><th>Description</th><th>Time horizon</th><th>Action taken</th></tr>
<tr><td>3.1</td><td>Financing the transition</td><td>The transition to a low carbon future presents opportunities across all business lines.</td><td>S-M-L</td><td>Current:
Net zero roadmaps have been developed across asset lines. The Group’s offering includes:
• Providing a 10bps discount for A-C EPC 2 year fixed Residential Buy-to-Let mortgages.
• Funding SMEs solutions including: alternative fueled vehicles and solar panels.
• Having a full suite of products to write Electric Vehicles (“EV”).
Future:
• A Head of Energy & Infrastructure has been appointed to develop a finance proposition within SaS tailored to the energy and infrastructure renewables financing sector.</td></tr>
<tr><td>3.2</td><td>Data</td><td>Data availability presents a challenge across the industry. Data quality improvements can support effective management of climate-related risks and opportunities.</td><td>S-M</td><td>Current:
• Sourcing of physical risk data for Property Finance covering: flood risk; subsidence; and coastal erosion.
• Financed emission calculations developed to provide further confidence in outputs.
• Engagement with market leaders in vehicle data to seek additional climate-related portfolio information.
Future:
• Continue improving data capabilities and data quality.</td></tr>
</table>

3.3	Partnerships	Collaboration is important to improve understanding and identify opportunities.	S-M	**Current:** • The Group participates in industry forums and uses PCAF methodologies to calculate its financed emissions. Net zero roadmaps have been developed with support from specialist third parties. • The Group is a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking. The Group published its first progress report in March 2024. • Events have been held with intermediaries on net zero and market ideation. **Future:** • Continue collaborating across industry and developing net zero roadmaps.

d. Resilience of business model and strategy, considering different climate-related scenarios

Aldermore has undertaken long and short-term scenario analysis to improve its understanding of climate-related risks and opportunities. Longer-term scenarios have typically leveraged industry pathways, e.g. those adopted by the Intergovernmental Panel on Climate Change, thereby supporting comparability. Shorter-term scenarios have used bespoke approaches to understand how shorter-term risks (e.g. policy changes) could impact the Group .

Long-term scenario analysis

In the financial year, Aldermore sourced physical risk analysis covering flood, subsidence and coastal erosion risk on its Property Finance portfolio. This examined, low, medium and high[1] emissions scenarios, covering impacts over a long-term horizon. Findings included:

- **Flood risk:** Most properties are at negligible risk of flooding today. This remains true under different scenarios, albeit some properties[2] flood risk increases under a high emissions scenario.
- **Subsidence risk:** There is little change to subsidence risk over the shorter term, with the most significant movements occurring beyond 2050.
- **Costal erosion risk**: Even under a high emissions scenarios, almost all properties on Aldermore's portfolio remains at negligible coastal erosion risk by 2050.

[1] Emissions scenarios: Representative Concentration Pathways 2.6, 6.0 and 8.5.

This analysis supported the quantification of flood-related losses under a long-term scenario. It complemented long-term scenario analysis from prior financial years, which also explored transitional impacts and provided insights around: (1) vulnerabilities for properties within different transition scenarios, and (2) residual value impacts on vehicles, based on fuel type, brand and segment.

Short to medium-term scenario analysis

Shorter-term scenario analysis has included:

- Property Finance: expert judgement based scenario analysis in the prior financial year to assess the potential impacts of legislative changes impacting private rental sector properties with lower energy efficiency. The analysis informed a previously held provision.
- Motor Finance: consideration of different scenarios with estimated valuation impacts across EVs and ICE vehicles, and corresponding impacts on residual value, voluntary termination and expected loss. The analysis demonstrated low impacts over shorter-term and higher probability scenarios.

Key assumptions and estimates

Longer-term scenario analysis is limited through: (1) the use of static balance sheets, and (2) uncertainty resulting from time horizons which extend well beyond the typical business planning timeframe. Longer-term analysis has referenced estimates from established industry pathways as well as internally developed scenarios which include specific policy impacts.

Shorter-term analysis has relied on expert judgement to estimate potential impacts, e.g. around policy change impacts to Property and valuation impacts from different Motor scenarios. Despite this, scenario analysis remains a useful tool to understand how climate risks and opportunities could develop over time.

Evaluation: impacts on business model and strategy, and next steps

Aldermore has a UK focused business model, with a concentration on properties and vehicles. Quantitative scenario analysis has supported an understanding of the impacts of different climate-related pathways and has previously informed the setting of provisions. The scenario analysis has not identified any material climate-related issues which the Group would be unable to mitigate. In future, scenario analysis will consider integration of the Group's net zero roadmap.

Section 4: Metrics and targets

Aldermore maintains a number of climate risk metrics which are included with its climate risk dashboard. The Group has divided targets and related KPIs between: (1) environmental impacts; and (2) risk management. **This section addresses CFD disclosure requirements G and H.**

a. Metrics

Aldermore's climate risk dashboard includes information relating to: transition and physical risk; financed emissions; disclosures; audit findings; and operations. Dashboard information has been presented through the financial year at ERC, BRC, Business Line Risk Forums, and Climate Risk Forum.

b. Targets & KPIs

i. Environmental impacts

Aldermore is targeting reducing its environmental impacts across its operational and financed emissions.

In the financial year, Scopes 1-2 emissions have reduced from 711 tCO2e to 538 tCO2e. The Group's SECR report (see pages 47 - 50) outlines the drivers for this. Comparisons with June 2022 and June 2023 data are provided below.

Operational emissions

The Group is targeting net zero emissions for scopes 1-2 by 2030. The core KPI relates to total scopes 1-2 emissions, calculated through: (1) emissions associated with company owned vehicles; (2) purchased electricity; and (3) purchased heat. An Operational Net Zero working group was formed to set and monitor progression of activity.

	June 2022	June 2023	June 2024
Tonnes CO2e scopes 1-2	664	711	538

Financed emissions

The Group is targeting net zero for its financed emissions by 2050. During the financial year, roadmaps were developed for each asset line. KPIs to monitor progress include emissions intensity metrics for Property Finance and Motor Finance, which are documented in these accounts.

ii. Risk management

The Group set a target to deliver all-colleague climate risk training in the financial year. This was rolled out in April 2024 through an internally developed sustainability module on the Group's learning platform. The training is a high level introduction. Additionally more focused training has been rolled out, principally for colleagues whose roles require a deeper understanding of climate risk. This has been undertaken by 200 colleagues.

In addition, the Group had previously set a target to limit concentrations where climate risk is elevated, with related thresholds agreed. There have been no concentration breaches in the financial year[1]. Moving forwards, this target will be subsumed within the financed emissions net zero target.

The below table summarises the Group's targets and KPIs. The KPIs associated with the Scopes 1-2 net zero target has been updated from % of company vehicles that are electric to a more complete measure of emissions associated with: company owned vehicles; purchased electricity; and purchased heat.

[1] Most shadow risk limits have been assessed as at June 2024 month end. Due to data availability, two relating to motor vehicle benchmarking were assessed as at April 2024 month end.

Summary of targets and KPIs

Category	Risk/ opp ref	Target	Target date	Performance against target	KPI calculations
Emissions reduction	2.1, 2.4, 3.3	Achieve net zero for Scopes 1 – 2 emissions.	2030	Target agreed in June 2023. Performance will be assessed in subsequent disclosures.	Company vehicles: % of company vehicles that are electric. KPIs related to other energy efficiency drivers are under development.
	2.1, 2.2, 2.3, 2.4, 3.1, 3.2, 3.3	Achieve net zero for financed emissions.	2050	Pathways for financed emissions are under development.	KPIs related to emissions intensities across asset lines are under development.
Risk Management	1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 3.1	Rollout climate risk training to all colleagues.	June 2024	All-colleague training on sustainability and climate risk rolled out in the financial year.	% of staff that have undertaken climate risk training.

Energy and Carbon Reporting

Energy consumption and Greenhouse Gases ("GHG") emissions

UK energy use and associated greenhouse gas emissions

Current UK based annual energy usage and associated annual greenhouse gas ("GHG") emissions are reported pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") that came into force 1st April 2019.

Organisational boundary

In accordance with the 2018 Regulations, the energy use and associated GHG emissions are for those assets owned or controlled within the UK only as defined by the operational control boundary. Therefore, energy use and emissions are aligned with financial reporting for the UK subsidiaries Aldermore Bank PLC and MotoNovo Finance Limited. There are no non-UK based subsidiaries that would not qualify under the 2018 Regulations in their own right.

The annual reporting period is 1st July to 30th June each year and the energy and carbon emissions are aligned to this period.

The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed. The 2024 UK Government GHG Conversion Factors for Company Reporting were used in emission calculations as these relate to the majority of the reporting period. The report has been reviewed independently by Zenergi, an energy and sustainability consultancy firm.

Electricity consumption was based on meter readings. Mileage was used to calculate energy and emissions from fleet vehicles and grey fleet. Where electricity readings and mileage reports did not cover the full reporting period, and also for all gas consumption, estimation techniques were applied, such as the CIBSE benchmarks, pro-rata estimation and direct comparison. Gross calorific values were used except for mileage energy calculations as per Government GHG Conversion Factors.

Market-based GHG emissions from purchased electricity have been included in the report for the first time this year. This is to align with the Group's Scope 1 and 2 Net Zero strategy. The previous financial year market-based GHG emissions have been included retrospectively to allow for a like-for-like comparison.

The emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of the business' activities but occur from sources not owned or controlled by the organisation (scope 3).

Breakdown of energy consumption used to calculate emissions (kWh):

Mandatory requirements	Year ended 30 June 2024	Year ended 30 June 2023*
Gas	1,331,460	1,501,526
Purchased electricity	987,484	1,363,605
Transport – Company-owned vehicles	97,010	336,162
Transport – Employee-owned vehicles	334,198	129,710
Total energy (mandatory)	**2,750,152**	**3,331,003**

*The prior year transport figures were revised after receiving updated mileage data in May 2024 and restated to align to the methodology used to calculate figures for the current year.

Breakdown of emissions associated with the reported energy use:

(tCO_2e)	Year ended 30 June 2024	Year ended 30 June 2023*
Mandatory requirements:		
Scope 1		
Company owned vehicles	9.9	62.6
Total Scope 1	**9.9**	**62.6**
Scope 2		
Purchased electricity (market-based)	273.4	357.3
Purchased heat (natural gas)	243.5	274.7
Company owned vehicles	11.3	16.1
Total Scope 2	**528.2**	**648.1**
Scope 3		
Category 6: Business travel (grey fleet)	72.7	33.4
Total Scope 3	**72.7**	**33.4**
Total gross emissions (mandatory)	**610.8**	**744.1**

*The prior year transport figures were revised after receiving updated mileage data in May 2024 and restated to align to the methodology used to calculate figures for the current year.

Intensity ratios (mandatory emissions only)	Year ended 30 June 2024	Year ended 30 June 2023
Tonnes of CO2e per employee	0.25	0.30
Change from previous year	-16.0%	+15.9%

Intensity ratio

The primary intensity ratio is total gross emissions in metric tonnes CO2e per employee. The employee figure relates to UK operations only to align with the energy and emission reporting boundary. This metric is considered the most relevant to the Company's energy consuming activities and provides a good comparison of performance over time and across different organisations and sectors.

This year, a second intensity ratio has been added, total gross emissions per thousand-square meter floor area. This metric has been included to measure the performance of the Group's ongoing space management project. Therefore, it only includes emissions from the Group's buildings.

This year, intensity ratios considering market-based emissions have been included in this report. This is to reflect that the Group are now reporting their market-based emissions, to align with their Scope 1 and 2 Net Zero strategy.

Energy efficiency action during current financial year

The Group has committed to net zero scope 1 and 2 (market-based) emissions by 2030. The pathway to achieving this target includes actions that improve energy efficiency, optimise office space management, electrify company vehicles and engagement with landlords in the purchase of 100% renewable energy contracts and building decarbonisation projects.

In the last year, significant progress has been made in the optimisation of building floor space with occupancy levels in response to a shift in the number of employees working from home. This has resulted in the closure of the Banbury, Leeds and Peterborough offices, and a reduction in floor space at the Reading and Wilmslow offices. As a result of these changes, emissions across the offices alone have decreased by 109.1 tCO2e (21%) in the last year across electricity and natural gas emission sources.

Energy management has progressed this year with improvements to energy monitoring, optimisation of heating settings and use of energy saving modes in office equipment. For example, energy monitoring has improved through the greater utilisation of Building Management System (BMS) data at Cardiff and Manchester in particular. Heating settings have optimised at Wilmslow by reducing operating times and fan speeds on all units. Hot water provision via Zip Taps utilise energy saving modes and electrical equipment is checked regularly and switched off out of hours where possible.

Financed emissions

The financed emissions[1] and financed emissions intensities associated with the Group's Property Finance[2] and Motor Finance[3] portfolios are displayed in the table below. These have been calculated on £7.8bn of Property Finance balances and £3.9bn of Motor Finance balances and do not include Dealer Funding. A PCAF score has also been included to indicate data quality associated with the calculations.

Portfolio	Financed emissions	Financed emissions intensity	PCAF score
Property Finance	146,190 tCO2e	19g CO2e / £	4.0
Motor Finance	635,700 tCO2e	165g CO2e / £	2.4

[1] In the financial year 2023 annual report, total emissions without an LTV factor applied were included. The Motor financed emissions methodology has been updated in the financial year. On the updated methodology the June 2023 total emissions without an LTV factor applied would have been 1,190,120 tCO2e.

[2] Where possible, Property emissions have been calculated by examining property-level Energy Performance Certificate data, which includes details on fuel type, floor area and energy consumption. In these instances, a PCAF score of 3 has been applied. Where property-level EPC data has not been retrieved, approximate or averages have been used, with a PCAF score of 5 applied. Residential Mortgages has a PCAF score of 3.4, whilst Buy-to-Let has a PCAF score of 4.2. The lower score for Buy-to-Let reflects a greater reliance on average matches, and work is underway to improve the data quality associated with this calculation. 2023 UK Government Greenhouse Gas conversion factors are used to determine the emissions associated with different fuel types.

[3] Motor emissions have been calculated by multiplying the estimated annual distance travelled by the vehicle's gCO2e per km. Where data is unavailable, statistics on average mileage, average vehicle efficiency, or average vehicle type emissions are used. Where gCO2e per km are derived from the New European Driving Cycle (NEDC) test, an uplift has been applied to more closely reflect estimates in the Worldwide Harmonised Light-Vehicle Testing Procedure (WLTP).

Section 172 statement

This section of the strategic report describes how the Group's Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Directors must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term.
- the interests of the Company's employees.
- the need to foster the Company's business relationships with suppliers, customers, and others.
- the impact of the Company's operations on the community and the environment.
- the desirability of the Company maintaining a reputation for high standards of business conduct.
- the need to act fairly as between members of the Company.

The Directors recognise that effective stakeholder engagement is crucial to deliver long-term sustainable success. The Board balances competing stakeholder priorities by considering the long-term implications of its decisions, including considering the policies and decisions by the shareholder. The Board engages with stakeholders directly and indirectly through management reporting. Where matters are of group-wide significance, decisions are made by the Board on behalf of the company and its subsidiaries. Below sets out how the Board and senior management take the above factors into account when engaging with the Group's key stakeholders, how this is aligned to the Group's strategic priorities and culture and why the stakeholders listed are significant for the Group.

Customers

The Group serves UK-based retail customers and SMEs, who are seeking specialist products in savings accounts, motor finance, property and specialist and structured solutions. Customers are at the heart of the Group's strategy and hence the business model puts the customer at the centre of product design and delivery. Under the Group's strategy numerous workstreams have been created, many of which have been delivered, to improve the Group's capabilities and efficiencies and to improve the customer experience. Execution of the Group's strategy is under the guidance of the Board, with engagement at very early stages of initiative inception followed by regular progress and results reporting to the Board to demonstrate how the initiative is delivering value and outcomes for the Group and for customers. The Board also oversees the Group's technology strategy which includes the development and transformation of customer delivery platforms.

Since the FCA's Consumer Duty rules came into effect on 31 July 2023, significant work has been completed against the original Board-approved Consumer Duty implementation plan, in line with the Group's expectation and risk appetite. The Board continues to monitor remediation activities and lessons that can be learned from previous issues, with focus on outcomes and results from new strategies that have been implemented.

During the year, significant strides were made in building customer-centric programs to better understand the needs of the Group's diverse audiences. A wide range of methods were utilised to involve and engage customers, including working closely with the broker community to ensure the Group's propositions are relevant, needed, and valuable. Feedback was gathered through various surveys and Trustpilot reviews, providing an independent measure of the Group's service experience. By engaging its customer and intermediary communities in developing its products, propositions, communications and digital experiences, the Group continues to foster lasting relationships and build stay ahead propositions.

People

The Group continues to support colleagues who require flexible working arrangements whilst encouraging a return to office-based working as much as possible. The Group believes this has a positive impact on team working and morale.

Culture is an important area of focus for the Group Board. Following the colleague engagement survey, where the Group achieved a response rate of 88%, well in excess of the 80% target management set at the start of the financial year, the Group achieved a significant increase in its employee NPS from 20 to 40, which showed that more people would recommend Aldermore as a place to work, further reflected in Aldermore Group being named a Sunday Times Top 10 Best Place to Work. The Group executive has established working groups to respond to feedback, which varies from site to site and is intended to drive positive cultural change. A number of town halls have been held across the UK, as well as HR Roadshows where leaders met colleagues at the different UK locations, to introduce the Group's new people strategy and culture framework. The Group Board is monitoring the progress being made in these areas and has provided appropriate challenge.

The Board understands and positively embraces the role it has in promoting and encouraging diversity, equity and inclusion in all parts of the business. As a Board, there is collective recognition that success of the Board is, amongst other things, dependent upon embracing the benefits of diversity in the boardroom. The Group is committed to equal opportunities for all and has established colleague networks to lead engagement with and amongst colleagues. The Group is a signatory to the HM Treasury Women in Finance Charter, with gender representation being an integral part of its diversity and inclusion agenda. The Group remains committed through its governance processes and priorities to removing barriers to diversity, inclusivity and fairness where they might exist. The Board has reviewed the Group's gender pay gap and women in finance data, noting that the gender diversity in Senior Management remained at 38% as of 30 June 2024, which is below the set target of 40% female representation. The Board supports management's initiatives to improve the career progression of women in financial services, including initiatives to identify and nurture female talent through the Inspiring future female leaders programme, internal and external mentoring programmes and an internal female network group. The Group is on track to reach its stated target of achieving 50% female representation in senior management by 2025. Further information on Board diversity is set out in the Wates Corporate Governance Principles report on page 59. The Board supports and endorses the initiatives and workstreams led by management in response to feedback from colleagues, customers and intermediaries as referenced above and set out in the ESG section on page 24.

Suppliers and Distribution Partners

The Group's business model offers diversified distribution, with intermediaries remaining a vital element of its lending business. The Group's ongoing aim is to work closely with its distribution partners and suppliers, to ensure it continues to meet their needs as the Group modernises its business.

Since the launch of the refreshed Group Strategy in 2022, the Group has progressed a range of initiatives to enhance the experience its distribution partners receive across the Property, Motor and Structured & Specialist Finance business lines. The Group is also placing increasing focus on supplier management and ensuring it fosters relationships that enable a collaborative approach to developing stay ahead propositions and further developing its progressive platform.

The Board receives regular management updates on supplier and distribution partners' performance. The Group's operating subsidiaries (MotoNovo Finance and Aldermore Bank) report their payment metrics twice a year, including the average time taken to pay supplier invoices. The Board received a detailed briefing on the Group's key IT suppliers, highlighting risks and opportunities during the year.

During the six months ending June 2024, 79% of suppliers were paid within the pre-agreed period (77% in the six months ending December 2023). The Group settled 95% (December 2023: 91%) of all invoices within 60 days. In addition, the Board considered the annual statement setting out the steps taken to prevent modern slavery in the business and its supply chains. Further details are set out in the Group's Modern Slavery Statement, which is articulated on page 33.

Communities and Environment

At the heart of the Group's business model is equality of opportunity, to back people who have been underserved by the bigger banks. The Group desires to help break the cycle of poor social mobility in the UK and give back to the communities it is a part of. The Group has a central role in the Purpose Coalition, a cross-party initiative that is supported by a mix of private and public sector organisations committed to "levelling up" on the ground in the UK.

The Group has published its Report to Society which provides details on the work undertaken to support the Purpose Coalition and this can be found on the Group's website.

The Board conducted a Deep Dive on Sustainability during the year. Further information on the Group's approach to ESG & Sustainability can be found on page 24. Climate change is a key focus for the Board. Work is supported by the Board Risk Committee, which has overseen the introduction of the new climate change framework for the Group. Aldermore's inaugural disclosures, aligning to, Climate-related Financial Disclosure ("CFD") requirements are included within this report (see page 35). These reflect: (1) progress made in developing the Group's climate risk capabilities; and (2) future areas of focus.

Investors

The interests of the Group's Shareholder are currently represented on the Board by two Shareholder Directors, Mary Vilakazi and Markos Davias, previously Alan Pullinger and Harry Kellan before they resigned from the Board on 31 March 2024,. Shareholder representatives are also invited to attend Risk Committee and Audit Committee meetings, and the Chair meets quarterly with the Chair of the shareholder.

The Group is represented on the FirstRand Board and Board Committees by Executive Committee members. The CRO represents the Group at the FirstRand Risk, Capital Management and Compliance Committee. The CEO represents the Group at the FirstRand Board, the FirstRand Remuneration Committee, the FirstRand Social, Ethics and Transformation Committee and the FirstRand Strategic Executive Committee. Additionally, a number of committees and fora are attended by both FirstRand and Group Executive Committee members on a reciprocal basis, for example the Asset, Liability and Capital Committee, Credit Committee and the Sustainability and Governance Executive Committee.

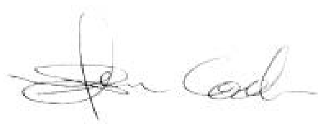
The Senior Management team maintains regular dialogue with debt investors.

Regulators

It is highly important to the Board that the Group has regular, open, and transparent dialogue with its regulators, ensuring alignment on evolving regulatory priorities and compliance with new regulations, for example Consumer Duty. Throughout the year, the Chair, Executive Directors and the Chief Risk Officer have met regularly with the PRA whilst Executive Directors, including the Chief Executive Officer, have also met with the FCA. The Chair and Executive Directors also met with the South African Reserve Bank, the Shareholder's regulator.

The regulatory engagement has focused on risk management, capital and funding planning, implementation of the Group's new strategy, Consumer Duty implementation, the Bank of England's Minimum Requirement for Own Funds and Eligible Liabilities ("MREL") and BCBS 239 (the Basel Committee on Banking Supervision's principles for risk data aggregations and reporting). Additionally, focus has been on addressing the Group's response to the outcome of the PRA's 2023 Periodic Summary Meeting ("PSM") with the Board. The Group provided the PRA with a comprehensive response to demonstrate that all the matters raised in the review were being addressed. As such several of these actions have been closed, although it is noted that some key long-term actions remain in progress.

The business continues to be actively engaged with the FCA on its review of historic motor discretionary commission arrangements which will report back in May 2025.The Board regularly discusses regulatory developments and receives briefings, including PRA priorities. Consumer Duty is a key area of focus and having approved the implementation plan, the Board conducted a comprehensive review to ensure the Group's readiness for this. In July 2024, the Board were presented with management's first annual assessment of the outcomes being received by retail customers and the associated compliance with the obligations under Principle 12 and PRIN 2A (of the FCA Handbook) for the period 31 July 2023 to 30 June 2024. The assessment concluded that the Group was delivering good outcomes for customers and was compliant with the requirements of the Consumer Duty whilst noting that there were activities planned to further embed the Consumer Duty principles. This Strategic Report, beginning on page 5 and the principal risks and uncertainties on pages 86 to 91 were approved by the Board and signed on its behalf by:



Steven Cooper CBE
Chief Executive Officer
2 September 2024

3. Corporate Governance

Corporate governance

Corporate governance structure

The Board has delegated a number of its responsibilities to board committees, which utilise the expertise and experience of their members to examine subjects in detail and make recommendations to the Board where required. This delegation allows the Board to focus more of its time on strategic and other broader matters. The chairs of the Board Committees provide the Board with a verbal update on matters discussed at each meeting and Board Committee papers and minutes are made available to the whole Board through a secure online system.

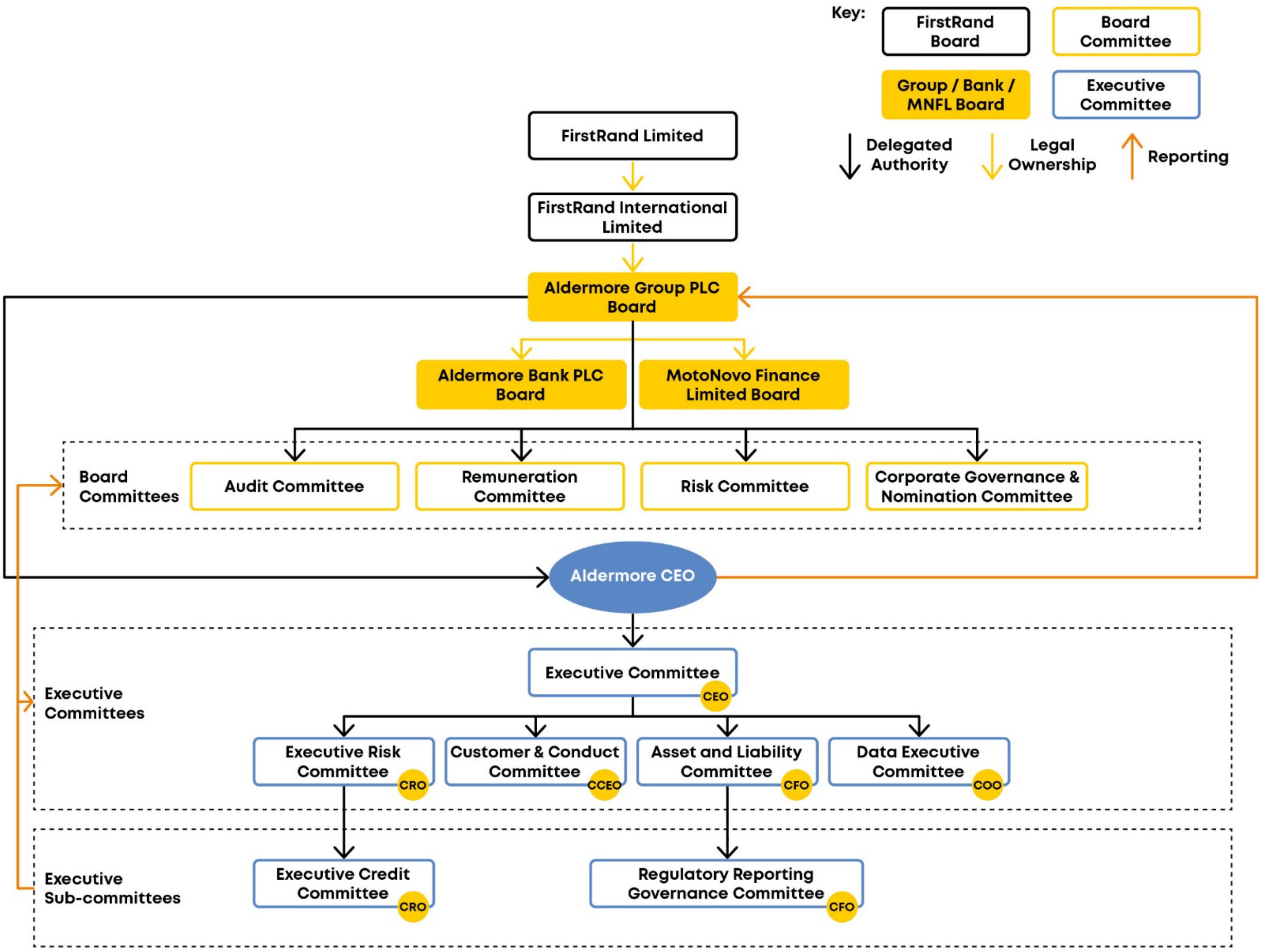
The Boards of Aldermore Group and its subsidiary undertakings are committed to implementing a well-defined and well-structured corporate governance framework to achieve long-term sustainable success.

Aldermore Bank and MotoNovo Finance are wholly owned operating subsidiaries of the Aldermore Group. The boards of the Group and the Bank meet concurrently and the board of MotoNovo Finance meets separately. The Bank is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA. MotoNovo Finance is authorised and regulated by the FCA.

The Board is committed to the highest standards of corporate governance and best practice. The Board recognises that effective governance is key to the implementation of our strategy for our shareholder and wider stakeholders. Aldermore Group has applied the Wates Corporate Governance Principles for large private companies for its financial year ended 30 June 2024.

In 2022, the Group commenced a refresh of its strategy and blueprint, as well as a reshape of its business model in order to build its capabilities and achieve its growth targets. To support this, structural changes were made to both customer-facing divisions and Group support functions, alongside a number of changes to the Executive Committee. As a result, the executive governance framework was updated in September 2022 to ensure effective corporate governance across both strategic and BAU activity; executive committees now consist of the Executive Committee, Executive Risk Committee, Asset & Liability Committee, Regulatory Reporting Governance Committee, Executive Credit Committee, Data Executive Committee and Executive Pricing Committee. There is appropriate upwards alignment with Board Committees and regular updates are provided to the board through these channels.

Governance Structure Diagram



The Wates Corporate Governance Principles

The Group is committed to delivering high standards of corporate governance which is enabled through an effective corporate governance framework and given oversight by the Board and Committees, as well as having in place robust policies and practices, such as the risk management framework. As in the previous year ended 30 June 2023, the Group has applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles" or the "Principles"), published by the Financial Reporting Council ("FRC") in December 2018.

The Wates Principles provide a framework for the Group's Board to monitor corporate governance standards across the Group, ensuring that the business remains aligned to its purpose, whilst identifying opportunities to continuously improve and enhance the Group's corporate governance framework. The Group believe that the application of these Principles results in better engagement with stakeholders, including customers, distribution partners, employees and suppliers. This in turn, enables the Group to create better outcomes for those groups and for our wider stakeholders, which includes the communities in which we operate. We are also mindful of the impact that our operations have on the environment.

The table below summarises the six Wates Principles and explains how each one has been applied by the Board and indicates where, by cross referencing, more information can be found in the strategic and governance reports. Throughout 2024/25, the Board will continue to review opportunities to strengthen corporate governance.

Principle	Summary	Page
Purpose and leadership	The Group's Board is responsible for the overall leadership of the Group and for promoting its culture and values. The Board must also give consideration as to how to implement policies and decisions made by the Group's parent and ultimate shareholder, FirstRand group. The Board is responsible for approval of the Group's strategic plans and for overseeing the delivery and execution of these which aim to generate long-term sustainable value. As a Group, Aldermore's enduring purpose supports FirstRand's commitment to enrich lives, by backing more people to go for it, in life and business. Our purpose guides everything we do and extends beyond just the products and services we offer. Our aim is to seek out more undervalued and underserved people and do good by helping them take the action needed to move forward in life, ensuring we meet the needs other institutions do not. We ensure our purpose remains central to our activity, by placing it at the heart of our blueprint; bringing our purpose together with our three strategic drivers, our chosen areas of society to impact and the behaviours necessary to deliver against it. Our blueprint serves as a daily reminder of why we are here, what we must do to back more people, and how we will collectively make it happen.	Page 5 Page 24

Board composition	The Board comprises eleven directors – the chair, two executive directors, six independent non-executive directors, and two shareholder non-executive directors. The non-executive directors bring outside experience across a range of areas, including finance, banking, strategy, risk, communications, brand and technology, and provide constructive challenge and influence. The composition of the Board is partly determined by the agreement with the shareholder. 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 30%. 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. There have been three new Board appointments during this period. The Company seeks to ensure that at least half the Board, excluding the chair, is made up of independent non-executive directors. The Company aims to have a Board that brings perspectives, skills and experiences from a wide range of backgrounds and disciplines. The Board appointment process is overseen by the Board Corporate Governance and Nomination Committee, which ensures candidates from a diverse range of backgrounds are considered on merit and against objective criteria. The process includes consideration of the impact individual candidates will have on overall Board diversity. The effectiveness of the Board and its committees is formally evaluated on an annual basis. Following the annual Periodic Summary Meeting ('PSM') with the PRA, which reviews the risk profile of the firm, challenges and validates the medium to long-term supervisory strategy and approves the supervisory plan for the following twelve months, the PRA follows up with a formal letter (PSM Letter) which summarises the outcome of the PSM and the actions the PRA expects the firm to take. The Corporate Governance and Nomination Committee did hold a discussion on the effectiveness and composition of the Board and its committees during the year and was satisfied that they remain effective and that the directors continue to demonstrate commitment to their roles.	Page 5 Page 59

Directors' Responsibilities	The Board has a non-executive chair to ensure that the balance of responsibilities, accountabilities and decision making is effectively maintained. The non-executive directors provide constructive challenge in the Board's decision-making processes. The Board receives regular reports on business, financial performance, colleague matters and engagement, stakeholders and key business risks. The Board has established an Audit Committee, a Risk Committee, a Remuneration Committee and a Corporate Governance and Nomination Committee. Each of these committees has clearly defined Terms of Reference, which are reviewed at least annually, and the Board receives regular updates on the activities and decisions of each committee. The Audit, Risk, Remuneration and Corporate Governance and Nomination Committees are comprised entirely of non-executive directors, the majority of whom are independent. The Board regularly reviews governance processes, the quality and integrity of management information and the effectiveness of internal processes and controls.	Page 121
Opportunity and Risk	Long-term strategic opportunities are evaluated by the Board. The Risk Committee plays a key role in providing oversight and advice to the Board on the current risk exposures and future risk strategy of the Group, including the transformation of the Group's Risk Management Framework. It also oversees performance against the Group's approved risk appetite. The Executive Risk Committee assists the Chief Risk Officer in designing and embedding the Group's Risk Management Framework, monitoring adherence to risk appetite statements, and identifying, assessing and controlling the principal risks within the Group.	Page 66
Remuneration	The Remuneration Committee has clearly defined terms of reference, which are reviewed at least annually, and is responsible for setting the Group's remuneration policy and recommending and monitoring the level and structure of remuneration for the Chair of the Board, all executive directors, members of the senior leadership team and any identified staff, including pension rights and any compensation payments. Pay is aligned with performance, considering fair pay and conditions across the Group's workforce. The Committee takes advice from independent external consultants who provide updates on legislative requirements, market best practice and remuneration benchmarking.	Page 72
Stakeholder relationships and engagement	At the heart of our business and our strategy is our purpose – "Back more people to go for it, in life and business". It is a statement fundamentally aimed at our customers (including our intermediary partners) because they are the reason we exist, and it signifies the role we play in building loyalty with customers colleagues and partners by anticipating and responding to their changing needs and circumstances. The Section 172(1) statement on pages 51 to 55 sets out the details of some of the engagement that takes place at an operational or Group-level with key stakeholders. Additionally our Strategic Review pages 5 to 23 sets out how the business continues to deliver for our customers, communities and stakeholders.	Page 5 Page 51

Audit Committee report

I am pleased to present the Audit Committee's report for the year ended 30 June 2024. It has been another challenging year, as noted in the report below, but the outlook has improved since June 2023. The Committee has spent much time considering the economic impacts of high inflation and other macro-economic impacts including the UK cost of living crisis on our loan loss provisions and effective interest rate assumptions. However, with inflation reducing, house prices stabilising and the expectation being that interest rates have peaked, the level of uncertainty has reduced.

The Committee is comprised of independent non-executive directors. I was appointed Chair of the Committee in May 2014 and therefore reached nine years of tenure in May 2023. In line with UK best practice (UK Corporate Governance Code (the "Code")), tenure of longer than nine years is considered to inhibit a director's independence. Although the Group is not required to comply with the Code, it does strive to be in line with best practice as a dual regulated financial services firm. At a meeting of the Corporate Governance and Nomination Committee ("CGNC") held in February 2024, the Committee noted that that the succession gap had been successfully addressed. The Board had approved the appointment of Alasdair Lenman as a non-executive director (NED) and as the new chair of the Audit Committee, replacing me. Mr. Lenman's appointment as a NED would be effective from July 1, 2024, and his transition to the role of chair of the Audit Committee would follow in due course. Until then, I will remain as chair of the Audit Committee for the time being.

The other members of the Committee are Richard Banks (appointed 1 September 2020), Desmond Crowley (appointed 1 May 2020), Romy Murray (appointed 1 August 2021) and Markos Davias who joined the Committee on 1 April 2024.

The Committee's principal responsibilities are:

Monitoring the integrity of the Group's financial statements, including reviewing whether appropriate accounting standards have been followed, and reviewing key areas of judgement.

During 2023/24, the Committee:

- Approved the Pillar 3 disclosures as at 30 June 2023 and the associated Pillar 3 Reporting Policy.
- Reviewed a summary of Deloitte's findings of the calculation of the Group's expected credit losses ("'ECL") estimate from the prior year audit, which, highlighted a number of areas that required attention. It reviewed management's action plan for addressing these areas and received frequent updates on progress made. Overall, the Committee satisfied itself that management's response plan and the controls put in place to improve the overall accuracy and completeness of the Group's ECL were robust.
- Recommended the Annual Report and Accounts of the Company, the Bank and MotoNovo Finance, for the year-ended 30 June 2024, to the respective Boards for approval.
- Significant matters and key areas of judgement reviewed by the Committee in respect of the Annual Report and Accounts for the year to 30 June 2024 were:
    - Loan impairment provisions - Reviewing the Group's approach to applying the IFRS 9 accounting standard taking account of the improvements to the Group's models implemented during the year. The key assumptions and judgements underlying the provisions, including management overlays and post model

adjustments for identified issues not fully covered by the provisioning models were challenged and reviewed, notably the impact of affordability on the Group's portfolios following the ongoing UK cost of living crisis which, continues to exacerbate the cost-of-borrowing crisis. The Committee considered the accuracy and validity of forward-looking indicators ("FLI"), adopted across all portfolios and used to incorporate forward looking macro-economic forecasts within the expected credit loss ("ECL calculation").

  - Monitored the sensitivity of the Group's forecasted macro-economic scenarios and weightings used for the June 2024 financial year-end calculation of impairments. The committee noted that, since June 2023, the macro conditions had improved, resulting in updates to the macro-economic scenarios and weightings to reflect the improving outlook.
  - Monitored the expected impacts to the ECL engine for the financial year-end arising from the implementation of models and customer remediation activity across the Group. The committee concluded that management's approach and assumptions around IFRS 9 impairments were appropriate and reflected fairly in the associated disclosures contained in the financial statements.

- Monitored the effectiveness of the Effective Interest Rate ("EIR") accounting models. The models record EIR on each individual loan and record against actual observed results. The impact from the current higher rate environment compared to previous experience across each of the business lines was also assessed. Management reviewed and updated the Mortgages and Asset Finance prepayment curves during the year and implemented Mortgages loyalty products into the automated EIR models for the first time; with the adjustments made here agreed as a change in accounting estimate.
- The Committee endorsed the judgements made by management.
- Impacts of ongoing customer remediation activity across the Group and that the associated costs of remediation were appropriately recorded in the financial statements. The Committee were content that the items had been fairly disclosed.
- The Audit Committee reviewed and challenged the calculation of the provision for Motor Commission claims and the related disclosures. Satisfactory explanations were received from management and the Committee endorsed the provision.
- The Committee recommended that the Group's Annual Report and accounts should be prepared on a going concern basis and the statement should be approved by the Board, following a detailed review of the underlying analysis prepared by management and the relevant disclosures in the financial statements.

Monitoring the effectiveness of the Group's internal control systems

During 2023/24, the Committee:

- A Reviewed the final observations from the external auditor, Deloitte LLP ("Deloitte") arising from the testing of the Group's internal controls relevant to the audit of the financial statements for the year ended 30 June 2023.
- Considered the findings of the Group Internal Audit function's programme of audit reviews throughout the year.
- Received a detailed presentation from management on plans to improve the controls over user access management of the IT Estate.
- Approved the annual Money Laundering Officer's report.
- Reviewed and approved the Group Whistleblowing Policy.
- Assessed the Group's systems of risk management and internal controls, including a

specific assessment that the financial statements were free from material error due to fraud.

- Ratified the findings of an assessment of the Group's internal financials controls at year end 2024 to fulfil listing requirements for FirstRand Limited.
- Assessed the Group's systems of risk management and internal controls and concluded that, overall, the internal control environment was satisfactory and that the controls and procedures in place remained fit for purpose.
- Approved an attestation from management that the Group's regulatory reporting throughout the year was as complete and accurate as reasonably possible.

Reviewing the effectiveness of the Group Internal Audit ("GIA") function and reviewing GIA reports and monitoring management's responsiveness to findings and recommendations

The Committee commissioned an independent external review of the effectiveness of GIA, in line with Chartered Institute of Internal Auditors (IIA) guidelines. The overall assessment of the function was 'generally conforms' against the IIA standards and Financial Services (FS) Code. The report highlighted a number of areas for attention in the spirit of continuous improvement and evaluated GIA to be effective.

Specifically, during 2023/24, the Committee:

- Approved audit plans for GIA reviews across both Aldermore and the MotoNovo Finance business covering the period from July 2024 to June 2025.
- Approved an updated GIA Charter, which sets out the mandate and remit of the function.
- Reviewed quarterly reports from GIA on the output of the function's work, progress against the plans for 2023 to 2024 and management's progress on remediation of issues. Where appropriate, the Committee approved amendments to the plans.
- Considered the outcomes and trends from the thematic review of the 2022/23 audit findings which had concluded that no systematic weaknesses had been identified.
- I met regularly with the Chief Internal Auditor and also met with the members of her team. The Committee also held a private session with the Chief Internal Auditor and a number of the senior members of the team made presentations to the Committee.

Overseeing the relationship with and independence of the external auditor, Deloitte, appointed with effect from 1 January 2017

Specifically, during 2023/24, the Committee:

- Reviewed the external audit plan for 2023/2024, as well as Deloitte's terms of engagement and approved their 2023/24 fee proposal for the audit of the Group accounts for the year ended 30 June 2024. This review included consideration of the experience of the audit team assigned.
- Considered the external auditor's assessment of their own independence, including the provision of any non-audit services provided by the audit firm, or firms in their network.
- Reviewed the Group's Combined Policy on Non-Audit Services, auditor independence and employment of former employees of the Auditor and approved non-audit services provided by the external auditor. The committee monitored adherence to additional

governance requirements in relation to the engagement for non-audit services of PricewaterhouseCoopers LLP and EY, joint auditors of the FirstRand Group.

- Reviewed control observations made by the external auditor, including management's responses.
- Reviewed representation letters to the external auditor and recommended these for Board approval.
- Met privately with the senior members of the Deloitte audit team. In addition, I met regularly with Deloitte during the period to facilitate effective and timely communication.
- Carried out an assessment of the effectiveness of external audit, concluding that this was satisfactory.

Other activities

- Following the FirstRand group's decision to rotate their current dual auditors (PwC and Deloitte) and to appoint EY in place of Deloitte starting from the current financial year and KPMG from 1 July 2025, the Group has run a tender process to assess who should become its new auditor from 1 July 2024. KPMG will be appointed as the external auditor of the Group with effect from 1 July 2024. The Committee was satisfied that KPMG had demonstrated its independence prior to its appointment.
- The Committee received regular briefings on the Group's reporting to its regulators in both the UK and South Africa and the progress made in the ongoing automation of reporting in this area.
- The Committee also carried out a review of its own Terms of Reference during 2023/24. A number of minor updates were recommended to and approved by the Board.

John Hitchins
Audit Committee Chair

Risk Committee report

As chair of the Risk Committee, my report provides an overview of the work of the Committee during the year. In last year's report I spoke about the ongoing challenges of managing risk through global economic uncertainty, the protracted cost-of-living crisis in the UK caused by high energy, power and food prices, rising interest rates and inflation putting pressure on lending and housing costs, together with the global impacts of the war in Ukraine. Looking back over the last financial year, the burden on hard-pressed UK households has started to ease. In the last three months of 2023 UK workers' wages rose by 6.2%, energy prices fell in the summer and autumn 2023 and again in April 2024. The UK inflation rate has fallen to the lowest level in two and a half years and hit the Bank of England's ("BoE") inflation target of 2% in June 2024. Although the BoE's base rate has remained unchanged for nine months, it still remains the highest it has been since the 2008 financial crisis resulting in mortgage rates being much higher meaning that many, including our own employees, are still having to make difficult decisions on how to allocate their resources.

It is the Committee's role to provide oversight of and advice to the Board on these current and potential horizon risk exposures and to shape the future risk strategy of the Group. This includes implementation of the Group's Risk Management Framework ("RMF"), making refinements as necessary and making recommendations to the Board to ensure compliance with the Group's Risk Appetite ("RAS").

The Committee is comprised of non-executive directors. I was appointed as a member on 1 September 2020 and as chair with effect from 21 December 2020. The other members of the Committee are Desmond Crowley (appointed 1 May 2020), Ruth Handcock (appointed 1 October 2021), John Hitchins (appointed 28 May 2014), Romy Murray (appointed 1 August 2021) and Markos Davias (appointed April 2024). In addition to its standing members, meetings of the Committee are attended by the Chief Risk Officer ("CRO"), the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and other senior managers, as required. The Group's Internal Audit Director and the Group's external auditor also attend meetings.

The Group's Risk and Compliance functions are led by Michelle Mott, the Group's CRO. Michelle joined the Group in February 2024 and, under her leadership, the team is committed to further developing the capability and effectiveness of the function to match the growth and complexity of the business. Since joining the business, Michelle has commenced a Group-wide risk strategy and governance refresh, which includes updating the Risk Target Operating Model ("TOM") so that the 3 Lines of Defence ("3LoD") continue to have the capacity and capabilities to effectively manage risk across the Group.

The Committee places great importance on the relationships we have with our regulators, maintaining integrity and transparency in all aspects of engaging with them. During the year, the Committee has received and considered feedback provided by our regulators, whether as part of ongoing regulatory reviews, activities that are specific to the Aldermore Group and/or industry-wide matters. It is our belief that an important aspect of maintaining good relationships is a healthy dialogue. We openly discuss matters with our regulators across a number of topics, including customer outcomes, the RMF, credit quality, liquidity and capital adequacy, business planning, thematic reviews and implementing new regulations such as Consumer Duty. There have been regular meetings with our regulators involving both myself, as Chair of the Committee and Michelle Mott as CRO.

Areas of focus

The Committee has provided oversight and consideration of the following key areas:

- Ongoing monitoring of the macro-economic conditions, in particular, the cost-of-living and its impact on vulnerable customers and the management of borrowers in financial difficulty. The Group's Credit Risk Framework, together with its policies and risk appetite limits and thresholds have been subject to review and the Committee has considered the impact on stakeholders ensuring, in particular, that appropriate support is provided to customers.
- Further embedding of the Group's risk culture, which is key to supporting the maturing RMF, with ongoing enhancement to risk reporting capabilities, applying appropriate focus on high materiality matters and improving the robustness and quality of internal risk management information reporting.
- Reviewing the implementation of the programme of work undertaken ensuring that the Group successfully met the July 2023 deadline for the first phase of the new Financial Conduct Authority ("FCA") Consumer Duty. The Committee has provided continuous oversight of progress ensuring alignment with regulatory expectations and the Group's commitment to ensuring that its customers receive good outcomes.
- Ongoing review of the Group's enhancement of its financial crime risk and controls framework to ensure that it remains fit for purpose and continues to evolve to provide strong systems and controls to prevent financial crime.
- Capital and liquidity stress testing.
- Reviewing the completeness of the process and the outcome of the Group's recovery and resolution plans (the "RRP") ensuring that the Group's recovery plan capacity is robust.

At each meeting of the Committee a risk report is provided by the CRO. Updates are provided on the Group's risk management, culture, governance and engagement, as well as ensuring that key risk themes are discussed. Where appropriate, briefings are supported by the CEO, CFO or subject matter experts. The Committee uses a forward planning tool to ensure that all key areas of focus are discussed throughout the year.

Key recurring themes for discussion include the macroenvironment which, for example, considers the economic outlook and market conditions and updates from all principal risks, including legal risks. In addition to these, periodic reviews and topical discussions are scheduled which include updates on the current market volatility as we see trading pressures impacting business risk – pricing challenges on both sides of the balance sheet with an uncertain outlook on interest rates and the impact of a change of UK Government.

The Committee also receive updates on the Group's customers where the work of the Customer and Conduct Committee is reviewed including customer outcome testing, customer vulnerability and supporting customers in financial difficulty.

The Committee regularly receives deep-dives which, over the past financial year, included the UK Property Market, Motor – Used Car Market and Consumer Duty; the latter focussed on implementation by the 31 July 2023 and embedding during the rest of the year.

The Committee reviews the most material frameworks for the Group at set intervals such as the RMF and the Risk Appetite Framework.

Some of the key matters discussed by the Committee are explored further below. Additionally, set out on pages 86 to 91 is a summary of the Group's principal risks and key mitigants, together with an overview of emerging risks and recent and anticipated future developments. More information on the Group's approach to risk management, the governance framework for managing risks and stress testing, together with a full analysis of the Group's principal risks, can be found in the risk management section on pages 81 to 119.

The structure and format of meetings of the Committee enable its members to provide challenge, oversight and to bring their broad external perspectives and expertise to bear on developments. As chair, it is my responsibility to ensure that all members have the opportunity to contribute during meetings, allowing adequate time for questions and extending the same opportunity to members who cannot attend by taking their questions off-line and ensuring these are represented during meetings.

Credit risk

The credit risk profile of the Group is closely monitored by the Committee, with regular reporting to demonstrate the Group performance against risk appetite statements and risk metrics. The Committee has continued to focus on the impact of the economic downturn on the lending lines and the impacts on credit policy. The Committee has focussed heavily on monitoring trends in arrears together with broader implications of the increased cost-of-living more generally for both customers and employees. The Committee receives analysis and reports on the impact on our customers, tracking performance of the Group's credit risk profile and monitoring customer outcomes, ensuring that we are able to support our most vulnerable customers.

Capital and liquidity risk

The Committee receives regular updates and reports on the Group's capital and liquidity risks, including actual and forecast levels in relation to key risk appetite framework metrics. The Group performed detailed annual assessments of its liquidity and capital within its Internal Liquidity Adequacy Assessment Process ("ILAAP") and Internal Capital Adequacy Assessment Process ("ICAAP"). The Committee reviewed and approved the Group's ILAAP and ICAAP during the year, receiving regular updates, presentations and reports throughout the process.

Market risk

The Group has a low appetite for market risk as it does not have a strategic intention to profit from market risk. Although the Group does not seek to take market risk, the Committee reviewed the interest rate risk that the Group carries as part of the ICAAP review process and reviewed the Treasury Risk Management Framework as part of the annual review process, approving changes to the document.

Operational risk

The Group's operational risk profile and operational resilience has been another area of focus for the Committee. Areas of focus and discussion have centred around key operational risk themes e.g. technology, cyber security, data, outsourcing and supplier management and the implications of the proliferation and application of artificial intelligence ("AI").

The constant threats to technology, data and cyber continue to develop and move at pace and the Committee has maintained a focus on these areas with regular papers and dashboards of metrics presented to the Committee to demonstrate how the systems of control are performing highlighting any areas of concern.

The Committee not only monitors the performance of the Group's own systems but also the Group's material outsourced arrangements. Various external cyber security events have reinforced the importance of security assessments of our key third party suppliers which are discussed by the Committee. This work also highlights disaster recovery and operational resilience to provide confidence in the Group's capability to recover its business-critical services and sustain services to customers.

Throughout the year the Committee also received updates on key risks and controls across Aldermore and MotoNovo Finance.

Compliance, conduct and financial crime risk

Conduct risk management is a key area of focus and as part of the regular updates provided by the CRO, the Committee received reports on performance against conduct risk metrics.

The new FCA regulations on Consumer Duty became effective on 31 July 2023 setting a higher bar on how UK banks, insurers and wealth and asset managers treat their customers. The Consumer Duty demands that firms must deliver good outcomes for retail customers and the Committee's role is to support the Board in providing oversight and challenge to the management team on executing its strategy to implement and embed the Consumer Duty in the business. This includes the development of end-to-end customer outcomes testing and operational processes to ensure the Group reaches a deeper understanding of its customers and their aims. Consumer Duty implementation, embedding and ongoing monitoring has been discussed at meetings of the Committee with risk and programme update reports provided by the CRO and the Group's Chief Customer Experience Officer respectively. I am also the Consumer Duty champion for the Group and mindful of the need to ensure that the Committee has received sufficient assurance to satisfy itself that the Group is meeting the Consumer Duty requirements and that the Group's overall strategy and culture is aligned with the Duty.

The business has continued to see an escalation in activity from claims management companies and FOS in relation to discretionary commission arrangements ("DCAs") used in motor finance arrangements prior to January 2021. On 11 January 2024, immediately after two adverse FOS final decisions against Barclays and Black Horse, the FCA announced a diagnostic review of historic motor discretionary commission arrangements using powers it has under s166 of the Financial Services and Markets Act 2000. The FCA has also suspended the eight week deadline for motor finance firms to provide a final response to customer commission complaints – this applies to all complaints received since 17 November 2023 where a discretionary commission arrangement was used. This review is ongoing and the FCA has pushed back the publication of the outcome of the review from September 2024 to May 2025. The Committee is kept informed of progress noting that Management and Board Steering Committees have been established to manage any potential consequences arising from the market review from an operational, financial and legal perspective.

Remediation work is being performed in a small number of areas with full and transparent disclosure to the FCA, including lessons learned. In circumstances where the Group may have determined that a process has not, or may not have, resulted in the best outcome for that customer the business undertakes to support those impacted customers. The Committee has worked closely with the business to understand the scope and to provide challenge on the execution of remediation work.

In addition, the Committee continues to support and challenge the business on identifying and supporting its vulnerable customers; the Group has a control framework in place to manage the associated risks with a Group Vulnerable Customer Policy supported by colleague training. This continues to be a top priority for the business and for the regulator.

The Committee has received assurances on data protection and General Data Protection Regulation ("GDPR") compliance across all areas of reporting and activity.

Model risk

Following the annual review of the Model Risk Management Framework ("MRMF"), five key enhancements to incorporate stakeholder feedback and new regulatory requirements were approved by Committee. These included an update to the definition of a model, clarifying the role of the model owner and their accountabilities, the establishment of a new 'executive models committee' to oversee model risk, the introduction of model development areas to ensure the appropriate understanding of model risk policy and standards and prioritisation of all material models with 100% of all Tier 1 models requiring to be within governance.

Reputational risk

Reputation risk often arises from activities under other principal risks. Updates are provided to the Committee on an "exceptions" basis, as part of the report provided by the CRO.

Climate risk

The Group continues to develop its capabilities in understanding and managing climate-related risks and opportunities. The Committee has received updates during the financial year regarding progression of the climate risk programme, climate risk reporting and the status of climate risk within the risk taxonomy. Moving forwards, the Committee will continue reviewing performance against shadow risk limits alongside progression of the Group's net zero roadmap.

Three Lines of Defence model

The Group operates a recognised Three Lines of Defence ("3LoD") approach to articulate the risk management roles and responsibilities of individuals. A review by the business of its approach was undertaken during the year which identified enhancements to the definition and consistent implementation of the 3LoD model across the divisions in supporting the management of risk across the Group.

Risk frameworks and policies

The Group Framework, Policy and Standard Document sets the requirements for how the Group develops and maintains its frameworks, policies and standards to support consistent decision making and the Committee continues to oversee the effectiveness of the risk management framework and the development of all material policies and frameworks. The Committee also carried out a review of its own Terms of Reference during the year with updates being recommended to and approved by the Board.

Risk culture

The Board is committed to establishing and maintaining a strong risk culture as a fundamental element of the Group's corporate culture. This risk culture promotes effective risk management that is consistent and commensurate with the nature, complexity and risk profile of the business. An effective risk culture is seen as a key enabler to the successful delivery and execution of the Group's RMF.

The importance of risk management is embedded at all levels of the business and all employees are expected to understand and have accountability for the risks they take. Appropriate risk management and the behaviours expected to deliver this are core to the Group's performance management process. Risk performance is a key enabler to delivering a sustainable and profitable business strategy, driven by a strong risk culture.

Remuneration matters

The Committee supports the Remuneration Committee by assessing risk performance and is required to review the Group's risk culture and the effectiveness of it across the Group. All colleagues have a mandatory risk objective to understand how risks operate in the environment relative to their role and how risk management is embedded in their day-to-day work.

The Committee also has a duty to advise the Remuneration Committee regarding both the design of senior executive annual and long-term incentive plans, to ensure that management are not being incentivised to take undue risks. In particular it advises on any risk management and control issues that have arisen throughout the year when determining executive remuneration payments under the aforementioned plans. During the 2023/24 financial year, the Committee reviewed regular reports from the CRO in relation to such matters.

Emerging/horizon risks

The Committee has considered, as part of the broader Board coverage, the emerging risks and evolution focused on global trends as well UK specific issues. The key emerging risks relevant to the Group are captured in the Emerging Risk section on page 92.

Richard Banks
Risk Committee Chair

Remuneration Committee report

I am pleased to present the Remuneration Committee's Report for the financial year ended June 2024. This report provides an overview of our Committee, its key areas of focus over the course of the year, and our key remuneration policies and practices. We also report our directors' emoluments in accordance with the Group's annual reporting requirements.

Our approach to our remuneration disclosures has been reviewed this year to ensure we are aligned to Aldermore's status as a large subsidiary, and to continue to provide an appropriate level of transparency for our stakeholders. For the year ended 30th June 2024, the Board has applied the Wates Corporate Governance Principles for Large Private Companies. I can confirm that we adhere to these principles in so far as they relate to our overall approach to remuneration at Aldermore, and we have no relevant deviations to disclose.

Our Committee

The Remuneration Committee (Committee) is primarily responsible for overseeing the development and implementation of the Group's remuneration policies and practices, and setting and overseeing the level and structure of remuneration for senior individuals of the Group. Our approach to remuneration is to promote the long-term success of the company, and to attract, motivate and retain colleagues of a high calibre who can deliver sustained performance consistent with our strategic goals, appropriate risk management and the company's values and culture.

The Committee is comprised of a majority of independent non-executive director members, and I was appointed as chair with effect from 6th December 2022. The other members of the Committee are Pat Butler, Richard Banks (both serving for the full year), and most recently Markos Davias with effect from 1st April 2024. As the Group is wholly owned by our parent company FirstRand Group, Markos is one of two shareholder appointed non-executive directors on the Board, following Alan Pullinger and Harry Kellan formally stepping down in March 2024. Prior to his departure, Harry was a member of the Committee for most of the financial year, and I would like to take the opportunity to thank him for his continued support and guidance.

In addition to our members, the Committee is frequently attended by our executive directors and key members of management to provide subject matter expertise to the Committee. No director is involved in a decision about their own remuneration.

During the course of the year, Aon acted as our Committee's independent remuneration advisors and I can confirm they do not provide any additional services to the Group that would create a conflict of interest.

Key areas of focus

This year, we developed our pay philosophy which applies to all colleagues and is anchored on the principles of fairness, competitiveness, and performance.

- Clear and Simple: our 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: we have transparent frameworks that enable us 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 and brand.

We have thought carefully about the performance measures used to determine the overall bonus pool for the Group, ensuring an appropriate balance of financial and non-financial measures, and alignment to the Group's key strategic objectives.

When assessing performance, in addition to the Group's robust financial performance this year, we considered the significant progress made in relation to non-financial measures such as the implementation of our customer focussed Consumer Duty objectives, and progress made in delivering our sustainability plan. This includes our ESG objectives which are linked to Aldermore's goals around climate impact, economic transformation and financial inclusion as set out on page 24 of the report.

Continuing the topic of Consumer Duty, we have also sought and received assurance this year that our remuneration structures continue to drive the right behaviours and outcomes for our customers, in preparation of the final stages of the rules coming into force.

Given the volatilities experienced in the UK economy this year, financial well-being for our colleagues has rightly been a key focus. The Group successfully launched a new benefits platform and have introduced several additional benefits to promote financial education and support, as well as financial security. Given the volatilities experienced in the UK economy this year, financial well-being for our colleagues has rightly been a key focus. The Group successfully launched a new benefits platform and has introduced several additional benefits to promote financial education and support, as well as financial security. As a continuation of the financial support we put in place last year for colleagues (i.e. a series of cost of living payments) we are proud to continue to operate our hardship fund which is available to all colleagues and can be accessed where individuals are experiencing particularly challenging financial situations.

Group wide remuneration

In line with our philosophy, Aldermore seeks to pay all its staff competitively and fairly for the roles they undertake and applies similar principles for remuneration across the workforce to those which apply to our executive directors.

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.

For our most senior colleagues and those subject to certain regulatory requirements, a proportion of award is subject to deferral, and malus and clawback provisions apply, promoting behaviours that support long-term, sustainable success.

Remuneration for our directors in financial year ended 30th June 2024

Emolument	2024		2023	
	All Directors (incl. highest paid)	Highest Paid Director	All Directors (incl. highest paid)	Highest Paid Director
	£m[5]	£m[5]	£m[5]	£m[5]
1) Total Emoluments	4.62	2.21	4.60	2.25
2) Cash in lieu of pension	0.13	0.07	0.10	0.05
3) Long Term Variable	0.00		0.04	
4) Payments for loss of office	0.00		0.00	
Total	**4.75**	**2.28**	**4.74**	**2.30**

Notes to table:

1) Total emoluments consist of salary or fees paid for qualified services, market adjusted allowances where applicable, awarded annual bonus through the Group's Annual Incentive Plan (AIP) and any taxable benefits paid. NED fees are reviewed annually, considering time commitments and equivalent benchmarks to those used for the Executive Directors. Fees are structured as a basic fee with additional fees for chairmanship or membership of Board Committees or further responsibilities (such as acting as Senior Independent Director). The Chairman receives a basic fee only.

Our bonus plan operates annually, performance measures are set by the Committee at the start of the financial year and targets are assessed following the year-end. A portion of annual bonuses will be deferred as 50% in cash and 50% in equity-linked instruments which mirror the percentage change in FirstRand's share price, albeit not subject to changes in the Rand: GBP exchange rate. Malus and clawback provisions apply to both the cash bonus and the deferred bonus. Non-Executive Directors are not eligible to receive variable remuneration.

2) Aldermore currently operates a defined contribution scheme for all employees including Executive Directors. Company contributions are set as a percentage of salary and an individual may elect to receive some or all of their pension allowance as cash in lieu of pension contribution. The maximum allowance for all employees is set at 10% of base salary. No company contributions were paid into the pension scheme in respect of directors' qualifying services during the year ended 30th June 2024.

3) To motivate senior management and incentivise delivery of high performance over the long-term, executive directors are eligible to participate in the Group's Long Term Incentive Plan. The Committee sets performance measures at the point awards are granted with vesting subject to a 3-year performance period. Most recent awards have been subject to a balance of measures; 20% against FirstRand performance conditions and 80% against an Aldermore balanced scorecard of financial and risk related measures. Directors were granted long term incentive awards in 2020 that vested in September 2023. No gains were made on the exercise of share options.

4) No termination payments were made to directors in respect of loss of office.

5) As the Group is wholly owned by our parent company FirstRand, the Group Board of Directors has two shareholder-appointed non-executive directors. Alan Pullinger and Harry Kellan stepped down from Board duties on 31st March 2024. Over the course of the year, no remuneration was paid to either Alan or Harry from the Group, however an equivalent sum was paid to FirstRand in respect of services received. Mary Vilakazi and Markos Davias were both formally appointed to the Group's Board on 1st April 2024 and in line with the remuneration practices for their predecessors, no remuneration is directly paid by the Group to either Non-Executive Director.

Looking ahead

Moving into the new financial year, the Committee and I look forward to focussing on further embedding our pay philosophy and ensuring our approach to remuneration supports the strategic direction and risk appetite of the Group.

Romy Murray
Remuneration Committee Chair

Directors' report

The Directors present their report and the financial statements of the Group for the twelve months ended 30 June 2024. As permitted by legislation, some of the matters normally included in the directors' report are included by reference as detailed below.

Requirement	Detail	For more information:	
		Section	Location
Business Review	Information regarding the business review and future developments, key performance indicators and principal risks are contained within the Strategic Report.	Strategic Report	Pages 19 to 23 (Business Overview) Page 18 (Key performance indicators) Pages 86 to 91 (Principal risks)
Strategic Report	The contents of the Strategic Report fulfil Section 414C of the Companies Act 2006.	Strategic Report	Pages 5 to 55
Results	The results for the year are set out in the income statement. The profit before taxation for the year ended 30 June 2024 was £253.1 million (year ended 30 June 2023: £222.5 million). A review of the financial performance of the Group is included within the Strategic Report.	Income statement Strategic Report	Page 135 Pages 5 to 55
Dividend	The Directors do not propose to recommend a final dividend in respect of the year ended 30 June 2024 (2023: £nil).	–	–
Financial instruments	The Group uses financial instruments to manage certain types of risk, including liquidity and interest rate risk. Details of the objectives and risk management of these instruments are contained in the risk management section.	Risk Management	Pages 81 to 119
Post balance sheet events	The Directors are aware of one material event that has occurred between the date of the statement of financial position and the date of this report. This relates to the Bank exercising its option to redeem the Oak No.3 PLC notes which was successfully completed on 29 July 2024. Prior to this, the Group recognised the notes issued by Oak No.3 PLC on the statement of financial position as debt securities in issue.	Note 34 to the consolidated financial statements.	Page 221

Share capital	At 30 June 2024, the Company's share capital comprised 2,439,016,370 ordinary shares of £0.10 each. The Company did not issue or repurchase any of the issued ordinary shares during the twelve months ended 30 June 2024 or up to the date of this report. Details of the Company's share capital are provided in note 24 to the consolidated financial statements.	Note 24 to the consolidated financial statements.	Page 202
Rights and obligations attaching to shares	There are no restrictions on the transfer of the Company's ordinary shares or on the exercise of the voting rights attached to them, except for: • where the company has exercised its right to suspend their voting rights or prohibit their transfer following the omission by their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Companies Act 2006; or • where their holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers. All the Company's ordinary shares are fully paid and rank equally in all respects and there are no special rights with regard to control of the company.	–	–
Employee share scheme rights	Details of how rights of shares in employee share schemes are exercised when not directly exercisable by employees are provided in note 25 to the consolidated financial statements.	Note 25 to the consolidated financial statements	Page 202
Employees	The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, race, colour, age, disability, sexual orientation or marital or civil partner status. The Group is committed to ensuring that disabled people are afforded equality of opportunity with respect to entering into and continuing employment with the Group. This includes all stages from recruitment and selection, terms and conditions of employment, access to training and career development. Information on employee involvement and engagement can be found in the Strategic Report.	Strategic Report S172(1) Statement ESG	Pages 5 to 55 Page 51 Page 24
Suppliers	Information on supplier engagement can be found in the Strategic Report.	Strategic Report	Pages 5 to 55
Corporate Governance Arrangements	For the year ended 30 June 2024, under the Companies (Miscellaneous Reporting) Regulations 2018, the Aldermore Group PLC applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council ("FRC") in December 2018.	Corporate Governance	Pages 57 to 58

Directors	The names of the current Directors who served on the board and changes to the composition of the board that have occurred during the financial period are provided and are incorporated into the Directors' report by reference.	Company Information	Page 4
Appointment and retirement of Directors	The appointment and retirement of the directors is governed by the Company's Articles of Association and the Companies Act 2006. The Company's Articles of Association may only be amended by a special resolution passed by shareholders at a general meeting. According to the Company's Articles of Association, each director shall retire at the Annual General Meeting held in the third calendar year following the year in which the director was elected or last re-elected by the Company, or at such earlier Annual General Meeting as the Directors may resolve.	Company Information	Page 4
Directors' indemnities	The Directors who served on the board up to the date of this report have benefitted from qualifying third-party indemnity provisions by virtue of deeds of indemnity entered into by the directors and the company. The deeds indemnify the Directors to the maximum extent permitted by law and by the Articles of Association of the company, in respect of liabilities (and associated costs and expenses) incurred in connection with the performance of their duties as a director of the company and any associated company, as defined by section 256 of the Companies Act 2006. The Group also maintains Directors' and Officers' liability insurance which provides appropriate cover for legal actions brought against its Directors.	–	–
Significant agreements	None for 2024 (2023: None)	–	–
Political donations	£Nil for 2024 (2023: £Nil)	–	–
Research and development activities	The Group does not undertake formal research and development activities. However, new products and services are developed in each of the business lines in the ordinary course of business in accordance with the Group's product and pricing governance framework. Under this framework, all new products are reviewed and approved by the Group's Customer and Conduct Committee.	Note 16 to the consolidated financial statements	Page 195
Going concern	The financial statements are prepared on a going concern basis. The Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements) and that there are no material uncertainties to disclose. In making this assessment, the Directors have considered	-	-

	a wide range of information including the impact of the current cost of living economic conditions, future projections of profitability, cash flows and capital resources, the impact of current remediation programmes being undertaken within the Group, operational resilience and the longer-term strategy of the business. In particular, the Directors have considered the following: • The impact on the Group's profitability from future increases in expected credit losses. As part of this, the Directors considered revised macro-economic scenarios which were received from the Group's in-house experts. These are discussed and sensitivities are disclosed in note 3. • Sufficiency of headroom over minimum regulatory requirements for liquidity and capital, including the ability of the Group to access sources of additional liquidity and / or capital if required. • Sufficiency of the Group's liquid assets and contingent funding to withstand a combined market-wide and idiosyncratic liquidity stress under a range of stress horizons, as defined by the ILAAP approved by the Board in June 2024. • Current and forecasted conditions are significantly less severe than the reverse stress scenario considered in the latest ICAAP presented to the Prudential Regulation Authority. • The plans for further improving the operational resilience of the Group including cyber and information security, information technology, supplier management, people and property and the impact of the current ongoing remediation programmes. These improvements are planned as part of ongoing transformation activity in the Aldermore Group. • Any potential valuation concerns in respect of the Group's assets as set out in the Company and Consolidated Statements of Financial Position. • The validity of the Group's current strategy and its achievement of its longer-term strategic ambitions. The Group's capital and liquidity plans, including stress tests, have been reviewed by the Directors as noted above. The Group's forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including under a range of stressed scenarios. After making due enquiries, the Directors believe that the Group has sufficient resources to continue its activities for the foreseeable future, and the Group has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the Prudential		

	Regulation Authority.		
Disclosure of information to auditors	Each person who is a director at the date of this Directors' Report confirms that: • so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.	–	–
Auditor	At the 2023 AGM of the Company: • Deloitte LLP was reappointed as the company's auditor, to hold office until 30 June 2024, at which point they will resign. • KPMG LLP was appointed as the Company's auditor with effect from 1 July 2024, to hold office until the conclusion of the next AGM at which accounts are laid before the company.	-	Pages 123 to 134

This report was approved by the Board on 2 September 2024 and signed on its behalf:

Steven Cooper CBE
Chief Executive Officer

4. Risk Management

Risk Management

All areas of the following report are covered by the external auditor's opinion on page 123, except for those areas highlighted in grey which are the yield curve on page 116 , the leverage ratio and the risk weighted assets and associated capital ratios on page 118 to 119.

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 critical 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 Framework ("RMF") provides the overarching approach on how the Group manages risk. The following sections provide a summary of the RMF. They highlight the governance structure, approach to risk appetite, key risk management processes and the principal and emerging risks the Group faces and the mitigating actions taken to address these.

Risk management and internal control

The Group's risk management and internal control systems are designed to identify, manage, monitor and report on risks to which the Group is exposed. Further details of the processes and procedures for managing and mitigating these risks are provided in this section.

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

Based on the review undertaken 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.

Risk Management Framework ("RMF")

The RMF defines Aldermore Group's overall approach to risk management across all roles and material risk types; it is the Group's foremost risk document, to which all subsidiary risk policies and frameworks must align. The RMF is subject to approval at least annually
and is a framework reserved for Board approval. It describes risk management roles and responsibilities and outlines the Group's approach to each material risk to which it is exposed. The RMF also articulates the Group's principal risks, i.e., the risks that are most significant given the Group's business model and operating environment.

Risk governance and oversight

Three lines of defence

The Group employs a "three lines of defence" model to help articulate the risk management roles and responsibilities of individuals between: (1) risk management as part of business activities; (2) risk oversight; and (3) independent assurance. All three lines of defence are responsible for supporting and developing a culture of risk awareness and supporting each other in creating the best outcomes for Aldermore and its customers.

First line of defence – business lines and central functions

The first line of defence consists of all employees except those in the second and third line of defence (see below) with a number of named Risk and Control owners and Risk and Control managers who:

- Are accountable for managing their risks (Risk owners);
- Are accountable for managing their controls (Control owners); and
- Are responsible for discharging risk and control management accountabilities via the appropriate Risk Management Frameworks.

Second line of defence – risk functions

The second line of defence consists of the Risk and Compliance team who provide:

- Independent oversight and challenge of the first line of defence.
- Development, management, embedding and oversight of the Group's risk culture.
- Ownership, development, embedding and management of the RMF and associated frameworks, policies and processes.
- Management of regulatory and internal reporting, maintaining an aggregate view of risk exposure and monitoring performance relation to the Group's risk appetite.
- Monitoring of changes and compliance to external regulation (and key relationships with regulators);.
- Insight and advice to ensure sound management of risk is embedded throughout the Group, supported by appropriate communications and training.

Third line of defence – internal audit

The third line of defence consists of the Internal Audit Team who:

- Independently assure the adequacy and effectiveness of Risk Management Framework(s), their policies and processes and the activities and outputs of the first and second lines.
- Provision of independent assurance to the Board, via the Audit Committee, that the risk is being managed and that the controls are operating effectively.

Risk Appetite Framework ("RAF")

Risk Appetite ("RA") is defined as the level of risk which the Group is prepared to accept in the conduct of its activities and sits alongside and reinforces the Senior Managers Regime ("SMCR") / Three Lines of Defence as part of our enterprise risk management approach. RA is expressed as a combination of a qualitative statement for each Principal Risk, supported by quantitative metrics and limits which set an acceptable level of deterioration under a severe but plausible stress scenario.

The RAF is subject to Board approval at least annually, and provides an appropriate monitoring and control environment to enable the Group to achieve its objectives

The Board's responsibilities in relation to the RAF include:

- Ensuring it remains consistent with the Group's short- and long-term strategy, business and capital plans, risk capacity and compensation programmes.
- Ensuring that annual business plans are in line with the approved risk appetite and incentives / disincentives are included in the compensation programmes to facilitate adherence to risk appetite.
- Including an assessment of risk appetite in strategic discussions including decisions regarding mergers, acquisitions, and growth in business lines or products.
- Discussing and monitoring to ensure appropriate action is taken regarding 'breaches' in risk limits.
- Questioning and challenging senior management regarding activities outside the Board-approved risk appetite statements, if any.

Risk culture

The Board is accountable for ensuring the Group actively embraces a strong risk culture, in which all staff are accountable for the risks that they take. Senior management leads in implementing the risk appetite and ensuring that the RMF is fully embedded. Risk management is embedded in staff performance management and reward practices.

Risk culture is further embedded through:

- Group Risk frameworks for setting and managing risk.
- Risk performance considerations.
- Remuneration decisions which consider risk and conduct behaviours, including a demonstration of the strength and appropriateness of the risk culture.

Stress testing

Stress testing is an important risk management tool, with specific approaches documented for the Group's key annual assessments including the Internal Capital Adequacy Assessment Process ("ICAAP"), Individual Liquidity Adequacy Assessment Process ("ILAAP") and the Recovery and Resolution Plans ("RRP"), 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, 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 reserved for Board approval. The Board Risk Committee reviews the ICAAP, ILAAP and the RRP ensuring the processes are in accordance with regulatory rules and makes recommendations to the Board for approval.

To ensure a coherent approach to stress testing, the Group adheres to the following core principles:

- Stress testing is an integral part of risk management. Results inform decision making at the appropriate level, including strategic decisions made by the Board and senior management.
- Stress testing draws on the experience and skills of staff across an appropriately wide range of disciplines.
- Written policies and procedures govern the Group's approach to stress testing, with dedicated policies maintained for material asset classes and types of stress test.
- Taken as a whole, stress tests span a range of analytical techniques, risk types, scenarios and severities to ensure a complete view of material risks. Stress testing systems and procedures must be sufficiently flexible to facilitate this approach, while remaining proportionate to the Group's size and activities.
- Consistent with the RMF, the Group reviews this policy at least annually.
- The STP relies upon and supports the Treasury Risk Management Framework, Capital Planning Management policy, the Liquidity and Funding policy, the Operational and Credit Risk Frameworks, all of which provide detail of how the STP has been implemented within these specific areas.

Scope of the stress testing framework

Purpose of Stress Test	Types of Stress Test	Result of Stress Tests
ICAAP Annual process that determines capital requirements	**Top Down (e.g. High Level Shape) / Bottoms up** Tests overall financial resilience to adverse events	**Capital** Estimates the impact of balance sheet movements and financial losses (typically credit related) on capital resources and requirements
ILAAP Annual process that determines liquidity requirements	**Sensitivity Analysis** Tests the overall impact of a single risk driver, typically an economic variable	**Liquidity** Estimates cashflows, funding supply and liquid assets availability under a market wide, idiosyncratic or combined liquidity shock
Recovery Plan Annual process that determines recovery options and tests their efficiency	**Reverse Stress Test** Identifies the severity of stress that would cause the Bank to fail	**Strategic budget** Validates budget meets risk appetite constraints
Other Internal stress tests that support strategic decision making e.g. Budget, Risk Appetite, Climate Risk	**Account level** Tests the resilience of a loan applicant to adverse effects such as interest rate rises (***Out of scope of this Framework***)	

Principal risks

Effective risk management is a core component of the Group, which is embedded throughout the organisation. The Board and senior management ensure that a strong risk culture is at the heart of everything the Group does, with risk appetite clearly defined, managed and reported against, and embedded down to business lines.

The following section summarises the principal risks, which are the categories of risk that are most significant given the Group's business model and operating environment, along with the approach to their mitigation.

Principal risk	Mitigation	Commentary
Credit risk The risk of financial loss arising from a borrower or a counterparty failing to meet financial obligations to the Group according to agreed terms. Refer to page 94.	• Aldermore aims to operate in markets and segments where lending can generate shareholder value, within the risk appetite constraints set by the Board, in both normal and stress conditions. • Credit risk is managed to ensure that: o The variability in the target range for impairment losses resulting from the economic cycle is kept to acceptable levels. o Credit concentration and portfolio structure remain at appropriate levels. • Origination is supported by a strong focus on counterparty quality, debt-serviceability and robust post-completion credit stewardship and in-life management of the credit portfolio. • Where appropriate, physical or financial collateral is obtained. • The Credit risk profile is monitored and reported systematically against appetite through a set of credit risk limits.	The Credit portfolio continues to perform in line with risk appetite. Provisions for expected credit losses have reduced due to the improving macro-economic outlook, and the Group is satisfied that it remains adequately provided. Lending criteria, affordability assessments and collections processes are regularly reviewed to ensure this remains the case.

Principal risk	Mitigation	Commentary
Capital risk The risk that the Group has insufficient capital resources to cover regulatory requirements, internal targets and/or to support the Group's strategic plans.	• Robust controls for Pillar 1 reporting; o A comprehensive annual ICAAP assessment of all material capital risks. o A forward-looking capital plan, formally assessing confirmed and potential changes in regulatory rules. o Regular sensitivity analysis. • An appropriately sized internal capital buffer over and above regulatory requirements applied both at a point in time and on a forward-looking basis to protect against unexpected losses or risk-weighted asset growth.	The Group has maintained a strong capital position over the period, with capital ratios remaining well above regulatory minimums and internal targets.
Liquidity risk The risk that the Group is unable to meet its financial obligations as they fall due or can only do so at excessive cost.	• Maintain a sufficient portfolio of cash and high-quality liquid assets ("HQLA") to absorb liquidity shocks. • Maintain further overall contingent liquidity resources to absorb longer term liquidity stresses. • Perform a comprehensive annual ILAAP assessment of all material liquidity risks and meet internal buffers on an ongoing basis. • Monitor the Group's liquidity position on a daily basis, with intra-month escalation of material risks as appropriate.	The Group's liquidity position remains strong, despite the uncertain external environment, and has been managed well within liquidity buffers.

Principal risk	Mitigation	Commentary
Market risk Risk arising from adverse movements in market prices, Profit and Loss or interest rates, given long or short positions in impacted assets and/or liabilities, assets that are subjected to mark to market valuation treatment, unmatched foreign exchange ("FX") or interest rate risk in the banking book ("IRRBB").	• Seek to match the interest rate structure of assets and liabilities, creating a natural hedge. • Where a natural hedge is not possible or desirable, hedge any material market risk exposure by using financial instruments as outlined in the Treasury Counterparty Credit Risk Limits and Policy. • Perform a comprehensive assessment of market risk drivers as part of the ICAAP and assess new/emerging risks on an ongoing basis. • Maintain a strong control framework to ensure exposures are managed in line with risk appetite. • Daily monitoring of the Group's Market Risk exposure, with intra-month escalations as appropriate.	The Group's approach remains prudent in response to any external economic uncertainty and underlying risks remain unchanged.

Principal risk	Mitigation	Commentary
Operational risk The risk of loss resulting from inadequate, ineffective or failed internal processes, people and systems or from external events.	The Group operates an Operational Risk Management Framework ("ORMF"), within which important Business Services are identified, assessed, and managed. The Operational Risk Management Framework applies to all entities in the Aldermore Group and aims to: • Ensure the Group's ORMF is proportionate, and in line with industry and regulatory expectations. • Ensure a sound control environment and risk-aware culture. • Proactively manage operational risk within the business units with independent oversight. • Ensure that appropriate controls and capabilities are in place to support the achievement of business plans whilst remaining within risk appetite. • Aid prioritisation of risk management efforts to support achievement of the business strategy. • Embed simple, efficient and effective operational risk management tools. • Provide risk management information that is used in business decision-making. • Calculate and allocate appropriate level of operational risk capital.	The Operational Risk profile remains heightened as the organisation executes a significant change agenda. This includes a programme to improve the resilience of the Group's systems infrastructure. The Group is undertaking a review of its Risk Target Operating Model to further enhance risk management capability, capacity and embedment of risk management across the Group.

Principal risk	Mitigation	Commentary
Compliance and conduct risk The risk of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of a failure to comply with applicable laws and regulations, codes of conduct and standards of good practice.	• Maintain a well-defined and embedded process for regulatory and legislative horizon scanning, and preparation for confirmed and potential changes. • Maintain processes that focus on fair customer outcomes and the delivery of Consumer Duty requirements, including oversight of a range of metrics such as staff performance, training, customer feedback, complaints and outcome testing. • Ensure that recruitment and training processes have a clear conduct risk focus, including the use of mandatory training modules. • Ensure the approach to remuneration helps to drive fair customer outcomes and prudent decision-making within risk appetite. • Where any instance of non-compliance is identified the immediate focus is to remediate where appropriate whilst making sure that lessons are learnt and where appropriate fixes are implemented.	The compliance and conduct key risks remain constant, notwithstanding the influence of a number of external factors. These include the embedding of Consumer Duty regulations, increased Regulatory scrutiny following the re-categorisation of the Group to a Category 2 firm, the economic environment and potential impact on customer vulnerability. Significant focus remains on these to ensure compliance with applicable regulations and to ensure the Group's products and processes support the delivery of consistent and appropriate customer outcomes.
Financial crime risk The risk of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of a failure to comply with applicable laws and regulations, or as a result of the Group's activities being used by criminals for the purposes of money laundering, terrorist financing, bribery and corruption and fraud.	• Perform the requisite checks on customers, including money laundering, sanctions and fraud at origination and where appropriate, on an ongoing basis. Tightly monitor remedial actions relating to financial crime breaches. • Produce an annual Money Laundering Reporting Officer ("MLRO") Report, which is approved at the Audit Committee, and which includes an opinion from the MLRO relating to the adequacy of the Group's existing systems and controls for the prevention of money laundering and terrorist financing risk.	Financial Crime key risks remain constant, influenced by both business strategy and macro-economic factors. In addition to the required customer checks and ongoing screening, colleague awareness is tested by regular training to help maintain a constant state of awareness.

Principal risk	Mitigation	Commentary
Reputational risk The risk of negative consequences arising from a failure to meet the expectations and standards of our customers, investors, regulators or other stakeholders during the conduct of any business activities.	• Maintain a clear and explicit set of reputational risk policy requirements. • Ensure that the reputational impact of changes to products, pricing, systems and processes is formally considered at the relevant Committees and fora. • Maintain an escalation route for matters relating to reputation risk.	The Group's risk profile remains within appetite and reputation risk considerations are embedded within individual business lines and ExCo members remain accountable for escalation.
Model risk The potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Consequences can include poor business decisions, financial loss or the misstatement of financial and/or regulatory reports.	The Model Risk Management ("MRM") function is responsible for the independent oversight of model risk throughout the model lifecycle. Model Risk is managed through a robust Model Risk Management Framework, that includes: • Maintaining a central model inventory and documentation repository. • Assigning a model risk tier based on materiality and inherent risk to the Group. The tier drives the frequency of performance monitoring and independent validation. • Second line chairing of the Model Governance Forum to provide appropriate oversight of the Group's model risk. • Performing independent model validations to assess the model compliance against the model risk framework requirements. • Applying model risk mitigants, by means of Post Model Adjustments ("PMAs") where model limitations have been identified.	The Group has performed model attestations to ensure the model inventory remains up to date. Model performance has been assessed through regular monitoring, annual reviews and independent validations to identify model limitations and apply mitigants if required. The control environment around models continues to be a priority area of focus and investment.

The Group has opted to retain climate risk as a material risk, rather than include it within the suite of principal risks. Information on the Group's approach to climate risk management is included from page 35. Climate risk is not deemed to have a material impact on the Group's financial statements.

Emerging risks

The Group defines emerging risks as those risks that are specifically forward-looking, the likelihood and/ or impact of which cannot be readily quantified and which have not yet crystallised. The key emerging risks identified for the Group are:

Themes	Risk	What we are currently doing
Political and economic environment		
Geopolitical risk	**International:** the Ukraine conflict and geopolitical situations continue to remain sensitive, and second and third order effects have materialised across the globe, including through higher interest rates and lagged impacts to the UK's cost of living. **Domestic:** Stability has returned to the market after an exceptionally volatile period. Inflation has dropped to target level but remains sensitive to further shocks.	The impact from continued geopolitical uncertainty has been assessed across the principal risks and is managed through the RMF. Where second and third order effects have resulted in an elevated risk profile, these have been factored into the impacted Principal Risk(s) and monitored through the regular business as usual Risk Management process.
Macro-economic Uncertainty	The macro-economy remains challenging for consumers and businesses, with the potential for further tail risk. The UK had a short recession and continues to see a longer real incomes squeeze, tightening financial conditions and the impact of higher interest rates still to be fully felt. On the positive side, the macro outlook over the next five years is now materially better than it was 12 months ago, with current inflation at close to 2%, the Bank of England interest rate forecasted to reduce further into 2025, unemployment at around 4%, stabilising property prices and modest economic growth forecast. The expectation is to see improving economic and credit conditions in the next 12 months.	While the outlook is improving the Group remains cautious, with proactive portfolio risk management, selective interventions around underwriting criteria, improved credit fundamentals (clear target market focus, enhanced monitoring, integrated frameworks and strengthened practice), ensuring impairment adequacy, and proactively scanning the book for signs of distress at a sub-segment level to support customers.

Competitive environment		
Strategy risk	The competitive environment is increasingly demanding with more pressure to respond to the evolving needs of consumers and maintain relevance. There is potential for market consolidation and new entrants in the near future.	The Group will continue to strengthen its focus on its core markets and tailor its offering to segments aligned to its strategy. The focus remains on achieving more with increased agility and efficiency.
Operating environment		
Regulatory environment	Following the implementation of the Consumer Duty there has been an increased level of regulatory focus from the FCA on each firm's customer outcome delivery. Focus areas include customer vulnerability, the treatment of customers in arrears and price and fair value for products. The PRA continues to focus on firm stability and management of the challenging Macro economic environment	The Group maintains open and productive relationships with its primary UK regulators, the PRA and FCA, as well as with the South African regulatory bodies of its parent, FirstRand.
Cyber attacks		
Cyber attacks	Cyber threats continue to evolve, with increased monetisation of cyber to substitute more traditional crime. Strategically, as the Group progresses to more cloud-based solutions there is an increased risk across both third and fourth party suppliers, which will require enhanced resilience and close monitoring, to ensure it continues to meet regulatory expectations, maintain its important business services and limit any harm to both customers and financial markets.	Whilst the Group does not consider itself to have a high likelihood of being targeted by cyber criminals, the overall threat environment has increased for this risk. In turn, the Group is focused on ensuring enhanced resilience against this threat, through heightened defences and collaboration with external security experts. The Group will conduct appropriate due diligence and ongoing assurance over suppliers to ensure customer data is appropriately protected.

Credit Risk

Credit risk is the risk of financial loss arising from the borrower or a counterparty failing to meet their financial obligations to the Group in accordance with agreed terms. The risk primarily crystallises by customers defaulting on lending facilities. Credit risk also arises from treasury investments and off-balance sheet activities and any other receivables, which are typically sub-categorised as counterparty credit risk.

The credit risk section of this report includes information on the following:

1. The Group's maximum exposure to credit risk;
2. Credit quality and performance of loans;
3. Forbearance granted through the flexing of contractual agreements;
4. Diversity and concentration within the Group's loan portfolio;
5. Details of provisioning coverage and the value of assets against which loans are secured;

Due to the more bespoke nature of the Property Development business, the portfolio is excluded from a number of the following tables, as indicated by the footnotes. Gross Property Development exposure at 30 June 2024 was £109.1 million (30 June 2023: £125.8 million), and net exposure was £106.3 million (30 June 2023: £120.9 million).

1. The Group's maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of financial instruments on the balance sheet and commitments to lend before taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk for loans, debt securities, derivatives and other on-balance sheet financial instruments is the carrying amount and for loan commitments, the full amount of any commitment to lend that is either irrevocable or revocable only in response to material adverse change.

The Group's net credit risk exposure as at 30 June 2024 was £21,065.0 million (30 June 2023: £20,607.9 million), an increase of 2.2%. The main factors contributing to the increase were:

i. the growth in gross loans and advances to customers (the Group's largest credit risk exposure), by £153.5 million;

ii. the growth in cash and balances at central banks by £248.8 million;

iii. the growth in debt securities by £387.6 million; partly offset by

iv. a reduction in derivatives held for risk management by £363.8 million; and

v. a reduction in loans and advances to banks by £61.4 million.

Included in the statement of financial position:	Note	30 June 2024 £m	30 June 2023 £m
Cash and balances at central banks		2 172.2	1 923.4
Loans and advances to banks		257.4	318.8
Debt securities		2 436.5	2 048.9
Derivatives held for risk management		348.2	712.0
Loans and advances to customers	14	15 647.7	15 494.2
Other assets		34.7	54.9
		20 896.7	**20 552.2**
Irrevocable Commitments to lend	28	479.1	382.6
Gross credit risk exposure		**21 375.8**	**20 934.8**
Less: allowance for impairment losses	14	(310.8)	(326.9)
Net credit risk exposure		**21 065.0**	**20 607.9**

2. Credit quality and performance of loans

The credit quality of loans and advances to customers are analysed internally in the following tables, which also include the fair value of collateral held capped at the gross exposure amount. An enhancement to the credit quality assessment has been introduced during the current financial year and consequently the information for 30 June 2023 has been restated using the same approach for this assessment.

The greater proportion of the Group's stage one loans and advances to customers as at 30 June 2024, compared to prior year sitting in 'Low risk' is largely driven by model refinements and an improved macro-economic outlook, consequently resulting in lower Probability of default ("PD").

The risk categories used in the following tables are defined as follows:

- Low risk: Representing a 12m PD of <= 1.2%.
- Medium risk: Representing 1.2%< 12m PD <= 3.05%.
- High risk: Representing a 12m PD greater than 3.05% and defaulted exposures.

30 June 2024 (Stage 1)	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Total £m
Low risk	1 533.1	5 791.4	2 691.5	**10 016.0**
Medium risk	1 097.8	1 131.4	585.0	**2 814.2**
High risk	555.4	357.3	455.8	**1 368.5**
Total	**3 186.3**	**7 280.1**	**3 732.3**	**14 198.7**
Fair value of collateral held	**2 485.3**	**7 278.6**	**2 956.3**	**12 720.2**

30 June 2024 (Stage 2)	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Total £m
Medium risk	139.8	56.5	28.3	**224.6**
High risk	309.2	210.9	179.3	**699.4**
Total	**449.0**	**267.4**	**207.6**	**924.0**
Fair value of collateral held	**354.7**	**267.4**	**162.4**	**784.5**

30 June 2024 (Stage 3)	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Total £m
High risk	81.4	285.0	158.5	**524.9**
Total	**81.4**	**285.0**	**158.5**	**524.9**
Fair value of collateral held	**66.1**	**284.4**	**101.6**	**452.1**

30 June 2023 (Stage 1) - Restated	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Total £m
Low risk	820.1	1 181.2	2 700.2	**4 701.5**
Medium risk	1 481.4	3 845.3	638.2	**5 964.9**
High risk	945.6	1 937.6	516.9	**3 400.1**
Total	**3 247.1**	**6 964.1**	**3 855.3**	**14 066.5**
Fair value of collateral held	**2 600.9**	**6 962.6**	**3 324.2**	**12 887.7**

30 June 2023 (Stage 2) - Restated	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Total £m
Medium risk	66.1	67.4	108.7	**242.2**
High risk	211.0	320.6	265.7	**797.3**
Total	**277.1**	**388.0**	**374.4**	**1 039.5**
Fair value of collateral held	**219.3**	**387.9**	**323.3**	**930.5**

30 June 2023 (Stage 3) - Restated	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Total £m
High risk	59.2	228.1	101.0	**388.3**
Total	**59.2**	**228.1**	**101.0**	**388.3**
Fair value of collateral held	**48.1**	**227.8**	**81.9**	**357.8**

The credit quality in respect of irrevocable commitments to lend, which also includes the fair value of collateral to be provided capped at the gross exposure amount, is shown below:

30 June 2024	Structured and Specialist Finance[1] £m	Property Finance £m	Motor Finance £m	Total £m
Low risk	22.4	259.3	37.0	318.7
Medium risk	21.8	50.6	11.0	83.4
High risk	9.6	16.6	2.9	29.1
Total	**53.8**	**326.5**	**50.9**	**431.2**
Assessed fair value of collateral to be provided	**41.9**	**326.4**	**40.3**	**408.6**

[1] The above analysis excludes Property Development.

30 June 2023 - Restated	Structured and Specialist Finance[1] £m	Property Finance £m	Motor Finance £m	Total £m
Low risk	3.5	39.4	17.4	60.3
Medium risk	5.0	128.2	6.7	139.9
High risk	6.5	65.0	4.5	76.0
Total	**15.0**	**232.6**	**28.6**	**276.2**
Assessed fair value of collateral to be provided	**12.0**	**232.5**	**24.6**	**269.1**

[1] The above analysis excludes Property Development.

Not included in the above are £48.0 million (30 June 2023: £106.5 million) of irrevocable commitments to lend for Property Development. The Group uses “loan-to-gross-development- value” as an indicator of the quality of credit security of performing loans for the Property Development portfolio. Loan-to-gross-development-value is a measure used to monitor the loan balance compared with the expected gross development value once the development is complete. The anticipated gross development value of the committed lending for Property Development is £244.6 million (30 June 2023: £347.2 million).

The categorisation of high, medium and low risk is based on an internal IFRS 9 Probability of

Default ("PD") model. Drivers for the PDs include external credit reference agency data, qualitative factors and macro-economic adjustments.

3. Forbearance granted through the flexing of contractual agreements

Forbearance is defined as any concessionary arrangement that is made for a period of three months or more where financial difficulty is present or imminent. It is inevitable that some borrowers experience financial difficulties which impact their ability to meet their obligations as per the contractual terms. The Group seeks to identify borrowers who are experiencing financial difficulties, as well as contacting borrowers whose loans have gone into arrears, consulting with them in order to ascertain the reason for the difficulties and to establish the best course of action to bring the account up to date. In certain circumstances, where the borrower is experiencing financial distress, the Group may use forbearance measures to assist the borrower. These are considered on a case-by-case basis and must result in a fair outcome. The forbearance measures are undertaken in order to achieve a good outcome for both the customer and the Group by dealing with financial difficulties and arrears at an early stage.

The most widely used methods of forbearance are temporarily reduced monthly payments and deferral of payment to reduce the borrower's financial pressures. Where the arrangement is temporary, borrowers are expected to resume normal payments within six months. Forborne amounts disclosed as stage 1 in the below table relate to accounts which are now performing but still reported as forborne following the end of concessionary arrangements. In all cases, the above definitions are subject to no further concessions being made and the customers' compliance with the new terms.

	Structured and Specialist Finance[1] £m	Property Finance £m	Motor Finance £m	Total £m
30 June 2024				
Stage 1	0.4	2.5	1.2	4.1
Stage 2	7.8	12.6	5.3	25.7
Stage 3	0.3	55.2	6.8	62.3
Total	**8.5**	**70.3**	**13.3**	**92.1**

[1]The above analysis includes Property Development.

	Structured and Specialist Finance[1] £m	Property Finance £m	Motor Finance £m	Total £m
30 June 2023				
Stage 1	0.9	2.2	1.6	4.7
Stage 2	5.2	6.1	8.5	19.8
Stage 3	1.3	32.9	10.4	44.6
Total	**7.4**	**41.2**	**20.5**	**69.1**

[1]The above analysis includes Property Development.

As at 30 June 2024, the Group had undertaken forbearance measures as follows in the following segments:

Structured and Specialist Finance[1]	**30 June 2024 £m**	**30 June 2023 £m**
Temporary or permanent switch to interest only	7.3	0.5
Reduced monthly payments	0.2	2.8
Deferred payment	1.0	4.1
Total Structured and Specialist Finance	**8.5**	**7.4**
Forborne as a percentage of the total divisional gross lending book (%)	0.23%	0.21%

[1]The above analysis includes Property Development.

Property Finance	**30 June 2024 £m**	**30 June 2023 £m**
Temporary or permanent switch to interest only	-	0.1
Reduced monthly payments	39.7	22.5
Payment, waiver or lower rate product switch	15.7	10.9
Deferred payment	13.6	6.3
Loan term extension	1.3	1.4
Total Property Finance	**70.3**	**41.2**
Forborne as a percentage of the total divisional gross lending book (%)	0.90%	0.54%

Motor Finance	**30 June 2024 £m**	**30 June 2023 £m**
Deferred payment	13.2	20.5
Total Motor Finance	**13.2**	**20.5**
Forborne as a percentage of the total divisional gross lending book (%)	0.32%	0.47%

Total forborne	30 June 2024 £m	30 June 2023 £m
Total temporary or permanent switch to interest only	7.4	0.6
Total reduced monthly payments	39.8	25.3
Total payment, waiver or lower rate product switch	15.7	10.9
Total deferred payment	27.8	30.9
Total loan term extension	1.3	1.4
Total forborne	**92.0**	**69.1**
Total forborne as a percentage of the total gross lending book (%)	0.59%	0.45%

When forbearance is granted to a borrower on a specific exposure, all exposures which are connected with that borrower, e.g. by reason of common ownership are deemed as forborne for reporting purposes.

4. Diversity and concentration within our loan portfolio

As shown below, the Group monitors concentration of credit risk by segment, geography, sector and size of loan:

Credit concentration by segment

Details of the Group's net lending by segment are as follows:

	30 June 2024		30 June 2023	
	£m	%	£m	%
Structured and Specialist Finance[1]	3 643.9	23	3 508.5	23
Property Finance	7 772.4	51	7 490.4	49
Motor Finance	3 920.6	26	4 168.4	28
[1]The above analysis includes Property Development.	**15 336.9**	**100**	**15 167.3**	**100**

Credit concentration by geography[1]

An analysis of the Group's loans and advances to customers by geography is shown in the table below:

	30 June 2024 %	30 June 2023 %
East Anglia	9.9	10.2
East Midlands	7.3	7.6
Greater London	16.0	16.1
North East	1.5	1.5
North West	13.9	13.0
Northern Ireland	1.2	1.3
Scotland	7.0	7.1
South East	17.1	17.2
South West	8.5	8.6
Wales	3.5	3.5
West Midlands	6.5	6.4
Yorkshire and Humberside	7.6	7.5
[1]The above analysis includes Property Development.	**100**	**100**

Credit concentration by sector[1]

An analysis of the Group's loans and advances to customers by sector is shown in the table below:

	30 June 2024 %	30 June 2023 %
Agriculture	0.2	0.1
Financial Institutions	2.0	1.9
Building and property development	2.8	3.0
Government and Central Banks	0.2	0.2
Individuals	59.8	65.4
Manufacturing	6.2	5.4
Mining	0.1	0.1
Transport and communication	2.0	1.9
Other	26.7	22.0
[1]The above analysis includes Property Development.	**100**	**100**

Credit concentration by quantum of exposure

An analysis of loans and advances to customers by quantum of exposure is shown in the tables below:

30 June 2023	Structured and Specialist Finance[1] £m	Property Finance £m	Motor Finance £m
£0 – £50k	661.3	124.5	3 788.4
£50 – £100k	358.1	959.3	45.0
£100 – £150k	233.1	1 090.2	4.6
£150 – £200k	154.2	966.2	4.4
£200 – £300k	216.9	1 640.1	7.9
£300 – £400k	151.0	1 042.5	11.0
£400 – £500k	116.7	543.6	9.3
£500k – £1m	313.6	887.2	20.6
£1m – £2m	289.1	357.6	13.8
£2m+	1 043.5	161.2	15.6
Total	**3 537.5**	**7 772.4**	**3 920.6**

[1]The above analysis excludes Property Development.

30 June 2023	Structured and Specialist Finance[1] £m	Property Finance £m	Motor Finance £m
£0 – £50k	645.4	119.8	4 044.1
£50 – £100k	346.1	931.9	36.3
£100 – £150k	203.9	1 099.2	5.3
£150 – £200k	135.0	975.8	7.7
£200 – £300k	184.5	1 653.8	9.7
£300 – £400k	145.7	1 036.1	7.9
£400 – £500k	112.4	493.7	10.9
£500k – £1m	337.6	751.2	26.1
£1m – £2m	313.9	289.8	14.5
£2m+	962.9	139.0	5.9
Total	**3 387.4**	**7 490.3**	**4 168.4**

[1]The above analysis excludes Property Development.

5. Details of provisioning coverage and the value of assets against which loans are secured

The principal indicators used to assess the credit security of performing loans are loan-to-value ("LTV") ratios for SME Commercial which falls within Structured and Specialist Lending.

Structured and Specialist Finance

SME Commercial Mortgages[1]

Loan-to-value on indexed origination information on our SME Commercial Mortgage portfolio is set out in the table below.

	30 June 2024 £m	30 June 2023 £m
100%+	30.4	42.1
95-100%	12.9	9.5
90-95%	23.7	19.9
85-90%	40.7	35.1
80-85%	84.8	66.0
75-80%	85.1	93.4
70-75%	190.8	268.8
60-70%	263.2	296.4
50-60%	215.5	227.4
0-50%	209.1	175.4
	1 156.2	**1 233.9**
Capital repayment	612.1	674.3
Interest only	544.1	559.6
	1 156.2	**1 233.9**
Average loan-to-value percentage	64.69%	65.69%

[1]The above analysis excludes Property Development.

Invoice Finance

In respect of Invoice Finance, collateral is provided by the underlying receivables (e.g. trade invoices). As at 30 June 2024, the average advance rate against the fair value of sales ledger balances which have been assigned to the Group, net of amounts considered to be irrecoverable, is 66.6% (30 June 2023: 61.1%).

In addition to the value of the underlying sales ledger balances, the Group will wherever possible, obtain additional collateral before offering invoice finance facilities to a client. These may include limited personal guarantees from major shareholders, charges over personal and other business property, cross guarantees from associated companies and unlimited warranties in the case of frauds or certain other breaches. These additional forms of security are impractical to value given their nature.

Asset Finance

In respect of Asset Finance, collateral is provided by our rights and/or title to the underlying assets, which the Group is able to repossess in the event of default. Where appropriate, the Group will also obtain additional security, such as parent company or personal guarantees. Asset Finance also undertakes unsecured lending where The Group has obtained an understanding of the ability of the borrower's business to generate cash flows to service and repay the facilities provided. As at 30 June 2024, the total amount of such unsecured lending was £6.6 million (30 June 2023: £12.9 million).

Property Development

The Group uses "loan-to-gross-development-value" as an indicator of the quality of credit security of performing loans for the Property Development portfolio. Loan-to-gross-development-value is a measure used to monitor the loan balance compared with the expected gross development value once the development is complete. Average loan-to-gross-development-value at origination for Property Development loans at 30 June 2024 was 64.6% (30 June 2023: 61.4%).

Property Finance

Buy to Let

Loan-to-value on indexed origination information on the Group's Buy to Let Mortgage portfolio is set out in the table below.

	30 June 2024 £m	30 June 2023 £m
100%+	11.6	9.3
95-100%	9.1	9.2
90-95%	23.4	11.7
85-90%	69.9	34.1
80-85%	231.1	213.1
75-80%	769.8	824.4
70-75%	1 045.0	711.9
60-70%	1 762.3	1 612.1
50-60%	1 118.5	1 062.9
0-50%	801.2	772.7
	5 841.9	**5 261.4**
Capital repayment	319.4	285.6
Interest only	5 522.5	4 975.8
	5 841.9	**5 261.4**
Average loan-to-value percentage	64.10%	63.50%

Residential Mortgages

Loan-to-value on indexed origination information on the Group's Residential Mortgage portfolio is set out in the table:

	30 June 2024 £m	30 June 2023 £m
100%+	5.9	5.4
95-100%	13.9	10.8
90-95%	46.0	52.7
85-90%	91.8	97.2
80-85%	113.1	155.1
75-80%	160.4	227.1
70-75%	208.3	246.2
60-70%	412.6	488.2
50-60%	359.9	391.6
0-50%	518.6	554.7
	1 930.5	**2 229.0**
Capital repayment	1 770.0	2 065.5
Interest only	160.5	163.5
	1 930.5	**2 229.0**
Average loan-to-value percentage	60.50%	61.55%

Motor Finance

In respect of Motor Finance, collateral is provided by the Group's rights and/or title to the underlying assets. A proportion of loans are sanctioned at LTVs higher than 100% of the estimated retail value and, although the whole agreement is secured on the vehicle, there may be a shortfall in the event of repossession. Loans where LTV exceeds 100% are subject to more stringent underwriting criteria. LTV information based on retail valuations for Motor Finance's vehicle finance portfolio is set out as follows:

	30 June 2024 £m	30 June 2023 £m
110%+	285.8	321.6
100%-110%	768.8	757.9
95-100%	525.3	543.0
90-95%	516.0	546.7
85-90%	457.8	489.7
80-85%	368.2	396.1
75-80%	278.4	303.5
70-75%	201.0	221.8
60-70%	262.5	289.9
50-60%	144.7	166.4
0-50%	112.1	131.8
	3 920.6	**4 168.4**

Group impairment coverage ratio

Impairment coverage is analysed as follows:

30 June 2024	Gross carrying amount £m	Provisions £m	Coverage Ratio %
Stage 1	14 198.7	92.4	0.65%
Stage 2	924.0	44.1	4.77%
Stage 3	525.0	172.7	32.90%
Undrawn loan facilities	479.1	1.6	0.33%
Total	**16 126.8**	**310.8**	**1.93%**

30 June 2023	Gross carrying amount £m	Provisions £m	Coverage Ratio %
Stage 1	14 071.4	136.9	0.97%
Stage 2	1 037.8	52.7	5.08%
Stage 3	385.0	135.2	35.11%
Undrawn loan facilities	382.6	2.1	0.56%
Total	**15 876.8**	**326.9**	**2.06%**

The marginal reduction in stage 2 coverage is predominantly driven by the improvement in the macro-economic outlook and offset by a marginal increase in arrears. The non-performing loans ("NPL" - Stage 3) coverage ratio reduced to 32.9% (2023: 35.1%) due to progress made on Motor Finance remediation activity, with underlying coverage remaining appropriate.

Treasury Risk

Offsetting financial assets and liabilities

It is the Group's policy to enter into master netting and margining agreements with all derivative counterparties. In general, under master netting agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated.

Under the margining agreements, where the Group has a net asset position with a counterparty valued at current market values in respect of derivatives, then that counterparty will place collateral, usually cash, with the Group in order to cover the position. Similarly, the Group will place collateral, usually cash, with the counterparty where it has a net liability position.

As the Group's derivatives are under master netting and margining agreements as described, which only allows for offsetting in certain circumstances such as default, they do not meet the criteria for offsetting in the statement of financial position.

The following tables detail amounts of financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar arrangements including the Term Funding Scheme for SMEs ("TFSME") as detailed in note 14.

30 June 2024 Type of financial instrument	Gross amount of recognised financial instruments £m	Net amount of financial instruments presented in the statement of financial position £m	Related amounts not offset in the statement of financial position		
			Financial instruments £m	Cash collateral paid/ (received) £m	Net amount £m
Assets					
Loans and advances to customers (amounts pre-positioned as collateral under the Sterling Monetary Framework ("SMF") and Term Funding Schemes (TFSME)	2 581.4	2 581.4	(1 079.2)	-	1 502.2
Derivatives held for risk management	348.2	348.2	-	(286.1)	62.1
	2 929.6	**2 929.6**	**(1 079.2)**	**(286.1)**	**1 564.3**
Liabilities					
Amounts due to banks (central bank under the SMF and TFSME)	(1 079.2)	(1 079.2)	1 079.2	-	-
Derivatives held for risk management	(40.7)	(40.7)	-	16.3	(24.4)
	(1 119.9)	**(1 119.9)**	**1 079.2**	**16.3**	**(24.4)**

30 June 2023 Type of financial instrument	Gross amount of recognised financial instruments £m	Net amount of financial instruments presented in the statement of financial position £m	Related amounts not offset in the statement of financial position Financial instruments £m	Related amounts not offset in the statement of financial position Cash collateral paid/ (received) £m	Net amount £m
Assets					
Loans and advances to customers (amounts pre-positioned as collateral under the Sterling Monetary Framework ("SMF") and Term Funding Schemes (TFSME)	2 507.1	2 507.1	(1 077.1)	-	1 430.0
Derivatives held for risk management	712.0	712.0	-	(604.8)	107.2
	3 219.1	**3 219.1**	**(1 077.1)**	**(604.8)**	**1 537.2**
Liabilities					
Amounts due to banks (central bank under the SMF and TFSME)	(1 077.1)	(1 077.1)	1 077.1	-	-
Derivatives held for risk management	(62.5)	(62.5)	-	34.3	(28.2)
	(1 139.6)	**(1 139.6)**	**1 077.1**	**34.3**	**(28.2)**

6. Information on credit risk within the Group's treasury operations

Credit risk exists where the Group has acquired securities or placed cash deposits with other financial institutions as part of its treasury portfolio of assets. The Group considers the credit risk of treasury assets to be low. No assets are held for speculative purposes or actively traded. Certain high-quality liquid assets are held as part of the Group's liquidity buffer.

Credit quality of treasury assets

The table below sets out information about the credit quality of treasury financial assets. As at 30 June 2024 and at 30 June 2023, all treasury assets were classified as stage 1 assets per IFRS 9 and no treasury assets were past due or impaired. The Group deems the likelihood of default across the respective asset counterparties as immaterial and hence does not recognise a provision against the carrying balances.

The analysis presented below is derived using ratings provided by Standard and Poor's and Fitch. The worst rating from the credit agencies for each of the counterparties is used as the basis for assessing the credit risk of treasury financial assets.

Cash and balances at central banks and loans and advances to banks	**30 June 2024 £m**	**30 June 2023 £m**
– Rated AA – to A+	2 429.6	2 253.8
	2 429.6	**2 253.8**
High quality liquid assets		
– Rated AAA	1 914.2	1 347.1
– Rated AA+ to AA-	522.3	701.8
Debt securities: Asset backed securities		
	2 436.5	**2 048.9**
Derivatives held for risk management purposes		
– Rated A+ to A-	348.2	712.0
	348.2	**712.0**
	5 214.3	**5 014.7**

Funding and liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations, such as repaying depositors and counterparties, as they fall due, or can only do so at excessive cost.

To protect the Group and its depositors against liquidity risk, the Group maintains a liquidity buffer which is based on its liquidity needs under stressed conditions. The liquidity buffer is monitored on a daily basis to ensure there are sufficient liquid assets at all times to cover cash flow movements and fluctuations in funding, enabling the Group to meet all financial obligations and to support anticipated asset growth.

Analysis of the liquidity buffer

The components of the Group's liquidity buffer, in line with the Liquidity Coverage Ratio, are shown below:

Level 1	30 June 2024 £m	30 June 2023 £m
Bank of England reserve account	2 168.6	1 868.0
UK gilts and Treasury bills, other Sovereign, Supranational and Covered bonds	2 064.9	1 812.9
Level 2		
Covered bonds	173.6	94.3
Asset backed securities	191.7	113.5
Total liquidity buffer	**4 598.8**	**3 888.7**
As a % of funding liabilities	25.2%	22.2%

Balances are presented pre-haircut.

Liquidity Coverage Ratio

Over the year, the Group has continued to operate a simple and low risk business model with a strong liquidity and funding position, and has maintained a material and increasing surplus of actual cash and HQLA above its binding constraint internal view of liquidity requirements As at 30 June 2024, the Group's Liquidity Coverage Ratio ("LCR") was 241.2% (30 June 2023: 264.5%).

	30 June 2024 £m	30 June 2023 £m
Eligible liquidity pool (post-haircut)	4 480.6	3 813.9
Net stress outflows	1 857.5	1 441.8
Liquidity surplus	2 623.1	2 372.1
LCR (%)	241.2%	264.5%

Customer deposits and wholesale funding

As at 30 June 2024, customer deposits have grown by 8.7% to £16.3 billion (30 June 2023: £15.0 billion) and the Group continues to maintain diversified sources of funding and contingent facilities, including utilising cost effective sources offered by the Bank of England.

Between August 2020 and October 2021, the Group borrowed £1,065.0 million under the Bank of England's TFSME (Term Funding Scheme with additional incentives for SMEs), with repayments scheduled from August 2024. As at 30 June 2024 the balance including accrued interest is £1,079.2 million (30 June 2023: £1,077.1 million).

The Group's residential mortgage backed securitisations:

- In September 2019, the Group issued a residential mortgage backed securitisation (Oak No.3) providing £343.5 million of funding with £68.3 million in issue as at 30 June 2024, including accrued interest (30 June 2023: £102.7 million). The optional redemption on the notes was exercised on 29 July 2024 – refer to note 34 for further details.
- In May 2023, the Group issued another residential mortgage backed securitisation (Oak No.4) providing £402.6 million of funding, with £301.8 million in issue as at 30 June 2024, including accrued interest (30 June 2023: £404.4 million). The underlying mortgages within the outstanding Oak No.4 securitisation will continue to be repaid, with an Optional Redemption Date in February 2028.

The Group's motor finance loan backed securitisations:

- In September 2019, the Group issued a motor finance loan backed warehouse facility (MotoMore) providing £250.2 million of funding, which was expanded in 2022 and then renewed and partially paid down in October 2023. MotoMore had £407.3 million in issue as at 30 June 2024 (30 June 2023: £683.4 million).
- In January 2024, the Notes from the motor finance loan backed securitisation (Turbo 9) were redeemed in full (30 June 2023: £94.7 million)

The Group issued two tranches of Tier 2 subordinated debt to FirstRand Bank Limited during the 2019 financial year, the first tranche of £100.5 million was issued in November 2018 and the second tranche of £52.3 million in May 2019. The Group redeemed and subsequently re-issued the first £100 million of Tier 2 subordinated debt to FirstRand Bank Limited in November 2023. The second £52m tranche of Tier 2 subordinated debt was redeemed in May 2024. The outstanding balance was £100.9 million at 30 June 2024 (30 June 2023: £152.8 million).

In June 2022, the Group (as borrower) entered into a committed liquidity facility with FirstRand Bank Limited (as lender) for £100 million. There is no drawn balance as at 30 June 2024.
The facility was renewed in September 2023 for another 15 months, with an implied final repayment date in December 2024.

In October 2022, the Group also entered into an uncommitted liquidity facility with FirstRand Bank Limited (as lender) for £400 million. There is no drawn balance as at 30 June 2024.
The facility was renewed in September 2023 for another 12 months, with an implied final repayment date in September 2024.

	30 June 2024 £m	30 June 2023 £m
Retail deposits	11 010.4	10 169.0
SME deposits	3 092.0	2 780.4
Corporate deposits	2 204.3	2 083.9
Customer deposits	**16 306.7**	**15 033.3**

Term Funding Scheme for SMEs ("TFSME")	1 079.2	1 077.1
Residential Mortgages Backed Securities ("RMBS")*	370.2	507.1
Warehouse backed by auto loans	407.3	683.4

Motor finance loan backed securitisations	-	94.7
Subordinated liabilities	100.9	152.8
Intercompany Funding	0.1	0.1
Wholesale funding	**1 957.7**	**2 515.2**
Total funding	**18 264.4**	**17 548.5**

Asset-liability gap risk

Asset-liability gap risk is the risk that market movements in interest rates may impact the value or income arising from mismatched asset and liability positions which are sensitive to changes in interest rates. The Group is not exposed to significant foreign exchange or equity price risk.

Where possible, the Group seeks to match the interest rate structure of assets with liabilities, creating a natural hedge. Where this is not possible, the Group may enter into interest rate swap transactions to convert the fixed rate exposures on loans and advances, customer deposits and fair value through other comprehensive income ("FVOCI") securities into variable rate SONIA assets and liabilities.

Given timing differences, operational costs, and the price of hedging small asset-liability gaps, it is not always efficient to eliminate all mismatches. This residual interest rate risk exposure of the overall asset-liability gap is monitored against approved limits using changes in the economic value of the residual exposure as a result of a modelled 2 percentage point shift in the yield curve.

The impact on profit/(loss) of a 2 percentage point shift in the yield curve is as follows:

	30 June 2024 £m	30 June 2023 £m
2% shift up of the yield curve:		
As at year end	(3.7)	10.8
Average of month end positions	(0.1)	1.9
2% shift down of the yield curve:		
As at year end	3.9	(11.8)
Average of month end positions	-	(1.9)

Gross undiscounted contractual cash flows

The following is an analysis of gross undiscounted contractual cash flows payable under financial liabilities. The analysis has been prepared on the basis of the earliest date at which contractual repayments may take place. This includes consideration of where the Group has the contractual right to call, irrespective of whether any decision to call has been made.

30 June 2024	Payable on demand £m	Up to 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Non-derivative liabilities						
Amounts due to banks	-	614.1	-	500.9	286.1	1 401.1
Customers' accounts	7 128.8	1 949.8	4 889.7	2 748.8	-	16 717.1
Other liabilities	24.1	20.4	3.4	15.0	13.1	76.0
Debt securities in issue	1.1	66.2	92.1	654.0	-	813.4
Subordinated notes	-	2.8	6.2	127.9	-	136.9
Unrecognised loan commitments	822.3	-	-	-	-	822.3
	7 976.3	**2 653.3**	**4 991.4**	**4 046.6**	**299.2**	**19 966.8**

Derivative liabilities						
Derivatives held for risk management settled net	-	1.2	6.7	29.6	3.2	40.7
	-	**1.2**	6.7	29.6	3.2	40.7

30 June 2023	Payable on demand £m	Up to 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Non-derivative liabilities						
Amounts due to banks	-	6.0	17.7	1 077.5	604.8	1 706.0
Customers' accounts	4 662.1	4 340.7	4 619.5	1 584.8	-	15 207.1
Other liabilities	19.0	21.6	3.6	12.9	11.9	69.0
Debt securities in issue	1.5	111.8	351.6	1 054.0	-	1 518.9
Subordinated notes	-	1.8	154.7	0.4	-	156.9
Unrecognised loan commitments*	382.6	-	-	-	-	382.6
	5 065.2	**4 481.9**	**5 147.1**	**3 729.6**	**616.7**	**19 040.5**

Derivative liabilities						
Derivatives held for risk management settled net	-	11.0	58.3	(8.8)	2.0	62.5
	-	**11.0**	**58.3**	**(8.8)**	**2.0**	**62.5**

*Restated for an update to the methodology in defining unrecognised loan commitments in 2024 which includes committed revocable facilities.

Capital risk

Capital risk is the risk that the Group has insufficient capital to cover regulatory requirements and/or support its growth plans.

The Group operated in line with its capital risk appetite as set by the Board and above its regulatory capital requirements throughout the years ended 30 June 2024 and 30 June 2023.

The Group's capital resources as at the year end were as follows:

	30 June 2024 £m	30 June 2023 £m
Common Equity Tier 1		
Share capital	243.9	243.9
Share premium account	74.4	74.4
Capital redemption reserve	0.2	0.2
FVOCI reserve	(0.7)	3.3
Retained earnings	1 285.6	1 108.6
IFRS 9 Transitional adjustment[1]	34.6	86.7
Less: intangible assets and prudential valuation adjustments	(10.9)	(10.5)
Total Common Equity Tier 1 capital ("CET1")	**1 627.1**	**1 506.6**
Additional Tier 1	161.0	108.0
Total Tier 1 capital	**1 788.1**	**1 614.6**
Tier 2 capital		
Subordinated notes	100.0	152.0
Total Tier 2 capital	**100.0**	**152.0**
Total capital resources	**1 888.1**	**1 766.6**
Risk weighted assets – Pillar 1[1]	**10 246.3**	**10 167.0**
Capital ratios – regulatory basis[2]		
Common Equity Tier 1 ratio	15.9%	14.8%
Tier 1 capital ratio	17.5%	15.9%
Total capital ratio	18.4%	17.4%
Leverage ratio (%)	**9.7%**	**8.9%**

[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 CRR 'Quick Fix' relief package. The Group's capital and ratios presented above are under these arrangements.

[2] Risk weighted assets and the capital ratios are not covered by the external auditor's opinion.

On a fully loaded basis, with no addback for the IFRS 9 transitional: adjustments, the Group's capital ratios would be as follows:

	30 June 2024 £m	30 June 2023 £m
Capital ratios– fully loaded basis[3]		
Common Equity Tier 1 ratio	15.6%	14.2%
Tier 1 capital ratio	17.2%	15.3%
Total capital ratio	18.2%	16.8%

[3] Capital ratios are not covered by the external auditor's opinion.

Reconciliation of equity per statement of financial position to capital resources

	30 June 2024 £m	30 June 2023 £m
Equity per statement of financial position	**1 764.4**	**1 538.4**
Add: subordinated notes	100.0	152.0
Add: IFRS 9 transitional adjustment	34.6	86.7
Less: intangible assets and prudential valuation adjustments	(10.9)	(10.5)
Total capital resources	**1 888.1**	**1 766.6**

5. Financial statements

Statement of Directors' responsibilities in respect of the Report and Accounts and the financial statements

The Directors are responsible for preparing the Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB").The directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report on pages 5 to 55 includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Steven Cooper CBE
Chief Executive Officer

2 September 2024

Independent Auditor's report to the members of Aldermore Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Aldermore Group PLC (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Company statement of financial position;
- the consolidated and Company statement of cash flows;
- the consolidated and Company statement of changes in equity; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 8 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Expected credit losses on loans and advances to customers; and • Effective interest rate income recognition. Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £12.6m which was determined on the basis of 5% of profit before tax.
Scoping	Our Group audit focused on Aldermore Group PLC and its significant subsidiaries, Aldermore Bank PLC and MotoNovo Finance Limited.
Significant changes in our approach	There has been no significant change in our audit approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment, which included specific consideration of the impacts of the current macroeconomic environment and the Group's operational resilience, in order to understand and assess the key judgements made by management;
- Obtaining management's capital and liquidity forecasts and assessing the key assumptions and their projected impact on capital and liquidity ratios;
- Assessing the consistency of assumptions used in forecasts with the assumptions used in other key estimates;
- Obtaining the most recent ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) submissions and involving our internal prudential risk specialists to assess management's capital and liquidity projections and the results of management's capital reverse stress test;
- Assessing key assumptions and methods used in the capital and liquidity reverse stress testing models and checking the mechanical accuracy of the capital reverse stress testing models, including the impact of any potential provisions for customer

remediation;

- Reading correspondence with regulators to understand the capital and liquidity requirements;
- Assessing the historical accuracy of forecasts prepared by management; and
- Assessing the appropriateness of the going concern disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Expected credit losses on loans and advances to customers

Key audit matter description	As disclosed in note 2(d), the Group recognises expected credit losses ("ECL") on loans and advances to customers in line with the requirements of IFRS 9 Financial Instruments. The ECL provision as at 30 June 2024 was £310.8m (2023: £326.9m), which represented 2.0% (2023: 2.1%) of loans and advances to customers. The Income Statement reversal for the year was £18.3m (2023: £113.3m). As detailed in note 3 on 'Use of estimates and judgements' (page 157) determining the ECL provision involves a number of models and is inherently uncertain, requiring significant judgements and estimates. Whilst the economic outlook has improved compared to June 2023, borrowers are still experiencing pressure due to the continued high cost of borrowing, increasing the complexity involved in estimating ECLs, in particular with respect to the incorporation of forward-looking information and identifying significant increases in credit risk. Due to the considerable judgement required to estimate the ECL, which by its nature, gives rise to a higher risk of material misstatement due to error or fraud, we have identified the determination of the ECL provision as a key audit matter. We identified two specific areas in relation to the determination of ECL that require significant judgement or relate to assumptions to which the overall ECL is particularly sensitive: • The selection of probability weighted macroeconomic scenarios. Expected

	credit losses are determined on a forward-looking basis under IFRS 9. The economic outlook has improved when compared to the prior year and the economic assumptions and scenarios have been updated to reflect these changes. Significant judgement remains when developing economic scenarios and determining the appropriate weighting. • The inclusion of management adjustments (“overlays”), with particular focus on the overlay to capture the residual uncertainty related to the cost of borrowing. The inherent limitations of credit risk models are that not all prevalent credit risks are appropriately captured given new and emerging risks. Overlays are based on judgment and quantified using a range of assumptions.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant ECL processes and tested relevant controls over provisioning including those around governance, data, model validation and monitoring with particular focus on controls over significant assumptions and judgements. We engaged our credit modelling specialists to challenge the ECL model methodology and test the implementation, including models that were redeveloped during the year. We tested the completeness and accuracy of key modelled inputs to assess completeness and accuracy and challenged staging by testing a sample of loans to assess whether a significant increase in credit risk had occurred. **When testing the macroeconomic forecasts and scenarios we:** • Engaged macroeconomic specialists to challenge the appropriateness of economic forecasts for key variables and the development and weighting of scenarios as at 30 June 2024, comparing management forecasts to market data and our own internal data; • Engaged our credit modelling specialists to assess whether the forecasts and scenarios translated into appropriate non-linear losses, with a specific focus on the severe downside given the full range of scenarios were not updated; and • Challenged the macroeconomic disclosures in the financial statements. **When testing the validity and completeness of overlays we:** • Engaged credit modelling specialists to assess management’s model methodology to identify model limitations and challenge whether these were appropriately addressed; • Challenged the quantification and methodology for the determination of the overlays and compared the population to the prior year; • Tested completeness and accuracy of data inputs into the overlay calculations; • Performed a stand-back assessment of the combined impact of models, PMAs and overlays at a portfolio level; and • Reviewed the disclosures included within the financial statements to determine whether all required information has been included.

Key observations	Based on our audit procedures above, we concluded that the estimate of expected credit losses on loans and advances to customers is not materially misstated.

5.2 Effective interest rate income recognition

Key audit matter description	The Group's revenue recognition policy is detailed in note 5. The Group's net interest income in June 2024 was £604.3m (June 2023: £621.0m). As detailed in note 3, 'Use of estimates and judgements' on page 157, the determination of expected behavioural lives within the mortgage portfolio is a key judgement when estimating revenue recognition on an effective interest rate ("EIR") basis. Management's approach to determining the interest income that should be recognised at each reporting date involves the use of models and uses judgement in determining expected repayment profiles. As detailed in note 3, management have recalibrated the prepayment curves in the period to better reflect observed behaviours, considering the economic uncertainties and high interest rate environment.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the EIR process and relevant controls over the EIR calculation. For all portfolios we: • Reviewed management's accounting policies and evaluated whether they are in accordance with accounting standards, with particular focus on whether fees and costs are appropriately included or excluded from the EIR calculation; • Engaged our analytics and modelling specialists to perform a model code review and test the mathematical accuracy of management's EIR models through independent recalculation of the EIR adjustment in our own independent models; and • Tested the relevant loan data inputs to confirm they had been completely and accurately included in the EIR models. To challenge the judgements behind the determination of behavioural lives in the mortgage portfolio, we involved our analytics and modelling specialists to: • Assess the methodology and model code used to develop expected behavioural life curves; • Independently develop our own independent curves using the Group's internal data in order to identify and assess differences and assess the sensitivity of any variances identified; • Assess and challenge the judgements and assumptions applied in management's curves through comparison to observed behaviours across similar products in the current economic environment; and • Substantively tested the completeness and accuracy of the historical

	repayment data that supports management's expectation of future repayments. We also reviewed the disclosures included within the financial statements to determine whether all required information has been included.
Key observations	Based on our audit procedures above, we concluded that the effective interest rate income recognition for the period is appropriate.

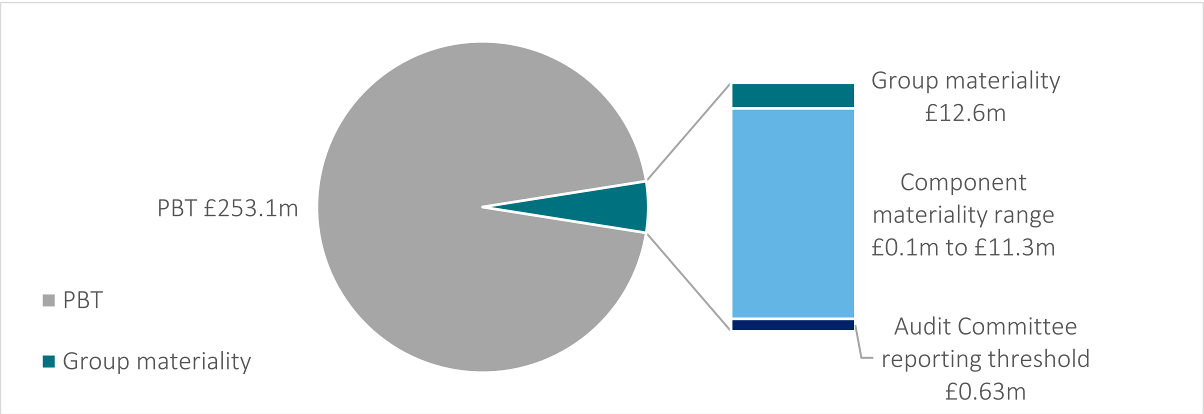
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£12.6m (2023: £11.1m)	£6.3m (2023: £5.7m)
Basis for determining materiality	5% of profit before tax (2023: 5% of profit before tax)	0.9% of net assets (2023: 0.9% of net assets)
Rationale for the benchmark applied	We believe profit before tax is the key metric used by members of the Parent Group and other relevant stakeholders in assessing financial performance.	For the parent company financial statements, as with the prior year our materiality has been capped at 50% of Group materiality which equates to 0.9% of net assets, in accordance with our methodology for determining materiality for components. In our professional judgement, we believe that the use of net assets is appropriate as the purpose of the parent company is that of a holding company.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2023: 70%) of Group materiality	70% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered a number of factors including: our understanding of the control environment and the business; the low number of uncorrected misstatements identified in the prior year; and our assessment of engagement risk.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £630k (2023: £555k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components
Our Group audit was scoped by obtaining an understanding of the Group structure and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Our audit of Aldermore Group PLC focused on its significant subsidiaries, Aldermore Bank PLC and MotoNovo Finance Limited, which were subject to a full scope audit. The remaining subsidiaries were subject to analytical review procedures. The full scope audit of the three entities named above provided us with 95% coverage of the Group's revenue (2023: 98%), 94% of the Group's profit before tax (2023: 91%), and 99% of the Group's net assets (2023: 98%).Our audit of Aldermore Group PLC focused on its significant subsidiaries, Aldermore Bank PLC and MotoNovo Finance Limited, which were subject to a full scope audit. The remaining subsidiaries were subject to analytical review procedures.

Our audits of each of the subsidiaries were performed using levels of materiality appropriate to each subsidiary and ranged from £0.1m to £11.3m. At the Group level, we also tested the consolidation process. All work was performed by the Group engagement team.

7.2 Our consideration of the control environment
We identified the key IT systems relevant to the audit to be those used in financial reporting as well as the lending and savings businesses. For these controls we involved our

IT specialists to perform testing over the general IT controls, including testing of user access and change management systems. Where deficiencies were identified in the control environment, including deficiencies in IT controls, we assessed the deficiencies to determine the impact on our audit plan and either tested mitigating controls or altered the nature, timing and extent of our procedures to address the underlying risk.

In the current year, we relied on controls over the lending and deposits processes for the most significant business areas. For the areas where we relied on controls, we performed walkthroughs with management to understand the process and controls and identified and tested relevant controls that address risks of material misstatement in financial reporting.

The Audit Committee has performed their own assessment of the internal control environment as set out on page 62.

7.3 Our consideration of climate-related risks
The Group have assessed their climate related risks and opportunities within the Strategic Report. Further information is provided in the Group's Energy and Carbon Reporting on page 47.

In planning our audit, we have considered the potential impact of climate change on the Group's operations and the potential impact on its financial statements. We held discussions with the Group to understand:

- The process for identifying affected operations and for considering the impact of climate risks, including the governance over this process, and the subsequent effect on the financial reporting for the Group; and
- The long-term strategy to respond to climate change risks as they evolve.
- As part of our risk assessment procedures, we assessed whether the risks identified by the entity are complete and consistent with our understanding of the entity. Management have determined that the impact of climate related risks on the financial statements for the year is not material, as described in note 3.

Our audit work involved:

- Reviewing management's assessment of the physical and transition risks identified and considered the Group's climate risk assessment and the conclusion that there is no material impact of climate change risk on current year financial reporting; and
- Assessing the appropriateness of disclosures in the Annual Report and challenging the consistency between the financial statements and the rest of the Annual Report.
- We have not been engaged to provide assurance over the accuracy of climate change disclosures in the front half of the annual report. As part of our audit procedures, we read these disclosures to assess whether they are materially consistent with the financial statements or knowledge obtained throughout the audit. We did not identify any material inconsistencies as a result of these procedures.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
    - any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement and relevant internal specialists, including tax, financial instrument specialists, credit modelling, economic advisory, data analytics, prudential risk specialists, regulatory specialists, IT and Deloitte Real Estate specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: expected credit losses on loans and advances to customers and effective interest rate income recognition. In respect of the risk of potential non-compliance with laws and regulations, we considered the industry-wide review of historical motor finance commission arrangements announced by the Financial Conduct Authority (FCA) in January 2024 (as disclosed in note 20). In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the requirements of the United Kingdom's Prudential Regulation Authority (PRA) and FCA and in particular their authorised permissions and regulatory capital, liquidity and solvency requirements.

Audit response to risks identified
As a result of performing the above, we identified expected credit losses on loans and advances to customers and effective interest rate income recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report

explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Group's primary regulators the PRA and the FCA;
- in relation to the FCA industry-wide review of historical motor finance commission arrangements, with the support of our internal regulatory specialists we challenged the appropriateness of assumptions and scenarios for redress and costs; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 31 to the financial statements for the financial year ended 30 June 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1 Auditor tenure
Following the recommendation of the audit committee, we were appointed by the shareholders of the Group on 16 May 2017 to audit the financial statements for the year ending 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 30 June 2018 to 30 June 2024.

15.2 Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Giles Lang

Giles Lang, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
2 September 2024

The Consolidated Financial Statements

Consolidated income statement

For the year ended 30 June 2024	Note	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Interest income		1 430.6	1 076.8
Interest expense		(826.3)	(455.8)
Net interest income	5	**604.3**	**621.0**
Fee and commission income		9.1	13.8
Fee and commission expense		(14.4)	(9.7)
Net fee and commission (expense) / income	6	**(5.3)**	**4.1**
Net (losses)/gains from derivatives and other financial instruments at fair value through profit or loss	7	(20.7)	25.8
Net gains on disposal of financial assets at fair value through other comprehensive income		2.0	2.1
Net gains on financial assets at amortised cost		0.2	-
Other operating income		5.3	11.2
Total operating income		**585.8**	**664.2**
Provisions	20	(26.6)	(19.6)
Other expenses and staff costs		(324.4)	(309.3)
Administrative expenses	8	**(351.0)**	**(328.9)**
Operating profit before impairment losses		**234.8**	**335.3**
Share of profit of associate		-	0.5
Impairment releases/ (losses) on loans and advances to customers	14	18.3	(113.3)
Profit before taxation		**253.1**	**222.5**
Taxation	10	(67.4)	(51.3)
Profit after taxation – attributable to equity holders of the Group		**185.7**	**171.2**

The notes and information from page 144 onwards form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 30 June 2024	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Profit after taxation	**185.7**	**171.2**
Other comprehensive (expense):		
Items that may subsequently be transferred to the income statement:		
FVOCI debt securities:		
Fair value movements	(3.3)	(2.7)
Amounts transferred to the income statement	(2.0)	(2.1)
Taxation	1.3	1.3
Total other comprehensive (expense)/income	**(4.0)**	**(3.5)**
Total comprehensive income attributable to equity holders of the Group	**181.7**	**167.7**

The notes and information from page 144 onwards part of these financial statements.

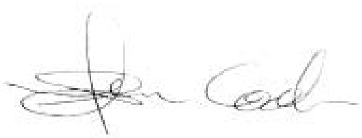
Consolidated statement of financial position

As at 30 June 2024	Note	30 June 2024 £m	30 June 2023 £m
Assets			
Cash and balances at central banks	27	2 172.2	1 923.4
Loans and advances to banks	11	257.4	318.8
Debt securities	12	2 436.5	2 048.9
Derivatives held for risk management	13	348.2	712.0
Loans and advances to customers	14	15 336.9	15 167.3
Fair value adjustment for portfolio hedged risk	13	(130.4)	(417.8)
Other assets		34.7	54.9
Prepayments and accrued income		26.9	22.6
Taxation asset		2.4	2.3
Deferred taxation	10	6.9	6.1
Non-current assets held for sale	33	6.4	39.2
Property, plant and equipment	15	33.7	33.0
Intangible assets	16	8.6	8.6
Total assets		**20 540.4**	**19 919.3**
Liabilities			
Amounts due to banks	17	1 365.3	1 681.9
Customers' accounts	18	16 306.7	15 033.3
Derivatives held for risk management	13	40.7	62.5
Fair value adjustment for portfolio hedged risk	13	6.5	(21.0)
Other liabilities, accruals and deferred income	19	150.8	150.8
Current taxation	10	0.8	7.1
Provisions	20	26.8	28.4
Debt securities in issue	21	777.5	1 285.1
Subordinated notes	22	100.9	152.8
Total liabilities		**18 776.0**	**18 380.9**

As at 30 June 2024	Note	30 June 2024 £m	30 June 2023 £m
Equity			
Share capital	24	243.9	243.9
Share premium account		74.4	74.4
Additional Tier 1 capital	26	161.0	108.0
Capital redemption reserve		0.2	0.2
Fair value through other comprehensive income		(0.7)	3.3
Retained earnings		1 285.6	1 108.6
Total equity		**1 764.4**	**1 538.4**
Total liabilities and equity		**20 540.4**	**19 919.3**

The notes and information from page 144 onwards form part of these financial statements.

These financial statements were approved by the Board and were signed on its behalf by:



Steven Cooper CBE
Chief Executive Officer
2 September 2024
Registered number:
06764335

Ralph Coates
Chief Financial Officer
2 September 2024

Consolidated statement of cash flows

For the year ended 30 June 2024	Note	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Cash flows from operating activities			
Profit before taxation		253.1	222.5
Adjustments for non-cash items and other adjustments included within the income statement	27	19.2	143.2
Decrease/(increase) in operating assets	27	55.1	(886.0)
Increase in operating liabilities	27	960.3	1 294.8
Income tax paid		(73.4)	(35.1)
Net cash flows generated from operating activities		**1 214.3**	**739.4**
Cash flows from investing activities			
Purchase of debt securities	12	(1 184.9)	(358.2)
Proceeds from sale and maturity of debt securities	12	421.2	299.3
Capital repayments of debt securities	12	367.2	351.0
Interest received on debt securities	5	39.7	15.2
Proceeds from disposal of non-current assets held for sale		32.8	-
Purchase of property, plant and equipment and intangible assets		(5.5)	(3.6)
Net cash (used in)/generated from investing activities		**(329.5)**	**303.7**
Cash flows from financing activities			
Repayment of subordinated notes	23	(152.0)	-
Proceeds from issue of subordinated notes	23	100.0	-
Proceeds from issue of debt securities	23	-	402.6
Capital repayments on debt securities issued	23	(505.1)	(291.3)
Redemption of Additional Tier 1 capital	26	(47.0)	-
Issuance of Additional Tier 1 capital	26	100.0	-
Coupons paid on Additional Tier 1 capital	26	(8.6)	(8.6)
Interest paid on debt securities issued	23	(55.9)	(31.0)
Interest paid on subordinated notes	23	(9.0)	(7.5)
Repayment of lease liabilities – principal		(5.3)	(5.5)
Interest paid on lease liabilities		(0.3)	(0.3)
Net cash (used in)/generated from financing activities		**(583.2)**	**58.4**
Net increase in cash and cash equivalents		**301.6**	**1 101.5**
Cash and cash equivalents at start of the period	27	1 999.0	897.5
Movement during the period		301.6	1 101.5
Cash and cash equivalents at end of the period	**27**	**2 300.6**	**1 999.0**

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium account £m	Additional Tier 1 Capital £m	Capital redemption reserve £m	FVOCI reserve £m	Retained earnings £m	Total £m
Year ended 30 June 2024								
As at 1 July 2023		**243.9**	**74.4**	**108.0**	**0.2**	**3.3**	**1 108.6**	**1 538.4**
Profit after taxation		-	-	-	-	-	185.7	185.7
Other comprehensive loss		-	-	-	-	(4.0)	-	(4.0)
Redemption of Additional Tier 1 capital	26	-	-	(47.0)	-	-	-	(47.0)
Issuance of Additional Tier 1 capital	26			100.0				100.0
Coupon paid on Additional Tier 1 capital securities	26	-	-	-	-	-	(8.7)	(8.7)
As at 30 June 2024		**243.9**	**74.4**	**161.0**	**0.2**	**(0.7)**	**1 285.6**	**1 764.4**

	Note	Share capital £m	Share premium account £m	Additional Tier 1 Capital £m	Capital redemption reserve £m	FVOCI reserve £m	Retained earnings £m	Total £m
Year ended 30 June 2023								
As at 1 July 2022		**243.9**	**74.4**	**108.0**	**0.2**	**6.9**	**946.1**	**1 379.4**
Profit after taxation		-	-	-	-	-	171.2	171.2
Other comprehensive loss		-	-	-	-	(3.5)	-	(3.5)
Coupon paid on Additional Tier 1 capital securities		-	-	-	-	-	(8.6)	(8.6)
As at 30 June 2023		**243.9**	**74.4**	**108.0**	**0.2**	**3.3**	**1 108.6**	**1 538.4**

The Company Financial Statements

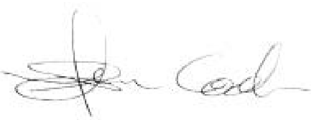
The Company statement of financial position

As at 30 June 2024	Note	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Assets			
Loans and advances to banks		12.5	4.2
Amounts receivable from Group undertaking	35	308.8	307.3
Non-current assets held for sale	33	4.8	4.8
Investment in subsidiaries	32	515.6	515.6
Total assets		**841.7**	**831.9**
Liabilities			
Amounts payable to Group undertakings	36	22.9	22.7
Tax liability		0.8	-
Subordinated notes	22	100.9	152.8
Total liabilities		**124.6**	**175.5**
Equity			
Share capital	24	243.9	243.9
Share premium account		74.4	74.4
Additional Tier 1 capital	26	161.0	108.0
Capital redemption reserve		0.2	0.2
Retained earnings		237.6	229.9
Total equity		**717.1**	**656.4**
Total liabilities and equity		**841.7**	**831.9**

The notes and information from page 144 onwards form part of these financial statements.

Aldermore Group PLC profit for the year ended 30 June 2024 was £16.3 million (30 June 2023: profit of £14.6 million).

These financial statements were approved by the Board and were signed on its behalf by:



Steven Cooper CBE
Chief Executive Officer
2 September 2024
Registered number: 6764335

Ralph Coates
Chief Financial Officer
2 September 2024

The Company statement of cash flows

	Note	Year ended 30 June 2024 £m	Year ended 30 June 2023 (Restated) £m
Cash flows from operating activities			
Income from operating activities		6.5	4.1
Adjustments for non-cash items within the income statement		9.1	7.5
Increase in operating assets		(1.4)	(2.6)
Increase in operating liabilities		0.4	0.6
Dividends Received		10.6	10.6
Income tax paid		(0.1)	-
Net cash flows generated from operating activities		**25.1**	**20.2**
Cash flows from financing activities			
Repayment of subordinated notes	23	(152.0)	-
Proceeds from issue of subordinated notes	23	100.0	-
Repayment of Additional Tier 1 capital	26	(47.0)	-
Proceeds from issue of Additional Tier 1 capital	26	100.0	-
Interest paid on subordinated notes		(9.2)	(7.5)
Coupon paid on contingent convertible securities, net of tax		(8.6)	(8.6)
Net cash used in financing activities		**(16.8)**	**(16.1)**
Net increase in cash and cash equivalents		**8.3**	**4.1**
Cash and cash equivalents at start of the year		**4.2**	**0.1**
Movement during the year		8.3	4.1
Cash and cash equivalents at end of the year		**12.5**	**4.2**

*The cashflow statement for the period ended 2023 has been restated to align to the Group presentation of cashflows.

The Company statement of changes in equity

For the year ended 30 June 2024	Share Capital £m	Share premium account £m	Additional Tier 1 Capital £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Year ended 30 June 2024						
As at 1 July 2023	**243.9**	**74.4**	**108.0**	**0.2**	**230.0**	**656.4**
Profit for the year	-	-	-	-	16.3	16.3
Redemption of Additional Tier 1 capital	-	-	(47.0)	-	-	(47.0)
Issuance of Additional Tier 1 capital	-	-	100.0	-	-	100.0
Coupon paid on Additional Tier 1 capital securities	-	-	-	-	(8.6)	(8.6)
As at 30 June 2024	**243.9**	**74.4**	**161.0**	**0.2**	**237.7**	**717.1**
Year ended 30 June 2023						
As at 1 July 2022	**243.9**	**74.4**	**108.0**	**0.2**	**224.0**	**650.5**
Profit for the year	-	-	-	-	14.6	14.6
Transactions with equity holders:						
- Coupon paid on contingent convertible securities	-	-	-	-	(8.6)	(8.6)
As at 30 June 2023	**243.9**	**74.4**	**108.0**	**0.2**	**230.0**	**656.4**

Notes to the consolidated and company financial statements

1. Basis of preparation

a. Accounting basis

The consolidated financial statements of Aldermore Group PLC (the "Company") include the assets, liabilities and results of the operations of the Company, its subsidiary undertakings (together, the "Group") including Aldermore Bank PLC (the "Bank") and MotoNovo Finance Limited.

By including the separate balance sheet of the Company, together with the consolidated financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements, see page 141 for the Company profit disclosure.

The principal activity of the Company is that of an investment holding company. The Company is public and limited by shares. The address of the Company's registered office is: Aldermore Group PLC, Apex Plaza, 4th Floor Block D, Forbury Road, Reading, Berkshire, RG1 1AX.

Both the consolidated and separate financial statements of the Company have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards.

The consolidated and separate financial statements of the Company, have also been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS as issued by the IASB for the periods presented.

During the year ended 30 June 2024, there were no new IFRS standards which became effective that impacted the Group's reported earnings, financial position or reserves, or accounting policies. The Group has adopted the following new amendments to existing standards which were effective for accounting periods starting on or after 1 January 2023:

Amendments to existing standards adopted in the current year

Amendments to IAS 1 Presentation of Financial Statements, IAS 8 Accounting Estimate, Changes in Accounting Policies and Errors and IAS 12 Income Taxes become effective in the current year. None of these amendments to IFRS impacted the Company's reported earnings, financial position or reserves, or the accounting policies.

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries which are entities controlled by the Company, (jointly referred to as the Group), for the year ended 30 June 2024.

Control is achieved when the Group:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the Group reassesses whether or not it controls an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Uniform accounting policies are applied consistently across the Group. Intercompany transactions and balances are eliminated upon consolidation. On initial recognition in the consolidated financial statements, subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations.

The excess or shortage of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill, or a gain on bargain purchase, as set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.

Unrealised losses on transactions between Group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the Group's impairment policies.

Securitisation vehicles

The Group has securitised certain loans and advances to customers by the transfer of the beneficial interest in such loans to securitisation vehicles (see note 21). The securitisation enabled the subsequent issue of debt securities by a securitisation vehicle to investors who have the security of the underlying assets as collateral. The securitisation vehicles are fully consolidated into the Group's accounts as the Group has control as defined above.

The transfer of the beneficial interest in these loans to the securitisation vehicle are not treated as a derecognition event. The Group continues to recognise these assets within its own Statement of Financial Position after the transfer as it continues to retain substantially all the risks and rewards from the assets.

c. Going concern

The financial statements are prepared on a going concern basis. The Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements) and that there are no material uncertainties to disclose. Further details on the assessment undertaken by the Directors are set out in the Directors' Report on page 76.

d. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the financial statements:

- Derivative financial instruments are measured at fair value through profit or loss;
- Fair value through other comprehensive income (FVOCI) debt securities are valued at FVOCI; and
- Fair value adjustments for portfolios of financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships, which reflect changes in fair value attributable to the risk being hedged and are reflected through profit or loss in order to match the gains or losses arising on the derivative financial contracts that qualify as hedging instruments.

e. Presentation of risk and capital disclosures

The disclosures required under IFRS 7: "Financial instruments: disclosures" and IAS 1: "Presentation of financial statements" have been included within the audited sections of the Risk Report. Where information is marked as audited, it is incorporated into these financial statements by this cross reference and it is covered by the Independent Auditor's report on page 123.

f. Standards and interpretation issued not yet effective

The following new and revised standards and interpretations, all of which have been endorsed for use within the UK are applicable to the business of the Group. The Group will comply with these from the stated effective date.

New Accounting Standards	Description of change	Impact on the Group
Amendments to classification of liabilities as current or non-current (IAS 1)	The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability.	Effective date: Annual periods commencing on or after 1 January 2024. The Group presents its assets and liabilities in order of liquidity in its statement of financial position. This amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The Group does not expect this amendment to have a significant impact on the annual financial statements.
Amendments to IFRS 16 – Lease liability in a sale and lease back	The amendment to IFRS 16 specifies the requirements that a seller- lessee uses in measuring the lease liability arising in a sale and lease back transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.	Effective date: Annual periods commencing on or after 1 January 2024. The amendments are not expected to have a significant impact on the annual financial statements.

Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements	The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.	Effective date: Annual periods commencing on or after 1 January 2024. The amendments are not expected to have a significant impact on the annual financial statements.
IFRS 18 – Presentation and Disclosure in Financial Statements	IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 aims to improve financial reporting by: • requiring additional defined subtotals in the statement of profit or loss; • requiring disclosures about management defined performance measures ('MPMs'); and • adding new principles for grouping (aggregation and disaggregation) of information.	Effective date: Annual periods commencing on or after 1 January 2027. The new standard is expected to impact the Group's presentation of its statement of comprehensive income as well as additional disclosures of MPMs.
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	IFRS 19 enables eligible entities to provide reduced disclosures compared to the requirements in other IFRS accounting standards. Entities that elect IFRS 19 are still required to apply recognition, measurement and presentation requirements of other IFRS accounting standards.	Annual periods commencing on or after 1 January 2027 The Group does not expect this standard to have any impact on the annual financial statements.

2. Significant accounting policies

This section sets out the Group's accounting policies which relate to the consolidated and separate financial statements as a whole. Where an accounting policy relates specifically to a note then the accounting policy is set out within the respective note.

a. Financial instruments – recognition and derecognition

i. Recognition

The Group initially recognises loans and advances, amounts due to banks, customer accounts and subordinated notes issued on the date that they are originated.

Regular purchases and sales of debt securities and derivatives are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

ii. Derecognition

Financial assets are derecognised when and only when:

- The contractual rights to receive the cash flows from the financial asset expire; or
- The Group has transferred substantially all the risks and rewards of ownership of the assets.

When a financial asset is derecognised in its entirety, the difference between the carrying amount, the sum of the consideration received (including any new asset obtained less any new liability assumed), and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in gains on disposal of FVOCI in the income statement.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in the income statement.

iii. Term Funding Scheme

Loans and advances over which the Group transfers its rights to the collateral thereon to the Bank of England under TFSME (Term Funding Scheme with additional incentive for SMEs) are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership including all cash flows arising from the loans and advances and exposure to credit risk. The cash received against the transferred assets is recognised as an asset within the statement of financial position, with the corresponding obligation to return it recognised as a liability at amortised cost within 'Amounts due to banks'. Interest is accrued over the life of the agreement on an Effective Interest Rate ("EIR") basis.

b. Financial assets

i. Classification

Management determines the classification of its financial assets at initial recognition, based on:

- The Group's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

The Group distinguishes three main business models for managing financial assets:

- Holding financial assets to collect contractual cash flows;
- Managing financial assets and liabilities on a fair value basis or selling financial assets; and
- A mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument by instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done on a portfolio or sub-portfolio level depending on the manner in which groups of financial assets are managed.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the Group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repo transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction as substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

If sales of financial assets are infrequent, the significance of these sales are considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets.

A change in business model of the Group only occurs on the rare occasion when the Group changes the way in which it manages financial assets. Any changes in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.

In order for a debt security to be measured at amortised cost or FVOCI, the cash flows on the asset have to be solely payments of principal and interest ("SPPI"), i.e. consistent with those of a basic lending agreement. The SPPI test is applied to individual securities at initial recognition, based on the cash flow characteristics of the asset. All debt securities held as at 30 June 2024 passed the SPPI test. The Group held three portfolios of debt securities, the first as part of a mixed business model whose objectives include both the collection of contractual cash flows and the sale of financial assets, the second as part of a held to collect model whose objective is to collect contractual cash flows until maturity, and the third as part of the Aldermore Group Capital Investment Strategy which seeks to stabilise earnings volatility by extending the investment term of equity capital. Debt securities held in the mixed business model have been classified as measured at FVOCI, and those held in the held to collect model and Capital Investment Strategy have been classified as measured at amortised cost.

The SPPI test is applied on a portfolio basis for loans and advances to customers, cash and balances at central banks and loans and advances to banks, as the cash flow characteristics of these assets are standardised. This included consideration of any prepayment charges, which in all cases were reasonable compensation and therefore did not cause these assets to fail the SPPI test. As all of these financial assets were held as part of business models with the objective of collecting contractual cash flows and they all passed the SPPI test, they have all been classified as financial assets to be measured at amortised cost.

ii. Measurement

Financial assets measured at amortised cost

These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the EIR method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount, less impairment provisions for expected losses. Financial assets measured at amortised cost mainly comprise loans and advances to customers and loans and advances to banks.

Financial assets measured at FVOCI

These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on current, quoted bid prices in active markets for identical assets that the Group can access at the reporting date. Where there is no active market, or the debt securities are unlisted, the fair values are based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates and other commonly used valuation techniques. Interest income is recognised in the income statement using the EIR method. Impairment provisions for expected losses are recognised in the income statement which does not reduce the carrying amount of the investment security but is transferred from the FVOCI reserve in equity. Other fair value movements are recognised in other comprehensive income and presented in the FVOCI reserve in equity. On disposal, the gain or loss accumulated in equity is reclassified to the income statement.

Financial assets at fair value through profit or loss

These are measured both initially and subsequently at fair value with movements in fair value recorded in the income statement. Any costs that are directly attributable to their acquisition are recognised in profit or loss when incurred. The Group only measures derivative financial assets under this classification.

Modification of financial instruments

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for expected credit loss (**"**ECL**"**) measurement purposes, unless the new loan is deemed to be POCI (**"**purchased or originated credit-impaired**"**).

If the modification does not result in cash flows that are substantially different the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Modification gains and losses are calculated on an individual contract basis. This is calculated by discounting the modified cash flows at the original interest rate and results in a modification gain/loss in impairments in the financial year. The resultant gain/loss is recognised in the consolidated income statement.

c. Financial liabilities

i. Overview

Financial liabilities are contractual obligations to deliver cash or another financial asset. Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs for financial liabilities other than derivatives. Financial liabilities, other than derivatives, are subsequently measured at amortised cost.

ii. Financial liabilities at amortised cost

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost. Any difference between the fair value and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method.

iii. Subordinated notes

Subordinated notes issued by the Group are assessed as to whether they should be treated as equity or financial liabilities. Where there is a contractual obligation to deliver cash or other financial assets, they are treated as a financial liability and measured at amortised cost using the EIR method after taking account of any discount or premium on the issue and directly attributable costs that are an integral part of the EIR. The amount of any discount or premium is amortised over the period to the expected call date of the instrument. All subordinated notes issued by the Group are classified as financial liabilities.

d. Impairment — financial assets

This policy applies to:

- Financial assets measured at amortised cost;

- Debt securities measured at FVOCI;
- Loan commitments; and
- Finance lease receivables where Group is the lessor.

IFRS 9 establishes a three-stage approach for impairment of financial assets.

- Stage 1 – at initial recognition of a financial asset, or when an irrevocable loan commitment is made if this occurs before a financial asset is recognised, the asset or loan commitment is classified as stage 1 and 12 month expected credit losses (ECL) are recognised, which are credit losses related to default events expected to occur within the next 12 months;
- Stage 2 – if the asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as stage 2 and lifetime expected credit losses are recognised; and
- Stage 3 – credit impaired assets are classified as stage 3, the asset is classified as stage 3 and lifetime expected credit losses are recognised.

Collective and individual assessment

The Group uses a bespoke credit engine to estimate ECL on a collective basis for all loans to customers and loan commitments. The collective assessment groups loans with shared credit risk characteristics through lines of business. The engine captures model outputs from the 12-month Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD"), Lifetime PD, macro-economic models and Staging analysis to derive an ECL estimate for each account.

Statistical modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. These result in the production of models that are used to predict impairment parameters (PD, LGD, and EAD) based on the predictive characteristics identified through the regression process.

When impairments are calculated, each exposure is assigned unique impairment parameters (a PD, LGD and EAD) based on that exposure's individual characteristics. These account-level impairment parameters are then used to calculate account-level expected credit losses. Where a loan is in stage 3, then a lifetime ECL is estimated based upon an individual assessment of the borrower and any collateral provided. Typically, the assessment will evaluate the emergence period, likelihood of recovery, recovery period and size of haircut to be applied to the value of the collateral under the different scenarios to estimate their corresponding specific provision amounts on a best estimate basis. A scalar is then applied to the best estimate so as to provide a probability weighted estimate of the lifetime ECL. For recent non-performing assets, where individual assessment is still outstanding, and those stage 3 assets where the individually assessed lifetime ECLs are not significant, then the provisions will be based on the lifetime ECLs determined on a collective basis as the same models used for stage 1 and stage 2 exposures.

In respect of debt securities and loans to banks, estimates of expected losses are calculated on the current individual credit grading of the exposure and externally sourced expected loss rates. The Group deems the likelihood of default across the respective asset counterparties as immaterial, and hence does not recognise a provision against the carrying balances.

Significant increase in credit risk (movement to stage 2) ("SICR")

In assessing whether loans to customers and loan commitments have been subject to a significant increase in credit risk the Group applies the following criteria in order:

- A presumption that an account which is more than 30 days past due has suffered a significant increase in credit risk. IFRS 9 allows this presumption to be rebutted, but the Group believes that more than 30 days past due to be an appropriate back stop measure and therefore has not rebutted the presumption;

- Quantitative criteria based upon a change in the modelled probability of default of individual credit exposures. Staging models using statistical techniques have been developed on a portfolio basis to determine the levels of changes in PDs since origination which correlate to a significant increase in the likelihood of delinquency among historic loans with similar characteristics; and

- Qualitative criteria, where an exposure is subject to temporary forbearance or has been placed on a watch list as a result of possessing certain qualitative features based on Basel Committee On Banking Supervision "Guidance on credit risk and accounting for expected credit losses", including such matters as significant change in the operating results of the borrower or in the value of the collateral provided.

In respect of debt securities and loans to banks, use is made of the low credit risk expedient permitted by IFRS 9 whereby the credit risk is not considered to have increased significantly where the exposures are assumed to be "low" credit risk at the reporting date or/and where they continue to be investment grade, or equivalent.

Definition of credit impaired (movement to stage 3)

The Group has identified certain quantitative and qualitative criteria to be considered in determining when an exposure is credit impaired and should therefore be moved into stage 3, these include the following:

- The exposure becomes 90 days past due. IFRS 9 allows this assumption to be rebutted, but at present the Group has not done so; and

- Qualitative criteria, which vary according to the type of lending being undertaken, but include indicators such as bankruptcies, Individual Voluntary Arrangements and permanent forbearance.

The Group has used the same definition of default as that for the purpose of calculating PDs used in its credit models. In addition, the definition has been aligned with those used for regulatory reporting purposes.

Movements back to stages 1 and 2

Exposures will move out of stage 3 to stage 2 when they no longer meet the criteria for inclusion and have completed agreed probation periods set according to the type of lending. Movement into stage 1 will only occur when the SICR criteria are no longer met.

Write-Off and Recoveries

Write-off shall occur when either part, or all, of the outstanding debt is considered irrecoverable and all viable options to recover the debt have been exhausted. Any amount received after a provision has been raised or debt has been written-off, will be recorded as a recovery and reflected as a reduction in the impairment loss reflected in the income statement.

Forward-looking macro-economic scenarios

ECLs and SICR take into account forecasts of future economic conditions in addition to current conditions. The Group has developed a macro-economic model which adjusts the modelled ECLs to reflect a range of forward looking macro-economic scenarios, the final ECL is a probability weighted average across the scenarios.

e. Financial instruments—fair value measurement

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Where applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing on an ongoing basis.

Where there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate factors that market participants would take into account in pricing a transaction.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price. If an asset measured at fair value has a bid and an offer price, the Group measures assets and long positions at the bid price and liabilities at the offer price.

f. Assets leased to customers

Leases of assets to customers are finance leases as defined by IFRS 16. When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross lease payments receivable and the present value of the receivable represents the unearned finance income which is recognised as finance income over the term of the lease. Lease income is recognised within interest income in the income statement over the term of the lease which reflects a constant periodic rate of return ignoring tax cash flows.

g. Assets leased from third parties

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group elected to apply the short-term lease exemption to leases with a lease term of less than 12 months. The Group recognised lease liabilities at the present value of the lease payments outstanding at commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Each lease payment is allocated between lease liability and interest expense.

Interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are recognized at cost, comprising the amount of initial measurement of the lease liability plus initial direct costs. The right-of use asset is subsequently depreciated over the lease term on a straight-line basis.

h. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities held at the statement of financial position date are translated into sterling using the exchange rates ruling at the statement of financial position date. Exchange differences are charged or credited to the income statement.

i. Shareholders' funds

i. Capital instruments

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Company to deliver cash or other financial assets, or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, or where the instrument will or may be settled in the Company's own equity instruments but includes no obligation to deliver a variable number of the Company's own equity instruments, then it is treated as an equity instrument. Accordingly, the Company's share capital and Additional Tier 1 capital securities are presented as components of equity. Any dividends, interest or other distributions on capital instruments are also recognised in equity.

ii. Share premium

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of the shares issued.

j. Capital raising costs

Costs directly incremental to the raising of share capital are netted against the share premium account. Costs directly incremental to the raising of convertible securities included in equity are offset against the proceeds from the issue within equity.

k. Other operating income

Other operating income predominantly arises from the provision of Motor Finance dealer funding fees. This income is recognised within other operating income when the Group satisfies its performance obligations. Motor Finance recognises a reduction of certain income for policies expected to be cancelled against this based on the long run average cancellation rate over the life of the agreement.

Other operating income also includes income derived from the service level agreement ("SLA") recharge to the FirstRand London Branch in relation to MotoNovo Finance servicing the back book.

3. Use of estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements and assumptions that are considered to be the most important to the portrayal of the Group's financial condition and impact the results for the current year and future reporting periods are those relating to loan impairment provisions(further information in section a below), EIR (section b) and Provisions (note 20).

a. Loan impairment provisions

The key judgements made in applying the accounting policies were as follows:

Definition of default

IFRS 9 does not define default for the purpose of defining the PD as used when calculating ECLs and impairment provisions for stage 1 and stage 2 assets. As detailed in note 2(d), the Group has defined default on a basis that is consistent with the definition it uses for determining whether an asset is credit impaired, and is therefore classified as stage 3, and with the definition of default that is used for regulatory reporting purposes.

Significant increase in Credit Risk for classification in stage 2

As explained in note 2(d), loan impairment provisions are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 2(d) for more details.

The probation period for reclassification from stage 3 into stage 2 and 1

As explained in note 2(d), loans are only considered for reclassification from stage 3 into stage 2 when they no longer meet the criteria for inclusion and have completed agreed probation periods. The probation periods are set according to the type of lending and are based upon professional judgement as to when the risk of a return to stage 3 is considered minimal. It should be noted that £8.8 million of the stage 3 ECL at 30 June 2024 no longer meet the criteria for inclusion but remain in stage 3 pending completion of the agreed probation periods (30 June 2023: £8.1 million). Reclassifications from stage 2 to stage 1 are only possible when the SICR criteria are no longer met.

The key estimates made in applying the accounting policies relate to statistical models (PD, LGD and macro-economic) with judgements applied where data and model limitations exist. The full model suite was re-developed and calibrated using the latest data, improving the accuracy and stability of estimates used in year-end ECL calculations. While improvements were made, management recognise the limitations of available data, requiring adjustments to ensure the Group is adequately provided.

The key estimates made in applying the accounting policies were as follows:

PD models

The Group has employed a number of PD models, tailored to different types of lending with shared characteristics, to assess the likelihood of default within the next 12 months and over the lifetime of each loan. The models calculate estimates of PDs based upon current characteristics of the borrower and observed historical default rates. A 10.0% relative deterioration in the modelled PDs would result in an increase in impairment provisions by £7.2 million as at 30 June 2024 (30 June 2023: £8.1 million).

LGD models

- The Group has developed LGD models for the different types of lending. The models use a number of estimated inputs including Forced Sale Discounts ("FSD") and the valuation of collateral to be collected reflecting the impact of changes in House Price Indices ("HPI") other valuation measures and forced sale discounts ("FSD"). The models are most sensitive to changes in FSD rates and collateral valuations. These sensitivities were applied on all macro-economic scenarios:

- A 10.0% relative reduction in the HPI would increase the total impairment provisions for mortgage lending by £16.6 million as at 30 June 2024 (30 June 2023: £16.0 million).

- A 5.0% absolute increase in the FSD would increase the total impairment provisions for mortgage lending by £10.5 million as at 30 June 2024 (30 June 2023: £7.8 million).

Forward looking macro-economic scenarios

The probability weighted average scenarios are used to model impacts on ECL through an expert judgement-based model. The model combines a cohort of carefully selected macro-economic variables with expert judgement assigned weightings to produce an index ranging between 0 and 100. An index level of 50 corresponds to a through the cycle level. An index level below 50 indicates worse than average economic conditions and an index level above 50 describes better than average economic conditions.

As the forecast moves further into the horizon, mean reversion is introduced to bring the index level toward the mean as the forecast date moves over the 5 year forecast period. The IFRS9 scenarios used at 30 June 2024 use forecast-error distributions as outlined below:

- Upside scenario.
- Base scenario.
- Downside scenario.
- Severe Downside scenario.

The Group, by exception and with sufficient rationale, may reject scenarios or adjust scenario weightings. Scenarios and weightings are approved at the macro-economic forum prior to deployment for use in the ECL. The base case adopted for year-end displayed continued improvement across all macro drivers, reflecting a positive economic outlook. This negates the need for a second upside scenario, hence the number of scenarios has reduced from 5 to 4.

As at 30 June 2024, the following forward-looking macro-economic scenarios, together with their probability weighting average and key economic variables, were used in calculating the ECLs used for determining impairment provisions:

Economic variables per scenario – average next 5 years

Scenario	Probability weighting	GDP Growth	Bank of England Base Rate	Unemployment rate	HPI	Consumer Price Index
Upside	20%	2.6%	2.5%	3.5%	4.0%	2.1%
Base	50%	1.2%	3.5%	4.2%	3.0%	2.1%
Downside	20%	1.0%	2.6%	5.1%	0.9%	1.9%
Severe Downside	10%	(0.1%)	5.4%	8.0%	(2.4%)	2.4%

As at 30 June 2024, applying a 100% weighting to the severe downside scenario would result in an incremental £105.0 million of provisions being required (30 June 2023 £57.6 million). Applying a 100% weighting to the upside scenario would result in a £38.6 million reduction of provisions being required (30 June 2023 £20.1 million).

As at 30 June 2023, the following forward-looking macro-economic scenarios, together with their probability weighting and key economic variables, were used in calculating the ECLs used for determining impairment provisions:

Economic variables per scenario – average next 5 years

Scenario	Probability weighting	GDP Growth	Bank of England Base Rate	Unemployment rate	HPI	Consumer Price Index
Alternative Upside	5%	2.4%	3.5%	3.6%	3.4%	2.9%
Upside	10%	1.6%	2.2%	3.9%	2.4%	2.5%
Base	60%	0.9%	3.8%	4.1%	0.7%	3.0%
Downside	20%	0.2%	4.5%	5.6%	(0.7%)	3.2%
Severe Downside	5%	(0.7%)	5.5%	8.0%	(3.1%)	4.2%

Post Model Adjustments

The Group applies Post Model Adjustments ("PMA") and Management Adjustments ("Overlays") to the modelled IFRS 9 ECL provisions. PMAs and Overlays are reviewed and approved on a periodic basis at the Credit Impairment Committee. Following re-development of the suite of IFRS9 models, a bottoms-up assessment of the estimates and known limitations was performed. Key judgements were applied to address risks associated with data limitations related to the absence of downturn and current account transactional data. Operational challenges and ongoing remediation programmes in the Motor Finance portfolio, impacting collections processes, raise requirements for further judgements.

The key judgmental overlays applied at 30 June 2024 are listed below:

- Cost-of-Living Overlay, to address the information gap on current account transactional data, impacting the ability of the models to capture the expected stress in the portfolio due to cost- of-living effects. The overlay focuses on stage 1 customers most at risk of falling into arrears due to tightening affordability. This comprises customers with the highest indebtedness or mortgage customers susceptible to refinance risk as they mature onto higher rates. The overlay is sized by applying the average uplift in coverage from stage 1 to stage 2, with the full amount assigned to stage 1. Increasing/ decreasing the population at risk included within this overlay by 10% would result in an incremental £1.7 million (30 June 2023: £4.3 million) of provisions being required/released.

- Data Limitations Overlay, to address the risk of under-stated downside scenario losses due to the absence of downturn data available to the models. Appropriate downside LGDs have been obtained through peer benchmarking. The impact on impairment of uplifting the LGDs to the benchmark levels is applied to the downside scenarios with the appropriate weightings to size the overlay, assigned across all stages. Increased default risk on large exposures in the commercial portfolios has also been considered, sizing the impact as the expected loss arising from the top 20 exposures given additional defaults in the downside scenarios.

- Residual Value and Voluntary Termination Risk, expected losses arising from PCP handbacks and Voluntary Terminations on the motor portfolio are accounted for through overlays as they are not considered a credit default event. The overlays are sized using expected loss models calibrated to internal experience. The models are calculated against a point-in-time and stress scenario, with the same weightings applied as per the IFRS9 macro-economic scenarios.

The total value of Aldermore Group PMAs and Overlays in the ECL are £67.4 million as at 30 June 2024, this includes £29.8 million of known data and model limitation judgements to be incorporated into the models in future, £18.9 million of temporary judgements related to current macro-economic uncertainties, and £18.7 million for residual value and voluntary termination risk on the Motor portfolio. Temporary judgements are management's best estimates and are sensitive to the out-turn of the macro-economic situation over the next financial year. The total value of ECL PMAs and overlays as at 30 June 2023 was £111.1 million.

b. Effective Interest Rate ("EIR")

IFRSs require interest earned from loans to be measured under the EIR method. Management must therefore use judgement to estimate the expected life of each type of instrument and hence the expected related cash flows. The accuracy of EIR would therefore be affected by unexpected market movements resulting in altered customer behaviour and inaccuracies in the models used compared to actual outcomes.

A critical estimate in determining EIR is the expected life to maturity of the Group's SME Commercial, Asset Finance, Buy to Let and Residential Mortgage portfolios, as a change in these estimates will impact the period over which the directly attributable costs and fees and any discount received on the acquisition of mortgage portfolios are recognised as part of the EIR.

As at 30 June 2024, included within the overall Residential Mortgages book, are a small number of portfolios which were acquired by the Group and represent approximately 0.4% and 0.7% of Buy to Let and Residential Mortgages net loans respectively (30 June 2023: 0.5% and 0.6% respectively). These portfolios were acquired at a discount which is being recognised under the EIR method. As disclosed below, these portfolios, although representing a small proportion of overall lending, are sensitive to a change in the expected repayment profiles which would impact the periods over which the discount is to be unwound.

A reassessment was made of the estimates in respect of the expected lives of the Asset Finance, SME Commercial, Buy to Let and Residential Mortgage organic lending during the year.

This included a change to the estimated life of Mortgage Loyalty products which previously had estimated lives mirroring the fixed rate period. Given these products now represent a larger portion of the book, management have modelled these separately to better reflect actual experience.

As a consequence, an overall adjustment of £5.6 million was recorded to increase the loan portfolios and the interest recognised, to reflect the change in the behavioural life of the portfolio and composition of the Group's loan balances with the significance of Loyalty products increasing.

The adjustment made within the year is analysed as follows:

	Year ended 30 June 2024 Interest Income £m	Year ended 30 June 2023 Interest Income £m
SaS – organic lending	(1.5)	(3.0)
Property Finance – organic lending	4.9	5.9
Property Finance – acquired portfolios	2.2	-
	5.6	**2.9**

EIR Sensitivities

The current mortgage prepayment curves assume that customers will stay on a variable reversion rate for an average of seven and a half months following the end of their fixed rate mortgage. A scenario has been modelled to extend this period for each mortgage cohort by six months, but assuming the same proportional prepayment behaviour. Adjusting the balance sheet for this scenario would increase income for the year to 30 June 2024 by £0.4 million. A second scenario has been modelled that reduces the period to one month which would have resulted in a decrease to the income for the year to 30 June 2024 by £2.3 million (2023: £1.6 million).

4. Segmental information

The Group has four reportable segments which consist of its three distinct customer facing businesses: Structured and Specialist Finance ("SaS") (made up of Asset Finance, Invoice Finance and SME Commercial Mortgages); Property Finance (made up of Residential Owner- Occupied Mortgages and Buy to Let Mortgages) and Motor Finance (made up of MotoNovo Finance Limited and the MotoNovo Finance securitisations) plus Central Functions (which includes the Group's Saving division and Treasury function). Each of these reportable segments are made up of one or more operating segments which formed the basis of the Group's segmental reporting in prior years. Aldermore Bank PLC constitutes the SaS, Property Finance and Central Functions, and MotoNovo Finance Limited and the MotoNovo securitisations represents Motor Finance.

For each of the reportable segments, the Board, which is the Group's Chief Operating Decision Maker, reviews internal management reports every two months. The following summary describes the operations in each of the Group's reportable segments:

- Structured and Specialist Finance ("SaS") - offering distinctive, specialist lending across Asset Finance, Invoice Finance and Commercial Real Estate, working with intermediaries.

- Property Finance – offering mortgages to landlords and homebuyers, working with intermediaries.

- Motor Finance – providing user vehicle finance to customers, working with our dealer partners.

Central Functions include the Group's Treasury and Savings functions which are responsible for raising finance on behalf of the operating segments, as well as the reconciling items between two of the bank's reportable segments (Motor Finance is excluded as its own central function costs are recorded within its own analysis) and the consolidated income statement. The costs of raising finance are all recharged by Central Functions to the operating segments, apart from those costs relating to the subordinated notes and the net gains from derivatives held at fair value shown in note 7.

Common costs are incurred on behalf of the SaS and Property Finance operating segments and typically represent savings administration, back office and support function costs such as Finance, IT, Risk and Human Resources. The costs are not directly attributable to the operating segments. As noted above, this does not include Motor Finance central functions.

Information regarding the results of each reportable segment and their reconciliation to the total results of the Group is shown below. Performance is measured based on the segmental result as included in the internal management reports.

The Group does not have reliance on any major customers, and all lending is in the UK.

Segmental information for the year ended 30 June 2024

	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Central Functions £m	Total £m
Interest income – external customers	280.8	396.1	327.0	426.7	1 430.6
Interest expense – external customers	-	-	-	(826.3)	(826.3)
Interest (expense)/income – internal	(149.2)	(272.3)	(156.8)	578.3	-
Net fees and other income – external customers	4.7	(2.4)	(6.5)	(14.3)	(18.5)
Total operating income	**136.3**	**121.4**	**163.7**	**164.4**	**585.8**
Administrative expenses including depreciation and amortisation	(24.1)	(17.9)	(123.9)	(185.1)	(351.0)
Impairment losses	(9.0)	28.1	(0.8)	-	18.3
Share of profit of associate	-	-	-	-	-
Segmental result	**103.2**	**131.6**	**39.0**	**(20.7)**	**253.1**
Tax	-	-	-	-	(67.4)
Profit after tax					**185.7**
Assets	3 643.9	7 772.4	4 374.2	4 749.9	20 540.4
Liabilities	-	-	-	(18 776.0)	(18 776.0)
Net assets/ (liabilities)	**3 643.9**	**7 772.4**	**4 374.2**	**(14 026.1)**	**1 764.4**

Segmental information for the year ended 30 June 2023

	Structured and Specialist Finance £m	Property Finance £m	Motor Finance £m	Central Functions £m	Total £m
Interest income – external customers	241.1	323.8	282.1	229.8	1 076.8
Interest expense – external customers	-	-	-	(455.8)	(455.8)
Interest (expense)/income – internal	(95.6)	(179.5)	(109.6)	384.6	-
Net fees and other income – external customers	7.9	0.5	16.3	18.5	43.2
Total operating income	**153.4**	**144.8**	**188.8**	**177.2**	**664.2**
Administrative expenses including depreciation and amortisation	(22.2)	(17.6)	(84.7)	(204.4)	(328.9)
Impairment losses	(21.9)	(29.5)	(61.9)	-	(113.3)
Share of profit of associate	-	-	-	0.5	0.5
Segmental result	**109.2**	**97.8**	**42.2**	**(26.7)**	**222.5**
Tax	-	-	-	-	(51.3)
Profit after tax					**171.2**
Assets	3 508.5	7 490.4	4 516.9	4 403.4	19 919.3
Liabilities	-	-	-	(18 380.9)	(18 380.9)
Net assets/ (liabilities)	**3 508.5**	**7 490.4**	**4 516.9**	**(13 977.5)**	**1 538.4**

5. Net interest income

Accounting policy

Interest income and expense are recognised in the income statement on an effective interest rate EIR basis. The EIR is the rate that, at the inception of the financial asset or liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the instrument (for example, prepayment options) but does not consider the assets' future credit losses.

Interest on impaired financial assets is recognised at the same EIR as applied at the initial recognition of the financial asset but applied to the book value of the financial asset net of any impairment allowance.

At each reporting date, management makes an assessment of the expected remaining life of its financial assets, including any acquired loan portfolios, and where there is a change in those assessments, the remaining amount of any unamortised discount or premiums is adjusted so that the interest income continues to be recognised prospectively on the amortised cost of the financial asset at the original EIR. The adjustment is recognised within interest income in the income statement for the current period.

The calculation of the EIR includes all transaction costs and fees, paid or received, that are an integral part of the interest rate together with the discounts or premium arising on the acquisition of loan portfolios. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the income statement includes:

Interest on financial assets and financial liabilities measured at amortised cost calculated on an EIR basis;

- Interest on FVOCI debt securities calculated on an EIR basis;
- Interest income recognised on finance leases where the Group acts as the lessor (see note 14);
- Interest on capitalised leases where the Group is the lessee;
- Interest income is net of adjustments to contractual interest income to reflect remediation decisions following assessment of non-compliance; and
- Interest income charged to Invoice Finance clients each day on the balance of their outstanding loans on an EIR basis.

Interest income	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Interest income calculated using Effective Interest Rate		
On loans and advances to customers*	971.1	818.6
On loans and advances to banks	127.9	46.5
On debt securities – measured at FVOCI	34.0	19.8
	1 133.0	**884.9**
On financial assets at fair value through profit or loss:		
Net interest income on financial instruments hedging assets	297.6	192.0
	1 430.6	**1 076.8**

* Interest Income on loans and advances to customers includes a £5.4m adjustment (30 June 2023: £9.8m) to reflect the non-compliant nature of interest charged to customers during a specific period.

Interest expense	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
On financial liabilities at amortised cost:		
On customers' accounts	(553.0)	(290.5)
On amounts due to banks	(78.0)	(50.7)
On debt securities in issue	(84.0)	(29.4)
On subordinated notes	(9.1)	(7.5)
On lease liabilities	(0.2)	(0.3)
Other	(0.5)	(0.2)
	(724.8)	**(378.6)**
On financial liabilities at fair value through profit or loss:		
Net interest expense on financial instruments hedging liabilities	(101.5)	(77.2)
	(826.3)	(455.8)
Net interest income	**604.3**	**621.0**

6. Net fee and commission (expense) / income

Accounting policy

Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers. Arrangement fees, factoring fees for managing the customer sales ledgers within Invoice Finance and other fees relating to loans and advances which meet the criteria for inclusion within interest income are included as part of the EIR.

Other fee and commission income includes fees charged for mortgage services, arrears and insurance commission receivable.

Fee income is recognised as the Group satisfies its performance obligations, which can either be satisfied at a point in time or over a period of time.

The vast majority of fee and commission income is earned on the execution of a single performance obligation and as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income is recognised at a point in time.

For fees earned on the execution of a significant act, the performance obligation is satisfied when the significant act or transaction takes place. Where the performance obligation is satisfied over a period of time, the fees are recognised as follows:

- Fees for services rendered are recognised on an accruals basis as the service is rendered and the Group's performance obligation is satisfied; and
- Commission income is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

Fee and commission expense

Fee and commission expense predominantly consists of introducer commissions, legal and valuation fees and company search fees. Where these fees and commissions are incremental costs that are directly attributable to the issue of a financial instrument, they are included in interest income as part of the EIR calculation. Where they are not incremental costs that are directly attributable, they are recognised within fee and commission expense as the services are received.

Fee and commission income	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Invoice Finance fees	3.7	6.3
Valuation fees	0.2	0.5
HP income, option fees and secondary rental fees	3.9	4.3
Annual administration and arrears fees	-	0.2
Other fees	1.3	2.5
	9.1	**13.8**

Fee and commission expense	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Introducer commissions	-	(0.1)
Legal and valuation fees	(2.6)	(1.5)
Company searches and other fees	(10.3)	(6.1)
Credit protection and insurance charges	(1.5)	(2.0)
	(14.4)	**(9.7)**
Net fee and commission (expense) / income	**(5.3)**	**4.1**

7. Net (losses)/gains from derivatives and other financial instruments at fair value through profit or loss

Accounting policy

Net (losses)/gains from derivatives and other financial instruments at fair value through profit or loss relate to non-trading derivatives held for risk management purposes that do not form part of a qualifying hedging arrangement. It includes all realised and unrealised fair value movements and foreign exchange differences.

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Net (losses)/ gains on derivatives	(21.2)	25.9
Net gains/(losses) on available for sale assets held in fair value hedges	0.5	(0.1)
Net (losses)/gains on derivatives and other financial instruments at fair value through profit or loss	**(20.7)**	**25.8**

Included within net (losses)/gains on derivatives on financial instruments at fair value through profit or loss are losses of £306.1 million (30 June 2023: £246.5 million gains) on derivatives held in qualifying fair value hedging arrangements to hedge interest rate risk associated with loans and advances to customers, together with gains of £286.3 million (30 June 2023: £221.0 million loss) representing changes in the fair value of the hedged interest rate risk. Also included are gains of £29.3 million (30 June 2023: £10.0 million loss) on derivatives held in qualifying fair value hedging arrangements to hedge interest rate risk associated with customer deposits, together with loss of £27.6 million (30 June 2023: £11.3 million gain) representing changes in the fair value of the hedged interest rate risk.

8. Administrative expenses

	Note	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Wages and salaries		146.0	133.6
Social security costs		17.7	15.0
Other pension costs		11.2	6.6
Share based payments		2.6	4.0
Staff costs		**177.5**	**159.2**
Legal and professional and other services		54.6	85.2
Information technology costs		48.4	46.0
Office costs		7.7	8.6
Depreciation and amortisation	15,16	11.2	9.7
Provisions	20	26.6	19.6
Other		25.0	0.5
		351.0	**328.9**

Included in wages and salaries are costs relating to temporary staff of £3.5 million (2023: £9.9 million).

Included in legal and professional and other services is remuneration to the Group's external auditors (Deloitte LLP) for the Company's annual audit of £0.1 million (2023: £0.1 million), the audit of the Group's subsidiaries of £2.1 million (2023: £1.8 million) and for assurance services of £75,000 (2023: £30,000).

Administrative expenses includes 34.6 million related to the Group's strategic investment in future technology capability (2023: £34.6 million).

The year ended 30 June 2023 included a recovery of £20.5 million from FirstRand London Branch ("FRLB") relating to ongoing Motor Finance remediation. The equivalent recovery for 2024 is £4.0 million and is included within Other. Also included within Other is £21.7 million (30 June 2023: £21.0 million) of expenditure including, but not limited to the Group's cost of recruitment, travel, staff training and regulatory fees.

Included in office costs are operating lease rentals (including service charges) of £2.0 million (2023: £1.5 million).

The average number of persons employed by the Group during the period, including Non-Executive Directors, is disclosed as below:

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Central Functions and Savings	855	772
Structured and Specialist Finance	228	273
Property Finance	290	302
Motor Finance	727	777
	2 100	**2 124**

Details of the remuneration of Directors including the highest paid Director are set out in the Remuneration Committee Report on page 72.

9. Pension and other post-retirement benefit commitments

Accounting policy

The cost of providing retirement benefits is charged to the income statement at the amount of the defined contributions payable for each year. Differences between contributions payable and those actually paid are shown as accruals or prepayments. The Group has no defined benefit pension scheme.

The Group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Pension contributions of £11.2 million (2023: £6.6 million) were charged to the income statement during the year in respect of these schemes. The Group made payments amounting to £172,158 (2023: £96,172) in aggregate in respect of Directors' individual personal pension plans during the year.

There were outstanding contributions of £1.5 million at the year end (2023: £0.8 million).

10. Taxation

Accounting policy	The Group follows IAS 12 Income Taxes in accounting for taxes on income. Taxation comprises current and deferred tax. Current tax is the expected tax payable or receivable on taxable profits or tax allowable losses for the period, together with any adjustment in respect of previous years. Current income tax arising from distributions made on other equity instruments is recognised in the income statement as the distributions are made from retained earnings arising from profits previously recognised in the income statement. Deferred tax assets arise on tax deductible temporary differences and are recognised to the extent that these may be utilised against available taxable profits based on management's review of the budget and forecast information. Deferred tax is measured using tax rates and tax laws that have been enacted or substantively enacted which are expected to apply when the deferred tax asset is realised. Deferred tax is not discounted. Deferred tax assets and liabilities are only offset where there is both a legal obligation to set-off and a commitment to settle on a net basis. The Group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. The Group considers an uncertain tax position to exist where, upon a review of that uncertainty by a tax authority, the tax recognised in the financial statements differs from the cash tax expected to be payable or receivable based on the tax returns of the Group. In accordance with IFRIC 23, a current tax provision for an uncertain tax position will be based upon interpretation of current tax legislation and guidance and the tax provision re-measured at each balance sheet date to reflect the up to date position. Deferred tax provision adjustments will be recognised where, in management's view, the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax asset. The measurement of an underlying deferred tax asset will be adjusted according to the expected impact on the loss or temporary difference giving rise to the deferred tax asset of resolving the uncertain tax position. In assessing provision levels, it will be assumed that a tax authority will review all uncertain tax positions and all facts will be fully and transparently disclosed. The Group does not consider there to be a significant risk of material adjustment to the current and deferred tax balances, including provisions for uncertain tax positions for the next financial year. Tax provisions cover all known issues and reflect external advice where applicable.

a. Tax charge

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Current tax on profits for the year	66.3	50.5
Under/(Over) provision in previous periods	0.6	(1.3)
Total current tax charge	**66.9**	**49.2**
Deferred tax	1.6	0.4
Under/(Over) provision in previous periods	(1.1)	1.8
Total deferred tax charge	**0.5**	**2.2**
Total tax charge	**67.4**	**51.3**

Current tax on profits reflects UK corporation tax at the mainstream rate of 25% for the 12 month period ending 30 June 2024 (30 June 2023: 20.5% blended rate) and the banking surcharge levied at 3% (30 June 2023: 6.75% blended rate) on the profits of banking companies chargeable to corporation tax after a surcharge allowance of £100 million (30 June 2023: £43.75 million blended surcharge allowance) per annum. The prior period blended rates take account of the tax rate changes that took place part way through the previous financial year effective from 1 April 2023 when the mainstream rate of corporation tax increased from 19% to 25% and the banking surcharge decreased from 8% to 3%. From 1 April 2023 the banking surcharge allowance also was increased from £25 million to £100 million.

A deferred tax credit of £1.3 million for the year ended 30 June 2024 (30 June 2023: £1.0 million) has been shown in other comprehensive income in respect of the fair value movements in assets held for sale debt securities.

Contingent convertible security coupons booked to equity give rise to tax relief through the current tax charge for the consolidated group for the year of £2.2 million (30 June 2023: £2.0 million), of which £0.1 million (30 June 2023: £0.2 million) relates to the banking surcharge.

b. Factors affecting tax charge for the year

The tax assessed for the year is different to that resulting from applying the mainstream rate of corporation tax in the UK of 25.0% (2023: 20.5%) explained by the differences below:

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Profit before tax	**253.1**	**222.5**
Tax at 25.0% (2023: 20.5%) thereon	63.3	45.6
Effects of:		
Expenses not deductible for tax purposes	0.2	0.2
(Over) / Under provision in previous periods	(0.5)	0.5

Deferred tax rate adjustment	-	(0.3)
Effect of banking tax surcharge	3.1	8.5
Non-taxable income	4.5	(3.0)
Tax credit relief for contingent convertible securities coupon	(2.2)	(1.8)
Recognition of deferred tax asset	(1.0)	1.4
Other differences	-	0.3
	67.4	**51.3**

The effective tax rate (ETR) of 26.6% is higher than the mainstream corporation tax rate due to the impact of the banking surcharge. The ETR of 26.6% is above the prior year ETR (23.1%) due to higher tax rates applicable to the profits of the current year compared with the prior year.

c. Deferred taxation

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable future taxable profits against which the unwinding of the asset can be offset.

Analysis of recognised deferred tax asset is as below:

Year ended 30 June 2024	Balance as at 30 June 2023 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised in equity £m	Balance as at 30 June 2024 £m
Capital allowances less than depreciation	4.8	(0.9)	-	-	3.9
FVOCI debt securities transition adjustment	(0.5)	-	-	-	(0.5)
Gains/(Losses) on available for sale debt securities	(1.4)	-	1.3	-	(0.1)
IFRS 9 transition adjustment	1.2	0.3	-	-	1.5
Other temporary differences	2.0	0.1	-	-	2.1
	6.1	**(0.5)**	**1.3**	**-**	**6.9**

Year ended 30 June 2023	Balance as at 30 June 2022 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised in equity £m	Balance as at 30 June 2023 £m
Capital allowances less than depreciation	3.1	1.7	-	-	4.8
FVOCI debt securities transition adjustment	(0.5)	-	-	-	(0.5)
Gains/(Losses) on debt securities recognised through other comprehensive income	(2.1)	-	1.0	(0.3)	(1.4)
IFRS 9 transition adjustment	1.5	(0.3)	-	-	1.2
Other temporary differences	5.6	(3.6)	-	-	2.0
	7.6	**(2.2)**	**1.0**	**(0.3)**	**6.1**

The deferred tax asset at 30 June 2024 of £6.9 million (30 June 2023: £6.1 million) has been based on the substantively enacted tax rates at the balance sheet date. These rates should apply when the temporary differences giving rise to the deferred tax are expected to reverse. The deferred tax asset relates mainly to timing differences between capital allowances and depreciation and other temporary differences.

Finance (No.2) Act 2023 implemented the UK's Pillar Two rules and seeks to ensure that companies pay a minimum tax rate of 15% on UK profits. The first accounting period to which Pillar Two rules apply for the Group will be that starting 1 July 2024. Given the Group operates primarily in the UK where the mainstream corporation tax rate is currently 25%, the current year assessment confirms that the transitional safe harbour should be met and no Pillar Two top-up tax assessable on the company. The Group follows the IASB's temporary exception under IAS 12 to not recognise deferred tax assets and liabilities related to Pillar Two income taxes and discloses its known or reasonably estimable exposure to Pillar Two under that legislation.

The Group will continue to monitor the position and assess this fully in the financial year ended 30 June 2025 when the Pillar Two rules first apply to the Aldermore Group.

11. Loans and advances to banks

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Included in cash and cash equivalents: balances with less than three months to maturity at inception	128.4	147.0
Cash collateral on derivatives placed with banks	122.7	161.2
Other loans and advances to banks	6.3	10.6
	257.4	**318.8**

£6.3 million is recoverable more than 12 months after the reporting date in respect of cash held by the Group's securitisation vehicles (30 June 2023: £10.6 million).

All loans and advances to banks were stage 1 assets under IFRS 9 as at 30 June 2024 and as at 30 June 2023. There were no significant impairment provisions in respect of expected losses as at 30 June 2024 or during the year then ended

12. Debt securities

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
FVOCI debt securities:		
UK Government gilts	187.2	113.6
Supranational bonds	871.7	742.0
Asset-backed securities	200.7	112.8
Covered bonds	802.0	553.1
Debt securities at amortised cost:		
UK Government gilts	176.8	270.9
Supranational bonds	198.1	256.5
	2 436.5	**2 048.9**

At 30 June 2024, £2,024.0 million (30 June 2023: £1,720.0 million) of debt securities are expected to be recovered more than 12 months after the reporting date.

All debt securities were stage 1 assets under IFRS 9 as at 30 June 2024 and as at 30 June 2023. There were no significant impairment provisions in respect of expected losses as at 30 June 2024 or as at 30 June 2023.

13. Derivatives held for risk management

Accounting policy

Derivative financial instruments

The Group enters into derivative transactions only for the purpose of reducing exposures to fluctuations in interest rates, exchange rates and market indices. They are not used for proprietary trading purposes.

Derivatives are carried at fair value, with movements in fair values recorded in gains from derivatives and other financial instruments at fair value through profit or loss in the income statement.

Derivative financial instruments are principally valued by discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties. As the Group's derivatives are covered by master netting agreements with the Group's counterparties, with any net exposures then being further covered by the payment or receipt of periodic cash margins, the Group has used a risk-free discount rate for the determination of their fair values.

All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. Where there is the current legal ability and intention to settle net, then the derivative is classified as a net asset or liability, as appropriate. Where cash collateral is received, to mitigate the risk inherent in amounts due to the Group, it is included as a liability within 'Amounts due to banks'. Where cash collateral is given, to mitigate the risk inherent in amounts due from the Group, it is included as an asset in 'Loans and advances to banks'.

Hedge accounting

The Group exercised the accounting policy choice to continue using IAS 39 hedge accounting for portfolio assets and liabilities being hedged by applying fair value hedge accounting.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective, the strategy in undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship, as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the movements in the fair value of the respective hedged items during the period for which the hedge is designated.

Fair value hedge accounting for portfolio hedges of interest rate risk

The Group applies fair value hedge accounting for portfolio hedges of interest rate risk. As part of its risk management process, the Group identifies portfolios whose interest rate risk it wishes to hedge. The portfolios comprise either only assets or only liabilities. The Group analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. Using this analysis, the Group designates as the hedged item an amount of the assets or liabilities from each portfolio that it wishes to hedge.

The amount to hedge is determined based on a movement in the present value of a portfolio of assets or liabilities for a 1 basis point shift in the yield curve used to value the instruments ("PV01"), to ensure the mismatches in expected repricing buckets are within the limits set by the Board on the sensitivity analysis approach using a hypothetical shift in interest rates.

The Group measures monthly the movements in fair value of the portfolio relating to the interest rate risk that is being hedged. Provided that the hedge has been highly effective, the Group recognises the change in fair value of each hedged item in the income statement with the cumulative movement in their value being shown on the statement of financial position as a separate item, 'Fair value adjustment for portfolio hedged risk', either within assets or liabilities as appropriate.

The Group measures the fair value of each hedging instrument monthly. The value is included in derivatives held for risk management in either assets or liabilities as appropriate, with the change in value recorded in net gains from derivatives and other financial instruments at fair value through profit or loss in the income statement. Any hedge ineffectiveness is recognised in net gains from derivatives and other financial instruments at fair value through profit or loss in the income statement as the difference between the change in fair value of the hedged item and the change in fair value of the hedging instrument.

Embedded derivatives

A derivative may be embedded in a financial liability at amortised cost, known as the host contract. Where the economic characteristics and risks of an embedded derivative are not closely related to those of the host contract (and the host contract is not carried at fair value through profit or loss), the embedded derivative is separated from the host and held on the statement of financial position with 'Derivatives held for risk management' at fair value. Movements in fair value are recognised in net gains from derivatives and other financial instruments at fair value through profit or loss in the income statement, whilst the host contract is accounted for according to the relevant accounting policy for that particular asset or liability.

Embedded derivatives contained within equity instruments are considered separately. The embedded derivatives on the Additional Tier 1 instruments are not separated as the Group has an accounting policy not to separate features that have already been considered in determining that the entire issues are non-derivative equity instruments.

Amounts included in the statement of financial position are analysed as follows:

	Year ended 30 June 2024		Year ended 30 June 2023	
	Assets £m	**Liabilities £m**	**Assets £m**	**Liabilities £m**
Instrument type				
Interest rate (not in hedging relationships)	7.9	8.5	46.5	33.5
Interest rate (fair value hedges)	340.3	32.2	665.4	29.0
Foreign exchange	-	-	0.1	-
	348.2	**40.7**	**712.0**	**62.5**

a. Fair value hedges of interest rate risk

In accordance with its risk management strategy as described from page 81 the Group enters into interest rate swap contracts to manage the interest rate risk arising in respect of the fixed rate interest exposures on loans and advances to customers, debt securities and customer deposits, which are each treated as separate portfolios.

The Group hedges the fixed interest rate risk on each portfolio firstly by looking for direct offsets between the asset and liability exposures and then by using the interest rate swaps between fixed interest rates and market reference rates such as SONIA in order to manage the Group's overall interest rate risk exposure. The Group applies hedge accounting in respect of the interest rate risk arising on these portfolios as described in the accounting policy above. The Group manages all other risks derived by these exposures, such as credit risk, but does not apply hedge accounting for these risks.

The Group assesses prospective hedge effectiveness by comparing the changes in fair value of each portfolio resulting from changes in market interest rates with the changes in fair value of allocated interest rate swaps used to hedge the exposure.

The Group has identified the following possible sources of ineffectiveness:

- The use of derivatives as a protection against interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives which are subject to daily margining through a recognised exchange;
- Different amortisation profiles on hedged item principal amounts and interest rate swap notionals;
- For derivatives the discounting curve used depends on collateralisation and the type of collateral used; and
- Differences in the timing of settlement of hedging instruments and hedged items.

No other sources of ineffectiveness were identified in these hedge relationships.

The tables below summarise the derivatives designated as hedging instruments in qualifying portfolio hedges of interest rate risk:

Fair value hedges Interest rate risk	**Nominal amount of the hedging instruments Year ended 30 June 2024**	**Carrying amount of the hedging instruments Year ended 30 June 2024**		**Line item in the statement of financial position where the hedging instrument is located**	**Changes in fair value used for calculating hedge ineffectiveness Year ended 30 June 2024 £m**
	£m	**Assets £m**	**Liabilities £m**		
Interest rate swaps	14 840.8	340.3	32.2	Derivatives held for risk management	(408.9)

Fair value hedges Interest rate risk	**Nominal amount of the hedging instruments Year ended 30 June 2023**	**Carrying amount of the hedging instruments Year ended 30 June 2023**		**Line item in the statement of financial position where the hedging instrument is located**	**Changes in fair value used for calculating hedge ineffectiveness Year ended 30 June 2023 £m**
	£m	**Assets £m**	**Liabilities £m**		
Interest rate swaps	12 413.8	665.4	29.0	Derivatives held for risk management	288.8

The amounts relating to portfolios designated as hedged items in fair value hedge relationships to manage the Group's exposure to interest rate risk were as follows:

	Carrying amount of the hedged items Year ended 30 June 2024		**Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged items Year ended 30 June 2024**		**Line item in the statement of financial position where the hedged items are included**
Fair value hedges Interest rate risk	**Assets £m**	**Liabilities £m**	**Assets £m**	**Liabilities £m**	
Loans and advances to customers	7 018.6	N/A	(130.4)	N/A	Loans and advances to customers
Debt securities	963.4	N/A	(43.6)	N/A	Debt securities
Customer deposits	N/A	5 640.8	N/A	(6.5)	Customer accounts

Fair value hedges Interest rate risk	Carrying amount of the hedged items Year ended 30 June 2023 Assets £m	Liabilities £m	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged items Year ended 30 June 2023 Assets £m	Liabilities £m	Line item in the statement of financial position where the hedged items are included
Loans and advances to customers	7 140.6	N/A	(417.8)	N/A	Loans and advances to customers
Debt securities	676.9	N/A	(120.8)	N/A	Debt securities
Customer deposits	N/A	4 105.8	N/A	21.0	Customer accounts

The table below summarises the hedge ineffectiveness recognised in profit or loss during the financial year ended 30 June 2024 and the comparative period, for the Group's designated fair value hedge relationships.

	Ineffectiveness recognised in the income statement Year ended 30 June 2024 £m	Line item in the statement of financial position where the hedged instrument is located
Fair value hedges *Interest rate risk*	(17.6)	Net (losses)/gains from derivatives and other financial instruments at fair value through profit or loss

	Ineffectiveness recognised in the income statement Year ended 30 June 2023 £m	Line item in the statement of financial position where the hedged instrument is located
Fair value hedges *Interest rate risk*	22.1	Net (losses)/gains from derivatives and other financial instruments at fair value through profit or loss

b. Other derivatives held for risk management

The Group uses other derivatives, not designated in qualifying hedge accounting relationships, to manage its exposure to the following:

- Interest rate basis risk on certain mortgage loans;
- Equity market risk on equity-linked products offered to depositors;
- Foreign exchange risk on currency loans provided to Invoice Finance customers; and
- the Group has to entered into a pool of swaps to provide hedging for equity investment strategy.

14. Loans and advances to customers

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Gross loans and advances	15 647.7	15 494.2
Less: allowance for impairment losses	(310.8)	(326.9)
	15 336.9	**15 167.3**
Amounts include:		
Expected to be recovered more than 12 months after the reporting date	**13 151.7**	**12 998.8**

At 30 June 2024, loans and advances to customers of £2,581.4 million (30 June 2023: £2,507.1 million) were pre-positioned into a Single Funding Pool with the Bank of England and HM Treasury Term Funding Scheme with additional incentives for SMEs (TFSME). These loans and advances were available for use as collateral with the Scheme. Details of amounts drawn on the facility are shown in note 17.

At 30 June 2024, loans and advances to customers included £876.2 million (30 June 2023: £1,465.1 million) which have been used in secured funding arrangements, resulting in the beneficial interest in these loans being transferred to securitisation vehicles consolidated into these financial statements. All the assets pledged are retained within the statement of financial position as the Group retains substantially all the risks and rewards relating to the loans.

Included in the allowance for impairment losses is £19.1m (30 June 2023: £7.3m) relating to the risk of voluntary terminations (“VTs”). VTs are a right of customers on certain agreements under the CCA to end an agreement early and return the asset.

Analysis of gross loans and advances

£m	30 June 2024 Gross loans and advances (amortised cost) Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2023	**14 071.5**	**1 037.9**	**384.9**	**15 494.3**
Improvement in credit exposure				
Stage 2 to stage 1	499.2	(499.2)	-	-
Stage 3 to stage 1	24.8	-	(24.8)	-
Stage 3 to stage 2	-	7.2	(7.2)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(594.8)	594.8	-	-
Stage 1 to stage 3	(132.8)	-	132.8	-
Stage 2 to stage 3	-	(114.0)	114.0	-
Opening balance after transfers	**13 867.9**	**1 026.7**	**599.7**	**15 494.3**
Repayments of loans and advances	(3 334.4)	(266.4)	(62.2)	(3 663.0)
Change in exposure due to new business in the current year	3 665.2	163.8	16.0	3 845.0
Bad debts written off	-		(28.6)	(28.6)
Amount as at 30 June 2024	**14 198.7**	**924.1**	**524.9**	**15 647.7**

£m	30 June 2023 Stage 1	Stage 2	Stage 3	Stage 4
Amount as at 1 July 2022	**13 266.8**	**1 348.1**	**350.9**	**14 965.7**
Improvement in credit exposure				
Stage 2 to stage 1	590.3	(590.3)	-	-
Stage 3 to stage 1	41.1	-	(41.1)	-
Stage 3 to stage 2	-	19.0	(19.0)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(504.0)	504.0	-	-
Stage 1 to stage 3	(80.8)	-	80.8	-
Stage 2 to stage 3	-	(66.4)	66.4	-
Opening balance after transfers	**13 313.4**	**1 214.4**	**438.0**	**14 965.8**
Repayments of loans and advances	(4 835.9)	(534.1)	(132.8)	(5 502.8)
Change in exposure due to new business in the	5 594.0	357.6	103.0	6 054.6
Bad debts written off	-	-	(23.3)	(23.3)
Amount as at 30 June 2023	**14 071.5**	**1 037.9**	**384.9**	**15 494.3**

Analysis of loss allowances

£m	30 June 2024 Allowance for impairment losses (amortised cost)			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2023	**138.9**	**52.8**	**135.2**	**326.9**
Improvement in credit exposure				
Stage 2 to stage 1	11.3	(11.3)	-	-
Stage 3 to stage 1	2.8	-	(2.8)	-
Stage 3 to stage 2	-	1.8	(1.8)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(4.6)	4.6	-	-
Stage 1 to stage 3	(1.1)	-	1.1	-
Stage 2 to stage 3	-	(8.7)	8.7	-
Opening balance after transfers	**147.3**	**39.2**	**140.4**	**326.9**
Change in exposure of back book in the current year	**(69.6)**	**(2.0)**	**54.3**	**(17.3)**
Attributable to change in measurement basis	-	(0.3)	-	(0.3)
Attributable to change in risk parameters	(69.6)	(1.7)	54.3	(17.0)
Change in exposure due to new business in the	16.3	6.9	6.6	29.8
Bad debts written off	-	-	(28.6)	(28.6)
Amount as at 30 June 2024	94.0	44.1	172.7	310.8
Included in the total loss allowance				
Netted against loans and advances to customers	92.4	44.1	172.7	309.2
Included in respect of loan commitments*	1.6	-	-	1.6
Other components of the total loss allowance				
- Forward looking information	(12.6)	(6.3)	-	(18.9)
- Changes in models	(2.8)	7.1	(2.9)	1.4
- Interest on stage 3 advances	-	-	6.8	6.8

	30 June 2023			
	Allowance for impairment losses (amortised cost)			
£m	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Amount as at 1 July 2022	**88.7**	**44.5**	**101.2**	**234.4**
Improvement in credit exposure				
Stage 2 to stage 1	12.1	(12.1)	-	-
Stage 3 to stage 1	4.8	-	(4.8)	-
Stage 3 to stage 2	-	3.4	(3.4)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(4.7)	4.7	-	-
Stage 1 to stage 3	(0.8)	-	0.8	-
Stage 2 to stage 3		(5.2)	5.2	-
Opening balance after transfers	**100.1**	**35.3**	**99.0**	**234.4**
Change in exposure of back book in the current year	**12.5**	**4.3**	**37.1**	**54.0**
Attributable to change in measurement basis	-	(2.5)	-	(2.5)
Attributable to change in risk parameters	12.5	6.9	37.1	56.5
Change in exposure due to new business in the	26.3	13.2	22.4	61.9
Bad debts written off	-	-	(23.3)	(23.3)
Amount as at 30 June 2023	**138.9**	**52.8**	**135.2**	**326.9**
Included in the total loss allowance				
Netted against loans and advances to customers	137.0	52.8	135.2	325.0
Included in respect of loan commitments*	1.9	-	-	1.9
Other components of the total loss allowance				
- Forward looking information	10.7	3.4	2.0	16.1
- Changes in models	19.7	(12.2)	(21.9)	(14.4)
- Interest on stage 3 advances	-	-	5.8	5.8

Breakdown of impairment charge recognised during the year

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Included in provisions in respect of loan commitments	(0.6)	0.2
Change in exposure of back book in the current year	(41.4)	53.8
Change in exposure due to new business in the current year	29.7	61.9
Interest income suspended	(3.3)	(2.4)
(Decrease)/ Increase in loss allowance	**(15.6)**	**113.5**
Recoveries of bad debts	(2.7)	(0.2)
Impairment (releases)/ losses on loans and advances to customers	**(18.3)**	**113.3**
Impairment of advances recognised during the period	**(18.3)**	**113.3**

*Includes committed undrawn facilities as the credit risk of the undrawn component is managed and monitored with the drawn component as a single EAD. The EAD on the entire facility is used to calculate the ECL and is therefore included in the ECL allowance.

Basis of preparation of the gross carrying amount and loss allowance

The reconciliation of the gross carrying amount and loss allowance is prepared using a year- to-date view. This means that the Group reports exposures based on the impairment stage at the end of the reporting period. The Group transfers opening balances (back book), at the value as at 1 July 2023, based on the impairment stage at the end of the reporting period. Any additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures in the back book, can move directly from stage 3 to stage 1, if the curing requirements have been met in a reporting period. All new business (as defined below) is included in the change in exposure due to new business in the current year based on the exposures' impairment stage at the end of the reporting period. Similarly, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.

The impairment charge is split between the back book and new business in the gross carrying amount and ECL reconciliation as management believes that providing this split provides meaningful information to the user in gaining an understanding of the performance of advances overall.

Changes in exposure reflect the net amount of:

- Additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately; and
- New business originated during the financial year, the transfers between stages of the new origination and any settlements.

Decreases in the advance as a result of write-off are equal to the decrease in ECL as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is £28.6 million (2023: £23.3 million).

The reconciliation of the gross carrying amount and loss allowances has been prepared for the Group's three distinct customer facing businesses: Structured and Specialist Finance ("SaS") (made up of Asset Finance, Invoice Finance and SME Commercial Mortgages); Property Finance (made up of Residential Owner-Occupied Mortgages and Buy to Let Mortgages) and Motor Finance (made up of MotoNovo Finance).

Reconciliation of the allowance for impairment losses by class – Structured and Specialist Finance

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Amount as at 1 July 2023	40.6	15.6	18.6	74.8
Improvement in credit exposure				
Stage 2 to stage 1	2.9	(2.9)	-	-
Stage 3 to stage 1	1.0	-	(1.0)	-
Stage 3 to stage 2	-	0.1	(0.1)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(3.1)	3.1	-	-
Stage 1 to stage 3	(0.4)	-	0.4	-
Stage 2 to stage 3	-	(2.8)	2.8	-
Opening balance after transfers	**41.0**	**13.1**	**20.7**	**74.8**
Change in exposure of back book in the current year	**(16.7)**	**3.3**	**14.6**	**1.2**
Attributable to change in risk parameters	(16.7)	3.3	14.6	1.2
Change in exposure due to new business in the current year	6.7	2.0	2.9	11.6
Bad debt written off	-	-	(14.8)	(14.8)
Amount as at 30 June 2024	**31.0**	**18.4**	**23.4**	**72.8**
Included in the total loss allowance				
Netted against loans and advances to customers	30.5	18.4	23.4	72.3
Included in respect of loan commitments*	0.5	-	-	0.5
Other components of total loss allowance				
- Forward looking information	(7.9)	(2.1)	0.3	(9.7)
- Changes in models	0.3	3.9	(0.2)	4.0
- Interest on stage 3 advances	-	-	1.6	1.6

Amount as at 1 July 2022	27.0	8.7	20.5	56.2
Improvement in credit exposure				
Stage 2 to stage 1	2.6	(2.6)	-	-
Stage 3 to stage 1	1.2	-	(1.2)	-
Stage 3 to stage 2	-	0.6	(0.6)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(2.4)	2.4	-	-
Stage 1 to stage 3	(0.4)	-	0.4	-
Stage 2 to stage 3	-	(0.7)	0.7	-
Opening balance after transfers	**28.0**	**8.4**	**19.8**	**56.2**

Change in exposure of back book in the current year	**0.3**	**4.3**	**(0.1)**	**4.5**
Attributable to change in measurement basis	-	1.4	-	1.4
Attributable to change in risk parameters	0.3	2.9	(0.1)	3.1

Change in exposure due to new business in the current year	12.3	2.9	4.4	19.6
Bad debt written off	-	-	(5.5)	(5.5)
Amount as at 30 June 2023	**40.6**	**15.6**	**18.6**	**74.8**
Included in the total loss allowance				
Netted against loans and advances to customers	40.1	15.6	18.6	74.3
Included in respect of loan commitments*	0.5	-	-	0.5
Other components of total loss allowance				
- Forward looking information	(5.4)	(1.4)	(0.1)	(6.9)
- Changes in models	0.4	(0.6)	11.3	11.1
- Interest on stage 3 advances	-	-	1.2	1.2

Reconciliation of the allowance for impairment losses by class – Property Finance

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Amount as at 1 July 2023	**50.9**	**9.4**	**29.7**	**90.0**
Improvement in credit exposure				
Stage 2 to stage 1	3.0	(3.0)	-	-
Stage 3 to stage 1	0.2	-	(0.2)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(0.4)	0.4	-	-
Stage 1 to stage 3	(0.3)	-	0.3	-
Stage 2 to stage 3	-	(0.9)	0.9	-
Opening balance after transfers	**53.4**	**5.9**	**30.7**	**90.0**
Change in exposure of back book in the current year	**(35.2)**	**0.3**	**6.6**	**(28.3)**
Attributable to change in measurement basis	-	0.9	-	0.9
Attributable to change in risk parameters	(35.2)	(0.6)	6.6	(29.2)
Change in exposure due to new business in the current	1.1	1.0	(0.2)	1.9
Bad debt written off	-	-	(3.4)	(3.4)
Amount as at 30 June 2024	**19.3**	**7.2**	**33.7**	**60.2**
Included in the total loss allowance				
Netted against loans and advances to customers	18.3	7.2	33.7	59.2
Included in respect of loan commitments*	1.0	-	-	1.0
Other components of total loss allowance				
- Forward looking information	-	0.4	(0.5)	(0.1)
- Changes in models	(5.6)	1.5	3.0	(1.1)
- Interest on stage 3 advances	-	-	4.4	4.4

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Amount as at 1 July 2022	**21.5**	**10.9**	**28.4**	**60.8**
Improvement in credit exposure				
Stage 2 to stage 1	3.8	(3.8)	-	-
Stage 3 to stage 1	1.1	-	(1.1)	-
Stage 3 to stage 2	-	0.2	(0.2)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(0.3)	0.3	-	-
Stage 1 to stage 3	(0.1)	-	0.1	-
Stage 2 to stage 3	-	(0.6)	0.6	-
Opening balance after transfers	**26.0**	**7.0**	**27.8**	**60.8**
Change in exposure of back book in the current year	**19.4**	**(0.1)**	**(0.8)**	**18.6**
Attributable to change in measurement basis	-	(1.5)	-	(1.5)
Attributable to change in risk parameters	19.4	1.4	(0.8)	20.1

Change in exposure due to new business in the current	5.5	2.5	3.0	11.0
Bad debt written off	-	-	(0.3)	(0.3)
Amount as at 30 June 2023	**50.9**	**9.4**	**29.7**	**90.0**
Included in the total loss allowance				
Netted against loans and advances to customers	49.5	9.3	29.7	88.5
Included in respect of loan commitments*	1.4	-	-	1.4
Other components of total loss allowance				
- Forward looking information	(4.7)	(1.1)	(1.9)	(7.7)
- Changes in models	0.6	(4.0)	(5.5)	(8.9)
- Interest on stage 3 advances	-	-	3.8	3.8

Reconciliation of the allowance for impairment losses by class – Motor Finance

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Amount as at 1 July 2023	**47.2**	**27.9**	**86.9**	**162.2**
Improvement in credit exposure				
Stage 2 to stage 1	5.4	(5.4)	-	-
Stage 3 to stage 1	1.6	-	(1.6)	-
Stage 3 to stage 2	-	1.7	(1.7)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(0.9)	0.9	-	-
Stage 1 to stage 3	(0.4)	-	0.4	-
Stage 2 to stage 3	-	(5.0)	5.0	-
Opening balance after transfers	**52.9**	**20.1**	**89.0**	**162.0**

Change in exposure of back book in the current year	**(17.7)**	**(5.6)**	**33.1**	**9.8**
Attributable to change in measurement basis	-	(1.2)	-	(1.2)
Attributable to change in risk parameters	(17.7)	(4.4)	33.1	11.0
Change in exposure due to new business in the current year	8.5	4.0	3.9	16.4
Bad debt written off	-	-	(10.4)	(10.4)
Amount as at 30 June 2024	**43.7**	**18.5**	**115.6**	**177.8**
Included in the total loss allowance				
Netted against loans and advances to customers	43.7	18.5	115.6	177.8
Other components of total loss allowance				
- Forward looking information	(4.7)	(4.6)	0.2	(9.1)
- Changes in models	2.5	1.7	(5.7)	(1.5)
- Interest on stage 3 advances	-	-	0.8	0.8

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Amount as at 1 July 2022	**40.2**	**24.9**	**52.3**	**117.4**
Improvement in credit exposure				
Stage 2 to stage 1	5.7	(5.7)	-	-
Stage 3 to stage 1	2.6	-	(2.6)	-
Stage 3 to stage 2	-	2.5	(2.5)	-
Deterioration of credit exposure				
Stage 1 to stage 2	(2.1)	2.1	-	-
Stage 1 to stage 3	(0.3)	-	0.3	-
Stage 2 to stage 3	-	(3.9)	3.9	-
Opening balance after transfers	**46.1**	**19.9**	**51.4**	**117.4**
Change in exposure of back book in the current year	**(7.2)**	**0.2**	**38.0**	**31.0**
Attributable to change in measurement basis	-	(2.4)	-	(2.4)
Attributable to change in risk parameters	(7.2)	2.6	38.0	33.4
Change in exposure due to new business in the current year	8.4	7.8	15.0	31.3
Acquisition/ (disposal) of advance	-	-	(12.8)	(12.8)
Bad debt written off	-	-	(4.7)	(4.7)
Amount as at 30 June 2023	**47.2**	**27.9**	**86.9**	**162.2**
Included in the total loss allowance				
Netted against loans and advances to customers	47.2	27.9	86.9	162.2
Other components of total loss allowance				
- Forward looking information	(0.6)	(0.9)	-	(1.5)
- Changes in models	(19.3)	8.8	5.1	(5.4)
- Interest on stage 3 advances	-	-	0.8	0.8

*Includes committed undrawn facilities as the credit risk of the undrawn component is managed and monitored with the drawn component as a single EAD. The EAD on the entire facility is used to calculate the ECL and is therefore included in the ECL allowance.

Lease Modifications

The table below includes stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss charged to the income statement. The table also shows the gross carrying amount of previously modified financial assets for which the loss allowance has changed to 12 month ECL measurement during the period.

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Gross carrying amount of assets modified while in stage 2 or 3 and now in stage 1	3.7	11.9

Finance lease receivables

Loans and advances to customers include the following finance leases where the Group is the lessor:

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Gross investment in finance leases, receivable:		
Less than one year	1 910.5	1 954.4
Between one and five years	4 524.5	4 669.1
More than five years	217.6	126.4
	6 652.6	6 749.9
Unearned finance income	(1 051.7)	(1 039.4)
Net investment in finance leases	**5 600.9**	**5 710.5**
Net investment in finance leases, receivable:		
Less than one year	1 577.0	1 632.9
Between one and five years	3 837.4	3 968.7
More than five years	186.5	108.9
	5 600.9	**5 710.5**

The Group enters into finance lease and hire purchase arrangements with customers in a wide range of sectors including plant and machinery, cars and commercial vehicles. The accumulated allowance for uncollectable minimum lease payments receivable is £146.3 million (30 June 2023: £127.7 million).

Due to the nature of the business undertaken, there are no material unguaranteed residual values for any of the finance leases at 30 June 2024 (30 June 2023: no material residual values).

15. Property, plant and equipment

Accounting policy

Items of property, plant and equipment are stated at cost, or deemed cost on transition to IFRSs, less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset or costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on all property, plant and equipment at rates calculated to write-off the cost of each asset to realisable values on a straight-line basis over its expected useful life, as follows:

- **Fixtures, fittings and equipment** five years
- **Computer hardware** one to five years
- **Leasehold improvements** one to ten years
- **ROUA – property** length of the lease
- **ROUA – motor vehicles** three years
- **Assets under operating leases** one to seven years

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Right-of-use assets ("ROUA") are recognised at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROUA's are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re- measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

All items of property, plant and equipment are reviewed at the end of each reporting period for indicators of impairment. If the carrying value of the asset is greater than the greater of the value in use and the fair value less costs to sell, an impairment loss is recognised in the income statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	Computer Systems £m	Furniture, fixtures & fittings £m	Right of Use Assets – Property £m	Right of Use Assets – Motor vehicle £m	Assets Under Operating Lease £m	Total £m
Cost						
1 July 2023	9.6	13.3	37.9	2.9	5.3	68.9
Additions	2.5	3.5	6.1	1.2	-	13.3
Disposal	(3.6)	(0.6)	(6.5)	(1.5)	(1.0)	(13.2)
30 June 2024	**8.5**	**16.2**	**37.5**	**2.6**	**4.3**	**69.0**
1 July 2022	10.5	13.1	38.0	2.2	7.9	71.7
Additions	2.3	2.3	0.2	0.7	0.2	5.7
Disposals	(3.2)	(2.2)	(0.3)	-	(2.8)	(8.5)
30 June 2023	**9.6**	**13.3**	**37.9**	**2.9**	**5.3**	**68.9**
Depreciation						
1 July 2023	6.6	7.4	17.7	1.8	2.4	35.9
Charge for the year	2.8	2.9	4.0	0.8	0.7	11.2
Disposals	(3.7)	(0.5)	(5.8)	(1.4)	(0.4)	(11.8)
30 June 2024	**5.7**	**9.8**	**15.9**	**1.2**	**2.7**	**35.3**
1 July 2022	8.3	7.0	12.7	1.2	3.1	32.3
Charge for the year	1.5	1.7	4.5	0.6	1.1	9.5
Impairments	-	-	0.7	-	-	0.7
Disposals	(3.2)	(1.3)	(0.2)	-	(1.8)	(6.6)
30 June 2023	**6.6**	**7.4**	**17.7**	**1.8**	**2.4**	**35.9**
Net book value						
30 June 2024	**2.8**	**6.4**	**21.5**	**1.4**	**1.6**	**33.7**
30 June 2023	3.0	5.7	20.3	1.0	3.0	33.0

During the year, a detailed assessment of the Group's property, plant and equipment assets was undertaken to identify assets that held no or minimal economic benefit in the period. The impacts of this assessment are reflected in the disposal of certain assets shown above that had fully depreciated, primarily within Computer Systems.

16. Intangible assets

Accounting policy

Computer systems

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Cloud computing software is expensed to the Income Statement unless the recognition criteria in IAS 38 can be met.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Acquired and internally developed software is amortised on a straight line basis in the income statement over its expected useful life from the date that it is available for use, being 3 years.

Other intangible assets are tested for impairment when there is any indication that the intangible asset may be impaired.

If the carrying value of the asset is greater than the greater of the value in use and the fair value less costs to sell, an impairment loss is recognised in the income statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill

Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses.

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to operating segments. An impairment loss is recognised if the carrying amount of a segment is higher than its recoverable amount. The recoverable amount of a segment is the greater of its value in use and its fair value less costs to sell. Value in use is calculated from forecasts by management of pre-tax profits for the subsequent five years and a residual value discounted at a risk adjusted interest rate appropriate to the cash generating unit. Fair value is determined through review of precedent transactions for comparable businesses. Where impairment is required, the amount is recognised in the income statement and cannot be subsequently reversed.

	Computer Systems £m	Goodwill £m	Total £m
Cost			
1 July 2023	10.9	8.6	19.5
30 June 2024	**10.9**	**8.6**	**19.5**
1 July 2022	17.7	8.6	26.3
Retirements	(6.8)	-	(6.8)
30 June 2023	**10.9**	**8.6**	**19.5**
Amortisation			
1 July 2023	10.9	-	10.9
30 June 2024	**10.9**	-	**10.9**
1 July 2022	17.5	-	17.5
Charge for the year	0.2	-	0.2
Retirements	(6.8)	-	(6.8)
30 June 2023	**10.9**	-	**10.9**
Net book value			
30 June 2024	-	**8.6**	**8.6**
30 June 2023	-	8.6	8.6

The goodwill disclosed above relates to the SME Commercial Mortgages business (included within the SaS segment). The Value in Use ("VIU") for SME Commercial Mortgages was determined by discounting the future cash flows to be generated from the continuing use of the business. VIU at 30 June 2024 has been determined in a similar manner as at 30 June 2023.

Key assumptions used in the calculation of VIU were the following:

- Cash flows were projected based on past experience, actual operating results and the six year business plan. Cash flows after the planning period were extrapolated using a constant growth rate of 2.0% (30 June 2023: 2.0%) into perpetuity; and
- A pre-tax discount rate of 15.1% (30 June 2023: 14.6%) was applied in determining the recoverable amounts for the SME Commercial Mortgages operating segment. These discount rates were based on the weighted average cost of funding for the segment, taking into account the Group's regulatory capital requirement and expected market returns for debt and equity funding, then adjusted for risk premiums to reflect the systemic risk of the segment.

IAS 36 requires an assessment of goodwill balances for impairment on an annual basis, or more frequently if there is an indication of impairment. An impairment charge should be recognised where the recoverable amount from the segment is less than the carrying value of the goodwill. Under IAS 36, the recoverable amount is the greater of either the VIU of a business or its Fair Value less Costs of Disposal ("FVLCD").

The VIU of the SME Commercial Mortgages segment is significantly above the carrying value of the attributable goodwill and net assets. The Group estimates that reasonably possible changes in the above assumptions are not expected to cause the recoverable amount of SME Commercial Mortgages to reduce below the carrying amount.

17. Amounts due to banks

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Due to banks - central banks - TFSME interest accrual	14.2	12.1
	14.2	**12.1**
Amounts repayable within 12 months:		
Due to banks – central banks – TFSME	600.0	-
Due to banks – central banks – variation margin	286.1	604.8
	886.1	**604.8**
Amounts repayable after 12 months:		
Due to banks – central banks – TFSME	465.0	1 065.0
	465.0	**1 065.0**
	1 365.3	**1 681.9**

Loans received from the Bank of England against which the Group provides collateral under the TFSME are recorded as 'Amounts due to banks' and are accounted for as a financial liability at amortised cost. Further details can be found in note 14.

18. Customers' accounts

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Retail deposits	11 010.4	10 169.0
SME deposits	3 092.0	2 780.4
Corporate deposits	2 204.3	2 083.9
	16 306.7	**15 033.3**
Amounts repayable within one year	13 727.1	13 526.3
Amounts repayable after one year	2 579.6	1 507.0
	16 306.7	**15 033.3**

19. Other liabilities, accruals and deferred income

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Amounts payable within 12 months:		
Amounts payable to Invoice Finance customers	14.8	16.7
Other taxation and social security costs	3.0	4.3
Trade creditors	27.9	20.9
Lease liabilities	24.2	22.8
Accruals	73.9	81.0
Deferred income	2.4	0.8
Other payables	4.6	4.3
	150.8	**150.8**

The maturity of the Group's lease liabilities was as follows:

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Maturity analysis of finance leases:		
Less than one year	5.0	4.8
Between one and five years	13.5	12.9
More than five years	5.7	5.1

20. Provisions

Accounting policy	A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

	Customer Redress £m	Other £m	Total £m
1 July 2023	26.3	2.1	28.4
Utilised during the year	(27.5)	(0.7)	(28.2)
Provided during the year	27.7	(1.1)	26.6
30 June 2024	**26.5**	**0.3**	**26.8**
1 July 2022	19.8	0.2	20.0
Utilised during the year	(11.1)	(0.1)	(11.2)
Provided during the year	17.6	2.0	19.6
30 June 2023	**26.3**	**2.1**	**28.4**

Customer Redress

Consumer Credit Act ("CCA") remediation

As a result of implementing rapid measures in the motor finance business to ensure that customers financially impacted by Covid-19 were able to take advantage of Government support measures, certain variations in procedures were undertaken by the Group. Management discovered that certain Consumer Credit Act ("CCA") related documents that were required to have been delivered to a sub-section of loan receivable customers were not delivered. In addition, as part of a wider thematic review, a number of other operational issues were identified that also required remediation.

Provisions include £9.5 million (30 June 2023: £25.6 million) in respect of estimated costs to complete a remediation programme with the support of external advisors, to ensure impacted customers' loan balances and documentation are up to date. As the Aldermore Group provides operational support to Motonovo London Branch (part of FirstRand London Branch ("FRLB")), for whom a sub-section of loan receivable customers are also impacted, £3.7 million of this provision (30 June 2023: £20.1 million) is recoverable from FRLB. There remains some uncertainty in respect to the amount of the provision recorded as the remediation programme progresses and as the remediation outcomes are overseen by one of the Group's Regulators, the Financial Conduct Authority ("FCA").

This provision is expected to be utilised over the next twelve months.

Motor Finance Commission

On 11 January 2024, the Financial Conduct Authority (FCA), announced a review of historical motor finance commission arrangements and sales by the mainstream lenders in the UK motor finance market. The FCA currently expects to report on next steps on this matter in May 2025.

The Group welcomes the regulator's decision to undertake this review but continues to believe that its own practices were compliant with the laws and regulations in place at the time. In April 2024 the FCA formally communicated its expectation that the firms which fall within the remit of the process must, at all times, maintain adequate financial resources that consider their own specific circumstances. The FCA further indicated that their process may result in establishing an industry-wide redress scheme and therefore the Group has raised a provision of £16.7 million.

The provision is based on probability-weighted scenarios constructed from the Group's own data analysis, assumptions and emerging estimates and includes probable legal, operational and redress costs (using a range of judgemental assumptions for commissions, interest rates, redress approaches and uphold rates). The amount covers origination by MotoNovo Finance Limited from May 2019 to January 2021 (from January 2021 the practice of discretionary commission arrangements ceased). It should also be noted that not all agreements, written during the period under review by the regulator, included a discretionary commission arrangement.

Given the extended timeline of the FCA's review process, and ongoing legal cases proceeding through the courts, significant uncertainty remains regarding any potential industry-wide customer remediation outcome. International Financial Reporting Standards require that the Group disclose the fact that this uncertainty could result in a materially higher or lower eventual financial impact. The Group however believes that the current provision is appropriate based on the information available at the time of reporting.

21. Debt securities in issue

	30 June 2024 £m	30 June 2023 £m
Debt securities in issue – Oak No 3 PLC	68.4	102.7
Debt securities in issue – Oak No 4 PLC	301.8	404.4
Debt securities in issue – MotoMore Limited	407.3	683.4
Debt securities in issue – Turbo Finance 9 PLC	-	94.6
	777.5	**1 285.1**

Debt securities in issue with a book value of £777.5 million (2023: £1,285.1 million) are secured on certain portfolios of variable and fixed rate mortgages through the Group's securitisation vehicles. These notes are redeemable in part from time to time, such redemptions being limited to the net capital received from mortgage customers in respect of the underlying assets.

The call option in respect of the Turbo 9 Finance PLC notes was exercised on 22 January 2024, with the full balance outstanding redeemed on the redemption date. The final maturity date in respect of the Oak No.3 PLC notes is 28 July 2061 with an optional redemption on the notes exercised on 29 July 2024 - refer to note 34 for further details. The final maturity date in respect of the Oak No.4 PLC notes is in February 2065 with an optional redemption exercisable on the notes falling due in February 2028. The final maturity date in respect of the MotoMore Limited notes is 22 October 2032 with the revolving period end date to occur in September 2026, having been renewed in October 2023.

22. Subordinated notes

	30 June 2024 £m	30 June 2023 £m
Subordinated notes 2028	-	100.5
Subordinated notes 2029	-	52.3
Subordinated notes 2033	100.9	-
	100.9	**152.8**

On 22 November 2018, the Group issued to FirstRand Bank Limited, a fellow subsidiary of FirstRand Limited, £100.0 million subordinated 4.9% loan notes, repayable in 2028, with an option for the Group to redeem after five years, which was exercised by the Group in November 2023.

On 22 May 2019, the Group issued to FirstRand Bank Limited, a fellow subsidiary of FirstRand Limited, £52.0 million subordinated 5.1% loan notes, repayable in 2029, with an option for the Group to redeem after five years, which was exercised by the Group in May 2024.

On 22 November 2023, the Group issued to FirstRand Bank Limited, a fellow subsidiary of

FirstRand Limited, £100.0 million subordinated 7.94% loan notes, repayable in 2033, with an option for the Group to redeem after five years. The interest rate is fixed until November 2028. The loan is carried in the statement of financial position at amortised cost using an EIR of 7.94% which is identical to the coupon rate.

23. Financing activity

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Year ended 30 June 2024

	As at 1 July 2023 £m	Financing cash flows- debt issued £m	Financing cash flows – repayment of debt £m	Financing cash flows – interest paid on debt £m	Non-cash changes- Interest expense per Income Statement £m	As at 30 June 2024 £m
Debt Securities in Issue – note 21	1 285.1	-	(505.1)	(55.9)	53.4	**777.5**
Subordinated notes – note 22	152.8	100.0	(152.0)	(9.0)	9.1	**100.9**

Year ended 30 June 2023

	As at 1 July 2022 £m	Financing cash flows- debt issued £m	Financing cash flows – repayment of debt £m[1]	Financing cash flows – interest paid on debt £m	Non-cash changes- Interest expense per Income Statement £m	As at 30 June 2023 £m
Debt Securities in Issue – note 21	1 170.2	402.6	(291.3)	(31.3)	34.9	**1 285.1**
Subordinated notes – note 22	152.8	-	-	(7.5)	7.5	**152.8**

In June 2022, the Group (as borrower) entered into a committed liquidity facility with FirstRand Bank Limited (as lender) for £100 million. There is no drawn balance as at 30 June 2024. The facility was renewed in September 2023 for another 15 months, with an implied final repayment date in December 2024.

In October 2022, the Group also entered into an uncommitted liquidity facility with FirstRand Bank Limited (as lender) for £400 million. There is no drawn balance as at 30 June 2024. The facility was renewed in September 2023 for another 12 months, with an implied final repayment date in September 2024.

24. Share capital

	30 June 2024 £m	30 June 2023 £m
Group and company		
Ordinary shares authorised and fully paid up of £0.10 each	**243.9**	**243.9**

As at 30 June 2024, there were 2,439,016,370 ordinary £0.10 shares in issue resulting in share capital of £243,901,637 (30 June 2023: 2,439,016,380 and £243,901,637 respectively).

25. Share-based payments

Accounting policy

In order to incentivise and reward future strong long-term business performance and growth, senior executives and employees of the Group have been granted – as part of their remuneration – awards, which are linked to the quoted share price of FirstRand Limited. The awards are recognised in the financial statements as cash-settled share-based payments. Awards granted under cash-settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

The cost of such awards are settled by payments made by the Company to an associate of the FirstRand group which assumes the liability for the settlement of the awards, and the cost will be recharged to the Aldermore Group companies to which the awardees provide their services. This results in the derecognition of the share-based payment obligation and the recognition of a prepaid debtor, which the Group releases to the income statement over the vesting period of the original award granted to the employees.

The amount recognised as an expense is adjusted to reflect differences between expected and actual outcomes, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance conditions or non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Within the parent company standalone financial statements, the equity-settled share-based payment transactions are recognised as an investment in Group undertakings with an associated credit to the share-based payment reserve. For cash-settled share-based payments no cost has been recognised as the costs incurred by the Company are fully rechargeable to the Aldermore Group companies for which the awardees provide their services.

The table below shows the charge to the income statement:

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Share plans issued in year ended 30 June 2019	-	(0.6)
Share plans issued in year ended 30 June 2020	-	(0.1)
Share plans issued in year ended 30 June 2021	(1.4)	0.6
Share plans issued in year ended 30 June 2022	0.1	1.1
Share plans issued in year ended 30 June 2023	3.4	1.9
Share plans issued in year ended 30 June 2024	0.6	-
Total share-based payment charge	**2.7**	**2.9**

Awards

The table below shows the number of awards outstanding as at 30 June 2024:

Plan	Awards outstanding value 30 June 2024 £m	Vesting Dates	Adjusted for movement in FirstRand ZAR Share Price	Non Market Performance Conditions Attached [1]	Settlement	Liability transferred to RMBMS by assumption of liability agreement [2]	Aldermore Group Residual Liability	Charge for current year £m
Deferred Bonus Scheme – FY21	0.3	Sep-22 Sep-23 Sep 24	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.1
Deferred Bonus Scheme – FY22	0.3	Sep-23 Sep-24 Sep 25	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.1
LTIP awards (risk & compliance) – FY21	-	Sep-23	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.1
LTIP awards (risk & compliance) – FY22	2.2	Sep-24	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	(0.0)
LTIP awards – FY21	-	Sep-23	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	(1.8)
LTIP awards – FY22	0.5	Sep-24	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	0.3
LTIP awards – FY23	2.4	Sep-25	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	0.5
LTIP awards (Exco) – FY21	-	Sep-23	Yes	Yes	FirstRand shares to the value of the award at the vesting date	Yes	No	0.1
LTIP awards (Exco) – FY22	-	Sep-24	Yes	Yes	FirstRand shares to the value of the award at the vesting date	Yes	No	(0.3)
Equity linked compensation - CRDV FY23	2.2	Sep-22 Sep-23 Sep-24 Sep-25	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	2.1
Covid Conditional Incentive Plan – FY21	-	Sep-23	Yes	Yes	FirstRand shares to the value of the award at the vesting date	Yes	No	0.1
Equity linked compensation - CRDV FY24	1.0	Sep-24 Sep-25 Sep-26	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.3
Deferred Bonus Scheme – FY23	1.3	Sep-24 Sep-25 Sep-26	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.8
LTIP awards – FY24	2.1	Sep-24 Sep-25 Sep-26	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.3
Total	**12.3**							**2.7**

The table below shows the number of awards outstanding as at 30 June 2023:

Plan	Awards outstanding value 30 June 2023 £m	Vesting Dates	Adjusted for movement in FirstRand ZAR Share Price	Non Market Performance Conditions Attached [1]	Settlement	Liability transferred to RMBMS by assumption of liability agreement [2]	Aldermore Group Residual Liability	Charge for current year £m
Deferred Bonus Scheme - FY19	-	Sep-20 Sep-21 Sep-22	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	(0.5)
Deferred Bonus Scheme - FY21	0.6	Sep-22 Sep-23 Sep-24	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.2
Deferred Bonus Scheme – FY22	0.5	Sep-23 Sep-24 Sep-25	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.3
LTIP awards (risk & compliance) - FY20	-	Sep-22	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	(0.1)
LTIP awards (risk & compliance) - FY21	0.7	Sep-23	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.2
LTIP awards (risk & compliance) – FY22	1.6	Sep-24	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	Yes	0.1
LTIP awards - FY20	-	Sep-22	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	(0.5)
LTIP awards - FY21	0.5	Sep-23	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	(0.2)
LTIP awards – FY22	0.6	Sep-24	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	1.2
LTIP awards – FY23	2.4	Sep-25	Yes	Yes	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	0.6
LTIP awards (Exco) – FY20	-	Sep-22	Yes	Yes	FirstRand shares to the value of the award at the vesting date	Yes	No	0.2
LTIP awards (Exco) – FY21	0.8	Sep-23	Yes	Yes	FirstRand shares to the value of the award at the vesting date	Yes	No	0.2
LTIP awards (Exco) – FY22	0.5	Sep-24	Yes	Yes	FirstRand shares to the value of the award at the vesting date	Yes	No	(0.5)
Equity linked compensation - CRDV FY23	1.5	Sep-25	Yes	No	Cash or FirstRand shares to the value of the award at the vesting date	Yes	No	1.3
Covid Conditional Incentive Plan – FY21	0.6	Sep-23	Yes	Yes	FirstRand shares to the value of the award at the vesting date	Yes	No	0.2
Total	**10.1**							**2.9**

[1.] Non Market Performance Conditions - for awards granted in the year ended 30 June 2023 20% will vest if: FirstRand's normalised earnings per share over the performance period exceed the South Africa CPI plus real GDP growth on a cumulative basis by 1.5% and FirstRand Limited delivers ROE of at least 19.0% over the performance period; and 80.0% of the conditional award is based on the performance conditions linked to Aldermore. For equity linked LTIP awards granted in the year ended 30 June 2022 (and earlier) 40% will vest if FirstRand's normalised earnings per share over the performance period exceeds the South Africa CPI plus real GDP growth, on a cumulative basis by 0% and FirstRand Limited delivers ROE of at least 18.0% over the performance period; and 60.0% of the conditional award will be based on the performance conditions linked to Aldermore. Cash LTIP awards granted prior to 2023 were 100% linked to Aldermore performance conditions.

[2.] Aldermore entered into an assumption of liability and novation agreement with RMB Morgan Stanley Proprietary Ltd ('RMBMS'), a 50.0% owned JV of the FirstRand Group to hedge the cost of the awards linked to the FirstRand share price. In return for Aldermore making a payment to RMBMS, RMBMS is substituted in the agreement and is obligated to pay the GBP amount due to the Aldermore employees at the vesting date.

The terms of the schemes which are all cash-settled are as follows:

a. Deferred Bonus Scheme

A deferred portion of the annual bonus, which is equity linked. The deferral vests in three equal annual instalments, on the first, second and third anniversary of the date the annual bonus deferral is granted. There are no performance conditions in respect of the awards, however an individual needs to remain in active service, or be in receipt of good leaver status, for the awards to vest.

b. LTIP (Long Term Incentive Plan)

A long term incentive plan ("LTIP") for which vesting occurs three years after the award date. The awards are equity linked without performance conditions for a small number of employees engaged in risk and control functions. The awards are equity linked with performance conditions for other senior employees linked to FirstRand and Aldermore performance. An individual needs to remain in active service, or be in receipt of good leaver status, for the awards to vest.

c. Covid-19 Conditional Incentive Plan

An equity linked Covid-19 Conditional Incentive Plan was awarded by FirstRand to Aldermore Group employees in September 2020. The award was introduced to replace the LTIP awards due to vest in September 2021, 2022 and 2023 and in the case of the awards vesting 2021 and 2022, only paid out if the LTIP awards due to vest on those dates did not meet their vesting conditions. The tranche due to vest in September 2023 was paid out regardless of the LTIP also due to vest on this date's performance. This award had been granted to a small number of senior employees within the Group. An individual needed to remain in active service for this award to vest.

26. Additional Tier 1 capital

	30 June 2024 £m	30 June 2023 £m
Perpetual subordinated capital notes - issued June 2019	-	47.0
Perpetual subordinated capital notes - issued April 2020	61.0	61.0
Perpetual subordinated capital notes - issued June 2024	100.0	-
	161.0	**108.0**

Perpetual subordinated capital notes

On 27 June 2019, the Company issued £47.0 million of Perpetual Subordinated Capital Notes to FirstRand Bank Limited, a fellow subsidiary of FirstRand Limited, and redeemed this instrument in June 2024.

On 29 April 2020, the Company issued £61.0 million of Perpetual Subordinated Capital Notes to FirstRand Bank Limited, a fellow subsidiary of FirstRand Limited.

The Securities are perpetual and have no fixed redemption date. Redemption of the Securities are at the option of the Company on 29 April 2025 and semi-annually thereafter. The Securities bear interest at an initial rate of 8.5% per annum until 29 April 2025 and thereafter at the relevant Reset Interest Rate as provided in the terms and conditions. Interest is payable on the Securities semi-annually in arrears on each interest payment date commencing from 29 October 2020 and is non-cumulative. The Borrower has the full discretion to cancel any interest scheduled to be paid on the Securities.

On 27 June 2024, the Company issued £100.0 million of Perpetual Subordinated Capital Notes to FirstRand Bank Limited, a fellow subsidiary of FirstRand Limited.

The Securities are perpetual and have no fixed redemption date. Redemption of the Securities is at the option of the Company on 27 September 2029 and semi-annually thereafter. The Securities bear interest at an initial rate of 8.18% per annum until 27 September 2029 and thereafter at the relevant Reset Interest Rate as provided in the terms and conditions. Interest is payable on the Securities semi-annually in arrears on each interest payment date in September and March, with a short first interest payment period commencing from 27 June 2024 and is non-cumulative. The Borrower has the full discretion to cancel any interest scheduled to be paid on the Securities.

27. Statement of cash flows

Accounting policy	Cash and cash equivalents comprise of cash balances and balances with a maturity of three months or less from the acquisition date which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

a. Adjustments for non-cash items and other adjustments included within the income statement

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Depreciation and amortisation	11.2	9.7
Impairment of right of use assets	-	0.7
Impairment of operating leases	-	(0.2)
Amortisation of securitisation issuance cost	0.6	0.6
Impairment (releases)/ losses on loans and advances	(18.3)	113.3
Net losses on disposal of available for sale debt securities	(2.0)	(2.1)
Interest expense on subordinated notes	9.1	7.5
Interest income on debt securities	(34.0)	(19.8)
Interest expense on debt securities in issue	52.6	34.1
Share of profit of associate	-	(0.5)
	19.2	**143.2**

b. Decrease/ (Increase) in operating assets

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Loans and advances to customers	(151.3)	(582.1)
Loans and advances to banks	61.1	(68.9)
Derivative financial instruments	363.8	(420.5)
Fair value adjustments for portfolio hedged risk	(287.4)	218.1
Other operating assets	68.9	(32.9)
Dividend received from associate	-	0.3
	55.1	**(886.0)**

c. Increase in operating liabilities

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Amounts due to banks	(316.6)	340.1
Customers' accounts	1 273.4	927.9
Derivative financial instruments	(21.7)	37.9
Fair value adjustments for portfolio hedged risk	27.6	(8.4)
Decrease/ (Increase) in operating liabilities	(0.5)	(11.1)
(Decrease)/Increase in provisions	(1.9)	8.4
	960.3	**1 294.8**

d. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on demand and overnight deposits classified as cash and balances at central banks (unless restricted) and balances within loans and advances to banks. The following balances have been identified as being cash and cash equivalents.

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Cash and balances at central banks	2 172.2	1 923.4
Less restricted balances	-	(53.1)
Loans and advances to banks	128.4	128.7
	2 300.6	**1 999.0**

28. Commitments and contingencies

At 30 June 2024, the Group had undrawn commitments to lend of £479.1 million (30 June 2023: £382.6 million). These relate mostly to irrevocable lines of credit granted to customers.

Legislation

As a financial services group, Aldermore Group PLC is subject to extensive and comprehensive regulation. The Group must comply with numerous laws and regulations, which significantly affect the way it does business. Whilst the Group believes there are no unidentified areas of failure to comply with these laws and regulations which would have a material impact on the financial statements, there can be no assurance that all issues have been identified.

29. Financial instruments and fair values

The following table summarises the classification and carrying amounts of the Group's financial assets and liabilities:

30 June 2024	Assets at amortised cost £m	Debt securities at FVOCI £m	Fair value through profit or loss (required) £m	Fair value hedges £m	Liabilities at amortised cost £m	Total £m
Cash and balances at central banks	2 172.2	-	-	-	-	2 172.2
Loans and advances to banks	257.4	-	-	-	-	257.4
Debt securities	374.9	2 061.6	-	-	-	2 436.5
Derivatives held for risk management	-	-	348.2	-	-	348.2
Fair value adjustment for portfolio hedged risk	-	-	-	(130.4)	-	(130.4)
Loans and advances to customers	15 336.9	-	-	-	-	15 336.9
Other assets	34.7	-	-	-	-	34.7
Total financial assets	**18 176.1**	**2 061.6**	**348.2**	**(130.4)**	**-**	**20 455.5**
Non-financial assets	-	-	-	-	-	**84.9**
Total assets	**18 176.1**	**2 061.6**	**348.2**	**(130.4)**	**-**	**20 540.4**
Amounts due to banks	-	-	-	-	1 365.3	1 365.3
Customers' accounts	-	-	-	-	16 306.7	16 306.7
Derivatives held for risk management	-	-	40.7	-	-	40.7
Fair value adjustment for portfolio hedged risk	-	-	-	6.5	-	6.5
Other liabilities	-	-	-	-	76.1	76.1
Debt securities in issue	-	-	-	-	777.5	777.5
Subordinated notes	-	-	-	-	100.9	100.9
Total financial liabilities	**-**	**-**	**40.7**	**6.5**	**18 626.5**	**18 673.7**
Non-financial liabilities	-	-	-	-	-	102.3
Total liabilities	**-**	**-**	**40.7**	**6.5**	**18 626.5**	**18 776.0**

30 June 2023	Assets at amortised Cost £m	Debt securities at FVOCI £m	Fair value through profit or loss (required) £m	Fair value hedges £m	Liabilities at amortised cost £m	Total £m
Cash and balances at central banks	1 923.4	-	-	-	-	1 923.4
Loans and advances to banks	318.8	-	-	-	-	318.8
Debt securities	527.4	1 521.5	-	-	-	2 048.9
Derivatives held for risk management	-	-	712.0	-	-	712.0
Fair value adjustment for portfolio hedged risk	-	-	-	(417.8)	-	(417.8)
Loans and advances to customers	15 167.3	-	-	-	-	15 167.3
Other assets	54.9	-	-	-	-	54.9
Total financial assets	**17 991.8**	**1 521.5**	**712.0**	**(417.8)**	**-**	**19 807.5**
Non-financial assets	-	-	-	-	-	111.8
Total assets	**17 991.8**	**1 521.5**	**712.0**	**(417.8)**	**-**	**19 919.3**
Amounts due to banks	-	-	-	-	1 681.9	1 681.9
Customers' accounts	-	-	-	-	15 033.3	15 033.3
Derivatives held for risk management	-	-	62.5	-	-	62.5
Fair value adjustment for portfolio hedged risk	-	-	-	(21.0)	-	(21.0)
Other liabilities	-	-	-	-	69.0	69.0
Debt securities in issue	-	-	-	-	1 285.1	1 285.1
Subordinated notes	-	-	-	-	152.8	152.8
Total financial liabilities	**-**	**-**	**62.5**	**(21.0)**	**18 222.1**	**18 263.6**
Non-financial liabilities	-	-	-	-	-	117.2
Total liabilities	**-**	**-**	**62.5**	**(21.0)**	**18 222.1**	**18 380.8**

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the statement of financial position at fair value. The fair values in this note are stated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. As a wide range of valuation techniques are available, it may be inappropriate to compare this fair value information to that of independent market or other financial institutions' valuations.

	30 June 2024		30 June 2023	
	Carrying value £m	**Fair value £m**	**Carrying value £m**	**Fair value £m**
Cash and balances at central banks	2 172.2	2 172.2	1 923.4	1 923.4
Loans and advances to banks	257.4	257.4	318.8	318.8
Loans and advances to customers	15 336.9	15 005.1	15 167.3	14 690.9
Debt securities	374.9	374.9	527.4	527.7
Other assets	34.7	34.7	54.9	34.8
Total financial assets	**18 176.1**	**17 844.3**	**17 991.9**	**17 495.6**
Amounts due to banks	1 365.3	1 365.3	1 681.9	1 681.9
Customers' accounts	16 306.7	16 403.5	15 033.3	14 916.9
Other liabilities	76.1	76.1	69.0	69.0
Debt securities in issue	777.5	781.7	1 285.1	1 286.3
Subordinated notes	100.9	104.2	152.8	148.1
Total financial liabilities	**18 626.5**	**18 730.8**	**18 222.1**	**18 102.2**

The Directors consider that the fair value of the Company's financial assets and liabilities, apart from its investments in Group undertakings and associates, are approximately equal to their carrying value. Accordingly no further disclosures in respect of fair values are provided. The fair value of the Company's investments in Aldermore Bank PLC and MotoNovo Finance Limited are considered to be greater than the carrying value (given the investments in the subsidiaries are held at cost).

Key considerations in the calculation of the disclosed fair values for those financial assets and liabilities carried at amortised cost include the following:

a. Cash and balances at central banks

These represent amounts with an initial maturity of less than three months and as such, their carrying value is considered a reasonable approximation of their fair value.

b. Loans and advances to banks

These represent either amounts with an initial maturity of less than three months or longer term variable rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is considered to be not materially different from their fair value.

c. Loans and advances to customers

For fixed rate lending products, the Group has estimated the fair value of the fixed rate interest cash flows by discounting those cash flows by the current appropriate market reference rate used for pricing equivalent products plus the credit spread attributable to the borrower. The Group has calculated the fair value of loans and advances to customers based on the present value of expected future principal and interest cash flows, discounted at appropriate market rates, and then adjusted for lifetime expected credit losses.

d. Other assets and liabilities

These represent short term receivables and payables and as such, their carrying value is not considered to be materially different from their fair value.

e. Amounts due to banks

These mainly represent securities sold under agreements to repurchase which were drawn down from the Bank of England under the terms of the Funding for Term Funding Schemes ("TFSME"). These transactions are collateralised by UK Government Treasury Bills, which have a low susceptibility to credit risk, so adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying values of the liabilities are not considered to be materially different from their fair value.

f. Customers' accounts

The fair value of fixed rate customers' accounts has been determined by discounting estimated future cash flows based on rates currently offered by the Group for equivalent deposits. Customers' accounts at variable rates are at current market rates and therefore, the Group regards the fair value to be equal to the carrying value. The estimated fair value of deposits with no stated maturity is the amount repayable on demand.

g. Debt securities in issue

As the securities are actively traded in a recognised market, with readily available and quoted prices, these have been used to value the securities. These securities are therefore regarded as having Level 1 fair values, see below.

h. Subordinated notes

The estimated fair value of the subordinated notes is based on discounted cash flows using interest rates for similar liabilities with the same remaining maturity, credit ranking and rating.

The following table provides an analysis of financial assets and liabilities held on the consolidated statement of financial position at fair value, which are all subject to recurring valuation, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

i. Debt securities

Debt Securities held as part of the Group's Capital Investment Strategy are classified as amortised cost only if they meet both the business model assessment and SPPI tests. These debt securities are publicly traded in the market and the quoted prices are used as a fair value disclosure.

The tables below show the classification of financial instruments held at fair value into the fair value hierarchy.

30 June 2024	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets:				
Derivatives held for risk management	-	348.2	-	348.2
Debt securities:				
Asset-backed securities	-	200.7	-	200.7
UK Gilts and Supranational bonds	1 058.9		-	1 058.9
Covered bonds	802.0	-	-	802.0
Treasury bills	-	-	-	-
	1 860.9	**548.9**	**-**	**2 409.8**
Financial liabilities:				
Derivatives held for risk management	-	40.7	-	40.7
	-	**40.7**	**-**	**40.7**

30 June 2023	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets:				
Derivatives held for risk management	-	712.0	-	712.0
Debt securities:				
Asset-backed securities	-	112.8	-	112.8
UK Gilts and Supranational bonds	855.6	-	-	855.6
Covered bonds	553.1	-	-	553.1
Treasury bills	**-**	**-**	**-**	**-**
	1 408.7	**824.8**	**-**	**2 233.5**
Financial liabilities:				
Derivatives held for risk management	-	62.5	-	62.5
	-	**62.5**	**-**	**62.5**

Level 1: Fair value determined using quoted prices (unadjusted) in active markets for

identical assets or liabilities.

Level 2: Fair value determined using directly or indirectly observable inputs other than unadjusted quoted prices included within Level 1 that are observable.

Level 3: Fair value determined using one or more significant inputs that are not based on observable market data.

The fair values of UK T-bills, Gilts, Supranational bonds, Corporate bonds and Covered bonds are based on quoted bid prices in active markets.

The fair value of asset-backed securities is based on the average price of indicative prices from counterparties and Bloomberg, but before relying on these prices, the Group has obtained an understanding of how the prices were derived to ensure that each investment is assigned an appropriate classification within the fair value hierarchy.

The fair values of derivative assets and liabilities are determined using widely recognised valuation methods for financial instruments such as interest rate swaps and use only observable market data that require little management judgement and estimation. Credit value and debit value adjustments have not been applied as the derivative assets and liabilities are largely conducted through a recognised exchange and as such are subject to daily margining requirements.

Fair value measurement – financial assets and liabilities held at amortised cost

The debt securities falling into the Capital Investment business model are classified at amortised cost. The fair value of the debt securities classified at amortised cost is based on quoted bid prices in active markets.

All the fair values of financial assets and liabilities carried at amortised cost are considered to be Level 2 valuations which are determined using directly or indirectly observable inputs other than unadjusted quoted prices, except for debt securities in issue which are Level 1 and loans and advances to customers which are Level 3.

Fair value of transferred assets and associated liabilities

Securitisation vehicles

The sale of the beneficial ownership of the loans and advances to customers to the securitisation vehicles by the Bank fail the derecognition criteria, and consequently, these loans remain on the statement of financial position of the Group. The Bank, therefore recognises a deemed loan financial liability on its statement of financial position and an equivalent deemed loan asset is held on the securitisation vehicle's statement of financial position. As the securitisation vehicle is consolidated into the Group with the Bank, the deemed loans are eliminated in the consolidated accounts. The deemed loans are repaid as and when principal repayments are made by customers against these transferred loans and advances.

The Group retains substantially all of the risks and rewards of ownership. The Group benefits to the extent to which surplus income generated by the transferred mortgage portfolios exceeds the administration costs of these mortgages. The Group continues to bear the credit risk of these mortgage assets.

The results of the securitisation vehicles listed in note 21 are consolidated into the results of the Group. The table below shows the carrying values and fair value of the assets transferred to the securitisation vehicles and its associated liabilities. The carrying values presented below are the carrying amounts recorded in the Group accounts. Some of the notes issued by the securitisation vehicles are held by the Group and as such are not shown in the consolidated statement of financial position of the Group.

30 June 2024	Carrying amount of transferred assets not derecognised £m	Carrying amount of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net position £m
Oak No.3 PLC	91.2	68.3	92.6	68.5	**24.1**
Oak No.4 PLC	325.2	301.8	320.1	304.0	**16.1**
MotoMore Limited	459.8	407.3	412.5	409.3	**3.2**

30 June 2023	Carrying amount of transferred assets not derecognised £m	Carrying amount of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net position £m
Oak No.3 PLC	124.2	102.7	127.0	103.3	**23.7**
Oak No.4 PLC	423.8	404.4	406.8	405.3	**1.5**
MotoMore Limited	763.3	683.4	670.9	682.5	**(11.6)**
Turbo Finance 9 PLC	153.8	94.7	137.6	95.2	**42.4**

30. Related parties

a. Controlling parties

FirstRand International Limited acquired 100.0% of the share capital of Aldermore Group PLC in March 2018. It, therefore, became the immediate parent of Aldermore Group PLC. FirstRand International Limited is a company incorporated in Guernsey (registered number 17166), and is a wholly owned subsidiary of FirstRand Limited, a company incorporated in South Africa (registered number 1966/010753/06) and the ultimate parent and ultimate controlling party. Consolidated accounts are prepared by FirstRand Limited and copies are available to the public from the ultimate parent's registered office c/o 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, Gauteng, South Africa, 2196.

During the year ended 30 June 2024, the Group incurred fees of £150,000 (30 June 2023: £140,000) in relation to the Directors who represent the ultimate parent company.

As at 30 June 2024, the Group owed FirstRand Bank Limited a balance of £263.0 million (30 June 2023: £261.8 million) which includes subordinated securities totalling £261.9 million (30 June 2023: £260.8 million) and were owed a balance of £9.1 million from FirstRand Bank Limited (30 June 2023: £31.0 million) consisting of recharged administrative and operational costs, predominately in relation to certain Motor Finance remediation activities undertaken by the Group on behalf of FirstRand London Branch. During the year ended 30 June 2024, the Group received income from FirstRand Bank Limited totalling £11.0 million (30 June 2023: £29.3 million) relating to administrative costs recharged to FirstRand Bank Limited by MotoNovo Finance Limited and were recharged expenses totalling £22.8 million (30 June

2023: £21.4 million) which includes a subordinated loan note coupon of £9.1 million, an AT1 coupon of £8.6 million and the remainder being software licence costs, non-executive Director fees, insurance costs, rent, liquidity facility and guarantee fees and outsourcing fees.

FirstRand Limited has issued a guarantee to the Bank of England to cover Aldermore Group's drawings on the TFSME facility. See page 111 for the Group's drawings as at 30 June 2024.

b. Associates

The Group holds a 48% holding in AFS Group Holdings Limited which was acquired on 28 September 2017. During the year ended 30 June 2024, the Group paid commission of £2.7 million to the associate (year ended 30 June 2023: £2.9 million). The Group also received dividends totalling £1.1 million during the year (30 June 2023: £1.2 million). The investment in AFS is classified as held for sale at 30 June 2024, more details are available in note 33.

c. Key management personnel compensation

Key Management Personnel ("KMP") comprise Directors of the Group and members of the Executive Committee. Details of the compensation paid (in accordance with IAS 24) to KMP are:

	Year ended 30 June 2024 £k	**Year ended 30 June 2023 £k**
Emoluments	14 151.6	13 278.0
Payments in respect of personal pension plans	360.9	245.7
Contributions to money purchase scheme	53.7	28.9
Share-based payments	-	57.8
	14 566.2	**13 610.4**

The above table reflects remuneration paid to KMP during the year.

During the year ended 30 June 2024, KMP were granted awards which are linked to the share price of the ultimate parent FirstRand Limited of £2.0 million (2023: £2.3 million), and a deferred bonus of £1.6 million (2023: £1.7 million). Further details of these schemes are provided in note 25.

31. Country-by-Country

The Capital Requirements (Country-by-Country reporting) Regulations came into effect on 1 January 2014 and introduce reporting obligations for institutions within the scope of the Capital Requirements Directive (CRD IV). The requirements aim to give increased transparency regarding the activities of institutions.

All companies consolidated within the Group's financial statements are registered entities in England and Wales. Note 32 to these financial statements include an analysis of subsidiary undertakings and their principal activities. All of the subsidiary undertakings were incorporated in the UK. The Group did not receive any public subsidies.

	Jurisdiction income/expense arose	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Total operating income	UK	**585.8**	664.2
Profit before tax	UK	**253.1**	222.5
Corporation tax (paid net of refunds received)	UK	**(73.4)**	(35.1)
Employees (average FTE equivalent)	UK	**2 100**	2 124

32. Investment in subsidiaries

Accounting policy	Investments in Group undertakings are initially recognised at cost. At each reporting date, an assessment is made as to whether there is any indication that the investment may be impaired such that the recoverable amount is lower than the carrying value.

The investment in subsidiary £515.6 million (30 June 2023: £515.6 million) in the Company balance sheet relates to interests in the total ordinary share capital of the following subsidiaries (except the securitisation vehicles), all of which are registered in England and Wales and operate in the UK. All subsidiary undertakings are included in these consolidated financial statements. There were no indicators of impairment during the year relating to these investments (30 June 2023: none).

Subsidiary undertakings (direct interest)	Principal activity	Shareholding %	Class of shareholding	Country of incorporation
Aldermore Bank PLC	Banking and related services	100	Ordinary	UK[1]
MotoNovo Finance Limited	Motor finance	100	Ordinary	UK[2]
Dormant subsidiary undertakings (indirect interest)				
Aldermore Invoice Finance (Holdings) Limited (Company number 06913207)	Dormant	100	Ordinary	UK[1]
Aldermore Invoice Finance Limited (Company number 02483505)	Dormant	100	Ordinary	UK[1]
Aldermore Invoice Finance (Oxford) Limited (Company number 02129734)	Dormant	100	Ordinary	UK[1]
AR Audit Services Limited (Company number 09495046)	Dormant	#	#	UK[3]
Securitisation vehicles (indirect interest)				
Oak No.3 Mortgage Holdings Limited*	Holding company for securitisation vehicle	*	*	UK[4]
Oak No.3 PLC*	Securitisation vehicle	*	*	UK[4]
Oak No.4 Mortgage Holdings Limited*	Holding company for securitisation vehicle	*	*	UK[4]
Oak No.4 PLC*	Securitisation vehicle	*	*	UK[4]
Oak No.5 Mortgage Holdings Limited*	Holding company for securitisation vehicle			UK[5]
Oak No.5 PLC*	Securitisation vehicle			UK[5]

MotoMore Limited*	Securitisation vehicle	*	*	UK[4]
Turbo Holdings Limited*	Holding company for securitisation vehicle	*	*	UK[6]
Turbo 9 Finance Limited*	Securitisation vehicle	*	*	UK[6]

The share capital of this company is not owned by the Group but is included in the consolidated financial statements as it is controlled by the Group.
* The share capital of the securitisation vehicles is not owned by the Group but the vehicles are included in the consolidated financial statements as they are controlled by the Group.
[1] Registered address 4th Floor Block D, Apex Plaza, Forbury Road, Reading, England, United Kingdom RG1 1AX.
[2] Registered address One, Central Square, Cardiff, Wales, United Kingdom, CF10 1FS.
[3] Registered address 6 Coldbath Square, London, England, United Kingdom, EC1R 5HL.
[4] Registered address Duo Building, level 6, 280 Bishopsgate, London, England, United Kingdom, EC2M 4RB.
[5] Registered address 10th Floor, 5 Churchill Place, London, England, United Kingdom, E14 5HU.
[6] Turbo Holdings and Turbo 9 Finance Limited securitisation vehicle are in the process of being liquidated.

33. Assets held for sale

Accounting policy

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

For non-current assets to be classified as held for sale, the following conditions must be met:

• The asset must be available for sale in its present condition, allowing for terms that are usual or customary for such transactions; and

• The sale must be highly probable.

The sale is highly probable when the following conditions are met:

• the appropriate level of management must be committed to a plan to sell the asset or disposal group;

• an active programme to locate a buyer and complete the plan must have been initiated;

• the asset/disposal group must be actively marketed at a price that is reasonable in relation to its current fair value;

• the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification; and

• actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Details of the Group's assets held for sale:

	Year ended 30 June 2024 £m	Year ended 30 June 2023 £m
Investment in associates – comprising:		
Investment held at cost	4.8	4.8
Share of post-acquisition earnings	1.6	1.6
Loans and advances to customers	-	32.8
	6.4	**39.2**

Investment in associate held for sale

During 2023, the Group approved the sale of its shares in AFS to a new entity (partly owned by the other remaining shareholders of AFS and partly by third party investors). The key terms upon which the Group is prepared to sell its shares, subject to contract, have been agreed. Whilst an adequate level of debt funding has been successfully sourced, a level of equity investment from a third party is also required. AFS management have entered into preliminary negotiations with six interested parties and remain confident that an investor will be found. Once the terms have been agreed with this third party, management estimate that the sale process should take two to three months and hence remain confident of its disposal within the next twelve months.

Loans and advances to customers held for sale

During 2023, the Group approved the sale of the Invoice Finance construction businesses. At completion all risks and rewards transferred to the purchasing company and therefore the sale of the business (encompassing a portfolio of loans) met the requirements to be classified as held for sale under IFRS 5. The sale was completed in July 2023 for a consideration equal to the carrying amount of the amortised cost loan portfolio.

34. Post balance sheet events

The Directors are aware of one material event that has occurred between the date of the statement of financial position and the date of this report.

This relates to the Bank exercising its option to redeem the Oak No.3 PLC notes which was successfully completed on 29 July 2024. Prior to this, the Group recognised the notes issued by Oak No.3 PLC on the statement of financial position as debt securities in issue.

The following relate to Aldermore Group PLC

35. Amounts receivable from Group undertakings

	30 June 2024 £m	30 June 2023 £m
Subordinated loan to Aldermore Bank PLC	100.9	100.5
Deposit with Aldermore Bank PLC	207.9	206.8
	308.8	**307.3**

On the 22 November 2018, the Company made a £100.0 million subordinated 4.9% loan to Aldermore Bank PLC, repayable in 2028, with an option for the Bank to redeem after five years, which was exercised by the Bank on 22 November 2023. On the same date, the Company made a £100.0 million subordinated 7.94% loan to Aldermore Bank PLC, repayable in November 2033, with an option for the Bank to redeem after five years. The loan is carried in the statement of financial position at amortised cost.

A £150.0 million deposit placed with Aldermore Bank PLC from the Group pays interest of 1.6% above SONIA on the outstanding balance. The interest is paid semi-annually.

The Company's £52.0 million and £47.0 million deposits placed with Aldermore Bank PLC were repaid on 22 May 2024 and 27 June 2024 respectively.

The Company placed £100.0 million of deposit with Aldermore Bank PLC on 27 June 2024 with interest of 4.75% per annum. The first interest payment will be made in September 2024 and will be paid semi-annually thereafter.

On 8 September 2020 MotoNovo Finance issued unsecured, non-voting, cumulative, redeemable preference shares of £50.0 million to the Group. The Company funded the preference shares through the partial withdrawal of the deposit with Bank at that time.

36. Amounts payable to Group undertakings

	30 June 2024 £m	30 June 2023 £m
Intercompany loans from Aldermore Bank PLC	22.9	22.7
	22.9	**22.7**

Amounts payable to Aldermore Bank PLC carry interest of between 1.0 – 1.3% per annum above SONIA charged on the outstanding loan balances.

Glossary and Definition of Key Terms

Capital Requirements Directive V ("CRD V")	European Union regulation transposed into UK CRR for implementing Basel III requirements.
Capital Requirements Regulation ("CRR")	Capital Requirements Regulation as implemented in the PRA Rulebook CRR Instrument and the PRA Rulebook CRR Firms: Leverage Instrument (collectively known as "CRR").
CET1 capital ratio	Measure of the Group's CET1 capital as a percentage of risk weighted assets, as required by CRR.
Climate-related financial disclosures ("CFD")	Companies falling within the scope of the requirements are required under the Companies Act to disclose material climate-related risks and opportunities, including the impact on strategy, how these risks are managed and the performance measures and targets applied in managing these issues.
Cost: Income Ratio	Total operating expenses divided by operating income.
Cost of risk	Total impairment charges divided by average customer loan balances gross of impairment (13-month average).
Discounting	The process of determining the present value of future payments.
Effective interest rate ("EIR")	The interest rate at which revenue is recognised on loans and discounted to their carrying value over the life of the financial asset.
Effective tax rate	Tax on operating profit/(loss) as a percentage of operating profit/(loss) on ordinary activities before tax.
Exposure at default ("EAD")	The capital outstanding at the point of default.
Financial Conduct Authority ("FCA")	A financial regulatory body in the UK, regulating financial firms and maintaining the integrity of the UK's financial market.
Financial Reporting Council ("FRC")	An independent regulatory body responsible for ensuring transparency and integrity in business and sets the UK's Corporate Governance and Stewardship Codes.
Forbearance	Forbearance is a concession granted towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments by changing the terms of the financial arrangement, which would otherwise not be considered.
General Data Protection Regulation ("GDPR")	A regulation implemented to strengthen and protect the data protection and privacy of individuals within the UK.

High quality liquid assets ("HQLA")	Assets which are able to be converted easily and quickly with no significant loss of value. These assets qualify for regulatory liquidity purposes, including Bank of England deposits and sovereign and central bank debt.
HM Revenue & Customs ("HMRC")	The UK's tax, payments and customs authority.
Internal Capital Adequacy Assessment Process ("ICAAP")	An assessment of the bank's current risks, how the bank plans to alleviate those risks and the quantity of current and future capital that is required.
Internal Liquidity Adequacy Assessment Process ("ILAAP")	A comprehensive framework designed to identify, measure, manage and monitor the liquidity risk of a bank ensuring that it has sufficient resources to meet its financial obligations as they fall due.
International Accounting Standards ("IAS")	A set of guidelines for preparing financial statements as established by the International Accounting Standards Board (IASB).
International Financial Reporting Standards ("IFRS")	A globally accepted set of accounting standards issued by the IFRS Foundation and the IASB.
Indexed Long Term Repo Scheme ("ILTR")	Funding provided by the Bank of England with a six-month maturity.
Loan to value ("LTV") ratio	The loan balance as a percentage of the total value of the asset.
Loss given default ("LGD")	The amount lost on a loan if a customer defaults.
Bank of England's Minimum Requirement for Own Funds and Eligible Liabilities ("MREL")	MREL determines the minimum loss-absorbing capacity that institutions must hold to ensure it can execute its resolution strategy.
Modification losses	Modification losses arise when the contractual terms of a financial asset are modified. An adjustment to the carrying value of the financial asset is required to reflect the present value of modified future cash flows discounted at the original effective interest rate, with the modification loss representing the difference in the carrying value immediately before and after the modification.
Net interest margin ("NIM")	Operating income generated by lending activities, including net interest income/ (expense), net fee and commissions income/ (expense) and net operating lease income/ (expense), less depreciation on operating lease assets, divided by average net loans and advances to customers and operating lease assets.
Net promoter score ("NPS")	A widely used metric of customer satisfaction calculated by subtracting the percentage of customers who are detractors (giving a score of 6 or less) from the percentage of promoters (giving a score of 9 or 10), with a final score of between -100 and 100.

Net zero	Net zero means not adding to the amount of greenhouse gases (GHGs) in the atmosphere by reducing GHGs insofar as possible and balancing out any remaining emissions by removing an equivalent amount.
Probability of default ("PD")	The probability that a customer will default on their loan.
Prudential Regulation Authority ("PRA")	A financial regulatory body responsible for regulating and supervising banks and other financial institutions in the UK.
Return on equity ("RoE")	A measure of financial performance calculated by dividing net income by shareholders equity (excluding non-controlling interests).
Risk weighted assets ("RWAs")	A measure of the amount of a bank's assets, adjusted for risk in line with the CRR. It is used in determining the capital requirement for a financial institution.
Scope 1, 2 and 3 emissions	Categorisation of greenhouse gas emissions, as defined by the Greenhouse Gas (GHG) Protocol, into direct emissions from owned or controlled sources (Scope 1), indirect emissions from the generation of purchased electricity, heating and cooling consumed by the reporting company (Scope 2), and all other indirect emissions that occur in a company's value chain (Scope 3).
Significant increase in credit risk ("SICR")	An assessment of whether credit risk has increased significantly since initial recognition of a loan using a range of triggers. Accounts which have experienced a significant increase in credit risk will be allocated to stage 2.
Subordinated debt	An unsecured loan or bond that ranks below and will be repaid after other, more senior loans or securities owed by the issue.
Term funding	Funding with a remaining maturity of more than 12 months.
Term Funding Scheme for Small and Medium-sized Enterprises ("TFSME")	The Bank of England's Term Funding Scheme with additional incentives for SMEs.
Tier 1 capital	Tier 1 capital represents a bank's core equity assets and includes shareholders' equity and retained earnings.
Tier 2 capital	Additional regulatory capital that along with Tier 1 capital makes up a bank's total regulatory capital. Includes qualifying subordinated debt.