

Lloyds Banking Group

12:05 22 May 2019

BofA Merrill Lynch expects Lloyds to see £2.0bn revenue headwind from competition in mortgage market

BofA Merrill Lynch expects Lloyds Banking Group PLC (LON:LLOY) to see a £2.0bn revenue headwind as it tries to manage the trade-off between growing its mortgage volumes and sustaining its net interest margin in the face of increased competition and a lack of UK interest rate rises.

In a note to clients following results on Tuesday from Lloyds' rival Nationwide Building Society, analysts at the US bank pointed out that at £9.6bn of gross mortgage lending in the first quarter of 2019, Nationwide's 14.5% share of the market was "well ahead" of Lloyds's at 13.1%, despite the former being much smaller.

READ: Nationwide anticipates further squeeze on margins from competitive mortgage market

The BofA ML analysts said: "This is no flash in the pan, with Nationwide's share of new business above its stock for three consecutive quarters."

They added: "Future new business volumes will likely reflect pricing but Nationwide intends to stay competitive and consequently expects the current pace of margin decline to continue."

The analysts pointed out: "Lloyds is likely to continue trying to mitigate the margin pressure but its weak 1Q19 lending highlights mortgage borrowers' price sensitivity.

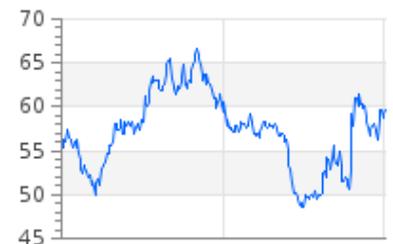
"We estimate that this results in a £2bn income headwind 2018-21E that is hard to fully offset with growth in other parts of the balance sheet."

BofA ML reiterated and 'underperform' rating on Lloyds' shares with a target price of 55p. In late morning trading, Lloyds shares were 1% lower at 59.89p.

Price: 59.48

Market Cap: £423.27 m

1 Year Share Price Graph



November 2018 May 2019 November 20

Share Information

Code: LLOY

Listing: LSE

52 week High Low
66.79 48.1559

Sector: Banks

Website: www.lloydsbankinggroup.com

Company Synopsis:

Lloyds Banking Group has many household names like Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows. Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, focused on personal and commercial customers.

action@proactiveinvestors.com

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability,

value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.