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Lloyds Banking Group

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Lloyds suspends share buybacks after surge in PPI claims result in further hit of up to £1.8bn

Lloyds Banking Group PLC (LON:LLOY) has suspended its share buyback programme after a late surge in complaints about mis-sold payment protection insurance led to a higher-than-expected charge.

The bank expects to take a charge of between £1.2bn and £1.8bn for PPI claims, on top of the £650mln it set aside in the first half.

Like the rest of its banking peers, Lloyds was hit by spike in complaints in the final weeks leading up to the Financial Conduct Authority's 29 August deadline. The lender said it received about 600,000 to 800,000 claims per week, much more than the 190,000 per week it had expected.

After Royal Bank of Scotland Group PLC (LON:RBS) and Virgin Money owner CYBG PLC (LON:CYBG) were also hit by bigger than expected PPI claims, analysts warned that Lloyds and others were likely to be similarly hit.

Lloyds to miss capital and return on equity targets
Lloyds warned that the unprecedented level of PPI claims means it will miss its capital build target of 170 to 200 basis points per year in 2019. It added that expects its statutory return on tangible equity to be lower than its 2019 guidance of about 12%, with the final outcome depending on the actual charge.

"In line with its prudent approach, and the uncertainty around the final outcome for PPI, the board has decided to suspend the remainder of the 2019 buyback programme, with circa £600mln of the up to £1.75bn programme expected to be unused at mid-September," Lloyds said.

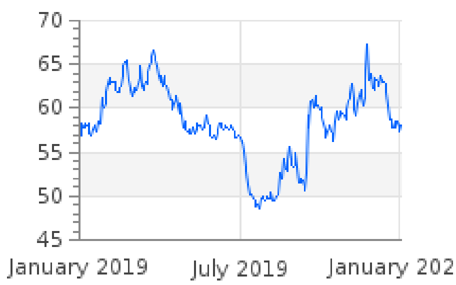
"In line with normal practice, the board will give consideration to the distribution of surplus capital at the year end and continues to target a progressive and sustainable ordinary dividend."

As previously reported, Lloyds said the level of capital required to grow the business, meet regulatory requirements and cover uncertainties reduced earlier this year from around 13% to around 12.5%, plus a management buffer of around 1%.

Price: 58.09

Market Cap: £40.69 billion

1 Year Share Price Graph



Share Information

Code:		LLOY
Listing:		LSE
52 week	**High**	**Low**
	73.66	**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.

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Lloyds has paid out more than £20bn for mis-sold PPI. It set aside a further £500mln for claims in the first half with an unutilised provision of £1.08bn.

Shares fell 1.9% to 49p in morning trading.

Extra costs knock investment case for Lloyds, says analyst
"Using the mid-point of the new claims provision of £1.5 billion, that takes Lloyds' total bill for conduct and PPI claims in 2019 to £2.3 billion and the total since the very first charges in Q1 2011 to £27.3 billion - that compares to the £15.2

billion the bank earned in pre-tax profit between 2011 and 2018," said AJ Bell investment director Russ Mould.

"The extra costs do knock the investment case for Lloyds, as they hit return on equity, hamper the bank's plans to build up its capital buffers and therefore its ability to distribute spare cash once regulators are satisfied that it has sufficient financial ammunition to withstand any future crisis."