



Increase in legacy PPI costs

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

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CYBG PLC - increase in legacy PPI costs

Further to the statement made earlier today, the Board of CYBG PLC ("CYBG" or the "Group") is announcing that it expects to increase its provisions for legacy PPI costs by between £300m and £450m. This is primarily due to an unprecedented volume of PPI Information Requests received during August in advance of the PPI complaint deadline of 29 August 2019 and in line with the rest of the industry.

As at the end of June the Group's PPI complaint costs were tracking broadly in line with its provision assumptions, with complaints slightly elevated but at a lower uphold rate. In July, complaints increased slightly but the financial impact was not expected to be material at that stage. Subsequently the Group's Q3 Trading Update highlighted that we had recently seen a significant increase in Information Requests, but that it was too early to determine how many valid complaints would materialise.

In line with the broader industry experience, during August we received more than eight months' worth of Information Requests in one month with c.340k in aggregate over five weeks, of which c.120k of these were received in the final three days. The Group also received a sustained increase in complaints during the same period, with an average of c.5k per week during the first four weeks of August and an additional 22k complaints submitted during the final three days.

The Group can estimate the costs associated with PPI complaints received given historical uphold rates, average redress and cost-to-do assumptions. However, the key sensitivity in relation to Information Requests is the conversion rate into an upheld complaint and it is not yet possible to accurately determine the final outcome of this variable until the Group has processed more of the outstanding requests.

The Group has therefore estimated a provisional cost impact (unaudited) based on historical assumptions and an Information Request complaint conversion rate of 5% to 12% based on experience and sample testing:

Additional complaints (incl. Official Receiver):	c.£100m
Information Request processing costs:	c.£100m
Information Request complaint costs range:	c.£100m to c.£250m
<i>complaint conversion rate:</i>	<i>5% to 12%</i>
Provisional legacy PPI cost estimate:	c.£300m to c.£450m

If the provision had been incurred as at 30 June 2019 then it would have resulted in a pro forma reduction in the Group's CET1 ratio of c.130-190 basis points, reducing it to between 13.3% and 12.7% while retaining a significant buffer in excess of its fully-loaded CRD IV minimum CET1 capital requirement of 11.0%.

The Group will now focus on working through the significant volume of Information Requests received and expects to be in a position to provide a more accurate estimate of the costs at its Full Year results on 28 November 2019. The final outcome could be above or below the estimated range above.

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