

Manchester Building Society Results for the 6 months ending 30 June 2020

	Unaudited 6 months to 30-Jun-20 £000	Unaudited 6 months to 30-Jun-19 £000	Audited 12 months to 31-Dec-19 £000
Total operating income	3,877	3,917	6,856
Administrative expenses and depreciation	(2,122)	(2,547)	(4,829)
Operating profit before impairment	1,755	1,370	2,027
Impairment losses	(2,148)	(921)	(1,446)
Financial Services Compensation Scheme levy	-	5	11
(Loss)/profit for the period before taxation	(393)	454	592
Tax expense	-	-	-
(Loss)/profit for the period	(393)	454	592
Total assets	235,538	262,341	247,108

6 months results summary:

- Loss of £0.4m compared with a £0.5m profit in the equivalent period in 2019.
- Total operating income of £3.9m was in line with H1 2019. £0.8m of this income related to GBP-EUR FX gains (£0.1m in 2019) with these gains being largely offset by £0.7m FX losses within impairment (£0.0m in 2019). The underlying reduction in operating income of £0.7m includes £0.4m resulting from lower balances and lower margins following the Bank of England base rate reductions in March 2020 and £0.2m of lost income following the sale of the Society's head office building in August 2019.
- Administrative expenses decreased by £0.4m compared with the same period in 2019. The reduction in costs resulted from lower fees in relation to the legal case against Grant Thornton (UK) LLP and continued cost saving initiatives.
- Impairment losses in the period were £2.1m (H1 2019: £0.9m). As stated above, £0.7m of GBP-EUR FX losses are offset in operating income. Of the underlying £1.4m charge, £0.7m relates to provision assumption changes due to more difficult economic conditions in light of the Covid-19 pandemic with the remaining charge of £0.7m being comparable with the prior year and largely relating to the Spanish lifetime portfolio.
- Total assets fell by 5% since 31 December 2019 and by 10% since 30 June 2019.
- The accounts for the 6 month period have been prepared on a going concern basis of accounting and, in line with previous accounts, set out a "material uncertainty" regarding the long term future of the Society.
- As at 30 June 2020 the Society met its Total Capital Requirement ("TCR") and the requirement to hold Common Equity Tier 1 ("CET 1") regulatory capital in excess of 4.5%

of Risk Weighted Assets ("RWA"), but did not meet the qualitative standards for the level of CET 1.

- Following the Society's CET 1 capital falling below the required 4.5% of RWAs in 2018, a medium to long term strategic plan was produced which was independently reviewed and acknowledged by the PRA who agreed to monitor the Society against it. The plan was updated in June 2020.
- The Society continues to have a strong liquidity position.
- The Society continues to discuss the strategic future and capital position of the Society with the PRA.

Permanent Interest Bearing Share ("PIBS") coupon payments October 2020

On 27 March 2020 the Society announced the non-payment of the April 2020 coupon on its two tranches of PIBS. While no decision has been taken regarding the October 2020 coupon, payment is unlikely at this time. Any further update on PIBS coupon payments will be announced to the market.

2020 Half Year Financial Information

The accounts for the 6 months ending 30 June 2020 are available to view on the Society's website:

<http://manchesterbuildingsociety.co.uk/Main/FinancialInformation>

Enquiries

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