

Manchester Building Society Results for the 6 months ending 30 June 2021

	Unaudited 6 months to 30-Jun-21 £000	Unaudited 6 months to 30-Jun-20 £000	Audited 12 months to 31-Dec-20 £000
Net interest income	3,111	3,141	6,352
Legal damages and interest	14,272	-	-
Other operating charges and income	(511)	736	670
Legal costs recovered	7,540	-	-
Administrative expenses and depreciation	(2,292)	(2,122)	(4,239)
Operating profit before impairment	22,121	1,755	2,783
Impairment losses	(112)	(2,148)	(3,127)
Profit / (loss) for the period before taxation	22,009	(393)	(344)
Tax expense	(1,563)	-	-
Profit / (loss) for the period	20,446	(393)	(344)
Total assets	232,701	235,538	221,532

6 months results summary:

- Profit after taxation of £20.4m compared with a £0.4m loss in the equivalent period in 2020.
- The profit in the period includes £21.8m in relation to the award made to the Society by the Supreme Court following the legal action that it took against its former auditors, Grant Thornton (UK) LLP ("GT") and associated costs and interest. Damages and interest of £14.3m are included within income whilst £7.5m in relation to the interim cost payment received from GT is included as a negative expense. This interim cost payment covers both costs previously paid to GT following the judgments of the lower courts and costs incurred in pursuing the legal action. The Society also expects to be awarded additional costs and interest, but these have not been recognised at 30 June 2021 as their values are still to be determined.
- Net interest income of £3.1m was in line with H1 2020. Both interest income and interest expenditure reduced by £0.6m compared with the comparable period due to lower balances and reductions in rates following the March 2020 Bank of England base rate reductions.
- Other operating charges of £0.5m was £1.2m adverse to H1 2020 when income of £0.7m was recognised. This relates to GBP-EUR FX losses where a gain was seen in H1 2020. The FX losses were offset by £0.5m FX gains within impairment (£0.7m losses in 2020).
- Administrative expenses of £2.3m increased by £0.2m compared with the same period in 2020. The increase in costs resulted from additional IT expenditure due to the ongoing transition to a new banking system and some additional professional fees following the Supreme Court judgment.

- Impairment losses in the period were £0.1m (H1 2020: £2.1m). As stated above, £0.5m of GBP-EUR FX gains are offset in other operating income. Of the underlying £0.6m charge, £0.7m (H1 2020: £1.1m) relates to the Spanish lifetime portfolio, partially offset by a £0.1m release (H1 2020: £0.4m charge) in relation to UK mortgages.
- Total assets increased by 5% since 31 December 2020 and fell by 1% since 30 June 2020. If the debtor of £21.8m in relation to the damages and costs due at the balance sheet date were excluded from total assets, the reduction in assets would be 5% since 31 December 2020 and 10% since 30 June 2020
- The accounts for the 6 month period have been prepared on a going concern basis of accounting and, in line with previous accounts, continue to set out a "material uncertainty" regarding the long term future of the Society. The Society is considering its strategic options following the judgment of the Supreme Court but currently it continues to follow its existing medium to long term strategic plan. The run-off of the balance sheet within that plan means that there remains a material uncertainty to the ability of the Group and Society to continue as a going concern in the medium to long term.
- As at 30 June 2021 the Group continued to have headroom above its Total Capital Requirements ("TCR") in total capital terms. The profit generated by the award of the damages and the interim interest and cost payment has been verified as required under the UK Capital Requirements Regulation and can be recognised within the Society's regulatory capital, meaning that the Society now meets the required qualitative standards for the level of Common Equity Tier 1 ("CET 1") capital for the first time since 2016.
- The Society continues to have a strong liquidity position.

Permanent Interest Bearing Share ("PIBS") coupon payments October 2021

On 25 March 2021 the Society announced the non-payment of the April 2021 coupon on its two tranches of PIBS under the applicable capital conservation rules, as a result of the shortfall against qualitative standards for the level of CET 1 regulatory capital. The Board expects to be able to make the PIBS coupon payments which become due in October 2021 but recognises that there continues to be uncertainty over the Group's ability to make coupon payments in the medium to long term.

2021 Half Year Financial Information

The accounts for the 6 months ending 30 June 2021 are available to view on the Society's website:

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

Enquiries

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