Manchester Building Society Results for the 6 months ending 30 June 2018

	Unaudited 6 months to 30 June 2018 £000	Unaudited 6 months to 30 June 2017 £000	Audited 12 months to 31 December 2017 £000
Total operating income	4,742	4,817	9,580
Administrative expenses and depreciation	(6,132)	(3,695)	(7,955)
Operating (loss)/profit before impairment	(1,390)	1,122	1,625
Impairment losses	(245)	(1,718)	(2,376)
Financial Services Compensation Scheme levy	6	(102)	(29)
Loss for the period before taxation	(1,629)	(698)	(780)
Tax expense	-	-	-
Loss for the period	(1,629)	(698)	(780)
Total assets	289,427	336,310	304,191

6 months results summary:

- Loss of £1.6m mainly as a result of a net £2m interim payment following judgment on legal proceedings against former auditors Grant Thornton UK LLP (“GT”).
- Total operating income includes £0.3m damages received in relation to the GT judgment and £0.1m (H1 2017: £0.3m) release of unutilised provision following the completion of remediation projects. Underlying reduction of £0.2m is due to the managed reduction in balance sheet size.
- Administrative expenses increased by £2.4m compared with the same period in 2017. The increased costs were largely as a result of the payment to GT.
- Impairment losses in the period were £0.2m (H1 2017: £1.7m). The reduced charge was mainly as a result of provision requirements within the Spanish lifetime portfolio.
- The Society’s reserves fell by £1.9m as a result of the £1.6m loss reported for the period and also a £0.3m impact from the adoption of IFRS 9 as required from 1 January 2018.
- The accounts for the 6 month period have been prepared on a going concern basis of accounting and, in line with the 2017 year end accounts, set out a “material uncertainty” regarding the long term future of the Society.
- As at 30 June 2018 the Society met its Pillar 1 plus Pillar 2A requirement, but did not meet the qualitative standards for the level of Common Equity Tier 1 (“CET 1”) regulatory capital. The Society does not currently meet its regulatory requirement to hold CET 1 capital of at least 4.5% of Risk Weighted Assets.
- The Society, as required by CRD IV article 142 submitted a Capital Conservation Plan to the PRA in October 2016 as a result of its shortfall against the qualitative standards for the level of CET 1 regulatory capital.
- A new plan was submitted to the PRA in June 2018 following the Society’s CET 1 capital falling below the required 4.5% of Risk Weighted Assets and the Society continues to discuss the strategic future and capital position of the Society with the PRA.
- The Society continues to have a strong liquidity position.

Appeal against the judgment in the GT case

The Society has been granted leave to appeal the judgment in the case of *Manchester Building Society v Grant Thornton UK LLP.* It is expected that the appeal will be heard no earlier than mid-January 2019, with the judgment known some time later.

Permanent Interest Bearing Share ("PIBS") coupon payments October 2018

On 29 March 2018 the Society announced the non-payment of the April 2018 coupon on its two tranches of PIBS. While no decision has been taken regarding the October 2018 coupon, payment is unlikely at this time. Any further non-payment of PIBS coupons will be announced to the market.

2018 Half Year Financial Information

The accounts for the 6 months ending 30 June 2018 are available to view on the Society's website:

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

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