

Manchester Building Society Group (“the Society”) Results for the year ended 31 December 2019

	2019	2018
	£000	£000
Total operating income	6,856	8,929
Administrative expenses and depreciation	(4,829)	(10,185)
Operating profit/(loss) before impairment	<u>2,027</u>	<u>(1,256)</u>
Expected credit losses	(272)	(1)
Other impairment losses	(1,814)	(760)
Impairment gain on property, plant and equipment	640	1,074
Financial Services Compensation Scheme levy	11	6
Profit/(Loss) for the period before taxation	<u>592</u>	<u>(937)</u>
Tax expense	-	-
Profit/(Loss) for the period	<u>592</u>	<u>(937)</u>
Total assets	247,108	277,385

The £3.3m increase in operating profit before impairments and provisions compared with 2018 is a result of:

- Administrative expenses reducing by £5.3m. This included a £4.6m reduction in costs in relation to the Grant Thornton case.
- Net interest income in the year being £0.9m lower than in 2018, primarily due to an 11% reduction in loan balances as the Society continues a managed reduction of the balance sheet.
- Other income fell by £1.1m due to a £0.4m reduction in income from foreign exchange movements and a £0.3m reduction in rental income following the sale of the Group’s head office building. The 2018 figure included £0.3m damages from the legal claim against Grant Thornton UK LLP.

An impairment charge of £0.3m was recorded for provisions on the UK portfolio.

A charge of £1.8m was recorded in respect of the Society’s Spanish lifetime portfolio following lower than expected house price growth and a reduction in redemption activity.

A reversal of a prior provision of £0.6m followed a revaluation upon the disposal of the Group’s head office premises.

The Group's reserves increased in 2019 by £0.6m to negative reserves of £10.7m.

The Society continues to have a strong liquidity position.

The 2019 accounts have been prepared on a going concern basis of accounting and, as with the accounts for previous years, set out a "material uncertainty" regarding the long-term future of the Society.

Legal claim against Grant Thornton UK LLP

Following the Society's unsuccessful appeal against the first instance judgment relating to the claim for damages against Grant Thornton in January 2019, the Supreme Court will review the judgment. The hearing is scheduled for October 2020.

Strategic future and capital position

The Group continues to have headroom against its total Pillar 1 plus Pillar 2A requirements in total capital terms as set out by the Prudential Regulatory Authority ("PRA") but, as in 2018, the Group did not meet the qualitative standards for CET 1 regulatory capital. As at 31 December 2019 the Society met, and continues to meet the requirement to hold CET 1 Capital in excess of 4.5% of Risk Weighted Assets.

The Board continues to engage with its regulators as to the strategic future for the Society. The 2018 strategic plan was updated in 2019 and the PRA has confirmed that it will monitor the Society's progress against this revised plan.

Permanent Interest Bearing Shares ("PIBS") coupon payments April 2020

As a result of the shortfall against qualitative standards for the level of CET 1 regulatory capital, the requirements under CRD IV article 141 regarding capital conservation mean the Society last paid PIBS coupons in April 2016 and may be prohibited from making the coupon payments due in April 2020. The Board considers that there continues to be uncertainty over the Society's ability to make coupon payments thereafter. A further announcement will be made in due course regarding the April 2020 PIBS coupon payments.

2019 Annual Report & Accounts

The accounts for the 12 months ending 31 December 2019 are available to view on the Society's website:

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

Enquiries

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