

Manchester Building Society Results for the 6 months ended 30 June 2022

	Unaudited 6 months to 30-Jun-22 £000	Unaudited 6 months to 30-Jun-21 £000	Audited 12 months to 31-Dec-21 £000
Net interest income	2,468	3,111	6,173
Legal damages and interest	-	14,272	14,272
Loss on assets classified as held for sale	-	-	(194)
Other operating income and charges	363	(510)	(811)
Legal costs recovered	2,400	7,540	7,540
Administrative expenses and depreciation	(2,453)	(2,292)	(4,854)
Operating profit before impairment	2,778	22,121	22,126
Impairment losses	(757)	(112)	(1,289)
Profit for the period before taxation	2,021	22,009	20,837
Tax expense	-	(1,563)	(1,467)
Profit for the period	2,021	20,446	19,370
Total assets	189,004	232,701	204,606

6 months results summary:

- Profit after taxation of £2.0m compared with a £20.4m profit in the equivalent period in 2021.
- The profit in both the 6 months to 30 June 2022 and the equivalent period in 2021 include receipts in relation to the judgment of the Supreme Court in June 2021 regarding the legal action that the Society took against its former auditors, Grant Thornton (UK) LLP ("GT").
- £2.4m of costs recovered from GT are included in the period compared with £21.8m relating to associated damages, cost and interest included in the equivalent period in 2021. No further costs or recoveries are outstanding in relation to this case.
- Excluding the items relating to the legal case, a loss before taxation of £0.4m was recorded in the period (H1 2021: £0.2m profit).
- Net interest income of £2.5m was £0.6m lower than H1 2021. Interest received reduced from £3.8m to £3.6m with the reduction owing to lower balances, partially offset by higher rates on base rate linked products following Bank of England base rate increases. Interest expenditure increased from £0.7m to £1.1m. Interest on the Society's subordinated debt included additional interest due on redemption and was £0.4m higher than in the comparative period. Additional interest paid on the Society's PIBS (no interest was paid on PIBS in H1 2021) was partially offset by lower interest paid on savings accounts owing to balance reductions since H1 2021.

- Other operating income of £0.4m relates to GBP-EUR FX gains. In H1 2021, FX losses of £0.5m were recognised. The FX gains were offset by £0.3m of FX losses shown within impairment (£0.5m gains in 2021).
- Administrative expenses of £2.5m increased by £0.2m compared with the same period in 2021 reflecting the transition to a new banking system.
- Impairment losses in the period were £0.8m (H1 2021: £0.1m). As stated above, £0.3m of GBP-EUR FX losses are largely offset in other operating income. Of the underlying £0.5m charge, £0.6m (H1 2021: £0.7m) relates to the Spanish lifetime portfolio, partially offset by a £0.1m release (H1 2021: £0.1m release) in relation to UK mortgages.
- Total assets decreased by 8% since 31 December 2021.
- The accounts for the 6 month period have been prepared on a going concern basis of accounting. The Society is considering its strategic options following the judgment of the Supreme Court and announced on 8 August 2022 that it has signed an exclusivity agreement with Newcastle Building Society to explore the possibility of a merger by way of a transfer of the Society's engagements to Newcastle. The discussions are at an early stage and as such, there can be no certainty that any merger will occur. Until an alternative strategy is agreed, the Society continues to follow its existing medium to long term strategic plan.
- The Group continues to meet all its regulatory capital requirements and to have a strong liquidity position.

2022 Half Year Financial Information

The accounts for the 6 months ending 30 June 2022 are available to view on the Society's website:

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

Enquiries

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