

This announcement contains inside information

Manchester Building Society Results for the 6 months ending 30 June 2016

Following the announcement on 11 August 2016 Manchester Building Society Group ('the Society') confirms that, in line with expectations, the Society is reporting a loss for the 6 months ending 30 June 2016.

	Unaudited 6 months to 30 June 2016 £000	Unaudited 6 months to 30 June 2015 £000	Audited 12 months to 31 December 2015 £000
Total operating income	4,525	5,881	9,758
Administrative expenses and depreciation	(4,387)	(3,406)	(6,841)
Operating profit before impairment	138	2,475	2,917
Impairment losses	(1,430)	(126)	(3,219)
Financial Services Compensation Scheme levy	(108)	(371)	(277)
(Loss) / profit for the period before taxation	(1,400)	1,978	(579)
Tax credit / (expense)		105	(4,295)
(Loss) / profit for the period	(1,400)	2,083	(4,874)
Total assets	379,697	465,430	416,576

6 months results summary:

- The decline in total operating income reflected the continued planned reduction in the size of the loan book and the 2015 results include £0.7m profit achieved from the sale of a minority stake in a trade investment in April 2015.
- Administrative expenses increased in the first half of 2016, mainly due to professional costs incurred in exploring options to secure the future of the Society. In addition, the Society has continued to incur costs in pursuing its legal claim against Grant Thornton LLP, the Society's previous external auditors.
- Impairment losses were £1.4m of which half relates to the Spanish lifetime mortgage portfolio with the remainder on other loan assets.
- The Society's reserves fell by £1.7m.
- The accounts for the 6 month period have been prepared on a going concern basis of accounting and, as with the 2015 year end accounts, set out a "material uncertainty" regarding the long term future of the Society.
- The Society met its Individual Capital Guidance ("ICG") as at 30 June 2016. However, as a result of the loss in the 6 months ending 30 June 2016 the Society has a Common Equity Tier 1 ("CET 1") regulatory capital shortfall against its Combined Buffer requirement. The Society is preparing a Capital Conservation Plan to submit to the Prudential Regulation Authority ("PRA") which will consider potential measures to address this shortfall. The Board expects to discuss and consult on this plan with the PRA. The outcome and timing of the regulatory process is uncertain.
- The Society continues to have a strong liquidity position.

Permanent Interest Bearing Share ("PIBS") coupon payments October 2016

- As announced separately today, the Society will not be paying the October coupon on the two tranches of PIBS in issue as, in order to conserve capital, such a distribution is prohibited under the Capital Requirements Directive ("CRD IV") article 141.

Commenting on the results, David Harding, Chairman said:

“The continued run-off of the Society’s assets, certain specific legacy loan exposures and costs incurred in the development of strategic options with a view to securing the Society’s future have impacted financial performance and profitability in the first half.

“The Board is continuing to explore a number of options which individually or in combination aim to secure the future of the Society, enable it to continue to meet capital requirements and improve the quality of its regulatory capital.”

2016 Half Year Financial Information

The accounts for the 6 months ending 30 June 2016 are available to view on the Society’s website:

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

The person responsible for arranging the release of this announcement on behalf of Manchester Building Society is Christopher Gee, Society Secretary.

Enquiries

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