Manchester Building Society Results for the Financial Year Ended 31 December 2013

Manchester Building Society Group ("the Society") today releases its financial results for the year ended 31 December 2013.

	12 months to 31 December 2013 £M	12 months to 31 December 2012 £M restated
Operating profit/(loss) before Impairments and provisions	7.6	(1.9)
Impairment losses	(8.7)	(0.9)
FSCS Levy	(0.5)	(0.3)
Loss on ordinary activities before tax	(1.6)	(3.1)

Results summary:

- On an underlying basis, the Society delivered total income of £15m (2012 restated: £11.3m) and an operating profit of £7.6m (2012 restated loss (£1.9m)).

- The Society has increased its mortgage impairment provisions for 2013 and made prior year adjustments to its previously stated financial position.
    - Mortgage impairment provisions increased by £8.7m as a result of adopting a more prudent view of the economic position in Spain where the Society holds certain mortgage assets; and because of the credit performance of a third party mortgage book in which the Society holds a beneficial interest.
    - The prior year adjustment follows the new accounting guidelines relating to the treatment of the Financial Services Compensation Scheme levies; revised insurance assumptions relating to certain lifetime mortgage assets; and a reclassification of the 1999 8% PIBS as a liability rather than as equity. There is no resultant impact on holders of the 1999 8% PIBS or any other PIBS issued by the Society.
    - After these adjustments, the Society reports a loss before tax of £1.6m for 2013. The impact of the prior year adjustments is a reduction in the Society's retained earnings for 2012 from £6.2m to £3.6m.

- A more prudent approach is also being adopted in relation to recognition of the Society's deferred tax asset, in line with *IAS 12 – Income Taxes*.

David Harding, Chairman of the Society, said:

"The Society's principal business performed ahead of plan against the backdrop of continued low interest rates. We have taken a prudent decision to increase impairment provisions in respect of certain mortgage assets which has resulted in a loss for the year. We have undertaken a thorough review to ensure that all legacy issues have been addressed, so that we can focus on the future development of the Society. We look forward to continuing to support our members with high quality mortgage and savings products."

Enquiries

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Key Financial Information

	12 months to 31 December 2013 £M	12 months to 31 December 2012 £M RESTATED	12 months to 31 December 2012 £M ORIGINALLY REPORTED
Net interest income	14.4	10.8	11.8
Other income and charges	0.6	0.5	0.3
Total Income	**15.0**	**11.3**	**12.1**
Movement in fair value of financial assets	(1.1)	-	-
Loss from derivatives	(0.3)	(8.3)	(8.3)
Administrative expenses (inc. depreciation)	(6.0)	(4.9)	(4.9)
Profit/(loss) for the year before impairment and tax	**7.6**	**(1.9)**	**(1.1)**
Impairment losses	(8.7)	(0.9)	(0.5)
FSCS Levy	(0.5)	(0.3)	(0.7)
Loss for the year before taxation	**(1.6)**	**(3.1)**	**(2.3)**
Taxation	(5.5)	(0.2)	(0.4)
Loss after tax on continuing operations	**(7.1)**	**(3.3)**	**(2.7)**
Total Assets	646.4	777.0	780.1
Retained earnings	(4.1)	3.6	6.2
PPDS	17.5	-	-
PIBS	9.8	9.8	14.8
Total Equity	23.2	13.4	21.0

Notes to Editors:

- Manchester Building Society is the UK's 19th largest building society.
- Based in Manchester City Centre, the Society has over 22,000 savers and 3,750 borrowers.
- PricewaterhouseCoopers LLP were appointed as the Group's new external auditors during 2013
- *IFRIC 21 – Levies* indicates that the trigger for recognising a provision in respect of the Financial Services Compensation Scheme ("FSCS") levy moves from 31 December to the following 1 April. The impact of this is that, at the financial statement date, the Society would not have passed the trigger point for requiring accrual of the following year's levy and accordingly would only be required to hold an accrual for a single year levy where previously the equivalent of two years levy was held. Adoption of IFRIC 21 is mandatory for accounting periods beginning on or after 1 January 2014; early adoption is permitted and the Society has chosen to adopt early the provisions of IFRIC 21
- *IAS 12 – Income Taxes* requires that a deferred tax asset ("DTA") can only be recognised to the extent that it is probable that it will be recovered through future profitability. For 2013, more cautious assumptions have been made in relation to the Group's stress-tested profitability forecasts and this has seen the de-recognition of £5.1m of the DTA, which is included within the £5.5m taxation charge in 2013. It should be noted that the de-recognised element of the DTA is still available to the Group for tax relief purposes as tax losses can be carried forward indefinitely.