

This announcement contains inside information

Manchester Building Society Permanent Interest Bearing Share (“PIBS”) coupon payments

Manchester Building Society (‘the Society’) confirms that, in line with expectations set out in the announcement on 27 September 2016, the Society will not be paying the April 2017 coupon on the two tranches of PIBS in issue.

This is because the results announced separately today for the 12 months ended 31 December 2016 show a loss for the year which means the Society continues to have a CET 1 regulatory capital shortfall against its Combined Buffer requirement. In order to conserve capital a distribution to PIBS holders is prohibited under the Capital Requirements Directive IV (“CRD IV”) article 141.

There is also uncertainty over the Society’s ability to make PIBS coupon payments due after April 2017 given the risks facing the business as explained in the Society’s Annual Report & Accounts for the year ending 31 December 2016.

Any further non-payment of PIBS coupons will be announced to the market.

PIBS coupons are not cumulative so any interest payments on the PIBS which are not paid are permanently cancelled and will not become due at a future date.

PIBS are not protected deposits covered by the Financial Services Compensation Scheme (“FSCS”) ⁽¹⁾

The Board continues to discuss and consult with the Prudential Regulation Authority (“PRA”) with regard to the capital position. The outcome and timing of the regulatory process is uncertain.

As explained in today’s separate results announcement, taking account of the Society’s need to address its CET1 capital shortfall the Board is evaluating whether to make an offer to buy back or convert the PIBS and other capital instruments. Any offer, if made, would reflect the current financial position of the Society and the material uncertainty regarding its long-term prospects.

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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Note (1) PIBS are not protected deposits covered by the Financial Services Compensation Scheme (the “FSCS”). There is no expectation of repayment of the PIBS unlike normal deposits with the Society. PIBS are subordinated to all other liabilities of the Society, other than liabilities in respect of Profit Participating Deferred Shares (“PPDS”). In a liquidation of the Society the PIBS rank behind all other creditors of the Society (other than PPDS). In order to realise the investment in PIBS, an investor must either sell the PIBS in the market or make a private sale.