

This announcement contains inside information

Statement regarding costs hearing

Further to the announcement on 2 May 2018 regarding the outcome of the court case *Manchester Building Society v Grant Thornton UK LLP*, a hearing took place today regarding costs.

The case related to audit services provided by Grant Thornton UK LLP ("Grant Thornton"), former auditors of Manchester Building Society ("the Society").

On 2 May 2018 the High Court awarded damages of £335,727 including interest to the Society, considerably below the amount claimed. As stated at the time the Society was disappointed. The Society has today been granted leave to appeal the decision.

At the costs hearing today the High Court awarded interim costs to Grant Thornton. The amount of interim costs payable will be calculated in the coming days, and the Society expects to confirm this figure next week.

In addition to the interim costs, the Society anticipates that it will have some further liability in respect of Grant Thornton's overall costs which will be determined following a detailed assessment that is expected to take some months.

As set out in the results for the year ended 31 December 2017, the Society met its Individual Capital Guidance ("ICG") in total capital terms, but not the requirement for the level of Common Equity Tier 1 ("CET1") regulatory capital. The Society's understanding is that the impact of the interim costs award will mean the Society will not meet a regulatory requirement to hold 4.5% of CET1 capital against risk weighted assets (the "4.5% requirement").

The Society is discussing with the Prudential Regulation Authority ("PRA") the consequences of not meeting the 4.5% requirement, including any actions to be taken by the Society, and any steps that may be taken by the PRA. The Society therefore continues to discuss and consult with the PRA on the future strategic and capital position of the Society. The outcome and timing of the regulatory process is uncertain. There continues to be material uncertainty regarding the Society's long term prospects.

The Society continues to have a strong liquidity position.

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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