

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 half year results announcement on 5 August 2020, the Society will not be paying the October 2020 coupon on the two tranches of PIBS in issue.

As set out in the half year results, as at 30 June 2020, the Society met its Total Capital Requirement ("TCR") in total capital terms, but did not meet the qualitative standards for the level of Common Equity Tier 1 ("CET 1") regulatory capital. In order to conserve capital a distribution to PIBS holders is prohibited under the Capital Requirements Directive IV ("CRD IV") article 141. The Board continues to discuss and consult with the Prudential Regulation Authority ("PRA") with regard to the capital position.

There is uncertainty over the Society's ability to make PIBS coupon payments due after October 2020. Any further non-payment 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)

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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.