This announcement contains inside information

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

Following the announcement on 11 August 2016 Manchester Building Society Group ('the Society') confirms that, in line with expectations, the Society will not be paying the October 2016 coupon on the two tranches of PIBS in issue.

This is because, following the loss announced separately today for the 6 months ending 30 June 2016, the Society has 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 ("CRD IV") article 141.

Under CRD IV article 142, the Society is required to submit a Capital Conservation Plan to the Prudential Regulation Authority ("PRA") setting out proposed measures to improve the regulatory capital position.

The Board expects to discuss and consult on this plan with the PRA. The outcome and timing of the regulatory process is uncertain.

Subject to the actual financial performance and regulatory capital position of the Society, the directors currently expect that the April 2017 PIBS coupons will not be paid.

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 interim results for the 6 months ending 30 June 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 person responsible for arranging the release of this announcement on behalf of Manchester Building Society is Christopher Gee, Society Secretary.

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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.