

MANCHESTER BUILDING SOCIETY

Country-by-Country Reporting

For the year ended 31 December 2015

Country-by-Country Reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country) Reporting Regulations.

Manchester Building Society is owned by its members. The means by which its value is preserved is by providing products that meet the financial needs of both existing and potential members.

The principal objectives of the Group remain the provision of competitive facilities for personal savings and for mortgage finance primarily to support owner occupation of residential property.

The Manchester Building Society Group is made up of:

| Entity | Nature of Activity | Location |
|------------------------------------|--|----------------|
| Manchester Building Society | Provision of mortgage and savings products | United Kingdom |
| and its wholly owned subsidiaries: | | |
| MBS (Mortgages) Limited | Mortgage lending | United Kingdom |
| MBS (Property) Limited | Commercial property rental | United Kingdom |

All of the activities of the Society and its subsidiaries are conducted in the United Kingdom and therefore 100% of the total operating income, profit before tax and the employee numbers disclosed below are related to the United Kingdom.

For the year ended 31 December 2015:

Group turnover (total operating income) was £9.8m (2014: £10.8m), the loss before tax was £0.6m (2014: profit of £4.3m). Total operating income is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable) together with other operating income.

The average number of Group full time employees was 44 (2014: 35).

The Society and the Group paid no corporation tax for the year (2014: £nil) due to the reversal of temporary differences and availability of brought forward trading losses.

No public subsidies were received by the Society and the Group in the year.

In 2015 the Society generated interest receivable and similar income of £2.6m (2014: £3.1m) in respect of Euro denominated loans and advances made on properties in Spain, however, all activities of the Society were conducted in the United Kingdom.

Independent auditors' report to the Directors of Manchester Building Society

We have audited the accompanying schedule of Manchester Building Society for the year ended 31 December 2015 ("the schedule"). The schedule has been prepared by the directors based on the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Directors' Responsibility for the schedule

The directors are responsible for the preparation of the schedule in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule, and for such internal control as the directors determine is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the country-by-country information in the schedule as at 31 December 2015 is prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Basis of Preparation and Restriction on Distribution

Without modifying our opinion, we draw attention to the schedule, which describes the basis of preparation. The schedule is prepared to assist the directors to meet the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. As a result, the schedule may not be suitable for another purpose.

Our report is intended solely for the benefit of the directors of Manchester Building Society. We do not accept or assume any responsibility or liability to any other party save where terms are agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Manchester
13 April 2016

