

# SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED 2020



# Contents

Financial highlights	3
Summary directors' report	4
Summary financial statement	6
Explanation of key financial ratios	7
Independent auditor's statement	8
Summary report on remuneration	10

# Summary financial statement

For the year ended 31 December 2020

The summary financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand from the offices of Teachers Building Society from 1 April 2021 or can be downloaded from [www.teachersbs.co.uk](http://www.teachersbs.co.uk) from 1 April 2021. The auditor's report in relation to the full financial statements was not qualified in any respect.

The summary directors' report includes information taken from the chair's statement and strategic report as set out in the Society's annual report and accounts.

Financial highlights:

- Mortgage assets at the year-end of £253.2m (2019 : £231.4m)
- Profit for the year before tax was £578k (2019 : £249k)
- Shares and customer deposits increased to £275.0m (2019 : £244.6m)
- Gross capital ratio remained stable at 7.1% (2019 : 7.8%)

## Summary directors' report

The past year has been like no other in our history. Covid-19 has impacted us all and changed the communities in which we live and work. The Government had the difficult challenge of balancing its citizens' physical wellbeing against its current and future economic health. As the world sought a vaccine, we adapted to life under national and local lockdowns to control the pandemic's spread. We, your Society, were not immune to the many challenges 2020 brought, but we're pleased to report we collectively met and overcame these.

Before we provide our full review into Society activity over the last 12 months, we would like to acknowledge the many frontline workers among our members and their outstanding work within the community. Also, as news reaches us that the number of fatalities resulting from the pandemic now exceeds 100,000 people, we would like to share the heartfelt thoughts and condolences of all here at Teachers Building Society with those personally affected.

Our business approach to the pandemic has been one of positive determination. Early in the year, as we assessed Covid-19's impact, management and the Board decided the Society should remain open for business to support members, many of whom were mid-move and with smaller deposits. Management and the Board also decided the Society would not draw on the Government's furlough scheme but instead manage costs prudently.

Despite the challenges of national lockdown, we were resilient in the face of change thanks to colleagues and management's strength and resolve to keep serving our members. The Board are incredibly proud of how colleagues responded and would like to take this opportunity to acknowledge their unerring professionalism and dedication.

In addition to strong operational resilience, we are pleased to report your Society demonstrated financial strength during 2020.

As a result of 9.4% growth in the mortgage book supported by 12.9% increase in the funding balance, the Society passed a significant milestone with total assets exceeding £300m for the first time in our history, increasing to £332.9m during the year (2019: £296.6m). Given the challenges of 2020, this is a positive result of which colleagues and members alike can be proud.

There was a similar focus on growing our savings membership. Over the year, we held several best buy positions and reinforced "saving with teachers helps teachers buy homes" in communications. The impact was a net savings inflow during the period of £30.4m (2019: £9.8m).

Despite economic uncertainty, the Society's product and operating strategy resulted in an operating profit of £0.58m for the year, up from £0.25m reported in 2019 due to improved net interest income driven by mortgage book growth, a substantial achievement given economic circumstances.

### Mortgages lending

The Society was founded to help teachers to own their own homes and we have continued to help more teachers to get onto the housing ladder in 2020 with around 44% (2019: 47%) of new lending being to first-time buyers including through schemes such as Help to Buy.

New mortgage lending for the year was £63.1m (2019: £42.2m) with net lending of £21.6m (2019: £0.1m).

Our personal service and approach of individually assessing all mortgage applications for credit quality and affordability has continued to ensure that our mortgage arrears remain low compared to the building society sector and the industry as a whole. The level of impairment provisions set aside for potential loan losses reduced slightly to £218k representing 0.1% of the mortgage book balance (2019: £229k – 0.1%).

## Savings and funding

The overall funding balance increased to £309.5m (2019: £274.1m). The shares and other customer deposits balance increased to £275.0m (2019: £244.6m) to support the increased level of lending in 2020. Following the introduction of the Bank of England's Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), the Society has increased its central bank funding whilst refinancing the existing Term Funding Scheme (TFS). The outstanding TFS balance was £15m (2019: £24m) with an additional £15m being drawn under TFSME (2019: nil) being the total central bank funding to £30m (2019: £24m). The Society will continue to refinance TFS with TFSME throughout the next year.

We are committed to providing competitive rates to our members while seeking to balance the amount of savings balances against the amount of mortgage lending.

The total liquidity ratio was 25.3% (2019: 23.2%), the increase reflects increased funding held to cover a larger pipeline of mortgage commitments going into 2021.

## Looking forward

Looking ahead, we anticipate further challenges. Firstly, we believe some government measures to support the country during the pandemic will start to unwind. We are also already beginning to see the unemployment rate increase and expect the impact of Brexit on both the broader economy and, specifically, individual businesses to become more apparent during 2021.

Our founding purpose, "to help teachers own their own home", will stay central to everything we do, and we see the strength of our relationship with the National Education Union as a vital part of this. We have also begun a project to upgrade the Society's digital infrastructure, ensuring our systems have the sophistication to grow with members' future needs and ambitions. Within our communities, we will continue to support charitable organisations whose purpose aligns with our own, across the education sector and in the area local to our main office.

As a nation, as individuals and as a Society, we will continue to face challenges from the Covid-19 pandemic. Still, with a vaccination programme underway, we sincerely hope that the worst is now behind us and that 2021 will be a brighter year for us all.

Julie Nicholson  
Chair

## Summary Financial Statement for the year ended 31 December 2020

<b>Income statement</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Net interest income	5,210	4,680
Other income and charges	3	2
Fair value gains and (losses)	(100)	(82)
Operating expenses	(4,546)	(4,362)
<b>Operating profit before provisions</b>	<b>567</b>	<b>238</b>
Provisions	11	11
<b>Profit for the year before taxation</b>	<b>578</b>	<b>249</b>
Taxation	(99)	(48)
<b>Profit for the year</b>	<b>479</b>	<b>201</b>
<b>Statement of financial position at year-end</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Liquid assets	78,421	63,696
Mortgages	253,161	231,416
Derivative financial instruments	0	22
Fixed and other assets	1,323	1,434
<b>Total assets</b>	<b>332,905</b>	<b>296,568</b>
<b>Liabilities</b>		
Shares	229,945	212,326
Borrowings	79,573	61,816
Derivative financial instruments	666	451
Other liabilities	822	555
General reserve	21,157	20,676
Revaluation reserve	742	744
<b>Total equity and liabilities</b>	<b>332,905</b>	<b>296,568</b>
<b>Summary of key ratios</b>	<b>2020</b>	<b>2019</b>
Gross capital as a percentage of shares and borrowings	7.1%	7.8%
Liquid assets as a percentage of shares and borrowings*	25.3%	23.2%
Profit for the year as a percentage of mean total assets	0.15%	0.07%
Management expenses as a percentage of mean total assets	1.44%	1.48%
Core equity tier 1 capital ratio	20.1%	21.6%

**Approved by the Board of Directors on 12 March 2021 and signed on its behalf by:**

Julie Nicholson  
Chair

Simon Beresford  
Chief Executive

Rajesh Patel  
Finance Director

# Explanation of key financial ratios

## Gross capital as a percentage of shares and borrowings

Gross capital comprises general reserves (i.e. accumulated profits) and the revaluation reserve. The gross capital ratio measures the relationship between capital resources and the Society's liability to investors and depositors.

## Liquid assets as a percentage of shares and borrowings

Liquid assets consist of cash, balances with the Bank of England and other assets easily converted into cash. Liquid assets enable the Society to meet requests for withdrawals from investors, make new mortgage loans to borrowers and to fund its general business activities.

The liquid asset ratio measures the relationship between liquid assets and the Society's liability to investors and depositors.

## Profit for the year as a percentage of mean total assets

The Society aims to make a reasonable level of profit in order to support growth and maintain capital strength.

The profit to asset ratio measures profit after taxation for the year as a percentage of the Society's average total assets during the year.

## Management expenses as a percentage of mean total assets

The Society seeks to manage its operating expenditure as efficiently as possible in delivering the financial products and services members require.

Management expenses comprise operating expenses, excluding other operating charges, as reported in this document which includes staff costs, depreciation and amortisation of property, plant and equipment and intangible assets, and other administrative costs.

The management expenses ratio expresses the Society's management expenses as a percentage of average total assets during the year.

## Core equity tier 1 capital ratio

Core equity tier 1 (CET1) capital is predominantly made up of the Society's retained profits held in the general reserve and the revaluation reserve.

The CET1 ratio is an expression of this capital as a percentage of the Society's risk-weighted assets.

# Independent auditor's statement to the members and depositors of Teachers Building Society

## Opinion

We have examined the Summary Financial Statement of Teachers Building Society ('the Society') for the year ended 31 December 2020, which comprises the Results for the year and of the Financial Position at the end of the year, together with the Summary Directors' report.

On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## Basis for Opinion

Our examination of the summary financial results consisted primarily of:

- Agreeing the amounts and disclosures included in the summary statement of financial results to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020, including consideration of whether, in our opinion, the information in the summary statement of financial results has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary statement of financial results is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020.

We also read the other information contained in the Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial results.

Our report on the Society's full annual accounts is unmodified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

## Directors' Responsibilities

The directors are responsible for preparing the summary financial results within the Summary Financial Statement, in accordance with applicable United Kingdom law.



## Auditor's Responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary financial results within the Summary Financial Statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

### The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

Daniel Taylor (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

12 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Summary report on remuneration

## Policy on Directors' Remuneration

The Board aims to follow best practice in its remuneration policy for Directors and has regard to the principles in the United Kingdom Corporate Governance Code relating to remuneration.

## Executive directors' remuneration

Remuneration of executive directors is reviewed annually by the Remuneration Committee. Remuneration is assessed by reference to jobs carrying similar responsibilities in comparable organisations, and other criteria such as expertise, experience and contribution to the Society's performance.

## Non-executive directors' remuneration

The remuneration of Non-executive Directors (other than the Chair) is reviewed each year by the Executive Directors and the Chair, and a recommendation is made to the Board. The Chair's remuneration is reviewed each year by the Remuneration Committee without the Chair being present. The committee compares the level of fees to those paid in similar financial services organisations and considers the responsibilities of each Director and the amount available determined by the Society's rules.

## Individual director's emoluments

Director	2020 £000	2019 £000
Fees paid to Non-executive Directors		
J Nicholson	34	33
A P Lee	22	21
A L Pike (until 30.04.20)	8	22
I Grayson	22	21
P Winter	22	21
M Himsworth	25	24
<b>Total</b>	<b>133</b>	<b>142</b>
Executive Directors' remuneration		
S Beresford		
Salary	165	156
Bonus	34	20
Pension contributions	16	16
<b>Total</b>	<b>215</b>	<b>192</b>
P G Marsden (until 10.07.19)		
Salary	-	76
Bonus	-	-
Relocation allowance	-	-
Pension contributions	-	3
<b>Total</b>	<b>-</b>	<b>79</b>
P E Jarman		
Salary	85	81
Bonus	17	11
Pension contributions	3	3
<b>Total</b>	<b>105</b>	<b>95</b>
R K Patel (from 10.07.19)		
Salary	148	68
Bonus	26	8
Relocation allowance	5	6
Pension contribution	15	7
<b>Total</b>	<b>194</b>	<b>89</b>
<b>Total Directors' remuneration</b>	<b>647</b>	<b>597</b>

<b>Principal office</b>	Allenvue House, Hanham Road, Wimborne, Dorset, BH21 1AG
<b>Firm reference number</b>	156580
<b>Directors</b>	J Nicholson, Chair S Beresford, Chief Executive R K Patel, Finance Director P E Jarman, Legal Director & Secretary I Grayson, Non-executive Director A P Lee, Non-executive Director P Winter, Non-executive Director M Himsworth, Non-executive Director
<b>Auditor</b>	BDO LLP, London
<b>Internal auditor</b>	RSM Risk Assurance Services LLP, Leeds
<b>Bankers</b>	National Westminster Bank PLC



Allenvue House, Hanham Road, Wimborne, Dorset BH21 1AG  
T 01202 843500 F 01202 841694 E [members@teachersbs.co.uk](mailto:members@teachersbs.co.uk)  
[www.teachersbs.co.uk](http://www.teachersbs.co.uk)