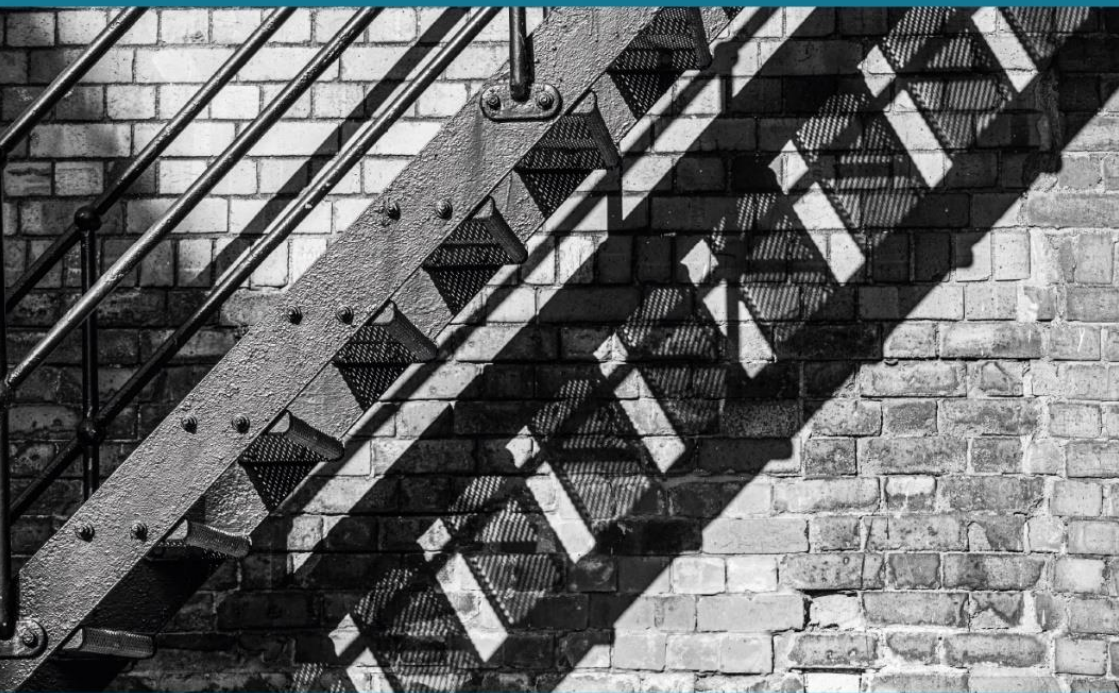


SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED 2021



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Summary financial statement

For the year ended 31 December 2021

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 2022 or can be downloaded from www.teachersbs.co.uk from 1 April 2022. 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 £277.0m (2020 : £253.2m)
- Profit for the year before tax was £1,373k (2020 : £578k)
- Shares and customer deposits increased to £284.7m (2020 : £275.0m)
- Gross capital ratio remained stable at 7.0% (2020 : 7.1%)

Summary directors' report

If you've joined the Society in the last 12 months, thank you for choosing us and a warm welcome. If you were already a member of the Society, we'd like to say a sincere thank you for your ongoing support and loyalty.

As a mutual organisation, we're not just owned by you, we genuinely aim to put your interests at the heart of all we do. In fact, your interests are the reason we exist, having been formed 55 years ago with the express intention of creating a Society offering equality to all in contrast to other lenders at the time. We're pleased to be able to report that your Society has delivered another successful year, but done so by continuing to champion the equality, diversity and inclusive roots it was founded on.

Members, colleagues, and the general public alike once again adapted to changing restrictions introduced to safeguard against the pandemic during the last year, and their collective endeavours deserve our recognition and thanks.

A thank you to all the teachers.....

The outstanding efforts of the frontline teaching professionals amongst our membership and across the education community are once again to be applauded. Their dedication and commitment since the pandemic commenced has made us exceptionally proud.

.....and to our colleagues

Before providing an insight into how we've been working to improve the experience you have with us, we'd like to take a moment to recognise the Teachers Building Society team. Without exception, our colleagues have worked tirelessly to look after you, our members. They've adapted their working hours to increase accessibility to our services for our members and their ongoing commitment to providing best in class customer service has once again been central to the Society's success. Naturally, supporting their wellbeing remains one of our core organisational values.

We also have pleasure in welcoming Head of People and Culture Jo McLean to our Executive team and Non-Executive director Jane Dumeresque to our Board. We are also saying a fond farewell and thank you to Andrew Lee. Andrew is stepping down, having made a strong contribution to the Society and its members over eight years.

2021 business performance

Keeping our member's money safe has always been one of our primary responsibilities. We do this in two ways, firstly by ensuring we are financially strong and secondly by remaining operationally agile and resilient. We demonstrated both of those qualities again in 2021.

Mortgages lending

The Society was founded to help teachers own their own homes and we have continued to help more teachers to get onto the housing ladder in 2021 with around 53% (2020: 44%) of new lending being to first-time buyers including through schemes such as Help to Buy.

New mortgage lending for the year was £93.5m (2020: £63.1m) with net lending of £25.7m (2020: £21.6m).

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 increased slightly to £238k as a result of growth in the mortgage book, representing 0.1% of the mortgage book balance (2020: £218k – 0.1%).

Savings and funding

The overall funding balance increased to £328.7m (2020: £309.5m). The shares and other customer deposits balance increased to £284.7m (2020: £275.0m) to support the increased level of lending in 2021. We have been able to maintain competitive savings rates throughout the year.

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 fully refinancing the previous Term Funding Scheme (TFS). The outstanding TFS balance was £nil (2020: £15m), as this has all been refinanced into TFSME. The total drawings under TFSME are £40m (2020: £15m).

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 22.2% (2020: 25.3%), the reduction is the result of utilising excess liquidity to fund growth in the mortgage book.

Overall performance

The Society's product and operating strategy resulted in pre-tax profit of £1.37m for the year, up from £0.58m reported in 2020. The improvement was mainly driven by additional lending. Costs were higher in 2021 mainly due to the investment to modernise our customer account management platform, further details are described below. The project will continue into 2022, therefore costs will also be elevated in 2022.

For the first time in its history, the Society surpassed £350m of assets during 2021, a significant milestone. Total year-end assets were £352.8m, representing a £19.9m increase compared to 2020 (£332.9m 2020) equivalent to 6% year on year growth. Total capital, which for the Society is mainly made up of accumulated retained earnings, ended 2021 at £23.0m with £22.9m being core equity tier 1 (CET1). Capital is required to ensure the safe management of the Society, protecting against losses that may result particularly in a stressed environment. The resulting level of capital held remains in excess of regulatory requirements by £10.6m.

Investing in our future

As you know, we reinvest profits we make back into the Society, ensuring it remains 'fit for purpose' in the face of the changing needs of our members. We're pleased to announce to you that after a rigorous global selection process, we have chosen a standout partner, Finastra, to deliver a new customer account management solution (the engine that makes our systems run).

Once launched, the new solution will enable us to process your mortgage and savings

applications and money transfer requests more efficiently, and enable us to better use technology and give you an all-around better experience of dealing with us. Our team will be working on this project throughout 2022 and early 2023.

In a socially conscious economy, it's not uncommon for organisations to cite a responsible purpose. Still, we are unique in retaining a focus that set us apart long before it was customary. From the products we offer to the way we do business, we are a teacher first organisation, and in 2022 we aim to support even more teachers who want to buy a first home to achieve that dream.

Supporting the communities in which we operate has always been part of who we are. As a long term NEU partner we understand first-hand the pressures teachers face and are proud to have lent support to dedicated wellbeing charity Education Support again in 2021. Closer to home we also made donations to a local foodbank and planted new trees at a local country park. Our community engagement activities will of course continue in 2022.

Sustainability will be another key focus for us in 2022 too. Much as we'd love to, we accept that we can't do everything as a building society. There are simply spaces of the environmental challenge that are not in our gift to influence. So our commitment is to focus our attention on the areas we can change. We're doing common sense things like cutting down on paper usage, ensuring we recycle, and using energy-efficient lighting in our office building. We're also thinking long term and beginning to look to future product innovations that will support a more sustainable future.

Summary

We ended 2021 in a very positive place: financially stable, operationally robust and with a reaffirmed commitment to supporting teacher first-time buyers purchase their own homes.

We are optimistic that the UK is on a path back to more normal times but remain organised and equipped to support our members, colleagues and the broader community through the challenges of interest rate, house price and cost of living rises as well as any other economic or social challenges that do lie ahead.

Once again, it only remains for us to say a heartfelt thank you to our members and colleagues for your ongoing support and loyalty over the last year – we believe the Society is one you can be proud to be part of.

Julie Nicholson
Chair

Summary Financial Statement for the year ended 31 December 2021

Income statement	2021	2020
	£'000	£'000
Net interest income	7,354	5,210
Other income and charges	(195)	3
Fair value gains and (losses)	64	(100)
Operating expenses	(5,832)	(4,546)
Operating profit before provisions	1,391	567
Provisions	(18)	11
Profit for the year before taxation	1,373	578
Taxation	(290)	(99)
Profit for the year	1,083	479
Statement of financial position at year-end	2021	2020
Assets		
Liquid assets	72,943	78,421
Mortgages	277,005	253,161
Derivative financial instruments	1,514	0
Fixed and other assets	1,364	1,323
Total assets	352,826	332,905
Liabilities		
Shares	222,770	229,945
Borrowings	105,936	79,573
Derivative financial instruments	71	666
Other liabilities	1,067	822
General reserve	22,243	21,157
Revaluation reserve	739	742
Total equity and liabilities	352,826	332,905
Summary of key ratios	2021	2020
Gross capital as a percentage of shares and borrowings	7.0%	7.1%
Liquid assets as a percentage of shares and borrowings*	22.2%	25.3%
Profit for the year as a percentage of mean total assets	0.32%	0.15%
Management expenses as a percentage of mean total assets	1.70%	1.44%
Core equity tier 1 capital ratio	19.5%	20.1%

Approved by the Board of Directors on 25 February 2022 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 2021, which comprises the Results for the year and 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 2021 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 Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021, 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 Financial Statement 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 2021.

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
25 February 2022

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	2021 £000	2020 £000
Fees paid to Non-executive Directors		
J Nicholson	35	34
A P Lee	22	22
A L Pike (until 30.04.20)	-	8
I Grayson	23	22
P Winter	23	22
M Himsworth	25	25
J G Dumeresque (from 28.10.21)	4	-
Total	132	133
Executive Directors' remuneration		
S Beresford		
Salary	175	165
Bonus	38	34
Pension contributions	4	16
Payment in lieu of pension	13	-
Car allowance	4	-
Total	234	215
P E Jarman		
Salary	91	85
Bonus	19	17
Pension contributions	4	3
Total	114	105
R K Patel		
Salary	151	148
Bonus	30	26
Relocation allowance	20	5
Pension contribution	15	15
Total	216	194
Total Directors' remuneration	696	647

Principal office	Allenview House, Hanham Road, Wimborne, Dorset, BH21 1AG
Firm reference number	156580
Directors	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 J G Dumeresque, Non-executive Director
Auditor	BDO LLP, London
Internal auditor	RSM Risk Assurance Services LLP, Leeds
Bankers	National Westminster Bank PLC



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