



Teachers Building Society
Annual Report & Accounts
For the year ended 31 December 2024

Contents

Directors & Professional Advisors	3
Chair and Chief Executive's Statement	4
Strategic Report	6
Directors' Report	15
Report on Corporate Governance	18
Report of the Directors on Remuneration	26
Independent Auditor's Report	29
Statement of Comprehensive Income	39
Statement of Financial Position	40
Statement of Changes in Members' Interests	41
Statement of Cash Flows	42
Notes to the Accounts	43
Annual Business Statement	66

Directors and Professional Advisors

Directors

Julie Nicholson, Chair

Jon Anderson, Non Executive Director

Simon Beresford, Chief Executive

Jane Dumeresque, Non Executive Director

Patrick Jarman, Legal Director & Secretary

Kelvin Malayapillay, Non Executive Director

James McAtear, Non Executive Director

Rajesh Patel, Finance Director

Paul Winter, Non Executive Director

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

National Westminster Bank PLC

Principal Office

Allenvue House, Hanham Road, Wimborne, Dorset, BH21 1AG

Firm Reference Number

156580

Chair and Chief Executive's Statement

Dear members,

Welcome to our Annual Report and Accounts for 2024.

While inflation has eased since our last update, many individuals and households have continued to face the financial pressures brought on by rising food and fuel costs. House prices remained high throughout the year, making it especially difficult for first-time buyers. We recognise these challenges and remain committed to supporting our 10,000 members.

Society performance 2024

This year it became evident that the project to update our customer account management systems would take significantly longer than planned, and that costs associated with the project would be much higher than initially anticipated. The Board has therefore accepted the executive team's recommendation that not progressing the project would be in the members' best interest in the long term. The Society has an ongoing contract with its existing supplier for its customer account management system which can be extended, this arrangement provides the Board confidence that operational resilience will continue.

Although the Society recorded a loss after tax of £1.4m which included increased project costs, we reported underlying profit of £0.7m. Although lower than 2023, this provides a solid foundation to build on going forward. Underlying profits were lower in 2024, primarily due to increased funding costs caused by competition in the savings market and the reduction in mortgage balances also limited our ability to increase income.

The Society remains financially strong. Our capital ratio at 18.2% (2023: 18.6%) and liquid asset ratio at 21.8% (2023: 24.9%) are both well in excess of regulatory requirements.

Lending

2024 saw a reduction in the Bank of England base rate for the first time in four years, offering some relief to mortgage rates. Our support for first-time buyers remained strong, with teacher first-time buyers accounting for a significant portion of our mortgage lending. Due to the need to allocate resource to the system project the Society set lower lending targets in 2024 which contributed to the reduction in mortgage balances which ended 2024 at £297.7m, a £21m (6.6%) reduction compared to 2023.

The Society's mortgage book continues to perform well with just 0.07% (2023: 0.10%) of mortgage balances three or more months in arrears, this continues to compare favorably to both the Building Society sector and wider industry.

Funding

Several of our savings accounts featured in best-buy tables, and we were proud to win the Moneyfacts Best Variable Rate Cash ISA Provider award. The Society ended 2024 with savings balances of £337.0m, a £7.1m (4.8%) reduction on 2023. Additionally, we have repaid £20m of funding from the Bank of England ahead of schedule and expect to complete the repayment of the remaining balance in 2025.

Summary

Despite a reported loss in 2024, we remain in a strong financial position which provides a solid foundation to build on as we move forward.

In 2025, as always, we would urge any member experiencing financial pressures to contact our expert team as soon as possible. They can explain your options with regards to the products and services you hold with us.

Thank you for your continued trust and support.

Julie Nicholson

Chair of the Board 11 March 2025

Simon Beresford

Chief Executive Officer 11 March 2025

A statement on leadership changes from the Chair of the Board of Directors

Our CEO, Simon Beresford, notified the Board in the autumn of his intention to leave the Society after the AGM in April following eight years' service. Under Simon's leadership the Society has materially grown its balance sheet, mortgage assets and net interest margin. I'd like to thank Simon on behalf of the Board for everything he has done for the Society. A search for our next leader is underway, and we will share news of their appointment with you in due course.

During 2024 we welcomed a new member to our Board, Dr Jim McAtear. Jim joins the Society from a background of 30 years' experience in the education industry. A National Leader in Education and Chief Executive of a Multi-Academy Trust, Jim brings experience as a classroom teacher, Headteacher of several schools, a National Mental Health Lead and experience as a Lead Schools Inspector. We look forward to benefitting from Jim's expertise.

Julie Nicholson

Chair of the Board 11 March 2025

Strategic Report

The Directors have pleasure in presenting the Strategic Report for the year ended 31 December 2024.

Business Objectives

The Society's core purpose is to provide residential mortgages that meet the needs of teachers and other education professionals in England and Wales. To achieve this, the Society provides investing members across the UK with secure and competitive savings products.

The Society operates through a centralised operating model based in Wimborne which provides an efficient, convenient and personal service to customers via the internet, telephone and post. Mortgages are originated through both the advised direct and the intermediary-introduced routes. The Society intends to remain an independent, mutual building society generating sustainable value for its members.

Review of the Business

The challenges faced by the Society in 2024 were driven by two primary factors, firstly a competitive savings market, this contributed to a reduction in net interest income. Secondly costs increased as additional resource was recruited to support the IT system upgrade project. The combination of these two factors resulted in the loss after tax of £1.4m.

The Society repaid a further £20m TFSME in 2024, leaving £15m to repay, this action has significantly reduced TFSME refinancing risk. However repaying TFSME also contributed to the reduction in total assets.

The project to update our customer account management systems was started in 2022, it has taken considerably longer and has been more complex than originally expected. Although the Board has accepted the Executive team's recommendation of not progressing the project and remain on the existing platform, the Board remain focused on ensuring the Society continues to support members with modern technologies.

Mortgage Lending

New mortgage lending for the year was £30.7m (2023: £72.4m) with net mortgage balances reducing by £21.0m (2023: £10.6m increase).

Our approach of manually underwriting and individually assessing all mortgage applications for credit quality and affordability combined with our ongoing focus on teacher lending 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 by £168k to £264k as a result of the reduction in the mortgage book combined with increasing property prices resulting in reduced risk of losses in the event of repossession. The total provision represents 0.09% of the mortgage book balance (2023: £432k - 0.14%).

Arrears and Forbearance

The Society's arrears and possession levels continue to remain low and compare favourably to the financial services industry.

As at 31 December 2024, the value of mortgage accounts three months or more in arrears, expressed as a percentage of total mortgage balances outstanding at the period-end, remains low by historic standards at 0.07% (2023: 0.10%). In addition there were only 2 mortgage accounts more than 12 months in arrears (2023:1).

UK Finance publishes data based on the numbers of cases where the arrears balance represents 2.5% or more of the mortgage debt. The Society had 0.58% cases in this category (0.37% in 2023) compared to a UK Finance average of 0.99% (1.00% in 2023) for homeowners.

The Society had one property in possession as at 31 December 2024 (2023: 2).

The Board understands that the personal and financial circumstances of our borrowers can change over time. When this happens, our borrowers benefit from our policy to exercise as much forbearance as reasonably possible and to ensure their fair treatment at all times. As at 31 December 2024, the Society had offered forbearance measures to 4 customers (2023: 5).

All loans are manually underwritten by a team of experienced underwriters, who adhere to a lending

policy agreed by the Board. Responsible lending and affordability are the key criteria when making a lending decision. This approach has proved successful in the past and underpins the low arrears and default position experienced.

Loan impairment provisions decreased in 2024 (see note 9) and represents 0.09% of the mortgage book (2023: 0.14%). The percentage of provision to the overall mortgage book remains low compared to our peers and the industry average, this is due to strict adherence to lending criteria.

Savings and Funding

The overall funding balance reduced to £352.2m (2023: £390.6m). The shares and other customer deposits balance reduced to £337.0m (2023: £354.1m) reflecting the reduction in mortgage balances and hence funding requirements. We have been able to maintain competitive savings rates throughout the year.

As mentioned above, the Society repaid £20m TFSME in 2024, this was ahead of contractual repayment which concludes in 2025. The total drawings as at 31 December 2024 under the Bank of England's TFSME were £15m (2023: £35m).

We are committed to providing competitive rates relative to the market as a whole for our members while seeking to balance the amount of savings balances against the amount of mortgage lending.

Future Development

Our strategy is to continue to support teachers 'under-served' by the wider mortgage market, such as early career teachers, by offering them tailored products and an individual, personal service.

Core to the Society's ethos, we aspire to continue providing all our members and customers with not only an efficient service, but one that is distinctly personal, friendly and professional. To support this aim we plan to enhance our savings product range, maintain a stable investment in technology to ensure systems support our long-term plans.

The Board continues to be focused on the strategy of enhancing a sustainable business model that will deliver tangible benefits to the Society's members and the wider education community which will support the long-term success of the Society.

Key Performance and Other Indicators

The Society monitors its performance and development by reference to a range of Key Performance Indicators ('KPIs'). For 2024, the results for the primary KPIs used by the Board were:

Key Performance Indicators	2024	2023
Total (loss)/profit for the year	(£1,414k)	£869k
Net interest margin	2.02%	2.64%
Growth in mortgage balances	(6.6%)	4.9%
Common equity tier 1 ratio	18.2%	18.6%
Cost to income ratio	124.9%	88.0%
Cost to income ratio excluding non-recurring administrative expenses	92.9%	73.0%
Total liquid asset ratio	21.8%	24.9%
Mortgages > 3 months in arrears	0.07%	0.10%

Total Profit for the Year

The combination of reduced net interest income and increased expenses driven by the IT system project resulted in a loss after tax of £1.4m. IT project costs are considered non-recurring; therefore, the Board analyse underlying profit excluding project costs and in 2024 the Society recorded £0.7m of underlying profit. This has been achieved despite resource diverted away from trading activities to support the system project. The Board remain confident that as the project concludes, and resource is fully focused on trading, profitability will improve, this is reflected in financial forecasts that show increased lending activity which supports increasing net interest income.

Net Interest Margin

This is the difference between the average rate the Society receives on its lending and the average rate it pays on its shares and deposits. This needs to be sufficient to generate enough income to cover the operating costs of the Society.

The net interest margin reduced to 2.02% from 2.64% in 2024. The reduction was primarily driven by competition in the savings market. The Society increased its retail funding balance in quarter four of 2023 which therefore impacted cost of funds in 2024. The Bank of England started to reduce base rate in August 2024 this impacted the return on our mortgage assets.

Overall, the change in net interest margin is the result of management of the rates offered on both the assets and liabilities of the Society. The change in the Society's net interest margin was broadly in line with the wider retail financial services market.

Core Equity Tier 1 Capital Ratio

This is one of the primary metrics used by regulators to measure the capital strength of a bank or building society.

Core tier 1 equity ('CET1') capital is composed of the highest quality capital of an institution and in the case of the Society this represents the majority of its available capital resources. CET1 capital is expressed as a percentage of the regulatory risk-weighted assets ('RWAs') of the Society. RWAs are calculated by applying a standardised regulatory risk factor or weighting to its assets for credit risks as well as including an add-on for operational risk.

The Society's capital resource consists primarily of general reserves (total equity attributable to members), plus collective impairment provision and revaluation reserve in relation to the Society's freehold property. The Society holds capital to protect its members from the effect of shocks or stresses, whether to the economy, the financial sector as a whole or the Society specifically. The Society's capital requirements are set and monitored by the Prudential Regulatory Authority (PRA) and is based on a risk assessment of the Society's assets.

The Society's capital ratio as at December 2024 was 18.2%, (December 2023: 18.6%) which has remained broadly stable through 2024, and continues to remain well in excess of regulatory requirements. The ratio has remained stable even though the Society has reported a loss in 2024.

Cost to Income Ratio

This ratio is a broad indicator of the efficiency of the Society; it is calculated by expressing operating expenditure as a percentage of net operating income. It shows how much of the income generated is consumed by the cost base. For 2024 this was 124.9% (2023: 88.0%).

The IT system project was the main reason for increased expenses in 2024, although there will be some continued project costs in 2025, these expenses are considered non-recurring as they are directly attributable to the project and as such have been disclosed separately in the income statement. The cost income ratio excluding IT project costs was 92.9% (2023: 73.0%), with the increase being attributable to increased cost of funding and hence reduced net interest income.

Total Liquid Asset Ratio

This ratio measures the level of liquidity resources that the Society has available to draw upon and is expressed as a percentage relative to total shares, deposits and loans (SDL).

The Society holds liquid assets to ensure it has sufficient access to funds to meet its obligations as they fall due under normal operating conditions as well as during periods of stress.

The Society's liquid assets comprise of assets reported on the balance sheet in the form of cash deposits predominantly in the form of high quality liquid assets held at Bank of England. The Society holds liquid assets to ensure it is able to always meet its obligations as they fall due. The type and volume of liquid assets held is determined by the Board's risk appetite and regulatory requirements, including the outcome from periodic stress testing of liquidity requirements.

The Society's level of liquid assets was 21.8% (2023: 24.9%). The reduction is primarily due to the early repayment of £20m TFSME in 2024. This was reported in the 2023 Annual Report where the Society took actions in Q4 of 2023 to increase the savings balance in order to start the process of TFSME repayment in 2024. The Society's liquidity coverage ratio (LCR) was 207% (2023: 250%). The ratio has remained in excess of the regulatory requirement of 100% throughout 2024.

Principal Risks and Uncertainties

Building societies operate in a competitive environment and are subject to economic uncertainties. The management of risk is therefore central to the continuing success of the Society.

The Board is responsible for determining the Society's risk management framework and system of internal control, which is designed to enable the Society to achieve its objectives within a managed risk profile, not to eliminate all risk. To do this, the Society bases its risk management framework on the 'three lines of defence' model. The first line of defence is the checks and controls utilised by operational staff directly engaged in the management of the risks in their area of activity. The 'second line' is the assurance provided by the independent review processes deployed by the Society's Compliance and Risk Management functions. The 'third line' is the independent internal audit reports regularly provided to management and the Audit Committee by our outsourced internal audit partner. Issues arising from these reports are also considered by the Board's Risk Committee.

The table on the following page summarises the principal risks relevant to the Society and the strategies put in place to manage them.

Risk	Description (and sub category)	Key mitigating actions
Credit	<p>The risk that mortgage customers or treasury counterparties are unable to meet their obligations as they become due.</p> <p>Concentration risk is an aspect of credit risk (as well as of funding risk - see below) and arises from exposure to groups of connected counterparties, or from counterparties in the same economic sector, geographic region or from the same activity or commodity. The Society, as a specialist mortgage lender in the education sector, is exposed to concentration risk in relation to UK property lending and to lending to education professionals. In light of elevated interest rates and the high 'cost of living', credit risk has a particular focus currently.</p>	<ul style="list-style-type: none"> • Lending Policy: sets limits on categories of lending, the amount and quality of collateral required, and defines clear underwriting criteria. • Bespoke individual underwriting on a case- by-case basis. • Mortgage Indemnity Guarantee (MIG) insurance where the LTV (loan to property value ratio) exceeds 80%. • Financial Risk Policy sets treasury limits on credit exposures to countries, groups and individual counterparties. • Lending Policy and Financial Risk Policy sets limits to mitigate concentration risk. • Oversight by Executive Credit Committee and Board Risk Committee.
Financial	<p>Market and Interest Rate risk</p> <p>The risk that the net value of, or net income arising from, the Society's assets and liabilities is impacted as a result of market price or rate changes. The market risk to which the Society is exposed is interest rate risk (re-pricing risk). The Society is also subject to pre-payment risk that is the risk associated with the early unscheduled return of principal on an interest-bearing security. The use of swaps to hedge interest rate risk may create basis risk which, for the Society, is the risk that changes in interest rates will re- price interest earning assets differently from interest bearing liabilities, thus creating an asset liability mismatch and a potential monetary loss.</p>	<ul style="list-style-type: none"> • Close oversight by the Executive Assets and Liabilities Committee and Board Risk Committee. • Financial Risk Policy (sets requirements for use of financial instruments, mainly interest rate swaps, to hedge interest rate risk). • Basis risk exposure managed within risk limits set in Financial Risk Policy. • Stress testing.
	<p>Capital or Solvency risk</p> <p>The risk that the Society maintains insufficient capital resources to protect its depositors, support business growth, meet regulatory requirements and ensure that its liabilities can be met as they fall due.</p>	<ul style="list-style-type: none"> • Capital Planning as part of the Society's Internal Capital Adequacy Assessment Process ('ICAAP') and corporate plan. • Stress testing and monitoring of key ratios by the Executive Assets and Liabilities Committee and Board Risk Committee.

Liquidity and Funding risk

Liquidity risk is the risk that the Society is unable to settle obligations with immediacy and maintain public and stakeholder confidence. Funding risk is the risk that the Society is unable to realise assets or otherwise raise funds on economic terms, and/or within reasonable timescales. Concentration risk is an aspect of funding risk (as well as of credit risk - see above). Traditional building societies, such as Teachers Building Society, have an inherent funding concentration risk arising from reliance on the UK retail savings market.

- Financial Risk Policy sets risk limits.
- Maintaining appropriate levels of High Quality Liquid Assets.
- The Society's Internal Liquidity Adequacy Assessment Process ('ILAAP') and Contingency Funding Plan.
- Stress testing.
- Oversight by Executive Asset and Liability Committee and Board Risk Committee.

Risk	Description (and subcategory)	Key mitigating actions
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including cyber security risk and a risk of a failure by third party suppliers but excluding strategic risk. Currently, this includes the risks associated with managing the options in relation to our customer account management system.	<ul style="list-style-type: none"> • Investment in people, systems and processes. • Effective policies and procedures supporting operational performance. • A Board-approved Operational Resilience Framework aimed at ensuring the resilience of important business services including a testing program that draws out ‘lessons learned’. • Training and competence scheme for key colleagues detailing proficiency and supervision requirements. • Insurance. • Executive Conduct and Operational Risk Committee and Board Risk Committee oversight. • Cyber risk management framework. • Contingency plans are in place which have been tested. • Specialist internal and external resource engaged to support Board with managing the options in relation to the account management system.
Strategic	The risk that the Society’s business model and corporate plan fail to adapt, or respond quickly to, external developments or that the adaptation or response is flawed.	<ul style="list-style-type: none"> • Annual Corporate Planning process including sensitivity testing. • Ongoing Executive Committee and Board monitoring of Key Performance and Risk Indicators.

Risk	Description (and sub category)	Key mitigating actions
Reputational	The risk that arises from a negative perception by members, regulators, counterparties, potential customers or other stakeholders, which damages the Society's brand and reputation and adversely affects its business, earnings, capital or access to funding.	<ul style="list-style-type: none"> • Board expectation that the Society's business be conducted in a fair and ethical way consistent with the Society's values and beliefs embedded in Society policies. • Robust culture of compliance with legal and regulatory requirements. • Oversight by the Executive Conduct and Operational Risk Committee and the Board and its Risk Committee.
Conduct	The risk arising from the Society's conduct in its direct relationship with retail customers, or where the Society has a direct duty to retail customers.	<ul style="list-style-type: none"> • Oversight and monitoring by Executive Conduct and Operational Risk Committee and the Board and its Risk Committee. • Training and awareness for key colleagues. • Culture of putting members first and ensuring compliance with the Consumer Duty
Climate change	The risk that the Society's business and asset values are adversely impacted by the consequences of climate change, whether physical (floods, sea level rise etc) or transitional (e.g. changes in government policy, regulation or market sentiment arising out of the move to a greener economy)	<ul style="list-style-type: none"> • Monitoring and assessment of the financial impact of climate change risks relevant to the mortgage book, other assets and the business generally. • Each year the Society commissions a report to assess the risks to the mortgage portfolio from climate change. To date this has not highlighted any concerning areas of risk within the portfolio. • Oversight by Executive Credit and Conduct & Operational Risk Committees and Board Risk Committee. • Board approved climate change risk management framework. This policy explains the key climate change risks and provides a summary of the Society's proposed approach to managing them. It also sets the governance, risk appetite and monitoring framework.

Further information is provided below on climate change risk.

Customer account management system project

The Society had been in the process of upgrading our customer account management systems, as referred to earlier. Following the decision to terminate the project, there are a number of inherent risks, including the possibility that the Society's operational resilience could be challenged. Key mitigations in this respect include having appropriate contingency arrangements, effective 3rd party supplier management process and a rigorous governance structure in place, including oversight by the Board.

Climate change

The Board is very aware of the threat climate change poses not only to the natural environment but also to financial stability. For this reason, climate change has been integrated into the Society's risk management framework.

Strategy: Climate change risks can constitute physical risks, for example the impact of increased flooding or subsidence, or transitional risks, meaning the effect of the adjustment towards a low-carbon economy. The manifestation of climate change risks is inherently uncertain with variations in both timing and the nature of the impact. While the exact outcome is uncertain, it is highly likely that some combination of physical and transitional risks will occur. In response, the Board has agreed a Climate Change Risk Management Framework which identifies how these risks might impact the Society and the approach to be taken in managing those risks. The most significant element relates to credit risk. Mortgage asset values could be adversely affected by increased physical risks or the costs of, for example, complying with stricter energy efficiency policies or increased insurance premia. Our initial response is to monitor those risks by commissioning an external assessment of our mortgage book on a regular basis. (See Metrics and Targets below for further detail) Consideration will be given to the adoption of relevant risk limits in our lending policy in due course.

Metrics and Targets: The Society is working to quantify its exposure to climate change risks and, in due course, set targets and risk limits to aid the management of such risks. Each of the Executive committees and the Board Risk Committee receive quarterly reports on a wide variety of metrics related to climate change risk. With regard to credit risk, the Society has continued to benefit from a climate change risk analysis of the mortgage book by a specialist third party. The standard metric for considering climate change is the global greenhouse gas concentration as measured by Representative Concentration Pathway (RCP) levels. Four climate change scenarios are used in the analysis and are the scenarios published by the Meteorological Office as part of UK Climate Projections '09 and UK Climate Projections '18. The analysis is carried out at 5 year intervals to 2080. This assessment has been used as part of the Society's Internal Capital Adequacy Assessment Process (ICAAP) to determine whether capital should be held against climate change risk. Based on this assessment the Society has not yet deemed it necessary to do so. This will be kept under review.

Governance: The Board Risk Committee has responsibility for the oversight and monitoring of climate change risk. The Board has also designated the Legal Director as the senior manager responsible for managing the financial risk of climate change. Each of the Executive committees monitors the impact of climate change risk to the extent relevant to each committee's remit.

On behalf of the Board

Julie Nicholson

Chair of the Board 11 March 2025

Directors report

The Directors have pleasure in presenting the Annual Report and Accounts for the year ended 31 December 2024. Having taken into account all the matters considered by the Board and brought to the attention of the Board during the year, we are satisfied that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable.

Business Review and Objectives

A review of the Society's business, its objectives, activities and future plans is contained in the accompanying Chair's and Chief Executive's Statement and the Strategic Report. The Strategic Report also contains the Society's key performance indicators for the year and other important information relating to its business. The Society's gross capital and free capital as percentages of shares and borrowing can be found in the Annual Business Statement.

Principal Risks and Uncertainties

The Strategic Report identifies the Society's principal risks and uncertainties and the key actions taken to mitigate them. In addition to the description in the Strategic Report, note 24 to the Accounts contains information relevant to the Society's financial risk management policies and objectives.

Creditors' Payment Policy

It is the Society's policy to pay suppliers within the agreed terms providing the supplier performs according to the terms of the contract. In 2024, the average number of days which the Society took to settle amounts owing to trade creditors was 18 (2023: 16).

Country-by-Country Reporting

The requirements of Country-by-Country Reporting are disclosed in note 27 to the Accounts.

Donations

The Society gave £837 (2023: £657) in charitable donations during the year. It is the Society's policy not to make political donations; none were made in the year (2023: nil).

Land and Buildings

The Directors consider that the overall market value of the Society's Principal Office excluding the proportion held as investment property is in excess of the book value. Investment property is held at fair value in the financial statements.

Mortgage Arrears and Forbearance

At 31 December 2024, there were 2 mortgage accounts more than 12 months in arrears (2023: 1). For details of accounts where the Society has offered forbearance, please refer to the Strategic Report.

Auditor

BDO LLP has expressed its willingness to continue in office, and, in accordance with Section 77 of the Building Societies Act 1986, a resolution for its re-appointment will be proposed at the Annual General Meeting.

Going Concern

The Directors are required to consider whether the Society will continue as a going concern for a period of twelve months from the date of signing of the accounts.

In assessing this, the Directors have reviewed the Society's corporate plan and evaluated principal risks and uncertainties, with specific reference to the ones linked to the Society's IT systems and third party suppliers. As these risks could affect the Society's capital, financial, and liquidity positions during this period, the Directors have also examined forecasts under stressed yet plausible conditions extending beyond 12 months from the approval date.

Various sensitivities, including stress scenarios due to economic uncertainty from changes to inflation and interest rates, have been applied, focusing on the Society's capital, liquidity, and operational resilience.

The ongoing project to replace the Society's existing customer account management system will be terminated before its completion, after incurring significant costs associated with the loss recorded as of 31 December 2024. As a result, the Directors had to evaluate an alternative plan for the aforementioned IT system migration and have agreed to remain with the existing supplier.

As the new plan requires an upgrade and migration of the currently in use customer account management system to the cloud by the end of 2025, the Directors considered the feasibility of such plan and the associated costs. Specifically, the Directors assessed the time and costs needed for reaching a contractual agreement with the third-party supplier, executing the IT system upgrade and migration to the cloud. The Directors are comfortable with the ongoing operational resilience of the Society after evaluating the third party supplier capability and resources as well as the suite of contingency plans available in case of delays.

After evaluating this information, market and regulatory data, and leveraging our knowledge and experience of the Society and its markets, the Directors confirm that the Society has adequate resources to continue operations for at least 12 months from the approval date of these financial statements. Therefore, adopting the going concern basis is appropriate.

Events since the year-end

After the year end, the Board approved management's recommendation to terminate the current project to replace the Society's customer account management systems after having considered and evaluated an alternative plan subject to finalisation. Please also refer to the going concern disclosure note. There are no adjustments required to the accounts as a result of this.

Directors

The following persons served as Directors of the Society during the year and up to the date of the report:

Non Executive Directors

J Nicholson, Chair

I Grayson, retired 25 April 2024

P Winter

J G Dumeresque

J T Anderson

K D Malayapillay

J McAtear, appointed 11 April 2024

Executive Directors

S Beresford, Chief Executive

R K Patel, Finance Director

P E Jarman, Legal Director & Secretary

None of the Directors, nor any of their close family members, held an interest in shares or debentures of any undertaking connected with the Society. Full details of the Society's Directors in office as at 31 December 2024 can be found in the Annual Business Statement.

At the next Annual General Meeting, on 24 April 2025, Jim McAtear will offer himself for election and all other Directors will offer themselves for re-election with the exception of Simon Beresford.

Directors' Responsibilities for Preparing Annual Accounts

The following statement, which should be read in conjunction with the statement of the auditor's responsibilities within the Independent Auditor's report to the members accompanying this report, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement and Directors' Report:

The Directors are required by the Building Societies Act 1986 to prepare, for each financial year, Annual Accounts which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the Society as at the end of the financial year, and the income and expenditure of the Society for the financial year.

In preparing those Annual Accounts, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the Accounts on the going concern basis, unless it is inappropriate to presume that the Society will continue in business.

The Building Societies Act 1986 requires the Directors to prepare for each financial year, in addition to the Accounts, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society.

Directors' Responsibilities for Accounting Records and Internal Control

The Directors are responsible for ensuring that the Society:

- keeps accounting records in accordance with the Building Societies Act 1986; and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority under the Financial Services and Markets Act 2000.

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the Society's auditor is unaware, and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

On behalf of the Board

Julie Nicholson

Chair of the Board 11 March 2025

Report on corporate governance

Although the UK Corporate Governance Code (the Code), issued by the Financial Reporting Council, does not directly apply to mutual societies, the Board has regard to its principles. The Code has been written with publicly quoted companies in mind, and some of its provisions are not necessarily consistent with the structure of building societies and the legal framework within which they operate. The Board has therefore considered the Code with this in mind and adapted its principles, where appropriate, to make them relevant to a building society.

This Report describes the Board's approach to the Code by considering each of the Code's five groups of principles: Board Leadership and Company (Society) Purpose; Division of Responsibilities; Composition, Succession and Evaluation; Audit, Risk and Internal Control; and Remuneration.

Board Leadership and Society Purpose

Board's role and activities

The Board's role is to promote the long-term sustainable success of the Society and to set the Society's purpose, values and strategy. The Board considers that its governance structure is a fundamental part in delivering these aims and enables it to successfully focus on strategy and risk management.

The Board maintains a list of matters reserved for its decision and a schedule of delegated authorities, identifying what matters are delegated, to whom and with what limitations. The Board approves major business decisions and mandates a series of policies, including a lending policy, within which the Society's business is required to operate. The Board also approves, annually, a five year rolling corporate plan with appropriate targets and objectives designed to ensure the Society's long-term sustainability. Additionally, each year, the Board reviews all of its policies on at least one occasion, ensures appropriate funding plans are in place, sets limits on delegated expenditure and reviews the Society's risk profile and its capital and liquidity position, both current and projected. In taking each of these actions, the Board considers how opportunities and risks may impact the future success of the business and the sustainability of the Society's business model.

In order to monitor the Society's performance and achievement of strategic objectives, the Board receives monthly reports on a wide variety of subjects including data on the Society's financial and operational performance, achievement of strategic milestones, compliance with risk appetite and policy limits and other performance indicators. Where the data it receives indicates that a corrective response is required, the Board will ensure that appropriate actions are put in place and implemented.

The Board's governance structure includes the following Board committees:

- Audit Committee – See section on Audit, Risk and Internal Control on page 24;
- Risk Committee – see section on Audit, Risk and Internal Control on page 25;
- Remuneration Committee – see section on Remuneration on page 25;
- Nomination Committee – see section on Composition, Succession and Evaluation on page 23.

There are also a number of Executive-led management committees, information on which is contained in the section on Division of Responsibilities on page 20.

Stakeholder engagement

The Board endeavours to understand the views of the Society's key stakeholders. Engagement with the Society's members is pursued in a number of forms, particularly through discussion at the AGM, member surveys and member communications. In the event that more than 20% of votes are cast at an AGM against a Board recommended resolution, the Board undertakes to explain what actions it intends to take to understand the reasons for the vote and to publish its response within the following six months. An update would also be provided in the next Annual Report. In addition, with the introduction of the FCA's Consumer Duty obligations, Jim McAtear acts as the Board's Consumer Duty champion.

With regard to suppliers, Executive Directors and senior management hold regular update meetings with key business partners. The aim of these discussions is to ensure that an open and productive relationship is maintained.

The Board has appointed an independent Non Executive Director, Paul Winter, as its designated Director responsible for engagement with the Society's workforce. In addition to informal communication channels, every three months Mr. Winter holds a meeting with different groups of colleagues to enable an exchange of views to take place. Over the course of the year, all colleagues have the opportunity to participate in at least one of these meetings. Points made by colleagues during these quarterly meetings are fed back to the Board. Mr. Winter will, additionally, highlight any colleague views relevant to any matters discussed by the Board as and when they arise. The Society also has a whistleblowing process, overseen by Mr Winter, to enable colleagues to raise concerns in confidence, and anonymously if they wish to.

The Board also ensures that there is an open and co-operative relationship with the Society's regulators the PRA and the Financial Conduct Authority (FCA). Regular communications and updates are provided to them, as and when appropriate.

Culture

The Board seeks to ensure that the Society's culture is aligned with its purpose, values and strategy. The Board monitors the Society's culture in a number of different ways. Firstly, it receives quarterly culture monitoring reports which include wide ranging and comprehensive indicators including data on colleague turnover, exit interviews, disciplinary data, remuneration/promotion information, supplier relations, customer outcomes, complaints, regulatory compliance, and audit actions status. Secondly, Board members maintain informal direct contact with a large number of the Society's colleagues. As a small building society, it is possible for Board members to form a clear view of the Society's culture through these informal connections. Thirdly, through the designated Directors' stakeholder engagement activities noted above. If any of these monitoring activities indicate that corrective action needs to be taken, the Board would seek assurance from management that this had been carried out.

Colleague investment and reward

The Board attaches a high priority to investing in the skills and capabilities of the Society's colleagues and ensures that an appropriate budget is allocated for training and development. Part of the objectives of the training and development programme is to support the promotion of the Society's values and to ensure that the Society's culture is aligned to them. Similarly, the Board's approach to reward for colleagues – more particularly described in the Remuneration Report – is to ensure that colleagues are rewarded fairly but also that reward supports the alignment of values and culture.

Division of Responsibilities

Chair and Chief Executive

The Chair of the Board is Julie Nicholson, who the Board determined was independent on appointment when assessed against the Code's independence criteria. She leads the Board and is responsible for its overall effectiveness in directing the Society. In so doing, the Board believes she has demonstrated objective judgement and promoted a culture of openness and debate. The roles of Chair and Chief Executive are separate and distinct and held by different Directors. The Chief Executive, Simon Beresford, is responsible, with the other Executive Directors, for managing the Society's business subject to the matters reserved for Board decision and in accordance with the Society's corporate plan, policy structure and the Board's risk appetite.

Board membership, meetings and attendance

During the year there were six Non Executive Directors (seven between 11 April and 25 April 2024) and three Executive Directors, including the Chief Executive. The following table lists all the Directors serving during the reported year, the number of meetings held and Directors' attendance at those meetings. (The number of meetings each Director was eligible to attend is indicated in brackets.)

Director:	Attendance
Julie Nicholson	13 (13)
Ian Grayson ¹	3 (3)
Jane Dumeresque	12 (13)
Paul Winter	13 (13)
Jonathan Anderson	13 (13)
Kelvin Malayapillay	13 (13)
Jim McAtear ²	11 (11)
Simon Beresford ³	13 (13)
Patrick Jarman ³	13 (13)
Rajesh Patel ³	13 (13)
Total meetings:	13

1 Retired from the Board 25.04.2024

2 Appointed 11.04.2024

3 Executive Director

Outside of Board meetings, the Directors met for a day focused on strategy, the Non Executive Directors met without the Executive Directors present and the independent Non Executive Directors met without the Chair present to appraise the Chair's performance.

In this, and the subsequent section on Board committees, references to meetings includes meeting by video conference.

Full details of Directors during the reported year are contained in the Directors' Report and the Annual Business Statement.

Non Executive Directors

Non Executive Directors have a prime role in appointing and removing Executive Directors and scrutinising and holding to account the performance of management and individual Executive Directors. In addition to the Chair, the Non Executive Directors are:

Paul Winter,
Jane Dumeresque,
Jonathan Anderson,
Kelvin Malayapillay,
Jim McAtear,

all of whom are considered by the Board to be independent. None of the circumstances identified by the Code as potentially impairing independence apply to any of them. Paul Winter is the Senior Independent Director.

Committee membership, meetings and attendance

The tables below state, for each Board committee its chair, committee members, number of meetings held during the reported year, and committee members' attendance at those meetings. (The number of meetings each Director was eligible to attend is shown in brackets.)

Audit Committee

Members	Attendance
Jonathan Anderson (Chair)	5 (5)
Ian Grayson ¹	1 (2)
Paul Winter	5 (5)
Jane Dumeresque	5 (5)
Kelvin Malayapillay	5 (5)
Jim McAtear ²	3 (3)
Total meetings	5

¹Retired from the Committee April 2024

²Joined the Committee April 2024

Risk Committee

Members	Attendance
Jane Dumeresque (Chair)	7 (7)
Paul Winter	7 (7)
Julie Nicholson	7 (7)
Ian Grayson ¹	1 (1)
Jonathan Anderson	7 (7)
Kelvin Malayapillay	7 (7)
Jim McAtear ²	6 (6)
Total meetings	7

¹ Retired from the Committee April 2024

² Joined the Committee April 2024

Remuneration Committee

Members	Attendance
Ian Grayson (Chair) ¹	3 (3)
Kelvin Malayapillay (Chair) ²	5 (5)
Julie Nicholson	5 (5)
Jane Dumeresque	5 (5)
Jonathan Anderson	5 (5)
Jim McAtear ³	2 (2)
Total meetings	5

¹ Retired from the Committee April 2024

² Appointed Chair of the Committee July 2024

³ Joined the Committee April 2024

Nomination Committee

Members	Attendance
Julie Nicholson (Chair)	1 (1)
Simon Beresford	1 (1)
Jonathan Anderson	1 (1)
Paul Winter	1 (1)
Total meetings	1

In addition to the Board Committees, the Society's governance structure includes a number of Executive-led management committees that report to the Board or a Board Committee. These are the Executive Committee, Credit Committee, Assets and Liabilities Committee, Conduct & Operational Risk Committee, Transformation Project Committee and the Product Governance Committee. The members of these committees are the Executive Directors, the Chief Operating Officer, the Commercial Director and the Head of People and Culture. Two Non Executive Director attend each Transformation Project Committee meeting.

External appointments

Directors are not permitted to take on additional external appointments without prior approval of the Board. During the reported year approval was given to Non Executive Directors to accept the appointment of additional directorships. The approvals were given because the appointments did not present a conflict of interest with the Society or impact on the time the Non Executive Director in question could devote to the Society's affairs.

Composition, Succession and Evaluation

Nomination Committee role

The Nomination Committee is responsible for considering Board composition, succession planning for both Executive and Non Executive Directors and leads the process for Board appointments. It also oversees Board and Board Committee effectiveness evaluations. A summary of the work of the Nomination Committee follows.

Succession planning and appointments

The Committee considers the balance of skills and experience on the Board and the requirements of the business in the context of succession planning and Board composition. It maintains a Board skills matrix in which it identifies current and future skills requirements. Board composition and the succession pipeline is reviewed at least annually and new Board appointments are made both to reflect the Society's close association with the teaching profession and to ensure that the Society's affairs are directed and overseen with the necessary range of professional skills and business experience.

Candidates for directorship are identified in a number of ways, including advertisements in relevant publications and through external search agencies. One appointment to the Board was made during 2024.

Board evaluation

The Committee has established a system of appraisal and review to evaluate the performance, and the training and development needs, of individual Directors and the Board as a whole.

Each of the Non Executive Directors, and the Chief Executive, undergoes an annual performance review by the Chair of the Board. The Chair's own annual performance is reviewed by the Senior Independent Director, after having solicited feedback from the other Directors. The Chief Executive conducts an annual performance review of the other Executive Directors. The Nomination Committee itself assesses the continuing independence and commitment of the Non Executive Directors and the Board's training and development needs.

The Committee initiates a review and evaluation of Board and Board Committee effectiveness by conducting a formal annual appraisal. This is facilitated by means of a questionnaire completed anonymously by all attendees to the relevant meetings, and extends beyond Directors and committee members. From time to time, the Committee also seeks an external assessment of its effectiveness; such a review was last undertaken in 2023. Whether the review is through self-appraisal or external assessment, actions are agreed to take forward any identified improvements and their implementation is subsequently monitored by the Committee and the Board.

Inclusion & Diversity

The Society has an Inclusion & Diversity Policy to encourage diversity in its workforce and an inclusive culture. In furtherance of this, the Board receives reports on the Society's progress on inclusion and diversity and the Committee takes account of this in its deliberations.

The Board has a policy of encouraging diversity in its composition as much as possible. In support of this, when short-listing for Board appointments, CVs are anonymised with no indication of name or gender available to the selectors.

As required to be disclosed by the Code, the gender balance of those in senior management (defined as members of the Executive Committee) and their direct reports, as at 31 December 2024, is 58% male and 42% female (2023: 50% male and 50% female).

Elections and Re-elections at the AGM

All newly appointed Directors submit themselves for election at the AGM held in the year following the year in which they were appointed. Unless they are stepping down from the Board, all Directors then submit themselves for re-election every subsequent year, subject to continued satisfactory performance. At the 2025 AGM, Jim McAtear will be seeking election and all other Directors will be seeking re-election except Simon Beresford who will be retiring.

Audit, Risk and Internal Control

Audit Committee Role

The Audit Committee is comprised only of independent Non Executive Directors. Its role is to monitor the integrity of the external audit and the Society's financial statements, to appraise the Society's systems of financial control, and to contribute to assessing the overall effectiveness of the Society's control environment and oversee the necessary actions to improve such controls to mitigate the risks faced by the Society. It is supported by regular reports from the Internal Auditor and External Auditor. A summary of the work of the Audit Committee follows.

External audit

The Committee reviewed the overall work plan of the external auditor and approved their remuneration and terms of engagement and considered in detail the results of the audit, the external auditor's performance and independence and the effectiveness of the overall audit process. BDO was first appointed as external auditor at the 2020 AGM.

A key activity of the Committee is to review the Annual Accounts prior to Board approval. It reviewed and challenged relevant accounting policies and significant financial judgements including the going concern status, the level of lending loss provisions, the basis of the 'effective interest rate' (EIR) calculation for revenue recognition, investment property valuation and hedge accounting. In order to address these matters, the Committee sought and received detailed briefings and explanations. All significant financial judgements are set out in the Accounting Policies in notes 1 and 2 to the Accounts, with further details provided in other notes to the Accounts, the Chair's and Chief Executive's Statement and the Strategic Report and the Directors' Report. The Directors' statement of responsibility for preparation of the Annual Report and Accounts is included in the Directors' Report.

Internal audit

The Committee also reviews and approves the plans of the Internal Auditor and during the course of the year receives and reviews the Internal Auditor's reports. The Society has outsourced its internal audit function to RSM Risk Assurance Services LLP.

Internal controls

The Committee has reviewed the effectiveness of the Society's internal financial controls and has monitored progress to ensure that any required remedial action has been or is being taken on any identified weaknesses.

Risk Committee Role

The Risk Committee is comprised only of independent Non Executive Directors and the Chair of the Board. Its role is to oversee the Society's risk management framework and regulatory compliance. It is supported by regular reports from the risk and compliance functions. A summary of the work of the Risk Committee follows.

Risk management

The Committee has reviewed the effectiveness of the Society's risk management systems, compliance with financial services legislation, and has monitored progress to ensure that any required remedial action has been or is being taken on any identified weaknesses.

The Board is responsible for determining the Society's risk management framework and for ensuring the Society operates a robust system of internal control to support its strategy and objectives. The Risk Committee advises the Board on these matters and monitors the risk management framework accordingly. The Board, on the Committee's advice, sets high-level risk appetites to define the level and type of risk the Society is willing to accept and key risk metrics. The Board also directly oversees the risk management of the Society's customer account management system project.

Risk assessment

The Risk Committee and the Board have carried out a robust assessment of the Society's emerging and principal risks and a summary of the outcome of that assessment is included in the Strategic Report. The latter also includes further information on the Society's risk management framework and the mitigation strategies for the specific risks to which the Society is exposed.

Remuneration

The Remuneration Committee has delegated responsibility for setting the remuneration of the Chair, Executive Directors and senior management and makes recommendations to the Board on remuneration policy in general. Further detail is included in the Remuneration Report.

On behalf of the Board

Julie Nicholson

Chair of the Board 11 March 2025

Report of the Directors on Remuneration

The Board aims to follow best practice in its remuneration policy and has regard to the principles of the UK Corporate Governance Code (the Code), issued by the Financial Reporting Council. The Board's objective in designing its remuneration policies and practices is to support strategy and long-term sustainable success.

Remuneration Committee

The Remuneration Committee is comprised exclusively of independent Non Executive Directors and the Chair of the Board.

The Board has given delegated authority to the Remuneration Committee for setting the remuneration of the Executive Directors, senior management and the Chair. The Chair's remuneration is reviewed by the Remuneration Committee without the Chair participating in the decision. The Committee also reviews policy on workforce remuneration generally and makes recommendations to the Board. The Senior Independent Director can provide an independent opinion.

The Committee's remit does not extend to Non Executive Directors' remuneration. Their remuneration is reviewed each year by the Executive Directors and the Chair of the Board, and a recommendation is made to the Board.

Executive Directors' remuneration

Strategic rationale

The Remuneration Committee has the same policy for the Executive Directors as for senior management. The latter is defined for this purpose as Executive Committee members who are not Executive Directors.

There are four objectives supporting the Committee's approach to remuneration: that remuneration is sufficient to attract, retain and motivate individuals of sufficiently high calibre with the necessary skill sets; that it is aligned with the Society's culture and values as a mutual; that it is consistent with managing the Society's business in line with the Board's risk appetite and regulatory requirements; and that it supports the long-term strategic objectives of the Board.

Executive Directors remuneration consists of salary, a bonus payment, and a benefits package. The benefits package comprises a contributory (defined contribution) pension scheme with a maximum 10% employer contribution, a 4 times salary death-in-service benefit, and Permanent Health Insurance (PHI) and Private Medical Insurance (PMI). A relocation package for new appointees may be available on a case-by-case basis depending on individual circumstances.

The Executive bonus is earned as agreed core objectives are achieved. It comprises a broad range of financial and non-financial measures derived from the Society's Corporate Plan.

Achievement of each individual objective results in a proportion of the bonus being earned up to a total of 20% of salary for achievement of all of the targets. An increased award is possible for exceeding objectives, but this is subject to an absolute maximum of 24% of an individual's salary. Partial awards are possible where an objective has been missed by a relatively narrow margin, but only within pre-agreed parameters. The bonus is therefore designed to support the Board's strategic aims.

The Remuneration Committee has absolute discretion to withhold or reduce an award if it believes it is appropriate to do so either generally or in a particular case regardless of whether a target has been met. The Committee may make an award even if an objective has not been met if, in exceptional circumstances, it believes, in its absolute discretion, it is appropriate to do so.

Appropriateness of remuneration

On joining, the Executive Director's salary is determined by reference to roles carrying similar responsibilities in comparable organisations, particularly other similar building societies, and other factors such as expertise, experience and the need to attract candidates from outside our region. Thereafter, salary increases are normally in line with general cost-of-living increases awarded to all colleagues and further reference to market comparisons.

‘Provision 40 factors’

Provision 40 of the Code identifies a number of factors of which the Committee should take into account in determining Executive Director remuneration, and requires that examples should be given in this Report of how they have been addressed. The factors and examples of how the Committee has taken them into account are set out below:

- Clarity – the remuneration package, including a summary of the terms of the bonus scheme, is set out in this report;
- Simplicity – the remuneration package is simple, with few components, and involves only cash payments plus pension contributions, PHI, PMI and the death-in-service benefit;
- Risk – bonus payments are expressly subject to key performance indicators demonstrating that the Society has been managed within the Board’s risk appetite;
- Predictability – the only variable element of the remuneration package, the bonus, has a clear pre-set range of outcomes with a capped maximum as stated above;
- Proportionality – There is a clear link between awards and delivery of strategic objectives. The bonus targets are derived from the strategy set out in the Corporate Plan; and
- Alignment to culture – if the requirements of a series of qualitative gates are not met, regardless of achievement of objectives, then no bonus will be paid. One of these gates includes achievement of good customer outcomes objectives for the Society’s members.

Remuneration policy outcomes

The remuneration policy operated as intended in terms of Society performance and quantum.

Member engagement

At the forthcoming Annual General Meeting, members will be invited to vote on the Remuneration Report.

Workforce engagement

Remuneration is raised and discussed through the workforce engagement activities described in the Corporate Governance Report. The objectives set for the workforce’s bonus scheme are included in the Executive bonus scheme, although the latter has additional objectives.

Remuneration Committee discretion

In view of the Society’s financial results for the reported year, the Committee has decided it would not be appropriate for any bonus payments to be made to Directors. In addition, the Committee accepted the Executive Directors’ recommendation to not award an annual pay increase to any of the Executive Committee members. The Chair and all the Non Executive Directors have also indicated that they will not be accepting any annual pay increases to their own remuneration this year.

Non Executive Directors’ remuneration

In setting Non Executive Directors remuneration, a comparison of the level of fees to those paid in similar building societies is made, and consideration is given to the responsibilities of each Director and the amount available to be paid, as determined by the Society’s rules.

There are no bonus schemes or other benefits for Non Executive Directors, and they are not entitled to any pension from the Society.

Individual Directors Remuneration

Fees paid to Non Executive Directors		
Director	2024 £000	2023 £000
J Nicholson	43	40
I Grayson (until 25.04.24)	10	30
P Winter	32	30
M Himsworth (until 25.04.23)	-	9
J G Dumeresque	32	30
J Anderson	32	30
K Malayapillay	31	28
J McAtear (from 11.04.24)	21	-
Total	201	197
Executive Directors' remuneration		
S Beresford		
Salary	224	211
Bonus	-	39
Benefits	1	1
Pension contributions	22	16
Payment in lieu of pension	-	5
Car allowance	5	5
Total	252	277
P E Jarman		
Salary	114	108
Bonus	-	19
Benefits	2	2
Pension contributions	5	4
Total	121	133
R K Patel		
Salary	182	172
Bonus	-	26
Benefits	2	1
Pension contribution	18	17
Total	202	216
Total Directors' remuneration	776	823

Kelvin Malayapillay

Chair of the Remuneration Committee
11 March 2025

Independent auditor's report to the members of Teachers Building Society

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2024 and of the Society's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Teachers Building Society (the 'Society') for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests, the Statement of Cash Flows and Notes to the Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 30 April 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 30 December 2020 to 31 December 2024. We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Society.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Assessing the Directors' assessment of going concern including supporting financial forecasts through review of key ratios such as net assets, capital and liquidity for significant deterioration, indicating issues related to going concern;
- With the assistance of our regulatory experts, reviewing the Internal Capital Adequacy Assessment Process (ICAAP), Internal liquidity adequacy assessment process (ILAAP) and regulatory capital and liquidity requirements;
- Discussing with the Directors whether events or conditions exist that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern. We corroborated those discussions by agreeing information acquired to supporting documents such evidence of cash flow forecasts, minutes of meetings of Board of Directors, and agreements with suppliers;
- Challenging the appropriateness of the Directors' assumptions and judgements made in their base forecast and stress-tested forecast, including reverse stress test scenarios. In doing so we agreed key assumptions such as forecast growth to historic actuals and relevant market data and considered the historical accuracy of the Directors forecasts; and
- Assessing how the Directors' have factored in key external factors expected to affect the Society such as changes and costs associated with key IT system replacement, changes in interest rates and house prices, climate risk and their corresponding economic impact, checking these had been appropriately considered as part of the Directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters		2024	2023
	Revenue recognition	Yes	Yes
	Impairment losses on loans and advances – collective provision	Yes	Yes
Materiality	£300,000 (2023: £319,000) based on 1.25% (2023: 1.25%) of Net Assets (2023: Net Assets)		

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Society's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Society's transactions and balances which were most likely to give risk to a material misstatement.

Climate change

The disclosure of the Director's consideration of the impact of climate change on the business and asset values of the Society is included in the Strategic Report. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities as set out in the "Other information" section of our audit report below.

In the Strategic Report, the Directors have explained that climate change has been integrated into the Society's risk management framework. We have performed our own quantitative and, for certain areas, qualitative risk assessment of the impact of climate change on the Society, taking into consideration the sector in which the Society operates and how climate change affects this particular sector. We reviewed the minutes of Board and Risk Committee meetings and other papers related to climate change, and performed a risk assessment as to how the impact of the Society's commitment may affect the financial statements and our audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Revenue Recognition</p> <p><i>The Society's accounting policies are disclosed in Note 1(i) and explained in Note 2(iii)</i></p> <p><i>As disclosed in Note 12 the effective interest rate ("EIR") asset at year-end is £834k (2023: £929k).</i></p>	<p>The Society's mortgage interest income is recognised using an effective interest rate ("EIR") method in accordance with the requirements of the applicable accounting standards.</p> <p>This method involves spreading directly attributable expected cash flows over the expected lives of the loans within the mortgage book with a resultant adjustment to contractual fee and interest income to ensure compliance with the EIR method. While the models used to achieve this are not complex, they are reliant on the completeness and accuracy of input data.</p> <p>Significant management judgement is also required to determine the expected cash flows for the Society's loans and advances within these models. The key inputs and assumptions in the EIR models are the expected behavioural life assumptions of the mortgages due to the impact on timing and quantum of expected future cash flows.</p> <p>Errors within the EIR models themselves or bias in key</p>	<p>We obtained an understanding of the design and implementation and tested the operating effectiveness of the Society's controls over revenue recognition, including key reconciliations and processes to ensure complete and accurate capture of fees, interest charges, customer payments and balances;</p> <p>We assessed whether the revenue recognition policies adopted by the Society are in accordance with requirements of the applicable accounting framework. This involved an assessment over the inclusion of the types of fees and costs being spread within the EIR models versus the requirements of the applicable accounting standard;</p> <p>We identified the key data elements of the models and on a sample basis, we tested the completeness and accuracy of key data inputs being loan terms, repayment terms and upfront fees, by agreeing them back to underlying source data such as loan contracts.</p> <p>We assessed the reasonableness of the loan behavioural life assumptions used by management considering historical experience of loan behavioural lives based on customer behaviour, product type, market factors, recent performance and external data where applicable.</p> <p>We tested the functionality of the model assessing the consistency of the calculations with the accounting policy. We verified the arithmetic accuracy of the EIR model by performing a detailed review of the logic, consistency and integrity of the formulae throughout the EIR model and recalculated the model output;</p> <p>We assessed the models for their sensitivities to changes in the key assumptions by considering different profiles of behavioural life.</p> <p>We reviewed the relevant interest income and effective interest rate disclosures made by management for compliance with accounting standards and agreed the disclosures to supporting evidence.</p>

	<p>assumptions applied could result in the material misstatement of revenue.</p> <p>We therefore considered the behavioural life assumption for residential portfolio within revenue recognition to be a significant risk area and key audit matter.</p>	<p>Key observations:</p> <p>We concluded that the fees and costs being deferred are reasonable and complete; the behavioural lives used in the EIR model are reasonable; and the data populating the EIR model is complete and accurate. We concluded that the resulting EIR adjustments made to revenue are reasonable.</p>
--	--	---

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Impairment losses on loans and advances – collective provision</p> <p><i>The Society’s accounting policies are detailed in Note 1(l) with detail about judgements in applying Accounting policies and critical accounting estimates in Note 2(i)</i></p> <p><i>As disclosed in Note 9, the collective impairment provision at year-end is £220k (2023: £409k).</i></p>	<p>The Society accounts for the impairment of loans and advances to customers using an incurred loss model under IAS 39 - Financial Instruments: Recognition and Measurement.</p> <p>In accordance with the recognition and measurement criteria of the applicable accounting standard, management has calculated a collective provision which is recognised for individual loans that do not show impairment, but historical data indicates a likelihood of future losses.</p> <p>Estimating the collective provision required significant management judgement and estimate in determining the value and timing of expected future cash flows.</p>	<p>We obtained an understanding of the design and implementation and tested the operating effectiveness of the Society’s controls over the recognition of the Impairment provision for losses on loans and advances to customers, including those relating to loan origination, model governance and arrears management.</p> <p>We assessed the collective provision methodology against the requirements of applicable accounting standard;</p> <p>We challenged management’s key inputs, assumptions and judgements in the model. The assumptions challenged included forced sales discount, other sales costs, time required to sell, probability of default (PD), the House Price Index (HPI) and HPI haircut. These were challenged with reference to historic Society experience, the reasonableness of external data points used, and the level of the overall collective impairment provision to comparable peer organisations; In addition, we performed sensitivity analysis as well as comparing the estimates to the actual results.</p> <p>We checked the completeness and accuracy of data and key assumptions and inputs feeding into the model through agreeing them on a sample basis to underlying source data;</p> <p>We challenged management on the appropriateness of using probability of default sourced from an external party by the Society’s management and we tested its relevance, reliability</p>

	<p>Due to the sensitivity to key inputs, assumptions, judgements, estimates and the high degree of estimation uncertainty, the Society's collective provision has a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Errors within the provisioning model or bias in key assumptions applied could result in the material misstatement of impairment provisions.</p>	<p>and compliance with the incurred loss model;</p> <p>We challenged the appropriateness of the use of the HPI sourced from an external party, as well as the HPI haircut applied;</p> <p>We tested the appropriateness of the model and its logical application by independently recalculating the results for the entire portfolio to test the integrity and mathematical accuracy of the model calculations;</p> <p>We challenged the adequacy of the provision by considering the completeness of adjustments applied by management, and whether post-model adjustments are required to address the model limitation in light of the current market and macroeconomic environment.</p> <p>We benchmarked the overall provision and coverage to determine if the provision levels are reasonable and internally consistent.</p> <p>Key observations:</p> <p>Based on our work performed, we consider the application of the relevant accounting standards and the judgements and estimates applied, to be reasonable.</p>
--	--	---

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2024	2023
Materiality	£300,000	£319,000
Basis for determining materiality	1.25% of Net assets	
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. Regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits	
Performance materiality	£225,000	£239,000
Basis for determining performance materiality	75% of materiality	
Rationale for the percentage applied for performance materiality	On the basis of our risk assessment together with our assessment of the Society's overall control environment and expected total value of known and likely misstatements, based on past experience, our judgment was that overall performance materiality for the Society should be 75% of materiality.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £ 15,000 (2023: £15,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other Building Societies Act 1986 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

Annual business statement and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• The annual business statement and the Directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986;• The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• The information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given. <p>In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept by the Society; or• the Society financial statements are not in agreement with the accounting records; or• we have not received all the information and explanations we require for our audit.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given on page 65 for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities for Preparing Annual Accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Society and the industry in which it operates;
- Discussion with management and those charged with governance ;
- Our understanding of the Society's policies and procedures regarding compliance with laws and regulations, and
- We considered the significant laws and regulations to be the Building Societies Act 1986, pension legislation, UK tax legislation.

The Society is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of legal correspondence and correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation.

Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Society's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Holding a fraud-focused discussion with BDO forensic specialists to supplement our assessment of how fraud might occur
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Review of management's response to any known or suspected instances of fraud in the period, including understanding improvements made to the internal control environment.
- Conducting a review of correspondence with and reports from the regulators, including the PRA and the FCA;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and in relation to the behavioural life assumption for the residential portfolio within revenue recognition.

Our procedures in respect of the above included:

- Testing journal entries that met defined risk criteria, including a sample of journal entries throughout the year by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were deemed to have the appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report 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, for our audit work, for this report, or for the opinions we have formed.

David Gonnelli

(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

11 March 2025

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

Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 £000	2023 £000
Interest receivable and similar income	5	22,394	21,535
Interest payable and similar charges	6	(14,344)	(11,048)
Net interest income		8,050	10,487
Fees and commission receivable		114	130
Fees and commission payable		(230)	(479)
Net fees and commission expense		(116)	(349)
Other operating income	16	69	56
Other fair value gains/(losses)	7	195	(313)
Net operating income		8,198	9,881
Recurring administrative expenses	8	(7,551)	(7,151)
Non-recurring administrative expenses	8	(2,619)	(1,481)
Depreciation and amortisation	14,15	(68)	(67)
Operating expenses		(10,238)	(8,699)
Operating (loss)/profit before provisions		(2,040)	1,182
Impairment provisions for losses on loans and advances	9	168	(36)
(Loss)/profit before taxation		(1,872)	1,146
Taxation	10	458	(277)
Total (loss)/profit and comprehensive (loss)/income for the year		(1,414)	869

All results arise from continuing operations

Statement of Financial Position

At 31 December 2024

Assets	Notes	2024 £000	2023 £000
Liquid assets:			
Cash in hand and balances with the Bank of England		71,617	92,588
Loans and advances to credit institutions	11	5,099	4,691
		76,716	97,279
Loans and advances to customers:			
Loans fully secured on residential property		297,247	318,090
Other loans fully secured on land		124	128
	12	297,371	318,218
Derivative financial instruments	13	1,642	2,892
Intangible fixed assets	14	-	7
Tangible fixed assets	15	509	555
Investment property	16	549	589
Prepayments		220	189
Deferred tax asset	22	304	-
Other assets	17	13	3
Total assets		377,324	419,732

Liabilities	Notes	2024 £000	2023 £000
Shares and customer deposits:			
Shares	18	233,352	238,183
Deposits owed to other customers	19	103,625	115,891
		336,977	354,074
Amounts owed to credit institutions	20	15,204	36,519
Derivative financial instruments	13	471	1,641
Current tax liabilities		-	255
Accruals and deferred income	21	547	1,260
Deferred tax liabilities	22	-	154
Other liabilities	23	183	473
Total liabilities		353,382	394,376
Total equity attributable to members		23,942	25,356
Total equity and liabilities		377,324	419,732

These accounts were approved by the Board of Directors on 11 March 2025

Julie Nicholson, Chair; **Simon Beresford**, Chief Executive Officer; **Rajesh Patel**, Finance Director.

Statement of changes in Members' Interests

As at 31 December 2024

	Revaluation reserve £000	General reserves £000	Total equity attributable to members £000
At 1 January 2024	735	24,621	25,356
Loss for the year	-	(1,414)	(1,414)
Transfer to general reserve - depreciation on revaluation surplus	(3)	3	-
At 31 December 2024	732	23,210	23,942

	Revaluation reserve £000	General reserves £000	Total equity attributable to members £000
At 1 January 2023	737	23,750	24,487
Profit for the year	-	869	869
Transfer to general reserve - depreciation on revaluation surplus	(2)	2	-
At 31 December 2023	735	24,621	25,356

Statement of cash flows

For the year ended 31 December 2024

	2024	2023
	£000	£000
Net cash (outflow)/inflow from operating activities (see below)	(20,548)	32,588
Cash flows used in investing activities		
Purchase of intangible assets and property, plant and equipment	(15)	(70)
(Decrease)/increase in cash and cash equivalents	(20,563)	32,518
Cash and cash equivalents at beginning of year	97,279	64,761
Cash and cash equivalents at end of year	76,716	97,279
Represented by:		
Cash and balances with the Bank of England	71,617	92,588
Loans and advances to credit institutions repayable on demand	5,099	4,691
	76,716	97,279

	2024	2023
	£000	£000
Net cash (outflow)/inflow from operating activities		
(Loss)/profit before taxation	(1,872)	1,146
Adjusted for:		
Depreciation and amortisation	68	67
Impairment (gain)/loss on loans and advances to customers	(168)	36
Fair value (gain) on hedged loans and advances to customers*	(69)	(4,262)
Fair value (gain)/loss on hedged shares	(17)	121
Fair value loss on investment property	40	-
Effective interest rate accounting adjustment	95	(109)
Changes in net operating assets		
Decrease/(increase) in loans and advances to customers	20,920	(14,861)
(Increase) in other assets	(10)	(3)
(Increase)/decrease in prepayments and accrued income	(31)	35
Change in derivative financial instruments	149	8,549
(Decrease)/increase in shares, deposits and amounts owed to credit institutions	(38,395)	41,893
(Decrease)/increase in other liabilities	(290)	211
(Decrease)/increase in accruals and deferred income	(713)	92
Taxation paid	(255)	(327)
Net cash (outflow)/inflow from operating activities	(20,548)	32,588

* This heading description has changed in the current year from “Fair value (gain)/loss on derivative financial instruments” to make it clear that the fair value movement is in relation to hedge loans which are matched against derivative financial instruments, rather than the derivative financial instruments themselves.

Total cash interest received during the year totalled £22,808k (2023: £21,119k) and total cash interest paid during the year totalled £14,708k (2023: £9,720k).

Note 1 to 28 on the following pages form part of the financial statements.

1. Accounting policies

The Accounts have been prepared in accordance with the Building Societies (Accounts and Relations Provisions) Regulations 1998 and applicable law and United Kingdom Financial Reporting Standard 102 (FRS 102). The particular accounting policies adopted by the Directors are described below.

a. Accounting convention

The accounts are prepared under the historical cost convention modified to include certain items at fair value, and in accordance with FRS 102 issued by the Financial Reporting Council, with the exception of hedge accounting which is prepared in accordance with IAS39 (see note 1g).

b. Basis of preparation

The Society's accounts are made up to 31 December each year. The Directors are required to consider whether the Society will continue as a going concern for a period of twelve months from the date of signing of the accounts.

In assessing this, the Directors have reviewed the Society's corporate plan and evaluated principal risks and uncertainties, with specific reference to the ones linked to the Society's IT systems and third party suppliers. As these risks could affect the Society's capital, financial, and liquidity positions during this period, the Directors have also examined forecasts under stressed yet plausible conditions extending beyond 12 months from the approval date.

Various sensitivities, including stress scenarios due to economic uncertainty from changes to inflation and interest rates, have been applied, focusing on the Society's capital, liquidity, and operational resilience.

The ongoing project to replace the Society's existing customer account management system will be terminated before its completion, after incurring significant costs associated with the loss recorded as of 31 December 2024. As a result, the Directors had to evaluate an alternative plan for the aforementioned IT system migration and have agreed to remain with the existing supplier.

As the new plan requires an upgrade and migration of the currently in use customer account management system to the cloud by the end of 2025, the Directors considered the feasibility of such plan and the associated costs. Specifically, the Directors assessed the time and costs needed for reaching a contractual agreement with the third-party supplier, executing the IT system upgrade and migration to the cloud. The Directors are comfortable with the ongoing operational resilience of the Society after evaluating the third party supplier capability and resources as well as the suite of contingency plans available in case of delays.

After evaluating this information, market and regulatory data, and leveraging our knowledge and experience of the Society and its markets, the Directors confirm that the Society has adequate resources to continue operations for at least 12 months from the approval date of these financial statements. Therefore, adopting the going concern basis is appropriate.

Therefore, the financial statements of Teachers Building Society (the 'Society') are prepared in accordance with the applicable law and United Kingdom Financial Reporting Standard 102 (FRS 102) in conformity with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable.

The impact of Climate risk on the accounting judgments and estimates

The Society makes use of reasonable and supportable information to make accounting judgments and estimates. This includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of borrowers, asset values and market indicators, where relevant. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates for the current period. Some physical and transition risks can manifest in the shorter term.

The following items represent the main effects:

- The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.
- The measurement of loan loss provision with regards to the valuation of collateral that reflects current information and knowledge regarding the effect of climate risk.

c. Tangible fixed assets and depreciation

Tangible fixed assets are held at depreciated historic cost.

Depreciation is not provided on freehold land or investment property. On other assets it is provided on cost or revalued amounts using the straight-line method so as to write them down to their residual values over the following estimated useful lives:

Freehold building – fifty years

Major improvements to buildings – ten years

Computers and electronics equipment – two to seven years

Fixtures and fittings – four to ten years

d. Intangible fixed assets and amortisation

Purchased software and costs directly attributable to the development of software are capitalised and recognised as intangible assets where the software is expected to generate future economic benefits and where attributable costs can be reliably measured. Intangible assets are measured at cost less accumulated amortisation and any impairment charges. Amortisation commences when the software first becomes available for operational use and is charged to the Income Statement on a straight-line basis over the expected useful life of the software, currently between two and seven years

The costs for the new customer account management system have been recognised through the Statement of Comprehensive Income as they were incurred.

e. Investment properties

The proportion of the head office building which is not occupied by the Society but rented out (including the roof space) is classified under FRS 102 as investment property and held at fair value. Any change in fair value during the year resulting from an annual valuation is recognised through the Statement of Comprehensive Income.

The value of the investment property is based on a triennial market valuation which is carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued. The basis of the market valuation is an estimation for which the property would be exchanged between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. It assumes that the property is free from structural or other defects that would materially affect the market value. The method of valuation used is based on current rents and capitalisation yields in the area where the property is located. Where an external valuation is not obtained within the year, the value is assessed internally with external support where required.

f. Basic financial instruments

Basic financial instruments include cash in hand and balances with the Bank of England, loans and advances to credit institutions, loans and advances to customers, amounts owed to credit institutions, shares, and deposits owed to other customers. In accordance with sections 11 and 12 of FRS102, basic financial instruments are initially recognised at transaction price, including transaction costs. Assets and liabilities are subsequently measured at amortised cost which is the present value of a financial instrument's future cash flows discounted at the effective interest rate. The interest income or expense in a period equals the carrying amount at the beginning of a period multiplied by the effective interest rate. The Society derecognises a financial asset or liability when its contractual obligations are discharged or either cancelled or expire.

g. Derivative financial instruments and hedge accounting

In accordance with Section 9A of the Building Societies Act 1986, the Society only uses derivatives to reduce the risk of loss arising from changes in interest rates. Such instruments are not therefore used in trading activity, or for speculative purposes. The Society uses standardised International Swaps and Derivatives Association ("ISDA") agreements with other financial institutions in order to hedge interest rate risk. The ISDA contracts grant legal rights of set off for derivative transactions with the same counterparty. This can reduce the potential credit risk where the derivative contracts may be for offsetting values.

Currently, the Society only uses derivatives to hedge interest rate risk through interest rate swap agreements. These are commitments to exchange one set of cash flows for another. No exchange of principal takes place. By applying hedge accounting, Interest rate swaps are recorded on the statement of financial position at fair value, with any valuation movements being taken to the Statement of Comprehensive Income.

If it can be proven, through the use of regression testing, that there is a qualifying hedge relationship with the underlying items being hedged then the fair value of those underlying items is offset in the Statement of Comprehensive Income in accordance with IAS39, hedge accounting.

However, Statement of Comprehensive Income volatility may still arise to the extent that these hedge relationships are ineffective, or because hedge accounting is not achievable.

h. Taxation

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted, or substantially enacted, by the statement of financial position date.

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

i. Revenue recognition

The Society uses the effective interest rate (EIR) method to recognise income for certain financial instruments held at amortised cost. To calculate the appropriate EIR, the Society makes assumptions of the expected lives of financial instruments to spread interest together with all directly attributable fees payable and receivable over the calculated behavioural life of each mortgage. The Society considered early redemption charges separately and does not currently recognise these. This judgement will be reviewed on an annual basis.

j. Fees and commission receivable

Fees receivable from the Society's mortgage business that are integral to the yield on mortgage loans are included within interest receivable and are recognised using the asset's EIR at inception. Other mortgage fees receivable are recognised within fees and commissions receivable in the same period as their related expenses, or otherwise they are recognised on a receipts basis.

k. Fees and commissions payable

Mortgage indemnity guarantee premiums, broker fees and valuation fees paid are included in 'Fees and commissions payable' and are expensed using the underlying asset's Effective Interest Rate.

l. Other operating income

Other operating income comprises rent and other income receivable from the letting of property and is included in the accounts on an accruals basis.

m. Impairment provision for losses on loans and advances

The Society reviews its loan portfolios to assess whether an impairment loss should be recorded in the Statement of Comprehensive Income where objective evidence exists that a loss has been incurred. The loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's effective interest rate. Assumptions applied in determining fair values are set out in note 2i. The amount charged in the Statement of Comprehensive Income represents the net change in the ongoing provision, after allowing for losses written off in the year and bad debt recoveries. Losses would only be written off where a balance remained on a mortgage account after a repossessed property had been sold. Provisions for bad and doubtful debts are deducted from loans and advances to customers in the statement of financial position.

The Society uses forbearance techniques to help some borrowers through periods where their finances have become stretched and where servicing of the normal mortgage repayment has become difficult. The Society uses forbearance concessions where they are deemed appropriate for an individual borrower's circumstances and may include interest-only facilities, arrears arrangements, term extensions and capitalisation. Individual provisions are considered for all

mortgage accounts in arrears by three months, or more, and for accounts where the property is in possession and there is objective evidence that all cash flows will not be received.

Provisions are made to the extent that the discounted proceeds of sale of the property would be insufficient to meet the outstanding debt and related costs of sale.

Accounts in default are individually assessed and the amount of loss is determined using historical default and loss experience and applying judgement requiring the estimation of forced sale discounts, likelihood of repossession (probability of default), and the impact of macro-economic factors such as house price volatility, interest rate expectations and unemployment rates. Default is defined as either being three months or more in arrears or being in receipt of forbearance. Losses on accounts where the property has been repossessed are provided for after consideration of the likely sale price and the costs of sale.

A collective provision is made against loans and advances which have not been specifically identified as impaired, but where the Society's experience would indicate that losses may ultimately be realised. The impairment value is calculated by applying various factors to each loan. These factors take into account the probability of eventual repossession, the value of the property in the event of a forced sale and the costs of sale together with the general economic climate, which may ultimately result in a loss being realised. The potential financial impact of climate change is captured in property prices determined using an external house price index. Climate change has not had a significant impact on the loan loss provision in either the current or prior years. The probability of eventual repossession is applied based on externally obtained credit scores for each mortgage account where possible. For mortgages where no credit score is available, an internal calculation based on historic experience is applied.

n. Term Funding Scheme with additional incentives for SMEs (TFSME)

The Society has been admitted into the Bank of England's TFSME which provides funding for a fixed term of four years from the date of drawdown.

The TFSME scheme is an extension to the previous TFS scheme with the available funding being set by reference to mortgage growth. The availability of funding increases where lending is made to SMEs.

The Society has utilised TFSME to fully refinance the previous TFS funding, extending the maturity dates and to provide an additional source of funding for future growth.

The balance of TFSME funding is disclosed under 'Amounts owed to credit institutions' on the Statement of Financial Position.

o. Colleague Benefits

Pensions

The Society operates a defined contribution arrangement whereby the Society, and the colleague, pay fixed contributions, without any further obligation to pay additional contributions. Payments to defined contribution schemes are charged to the Statement of Comprehensive Income as they arise.

Other long-term colleague benefits

The cost of bonuses payable after the end of the year in which they are earned are recognised in the year in which the colleagues render the related service and when there is an obligation to pay a bonus under the terms of the scheme.

Short-term colleague benefits

The cost of short-term colleague benefits, including wages and salaries, social security costs and healthcare for current colleagues, is recognised in the year of service. Termination benefits, such as payments in lieu of notice and for redundancy, are charged to the Statement of Comprehensive Income as they fall due.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Society's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are estimations that the Directors have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. There are no critical accounting judgements in the period:

i. Impairment Provision on Loans and Advances:

Key assumptions included in the incurred loss model include data regarding the probability of specifically provided accounts going into default, the probability of defaulted accounts progressing to possession and the eventual loss incurred in the event of forced sale or write-off. The House Price Index (HPI) and the discount applied on forced sale are key assumptions on the residential mortgage books. These assumptions are based on observed historical data and updated or adjusted as management considers appropriate to reflect current and future conditions. For the year ended 31 December 2024, management applied a 5% reduction (2023: 5% reduction) to HPI values and used a forced sale discount of 22.27% (2023: 22.92%) based on historical data. The accuracy of the impairment provision would therefore be affected by unexpected changes in the above assumptions. Collateral values are updated at the date of each statement of financial position based on the most recent information publicly available.

To the extent the HPI movements were to differ from current observations by 2.5%, the impact on provisions would be £35k (2023: £48k). The impact of a 2.5% change in the calculated probability of default currently being applied would impact provisions by £6k (2023: £11k).

The carrying value of impairment provisions on loans and advances as at 31 December 2024 is £264k (2023: £432k)

ii. Fair Value of Derivatives:

Derivative financial instruments are valued by using market prices or prices obtained from counterparties. In cases where market prices are not available, discounted cash flow models are used. The Society applies fair value hedge accounting which relies on a number of assumptions, the most significant of which relates to estimates in respect of loan prepayments.

The net carrying value of derivative financial instruments as at 31 December 2024 is £1,171k asset (2023: £1,251k).

iii. Effective Interest Rate (EIR):

The Society uses the EIR method to recognise income for certain financial instruments held at amortised cost. To calculate the appropriate EIR, the Society makes assumptions of the expected lives of financial instruments. The Society considered early redemption charges separately and does not currently recognise these. This judgement will be reviewed on an annual basis. The impact of a 10% change in the expected lives of financial instruments would result in an increase/decrease in the value of the loans in the statement of financial position by £1,409k/(£472k) respectively (2023: £1,469k/(£369k)).

The Society does not adjust behavioural lives based on historical experience for changes in the base rate.

The carrying value of the EIR, loan origination fees asset as at 31 December 2024 is £834k (2023: £929k).

iv. Investment Property:

The fair value of the investment property is measured annually with the movements recognised in the Statement of Comprehensive Income. The Society's policy is to have a formal valuation based on rental yields every three years, with the valuation changes for the years between being the best estimate of the Directors, taking advice from local commercial property experts. The last formal valuation was as at 31 December 2024, with the next external valuation due to take place as at 31 December 2027.

To the extent that rental yields were to reduce by 5%, this could result in a reduction of £27k in the investment property value.

The carrying value of investment property as at 31 December 2024 is £549k (2023: £589k)

3. Directors

a. Directors Remuneration

Directors' remuneration totalled £776k (2023: £823k). Full details are given in the Report of the Directors on Remuneration from pages 26 to 28.

b. Transactions with Directors and related parties

At 31 December 2024 no mortgage loans (2023: one mortgage totalling £87,082) made in the ordinary course of business were outstanding to any related party.

Amounts deposited by Directors and their close family members earn interest at the same rates offered to the public and interest received totalled £1,069, being £1,001 to Non Executive Directors and £68 to Executive Directors (2023: £476, £436 to Non Executive Directors and £40 to Executive Directors). Total balances held by all Directors and related parties at 31 December 2024 totalled £31,043, £29,045 from Non Executive Directors and £1,998 from Executive Directors (2023: £41,017, £39,088 from Non Executive Directors and £1,929 from Executive Directors).

In accordance with Section 68 of the Building Societies Act 1986, particulars of the loans falling within Section 65 of that Act are included in a register maintained for that purpose. These particulars, or a copy of them, will be available for inspection by members on request from the Secretary at the Society's registered office, during the period of fifteen days prior to the Annual General Meeting and at that meeting.

4. Colleagues

	2024	2023
Average number of persons employed by the Society		
Full time	61	66
Part time	15	13
Total	76	79

5. Interest receivable and similar income

	2024 £000	2023 £000
On loans fully secured on residential property	15,999	14,595
On other loans fully secured on land	9	15
Effective interest rate accounting adjustment	(95)	109
On other liquid assets	4,084	2,998
Total on financial instruments not measured at fair value	15,913	14,719
Net interest income on derivative financial instruments measured at fair value	2,397	3,818
Total	22,394	21,535

6. Interest payable and similar charges

	2024 £000	2023 £000
On shares held by individuals	13,231	9,035
On deposits and debt securities	1,073	1,979
Total on financial instruments not measured at fair value	14,304	11,014
On derivative financial instruments	40	34
Total	14,344	11,048

7. Other fair value gains and losses

The Society's income, expense, gains and losses in respect of fair value changes through the Statement of Comprehensive Income and summarized in the following table:

	2024 £000	2023 £000
Fair value movements through the Statement of Comprehensive Income		
Hedged loans and advances	69	4,262
Hedged shares and customer deposits	17	(121)
Derivative financial instruments	149	(4,454)
Investment property	(40)	-
Other fair value gains/(losses)	195	(313)

8. Administrative expenses

	2024 £000	2023 £000
Recurring administrative expenses		
Colleague costs		
Wages and salaries	3,930	4,091
Social security costs	451	475
Pension costs – defined contribution scheme	267	234
	4,648	4,800
Auditor remuneration (inclusive of VAT)		
For audit of the Society's annual accounts	262	244
Other assurance services	-	-
Total auditor remuneration	262	244
Other expenses	2,641	2,107
	7,551	7,151
Non- recurring administrative expenses		
IT project costs	2,619	1,481
	2,619	1,481

9. Impairment provisions for losses on loans and advances to customers

	2024 £000	2023 £000
Loans fully secured on residential property		
At 1 January		
Collective provision	409	382
Individual provision	23	14
	432	396
Income & expenditure (credit)/charge for the year		
Collective provision	(189)	27
Individual provision	21	9
	(168)	36
At 31 December		
Collective provision	220	409
Individual provision	44	23
	264	432

The (credit)/charge to income and expenditure is made up as follows:	2024 £000	2023 £000
Movements in provisions as above	(168)	36
	(168)	36

The interest arising from the un-wind of the discount of expected future recoveries is not material. There are no provisions for loans fully secured on the land.

10. Tax on (loss)/profit on ordinary activities

	2024 £000	2023 £000
Current Tax:		
UK Corporation Tax	-	255
Total current tax charge	-	255
Deferred Tax:		
Effect of tax rate change on opening balance	-	21
Origination and reversal of timing differences	(458)	1
Deferred tax (credit)/charge	(458)	22
Total (credit)/charge on (loss)/profit on ordinary activities	(458)	277

Current tax has been provided at the rate of 25% (2023: 23.52%). Deferred tax has been provided at 25% (2023: 25%), being the substantively enacted rate at the statement of financial position date.

Origination and reversal of timing differences relate primarily to the loss carried forward which will be recovered by offsetting against future tax liabilities arising.

	2024 £000	2023 £000
Tax (credited)/charged on (loss)/profit at the average standard rate	(468)	269
Effects of:		
Depreciation in excess of capital allowances	9	5
Expenses not deductible for tax purposes	11	-
Adjustments to tax charge in respect of previous periods - deferred tax	-	2
Re-measurement of deferred tax for changes in tax rate	-	1
Chargeable (losses)	(10)	-
	(458)	277

11. Loans and advances to credit institutions

Loans and advances to credit institutions mature from the date of the statement of financial position as follows:	2024 £000	2023 £000
Repayable on demand	5,099	4,691
	5,099	4,691

12. Loans and advances to customers

	2024	2023
	£000	£000
Loans and advances to customers are repayable from the statement of financial position date as follows:		
- repayable on demand – accounts in possession	91	120
- repayable in not more than 3 months	1,553	1,700
- repayable in more than 3 months but not more than 1 year	7,515	6,417
- repayable in more than 1 year but not more than 5 years	33,403	35,027
- repayable in more than 5 years	255,120	275,407
	297,682	318,671
- impairment provisions (see note 9)	(264)	(432)
- effective interest rate adjustment	834	929
- fair value adjustment	(881)	(950)
	297,371	318,218

Mortgage assets held by the Society included items with a carrying value of £98,653k (2023: £122,007k) that were pledged to the Bank of England as collateral.

13. Derivative financial instruments

Derivatives are only used by the Society in accordance with the Building Societies Act 1986. This means that such instruments are not used in trading activity, or for speculative purposes, and are only used to reduce the risk of loss on fluctuations in interest rates. Interest rate swaps are used to hedge the Society's exposures arising from fixed rate mortgage lending and savings products. The Society's primary goal is to manage risk within its risk tolerance, irrespective of the accounting treatment.

The following table summarises the derivative financial instruments held at the year-end and the hedged items in place at that date, together with the net adjustment taken to the Statement of Comprehensive Income.

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	£000s	£000s	£000s	£000s
Financial instruments measured at fair value				
Interest rate swaps in an effective hedging relationship	1,642	471	2,892	1,641
Fixed rate mortgages	-	881	-	950
Fixed rate savings	-	56	-	73
Total hedged position	1,642	1,408	2,892	2,664
Hedge ineffectiveness loss	55	-	290	-
Accrued swap interest income receivable	-	289	-	518
Total	1,697	1,697	3,182	3,182

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Where the fair value movement of an interest rate swap is within the range of 80% to 125% of the fair value movement in the hedged instrument (hedge effectiveness), hedge accounting may be applied so that the majority of the fair value movements can be offset. Where the effectiveness is within the range above but not equal to 100%, the variation between 100% and the actual effectiveness is classed as the ineffective proportion of the hedge relationship and recognised through the Statement of Comprehensive Income.

Hedge ineffectiveness resulted in a gain of £235k (2023: loss of £313k) which was recognised in the Statement of Comprehensive Income.

The total notional value of swaps held at 31 December 2024 was £130.75m (2023: £142.25m), all of which were linked to SONIA.

14. Intangible fixed assets

	Computer Software £000	Total £000
Cost or valuation at 1 January 2024	698	698
Disposal of intangible assets no longer in use	(453)	(453)
At 31 December 2024	245	245
Accumulated amortisation at 1 January 2024	691	691
Charge for the year	7	7
Eliminated on disposal	(453)	(453)
At 31 December 2024	245	245
Net book values		
At 31 December 2024	-	-
At 31 December 2023	7	7

15. Tangible fixed assets

	Freehold land and buildings £000	Equipment, fixtures and fittings, £000	Total £000
Cost or valuation at 1 January 2024	569	420	989
Additions	-	15	15
Disposals	-	(1)	(1)
Transfer from investment property	-	-	-
Transfer to investment property	-	-	-
At 31 December 2024	569	434	1,003
Accumulated depreciation at 1 January 2024	139	295	434
Charge for the year	7	54	61
Eliminated on disposal	-	(1)	(1)
At 31 December 2024	146	348	494
Net book values			
At 31 December 2024	423	86	509
At 31 December 2023	430	125	555

16. Investment property

	2024 £000	2023 £000
Fair value at 1 January	589	760
Transfer to freehold land and buildings	-	(270)
Transfer from freehold land and buildings	-	99
Net (loss) from fair value movements	(40)	-
At 31 December	549	589

Investment property represents the proportion of the head office building which is let to third parties, on commercial terms. This proportion of the building is held at fair value, with an external valuation obtained at least every 3 years. The valuation as at 31 December 2024 showed a reduction in the fair value of the investment property of £40k. The prior year transfer between freehold and investment property is where the Society opted to rent out a section of the building that it previously occupied, thus transferring from freehold land and buildings into investment property. At the same time, the Society began occupying part of the building previously let out to tenants, resulting in a transfer from investment property to freehold land and buildings.

Property rental income earned during the year was £69k (2023: £56k). This is included within 'Other operating income'.

The current value of future lease income expected is shown below:

	2024 £000	2023 £000
Receivable within 1 year	51	46
Receivable in more than 1 year and less than 5 years	95	104
Total amounts receivable under current lease agreements	146	150

17. Other assets

	2024 £000	2023 £000
Rents receivable from investment property	13	3
	13	3

18. Shares

	2024 £000	2023 £000
Shares, all of which are held by individuals, are payable from the statement of financial position date in the ordinary course of business as follows:		
- on demand	107,033	105,501
- in not more than 3 months	59,413	75,275
- repayable in more than 3 months but not more than 1 year	63,416	55,329
- repayable in more than 1 year but not more than 5 years	3,434	2,005
- fair value adjustment	56	73
	233,352	238,183

19. Deposits owed to other customers

	2024 £000	2023 £000
Deposits owed to other customers are repayable from the statement of financial position date in the ordinary course of business as follows:		
- on demand	11,483	12,797
- repayable in not more than 3 months	29,612	43,630
- repayable in more than 3 months but not more than 1 year	34,992	32,711
- repayable in more than 1 year but not more than 5 years	27,538	26,753
	103,625	115,891

20. Amounts owed to credit institutions

Amounts owed to credit institutions are payable from the statement of financial position date in the ordinary course of business as follows:	2024 £000	2023 £000
- repayable in not more than 3 months	-	-
- repayable in more than 3 months but not more than 1 year	15,204	11,188
- repayable in more than 1 year	-	25,331
	15,204	36,519

Included within amounts owed to credit institutions is £15m (2023: £35m) of TFSME borrowing from the Bank of England.

21. Accruals and deferred income

	2024 £000	2023 £000
Falling due within one year:		
Accruals	507	1,204
Deferred income	15	15
Interest due to swap counterparties	25	41
	547	1,260

22. Deferred taxation

	2024 £000	2023 £000
Deferred taxation balance in the period at 1 January	(154)	(132)
Decrease/(increase) in asset/(liability) recognised	458	(22)
At 31 December	304	(154)
Analysis of deferred taxation balance:		
Depreciation difference to capital allowances	(49)	(50)
Short-term differences (less than three years)	-	27
Fair value of investment property	(121)	(131)
Losses and other deductions	474	-
	304	(154)

Origination and reversal of timing differences relate primarily to the loss carried forward which will be recovered by offsetting against future tax liabilities arising.

23. Other liabilities

	2024 £000	2023 £000
Falling due within one year:		
Trade creditors	53	293
Social security liability	128	170
Unallocated funds to be returned	2	10
	183	473

24. Financial instruments

a. Categories of financial instruments

	At amortised cost £000	Fair value through OCI £000	Total £000
As at 31 December 2024			
Assets			
Cash in hand and balances with the Bank of England	71,617	-	71,617
Loans and advances to credit institutions	5,099	-	5,099
Derivative financial instruments	-	1,642	1,642
Loans and advances to customers	297,371	-	297,371
Total financial assets	374,087	1,642	375,729
Total non-financial assets			1,595
Total assets			377,324
Liabilities			
Shares	233,352	-	233,352
Amounts owed to credit institutions	15,204	-	15,204
Amounts owed to other customers	103,625	-	103,625
Derivative financial instruments	-	471	471
Accruals and deferred income	547	-	547
Trade creditors	181	-	181
Total financial liabilities	352,909	471	353,380
Total non-financial liabilities			2
Total equity attributable to members			23,942
Total reserves and liabilities			377,324

	At amortised cost £000	Fair value through OCI £000	Total £000
As at 31 December 2023			
Assets			
Cash in hand and balances with the Bank of England	92,588	-	92,588
Loans and advances to credit institutions	4,691	-	4,691
Derivative financial instruments	-	2,892	2,892
Loans and advances to customers	318,218	-	318,218
Total financial assets	415,497	2,892	418,389
Total non-financial assets			1,343
Total assets			419,732
Liabilities			
Shares	238,183	-	238,183
Amounts owed to credit institutions	36,519	-	36,519
Amounts owed to other customers	115,891	-	115,891
Derivative financial instruments	-	1,641	1,641
Accruals and deferred income	1,260	-	1,260
Trade creditors	424	-	424
Total financial liabilities	392,277	1,641	393,918
Total non-financial liabilities			458
Total equity attributable to members			25,356
Total reserves and liabilities			419,732

b. Fair values

The table below shows the fair values of the Society's financial instruments by type, including a note of the method used to determine the fair value.

31 December 2024	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Derivative financial instruments	i.	-	1,642	-	1,642
		-	1,642	-	1,642
Liabilities					
Derivative financial instruments	i.	-	471	-	471
		-	471	-	471

31 December 2023	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Derivative financial instruments	i.	-	2,892	-	2,892
Total financial assets		-	2,892	-	2,892
Liabilities					
Derivative financial instruments	i.	-	1,641	-	1,641
Total financial liabilities		-	1,641	-	1,641

The fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

i. Derivatives are used for economic hedging purposes with level 2 inputs by reference to market prices.

The replacement value of the derivatives held by the Society approximates their fair values, as disclosed above.

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1: Quoted prices for similar instruments.

Level 2: Directly observable market inputs other than level 1 inputs.

Level 3: Inputs not based on observable market data.

c. Credit risk: loans and advances to customers

The Society is exposed to credit risk relating to loans and advances to customers and this is detailed below:

The first table reconciles mortgage balances to the Statement of Financial Position which includes provisions, EIR and fair value adjustments.

	2024		2023	
	£000	%	£000	%
Loans fully secured on residential property	297,247	99.96%	318,090	99.96%
Other loans fully secured on land	124	0.04%	128	0.04%
	297,371		318,218	
Provision for impairment losses	264		432	
Unamortised loan origination fees	(834)		(929)	
Fair value adjustments	881		950	
Loans and advances to customers	297,682		318,671	

The Society's exposure to credit risk relating to loans and advances to customers can be broken down by customer segment as follows

	2024		2023	
	£000	%	£000	%
Residential	296,677	99.66%	317,593	99.66%
Non-residential	124	0.04%	128	0.04%
Fair value adjustments	881	0.30%	950	0.30%
Loans and advances to customers	297,682	100.00%	318,671	100.00%

Credit risk: risk concentrations

Loan to value (LTV) is one of the primary factors used to assess the credit quality of secured lending. Index-linked LTV banding is shown below:

	2024		2023	
	Residential	Non-residential	Residential	Non-residential
Less than or equal to 50%	23.9%	100.0%	22.0%	100.0%
More than 50% but less than or equal to 60%	12.6%	-	12.0%	-
More than 60% but less than or equal to 70%	16.0%	-	13.7%	-
More than 70% but less than or equal to 80%	21.2%	-	22.4%	-
More than 80% but less than or equal to 90%	20.2%	-	16.4%	-
More than 90% but less than or equal to 100%	6.1%	-	13.2%	-
More than 100%	0.0%	-	0.3%	-
	100.0%	100.0%	100.0%	100.0%

The table below provides a break-down of secured lending by payment due status:

	2024		2023	
	Residential	Non-residential	Residential	Non-residential
Current	99.3%	100.0%	99.7%	100.0%
Past due up to 3 months	0.5%	-	0.3%	-
Past due 3 months up to 6 months	-	-	-	-
Past due 6 months up to 12 months	0.1%	-	-	-
Past due over 12 months	0.1%	-	-	-
Possessions	-	-	-	-
	100.0%	100.0%	100.0%	100.0%

As at 31 December 2024, two mortgages (2023: 1) were more than 12 months in arrears with a balance of £208k representing less than 0.1% of the total mortgage book.

The Society provides secured loans to retail and commercial customers across England and Wales.

Region	2024		2023	
	£000	%	£000	%
South West	62,543	21%	63,119	20%
Greater London	32,181	11%	37,787	12%
Outer Metropolitan	38,302	13%	44,356	14%
South East/East of England	50,709	17%	54,094	17%
Midlands	42,616	14%	46,165	14%
North West/North of England	56,956	19%	58,834	18%
Wales and Scotland	14,375	5%	14,316	5%
	297,682	100%	318,671	100%

Collateral values are updated at the date of each statement of financial position by reference to the Nationwide house price index (HPI). Based on these indexed valuations, the total collateral held against lending secured against land and residential property is estimated to be £610m (2023: £649m). Any collateral surplus on the sale of repossessed properties, after the deduction for cost incurred in relation to the sale would be returned to the borrower.

As at 31 December 2024, there was one mortgage in possession (2023: 2) with a mortgage balance of £91.5k against a property with an indexed value of £89.3k. The expected loss in connection with this account has been provided for in the loan loss provision.

d. Credit risk: Treasury financial instruments

The Society is exposed to Treasury credit risk in respect of loans and advances to credit institutions and financial derivatives. The credit risk exposure to Treasury Instruments equates to its carrying amount recognised in the statement of financial position. The following table shows the Society's maximum credit risk.

	2024 £000	2023 £000
UK government securities and amounts held with central banks	71,617	92,588
UK financial institutions	5,099	4,691
	76,716	97,279
Financial derivatives	1,642	2,892
	78,358	100,171

The following table shows exposure broken down by Fitch ratings for loans and advances to credit institutions.

	2024 £000	2023 £000
AAA to AA-	71,617	92,588
A+ to A-	5,099	4,691
	76,716	97,279

The geographical distribution of these exposures is as follows:

	2024 £000	2023 £000
UK	78,358	100,171
	78,358	100,171

e. Liquidity risk

The following tables analyse the gross contractual cash flows payable under financial liabilities.

2024				
Non-derivative liabilities	Total £000	Less than 3 months £000	Between 3 months and 1 year £000	Greater than 1 year £000
Shares	250,220	121,453	74,700	54,067
Amounts owed to credit institutions	15,768	178	15,590	-
Amounts owed to other customers	122,610	33,487	47,247	41,876
	388,598	155,118	137,537	95,943
Derivative liabilities				
Interest rate swaps	2,476	414	971	1,091

2023				
Non-derivative liabilities	Total £000	Less than 3 months £000	Between 3 months and 1 year £000	Greater than 1 year £000
Shares	238,366	137,458	98,896	2,012
Amounts owed to credit institutions	39,274	463	2,421	36,390
Amounts owed to other customers	134,666	46,707	54,889	33,070
	412,306	184,628	156,206	71,472
Derivative liabilities				
Interest rate swaps	5,558	777	1,781	3,000

Amounts payable in less than three months includes amounts repayable on demand.

f. Interest rate risk

The Society is exposed to interest rate risk which primarily arises from market changes in interest rates which affect the interest rate margin generated from lending and borrowing activities. One aspect of interest rate risk to which the Society is also exposed is basis risk. This arises where assets and liabilities re-price with reference to differing interest rate bases, principally Bank of England base rate and SONIA.

To reduce the impact of an adverse change in interest rates on the Society's net interest income the net exposure (i.e. after offsetting assets and liabilities internally) is hedged using interest rate swaps within parameters set by the Asset and Liability Committee in accordance with the Society's risk appetite. The most significant estimate in respect of hedge accounting is that of mortgage loan prepayments. This can impact how effective interest rate swaps are at mitigating interest rate risk.

Basis risk is mitigated by managing the exposure within risk limits set by the ALCO.

By way of illustration, based on a static statement of financial position, a 2% parallel upward shift in interest rates would have a favourable impact on net interest income of £496k (2023: £774k) over a one-year period.

g. Derivative financial instruments

The Society has entered into Credit Support Annexes (CSA's) for its derivative instruments which typically provide for the exchange of collateral on a daily basis to mitigate net mark to market credit exposure.

The following table shows the impact on derivative financial instruments:

2024	Gross Amounts £000	Financial Collateral £000	Net amounts £000
Financial Assets			
Derivative financial instruments	1,642	-	1,642
Financial Liability			
Derivative financial instruments	(471)	-	(471)
	1,171	-	1,171

2023	Gross Amounts £000	Financial Collateral £000	Net amounts £000
Financial Assets			
Derivative financial instruments	2,892	-	2,892
Financial Liability			
Derivative financial instruments	(1,641)	-	(1,641)
	1,251	-	1,251

* As reported in the statement of financial position

** The minimum transfer amount for financial collateral is £250,000 in either direction

25. Analysis of change in net debt

	2023 £000	Cash Flows £000	2024 £000
Cash and cash equivalents:			
Cash in hand and balances with the Bank of England	92,588	(20,971)	71,617
Loans and advances to credit institutions	4,691	408	5,099
	97,279	(20,563)	76,716

26. Capital

The objective of the Board is to maintain a strong capital base to provide protection for members, promote market confidence and support future growth. The Society is required to manage its capital to meet the requirements of the Capital Requirements Directive (CRD IV) and related requirements set by the Prudential Regulation Authority (PRA).

The Society operates a formal Internal Capital Adequacy Assessment Process (ICAAP) to determine and demonstrate how these requirements are met. As part of the ICAAP the Board has established an internal minimum threshold for capital that is sufficient to support present and future capital requirements, withstand a severe but plausible stress and ensure the minimum regulatory requirement is adhered to. Compliance with capital requirements is monitored monthly, the results of which are reported to the Board. The Society complied with and maintained surplus capital requirements above the regulatory minimums during the reporting period.

The following table sets out the balances that the Society manages as capital in accordance with the PRA's requirements.

	Note	2024	2023
		£000	£000
General reserves		23,210	24,621
Revaluation reserves		732	735
Deductions for intangible assets	14	-	(7)
Deductions for deferred tax asset		(304)	
Total Tier 1 Capital		23,638	25,349
Collective impairment provision	9	220	409
Total Tier 2 Capital		220	409
Total Capital		23,858	25,758

27. Country by country reporting

Under Article 89 of the Capital Requirements Directive (CRD), the Society is required to disclose the following information:

	2024	2023
Location of operations	United Kingdom	
Nature of activities	Deposit taking, mortgage lending	
Turnover*	£8,198k	£9,881k
Average number of colleagues	76	79
(Loss)/profit before tax	(£1,872k)	£1,146k
Cash tax paid	(£255k)	(£327k)
Public subsidies	£nil	£nil
Bank of England Term Funding Scheme with additional incentives for SMEs	£15,000k	£35,000k

*Note: Turnover is stated as Net Operating Income taken from the Society's statement of comprehensive income.

28. Subsequent events

After the year end, the Board approved management's recommendation to terminate the current project to replace the Society's customer account management systems after having considered and evaluated an alternative plan subject to finalisation. Please also refer to the going concern disclosure note. There are no adjustments required to the accounts as a result of this.

Annual business statement
For the year ended 31 December 2024

1. Statutory percentages

	2024	Statutory limit
Lending limit	0.8%	25%
Funding limit	33.7%	50%

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986 as amended by the Building Societies Act 1997.

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. The funding limit measures the proportion of shares and borrowings other than those from individuals.

The statutory limits are the maxima laid down under the Building Societies Act 1986 as amended by the Building Societies Act 1997 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and that the Society is funded substantially by its members.

2. Other percentages

	2024	2023
As a percentage of shares and borrowings		
Gross capital	6.8%	6.5%
Free capital	6.6%	6.3%
Liquid assets	21.8%	24.9%
As a percentage of mean total assets		
(Loss)/profit after tax	(0.35%)	0.22%
Management expenses	2.57%	2.19%
Management expenses excluding non-recurring administrative expenses	1.91%	1.82%

The above percentages have been prepared from the Society's accounts.

Shares and borrowings represents the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers.

'Gross capital' comprises reserves and revaluations reserves.

'Free capital' comprises gross capital and collective provisions less tangible fixed assets.

'Liquid assets' represents the total of cash in hand, loans and advances to credit institutions, debt securities and other liquid assets shown as in the statement of financial position.

'Mean total assets' is the average of the total assets at the beginning and end of the relevant financial years.

'(Loss)/profit after tax' represents the profit for the financial year as shown in the Statement of Comprehensive Income.

'Management expenses' represent the aggregate of administrative expenses and depreciation and amortisation costs.

3. Information relating to Directors and other officers

As at 31 December 2024 the Directors were:

Name	Date of Birth	Occupation	Date of Appointment	Other Directorship
S Beresford	14/03/1963	Chief Executive	17/02/2017	Teachers Housing Association BSA Pension Trustees Ltd
P E Jarman	29/02/1964	Legal Director & Secretary	11/05/2015	Diocese of Salisbury Academy Trust
R K Patel	12/10/1969	Finance Director	10/07/2019	None
J Nicholson	29/04/1965	Director	26/04/2018	Shop Direct Finance Company Ltd QIB (UK) plc VG Consumer Finance Ltd
P Winter	20/10/1950	Director	29/06/2017	None
J G Dumeresque	31/08/1958	Director	22/10/2021	JD Capital Management Ltd (dormant) Foresters Friendly Society
J Anderson	22/06/1955	Director	09/08/2022	None
K Malayapillay	05/03/1971	Director	19/10/2022	Tune Protect Bhd. Tune Protect Commercial Brokerage LLC Malayapillay Consulting Ltd Exeter Friendly Society Exeter Cash Plan Holdings Limited Exeter Cash Plan Limited
J McAtear	11/09/1965	Director	11/04/2024	Hartismere Family of Schools English Speaking Board (International) Ltd

At 31 December 2024 none of the Directors has service contracts except Simon Beresford (dated 17.02.2017), Patrick Jarman (dated 06.12.2011) and Rajesh Patel (dated 17.06.2019). Their contracts may be terminated by either side on six months' notice.



Teachers Building Society

Teachers Building Society, Allenview House, Hanham Road, Wimborne. Dorset BH21 1AG.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Register no. 156580) Calls are recorded for quality and training purposes.