

SUMMARY FINANCIAL STATEMENT



FOR THE YEAR ENDED 31 DECEMBER 2019

Summary Financial Statement

For the year ended 31 December 2019

The summary financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand from the offices of Teachers Building Society from 10 April 2020 or can be downloaded from www.teachersbs.co.uk from 2 April 2020. The auditor's report in relation to the full financial statements was not qualified in any respect.

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

Financial highlights:

- Profit for the year before tax was £249k (2018 : £1,122k)
- Mortgage assets at the year-end of £231.4m (2018 : £230.9m)
- Shares and customer deposits increased to £244.6m (2018 : £234.7m)
- Gross capital ratio remained stable at 7.8% (2018 : 7.8%)

Summary Directors' Report

I am pleased to present the Summary Financial Statement of Teachers Building Society for the year ended 31 December 2019.

Financial performance this year reflects a challenging economic and political environment combined with a fiercely competitive mortgage market driven by existing providers refocusing their business as well as new entrants.

As a result profitability has reduced in 2019, which is in line with our expectations. As a mutually owned organisation we focus on making sufficient profit that balances the interest of our mortgage and savings members whilst maintaining our capital strength and to invest for the future.

Our capital and liquidity positions remained strong in 2019, which provides a solid platform for a sustainable and resilient business into the future. Our tier 1 capital ratio continues to be significantly in excess of regulatory requirements. The Society's strong liquidity and funding position allowed a proportion of our funding from the Bank of England's Term Funding Scheme be repaid early.

As part of the continued investment in the business, administrative expenses increased in 2019 which was in line with the plan for the year. The Board is responsible for the long-term sustainability of the Society, and the continued investment in the business has built a strong platform for controlled growth and profitability.

Mortgage Lending

The Society was founded to help teachers to own their own homes and we have continued to help more teachers to get onto the housing ladder in 2019 with around 47% (2018: 56%) of new lending being to first-time buyers including through schemes such as Help to Buy. New mortgage lending for the year was £42.2m (2018: £53.6m) with net lending increasing marginally by £0.1m (2018: reduced by £1.2m).

Our personal service and approach of individually assessing all mortgage applications for credit quality and affordability has continued to ensure that our mortgage arrears remain low compared to the building society sector and the industry as a whole. The level of impairment provisions set aside for potential loan losses was stable at £229k (2018: £229k).

Savings and Funding

The overall funding balance increased marginally to £274.1m (2018: £272.6m). The shares and other customer deposits balance increased to £244.6m (2018: £234.7m), this increase facilitated the planned repayment of £6m acquired from the Bank of England's Term Funding Scheme (TFS). The outstanding TFS balance was £24m (2018: £30m), the Society plans to make further repayments of TFS in 2020 ahead of the contractual repayments in 2021 and 2022. The increase in share and other customer deposit balances also allowed the Society to reduce its borrowings from other financial institutions to £5.5m (2018: £7.8m).

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

The total liquidity ratio was 23.2% (2018: 22.8%), the increase reflects modest increase in the funding balance combined with a broadly flat mortgage growth

Looking Forward

The election on 12 December 2019 delivered a majority for the Conservative party and with this majority the withdrawal bill was passed and the UK left the European Union (EU) on 31 January 2020. However the next challenge is securing a trade agreement and new partnership with the EU. During this phase of discussions it is expected that the uncertainty that existed during the Brexit negotiations will continue to dominate the political and economic landscape.

This uncertainty will impact our core markets of mortgage and savings. Mortgage margins will continue to be under pressure, which in turn will impact the rates available to be passed on to savers. In the medium term, competition for savings will intensify as many institutions seek to replace balances from the term funding scheme, putting further pressure on margins.

With strong capital and liquidity, combined with the investment made over the last two years, I believe that Teachers Building Society is better placed than ever to respond to these uncertainties with confidence.

I would like to take this opportunity to thank all our members for their continued support and look forward to working with my team to ensure your Society continues to thrive and grow.

Julie Nicholson
Chair

Summary Financial Statement for the year ended 31 December 2019

Income statement	2019	2018
	£'000	£'000
Net interest receivable	4,680	4,987
Other income and charges	2	(24)
Fair value gains and (losses)	(82)	53
Administrative expenses	(4,362)	(4,088)
Operating profit before provisions	238	928
Provisions	11	194
Profit for the year before taxation	249	1,122
Taxation	(48)	(201)
Profit for the year	201	921
Statement of financial position at year-end	2019	2018
Assets		
Liquid assets	63,696	62,172
Mortgages	231,416	230,905
Derivative financial instruments	22	204
Fixed and other assets	1,434	1,420
Total assets	296,568	294,701
Liabilities		
Shares	212,326	213,942
Borrowings	61,816	58,687
Derivative financial instruments	451	96
Other liabilities	555	757
General reserve	20,676	20,473
Revaluation reserve	744	746
Total equity and liabilities	296,568	294,701
Summary of key ratios	2019	2018
Gross capital as a percentage of shares and borrowings	7.8%	7.8%
Liquid assets as a percentage of shares and borrowings*	23.2%	22.8%
Profit for the year as a percentage of mean total assets	0.07%	0.32%
Management expenses as a percentage of mean total assets	1.48%	1.43%
Core equity tier 1 capital ratio	21.6%	22.2%

* Excludes FLS held off of the Statement of Financial Position (fully repaid during 2018)

Approved by the Board of Directors on 27 February 2020 and signed on its behalf by:

Julie Nicholson
Chair

Simon Beresford
Chief Executive

Rajesh Patel
Finance Director

Explanation of Key Financial Ratios

Gross capital as a percentage of shares and borrowings

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

Liquid assets as a percentage of shares and borrowings

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

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

Profit for the year as a percentage of mean total assets

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

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

Management expenses as a percentage of mean total assets

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

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

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

Core equity tier 1 capital ratio

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

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

Teacher's Building Society - Auditor's Statement on Summary Financial Statement

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

We have examined the Summary Financial Statement of Teachers Building Society for the year ended 31 December 2019 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Summary Directors' Report.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement/ in accordance with applicable United Kingdom law.

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

Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts, Annual Business Statement and Directors' Report. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Teachers Building Society for the year ended 31 December 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our 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, for our audit report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

27 February 2020

Summary Report on Remuneration

Policy on Directors' Remuneration

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

Executive directors' remuneration

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

Non-executive directors' remuneration

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

Individual Directors' Emoluments

Director	2019 £000	2018 £000
Fees paid to Non-executive Directors		
J Nicholson (from 26.04.18)	33	23
R J Spragg (until 26.04.18)	-	11
A P Lee	21	23
A L Pike	22	21
I Grayson	21	21
P Winter	21	21
M Himsworth (from 07.11.18)	24	-
Total	142	126
Executive Directors' remuneration		
S Beresford		
Salary	156	152
Bonus	20	28
Pension contributions	16	15
Total	192	195
P G Marsden (until 10.07.19)		
Salary	76	142
Bonus	-	5
Relocation allowance	-	2
Pension contributions	3	3
Total	79	152
P E Jarman		
Salary	81	79
Bonus	11	17
Pension contributions	3	1
Total	95	97
R K Patel (from 10.07.19)		
Salary	68	-
Bonus	8	-
Relocation allowance	6	-
Pension contribution	7	-
Total	89	-
Total Directors' remuneration	597	570

Principal Office	Allenview House, Hanham Road, Wimborne, Dorset, BH21 1AG
Firm Reference Number	156580
Directors	J Nicholson, Chair S Beresford, Chief Executive R K Patel, Finance Director P E Jarman, Legal Director & Secretary A L Pike, Non-executive Director I Grayson, Non-executive Director A P Lee, Non-executive Director P Winter, Non-executive Director M Himsworth, Non-executive Director
Auditor	Deloitte LLP, Birmingham
Internal Auditor	RSM Risk Assurance Services LLP, Leeds
Bankers	National Westminster Bank PLC



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