



Group Summary Financial Statement

For the year ended 31 December 2009

Group Summary Financial Statement 2009

Principal Office Allenvie House, Hanham Road, Wimborne,
Dorset BH21 1AG

FSA Registration Number 156580

Directors A J Frost, Chairman
J J Bawa, Chief Executive
K A Flaherty, Executive Director and Secretary
S E Gorham, Finance Director
M H Percy, Non-Executive Director
M J Reed, Non-Executive Director
K F Richardson, Non-Executive Director
R J Spragg, Non-Executive Director

Managers

Internal Audit I M Pullen
Operations L S Hanger
Marketing M J Hislop
Financial Services C J Price

Auditors Deloitte LLP, Chartered Accountants,
Southampton, United Kingdom

Bankers National Westminster Bank PLC

Group Summary Financial Statement 2009

This 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 at the offices of Teachers Building Society from 1 April 2010.

Members are reminded that the Group Summary Financial Statement does not contain sufficient information to allow a full understanding of the results and state of affairs of the Group.

The Summary Directors' Report includes information taken from the Chairman's Statement and the Chief Executive's Report as set out in the Society's Annual Report and Accounts.

Summary Directors' Report

Our aim in 2009 was to continue to provide members with stability and reassurance. This we attempted to do in very difficult conditions. The environment for mutuals, particularly those that adopted a risky profile in earlier years, has continued to be hostile and we have seen further consolidation in the sector.

As a smaller society we face unique difficulties not the least of which is competing against failed institutions that have been propped up by taxpayers' money. This has enabled them to offer rates that we can only match by cutting back on initiatives to grow the Society. We have chosen to focus on our primary objectives and maintain member value and strong asset quality, and ensure that the Society is recognised as a safe haven for our members' savings.

Demand for new savers, particularly from those state-backed banks who previously relied on other sources of funding, has created a shortfall in UK retail savings. This has led us to review our retail savings strategy and in the coming year and beyond we shall be focusing on the education sector for new savings accounts, as well as increasing our activities around our base in the Dorset area. But much of our strength comes from our existing savers who, apart from recognising the superb customer service we offer, know that we are consistently good value with our interest rates, a fact recently recognised for the second year running by Moneyfacts Magazine.

Summary Directors' Report (continued)

In this unprecedented low interest rate environment, we have had to strike a careful balance between the interests of our savers and our borrowers. This has not been an easy task and has meant that, in order to maintain attractive rates for both groups of members, we shall continue to report lower levels of profit until market rates, including Bank Base Rate, rise.

Our financial strength is reflected in the level of our reserves. After taking into account a reduction of £0.5m to support our obligations under the defined benefit pension scheme (now closed for the accrual of further benefits) and the inclusion of profits for the year of £0.3m, these reserves fell by just over £0.2m but the free capital and reserve ratios both improved significantly during the year.

As a building society which lends almost exclusively to teachers, we finished the year in an enviable position with arrears at an extremely low level and no properties in possession. Our members in the education profession have continued to show that they are prudent borrowers and we have endeavoured to protect all our members in these difficult times.

There has been much discussion over the requirement for prudent organisations such as us to contribute to the costs of supporting failed financial institutions through the Financial Services Compensation Scheme levy. A further charge appears in this year's accounts, although the Financial Services Authority (FSA) has reduced its initial estimate of the cost of the Scheme.

Against the backdrop of an uncertain economic recovery we have carefully reviewed our plans and forecasts to ensure we have adequate systems and resources to continue to provide security and good value for members in the future, and that the basis on which we have prepared the information that we report to you is appropriate.

There were many regulatory developments in the year:

The FSA has been consulting with all building societies on the development of new regulatory arrangements which will set out, in a more prescriptive manner, the types and limits on new mortgage business that building societies may undertake. We have made strong representations to the FSA to ensure that our ability to help those teachers and other members most in need of our mortgages is not reduced.

Summary Directors' Report (continued)

Towards the end of last year Sir David Walker issued his final report on Corporate Governance. Although this was aimed principally at large financial institutions much of it is relevant to mutual organisations. At Teachers Building Society these matters have had close attention for some time now and we feel we shall be able to satisfy the more stringent requirements of the new governance world.

Although conditions remain challenging in many areas, there has been much greater stability in the financial services sector generally when compared to 2008. The benefits of this have flowed through into the housing market and it was pleasing to see house prices recover a little in 2009. We are hopeful that there will be a similarly stable property market over the next year.

To ensure our mortgage and savings administration system continues to meet the needs of the business and its customers, it will be significantly upgraded in 2010, and we shall also be developing our other systems to improve our management of risk and anti-money laundering. Such investment underlines our commitment to the maintenance of a stable and forward-looking Society.

Throughout the year our staff have, time and time again, risen to the challenges before them. While some other banks and building societies have run into difficulties and felt it necessary to merge, our staff have been able to reassure members, making them aware of Teachers Building Society's unique and prudent business model, one that has avoided sub-prime mortgages or over-reliance on borrowing from the money markets. They should all be extremely proud of their achievements over the past year and we thank them for their hard work and dedication.

The Chairman, Alan Frost, will be presiding over his last AGM in April after 9 years as a director at Teachers Building Society, for the last 6 of which he has been Chairman. His experience and skill in leading the Board through the ever-changing financial services and economic environment has been invaluable. The Society will miss him greatly.

Approved by the Board of Directors on 23 February 2010 and signed on its behalf by:

Alan Frost
Chairman

James Bawa
Chief Executive

Kevin Richardson
Director

Summary Statement of Financial Results

Results for the Year	2009 £'000	2008 £'000
Net interest receivable	2,059	3,238
Other income and charges	323	351
	2,382	3,589
Administrative expenses	(2,149)	(2,434)
Provisions	187	(635)
Profit for the year before taxation	420	520
Taxation	(114)	(173)
Profit for the year	306	347
Financial Position at End of Year		
Assets		
Liquid assets	57,611	62,380
Mortgages	199,022	217,477
Fixed and other assets	730	951
Total assets	257,363	280,808
Liabilities		
Shares	214,369	228,935
Borrowings	22,791	31,527
Other liabilities	2,095	2,022
Reserves	18,006	18,220
Revaluation reserve	102	104
Total liabilities	257,363	280,808
Summary of Key Financial Ratios		
Gross capital as a percentage of shares and borrowings	7.64%	7.04%
Liquid assets as a percentage of shares and borrowings	24.29%	23.95%
Profit for the year as a percentage of mean total assets	0.11%	0.13%
Management expenses as a percentage of mean total assets	0.80%	0.88%

Explanation of Key Financial Ratios

Gross capital as a percentage of shares and borrowings

Gross capital comprises the general reserve and the revaluation reserve. The **gross capital ratio** indicates the extent to which a society is financed by non-interest bearing balances as opposed to shares, deposits and other fund providers.

Liquid assets as a percentage of shares and borrowings

The **liquid assets ratio** measures the proportion of the Society's total assets that are either cash, or deposits with other institutions such as banks, or are readily convertible into cash.

Liquid assets enable the Society to meet requests for withdrawals from investors, advance money to borrowers and generally fund its business activities.

Teachers Building Society maintains a liquid asset ratio similar to that of other small societies and which the Directors consider appropriate for the Society.

Profit for the year as a percentage of mean total assets

The **profit/assets ratio** measures the proportion that the Society's profit after taxation for the year bears to the Society's average total assets during the year.

Reasonable profits need to be maintained in order to keep gross capital at a suitable level to protect investors, but because building societies are mutual organisations which do not have to pay dividends to shareholders they can benefit their members by choosing to make lower profits than banks.

Management expenses as a percentage of mean total assets

The **management expenses ratio** measures the proportion that the Society's administrative expenses bear to the Society's average total assets during the year.

Management or administrative expenses consist mainly of the costs of employing staff, of complying with legislation, advertising, computer and other office costs. Expenses need to be controlled so that the Society operates as efficiently as possible while providing the service that members require.

Summary Report on Remuneration

Policy on Directors' Remuneration

The Board aims to follow best practice in its remuneration policy for directors and has adopted the provisions of the 2008 Combined Code on Corporate Governance issued by the Financial Reporting Council.

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 is reviewed each year by a committee consisting of the Executive Directors and the Chairman, and a recommendation is made to the Board. The committee compares the level of fees to that 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' Remuneration

Fees paid to Non-executive Directors	2009 £'000	2008 £'000
A J Frost	26	26
M H Percy	19	19
M J Reed	17	17
K F Richardson	20	19
R J Spragg (from 1 January 2009)	17	-
Total Non-executive Directors' remuneration	99	81

Executive Directors' Remuneration	Salary	Car allowance	Performance related pay	Taxable benefits	Pension contributions	Total
2009						
J J Bawa	126	10	5	-	12	153
S E Gorham	71	-	3	5	14	93
K A Flaherty (from 1 January 2009)	65	-	3	-	-	68
Total	262	10	11	5	26	314
2008						
J J Bawa	125	10	5	-	12	152
S E Gorham	69	-	3	6	14	92
Total	194	10	8	6	26	244

Total Executive and Non-executive Directors' remuneration	2009 £'000	2008 £'000
	413	325

Statement of the independent auditors to the members and depositors of Teachers Building Society

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the Group Summary Financial Statement for the year ending 31 December 2009 which comprises the Results for the Year, Financial position at end of year, Summary of Key Financial ratios together with the Summary Directors' Report and Summary Report on Remuneration.

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, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to report to you our opinion on the consistency of the Group Summary Financial Statement with the full Annual Report and Accounts, Annual Business Statement and Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it. We also read the other information contained in the Group Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group Summary Financial Statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Society's full Annual Report and Accounts describes the basis of our audit opinion on those accounts.

Opinion

In our opinion the Group Summary Financial Statement is consistent with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of Teachers Building Society for the year ended 31 December 2009 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Deloitte LLP

Chartered Accountants and Statutory Auditors,
Southampton, United Kingdom
24 February 2010



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

T 01202 843500 **F** 01202 841694 **E** members@teachersbs.co.uk **www**.[teachersbs.co.uk](http://www.teachersbs.co.uk)