

Principal Office	Allenview House, Hanham Road, Wimborne Minster, Dorset BH21 1AG
FSA Registration Number	156580
Directors	A J Frost, Chairman J J Bawa, Chief Executive S E Gorham, Finance Director M H Percy, Non-executive Director M J Reed, Non-executive Director K F Richardson, Non-executive Director
Managers	
Secretary	K A Flaherty
Internal Audit	S J Williams
Operations	L S Hanger
Marketing	M J Hislop
Sales	C J Price
Auditors	Deloitte & Touche LLP, Chartered Accountants, Southampton, United Kingdom
Bankers	National Westminster Bank PLC

Summary Financial Statement

For the year ended 31 December 2007



FSC 80% Fibre Content

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Group Summary Financial Statement for the year ended 31 December 2007

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 8th April 2008.

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

Summary Directors' Report

2007 provided some surprises, not many of them welcome ones, to most financial institutions and, of course, to the public. The unusual events and changing market conditions presented challenges that have continued into 2008, but Teachers' Building Society has dealt successfully with those challenges and last year continued to build a stronger business in a difficult environment.

- As expected, the Bank of England increased interest rates during the first half of the year in order to control inflationary pressures. Until the "credit crunch", which triggered the collapse of Northern Rock, rates had been expected to increase further, but instead they had to be cut and further action taken by the Bank of England to bring some stability to the financial markets. House prices, having continued to rise for much of 2007, stabilised in the final months of the year, and no significant growth in prices seems likely in 2008. Prospective homeowners, faced with even higher borrowing costs were, understandably, increasingly unwilling or unable to borrow last year and this was very noticeable in the educational sector where affordability constraints were already a concern.
- There are clear risks for borrowers and lenders in such an environment, but Teachers' Building Society has continued to lend almost exclusively to teachers who have shown over the years that they are prudent and responsible borrowers. We avoided making loans to those where we judged affordability to be stretched or where there was a history of credit difficulties. By dealing directly with our customers, rather than going through brokers, we are able to establish a closer understanding of our customers and their needs and to ensure we are being given first-hand, accurate information thus mitigating risk.
- As property prices levelled off and interest rates climbed we needed to be more cautious about lending to some types of borrower, particularly to first time buyers, and to borrowers with low deposits. However, this is where there was great demand and probably the greatest need, and using our knowledge of the education sector we were able to help many teacher-borrowers other lenders might have turned away.
- Given the economic environment, we were extremely pleased that we saw a reduction in mortgage arrears among our customers during 2007 when other lenders have seen increases. In their recent risk outlook for 2008 the FSA have warned of a possible worsening arrears position for lenders, but we believe we are in a stronger position than many to deal with this.
- Savers' rates rose during the year and, as always, at every rate change we wrote to each customer to tell them of the new and old rates. The easy access cash ISA remained very popular and we have been very pleased with the success of our telephone based 'Call Save' account which we aim to keep as competitive as possible. Savers who could commit their funds for longer periods took advantage of some very attractive one and three year fixed rates.

- Our subsidiary company, TBS Financial Services Limited, provided a record number of customers with advice on long-term savings and investments and inheritance tax planning as well as life assurance and other protection policies. This business has contributed significantly to the Group's success in 2007.
- Small organisations almost inevitably have fewer opportunities to reduce costs than large ones, but we are proud that, for the fifth year running, we have been able to improve our group management expense ratio; from 0.96% in 2006 it fell to 0.88% in 2007. This has been achieved by constantly looking for better ways of doing things and by taking advantage of technology where appropriate. For example, we continued the work begun in 2006 to move away from paper based records with the transfer of savers' documentation to electronic storage. As before, we kept our costs low by doing the work ourselves rather than using outside contractors. Electronic storage improves data security and helps us reduce the amount of office space we use and therefore helps the environment. Rapid access to the information also allows us to respond more quickly and fully to customers. This is reflected in the high levels of customer satisfaction that we have continued to see throughout the year.
- We undertook a number of other new initiatives in 2007 to reduce the environmental impact of the business, from the introduction of an electronic voting option for the Annual General Meeting (which was very successful), to the installation of devices to reduce water usage. We will be continuing these types of initiatives in 2008 with moves towards fewer paper based transactions, more recycling and less energy consumption.
- Our relationship with the National Union of Teachers is, of course, very important to us so we were particularly delighted that Martin Reed, one of the Society's non-executive directors, was elected Senior Vice-President of the NUT for 2008 and will go on to become President for 2009. We wish him every success in this new role.

The outlook for 2008 is, of course, uncertain. The problems created by the 'credit crunch', which was precipitated in 2007 by the dramatic reduction in the availability of wholesale funding from the markets, have not entirely been resolved. Teachers' Building Society, which has a low exposure to wholesale funding (14.03% in 2007), has been well placed to withstand these problems but raising money from any source will be a challenge for the coming year. The housing market is generally expected to slow in 2008 and a slower rate of economic growth seems very likely. Interest rates are almost certain to fall but inflationary pressures remain, particularly from higher food and energy prices. The Society's mutual status, which brings with it a limit on wholesale funding and a more balanced perspective which is not driven by a need to provide dividends to shareholders, will assist the Society in meeting the challenges which lie ahead for 2008. With the support of members, we will cope well with these difficult conditions and will continue to provide members with even better value in 2008.

Our achievements depend, as always, on our staff. In this competitive and challenging market they have carried on working ever harder, and with reduced numbers, but have maintained a happy working environment which is reflected in the low sickness record, in their desire to learn and to add new skills and in their commitment to putting members' interests first. So we thank them for what they have achieved for you, our members, and look forward to another successful year in 2008.

Approved by the Board of Directors on 26th February 2008 and signed on its behalf by:

Alan Frost
Chairman

James Bawa
Chief Executive

Kevin Richardson
Director

Group Summary Financial Statement for the year ended 31 December 2007

RESULTS FOR THE YEAR	2007	2006
	£'000	£'000
Net interest receivable	3,351	3,115
Other income and charges	335	21
	3,686	3,136
Administrative expenses	(2,367)	(2,440)
Provisions	78	256
Profit for the year before taxation	1,397	952
Taxation	(438)	(291)
Profit for the year	959	661
FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid assets	59,159	55,406
Mortgages	210,326	209,382
Fixed and other assets	1,113	1,008
Total assets	270,598	265,796
Liabilities		
Shares	215,321	204,271
Borrowings	35,137	41,995
Other liabilities	1,643	2,387
Reserves	18,391	17,034
Revaluation reserve	106	109
Total liabilities	270,598	265,796
SUMMARY OF KEY FINANCIAL RATIOS		
Gross capital as a percentage of shares and borrowings	7.39%	6.96%
Liquid assets as a percentage of shares and borrowings	23.62%	22.50%
Profit for the year as a percentage of mean total assets	0.36%	0.26%
Management expenses as a percentage of mean total assets	0.88%	0.96%

Explanation of key financial ratios

Gross capital as a percentage of shares and borrowings

Gross Capital comprises general and revaluation reserves. 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.

Group Summary Financial Statement for the year ended 31 December 2007

Statement of the independent auditor to the members and depositors of Teachers' Building Society

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the Summary Financial Statement which comprises the summary Directors' Report, results, financial position, key financial ratios and information concerning Directors' 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, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 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 Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditor's statement on the Summary Financial Statement' issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Society's full annual financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion the Summary Financial Statement is consistent with the Annual Accounts, the Annual Business Statement and Directors' Report of Teachers' Building Society for the year ended 31 December 2007 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors,
Southampton, United Kingdom
26th February 2008

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 2006 Combined Code on Corporate Governance issued by the Financial Reporting Council, and which became effective for the Society from 1 January 2007.

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' EMOLUMENTS	2007	2006
	£'000	£'000
Fees paid to Non-executive Directors		
A J Frost	24	24
J G Bills (until 24 April 2006)	–	6
H B Davis (until 24 April 2007)	5	15
M H Percy	17	17
M J Reed (from 24 April 2006)	16	10
K F Richardson	19	18
Total Non-executive Directors' remuneration	81	90
Executive Directors' remuneration		
J J Bawa		
Salary	123	114
Car allowance	10	12
Performance related bonus	6	6
Pension contributions	9	7
Total	148	139
S E Gorham		
Salary	65	62
Performance related bonus	3	3
Pension contributions	10	7
Taxable benefits	5	5
Total	83	77
Total Directors' remuneration	312	306