

2014

Teachers Building Society

Summary Financial Statement

For the year ended 31 December 2014

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This financial statement is a summary of information in the audited, unqualified 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 9 April 2015.

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 Society.

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.

- Margin improved to 2.02%
- Profits before taxation doubled to reach £2m
- Mortgage assets grew by 7.9%
- We increased our participation in the Funding for Lending Scheme

Summary Directors' Report

We are pleased to announce a year in which we have achieved a significant increase in mortgage advances, both to the education sector and to customers in the local area. It was our best year of lending since the Society was founded back in 1966, and it fulfilled a central part of our strategy for "helping our customers own their own homes and save for their futures."

In the last twelve months, the UK economy has shown more certain signs of recovery, and the continued UK government support of the housing market has made for a buoyant year. The Society has been able to retain existing borrowers by offering them competitive products and has lent to record levels of new customers, enabling us to improve our net lending and generate a surplus which strengthens the Society's reserves.

Our commitment to customers and customer satisfaction remains our prime focus and we are pleased with the overall 99% satisfaction levels achieved from member surveys in 2014. We are continually seeking ways to improve our service to our customers and our aims are to respond to all our member and stakeholder feedback in a positive and personal manner.

Our strong growth has arisen from improved mortgage lending and also from an increase in liquid assets. In April, the Society successfully implemented the Mortgage Market Review and as a result was able to boost lending throughout the year when some larger lenders had to withdraw temporarily from the market. Our lending was funded by a combination of retail savings and funds from the Bank of England's Funding for Lending Scheme (FLS).

The combined impact of growth in mortgages and a lower cost of funding helped the Society generate improved profits, which have been transferred to the Society's reserves to protect our members' deposits.

As part of our commitment to the teaching profession, we developed our mortgage product range during 2014 to ensure that we had deals to suit a wide range of education professionals. As a result, our mortgages are now able to cover a teacher's lifecycle, from the start of their career right through to retirement. We have also continued to expand our local lending by including Wiltshire in our local geographical market, and we are now pleased to report that in 2014, over 25% (2013: 12%) of our mortgages came from individuals of any profession in the "local" regions.

The Society has continued to promote 'best buy' products throughout the year to support its members as much as possible in this challenging low interest rate environment. The Society was in the 'best buy' tables for 5 months continuously during 2014, and this helped towards an increase in savings deposits made by 14%.

Looking forward

At the time of writing, interest rates are expected to remain at their current level for some time. The Society acknowledges the challenge that a low interest rate environment presents to its objective of offering the best value to its customers. We believe that by developing our personal service and bespoke products, we will continue to meet the needs of our members and ensure that the Society remains attractive to both new and existing customers.

The availability of FLS has regrettably led to lower savings rates, a situation that is likely to persist until institutions begin to repay these funds. We will gradually begin this process of repayment during 2015. The last few months of 2014 witnessed a reduction in activity in the mortgage market. This has driven down mortgage rates to unprecedented levels as major lenders look to meet targets in a low demand market. This increased competition for mortgages will continue in the early part of 2015.

The forthcoming general election creates a degree of uncertainty, as such events often do, as financial markets in particular consider the effects of possible changes in government policy. Taken with challenges in the global market, especially the Eurozone, the outlook remains unpredictable.

The levels of business generated last year put pressure on some resources, so one of our key areas of focus for 2015 is to develop our management structure and decision making processes while remaining a prudently run society. Our success in 2014 gives us greater confidence in meeting the challenges that 2015 will undoubtedly bring.

We would like to thank all of the team at the Society and our business partners for helping to make 2014 such a successful year, and we thank all our members for their continued support and belief in their Society.

Approved by the Board of Directors on 17 March 2015 and signed on its behalf by:

Roy Spragg
Chairman

James Bawa
Chief Executive

Andrew Lee
Director

Summary Financial Statement for the year ended 31 December 2014

Results for the year	2014	2013
		Restated
	£'000	£'000
Net interest receivable	5,026	3,866
Other income and charges	111	45
	5,137	3,911
Administrative expenses	(2,850)	(2,799)
Provisions	(273)	(145)
Profit for the year before taxation	2,014	967
Taxation	(229)	3
Profit for the year	1,785	970

Financial position at end of year	2014	2013
Assets		
Liquid assets	21,523	17,768
Mortgages	221,822	205,604
Fixed and other assets	1,116	1,605
Total assets	244,461	224,977
Liabilities		
Shares	200,724	187,956
Borrowings	25,538	20,138
Other liabilities	1,022	1,166
Reserves	17,087	15,624
Revaluation reserve	90	93
Total liabilities	244,461	224,977

Summary of key financial ratios	2014	2013
Gross capital as a percentage of shares and borrowings	7.59%	7.55%
Liquid assets as a percentage of shares and borrowings*	9.51%	8.54%
Profit for the year as a percentage of mean total assets	0.76%	0.42%
Management expenses as a percentage of mean total assets	1.21%	1.22%

*Excludes FLS off balance sheet finance

Explanation of key financial ratios

Gross capital as a percentage of shares and borrowings

Gross capital comprises reserves 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 asset 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 has borrowed from the Funding for Lending Scheme, one consequence of which is that some liquid assets are held "off balance sheet", though they remain available for use in the business. For this reason, the liquid asset ratio as shown in this Summary Financial Statement is lower than that of other small societies. However, the Directors consider the ratio appropriate for the Society, and if it is recalculated to include "off balance sheet" liquidity, it rises to 23.19% (2013: 20.05%) which is similar to that of other small societies.

Profit for the year as a percentage of mean total assets

The profit/asset 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 (excluding other operating charges) 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.

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 Society's Summary Financial Statement for the year ended 31 December 2014 which comprises the Results of the Year, Financial position at end of year, Summary 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 auditor

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

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

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 Society's 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 2014 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 Auditor, Reading, United Kingdom, 17 March 2015.

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 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 Chairman) is reviewed each year by the Executive Directors and the Chairman, and a recommendation is made to the Board. The Chairman's remuneration is reviewed each year by the Remuneration Committee without the Chairman being present. 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

Fees paid to Non-executive Directors	2014	2013
	£'000	£'000
R J Spragg	25	20
A L Pike	18	18
M J Reed	18	18
A P Lee (from 29 April 2014)	14	-
K F Richardson (until 29 April 2014)	9	28
M H Percy (until 23 April 2013)	-	6
Total Non-executive Directors' remuneration	84	90
Executive Directors' remuneration	2014	2013
J J Bawa		
Salary	134	133
Car allowance and benefits	12	12
Performance related bonus	-	2
Medium term bonus	28	13
Pension contributions	14	14
Total	188	174
A Evans (from 15 July 2013)		
Salary	100	42
Performance related bonus	-	1
Medium term bonus	-	-
Pension contributions	10	3
Total	110	46
S Gorham (until 1 October 2013)		
Salary	-	69
Car allowance and taxable benefits	-	9
Performance related bonus	-	-
Medium term bonus	-	7
Pension contributions	-	16
Total	-	101
Total Executive Directors' remuneration	298	321
Total Executive and Non-executive Directors' remuneration	382	411

Principal Office	Allenview House, Hanham Road, Wimborne, Dorset, BH21 1AG
FCA Registration Number	156580
Directors	R J Spragg, Chairman J J Bawa, Chief Executive A P Lee, Non-executive Director A L Pike, Non-executive Director M J Reed, Non-executive Director
Interim Chief Financial Officer	S E Gorham
Solicitor and Secretary	P E Jarman
Auditors	Deloitte LLP, Chartered Accountants, Reading, United Kingdom
Bankers	National Westminster Bank PLC

