

2015



Summary Financial Statement
For the year ended 31 December 2015

 **Teachers**
Building Society

Summary Financial Statement

For the year ended 31 December 2015

The directors are pleased to present the Summary Financial Statement for the year ended 31 December 2015. These accounts for 2015 have been prepared on the basis of Financial Reporting Standard (FRS) 102. This new requirement is based on the International Accounting Standards Board's International Financial Reporting Standard (IFRS) for small and medium-sized entities. As a result of this change in accounting for the year end 2015, the 2014 financial statements have been restated on a comparative basis and full details are disclosed in the Report and Accounts.

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 9 April 2016, or can be downloaded from www.teachersbs.co.uk from 23 March 2016. The auditors' report in relation to the full financial statements was not qualified in any respect.

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, Chief Executive's Report and Strategic Report as set out in the Society's Annual Report and Accounts.

Financial highlights:

- Profit for the year after tax increased to £1.59 million (2014: £1.45 million)
- Net interest margin decreased to 1.85% (2014: 2.13%)
- Mortgage assets decreased to £210 million (2014: £222 million)
- Gross capital increased to £19.2 million (2014: £17.6 million)
- Liquid assets increased to £43.6 million (2014: £21.5 million)

Summary Directors' Report

We are pleased to report that the Society maintained a healthy level of profitability in 2015 which enabled us to strengthen our capital resources at a time of fierce competition in the mortgage lending market. At the same time, the Society has experienced an improvement in arrears which are now at a historic low, reflecting our individual underwriting of mortgages and the current low interest rate environment.

Mortgages (lending to customers)

It has been more competitive in 2015 than in the last few years as large lending institutions have been aggressively pricing for business. The Society continues to offer mortgages through

both the advised direct and the broker-introduced routes. In 2015, the Society experienced a reduction in mortgage volumes in the first half of the year, in the run-up to the general election, before sales began to recover towards the end of 2015. Overall, loans and advances to customers reduced by 5% to £210m in 2015 (2014: £222m).

A key focus has been the development of specialist mortgage products aimed at helping teachers to buy a home or remortgage from the start of their careers and into retirement. This is a long-term strategy to support teachers 'underserved' by the wider mortgage market because such teachers will benefit more from the individual, tailored products and services we provide. 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 for the building society sector and the industry as a whole.

Savings and Funding

Despite the low interest rate environment, we are pleased to report that shares and deposits increased to £223m (2014: £216m) in 2015 as we continued to offer attractive rates to our members. This contributed to an improvement in our liquidity position. During this period, we also repaid £12m of funds from the Bank of England's Funding for Lending Scheme ('FLS') as part of a phased repayment plan ahead of the FLS coming to an end in 2018.

We are committed to providing the best rates we possibly can to our members and are proud to confirm that we had at least one savings account in the Moneyfacts 'best buy' chart throughout 2015, and this helped towards an increase in shares and deposits made by 3%.

Looking Forward

This year, we do not anticipate maintaining the level of profit seen in recent years as competition continues to keep interest rates down for both mortgage borrowers and savers. There remains significant uncertainty over the future economic outlook, including the impending referendum on Britain's membership of the EU. The Society's strong financial position provides the base to support our plan to continue to invest in the business to deliver long-term sustainable growth and to realise the economies of scale necessary to improve cost efficiency.

As we celebrate our 50th anniversary this year, we will continue to give value to all our members by offering excellent service and providing attractive savings and mortgage products to support home ownership in the teaching profession and for our local customers.

Finally, on behalf of the Board, we would like to thank all our staff for their hard work and dedication and to thank our members for their continued support.

Approved by the Board of Directors on 14 March 2016 and signed on its behalf by:

Roy Spragg
Chairman

James Bawa
Chief Executive

Dean Fensome
Finance Director

Summary Financial Statement for the year ended 31 December 2015

Results for the year	2015	2014 Restated
Income statement	£'000	£'000
Net interest receivable	4,636	5,002
Other income and charges	175	145
Fair value gains and (losses)	191	(50)
Administration expenses	(3,093)	(2,876)
Provisions	(95)	(222)
Profit for the year before taxation	1,814	1,999
Taxation	(229)	(550)
Profit for the year	1,585	1,449
Financial position at end of year	2015	2014 Restated
Assets		
Liquid assets	43,622	21,525
Mortgages	210,028	221,934
Derivative financial instruments	59	13
Fixed and other assets	1,684	1,743
Total assets	255,393	245,215
Liabilities		
Shares	209,594	200,728
Borrowings	25,526	25,538
Derivative financial instruments	220	352
Other liabilities	893	1,022
General reserve	18,406	16,819
Revaluation reserve	754	756
Total equity and liabilities	255,393	245,215
Summary of key financial ratios	2015	2014 Restated
Gross capital as a percentage of shares and borrowing	8.1%	7.8%
Liquid assets as a percentage of shares and borrowings*	18.6%	9.5%
Profit for the year as a percentage of mean total assets	0.63%	0.62%
Management expenses as a percentage of mean total assets	1.23%	1.21%

*Excludes FLS off balance sheet finance

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.

The Society has borrowed from the Funding for Lending Scheme ("FLS"), one consequence of which is that some liquid assets are held "off balance sheet", though they remain available to draw on when required. If the liquidity ratio is recalculated to include "off balance sheet" liquidity, it rises to 24.6% (2014: 20.4%).

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 service 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.

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 2015 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's 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 2015 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, 14 March 2016.

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 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

	2015	2014
Fees paid to Non-Executive Directors	£'000	£'000
R J Spragg	30	25
A P Lee	22	14
M J Reed (until 30.06.15)	9	18
A L Pike	19	18
I Grayson (from 08.07.15)	9	-
K F Richardson (until 29.04.14)	-	9
Total	89	84
Executive Directors' Remuneration		
J J Bawa		
Salary	134	134
Car allowance and taxable benefits	13	12
Medium term bonus	28	28
Pension contributions	14	14
Total	189	188
A Evans (until 20.02.15)		
Salary	62	100
Medium term bonus	-	-
Pension contributions	6	10
Total	68	110
D Fensome (from 24.09.15)		
Salary	36	-
Relocation allowance	2	-
Medium term bonus	4	-
Pension contributions	-	-
Total	42	-
P Jarman (from 11.05.15)		
Salary	42	-
Medium term bonus	14	-
Pension contributions	-	-
Total	56	-
Total Directors' Remuneration	444	382

Principal Office	Allenview House, Hanham Road, Wimborne, Dorset, BH21 1AG
Firm Reference Number	156580
Directors	R J Spragg, Chairman J J Bawa, Chief Executive A P Lee, Non-Executive Director A L Pike, Non-Executive Director I Grayson, Non-Executive Director D Fensome, Finance Director P E Jarman, Legal Director & Secretary
Auditors	Deloitte LLP, Reading
Internal Auditor	RSM Risk Assurance Services LLP, Leeds
Bankers	National Westminster Bank PLC

