

# Teachers Building Society

## Group Summary Financial Statement

For the year ended 31 December 2011

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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 5 April 2012.

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

In another year in which economic difficulties dominated headlines, we have continued our focus on providing members with financial security and long-term value and have made the best we can of the conditions. Although we at Teachers experienced a further fall in mortgage assets, our move to provide greater access for teachers to our product range through broker-introduced mortgages was successful and the final few months of the year saw a significant increase in our mortgage lending. In what is certain to be a difficult year ahead, we hope to continue this success in 2012 and expand, in a small way, business around our head office in Dorset.

At the start of the year, we launched our revised branding, and improved our website and customer documentation, giving customers better access to products and information.

In May, we made our mortgage products available for sale through mortgage intermediaries. At a time of economic uncertainty, many home buyers value the advice and access to a wide range of products they can offer. Our entry in to this market was welcomed by the brokers and the appeal of our broad range of innovative products has boosted the volume of mortgages we advanced during the second half of the year. Following interest from local residents close to our Head Office base in Wimborne, we also began actively promoting our mortgage products to people living in Dorset, widening the opportunity to increase sales within a controlled risk environment.

During the year we have introduced new products to help existing borrowers and those stepping on to the housing ladder for the first time. Our FirstBuy mortgage product supporting Government-sponsored home buying schemes proved as popular as its predecessor, HomeBuy Direct. Existing homeowners were able to take advantage of our lowest ever mortgage rates in 2011.

Savers at some banks have continued to struggle to get meaningful returns as the Bank of England base rate remained at 0.5% throughout the year. During this unprecedented period of low interest rates, we made the decision to focus on retaining loyal members, where possible, maintaining rates and offering new products

that encourage saving. Our Regular Saver and Cash ISA Reward products have spent months in the 'best-buy' market comparison tables, providing highly competitive rates of interest.

These actions delivered some encouraging results last year. Profits and mortgage advances saw a significant increase. Profits grew by 23% and gross mortgage advances increased by 31% to £19.45m. Repayments of capital by borrowers fell by 8% compared to 2010, but overall net mortgage balances dropped as members chose to pay down debt, outrunning the advances. Cost of borrowing increased as we maintained favourable savings rates, but savings balances were allowed to fall back in line with the drop in mortgage balances. However, careful management of the balance sheet has led to improved financial strength and reserves increased to £19m, giving us the opportunity to grow the business when conditions are right.

We are pleased to have achieved this whilst maintaining our exceptionally high levels of customer service with 96% of customers rating our service as good or excellent. Our improvements to customer communications, along with the range of products and services offered, resulted in us winning two prestigious industry awards during 2011 – 'Best Local Building Society' in the What Mortgage 2011 Awards and 'Excellence in Treating Customers Fairly' in the Mortgage Finance Gazette Awards 2012.

We remain committed to the education sector and last year we were one of the sponsors for the Times Education Supplement Schools Awards which celebrate achievement and excellence in schools, and we continued to promote our Charity Saver Account in support of the Teacher Support Network which provides help and support to teachers and their families. Our staff once again supported a range of local, national and education charities and they made over £2,700 of donations to charity through events organised by the Society.

As a small building society we continue to put a significant proportion of our resources into dealing with regulatory supervision. We have a very good relationship with our Regulator, the Financial Services Authority, and we have always recognised and supported the prime purposes of the closer supervisory regime which have been to establish greater consumer confidence and a sound banking and financial services sector. We urge the Government to ensure that changes to the regulatory regime being introduced over the next year do not impair consumer choice and access to good service.

Interest rates and market conditions generally are expected to remain flat at least until 2013 with the prospect of recession still very real in light of the Eurozone crisis. Notwithstanding this difficult environment, we plan to develop the business further in 2012 with more mortgage business coming through our introducers and from the local area. We will also be setting up partnerships, some of which have already been established, with local authorities so as to help more teacher first-time buyers and we will be increasing the amount of savings business we attract from local savers. Amongst other developments, we will be strengthening our risk and compliance systems so as to ensure we maintain a sound system of controls in the business.

The Board would like to thank members for their continued support and all our staff who have maintained the highest levels of service which you, our members, have come to expect and which they are so proud to deliver. They have worked with determination and enthusiasm and the Board truly appreciate what they have achieved.

Approved by the Board on 21 February 2012 and signed on its behalf by:

Kevin Richardson  
Chairman

James Bawa  
Chief Executive

Roy Spragg  
Director

## Summary Statement of Financial Results

Results for the year	2011	2010
	£'000	£'000
Net interest receivable	2,927	2,347
Other income and charges	234	351
	3,161	2,698
Administrative expenses	(2,420)	(2,302)
Provisions	(55)	135
Profit for the year before taxation	686	531
Taxation	(199)	(134)
<b>Profit for the year</b>	<b>487</b>	<b>397</b>

Financial position at end of year		
<b>Assets</b>		
Liquid assets	55,900	58,597
Mortgages	167,315	179,553
Fixed and other assets	680	740
<b>Total assets</b>	<b>223,895</b>	<b>238,890</b>
<b>Liabilities</b>		
Shares	189,065	201,621
Borrowings	14,422	17,214
Other liabilities	1,401	1,194
Reserves	18,910	18,762
Revaluation reserve	97	99
<b>Total liabilities</b>	<b>223,895</b>	<b>238,890</b>

Summary of key financial ratios		
Gross capital as a percentage of shares and borrowings	9.34%	8.62%
Liquid assets as a percentage of shares and borrowings	27.47%	26.78%
Profit for the year as a percentage of mean total assets	0.21%	0.16%
Management expenses as a percentage of mean total assets	1.05%	0.93%

# 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 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.

# 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 2011 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 2011 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.

**23 February 2012**

# 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	2011	2010
	£'000	£'000
A J Frost (until 19 April 2010)	-	8
K F Richardson	26	24
M H Percy	19	19
M J Reed	17	17
R J Spragg	17	17
<b>Total Non-executive Directors' remuneration</b>	<b>79</b>	<b>85</b>

Executive Directors' remuneration		
<b>J J Bawa</b>		
Salary	126	126
Car allowance and benefits	10	11
Annual bonus	1	-
Pension contributions	12	12
<b>Total</b>	<b>149</b>	<b>149</b>
<b>K A Flaherty (until 6 December 2011)</b>		
Salary	61	66
<b>Total</b>	<b>61</b>	<b>66</b>
<b>S E Gorham</b>		
Salary	71	71
Car allowance and benefits	9	6
Annual bonus	1	-
Pension contributions	14	14
<b>Total</b>	<b>95</b>	<b>91</b>
<b>Total Executive Directors' remuneration</b>	<b>305</b>	<b>306</b>
<b>Total Executive and Non-executive Directors' remuneration</b>	<b>384</b>	<b>391</b>

**Principal Office**

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

**FSA Registration Number**

156580

**Directors**

K F Richardson, Chairman  
J J Bawa, Chief Executive  
S E Gorham, Finance Director  
M H Percy, Non-Executive Director  
M J Reed, Non-Executive Director  
R J Spragg, Non-Executive Director

**Solicitor and Secretary**

P E Jarman

**Managers**

Internal Audit	I M Pullen
Customer Experience	L S Hanger
Sales and Marketing	A D Gravett
Human Resources	P J Winter
Financial Services	C J Price

**Auditors**

Deloitte LLP, Chartered Accountants,  
Southampton, United Kingdom

**Bankers**

National Westminster Bank PLC



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