

Teachers Building Society

Group Summary Financial Statement

For the year ended 31 December 2012

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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 2013.

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

2012 was another difficult year for the economy but following our launch into the intermediary market in 2011, over the course of 2012 Teachers Building Society became an established lender for brokers and this, along with the continued growth of our direct channel, has helped us achieve £38m of new lending, almost double the amount lent in 2011. We remain actively involved with Government initiatives to stimulate the housing market and will continue to ensure teachers and local Dorset residents can access more mortgage products from Teachers Building Society in 2013.

The biggest impact for borrowers, and perhaps even more significantly on savers, has come from the Funding for Lending Scheme set up by the Bank of England as part of an initiative to stimulate lending. Teachers intends to borrow from the scheme, though has not drawn any funds during 2012. Whilst mortgage rates did start falling towards the end of the year, there was a profound impact on savings rates in the market generally, which saw significant falls. This has made life even harder for those who are dependent on the income from their savings to support their retirement, and we have been very vocal with the Bank of England on behalf of our savers.

As a mutual, we have been able to use some of our profits to return higher savings rates to members through more competitive interest rates, and will continue to do this as long as we can. We also had savings products in the Best Buy lists every week throughout 2012.

We funded some of the increase in mortgage lending by reducing the amount of liquidity held, and we plan to continue to reduce liquidity levels a little further during 2013.

Profits were lower than in 2011 as we returned funds to members through competitive pricing, but expenses also increased as we invested in the business, particularly in staff development, risk management systems, and changes to the business structure. However, careful management of the balance sheet ensured we were able to maintain our strong reserve ratio, which supports our plans to expand the business.

Following the implementation of the provisions of the Retail Distribution Review at the end of 2012, we took the decision, on grounds of cost and administration, to close our subsidiary company, TBS Financial Services Limited, and to become an introducer for the investment products of Prudential so as to continue to offer a broad range of services for our members.

Our focus on delivering excellent service remains at the forefront of our ethos and we were delighted to win the prestigious 'Best Local Building Society' in the What Mortgage 2012 Awards for the second year running. Customer complaints remain extremely low and we have been largely unaffected by Mortgage Payment Protection Insurance claims because of our unwillingness to over-sell these products in the past. Our cautious approach to lending also ensured our arrears levels remained considerably lower than the industry average recorded by the Building Societies Association.

We value our involvement with the communities we work with, and our presentations to schools about general finance were well received and we will continue to develop resources to help teachers provide general financial education. In October, Teachers Building Society sponsored the inaugural Dorset Hall of Fame, recognising worthy contributions made by the people of Dorset for the people of the county in which the Society is based.

The years since 2008 have posed challenges for this Society and for our members. However, over the last 18 months Teachers Building Society has laid the foundations for a stronger future and achieved a good result in 2012. We now plan to build on this success and develop the Society in a sustainable manner, expanding our business around our head office area in Dorset; and in the early part of 2013 we will be launching online functionality to allow members to view and transact on their accounts. We will develop this online functionality further in the coming years. To support our expansion we have invested in our staff and will be adding new skills throughout the organisation. Changes will also be needed to address the requirements of the Mortgage Market Review, an initiative launched by the FSA to make the mortgage sales process clearer for consumers.

So much of our success is due to our staff, who have excelled themselves to deliver improvements in our organisation whilst maintaining high customer service levels for our growing business volumes, and I sincerely thank them for all their hard work. Finally, I also thank Michael Percy and Simon Gorham, who will be stepping down as Directors of Teachers Building Society during 2013. For their dedication and hard work I offer them my very best wishes for the future.

Approved by the Board on 26 February 2013 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	2012	2011
	£'000	£'000
Net interest receivable	2,833	2,927
Other income and charges	264	234
	3,097	3,161
Administrative expenses	(2,691)	(2,420)
Provisions	(19)	(55)
Profit for the year before taxation	387	686
Taxation	(102)	(199)
Profit for the year	285	487

Financial position at end of year		
Assets		
Liquid assets	49,441	55,900
Mortgages	181,950	167,315
Fixed and other assets	772	680
Total assets	232,163	223,895
Liabilities		
Shares	196,568	189,065
Borrowings	15,209	14,422
Other liabilities	1,334	1,401
Reserves	18,957	18,910
Revaluation reserve	95	97
Total liabilities	232,163	223,895

Summary of key financial ratios		
Gross capital as a percentage of shares and borrowings	9.00%	9.34%
Liquid assets as a percentage of shares and borrowings	23.35%	27.47%
Profit for the year as a percentage of mean total assets	0.12%	0.21%
Management expenses as a percentage of mean total assets	1.18%	1.05%

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 whilst 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 ended 31 December 2012 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 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 2012 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
27 February 2013

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 FSA's Remuneration Code.

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	2012	2011
	£'000	£'000
K F Richardson	27	26
M H Percy	20	19
A L Pike (from 1st November 2012)	3	-
M J Reed	17	17
R J Spragg	17	17
Total Non-executive Directors' remuneration	84	79

Executive Directors' remuneration		
J J Bawa		
Salary	129	126
Car allowance and benefits	11	10
Performance related bonus	1	1
Medium term bonus	5	-
Pension contributions	12	12
Total	158	149
S E Gorham		
Salary	73	71
Car allowance and benefits	9	9
Performance related bonus	1	1
Medium term bonus	3	-
Pension contributions	15	14
Total	101	95
K A Flaherty (until 6th December 2011)		
Salary	-	61
Total	-	61
Total Executive Directors' remuneration	259	305
Total Executive and Non-executive Directors' remuneration	343	384

Principal Office	Allenview 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 A L Pike, 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	J McLean
Auditors	Deloitte LLP, Chartered Accountants, Southampton, United Kingdom
Bankers	National Westminster Bank PLC



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