

# Teachers' Building Society

**Group Summary  
Financial Statement**

For the year ended 31 December 2010

**Principal Office**

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

**FSA Registration Number**

156580

**Directors**

K F Richardson, Chairman

J J Bawa, Chief Executive

K A Flaherty, Executive Director and  
Secretary

S E Gorham, Finance Director

M H Percy, Non-Executive Director

M J Reed, Non-Executive Director

R J Spragg, Non-Executive Director

**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

# Teachers Building Society Group Summary Financial Statement

This financial statement is a summary of information in the unqualified 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 1 April 2011.

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

Readers of financial reports in recent years will by now be familiar with phrases such as 'a challenging market', 'difficult economic conditions', and 'uncertain times' but it would be hard to describe 2010 in more positive terms. Nevertheless, while many of our members will rightly be concerned about the security of their employment or the effects of low interest rates on their savings, we have successfully continued our focus on providing them with financial security and long-term value and have made the best we can of these conditions.

Many consumers put off key buying decisions in 2010 and drew on their savings to combat the effects of rising inflation and reduced household disposable incomes. The impact of this for building societies such as Teachers was a decline in mortgage transactions with net mortgage lending in the UK a fraction of its peak just 3 years earlier.

Consumers in general increased the amount they saved in retail deposits compared to 2009, but the balance of savings still remains lower than in recent years as we all deal with increased household costs, the fear of unemployment and concerns about lower returns.

At Teachers Building Society, we recognised the issues our members were facing and sought to balance the need to keep mortgage costs down for borrowers with that of delivering good returns to investors. Protecting mortgage and savings rates for members meant we limited growth in profits.

During the summer, we removed arrangement fees for borrower members taking out a new mortgage with the Society, so reducing the costs of home improvement and house purchase. Not forgetting that our roots lie in helping teachers get on the housing ladder, we launched our HomeBuy Direct mortgage, helping many teachers, who would otherwise have been unable to do so, buy their first home.

Our savings rates continued to deliver fair returns and we were delighted to be recognised for this when being commended in the Moneyfacts Awards 2010 for the third year running. During the first part of 2010, we relaunched our Reward Saver account offering competitive returns and flexible access, recognising that changing circumstances meant that members wanted greater access to their money without sacrificing income. Towards the end of the year, we launched our Regular Saver account which has proved extremely popular and which remained in the Best Buy lists for the rest of 2010.

At Teachers Building Society we are proud of the high level of service we provide to members. Customer satisfaction scores remain very high, with our survey showing that 96% rate the service we provide as good or excellent. In 2010, we built on this by putting in place changes to our mortgage and savings administration. We also improved our telephone systems so that all members can now get straight through to one of our customer facing staff without going through an automated process, something we know frustrates many people when dealing with other providers.

The core priority in 2010 was to protect the balance sheet to ensure long term viability. Despite the investment made in delivering these improvements, Teachers Building Society increased profits and reserves in 2010, and our overall financial position has strengthened with free capital improving as a result of margin improvement and strong management of arrears. The continuing quality of our mortgage portfolio and careful underwriting meant that arrears overall were lower than in 2009.

The Government's determination to establish greater consumer confidence in all areas of the financial services sector meant that the level of regulatory oversight and pace of change did not ease in 2010. Further changes are coming with the restructure of the financial supervisory regime and the implementation of the recommendations of the Mortgage Market Review and the Retail Distribution Review. We urge the Government to ensure that the resultant changes to the supervisory structure, and in particular those to the sale of mortgages and financial services, do not result in less choice and poorer services for consumers.

Market conditions will remain challenging in 2011 but we believe we have made changes that will enable Teachers Building Society to achieve its plans and continue to provide the products and services our members expect.

In 2011, we will be making our products more widely available to members with developments of our online capability and the launch of intermediary introduced mortgages. We will continue to improve the clarity and consistency of our customer communications and will be investing in marketing to increase awareness of the Society among our core education and local markets.

Last year our staff raised over £1,000 for charity and made time to visit schools to help children improve their understanding of general financial issues. In 2011, we will be building on this and our links with the education sector as part of our corporate social responsibility programme.

Throughout the year our staff have maintained the high levels of service which you, our members, have come to expect and which they are so proud to deliver – a level of service which differentiates us from our competitors and which you so often tell us is one of the main reasons why you support us. They have all worked with determination and enthusiasm and all the board members truly appreciate what they have achieved and are confident that, as we move forward, they will continue to redefine the meaning of exceptional service in the sector.

Approved by the Board of Directors on 22 February 2011 and signed on its behalf by:

James Bawa  
Chief Executive

Kevin Richardson  
Chairman

Roy Spragg  
Director

## Summary Statement of Financial Results

Results for the year	2010	2009
	£'000	£'000
Net interest receivable	2,347	2,059
Other income and charges	351	323
	2,698	2,382
Administrative expenses	(2,302)	(2,149)
Provisions	135	187
Profit for the year before taxation	531	420
Taxation	(134)	(114)
Profit for the year	397	306

Financial position at end of year		
<b>Assets</b>		
Liquid assets	58,597	57,611
Mortgages	179,553	199,022
Fixed and other assets	740	730
<b>Total assets</b>	<b>238,890</b>	<b>257,363</b>
<b>Liabilities</b>		
Shares	201,621	214,369
Borrowings	17,214	22,791
Other liabilities	1,194	2,095
Reserves	18,762	18,006
Revaluation reserve	99	102
<b>Total liabilities</b>	<b>238,890</b>	<b>257,363</b>

Summary of key financial ratios		
Gross capital as a percentage of shares and borrowings	8.62%	7.64%
Liquid assets as a percentage of shares and borrowings	26.78%	24.29%
Profit for the year as a percentage of mean total assets	0.16%	0.11%
Management expenses as a percentage of mean total assets	0.93%	0.80%

# Explanation of Key Financial Ratios

## Gross capital as a percentage of shares and borrowings

Gross capital comprises the general reserve 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.

# Board of Directors



Standing, left to right; Simon Gorham - *Finance Director*, James Bawa - *Chief Executive*, Michael Percy - *Non-executive Director*, Martin Reed - *Non-executive Director*.

Sitting, left to right; Karen Flaherty - *Solicitor and Secretary*, Roy Spragg - *Non-executive Director*, Kevin Richardson - *Chairman*.

# 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 2010 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 2010 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.

**22 February 2011**

# 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

<b>Fees paid to Non-executive Directors</b>		
	2010	2009
	<b>£'000</b>	<b>£'000</b>
K F Richardson	24	20
A J Frost (until 19th April 2010)	8	26
M H Percy	19	19
M J Reed	17	17
R J Spragg	17	17
<b>Total Non-executive Directors' remuneration</b>	<b>85</b>	<b>99</b>
<b>Executive Directors' remuneration</b>		
J J Bawa		
Salary	126	126
Car allowance and benefits	11	10
Performance related pay	-	5
Pension contributions	12	12
<b>Total</b>	<b>149</b>	<b>153</b>
S E Gorham		
Salary	71	71
Car allowance and benefits	6	5
Performance related pay	-	3
Pension contributions	14	14
<b>Total</b>	<b>91</b>	<b>93</b>
K A Flaherty		
Salary	66	65
Performance related pay	-	3
Pension contributions	-	-
<b>Total</b>	<b>66</b>	<b>68</b>
<b>Total Executive Directors' remuneration</b>	<b>306</b>	<b>314</b>
<b>Total Executive and Non-executive Directors' remuneration</b>	<b>391</b>	<b>413</b>



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