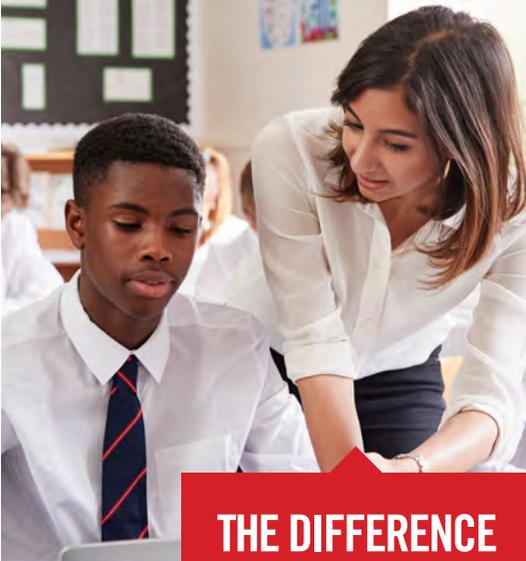


# SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018



**THE DIFFERENCE  
THEY'RE MAKING**



**THE DIFFERENCE  
WE'RE MAKING**



# Summary Financial Statement

For the year ended 31 December 2018

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 10 April 2019 or can be downloaded from [www.teachersbs.co.uk](http://www.teachersbs.co.uk) from 27 March 2019. The auditor's report in relation to the full financial statements was not qualified in any respect.

The summary directors' report includes information taken from the Chair's statement and strategic report as set out in the Society's annual report and accounts.

## Financial Highlights:

- Profit for the year before tax was £1.12m
- Mortgage assets at the year-end of £230.9m
- Shares increased to £213.9m
- Gross capital ratio reduced to 7.8%

# Summary Directors' Report

I am pleased to present the 2018 Report and Accounts, my first report as Chair.

This has been a very successful year for your Society.

Profitability has significantly improved due to re-pricing of mortgage products throughout the period as deals matured resulting in an increase in interest income. In addition administrative expenses were well controlled.

In August, 2018, the Bank of England increased the bank base rate by 0.25% to 0.75% as a reaction to the threat of rising inflation. All of the Society's savings products benefited from an uplift in interest rates as a result of this change, with the full rate rise passed of 25 basis points to our core educational and ISA products in September.

Standard Variable Rate mortgage accounts were increased by the full rate rise with effect from 1 October.

2018 was a challenging year for two specific reasons: the first was the continuing impact of economic uncertainty brought about from the ongoing negotiations of the UK Withdrawal Agreement from the EU; secondly, an internal challenge as a significant proportion of the mortgage book was due to mature in the year and the retention of teacher borrowers was of paramount importance.

I am happy to report that through careful stewardship both challenges have been managed well resulting in a stable mortgage book and another year of over £50m in gross lending. Total member equity increased to £21.2m (2017: £20.3m).

## Mortgage Lending

The Society was founded to help teachers to own their own homes and we have continued to help more teachers to get on to the housing ladder in 2018 with around 64% (2017: 61%) of new lending being to first-time buyers including through schemes such as Help to Buy. New mortgage lending for the year was £53.6m (2017: £52.5m) with net lending reducing marginally by £1.2m (2017: increased by £12.6m).

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 compared to the building society sector and the industry as a whole.

## Savings and Funding

Shares and other customer deposits remained stable in 2018 increasing slightly to £234.7m (2017: £227.1m). We are committed to providing competitive rates to our members while seeking to balance the amount of savings balances against the amount of mortgage lending.

The total liquidity ratio was 22.8% (2017: 18.7%). This reflects additional drawings from the Term Funding Scheme (TFS) at the beginning of 2018, taking the total to £30m.

In 2018 we repaid the final £7m of funds from the Bank of England's Funding for Lending Scheme ('FLS') in line with the Society's phased repayment plan.

## Looking Forward

At the time of writing the uncertainty of the outcome of the ongoing Brexit negotiations continues to loom large with the deadline date for exiting the European Union fast approaching.

Inflation has fallen below the Bank of England's Monetary Policy Committee's target to 1.8%, whilst wage inflation rises in excess of 3%, which appears to support a view that households are better able to withstand the economic conditions post-Brexit; however, the outcome cannot be certain.

Your Society, however, is better placed than ever to respond to these uncertainties with very strong capital and liquidity.

I would like to take the opportunity to thank the Board and the staff of the Society for their diligence and hard work over the last year and also for making me feel so welcome.

Julie Nicholson  
Chair

## Summary Financial Statement for the year ended 31 December 2018

Income statement	2018	2017
	£000	£000
Net interest receivable	4,987	4,222
Other income and charges	(24)	74
Fair value gains	53	17
Administration expenses	(4,088)	(3,439)
<b>Operating profit before provisions</b>	<b>928</b>	<b>874</b>
Provisions	194	(14)
<b>Profit for the year before taxation</b>	<b>1,122</b>	<b>860</b>
Taxation	(201)	(146)
<b>Profit for the year</b>	<b>921</b>	<b>714</b>

Statement of financial position at year-end	2018	2017
	£000	£000
<b>Assets</b>		
Liquid assets	62,172	41,961
Mortgages	230,905	231,662
Derivative financial instruments	204	121
Fixed and other assets	1,420	1,396
<b>Total assets</b>	<b>294,701</b>	<b>275,140</b>
<b>Liabilities</b>		
Shares	213,942	210,216
Borrowings	58,687	43,932
Derivative financial instruments	96	171
Other liabilities	757	523
General reserve	20,473	19,549
Revaluation reserve	746	749
<b>Total equity and liabilities</b>	<b>294,701</b>	<b>275,140</b>

Summary of key financial ratios	2018	2017
Gross capital as a percentage of shares and borrowing	7.8%	8.0%
Liquid assets as a percentage of shares and borrowings*	22.8%	16.5%
Profit for the year as a percentage of mean total assets	0.32%	0.27%
Management expenses as a percentage of mean total assets	1.43%	1.30%
Core equity tier 1 capital ratio	22.2%	21.5%

\*Excludes FLS held off of the statement of financial position (fully repaid during 2018)

Approved by the Board of Directors on 7th March 2019 and signed on its behalf by:

**Julie Nicholson**  
Chair

**Simon Beresford**  
Chief Executive

**Paul Marsden**  
Finance Director

# 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.

## 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 services 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.

## Core equity tier 1 capital ratio

Core equity tier 1 (CET1) capital is predominantly made up of the Society's retained profits held in the general reserve and the revaluation reserve.

The CET1 ratio is an expression of this capital as a percentage of the Society's risk-weighted assets.

# Auditor's Statement on Summary Financial Statement

## Independent auditor's statement to the members and depositors of Teachers Building Society

We have examined the summary financial statement for the year ended 31 December 2018 which comprises the summary Income Statement and Balance Sheet together with the summary Directors' Report.

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, for our audit report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

The directors are responsible for preparing the summary financial statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full financial statements, Annual Business Statement and Directors' Report and its conformity 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 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board. Our report on the full financial statements describes the basis of our audit opinion on those financial statements.

### Opinion

In our opinion the summary financial statement is consistent with the full financial statements, the Annual Business Statement and Directors' Report of Teachers Building Society for the year ended 31 December 2018 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

### Deloitte LLP

Statutory Auditor, Birmingham, United Kingdom, 7 March 2019.

# 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 Chair) is reviewed each year by the Executive Directors and the Chair, and a recommendation is made to the Board. The Chair's remuneration is reviewed each year by the Remuneration Committee without the Chair being present. The committee compares the level of fees to those 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

Director	2018 £000	2017 £000
<b>Fees paid to Non-Executive Directors</b>	<b>£000</b>	<b>£000</b>
J Nicholson (from 26.04.18)	23	-
R J Spragg (until 26.04.18)	11	31
A P Lee	23	23
A L Pike	21	20
I Grayson	21	20
P Winter (from 29.06.17)	21	10
M Himsworth (from 07.11.18)	6	-
<b>Total</b>	<b>126</b>	<b>104</b>
<b>Executive Director's remuneration</b>		
S Beresford (from 17.02.17)		
Salary	152	138
Medium term bonus	28	20
Relocation allowance	-	6
Pension contributions	15	14
<b>Total</b>	<b>195</b>	<b>178</b>
PG Marsden (from 08.12.17)		
Salary	142	12
Medium term bonus	5	-
Relocation allowance	2	1
Pension contributions	3	-
<b>Total</b>	<b>152</b>	<b>13</b>
P E Jarman		
Salary	79	74
Medium term bonus	17	14
Pension contributions	1	1
<b>Total</b>	<b>97</b>	<b>89</b>
D Fensome (until 31.10.17)		
Salary	-	135
<b>Total</b>	<b>-</b>	<b>135</b>
<b>Total Directors' Remuneration</b>	<b>570</b>	<b>519</b>

<b>Principal Office</b>	Allenview House, Hanham Road, Wimborne, Dorset, BH21 1AG
<b>Firm Reference Number</b>	156580
<b>Directors</b>	J Nicholson, Chair S Beresford, Chief Executive P G Marsden, Finance Director P E Jarman, Legal Director & Secretary A L Pike, Non-Executive Director I Grayson, Non-Executive Director A P Lee, Non-Executive Director P Winter, Non-Executive Director M Himsworth, Non-Executive Director
<b>Auditors</b>	Deloitte LLP, Birmingham
<b>Internal Auditor</b>	RSM Risk Assurance Services LLP, Leeds
<b>Bankers</b>	National Westminster Bank PLC

