RELIANCE BANK

Giving money meaning

Annual Report and Accounts For the Year ended 31 March 2020

Reliance Bank Limited (Reliance Bank or Bank) is a UK incorporated company limited by shares. Authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Reliance Bank is wholly owned by The Salvation Army International Trustee Company.

Reliance Bank's vision is to be recognised and respected as an important ethical bank that exists to enable positive social impact.

Contents

DIRECTORS, MANAGEMENT AND PROFESSIONAL ADVISORS

DIRECTORS

Alka Ahuja
Nigel Boothroyd
Andrew Brown
Martyn Croft
Paul Croucher* – Managing Director
Kevin Dare* – Finance Director
Simon Featherstone
Robin Foale (appointed 1 May 2019)
Major Russell Malcolm (appointed 1 August 2020)
Julie Nicholson – Chair
Commissioner John Wainwright
Colonel Knud Welander (appointed 22 July 2019 and resigned 31 May 2020)
Justin van Wijngaarden (appointed 20 June 2019)

* Executive Directors

COMPANY SECRETARY

Kevin Dare

EXECUTIVE MANAGEMENT

Paul Croucher, Managing Director
Kevin Dare, Finance Director
Andy Detheridge, Chief Operating Officer
Leanna McEwan, Commercial Director
Merlyn Thomas, Head of Risk and Compliance

REGISTERED OFFICE

Faith House
23-24 Lovat Lane
London EC3R 8EB

Tel: 020 7398 5400
E- Mail: info@reliancebankltd.com
Website www.reliancebankltd.com

COMPANY NUMBER: 00068835

INDEPENDENT AUDITOR

BDO LLP
55 Baker Street
London W1U 7EU

JOINT STATEMENT FROM THE CHAIR AND MANAGING DIRECTOR

We are delighted to present the 2020 Annual Report and Accounts, continuing a period of significant further change and transition for the Bank.

In October 2018, The Salvation Army International Trustee Company became the sole shareholder of the Bank following many years of joint ownership with The Salvation Army Trustee Company (United Kingdom and Republic of Ireland). Through this simplified ownership structure, the Bank was provided with a capital injection of £1.5m to support an initial phase of investment in the Bank's people, processes and systems. In December 2019, a further £1m capital injection was received to support investment in the Bank's new business model.

The end of this reporting period marked almost 18 months' progress of the Bank's 5-year strategic plan. The plan aims to broaden the Bank's customer base with the introduction of new and improved products, capabilities and an expanded mission to enable social impact. The Bank is seeking new personal, business and charity customers to increase its deposit base and reduce its concentration of large deposits from The Salvation Army. This is wholly in line with The Salvation Army's investment strategy and desire to build a broader based bank.

The Bank continues to operate and improve its extensive day to day services for the Salvation Army as an important top 20 International Charity. Services are being expanded to provide a competitive banking approach for the charity and not-for-profit sectors and for businesses with a social impact agenda. The Bank is also growing its lending book with the re-positioning of its residential mortgage offering through the intermediary market, the development of 'social impact mortgages' and through increased commercial lending to the social impact sector.

The onset of a global pandemic started to touch the UK in the last month of our reporting year. This led to emergency business continuity planning and a period of unprecedented social, fiscal and economic developments. Whilst the Bank is continuing with its 5–year plan, we acknowledge that there may be considerable delivery challenges requiring the Board to review its approach as we progress.

PERFORMANCE

The economic climate in the year has been a challenging one for small banks to operate in, especially with Brexit causing many businesses to delay investment; a consequential slowdown in the housing market; and increasing competition in the mortgage market forcing a downwards-pricing trend. Despite this operating environment, customer lending increased by 19% and for the first time in the Bank's history, its loan book passed the £50m milestone.

In progressing its transitional operating plan, the Bank recorded an operating loss of £671,756 (2019: operating profit of £193,634) before recognising non-recurring costs of £816,571 (2019: £879,127). Non-recurring costs included:

£172,803 – Business restructuring costs including consultancy and legal costs
£612,760 – Risk and compliance costs covering a programme to update systems and controls
£31,008 – Brand development (Re-branding)

After taking into account these non-recurring costs and taxation movements, the retained loss for the year amounted to £1,490,764 (2019: retained loss of £685,493). No gift aid donations were made in the current year (2019: £Nil) reflecting the investment approach of the early years of the 5–year strategic plan.

The Bank has invested almost £2m in the initial 18 months of the 5–year strategic plan to build a sustainable platform to underpin the Bank's growth ambitions. These are almost entirely one-off costs and represent the larger element of planned investment completely supported by shareholder capital injections. The Bank's on-going Digital Transformation programme is the main capital investment cost for the remainder of the 5–year plan and is fully allocated within the Bank's present capital resources.

Operating losses before these one-off costs reflect an investment in new employees that are supporting new customer acquisition and building robust risk and operational management systems and controls. The enlarged employee base is virtually complete with some important senior hires at executive management level and supporting business development, marketing, risk management, project management and operational roles all in place. These operating costs are therefore now stabilising with a focus on improving the Bank's revenue lines.

The Bank's key business ratios remained very strong with a total capital ratio of 17.7% (2019: 20.2%) and a loan to deposit ratio of 28.5% (2019: 27.5%). The underlying business performance saw the non-Salvation Army lending book increase by 14% (2019: 18%) with an improvement in the Bank's net interest margin to 1.10% (2019:1.00%). Deposits from personal and business customers grew by 13% (2019: 8%).

The Bank's careful stewardship of its lending resulted in actual amounts written-off due to lending losses of £1,161 (2019: £1,318) representing 0.002% of its total lending book. Total lending losses for the past 5 years have amounted to £128k.

PEOPLE

During the year, further development of our operational structure was implemented in consultation with our employees. Significant developments included the recruitment of three new senior commercial banking relationship managers with a regional focus in the North of England, Northern Home Counties and South East England. We also expanded our mortgage, marketing and treasury teams and added further project management resource.

There were also a number of changes to strengthen the Board during the year. Robin Foale and Colonel Knud Welander joined as shareholder representatives and Justin van Wijngaarden joined as Audit, Risk and Compliance Committee Chair. Nigel Boothroyd, a Non-Executive Director since 2018, was appointed as Senior Independent Director. Post the year end, Colonel Knud Welander has resigned following a move to Norway and we are grateful for his contribution during the year. He is replaced on the Board by Major Russell Malcolm as a shareholder representative.

STRATEGY

Our 5–year plan is being implemented in four key areas:

People

We have restructured our business model and have carefully selected a mix of internal and external appointees in new roles. This new structure is largely in place with a small number of vacancies due to be filled in 2020/21. The new structure was implemented in full consultation with our employees.

We have implemented a modernised pay structure with a simplified grading model and independent benchmarking to London smaller banks and the not-for-profit sector. We also introduced a wider range of well-being benefits and volunteering opportunities.

We joined the Banking Standards Board (BSB) in 2019. The BSB provides a unique benchmarking process based on employee feedback from over 30 banks. Our employees completed our first survey and the results were reviewed during the year. The Bank held up strongly in a number of benchmarked areas including culture, ethics and behaviours, although there were some lessons as we continue to change and improve the Bank's business model.

Operations

We completed a property options review in 2019 considering the fact that we own the freehold of our City of London office. We concluded that we would remain at Faith House and invest in the premises to improve employee working conditions and the customer/visitor experience. A full refurbishment programme is now nearing completion, adding to working space, meeting rooms and a general modernisation agreed in consultation with our employees.

We are investing and modernising our approach to ensure that we capture emergent digital developments. We will preserve the Bank's commitment to individual customer service whilst recognising our customers' emerging needs and behaviours around digital and mobile banking.

We finalised a review of our technology during the year to inform our banking platform decisions. Having conducted a vendor selection process, we are completing final due diligence on a preferred delivery partner. An ambitious digital transformation programme will be progressed in the 2020/21 financial year for which the capital allocation has occurred.

Marketing and Products

The latter part of 2019 saw the launch of a powerful new brand for the Bank and a new website that customers and prospective customers have acclaimed. Our digital transformation programme will build on this platform to enable customers to apply for products and services on-line. We also commenced digital marketing activity through social media and ran a successful series of videoed events that were replayed through a number of channels.

We re-packaged our mortgage range so that this was more competitive and launched a range of personal and business savings products.

Risk Management and Compliance

Whilst the Bank's approach remains a conservative one, our strategic plan demands that we review and strengthen our risk management in line with our mission to maintain a solid and safe bank for our shareholders and customers. We are extensively investing in improved systems and controls to ensure that we maintain an up to date and forward looking approach that is supporting our enlarged business.

Following the onset of the COVID-19 pandemic, the underlying business risks were evaluated and placed at the top of the Bank's risk register. During this period, the Bank moved to largely remote working and increased resources in the credit risk function.

Whilst operationally disruptive, the Bank was able to settle to a new way of working whilst adopting increased controls and awareness of cyber security and other types of fraud. Our customers suffered minimal disruption and mortgage and commercial loan repayment holidays were provided at volumes in the bottom quartile compared with industry counterparts.

A low level of customer default has been seen during this period to date, and not especially out of line with our usual experience. A small number of customers are being supported through this period where we expect their circumstances to improve as we emerge from the pandemic. This reflects the Bank's conservative credit policy and controls in this area.

OUR THANKS

We are very grateful to our employees who have gone the extra mile through a period of continuing change. The new opportunities being created for our people will serve them well over the coming years as we build a better business for our customers, shareholder and employees.

Our Board and shareholder have worked tirelessly to provide input and support as we initially examined opportunities for the Bank, steered a successful ownership transition and embarked on our new journey in the world of socially responsible banking.

Julie Nicholson
Chair
3 September 2020

Paul Croucher
Managing Director
3 September 2020

Strategic Report

The Directors have pleasure in presenting the Strategic Report for the year ended 31 March 2020.

OUR FOUNDATIONS

Reliance Bank was founded in 1890 by William Booth, also the founder of The Salvation Army, originally to serve its day-to-day banking needs and to attract investments to finance mortgages on property vital to the work of the movement. Whilst the Bank has developed in the last century, its original purpose has not been lost and through a gift aided share of allowable profits a total of £2.3m in the past 10 years has been received by its owners to further The Salvation Army's mission. Today, the Bank is used by many private customers as well as charities and businesses that value the Bank's ethical bias.

VISION, MISSION AND VALUES

Our Vision

To be recognised and respected as an important ethical bank that exists to enable positive social impact.

Our Mission

To be a distinctive, solid and safe bank with strong Christian and ethical values that delivers as part of the 'One Mission' of The Salvation Army by serving our customers with a bespoke approach that measures our impact in society.

Our Values

- ***Integrity***
  - We are reliable, trustworthy, transparent and honest in our personal and business relationships.
  - We design all our products, services, pricing and communications in accordance with the principles of treating customers fairly.
- ***Accountability***
  - We only provide products and services that meet a genuine customer need.
  - We provide a secure home for people's hard-earned savings.
  - We only lend to customers responsibly and, if a problem does arise, we work with customers to support them through difficult times.
  - We lend to a sustainable policy that protects the Bank's depositors and investors.
- ***Consideration***
  - We aim to provide access to banking services to people who are often overlooked by the mainstream and we will always try to find a solution for customers.
  - We value communities and seek to add value where we can.
- ***Alignment***
  - We utilise our resources so that we can generously support the global work of The Salvation Army. We are advocates for its One mission and will promote the social good that the Bank and our customers are trying to achieve.
- ***Respect***
  - We value all people and welcome their views.
  - We adopt recruitment and remuneration policies that are fair and value equality and diversity.
  - We consider the impact that our operations have on the environment.

5-Year Strategic Plan

The year has seen Reliance Bank make progress against its new 5-year strategy, which focuses on making a positive social impact whilst developing a more robust, diversified business model. The new strategy was adopted in October 2018, at the time that the International Trust of The Salvation Army established full ownership of the Bank and made a capital injection to support the upfront investment required. The Bank has successfully grown its lending and customer deposits in the year and a further capital injection has been made in line with the strategy.

The Bank's traditional focus has been to provide bespoke, reliable banking services to its shareholders, whilst also providing a limited range of business and personal lending products to external customers. The emphasis of the 5-year plan is to transition to a position where the Bank is recognised as an important ethical bank that serves to support the wider Salvation Army mission. We will achieve this by delivering social impact through supporting target market customers and by adopting a truly socially responsible operating model.

In addition to putting in place an organisational structure that can deliver our objectives, the plan re-balances the business with reduced lending book and depositor concentration.

STRATEGIC PRIORITIES

Build a resilient balance sheet

To further protect the Bank, its depositors, and its shareholder and to support improved capability, resources, products and systems.

Deliver a business transformation plan

To invest in human resources for the medium term by building the expertise needed to transform and grow the Bank and enhance succession planning for key roles and risk mitigation. The transformation plan is intended to improve systems, delivery mechanisms and operational efficiencies.

The transformation aims to shift the Bank's approach to become more pro-active by investing in key areas including relationship management, marketing, treasury and project management.

Evolve the Bank's risk management framework

To refine and enhance the Bank's processes and controls in respect of the identification, reporting and monitoring of the key risks associated with the Bank's business model.

Carefully grow the lending book

To grow the lending book through a mix of residential mortgage lending and commercial lending with a primary focus on enabling social impact. The growth in lending will be subject to the existing rigorous lending criteria that has supported the Bank's excellent track record with minimal bad debts.

Launch a socially responsible banking proposition

To launch the proposition spanning across business banking, lending, deposits and personal banking aiming to measure our contribution to social purposes thus extending The Salvation Army's mission and adopting a truly socially responsible operating model. The target operating model will capture every area of the Bank's business including employees, customers and products.

Re-launch the business-banking proposition

Continue to support our existing customer base but with an aim to develop a specialist sector focus on businesses that deliver a social impact including charities, churches, education, healthcare, social housing and social enterprises.

Introduce a savings market strategy

To re-package existing savings products and launch new products aimed at both the retail and business markets with the aim of reducing the concentration of Salvation Army deposits over time.

Re-launch the mortgage proposition

To work through intermediary networks to drive increased take up whilst applying carefully considered lending criteria to ensure that the Bank is not unduly exposed in this segment. Re-package the core range to be market relevant and consider the underserved and socially relevant segments.

Create and deliver a marketing re-fresh plan

To promote the Bank through multiple channels, reinforce our brand (shareholder) strength and values and significantly shift our market awareness and customer interface.

FINANCIAL REVIEW

5-YEAR PERFORMANCE HIGHLIGHTS

£000's	2019/20	2018/19 (as restated)	2017/18	2016/17	2015/16
Operating Income	2,680	2,509	2,210	2,369	2,434
Operating Costs (excl transitional / non-recurring items)	(3,352)	(2,211)	(2,034)	(1,957)	(1,969)
Operating Profit before transitional / non-recurring items	(672)	298	176	412	465
Donations to Salvation Army	-	-	(228)	-	(349)
Shareholder's Funds	11,652	12,143	11,291	11,350	11,030
Lending to Salvation Army	2,545	2,781	8,571	13,858	19,084
Lending to Other Customers	50,660	44,439	37,309	35,288	36,232
Salvation Army Deposits	145,430	135,241	163,899	185,977	205,996
Other Customer Deposits	40,981	36,394	33,644	28,903	27,381
Loan Losses	(1)	(2)	(4)	(121)	(-)

KEY PERFORMANCE INDICATORS

	2019	2018 (as stated)	Commentary
Core Tier 1 Capital Ratio	17.7%	20.2%	Core Tier 1 Capital as a % of total risk weighted assets. As all of the Bank's Capital is Core Tier 1 Capital, this equates to the Bank's Capital Ratio. Decreased as a result of both a decrease in capital and increased risk weighted assets from the lending growth.
Leverage Ratio	5.45%	6.12%	Capital as a % of total exposures. Decreased as a result of both a reduction in capital and higher total exposures.
Net Interest Margin	1.10%	1.00%	Net interest earned as a % of interest earning assets. Increased as a result of growth in higher margin customer lending.
Lending / Deposits Ratio	28.5%	27.5%	Total customer lending as a % of total customer deposits. Increased as a result of a higher % growth in customer lending against the % growth in customer deposits.
Liquidity Coverage Ratio	690%	1,100%	High quality liquid assets as a % of expected net cash outflows (expected cash outflows less capped expected cash inflows) over a 30 day stressed period. The Bank's high quality liquid assets currently comprise balances held at the Bank of England. The decrease reflects higher potential outflows within 30 days.

CAPITAL

The Bank's objective in respect of its capital is to ensure it has sufficient levels to support its growth plans and continues to meet its regulatory capital requirements, with sufficient headroom. Its capital currently consists of ordinary share capital and Profit and Loss reserves, all of which meet the Common Equity Tier 1 Capital definition. An estimated capital adequacy position is monitored on a daily basis, taking into account an estimate of risk weighted assets.

Throughout the year, the Bank has continued to hold robust levels of capital. Applying the current capital requirements directive rules (CRD IV), as at 31 March 2020, the Bank has a Capital Adequacy Ratio (capital as a percentage of risk-weighted assets) of 17.7% (2019: 20.2%), which equates to the Bank's Core Tier 1 Capital Ratio.

Comfortable headroom against regulatory capital requirements has been maintained, with the Bank's Total Capital Requirement calculated at £7,558,000 as at 31 March 2020 (2019: £7,163,000). During the year, an additional £1m of ordinary share capital (Common Equity Tier 1 Capital) was invested in the Bank.

LIQUIDITY

Throughout the year, the Bank has continued to maintain strong liquidity and funding levels.

Total advances to customers that are not zero risk-weighted are restricted to 65% of total customer deposits. This appetite has increased with the approved growth plans within the new strategic plan but remains conservative in relation to most other banks where the ratio is far higher. Consequently, the Bank does not borrow in the wholesale market and, therefore, will continue to be less susceptible to financial market liquidity stresses.

The Bank's Liquidity Coverage Ratio (high-quality liquid assets as a percentage of 30-day net cash outflow) has also shown consistently high headroom over and above regulatory requirements, with the 31 March 2020 ratio at 690% (2019: 1,100%). As at 31 March 2020, the Bank's Leverage Ratio (capital as a percentage of total exposures) was 5.45% (2019: 6.12%).

BUSINESS PERFORMANCE

The Bank continues to provide its parent group charities and existing customers with excellent and efficient service whilst expanding its personal and commercial banking business through targeted, selective growth – delivering services and products that align to our social purpose. Service level objectives continue to be met and, whilst Salvation Army deposits and lending have shown some decline in the year, new business has been recognised in target market areas.

Lending

Mortgage lending grew by 6% to £25m and commercial lending grew by 25% to £27m with a healthy pipeline of business at the year-end.

Deposits

Personal deposits have been maintained at £19.9m and business deposits grew by 28% to £21.0m. Salvation Army deposits had been expected to fall but actually grew by 8% to £145.4m.

Net Interest Income

Net interest income benefited from the growth in higher margin assets and from a higher average Bank of England Base Rate across the full year, despite falls in the Bank of England Base Rate during March 2020.

Operating Profit

The Bank has progressed its operating plan in line with its strategic goals which has resulted in an operating loss for the year of £671,756 (2019: operating profit of £193,634) before recognising non-recurring costs of £816,571 (2019: £879,127). Non-recurring costs represent business restructuring costs.

The operating loss for the year amounted to £1,488,327 (2019: £685,493). Performance over the past two years reflects the Bank's investment in a new organisational structure, systems and controls to support its future growth plans. The retained loss for the year carried forward amounted to £1,490,764 (2019: £647,859). No gift aid donations were made in the current year (2019: £Nil).

OUTLOOK

The majority of the Bank's investment in transitioning to its target operating model in order to deliver its strategic priorities has now been completed. There remains a planned investment in our digital transformation programme for which capital has been fully allocated. A major development that has occurred towards the end of the financial year has been the impact of COVID-19 and the unprecedented disruption that this has already had on people's livelihoods, businesses' ability to continue trading and wider Government policy. In isolation, the impact of a reduction to the Bank of England Base Rate and downward pressure on interest rates in general will suppress the returns available on wholesale assets as they mature. Of particular concern is the potential impact on the Bank's customers and the Bank has already begun to provide support where it can in the form of repayment holidays and exploring tailored lending propositions. There are a number of unknowns around the extent of the impact that COVID-19 will eventually have, including the impact on property prices, with the expectation that there will be an increased credit risk across the financial system. The steps the UK Government have taken to date have helped support individuals and businesses through the early stages of the disruption. The Bank strengthened its credit risk systems and added additional senior level management in this area at the outset of the UK COVID-19 outbreak. Additionally, the Bank's new business pipeline was very strong at this point and will remain under close review as we proceed through the crisis.

The year ahead is expected to be a challenging one for the Bank but one that presents opportunities to support customers and to continue to build our strong reputation for supporting social impact.

PRINCIPAL RISKS AND UNCERTAINTIES

The Bank's special position, being wholly owned by a charitable organisation founded on Christian and ethical principles, dictates a very risk averse approach to business. It is the Bank's risk appetite, evidenced by its risk policies, and the management of those policies that have helped see the Bank remain profitable in prior periods when financial markets have been challenging.

In common with all banks, Reliance Bank faces a number of risks including credit risk, liquidity risk, interest rate risk, market risk, operational risk, currency risk, regulatory risk and reputational risk. As the Bank participates in a defined benefit pension scheme, another key risk faced by the Bank is pensions obligation risk. Policies are in place to ensure that the Bank's exposures to these risks are monitored and controlled. The Bank maintains a risk register, allocating responsibility for all significant risks to senior management. Risks are monitored on a regular basis, along with their associated controls and mitigants.

The Bank performs stress tests as an integral part of monitoring its exposures. At least annually, the Bank completes its own Internal Capital Adequacy Assessment Process (ICAAP) report which details how the Bank assesses its key risks and sensitivities, how it intends to mitigate those risks and how much current and future capital is deemed necessary to support the Bank's operations in light of those risks. Stress testing is applied to identify key sensitivities and to ensure that the Bank is well placed to cope with stressed scenarios. Pillar 3 disclosures, not included in this report, can be found on the Bank's website at www.reliancebankltd.com.

The Bank is also required to maintain a formal Recovery and Resolution Plan, which is shared with the regulatory authorities as required.

Credit Risk

Credit risk is controlled principally by establishing and enforcing authorisation limits, by defining exposure levels to counterparties and by monitoring the creditworthiness of counterparties. Daily monitoring of positions ensures that prudential limits are not exceeded. The Bank continues to adopt a conservative lending policy, which has resulted in a low bad debt record. Affordability in stressed circumstances is a key consideration when reviewing lending applications.

Liquidity Risk

The Bank has a formal policy to control liquidity risk, whereby the maturity of assets and liabilities between periods is reviewed on a daily basis to ensure that mismatches do not exceed the maximum permitted under the policy or trigger early warning indicators. The Bank also ensures that it holds sufficient levels of High Quality Liquid Assets (in the form of balances on its Bank of England Reserve Account and UK Treasury Bills) to meet Liquidity Coverage Ratio requirements. The Bank performs regular stress tests to ensure that it holds adequate liquid assets. An annual Internal Liquidity Adequacy Assessment Process (ILAAP) report is completed, which evidences that liquidity systems and controls are in place that maintain adequate liquidity resources and meet the current requirements of the Prudential Regulation Authority.

The Bank adopts a very conservative approach to the management of its liquidity and longer dated investments. Risk quality of counterparties is of paramount importance, and the Bank places deposits with, and purchases short-dated certificates of deposit from, UK and international financial institutions of strong credit rating. There are minimum credit balance agreements in place with some large depositors, whereby a significant proportion of total balances are committed to remain with the Bank subject to three months' formal notice.

Interest Rate Risk

Interest rate risk is controlled by carefully monitoring market interest rates and moving the Bank's rates in response to the market, maintaining an appropriate spread between rates receivable and rates payable. Large term deposits from customers are matched broadly with investments. The portfolio of debt securities currently consists of sterling certificates of deposit, all of which mature within twelve months of the Balance Sheet date and which realise fixed amounts upon maturity. UK Treasury Bills which mature within 6 months are, ordinarily, held as available High Quality Liquid Assets. Maturity profiles of lending are managed and the availability of fixed interest mortgages is controlled. Interest rate sensitivity gap analyses are undertaken and Basis Risk positions are reviewed to monitor interest rate risk.

Market Risk

The Bank does not have a trading book and has no material exposure to market risk.

Operational Risk

Operational risks, including the risk of fraud, business continuity, third party dependency, key staff and IT security, are controlled by a wide variety of internal controls, the effectiveness of which are reviewed by the Audit, Risk & Compliance Committee considering the output of the internal audit function and results of management monitoring of the risk register with a regular consideration of emergent risks and changes to risk profiles.

Currency Risk

The Bank accepts fixed interest foreign currency term deposits. US dollar and Euro accounts are only provided to Salvation Army customers. To minimise foreign currency risk, all customer term deposits are placed in matching interbank deposits in the same currency with profits being converted to sterling on a regular basis.

Regulatory Risk

Changing regulation is nothing new to the banking industry. Occasionally, this will involve extensive reviews of major control frameworks, such as those relating to conduct, capital adequacy and liquidity. It is important to ensure that the Bank remains compliant with all existing regulation and that new regulation is accurately interpreted and planned for. Failure to comply with regulatory requirements and expectations could cause reputational damage and could result in financial loss through regulatory sanction or loss of business. The importance of compliance and meeting regulatory expectations is embedded in the culture of the Bank. Internal systems and controls are designed to ensure that the compliance function remains effective. The Bank's internal audit function also plays a key role in ensuring that the Bank continues to meet its regulatory requirements.

Reputational Risk – Socially Responsible Banking

Owing to the Bank's ethical focus, reputational risk is of particular relevance. The Conduct Risk initiative introduced by the regulator to eliminate poor outcomes for customers is not a new concept to the Bank. Undertaking business with integrity is crucial to the Bank in building trust with customers and has seen the Bank benefit from many new business introductions from existing customers. Providing products that meet customers' needs, together with delivering excellent customer service in a fair and transparent manner has been engrained in the Bank's culture for many years and continues to be the focus of our attention.

Pension Obligation Risk

Whilst the multi-employer defined benefit pension scheme is closed to new members, there is a risk that fund assets will not meet liabilities as they fall due for remaining members. A number of assumptions are made in valuing the scheme including assumptions on discount rates, inflation, mortality rates and salary increases. The scheme is subject to triennial valuations and the Bank makes commitments to pay up its share of any shortfalls arising. In recent years, both employer and employee contribution rates have been increased to help alleviate this risk.

COVID-19 Pandemic Risk

A major risk to have materialised during the reporting year has been pandemic risk, with the worldwide outbreak of COVID-19 having had a huge impact on individuals and businesses in the UK. Whilst the extent of the implications of COVID-19 disruption remains uncertain, scenario modelling has been undertaken to consider a range of impacts. The pandemic has resulted in the heightening of many other risks, including risks to the health and wellbeing of our people, credit risk, interest rate risk, liquidity risk and operational risk. The Bank has demonstrated its operational resilience in implementing business-wide remote working arrangements which has allowed it to continue to provide its full range of services during lockdown without disruption. Credit risk across the financial system has increased and is likely to be higher for some time to come which has resulted in the Bank taking steps to strengthen its credit risk systems and adding additional senior level management in this area.

Controlling and Monitoring Risks

An important aspect of controlling risks is monitoring key risk indicators and key performance indicators, which also allows the Bank to assess risk and performance. Key risk indicators are used to set out the Bank's risk appetite.

The Board receives monthly management information packs. These include management accounts, which compare actual performance against budget and prior year. Explanations are provided to the Board of significant variances and comment focuses on the key performance indicators of operating profit, net interest income, administrative expenses, customer deposits, customer lending and net assets. This helps the Bank's management assess the effectiveness of its margin management and cost control in light of the market conditions it faces, as well as establishing how successful the Bank has been in attracting new customers.

The monthly management information also reports the current liquidity position, regulatory capital position and performance against various other key risk indicators. It provides five-year trends of the following financial ratios – net interest margin, return on equity, return on assets and the cost/income ratio.

Other standard components of the management information packs include updates on lending and arrears positions, financial crime statistics, regulatory compliance updates, treating customers fairly reviews, details of customer feedback and business development information. The Bank plans to develop reporting on its social impact in the coming year.

The Bank's liquidity position and large exposures are monitored daily against targets and limits set by the Board in line with the Prudential Regulation Authority's parameters whilst capital adequacy is continuously monitored against an early warning indicator set above a minimum regulatory target, the calculation rules for which are set by the Prudential Regulation Authority.

Statement in compliance with Section 172(1) of CA 2006 ("s172")

The directors have a duty to promote the success of the Company and our related stakeholders. A director must act in the way they consider, in good faith, to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of our employees;
- the need to foster business relationships with our customers, suppliers and others;
- the impact of operations on our communities and environment;
- the desirability to maintain a reputation for high standards of business conduct, and;
- the need to act fairly across all members.

The directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

In considering their duty under s172, the directors have identified the following stakeholders, in addition to the shareholder:

- Customers: delivering successful outcomes through a reliable, secure service to those charities, businesses and individuals that rely on the Bank's services for their own operations and funding plans.
- Employees: having a diverse workforce that feel valued in an inclusive work environment; providing opportunities for development and an open culture for sharing feedback.
- Suppliers: developing trusted business partnerships that provide value for money in delivering services that are reliable, secure and robust. The wider stakeholder management of individual suppliers is recognised as a means by which the Bank can control its own impact through its supplier choices.
- Communities: closely linked to the charity customer relationship and supporting those customers to achieve their aims, contributing to a positive social impact within the wider community.
- Environment: recognising the direct impact that businesses can have on the environment and making responsible choices that align with the Bank's values.
- Regulators: ensuring the Bank adheres to all relevant regulation and maintains an open, transparent relationship with the Financial Conduct Authority and the Prudential Regulation Authority.
- HMRC: ensuring the Bank is paying all due taxes.
- External Auditors: ensuring the Bank's auditors are kept aware of all key developments through an open, transparent relationship.
- Pension Schemes: a subset of the wider Employee stakeholder group – schemes are in place to provide benefits to the Bank's staff.

The key decisions made by the board during the year that have impacted these stakeholders include the following:

- The recommendation of the additional share capital investment by the shareholder to embed the new business model.
- Confirmation that the broad objectives of the Bank's strategy remain appropriate in delivering the Bank's vision.

BY ORDER OF THE BOARD

Kevin R. Dare
Secretary

3 September 2020

Directors' Report

The Directors have pleasure in presenting their report, together with the accounts of the Bank, for the year ended 31 March 2020.

BUSINESS REVIEW AND OBJECTIVES

A review of the Bank's business, its objectives, activities and future strategy is covered in the accompanying Joint Statement from the Chair and Managing Director and Strategic Report. The Strategic Report also contains the Bank's key performance indicators for the year and other important information relating to its business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Strategic Report identifies the Bank's principal risks and uncertainties and the key actions taken to mitigate them. In addition to the description in the Strategic Report, note 29 contains information relevant to the Bank's financial risk management policies and objectives.

ETHICAL POLICY

The Bank's ethical stance is driven by Christian principles. The Bank is proud to be able to support a wide-range of customers that have a positive social impact.

Reliance Bank does not knowingly maintain accounts for, or lend money to, companies or persons that are involved in the manufacture of armaments, alcoholic drinks or tobacco products, repressive entities or those who do not respect human rights or do not operate in a socially responsible manner. This list is not exhaustive, as each application is considered on its merits to ensure that it is compatible with the ethics of the Bank's ownership.

Day-to-day banking operations, liquidity management and credit risk management require the Bank to hold deposits with a range of banking counterparties with a strong credit rating. It is recognised that the Bank's ethical position is unlikely to be mirrored by those financial institutions. These deposits are not long-term and none extends beyond 12 months.

DIVIDEND POLICY

The Bank does not pay dividends to its shareholder. All profits made by the Bank go to support the on-going work of The Salvation Army. This will either be in the form of direct donations made to the Bank's shareholder or by increasing the value of the shareholder's investment in the Bank through retained earnings.

CUSTOMER CHARTER

The Bank's focus is to provide banking customers a socially responsible choice that is competitive – offering banking products and services with the assurance that they will not be taken advantage of, that their assets will be looked after responsibly, and with the knowledge that the return made on those assets by the Bank will ultimately go to support the work of The Salvation Army.

The Bank deals fairly with customers at all times and takes complaints very seriously. Feedback is also invited from new customers. In this respect, the Bank holds regular staff workshops and has a system to record all cases where the customer is not satisfied with its service for whatever reason.

The Bank will maintain its focus at all levels in delivering a personal, excellent and efficient service to ensure that it treats all its customers on a fair and consistent basis. The strong culture and policies that the Bank has in place ensure that this treatment extends to customers that could be deemed to be in vulnerable circumstances.

TANGIBLE FIXED ASSETS

Additions to tangible fixed assets are set out in Note 12.

DIRECTORS AND THEIR INTERESTS

No directors hold any beneficial interests in the Share Capital of the Bank. The Directors serving during the year and up to the date of this report were as follows: –

DIRECTORS

Alka Ahuja
Nigel Boothroyd
Andrew Brown
Martyn Croft
Paul Croucher* – Managing Director
Kevin Dare* – Finance Director
Simon Featherstone
Robin Foale (appointed 1 May 2019)
Major Russell Malcolm (appointed 1 August 2020)
Julie Nicholson – Chair
Commissioner John Wainwright
Colonel Knud Welander (appointed 22 July 2019 and resigned 31 May 2020)
Justin van Wijngaarden (appointed 20 June 2019)

* Executive Directors

Non-Executive Directors receive no remuneration for their services to the Bank (refer to Note 5).

The Bank discontinued an employee bonus scheme during the preceding year as part of a terms and conditions review although it provides all employees with a competitive basic salary and a range of well-being and other non-financial benefits.

Aggregate remuneration information for executive management during the year, whose actions could potentially have a material impact on the risk profile of the Bank:

Aggregate Remuneration of Code Staff	Fixed Remuneration (incl Pension)
Managers (5)	£581,438

SUBSTANTIAL SHAREHOLDERS

The Salvation Army International Trustee Company holds 100% of the issued share capital of Reliance Bank Limited for the benefit of The International Trust of The Salvation Army.

The Bank conducts business with its shareholder on commercial terms.

AUDITOR

BDO LLP has expressed its willingness to continue in office and, in accordance with Section 485 of the Companies Act 2006, a resolution for its re-appointment will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing these financial statements, the Directors are required to: -

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Bank's transactions and disclose, with reasonable accuracy at any time, the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that, in the case of each of the persons who are Directors at the date of this report, the following applies:

- So far as each Director is aware there is no relevant audit information (information needed by the Bank's auditors in connection with preparing their report) of which the Bank's auditors are unaware; and
- Each Director has taken all the steps necessary to make them aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

GOING CONCERN

In accordance with their responsibilities, the Board has considered carefully the going concern assumption and believe that the Bank's business model, together with its conservative, robust risk management policies, place the Bank in a position where it can generate positive returns and grow its business despite the challenging market conditions that the industry currently faces.

Stressed scenario analysis has been undertaken to model the potential impacts of COVID-19 disruption, applying different degrees of severity. The results of this modelling have been taken into account in an assessment of the adequacy of financial resources to meet regulatory requirements.

The Board is satisfied that the business has adequate financial resources to continue as a going concern for the foreseeable future on the basis that it has sufficient capital and liquidity to meet regulatory requirements for a period beyond 12 months from the date of signing the accounts.

BY ORDER OF THE BOARD

Julie Nicholson
Chair
3 September 2020

Corporate Governance Report

The Bank's corporate governance was reviewed as part of the 5–year strategic planning process and has been strengthened in a number of areas. The Bank's Executive Committee and Remuneration Committee were established in the previous year.

Although the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council, does not directly apply to the Bank, the Board has regard to its principles on a proportionate basis. The Code has been written with publicly quoted companies in mind, and some of its provisions are not necessarily consistent with the structure of a small bank.

The Board believes that the disclosures set out in the accompanying Joint Statement from the Chair and Managing Director and the Strategic Report provide the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

Board and management

The principal means by which the Directors reference regard to compliance with the Code is through the work of the Board and its committees.

Reliance Bank has oversight provided by a Board comprising Executive and Non-Executive Directors. There are two Non-Executive appointments made directly by our shareholder to represent their interests on the Board. The Board is chaired by an Independent Non-Executive Director supported by a Senior Independent Director.

The Board meets at least six times a year, holds an annual strategic planning day and receives monthly management information. All members of the Bank's Executive Committee attend the Board meetings and provide a divisional report to the Board. Its principal responsibilities consist of determining the business strategy of the Bank, reviewing the financial results and financial position of the Bank and authorising capital expenditure.

The Board began the year with seven Non-Executive Directors including the Chair, Julie Nicholson. Additionally, there were 2 Executive Directors: the Managing Director and the Finance Director. Three new Non-Executive Directors were appointed during the year. Robin Foale was appointed to the Board on 1 May 2019 as one of the shareholder representatives; Justin van Wijngaarden was appointed to the Board on 20 June 2019 and was appointed as Chair of the Audit, Risk and Compliance Committee effective from 22 November 2019; and Colonel Knud Welander was appointed to the Board on 22 July 2019 as the second shareholder representative. Following the reporting date, Colonel Welander resigned his position on the Board with effect from 31 May 2020 due to a relocation to Norway and he has since been replaced by Major Russell Malcolm as the second shareholder representative on the Board. This has brought the number of Non-Executive Directors to ten. Nigel Boothroyd was appointed as the Board's Senior Independent Director effective from 16 October 2019.

The Board has determined that the following should be designated as independent Non-Executive Directors: Alka Ahuja, Nigel Boothroyd, Andrew Brown, Martyn Croft, Simon Featherstone, Robin Foale, Major Russell Malcolm, Julie Nicholson, Colonel Knud Welander (prior to his resignation), Justin van Wijngaarden and Commissioner John Wainwright. The Board considers that Julie Nicholson met the independence criteria at the time of her appointment as Chair of the Bank.

Both Executive Directors, the Chair of the Board, Chairs of Board Committees and the Senior Independent Director are 'Approved Persons' under the rules of the Prudential Regulation Authority and the Financial Conduct Authority (the regulators). Under the regulators' Senior Managers Regime each Approved Person has a Statement of Responsibilities clearly delineating the areas and activities of the Bank's affairs for which they take individual responsibility and for which they are accountable.

New Board members undergo induction training, enabling them to build an understanding of the Bank, its history, organisation and business. All directors are expected to participate in relevant training courses and otherwise maintain an appropriate level of knowledge, particularly with regard to regulatory matters as they affect the Bank.

The Board reviews its performance by means of a formal annual self-appraisal questionnaire. Actions are agreed to take forward any identified improvements and their implementation is subsequently monitored by the Board.

Board Committees

The Board delegates some of its powers to the following committees:

Audit Risk and Compliance Committee

The Committee, which met on five occasions during the year, was chaired by Julie Nicholson until 22 November 2019 when Justin van Wijngaarden was approved as Chair. Its role was to consider the effectiveness of the Bank's control environment and oversee the implementation of recommendations to improve the controls. It is supported by regular reports from the Internal Auditors, External Auditors (Independent Auditor) and the Head of Risk and Compliance. The Committee reviews and agrees the annual plans for the Internal Auditors and the Compliance function. The Committee also considers management's regular reviews of individual risk assessments that make up the Bank's Risk Register. The Committee also ensures that the recommendations of the Prudential Regulation Authority, the Financial Conduct Authority and the External Auditors are considered in full and implemented, where appropriate. The Committee has oversight of whistleblowing and financial crime controls.

The Committee reviewed the overall work plan of the External Auditors, BDO LLP, and approved their remuneration and terms of engagement and considered in detail the results of the external audit, BDO LLP's performance and independence and the effectiveness of the overall external audit process. The Committee also reviews the Annual Report and Accounts prior to Board approval. It reviewed and challenged relevant accounting policies and significant financial judgements including the level of lending loss provisions and the basis of the 'effective interest rate' (EIR) calculation for revenue recognition.

All significant financial judgements are set out in the Accounting Policies in note 1, with further details provided in other notes, the Joint Statement of the Chair and Managing Director, the Strategic Report and the Directors' Report. The Committee has reviewed the effectiveness of the Bank's financial controls and the internal control and risk management systems, compliance with financial services legislation, and has monitored progress to ensure that any required remedial action has been or is being taken on any identified weaknesses.

Nominations Committee

This Committee, which meets at least annually, is chaired by the Chair of the Board. The Committee is in place to consider new appointments to the Board and conduct interviews before making recommendations to the Board to ensure that there continues to be a good mix of relevant skills and experience.

The Board has a policy of encouraging diversity in its composition.

Remuneration Committee

This Committee is chaired by Simon Featherstone. The Committee's role is to make recommendations to the Board in terms of the Bank's remuneration policy and specific proposals in respect of remuneration of the Executive Committee and members of the Board, as appropriate.

The membership of Directors at Board and Committee meetings is shown below

	Board	Audit, Risk and Compliance Committee	Remuneration Committee	Nominations Committee
Alka Ahuja	✓	✓		
Nigel Boothroyd	✓	✓	✓	
Andrew Brown	✓			✓
Martyn Croft	✓	✓	✓	
Paul Croucher	✓			✓
Kevin Dare	✓			
Simon Featherstone	✓		✓	
Robin Foale	✓			
Russell Malcolm	✓			
Julie Nicholson	✓	✓	✓	✓
John Wainwright	✓	✓		
Knud Welander*	✓			
Justin van Wijngaarden	✓	✓	✓	✓

* Prior to resignation

Executive Management

Day to day management of the Bank is delegated by the Board to the Managing Director who is supported by the executive management team through the operation of an Executive Committee that meets weekly.

The executive committee is also supported by a sub–committee structure comprising:

Risk and Compliance Committee – Meets monthly, chaired by the Head of Risk and Compliance to undertake a detailed review of the Bank's identified and emerging risks and compliance issues.

Credit Committee – chaired by the Head of Risk and Compliance, meets monthly and ad hoc to consider and approve lending applications within approved authority, review credit policy and provide oversight for watch list accounts and any forbearance considerations.

Assets and Liabilities Committee – chaired by the Finance Director, meets monthly to provide Treasury Management oversight including interest rate risk, liquidity risk and provide approval of all product structures and pricing within a Board approved product development policy framework.

Change board – chaired by the Chief Operating Officer and supported by the Bank's senior managers to provide oversight of all business change and project/ programme management.

RE-ELECTION OF THE BOARD

All Directors submit themselves for re-election at least once every three years. The Board's policy is that Directors serve a maximum term of nine years.

BY ORDER OF THE BOARD

Julie Nicholson
Chair
3 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF RELIANCE BANK LIMITED

Opinion

We have audited the financial statements of Reliance Bank Limited (the 'Bank' or 'company') for the year ended 31 March 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 '*The Financial Reporting Standard applicable in the UK and the Republic of Ireland*' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key Audit Matter	How we addressed the key audit matter in our audit
Interest receivable on Loans and Advances (Revenue recognition) The accounting standard requires interest receivable on loans and advances to customers to be recognised using the effective interest rate ('EIR') method. This results in all directly attributable interest, fees and costs being recognised on an even yield basis over the expected life of the loans. The recognition of interest receivable on loans and advances to customers under the effective interest rate method requires the Directors to make significant judgements and estimates, with the most critical estimate being the loans' expected behavioural life as further discussed in note 1 to the financial statements. The Directors have determined this estimate with reference to historical customer behaviour, considering any impact of Covid-19 on these behaviours. In addition, the Directors apply judgement in determining which fees and costs should be included in the methodology The loans and advances held at amortised cost of £53,204,878 (2019: £47,220,230) presented in Note 9 to the financial statements contain prepaid arrangement and procurement fees as well as accrued interest income which is spread over the behavioural life of the loans using the effective interest rate method. The existence of errors or bias in the application of these assumptions could result in a material misstatement of revenue. Revenue recognition is therefore a fraud risk area.	We responded to this risk by performing the following procedures: • We understood management's process for recognising revenue using the effective interest rate method. • We recalculated the EIR for the 31 March 2020 year end. • We assessed whether the revenue recognition policies adopted by the Bank, as presented in Note 1, were in accordance with applicable accounting standards. This included a review of the types of fees being spread within the EIR model. • On a sample basis, we tested the completeness and accuracy of key model inputs being loan terms, repayment terms and upfront fees, by agreeing them back to underlying source data. • We assessed and challenged management's expected repayment profile assumptions against recent historical experience of loan lives and whether any adjustments to recent historical redemption profiles used in the EIR model are necessary to reflect expected changes in future redemption profiles. Key observations: Based on the procedures performed, there were no matters identified which indicated that the recognition of interest receivable is inappropriate.
Impairment provisions on loans and advances to banks and customers The company accounts for the impairment of loans and advances to banks and customers using an incurred loss methodology. Directors have calculated two types of provisions: (i) A specific provision is calculated for loans where there is an observable loss event. (ii) An Incurred But Not Reported ("IBNR") provision is recognised for loans which are impaired as at the Balance Sheet date and whilst not specifically identified as such are known from experience to be present in any portfolio of loans. This involves a high degree of judgement.	We responded to this risk by performing the following procedures: • We analysed the components of the loan book and considered management's processes for the identification and treatment of non-performing loans. • We made an assessment of the adequacy and accuracy of the credit provision by reference to internal and external information including the Bank's credit policy and compared to other similar institutions and the accounting framework applied to establish if provisioning was in accordance with requirements of FRS 102. • On a sample basis, we checked loan balances to loan files and loan statements. We have made our own assessment of the valuation through inspection of indexed valuations and recoverability of loan assets by analysing the arrears report. We also checked that

As disclosed in Note 9, the Bank holds £193,192 of impairment provisions at year end (2019: £103,887). This comprises a specific provision of £55,346 (2019: £nil) and an IBNR provision of £137,846 (2019: £103,887). Management's associated accounting policies and details about judgements in applying accounting policies and critical accounting estimates are detailed in Note 1 on page 32.	loans that meet the criteria for a specific provision have been included in managements specific provisioning. • For the IBNR provision, we tested the appropriateness of the key assumptions within this model such as impairment triggers, property valuations and probability of defaults through a combination of benchmarking against comparable lenders, independent recalculations and agreeing inputs to external data sources where applicable. We tested the completeness and accuracy of a sample of key model inputs by agreeing them back to underlying source data. • We evaluated the reasonableness of assumptions such as probability of defaults and fall in Housing Price Index ("HPI") and predicted outcomes applied as a result of the potential impact a prolonged recession due to Covid-19 could have on recoverability of loans, benchmarking the total provision range against comparable lenders. • We reconciled the loan balances in the impairment models to the loan book to test whether the relevant loan populations were being considered for impairment. Key observations: Based on our procedure performed, we consider that management's assumptions and estimates are reasonable and that impairment provisions have been appropriately accounted for.
Impact of the outbreak of COVID-19 In January 2020, the WHO recognised the COVID-19 pandemic which has severely impacted many economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite period of time. Measures taken by governments to contain the spread of the virus including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruption to businesses worldwide, resulting in economic slowdown. In assessing whether the entity is a going concern management is required to take into account all available information about the future including the implications of COVID-19 effects on their operations, for a period of at least 12 months from the date when the financial statements are authorised for issue. Management have considered the base and stress scenarios which included assumptions about the potential impact a prolonged recession due to COVID-19 could have on operating losses, the cash and capital position during this period.	Our audit work in this respect included: • We evaluated and challenged management's revisions to their going concern assessment and made enquiries of management to understand the impact of COVID-19 on the Bank's financial performance, business activities, operations, and regulatory capital and liquidity. • We evaluated management assumptions against market related information to assess the reasonableness of their assessment of the impact of COVID-19. • We also assessed the potential impact of the reduced interest rate environment and COVID-19 related national policy decisions on the Bank's profitability and liquidity. • We re-assessed the customer lending and deposit balance by benchmarking the growth rates to market related data and our knowledge of the Bank's deposit make up, the relevant sensitivities and stress tests included in the Bank's latest Internal capital Adequacy Assessment Process • Evaluated revised management forecasts and challenged the assumptions applied such as growth rates, interest rates, impairment rates and predicted outcomes against a range of market related data.

As a result of the significant assumptions and judgements made this was determined to be a key audit matter.	• We assessed the reasonableness of the base and stress scenarios testing undertaken by management to support the going concern assessment, which included assumptions about the potential impact a prolonged recession due to COVID-19 could have on revenue (mainly purchased mortgages and small business loans) and possible cost saving measures. Key observations: Our key observations are set out in the conclusions related to going concern section of our audit report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	**Purpose**	**Key considerations**	**Quantum (£)**
Financial statement materiality. (0.75% of Tier 1 Capital (31 March 2019:1% of Tier 1 Capital))	Assessing whether the financial statements as a whole present a true and fair view.	• A principal consideration for members of the company in assessing the financial performance of the Bank	£88,000 (31 March 2019: £120,000)
Performance materiality. (75% of materiality (31 March 2019: 65% of materiality))	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • No history of misstatements	£66,000 (31 March 2019: £78,000)

We agreed with the Audit, Risk and Compliance Committee (“ARCC”) that we would report to the committee all individual audit differences identified during the course of our audit in excess of £1,700 (2019: £2,400). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the company, the accounting processes and controls, and the industry in which the company operates. We undertook a full scope audit. Our audit approach is risk based and has been driven by our materiality thresholds set out above.

Extent to which the audit was capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates and considered the risk of acts by the Bank which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension legislation, tax legislation, Companies Act and the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with these frameworks through discussions with the Audit, Risk and Compliance Committee ('ARCC') and performed audit procedures on these areas as considered necessary. Our procedures included enquiry with the management and the Board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of Board meeting minutes and review of regulatory and legal correspondence.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in Note 30 to the financial statements for the financial year ended 31 March 2020 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

Following the recommendation of the Board of Directors, we were re-appointed at the Annual General Meeting held on 19 September 2019 by the members to audit the financial statements for the year ending 31 March 2020. The period of total uninterrupted engagement is 2 years, covering the years ending 31 March 2019 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Risk and Compliance Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Hopkins (Senior Statutory Auditor)
For an on behalf of BDO LLP, Statutory Auditor
London, UK

Dated: 3 September 2020

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127).

Profit and Loss Account

For the year ended 31 March 2020

	Notes	2020 £	2019 £
Interest Income			
– On Debt Securities		**594,066**	641,280
– Other		**2,368,407**	2,114,057
	2	**2,962,473**	2,755,337
Interest Expense	3	**(888,263)**	(822,418)
		(888,263)	(822,418)
Net Interest Income		**2,074,210**	1,932,919
Fees and Commissions Receivable		**765,852**	700,492
Other Operating Income		**96,892**	62,245
		862,744	762,737
Fees and Commissions Payable		**(256,682)**	(186,947)
		(256,682)	(186,947)
Operating Income		**2,680,272**	2,508,709
Administrative Expenses	4	**(2,998,818)**	(1,971,987)
Amortisation	11	**(160,986)**	(146,267)
Depreciation	12	**(101,758)**	(91,616)
Impairment Losses on Loans and Advances	9	**(90,466)**	(105,205)
Restructuring Costs	4	**(816,571)**	(691,127)
Pension Fund Deficit Expense	4		(188,000)
Operating Expenses		**(4,168,599)**	(3,194,202)
Operating Loss	5	**(1,488,327)**	(685,493)
Tax on Loss on Activities	**6**	**(2,437)**	37,634
Loss on Activities after Tax		**(1,490,764)**	(647,859)
STATEMENT OF RETAINED EARNINGS			
Retained earnings at beginning of reporting period		**3,142,972**	3,790,831
Loss after Tax		**(1,490,764)**	(647,859)
Retained earnings at end of reporting period		**1,652,208**	3,142,972

All activities reported above, both in the current year and preceding year, relate to continuing operations.

Balance Sheet
as at 31 March 2020

	Notes	2020 £	2019 £ (as restated)
ASSETS			
Cash and Balances at Central Bank	7	**51,769,502**	36,565,164
Loans and Advances to Banks	8	**29,850,667**	32,119,504
Loans and Advances to Customers	9	**53,204,878**	47,220,230
Debt Securities	10	**60,210,153**	65,285,621
Intangible Fixed Assets	11	**394,287**	301,903
Tangible Fixed Assets	12	**2,599,924**	2,450,094
Other Assets	13	**12,476**	18,577
Prepayments and Accrued Income	14	**408,722**	284,598
Total Assets		**£198,450,609**	£184,245,691
LIABILITIES			
Customer Accounts	15	**186,411,063**	171,635,444
Other Liabilities	16	**11,864**	12,868
Accruals and Deferred Income	17	**361,945**	443,315
Deferred Tax Liability	19	**13,529**	11,092
Total Liabilities		**186,798,401**	172,102,719
Called Up Share Capital	20	**10,000,000**	9,000,000
Profit and Loss Account		**1,652,208**	3,142,972
Equity Shareholders' Funds		**11,652,208**	12,142,972
Total Liabilities and Equity		**£198,450,609**	£184,245,691
MEMORANDUM ITEMS			
Contingent Liabilities			
Guarantees and assets pledged as collateral security	22	**7,693,614**	£7,696,343
Commitments	22	**7,465,505**	£13,706,734

These accounts were approved by the Board of Directors and authorised for issue on 3 September 2020.

Paul Croucher, Managing Director

Julie Nicholson, Chair

Company Registration Number: 00068835

Statement of Changes in Equity

For the year ended 31 March 2020

	Called up Share Capital	Profit and Loss Account	Total Equity
	£	£	£
At 1 April 2018	7,500,000	3,790,831	11,290,831
Loss for the year	–	(647,859)	(647,859)
New shares issued	1,500,000	–	1,500,000
At 31 March 2019	9,000,000	3,142,972	12,142,972
Loss for the year	–	(1,490,764)	(1,490,764)
New shares issued	1,000,000	–	1,000,000
At 31 March 2020	10,000,000	1,652,208	11,652,208

Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020	2019
		£	£
Net cash inflow/(outflow) from operating activities	23	**7,440,459**	(27,420,769)
Investing activities	24	**12,855,842**	36,459,741
Financing activities	25	**1,000,000**	1,500,000
Increase in cash and cash equivalents		**21,296,301**	10,538,972
Cash and cash equivalents at the beginning of the reporting period		**48,599,491**	38,060,520
Cash and cash equivalents at the end of the reporting period		**69,895,792**	48,599,492

Notes to the Accounts

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

Statement of compliance

Reliance Bank Limited is a limited liability company incorporated in England. The Registered Office is Faith House, 23-24 Lovat Lane, London EC3R 8EB.

The Bank's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 March 2020. The Bank is applying the provisions of FRS 102 sections 11 and 12 and has not elected to apply the recognition and measurement provisions of IAS 39.

Basis of preparation

The financial statements of Reliance Bank Limited were approved for issue by the Board of Directors on 3 September 2020. The financial statements have been prepared in accordance with applicable accounting standards and continue to adopt the going concern assumption for the reasons outlined in the Strategic Report. The financial statements are prepared in pounds sterling.

Judgements and key sources of estimation

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Apart from those involving estimates, no judgements are deemed to have had a significant effect on amounts recognised in the financial statements.

One of the Bank's key sources of estimation uncertainty relates to the cost of its proportion of The Salvation Army Employees' Pension Fund (a defined benefit pension scheme) which is determined using actuarial valuations. This involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions are based on the recommendations of the actuary.

In terms of impairment, reviews are undertaken for all financial assets, both on an individual and a collective basis. They are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cashflows of the investment have been affected. Loans and advances are considered on a case by case basis and are provided against in the financial year in which it is anticipated that they may not be recoverable in full (which, in practice, means when they become non-performing) unless the Bank considers that it has adequate security to cover all balances outstanding plus a margin.

Revenue recognition

Income items, including interest receivable, rental income and fees and commissions receivable, are recognised on an accruals basis with interest recognised on an effective interest rate basis. When calculating the effective interest rate all related fees are taken into account.

Intangible fixed assets

Intangible fixed assets are stated at cost, less amortisation and any provisions for impairment. These assets represent computer software and are amortised on a straight-line basis over their estimated useful life of four years, consistent with the pattern to which they contribute to future cashflows.

Tangible fixed assets

Property, fixtures and fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation has been provided so as to write off the cost of fixed assets over their estimated useful lives. The principal rates adopted per annum are 2% for the purchase cost of the property (ignoring land), 20% for subsequent refurbishment costs, 33% for computer hardware and varying rates of between 10% and 20% for fixtures, fittings, furniture and equipment.

Provisions for liabilities
A provision is recognised when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated and not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or less tax in the future have occurred at the balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax provisions are not discounted.

A net tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Financial instruments
The Bank's financial instruments are all basic financial instruments and comprise loans and advances, treasury bills, debt securities and customer accounts. The Bank does not hold derivative financial instruments.

Financial assets and liabilities are recognised initially at their fair value, which is normally the transaction price. Thereafter, debt instruments are measured at amortised cost less impairment using the effective interest method. No financial instruments are designated as at fair value through profit or loss. Debt instruments that are payable or recoverable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Leasing commitments
No assets are held under finance leases. Rentals payable and licensing arrangements under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pension benefits
The Bank is an employer within The Salvation Army Employees' Pension Fund – a defined benefit funded scheme – which was closed to new members on 31 December 2011. The scheme is a multi-employer scheme and the actuary has confirmed that it is not practical to allocate the assets and liabilities of the scheme between participating employers. Pension costs are therefore reflected in the accounts when payments to the pension scheme fall due. The Bank also recognises any liability to fund a past service deficit as agreed with the Pension Scheme Trustees. Any resulting expense will be reflected through the Profit and Loss Account.

Employees wishing to join the Bank's pension scheme are now only eligible to join a defined contributions scheme. Pension costs for this scheme are also accounted for when payments fall due.

Set-off
The Bank does have a legal right of set-off established in respect of some customer accounts (as confirmed by legal opinion). However, set-off positions would only be disclosed in the accounts where there is an intention to ordinarily settle on a net basis or to realise the asset and settle the liability simultaneously.

Contingent liabilities
Contingent liabilities are recognised as memorandum items on the face of the Balance Sheet and further analysed in note 22 at their contract amounts unless the possibility of any transfer on settlement is remote.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions on foreign currency accounts are recorded in the ledgers in the currencies concerned and are also translated at the year end rates for the purpose of drafting the financial statements. Any gains or losses arising on translation are reflected in the Profit and Loss Account.

Cash and cash equivalents
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity (from date of acquisition) of less than three months.

2. INTEREST INCOME

	2020	2019
	£	£
Interest receivable on Debt Securities		
– Sterling Certificates of Deposit	594,066	641,280
Interest receivable on Loans and Advances to Customers	1,601,298	1,545,206
Interest receivable on Bank and Discount Market Deposits	767,109	568,851
	2,962,473	2,755,337

All interest income arises within the UK from the conduct of retail banking business.

No loans or advances were made to the Bank's parent company.

3. INTEREST EXPENSE

	2020	2019
	£	£
Parent Undertakings	222,402	152,817
Interest Payable to Group Entities	222,402	152,817
Third Parties	665,861	669,601
	888,263	822,418

Classification of interest payable to group entities reflects the group position at the end of the financial year.

4. ADMINISTRATIVE EXPENSES

	2020	2019
	£	£
Employee Costs (including Executive Directors) (i)		
Wages and Salaries	1,757,506	1,100,349
Social Security Costs	178,676	112,661
Pension Costs (ii)	141,893	306,472
Health Benefits	16,152	–
	2,094,227	1,519,482
Other Administrative Expenses (iv)	1,721,162	1,331,632
	3,815,389	2,851,114
Less: Restructuring costs (employee costs)	*(144,998)*	*(213,218)*
Restructuring costs (other)	*(671,573)*	*(477,909)*
Pension fund deficit expense	–	*(188,000)*
	2,998,818	1,971,987

The average number of employees in the current year was 34 (2019: 24).

(i) Employee costs include a total of £144,998 (2019: £213,218) that relates to restructuring costs.

(ii) Within Pension Costs for the previous year, £188,000 relates to the recognition of a deficit position in respect of the defined benefits scheme. In the current year, £75,079 (2019: £99,048) relates to employer contributions to the defined benefit scheme. Employer contributions to the defined contribution scheme totalled £65,042 (2019: £19,424). Fees were incurred of £1,772 in relation to the defined contribution scheme in the current year (2019: £Nil).

(iii) Other administrative expenses include £671,573 (2019: £477,909) that relate to restructuring costs and improvements to control systems.

5. OPERATING LOSS

	2020	2019
	£	£
This is stated after charging/(crediting):		
Directors' Remuneration	257,588	238,894
Bankers' Comprehensive Crime Insurance (includes Directors' Professional Indemnity Insurance, Directors' & Officers' Liability Insurance and Cyber Liability)	24,017	22,893
Amounts payable under operating leases	182,780	22,300
Bad and doubtful debts	1,161	105,205
Auditors' Remuneration – For Statutory Audit	84,000	81,600
Rental Income Receivable	(96,892)	(62,245)

Only two Directors received emoluments from Reliance Bank during the year, their remuneration in aggregate is disclosed above and this includes pension contributions of £23,570 (2019: £18,174). The highest paid Director received emoluments of £145,460 (pension contributions £Nil). Non-Executive Directors received no remuneration from the Bank (and are not members of the pension scheme). Executive Directors are eligible to apply for loans on terms that are available to all employees of the Bank. The detail of these loans is disclosed within note 27.

6. TAXATION

	2020 £	2019 £
Current tax		
UK Corporation Tax		
Current year – Corporation Tax	–	–
	–	–
Deferred tax note (Note 19)		
Current year	2,437	(37,634)
	2,437	(37,634)
Tax (credit)/charge	2,437	(37,634)

The tax assessed for the year differs from the standard rate of Corporation Tax in the UK (19%). A reconciliation from the expense implied by the standard rate to the actual tax expense is as follows:

	2020 £	2019 £
Loss on ordinary activities before tax	(1,488,327)	(685,493)
Tax (credit)/charge based on the standard rate of Corporation Tax in the UK of 19% (2019: 19%)	(282,782)	(130,244)
Effects of:		
Fixed Asset differences	10,213	
Expenses not deductible for tax purposes	–	27,303
Adjustment to brought forward values	(19,739)	–
Prior year adjustment – deferred tax	33,569	–
Adjust opening deferred tax to average rate of 19%	(5,569)	–
Deferred tax not recognised	266,745	65,307
Tax (credit)/charge	2,437	(37,634)

The prior year adjustment reflects the fact that the Bank was eligible to claim capital allowances last year.

7. CASH AND BALANCES AT CENTRAL BANK

	2020 £	2019 £
Cash in Hand	267	159
Balances at Central Bank	51,769,235	36,565,005
	51,769,502	36,565,164

The Bank does not offer a cash counter service at its sole branch premises, with customers having access to cash facilities through existing agency bank arrangements.

The Bank of England Reserve account forms part of the Bank's pool of High Quality Liquid Assets that could be accessed in times of liquidity stress within Reliance Bank's investment strategy. Whilst the Bank maintains an extremely risk averse liquidity policy in light of agreements in place with some of the Bank's larger depositors, maintenance of sufficient High Quality Liquid Assets to cover net cash outflows over a 30-day period is a regulatory requirement, monitored through the calculation of a Liquidity Coverage Ratio.

8. LOANS AND ADVANCES TO BANKS

	2020	2019
	£	£
Bank Balances		
Recoverable on Demand	13,602,231	12,034,327
Bank Deposits		
Recoverable in three months or less	15,241,716	9,033,199
Recoverable between three and six months	1,006,720	1,006,690
Recoverable between six months and one year	–	10,045,288
	29,850,667	32,119,504

All the loans and advances to banks represent deposits with banks and building societies with strong credit ratings. No provision against these balances is deemed necessary. None of these loans and advances were extended to related parties and none are secured.

Interbank deposits with high credit quality counterparties play an important role in Reliance Bank's investment strategy and the day-to-day liquidity management of the Bank. Together with debt securities, instant access bank deposits are held at a sufficient level to meet expected funding requirements with a comfortable margin. Term deposits and debt securities have evenly spread maturities which provide regular maturing funds. Some interbank term deposits and debt securities are used to broadly match significant customer term deposits in terms of both interest rate risk and liquidity.

9(a). LOANS AND ADVANCES TO CUSTOMERS

The role of loans and advances to customers in the Bank's investment and operating strategy is to grow the Bank's profit margins whilst maintaining a conservative lending policy and ensuring the Bank's liquidity and overall maturity profile are not compromised.

No loans have been made to group undertakings.

	2020	2019
	£	£
Recoverable on Demand:		
Overdrafts	1,115,381	1,601,806
Other Loans and Advances:		
Mortgages	24,503,975	23,219,850
Loans	27,585,522	22,398,574
	52,089,497	45,618,424
	53,204,878	47,220,230

9(a).LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2020 £	2019 £
Loans and advances to customers analysed by periods outstanding to maturity:		
Recoverable:		
On demand	9,861,494	10,748,143
In 3 months or less	893	293
In 1 year or less but more than 3 months	230,012	278,632
In 2 years or less but more than one year	681,130	236,953
In 5 years or less but more than 2 years	1,688,407	1,521,746
Over 5 years	40,880,788	34,538,350
Collective impairment provision	(137,846)	(103,887)
	53,204,878	47,220,230

Non Performing Loans and Advances to Customers

	2020 £	2019 £
Before Provisions	458,738	–
After Provisions	403,392	–

Provisions are made to the extent that the property value, if the property were sold (net of forced sale discount and sale costs) would be insufficient to meet the outstanding debt and related costs of sale.

9(b).PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	2020 Total £	2019 Total £
As at 1 April	103,887	–
Charge to Profit and Loss Account	90,466	105,205
Amounts Written Off	(1,161)	(2,045)
Recovery on Amounts Written Off	–	727
As at 31 March	193,192	103,887

As indicated in accounting policies (note 1), loans and advances are provided against in the financial year it is anticipated that they may not be recoverable in full, which in practice means in the same financial year as they become non performing, except where the Bank is confident that it has adequate security with a margin to cover its exposure. An assessment for collective impairment provisions is carried out across the loan books based on probability of default, which is informed by past experience, and the level of exposures which exceed a discounted loan to value position. An additional provision for credit losses has been recognised to reflect the estimated impact of the COVID-19 pandemic. The level of this provision reflects the estimated impact on expected credit losses based upon a revised central economic scenario and takes account of the credit risk associated with support measures provided to borrowers, recognising that in some cases borrowers will experience longer term financial difficulty as a result of the pandemic. The collective impairment provision represents the Bank's assessment of incurred but not reported losses. The Bank has a history of low bad debts.

10. DEBT SECURITIES

	31 March 2020		31 March 2019	
	Carrying	Market	Carrying	Market
	£	£	£	£
			(as restated)	(as restated)
Sterling Certificates of Deposit Issued by Commercial Banks/Building Societies	60,210,153	60,227,474	65,285,621	65,285,086

The movements during the year on debt securities are as follows:

	Sterling Certificates of Deposit £
At 31 March 2019	65,285,621
Appreciation for the year	–
	65,285,621
Acquisitions	80,000,000
Maturities and disposals	(85,000,000)
Appreciation in value	(75,468)
At 31 March 2020	60,210,153

Sterling Certificates of Deposit are generally held to maturity and are valued at amortised cost (being no greater than net realisable value). £15,041,704 of Sterling Certificates of Deposit held at 31 March 2020 mature within three months of the Balance Sheet date (2019: £15,107,001), with £15,077,288 maturing between three and six months (2019: £35,129,929) and £30,091,161 maturing between six months and one year (2019: £15,048,690).

The role of debt securities in Reliance Bank's investment strategy is to provide a significant balance of realisable assets with high credit quality counterparties. These would be accessible in the event of unexpected funding demands which would otherwise exceed the level of instant access bank deposits that is maintained together with maturing interbank term deposits. Debt securities are used to broadly match significant customer term deposits in terms of both interest rate risk and liquidity. A spread of maturities also helps to manage the Bank's overall maturity profile. The geographic spread of exposures to financial institutions is analysed in the Bank's Pillar 3 disclosures.

11. INTANGIBLE FIXED ASSETS

	Computer Software	2020 Total
Cost	£	£
Brought Forward (restated)	1,658,703	1,658,703
Additions	253,370	253,370
	1,912,073	1,912,073
Amortisation:		
Brought Forward (restated)	1,356,800	1,356,800
Charge for the year	160,986	160,986
	1,517,786	1,517,786
Net Book Value at 31 March 2020	394,287	394,287
Net Book Value at 31 March 2019 (restated	301,903	301,903

Computer software has been reclassified this year as an intangible fixed asset reflecting the fact that it is an identifiable non-monetary asset without physical substance.

12. TANGIBLE FIXED ASSETS

	Office Furniture, Fittings and Equipment	Land & Buildings	2020 Total
Cost	£	£	£
Brought Forward	2,575,180	3,500,040	6,075,220
Brought Forward (restated)	1,087,408	3,500,040	4,587,448
Additions	50,734	200,854	251,588
	1,138,142	3,700,894	4,839,036
Depreciation:			
Brought Forward (restated)	1,005,734	1,131,620	2,137,354
Charge for the year	48,007	53,751	101,758
	1,053,741	1,185,371	2,239,112
Net Book Value at 31 March 2020	84,401	2,515,523	2,599,924
Net Book Value at 31 March 2019 (restated)	81,674	2,368,420	2,450,094

Land and Buildings consist of £3,050,000 acquisition costs, £122,800 stamp duty, £10,967 for agency fees and £316,273 for refurbishments with current year additions of £200,854 being renovation costs. The Bank lets parts of its premises to connected undertakings (note 28). Under FRS 102, as this property is let to related parties, the Bank has elected to hold this as tangible assets rather than investment property and reflects its value at depreciated cost.

Computer software has been reclassified this year as an intangible fixed asset reflecting the fact that it is an identifiable non-monetary asset without physical substance (note 11).

13. OTHER ASSETS

	2020	2019
	£	£
Other Debtors	12,476	4,393
Corporation Tax (refund due)	–	14,184
	12,476	18,577

14. PREPAYMENTS AND ACCRUED INCOME

	2020	2019
	£	£
Prepayments	260,768	147,654
Overpayment of Gift Aid Recoverable	41,793	41,793
Accrued Rental Income	25,382	7,064
Accrued Charges Receivable	80,779	88,087
	408,722	284,598

15. CUSTOMER ACCOUNTS

	2020	2019
	£	£
Current Accounts	65,467,151	50,560,395
Deposit Accounts	120,943,912	121,075,049
	186,411,063	171,635,444
With agreed maturity dates or periods of notice by remaining maturity:		
Repayable on demand	97,584,645	75,917,863
3 months or less but not repayable on demand	66,424,339	48,924,725
1 year or less but over 3 months	22,402,079	46,792,856
	186,411,063	171,635,444
Analysis of Connected Deposits:		
Due to Parent Undertakings	18,186,920	10,934,664
	18,186,920	10,934,664

The Bank has entered into an overarching minimum credit balance agreement with its parent and a similar arrangement exists with another key customer. These agreements have been adjusted during the year by the Bank and now commit total credit balances with the Bank to £79,000,000 subject to 3 months' written notice (2019: £94,000,000). The Bank's liquidity position, under the current regulatory liquidity regime, reflects these assurances provided to the Bank.

16. OTHER LIABILITIES

	2020	2019
	£	£
Sundry Creditors	11,864	12,868
	11,864	12,868

17. ACCRUALS AND DEFERRED INCOME

	2020	2019
	£	£
Pension Fund deficit liability	115,179	151,975
Other payables and accruals	246,766	291,340
	361,945	443,315

18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Future minimum rentals/licences payable under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Amounts payable:		
Within one year	114,403	190,147
In two to five years	95,867	34,886
	210,270	225,033

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Amounts receivable:		
Within one year	48,244	13,138
	48,244	13,138

Rentals receivable relate to leases in place for two floors of the Bank's premises.

19. DEFERRED TAX LIABILITY

	2020	2019
	£	£
Accelerated capital allowances :		
Liability at start of year	11,092	48,726
Deferred tax charged to profit and loss account for the Year (Note 6)	2,437	(37,634)
Liability at end of year	13,529	11,092

No deferred tax asset has been provided for at this point in respect of tax recoverable on losses.

Following the UK Chancellor's budget on 11 March 2020, the standard rate of UK corporation tax will remain at 19%, rather than the reduced rate of 17%. Therefore, deferred tax has been calculated at 19%.

20. CALLED UP SHARE CAPITAL

	2020 £	2019 £
Allotted, Called Up and Fully Paid:		
£1 Ordinary Shares	10,000,000	9,000,000

The share capital of Reliance Bank Limited is held by The Salvation Army International Trustee Company for the benefit of the International Trust of The Salvation Army. On 17 December 2019, The Salvation Army International Trustee Company purchased a further 1,000,000 £1 Ordinary Shares. Further information on the Bank's Capital can be found in the Strategic Report.

21. PENSION COSTS

Reliance Bank participates in two separate pension schemes. It contributes to The Salvation Army Employees' Pension Fund, a funded defined benefits scheme, in respect of those members of staff that were eligible and had joined the scheme prior to its closure to new members on 31 December 2011. It is subject to triennial actuarial valuations, with the most recent valuation performed as at 31 March 2018. This reported a scheme deficit, with the Bank's share of the deficit being £188,000.

A defined contribution scheme was introduced for new members in 2012 and, at the reporting date, there were twenty-five Reliance Bank employees within this scheme.

Both pension schemes are multi-employer schemes and, in respect of the defined benefits scheme, the actuary has confirmed that it is not practical to allocate the assets and liabilities of the scheme between participating employers. In accordance with FRS 102, Reliance Bank accounts for pension costs on the date payments to the scheme fall due. The Bank also recognises any liability to fund a past service deficit as agreed with the relevant pension scheme trustees. The Bank's share of any deficit is charged to the Profit and Loss Account. Costs charged in the current year are disclosed in note 4.

At the reporting date, four of the Bank's employees were active members of the defined benefit pension scheme out of a total of 496 active members at the date of the most recent actuarial valuation. On the basis of certain assumptions, the defined benefit pension scheme's triennial actuarial valuation as at 31 March 2018 estimated the market value of the Fund's assets at that date to be £167.8m whilst the actuarial value of the fund's liabilities amounted to £178.4m giving rise to a shortfall of £10.6m. The Bank has committed to paying up its share of the shortfall over a 5-year period, with two annual instalments having been paid by March 2020, and has also increased ongoing employer contributions.

22. GUARANTEES AND COMMITMENTS

	2020 Contract Amount £	2019 Contract Amount £
Commitments:		
Undrawn formal standby facilities of one year or less	7,465,505	13,706,734
	7,465,505	13,706,734
Contingent Liabilities:		
Guarantees	7,693,614	7,696,343
	15,159,119	21,403,077

As a matter of course, the Bank takes counter indemnities to cover guarantees extended on behalf of customers. The Bank controls designated deposits sufficient to offset the guarantees extended.

Commitments reflect arranged overdrafts and approved mortgage and loan commitments awaiting drawdown.

23. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2020	2019
	£	£
		(as restated)
Operating loss for the reporting period	(1,488,327)	(685,492)
(Increase)/Decrease in prepayments and accrued income	(124,124)	18,854
(Decrease)/Increase in accruals and deferred income	(81,370)	309,547
Movement in provision for bad debts	89,305	103,887
Amortisation/(Appreciation) in value of fixed assets investments	75,468	(45,121)
Amortisation of intangible fixed assets	160,986	146,267
Depreciation	101,758	91,616
Decrease in other liabilities	(1,004)	(1,693)
Increase in other assets	(8,083)	(7,167)
Tax refund	14,184	–
	(1,261,207)	(69,303)
Increase in loans and advances to customers before provisions	(6,073,953)	(1,444,137)
Net Increase/(Decrease) in customer accounts	14,775,619	(25,907,330)
Net cash inflow/(outflow) from operating activities	7,440,459	(27,420,770)

24. INVESTING ACTIVITIES

	2020	2019
	£	£
		(as restated)
Purchase of Sterling Certificates of Deposit	(80,000,000)	(80,000,000)
Sale and maturity of Sterling Certificates of Deposit	85,000,000	108,000,000
Purchase of intangible fixed assets	(253,370)	(151,076)
Purchase of tangible fixed assets	(251,588)	(19,855)
Net movement in loans and advances to banks not recoverable on demand	8,360,800	8,630,672
	12,855,842	36,459,741

25. FINANCING ACTIVITIES

	2020	2019
	£	£
Issue of ordinary share capital	1,000,000	1,500,000
	1,000,000	1,500,000

26. ANALYSIS OF GIFT AID

	2020	2019
	£	£
Gift Aid Paid	–	–
Debtors brought forward	41,793	41,793
Debtors carried forward	(41,793)	(41,793)
Distribution to Shareholders	–	–

27. KEY MANAGEMENT PERSONNEL AND CONNECTED PERSONS' ACCOUNTS

	2020 £	2019 £
Aggregate amounts due, as at 31 March, from		
– Directors	206,757	221,063
– Other Key Management Personnel	–	258,052
– Connected Persons	–	–
	206,757	479,115
Aggregate amounts due, as at 31 March, to		
– Directors	10,545	2,790
– Other Key Management Personnel	–	241
– Connected Persons	14,341	25,963
	24,886	28,994
Maximum aggregate amounts due (the combined maximum for each relevant individual), during the year, from		
– Directors	221,063	226,232
– Other Key Management Personnel	258,052	276,842
– Connected Persons	–	–
	479,115	503,074
Maximum aggregate amounts due (the combined maximum for each relevant individual), during the year, to		
– Directors	10,545	10,907
– Other Key Management Personnel	241	12,138
– Connected Persons	25,963	26,371
	36,749	49,416

FRS 102 defines key management personnel as those persons having responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. The Bank's key management personnel are considered to be its Directors (both Executive and Non-Executive), and other members of its Executive Committee, the Chief Operating Officer, the Commercial Director and the Head of Risk and Compliance. Key management personnel and any person who may be expected to influence, or be influenced by them are considered related parties. Any loans to key management personnel are extended in the normal course of business and at terms, for Executive Directors and management, that are no more favourable than the terms available to other employees of the Bank. Any loans to Non Executive Directors and Salvation Army Directors are extended in the normal course of business on non-preferential terms available to other customers. No preferential credit interest rates are applied to the accounts of key management personnel or to accounts of Connected Persons. Connected Persons are defined by s.252 of the Companies Act 2006.

28. RELATED PARTY TRANSACTIONS

As indicated in note 20, The Salvation Army International Trustee Company holds 100% of the issued share capital of Reliance Bank Limited for the benefit of The International Trust of The Salvation Army.

The Bank conducts business with its shareholder. In addition to ordinary banking service transactions, two floors of the Bank's premises were let to The Salvation Army throughout the year. Rental income and service charges are disclosed within other operating income. The Bank pays The Salvation Army International Trustee Company for administering its payroll and is recharged for certain other expenses by its parent. All transactions with group undertakings have been carried out on a commercial basis.

No other related party transactions were made during the year (2019: £Nil).

The aggregate compensation paid to the Bank's key management personnel was £572,403 (2019: £362,512) with the full executive committee having been in place for a complete year this year.

29. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Board of Directors is responsible for determining the long-term strategy of the business and the level of risk acceptable in each area of the Bank's business.

The Audit, Risk and Compliance Committee recommends policies designed to mitigate risks to the Board and reviews risk assessments within the Bank's risk register.

The Bank's management of its principal risks is summarised within the Strategic Report. Further detail on the main financial risks arising from the Bank's activities follows below.

Credit Risk

The table below highlights the credit quality of the Bank's treasury assets. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates. The credit quality of financial assets that are neither past due nor impaired is as set out below.

	2020	**2019**
	£	£
Balances at Central Bank	51,769,235	36,565,164
Loans and advances to banks	29,850,667	32,119,504
Debt securities	60,210,153	65,285,621
Treasury Assets at 31 March	141,830,055	133,970,289
Treasury Assets by credit rating		
– AA	69,736,859	93,343,709
– A	72,093,196	40,626,580
– BBB	–	–
Treasury Assets at 31 March	141,830,055	133,970,289

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Credit Risk (continued)

All loan and overdraft applications are assessed with reference to the Bank's lending policy. The policy establishes set limits of authority. Transactions above such limits require Credit Committee approval and any changes to policy require Board approval, with recommendations sought from the Credit Committee. The Credit Committee also recommends for Board approval treasury counterparty limits.

The table below shows information on the Bank's loans and advances to customers by payment due status.

	2020 £	2019 £
Neither past due nor impaired	52,919,261	47,321,252
Up to three months overdue but not impaired	20,071	2,865
More than three months overdue (non-performing)	458,738	–
	53,398,070	47,324,117
Specific loss provision	(55,346)	–
Collective impairment provision	(137,846)	(103,887)
Loans and advances to customers at 31 March	53,204,878	47,220,230

For loans and advances to customers totalling £52.4m, the Bank has security in the form of property to an estimated value of £129.3m which can be called upon if the customer is in default under the terms of the agreement.

Specific impairment provisions are made in full when a loan becomes non-performing and is over 90 days past due. Provisions are made after assessing the adequacy of any security that is in place, factoring in potential costs of realising that security.

Analysis of loans, neither past due or impaired, by LTV:

	2020	2019
< 50%	21.7m	18.0m
50% < 60%	9.4m	9.8m
60% < 70%	10.9m	11.0m
70% < 80%	3.5m	3.6m
80% < 90%	5.8m	3.6m
>90%	0.7m	0.5m
Not secured on property	0.9m	0.8m
	52.9m	47.3m

Liquidity and Funding Risk

Reliance Bank maintains a high level of liquidity, holding £51.8m of High Quality Liquid Assets at the year end which equates to 26.2% of total assets (2019: 19.8%). The Bank's Liquidity Coverage Ratio at 31 March 2020 was 690% (2019: 1,100%), helped by the minimum credit balance agreements that are in place with significant deposit holders, whereby a significant proportion of total balances are committed to remain with the Bank subject to three months' formal notice.

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Interest Rate sensitivity

Part of the Bank's return on financial instruments is obtained from controlling the dates on which interest receivable on assets and interest payable on liabilities are contractually reset to market rates or, if earlier, the date on which the instruments mature. The following table summarises these re-pricing matches on the Bank's non-trading book as at 31 March 2020 (the Bank does not maintain a trading book). Items are allocated to time spans by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

	< 3 months £'000s	3 – 6 months £'000s	6 months – 1 year £'000s	1 year – 5 years £'000s	> 5 years £'000s	Non-Interest Bearing £'000s	Total £'000s
Year Ended 31 March 2020							
Assets:							
Cash and Balances at Central Bank	51,769	–	–	–	–	1	51,770
Loans and Advances to Banks	28,844	1,007	–	–	–	–	29,851
Loans and Advances to Customers	37,649	1	6,311	8,898	346	–	53,205
Debt Securities	15,042	15,077	30,091	–	–	–	60,210
Other Assets	–	–	–	–	–	3,415	3,415
Total Assets	133,304	16,085	36,402	8,898	346	3,416	198,451
Liabilities:							
Customer Accounts	164,009	14,037	8,365	–	–	–	186,411
Other Liabilities	–	–	–	–	–	388	388
Shareholder's Funds	–	–	–	–	–	11,652	11,652
	164,009	14,037	8,365	-	-	12,040	198,451
Interest Rate.Sensitivity Gap	(30,705)	2,048	28,037	8,898	346	(8,624)	–
Cumulative Gap	(30,705)	(28,657)	(620)	8,278	8,624	–	–
Year Ended 31 March 2019							
Interest Rate Sensitivity Gap	(16,374)	3,500	14,426	8,004	–	(9,556)	–
Cumulative Gap	(16,374)	(12,874)	1,552	9,556	9,556	–	–

Whilst there are more liabilities than assets that can re-price within 3 months, £71.9m of these currently pay no interest so are less likely to be impacted by an increase in interest rates. The Bank controls interest rate risks by the methods outlined in the Risk Management summary within the Strategic Report.

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Foreign Exchange risk

The Bank has limited exposure to exchange rate risk as it holds assets and liabilities denominated in foreign currency and converts any excess reserves on a regular basis.

The Bank's foreign exchange exposures at the year end were as follows:

	2020		2019	
	USD	EUR	USD	EUR
Monetary Assets	19,662,519	176,265	9,760,493	117,091
Monetary Liabilities	(19,653,880)	(175,959)	(9,760,077)	(117,058)
Net Monetary Assets	$8,639	€306	$416	€33
Translated At	1.2387	1.1301	1.3102	1.1659
Sterling Equivalent	£6,974	£271	£318	£29

The only other foreign currency transactions undertaken are translations of sums on behalf of customers and in each instance the customer bears any currency risk involved.

30. COUNTRY BY COUNTRY REPORTING

Reliance Bank is located in the United Kingdom and has no other offices or establishments in other countries.

Name	Reliance Bank Limited
Activities	The Bank provides a suite of basic retail banking products and services to both business and personal customers within the UK. It also holds some deposits for overseas customers, chiefly with a connection to The Salvation Army.
Geographical location	United Kingdom
Turnover	£3,825,217
Staff numbers	34
Loss before Tax	£(1,488,327)
Tax Paid	£Nil
Public subsidies received	£Nil

Notes

Notes

Notes