ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2021

COMPANY NUMBER: 00068835

RELIANCE BANK LIMITED
Annual Report and Accounts
For the Year Ended 31 March 2021

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Reliance Bank Limited ("Reliance Bank", "the Bank") is a company limited by shares, incorporated in England and Wales. Authorised by the Prudential Regulation Authority 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.

DIRECTORS, MANAGEMENT AND PROFESSIONAL ADVISORS
As at 3 August 2021

DIRECTORS

Julie Nicholson – Chair
Alka Ahuja
Martyn Croft
Paul Croucher* – Managing Director
Nikki Fenton* – Finance Director
Robin Foale
Malcolm Hayes
Guy Herrington
Major Russell Malcolm
Jim Prouty
Jan Smith
Commissioner John Wainwright
Justin van Wijngaarden

* Executive Directors

COMPANY SECRETARY

Nikki Fenton

EXECUTIVE MANAGEMENT

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

REGISTERED OFFICE

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COMPANY NUMBER

00068835

INDEPENDENT AUDITOR

BDO LLP
55 Baker Street
London W1U 7EU

JOINT STATEMENT FROM THE CHAIR AND THE MANAGING DIRECTOR

We are pleased to present the Annual Report and Accounts for the year ended 31 March 2021, a period of disruption and challenge across the world, which has caused, and will continue to cause great hardship to many. This further emphasises the need for ethical organisations to support those in need.

The Bank is 100% owned by The Salvation Army International Trustee Company and our shared principles help drive us on the journey of transformation outlined in our 5-year strategic plan. The Bank is currently sub-scale but is growing lending to social impact organisations, which align with our low credit risk appetite.

In December 2019, £1m of additional capital was received from the shareholder to support investment in the Bank's new business model. Against the backdrop of the impacts of the global pandemic, continued ultra-low interest rates and the Bank's investment programme, the shareholder subscribed for a further £1m share capital in July 2021.

The Bank's 5-year strategic plan aims to scale and diversify the Bank's customer base. The Bank is seeking new business and charity customers to increase its deposits and reduce its concentration of funding 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 enhance its extensive day-to-day services for The Salvation Army as a globally-renowned major Charity. Digital banking interfaces continue to be developed and modernised to provide a competitive banking proposition for the Charity and will allow us to better serve other not-for-profit and SME customers.

In 2021 the Bank won the Charity Finance Award for 'Best Service' for the second year running. This was a fantastic achievement given the challenges of lockdown to a small institution. We know our customers love using our branded debit card - Bank with Reliance Bank, support The Salvation Army. We continue to formalise our social impact agenda - 55% lending is now social impact up from 45% last year. The Bank has re-positioned its residential mortgage offering through the intermediary market and increased its branding presence in the relevant commercial lending sectors.

This has been a tough year. Last March we could not have imagined the challenges which would face us; the uncertainty of lockdowns and varying restrictions, the period when the Government only allowed one hour a day of exercise outside, and the toll that has taken on our people, our customers and our communities. During this period of profound uncertainty, the Directors chose to focus on keeping our people safe, supporting our customers and taking action to bolster our financial strength.

The impact of Britain's exit from the EU has mainly been felt by customers, although the Bank has little exposure to import / export or manufacturing businesses. We were obliged to close a small number of accounts held by Dutch residents (connected to the Salvation Army), but this is the only impact noted on the Bank so far. Regulatory regimes may change in the future as UK policy makers move away from EU Law, however we do not anticipate significant impacts for Reliance.

PERFORMANCE

The economic climate continues to be very challenging. Like all financial institutions, the Bank's results have been impacted by the emergency reduction to 0.1% of the Bank of England's base rate in March 2020, which significantly reduced our interest income. Whilst this reduction was positive for borrowing customers, it impacted savings rates although the Bank was able to maintain a small positive rate on all deposit accounts. Extension of central bank liquidity support has also contributed to a prolonged period of low returns for investments (those within the Bank's credit risk appetite). The Bank also receives fee income from customers in relation to business current account transactions, which were significantly reduced in volume over the year as many businesses were restricted or closed completely.

The Bank's mortgage lending has performed very well during the year, partly due to other lenders withdrawing from certain markets, but also driven by the launch of our Key Worker mortgage products which looked to support those who supported us, during the pandemic. The introduction of a stamp duty holiday also served to increase demand, although the impact of such policy decisions may be felt later in the year. The Bank has also seen growth in its Shared Ownership mortgages - supporting individuals in buying their own home - and in its mortgages secured on properties which have been specifically altered to accommodate disability.

The mortgage book grew by 55% to £38.6m in the year, providing the Bank with an important revenue steam which partly offsets the reduction in investment income. Loans to businesses also showed record growth in the year, almost doubling to £38m. The commercial lending market had fallen away at the start of the pandemic as business confidence and investment dropped; almost all of our growth occurred in the second half of the financial year.

During the year, the Bank supported its mortgage and commercial customers with payment holidays or periods of interest only repayments. We are pleased to say that the Bank has not seen any credit losses in the year and that by July 2021 a very small proportion of customers remained on adjusted payment arrangements. The Bank continues to hold good levels of security against its loan exposures, on average the commercial book is 41% LTV and the mortgage book is 47%.

The Bank's customer deposits have also performed well during the year. At the start of the pandemic, liquidity was at the forefront of our concerns as we anticipated charities and businesses being unable to raise funds. These fears proved to be unfounded, in fact many charities developed new online channels to raise funds which were at least as successful as traditional methods; the background of the pandemic also serving to boost donations.

As anticipated in the 5-year strategic plan the Bank continues to be loss making this year, recording an operating loss of £1.3m (2020: operating loss of £0.7m) before recognising non-recurring costs of £0.5m (2020: £0.8m). Non-recurring costs included:

£0.3m – Business restructuring costs including consultancy and legal costs (2020: £0.2m)
£0.2m – One-off risk and compliance costs to facilitate updating systems and controls (2020: £0.6m)

After taking into account these non-recurring costs and taxation movements, the retained loss for the year amounted to £1.4m (2020: retained loss of £1.5m). No gift aid donations were made in the current year (2020: £Nil), reflecting the business investment approach of the 5-year strategic plan.

The Bank continues to invest to build a modern, digital internet banking platform to underpin the Bank's customer growth ambitions. Some of these costs are ongoing as the Bank has partnered with SaaS (Software as a Service) providers to develop and enhance several of the Bank's legacy system gaps. The transformation plan is key to support the drive to scale the business and return to profit.

Operating losses before one-off costs reflect the investment in upskilling our employees and investment in software solutions to enhance risk management and drive digitalisation. 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 now stabilising, with a focus on improving the Bank's revenue lines.

The Bank's key ratios remained strong during the year with a total capital ratio of 15.9% (2020: 17.7%) and a Liquidity Coverage Ratio of 986% (2020: 690%). The Bank had to take decisions on pricing over the year, in response to the unprecedented low interest rate environment. Thanks to these decisions, the Bank was able to maintain its Net Interest Margin (NIM) at 1.03% (2020: 1.10%). The loan to deposit ratio grew to 33.5% (2020: 28.5%) and continues to move to a more efficient balance sheet structure. Deposits from personal and non-Salvation Army business customers grew by 24% (2020: 13%) to £50.9m (2020: £41.0m).

The Bank's low risk appetite and careful stewardship has resulted in £nil amounts being written-off due to lending losses this year (2020: £1k). Total lending losses for the past six years have amounted to £128k.

THE BOARD

Since the last annual report and accounts the Bank has seen a number of Director changes and we would like to take this opportunity to thank Nigel Boothroyd, Andy Brown and Simon Featherstone for their terrific contributions as Non-Executive Directors over the years and wish them the best in their future endeavours. We would also like to thank Kevin Dare, who resigned as Finance Director in October, after 12 years on the Board. His contribution to the Bank's journey has been significant and we are pleased he can continue to support our goals from within the wider group. Kevin has been succeeded by Nikki Fenton, our new Finance Director.

We are also delighted to welcome four new Non-Executive Directors in Jan Smith, Malcolm Hayes, Guy Herrington and Jim Prouty all of whom bring a wealth of relevant financial sector expertise and have already begun to make valuable contributions to the business.

STRATEGY

The implementation of our 5–year plan is supported by three key pillars:

Grow customers and ease their journey

We are investing and modernising our approach to ensure that we capture emergent market developments. We will preserve the Bank's commitment to individual customer service whilst recognising our customers' needs and behaviours around digital channels and internet banking. An ambitious digital transformation programme began during the year with the key focus on project that aims to deliver a completely new internet banking system during the second half of 2021. This project will deliver a greatly improved customer experience as well as create operational efficiencies. A further programme of work is planned that covers digital customer on-boarding, customer case management and mortgage customer journeys.

Build operational resilience and de-risk the Bank
Investment in a new banking system and technology infrastructure also supports this key strategic pillar. Alongside the digital customer enhancements, we are moving to leverage cloud technology and new infrastructure, and in the later years of the plan intend to upgrade our core banking system. Moving to a robust target operating model includes the successful creation of four operating divisions covering: commercial activities; risk and compliance; finance, treasury; governance and operations.

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 investing extensively in improved systems and controls to ensure that we maintain an up to date and forward-looking approach that is supporting our business as we scale.

Attract and retain good 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 now fully in place following 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 have also introduced a wider range of well-being benefits and volunteering opportunities.

We joined the Financial Services Culture Board (FSCB) in 2019. The FSCB provides a unique benchmarking process based on employee feedback from many banking and financial services members. The Bank holds up strongly in several benchmarked areas including culture, ethics, and behaviours, although there are some lessons to take forwards as we continue to change and improve the Bank's business model.

OUR THANKS

We are very grateful to our customers and shareholders who continue to support our vision to be an important ethical bank. Our employees have worked tirelessly to ensure operations could continue without disruption during the lockdowns and we applaud their ongoing efforts. Their input is vital as we scale and transform the business and enable positive social impact.

Julie Nicholson
Chair
3 August 2021

Paul Croucher
Managing Director
3 August 2021

STRATEGIC REPORT

The Directors have pleasure in presenting the Strategic Report for the year ended 31 March 2021.

OUR FOUNDATIONS

Reliance Bank was founded in 1890 by William Booth, also the founder of The Salvation Army, 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 has been received by its owners in the past decade, 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 principles.

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 in line with our credit 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

Against the backdrop of the challenges felt by most people, businesses and governments, the year has seen Reliance Bank make progress against its 5-year strategy, which focuses on making a positive social impact whilst developing a more robust, diversified business model. The strategy was adopted in October 2018, at which time the International Trust of The Salvation Army established full ownership of the Bank. The Bank has successfully grown its lending and customer deposits in the year and after the year end in early July 2021, the shareholder made a capital injection of £1m to support the Bank to grow more quickly. Safe loan growth is needed to drive interest income and offset the lack of treasury interest income, given the very low interest rate environment.

The Bank’s focus has historically been to provide bespoke, reliable banking services to The Salvation Army, whilst also providing a limited range of business and personal lending products to external customers. The emphasis of the 5-year plan is to transform the Bank’s processes and systems to support a modern customer interface and a broad customer attraction, so the Bank is recognised as an important ethical bank. Reliance continues to serve the wider Salvation Army mission and this in itself attracts people and customers to our door. We will continue to deliver social impact through mortgages which support individuals under-served by the mainstream banks, to own their own home, and through commercial lending in sectors such as healthcare, housing and education which have important social impact roles in our communities.

The Bank is currently sub-scale and must grow lending to drive income and cover its (mainly) fixed costs. The burden of running a regulated financial institution is significant and the Bank intends to return to profit, assuming interest rates remain very low, by driving income rather than cutting costs. However, underlying costs remain well-controlled and the benefits of the restructure will be seen in 2021/22. As well as driving growth, a key priority for the coming financial year is delivery of the new internet banking platform, to remove manual processing and enhance the customer journey.

STRATEGIC PRIORITIES

Return to profit and safely grow loans

To drive income and 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.

Deliver business transformation

To invest in our people for the medium term by retaining and attracting the skills and expertise needed to build and grow the Bank and enhance succession planning and risk mitigation. The transformation plan includes digitalisation, but is wider than this, intended to improve systems, delivery mechanisms and drive operational efficiencies.

The digital transformation will deliver over the life of the five year plan, enhanced internet banking, AML systems, accounting and regulatory reporting systems, customer onboarding, mortgage broker interfaces, CRM and loan management. This is a significant investment by the

Bank to build a fit for purpose, sustainable, modern bank and to support the scale required to be resilient to financial shocks in the future.

Evolve the Bank's risk management framework

Risk management and resiliency is at the heart of everything the Bank does. A key pillar of the 5-year strategic plan, the Bank will continue 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.

Launch the Bank's social credentials

To launch the product proposition spanning across business banking, lending and deposits aiming to measure our contribution to social purposes thus extending The Salvation Army's mission and adopting a truly socially responsible operating model. During the year the Bank approved its enhanced ethical policy, available on our website, as a first step. As the Bank matures, the ethical focus will be applied in every aspect of the operating model including, how we operate day to day in our premises, how we communicate with customers and the products we launch.

Grow the number of banking customers

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.

Create and deliver a marketing re-fresh plan

The Bank undertook a full review of its website and branding in the early years of the plan. To continue to attract customers, industry advocates and staff, promote the Bank through multiple channels and reinforce our brand and values. The Bank will continue to invest in low level direct promotion, attend industry events and leverage digital media channels. The Bank partnered with a specialist digital performance agency earlier in 2021, to accelerate its online awareness and attract more customers.

FINANCIAL REVIEW

5-YEAR PERFORMANCE HIGHLIGHTS

£000's	2020/21	2019/20	2018/19	2017/18	2016/17
Operating Income	2,688	2,680	2,509	2,210	2,369
Operating Costs (before one-off items)	(3,966)	(3,352)	(2,211)	(2,034)	(1,957)
Operating (Loss)/Profit before one-off items	(1,278)	(672)	298	176	412
Shareholder's Funds	12,192	11,652	12,143	11,291	11,350
Loans to Customers	75,142	50,660	44,439	37,309	35,288
Loans to Salvation Army	2,364	2,545	2,781	8,571	13,858
Salvation Army Deposits	180,611	145,430	135,241	163,899	185,977
Other Customer Deposits	50,892	40,981	36,394	33,644	28,903
Loan Losses	-	(1)	(2)	(4)	(121)

KEY PERFORMANCE INDICATORS

	2021	2020	Commentary
Core Tier 1 Capital Ratio	15.7%	17.7%	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 Total Capital Ratio. Decreased as a result of increased risk weighted assets from the lending growth.
Leverage Ratio	4.50%	5.45%	Capital as a % of total assets (not risk weighted). Decreased as a result of the higher asset levels.
Net Interest Margin	1.03%	1.10%	Net interest earned as a % of interest earning assets. Decreased as a result of reduction in interest earned on treasury assets whilst paying marginally lower deposit rates.
Lending / Deposits Ratio	33.5%	28.5%	Total customer lending as a % of total customer deposits. Increased as a result of using surplus liquidity (customer deposits) to lend to social impact organisations.
Liquidity Coverage Ratio	986%	690%	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 and Regulated Covered Bonds. The increase reflects higher levels of liquidity held compared to 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 to continue~~s~~ to meet its regulatory capital requirements, plus headroom within the Board's risk appetite. Its capital currently consists of ordinary share capital, the revaluation reserve and the profit and loss reserve, 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.

The Bank has continued to hold positive levels of regulatory capital throughout the year and revalued its Head Office freehold property which increased reserves by £2.3m. Applying the current capital requirements, as at the balance sheet date, the Bank has a CET1 Ratio (CET1 capital as a percentage of risk-weighted assets) of 15.7% (2020: 17.7%), and a Total Capital Ratio of 15.9% (2020:17.9%)

Comfortable headroom against regulatory capital requirements has been maintained, with the Bank's Total Capital Requirement calculated at £8.0m as at 31 March 2021 (2020: £7.6m). After the year end, an additional £1m of ordinary share capital (Common Equity Tier 1 Capital) was issued, fully paid up, to the shareholder.

As at 31 March 2021, the Bank's Leverage Ratio (capital as a percentage of total exposures) reduced to 4.5% (2020: 5.45%) partly driven by the increase in mortgage lending.

LIQUIDITY

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

Total advances to customers are restricted to 65% of total customer deposits ie 35% of customer deposits should be held in treasury investments to repay customers as and when they wish to withdraw their funds. This is the Board's risk appetite and has increased over the plan period in line with the loan growth plans but remains conservative in relation to most other banks. The Bank intends to remain 100% customer funded and consequently does not borrow in the wholesale markets.

The Bank's Liquidity Coverage Ratio (high-quality liquid assets as a percentage of 30-day net cash outflow) has also shown high levels over and above regulatory requirements, with the 31 March 2021 ratio at 986% (2020: 690%).

BUSINESS PERFORMANCE

The Bank continues to provide The Salvation Army and other customers with excellent customer service underpinned by the Bank's Customer Experience and Relationships Management teams. In 2021 the Bank won the Charity Finance Award for 'best customer service' for the second year running – an award voted for by the customers of banks across the UK.

Net interest income

The Bank's net interest income grew to £2.2m (2020: £2.1m) for the year, despite the significant fall in interest rates at the start of the year. Income levels have been partially protected by decisions on product pricing but the main driver of this income is from new lending. The lending book increased by 46% (£24.3m) compared to the previous year growth of 13% (£6.0m). Although deposits also increased significantly in the year, the mix of these deposits was mostly advantageous for interest payable.

Operating costs and loan loss provision

The majority of the Bank's cost base relates to people and system costs. During the year the Bank also had several one-off costs relating to the strategic restructuring costs. Increases in amortisation relate to the ongoing investment in digital transformation and that in depreciation reflects the office renovation works and revaluation.

The Bank has progressed its operating plan in line with its strategic goals, which has resulted in an operating loss for the year of £1.3m (2020: loss of £0.7m) before recognising non-recurring costs of £0.5m (2020: £0.8m).

Operating profit

The operating loss for the year amounted to £1.8m (2020: £1.5m). 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 after tax, carried forward amounted to £1.4m (2020: £1.5m). No gift aid donations were made in the current year (2020: £Nil).

OUTLOOK

The majority of the Bank's investment in transitioning to its target operating model has now been completed. There remains a planned investment in our digital transformation programme for which capital has been fully allocated. The unprecedented disruption that the COVID-19 pandemic has had on people's livelihoods, businesses' ability to operate and wider Government policy may have peaked, and the UK has now lifted most restrictions. Some economic forecasts suggest a significant recovery 'bounce' and some inflationary pressures based on EU trading costs, the global shipping demand and the movements in the domestic housing market.

The Bank does not anticipate significant rises in interest rates, noting however that the Bank of England 0.1% rate was announced as an emergency rate decision and that a return to 0.25% is now more likely than a fall to 0% or the imposition of negative rates. There continue to be a number of unknowns around the extent of the impact that COVID-19 will eventually have, including the medium-term trend for property prices; there is also an expectation that there will be increased credit risk as government support schemes fall away. The people cost of the pandemic, in terms of lives lost and the impact on survivors, has yet to be fully understood and we have learned over the past 18 months that a new resurgence in infections can unexpectedly result in a return to business restrictions. The Bank continues to plan for this possibility and to support its customers and staff to adjust to the new ways of working, in line with government guidance over the next 18 months.

The year ahead is expected to be less disruptive, but one focussed on delivery of growth and the transformation programme, supporting our Vision and demonstrating our social impact.

PRINCIPAL RISKS AND UNCERTAINTIES

Due to the Bank's position of being wholly owned by a Christian charitable organisation, and being itself founded on ethical principles, it has a very low risk appetite across the whole business. The Board sets the risk appetite, and reviews it at least annually, which is then embedded in risk policies; the management and monitoring of the business in line with those policies drives the low-risk nature of the business. This risk appetite, and its embedding in our business decisions, have helped protect the Bank during periods of uncertainty and when financial markets were challenging.

In common with all banks, our business faces a number of risks including credit risk, liquidity risk, interest rate risk, market risk, operational risk, conduct risk, regulatory risk, financial risk from climate change and reputational risk. The Bank participates in a multi-employer defined benefit pension scheme, so the Bank also has pension risk. Policies and procedures are in place to ensure that the Bank's exposures to these risks are monitored and controlled. The Bank maintains a detailed risk register, allocating responsibility for all significant risks to a specified member of senior management. Risks are monitored on a regular basis, along with their associated mitigation and controls, and any emerging changes – noted for example as part of the Bank's risk event reporting.

The Bank performs financial stress testing as an integral part of setting risk appetites and monitoring its exposures. At least annually, the Bank completes an Internal Capital Adequacy Assessment Process (ICAAP) which details, how the Bank identifies and assesses its key risks, how it mitigates those and calculates a capital allocation as necessary, to support the Bank's operations in light of those risks. Stress testing also helps to identify key sensitivities and to ensure that the Bank can put plans in place to cope with future stresses. Our Pillar 3 disclosures provide more information on some of these risks and can be found on the Bank's website at www.reliancebankltd.com.

The Bank also maintains a formal Recovery Plan, a Business Continuity Plan and an Incident Management Plan. These Plans are updated regularly and are shared with our regulators as required. All risks and related key risk indictors are monitored regularly at the Audit, Risk & Compliance Committee.

Credit Risk

Credit risk is controlled by strict lending risk appetites, authorisation limits and a segregation of duties review before funds are advanced and through discussions with Credit Committee and ALCO. Affordability in stressed circumstances is a key consideration when reviewing lending applications. Monitoring of credit risk in the case of loans is through a suite of key risk indicators and for commercial lending also through the ongoing dialogue and annual review process with the relationship manager. The Bank continues to adopt a conservative customer lending policy, which has resulted in a low bad debt record.

Maximum exposure levels to counterparties are defined and for treasury investments the Board also sets risk appetites for the minimum credit rating of counterparties. Daily monitoring of positions ensures that any changes in treasury counterparty credit ratings are identified quickly so that action can be taken if necessary.

Liquidity Risk

The Bank's policy sets out the wide range of processes and controls that the Bank uses to monitor and control liquidity risk. Daily liquidity monitoring includes the maturity of assets and liabilities between time periods to ensure that mismatches do not exceed policy or trigger early warning indicators. The Bank also reports a dashboard of financial risk information and provides a weekly flash to the Executive Committee. The Bank ensures that it holds sufficient levels of High Quality Liquid Assets (in the form of balances on its Bank of England Reserves Account and Regulated Covered Bonds) to exceed the regulatory Liquidity Coverage Ratio requirements. The Bank performs regular stress testing to ensure that it holds adequate liquid assets to protect customers in the case of a severe but plausible stress scenario. An annual Internal Liquidity Adequacy Assessment Process (ILAAP) is completed, which also details the liquidity systems and controls in place to ensure the Bank maintains adequate liquidity resources.

The Bank adopts a conservative approach to the management of its liquid assets and treasury investments. Counterparty credit risk is discussed above. The Bank can only invest in simple products, approved by the Board and is generally focuses on fixed rate bank deposits and floating rate covered bonds. The Bank conducts cash outflow forecasts for operational purposes and has minimum credit balance agreements in place with some large depositors. 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 carefully to ensure that risk is managed within Board risk appetite. The Bank monitors market interest rates, moving the Bank's rates in response to the market and maintaining an appropriate spread between rates receivable and rates payable. Fixed rate term deposits from customers are matched broadly with fixed rate term investments. The portfolio of treasury assets is split between sterling certificates of deposit, liquidity funds and inter-bank deposits, all of which mature within twelve months of the balance sheet date. In addition, the Bank invests in floating rate Regulated Covered Bonds with a maturity of up to five years, held as High Quality Liquid Assets. Maturity profiles of fixed rate mortgages are controlled by tranche. Interest rate sensitivity gap analysis is undertaken at least monthly and before a new investment; basis risk positions are reviewed regularly. ALCO recommends the approach to managing interest rate risk to the Audit Risk & Compliance Committee.

Market Risk

The Bank does not have a trading book and has no material exposure to equities or derivatives. The Bank only accepts foreign currency term deposits from sophisticated customers who understand currency risk. Currently US dollar and Euro accounts are provided to the Salvation Army. To minimise foreign currency risk, all customer term deposits are placed in matching interbank deposits in the same currency; profits are converted to sterling on a regular basis.

Operational and Conduct Risk

Operational and conduct risks, including the risk of fraud, business continuity, financial crime, 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.

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 regulations are accurately interpreted and planned for. Failure to horizon scan could impact our ability to comply with upcoming changes and this could cause reputational damage and / or result in financial loss through regulatory sanction. The importance of compliance and meeting regulatory expectations is embedded in the 'first line' culture of the Bank. Internal systems and controls are designed to ensure that the compliance function, the 'second line' 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 key 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

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 may be higher for some time to come although the Bank has not seen any credit losses in the year.

Despite the significant impact and disruption caused by the pandemic, the Bank recognised that to overcome these challenges new ways of working needed to be adopted, which have improved electronic communication channels within the Bank and externally with suppliers and stakeholders. Management regularly review the 'lessons learned' from such events This will help to shape future responses to operational disruption and further strengthen our operational resilience.

Financial Risks from Climate Change

The Bank has no direct funding links to carbon-emitting industries, so has no exposure to high risk sectors for the direct impacts of climate change (coal-fired power stations etc). The indirect financial risks of climate change, however, are wider and the Board has categorised these risks as high, medium and low. The high risks mainly focus around the impact of flooding on property security held by the Bank, and also the increased costs of insurance for the Bank in relation to its own property and its supply chain.

The Bank is committed to support more community climate schemes and organisations which actively drive low carbon initiatives. Additionally, the Bank is reviewing its own impact on climate change, its carbon footprint and possible actions to reduce this. Our stress testing modelling will also be updated during the coming year, to incorporate a specific climate risk related scenario.

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. 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.
- Reaffirming the broad objectives of the Bank's strategy, given the impact of COVID-19.

BY ORDER OF THE BOARD

Nikki Fenton
Secretary

3 August 2021

DIRECTORS' REPORT

The Directors have pleasure in presenting their report, together with the accounts of the Bank, for the year ended 31 March 2021.

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 its shared principles with our shareholder and at 31 March 2021 over 55% (2020: 45%) of the loan book is now social impact. The Bank uses a positive approach to lending decisions, guided by what it wants to do and the impact it wants to have.

The customer exclusions below follow on from this positive approach, outlining clearly sectors and activities which do not fit with our values: alcohol, gambling, pornography, tobacco, weapons, conflict minerals, human rights failures and lack of labour rights, as these have a negative impact on people; animal testing, factory farming / fisheries, fur and specialty leather, deforestation, fossil fuel energy, genetic engineering, hazardous substances and mining as these have a negative impact on the environment; and also those who demonstrate poor ethics including corruption, poor accounting practices, tax evasion or violation of laws, codes and conventions. 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 all financial institutions.

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 COMMITMENT

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.

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:

Alka Ahuja
Nigel Boothroyd (resigned 31 December 2020)
Andrew Brown (resigned 17 September 2020)
Martyn Croft
Paul Croucher* – Managing Director
Kevin Dare* – Finance Director (resigned 16 October 2020)
Simon Featherstone (resigned 31 March 2021)
Nikki Fenton* – Finance Director (appointed 5 October 2020)
Robin Foale
Malcolm Hayes (appointed 4 May 2021)
Guy Herrington (appointed 4 May 2021)
Major Russell Malcolm (appointed 1 August 2020)
Julie Nicholson – Chair
Jim Prouty (appointed 4 May 2021)
Jan Smith (appointed 1 April 2021)
Commissioner John Wainwright
Colonel Knud Welander (resigned 31 May 2020)
Justin van Wijngaarden

**Executive Directors*

Non-Executive Directors receive no remuneration for their services to the Bank (refer to note 5). Aggregate remuneration information for executive management during the year, whose actions could potentially have a material impact on the risk profile of the Bank (see note 28):

Aggregate Remuneration of Code Staff (#)	**Fixed Remuneration (incl Pension)**
Managers (6)	£585,343

SUBSTANTIAL SHAREHOLDER

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 to 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 auditor in connection with preparing their report) of which the Bank's auditor is 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 auditor is aware of that information.

POST BALANCE SHEET EVENTS

After the end of the financial year the shareholder applied for and the Directors issued and allotted 1,000,000 ordinary shares at their nominal value of £1. As at the date of this report the shares are fully paid up. The Bank's issued share capital has risen from £10m at the balance sheet date to £11m at the date of this report. There are no other post balance sheet events.

GOING CONCERN

In accordance with their responsibilities, the Board has considered carefully the going concern assumption and believes 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 is undertaken by the Bank to model potential downside scenarios, 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 Bank's shareholder invested £1m of ordinary share capital between the balance sheet date and the date of this report, which will support the Bank's loan growth and thus its return to profit.

The Board is satisfied therefore 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 August 2021

CORPORATE GOVERNANCE REPORT

The Bank's corporate governance was reviewed as part of the 5–year strategic planning process and was strengthened in a number of areas, including establishing the Bank's Executive Committee, Board Credit working group, Remuneration Committee and ALCO.

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 Joint Statement from the Chair and Managing Director and the Strategic Report provide the information necessary for our shareholder to assess the Bank's position and performance, business model and strategy. In addition, the shareholder appoints representatives to the Bank's Board.

Board and management

The principal means by which the Directors reference regard to 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 three Non-Executive appointments made directly by our shareholder to represent their interests on the Board. The Board is chaired by a Non-Executive Director who was independent on appointment.

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 report an update to the Board on the strategic and operational goals. The Board's principal responsibilities consist of determining the business strategy of the Bank, setting risk appetite, reviewing the financial results and providing oversight of management as they deliver the strategic plan.

The Board began the year with ten Non-Executive Directors including the Chair, Julie Nicholson. During the year four of these Directors resigned and five new appointees joined, in anticipation of some Directors stepping down at the Annual General Meeting in September. The Board has determined that the following should be designated as independent Non-Executive Directors: Alka Ahuja, Martyn Croft, Malcolm Hayes, Guy Herrington, Jim Prouty, Jan Smith and Justin van Wijngaarden. 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 were 'Approved Persons' under the rules of the Prudential Regulation Authority and the Financial Conduct Authority (the Bank's regulators). Each Approved Person has a Statement of Responsibilities clearly defining 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 and 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 & Compliance Committee

The Committee, which met on seven occasions during the year, was chaired by Justin van Wijngaarden. Its role is 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 (outsourced) Internal Auditors, Independent External Auditors 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 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. During the year the risk and compliance reporting to this Committee was significantly enhanced.

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 and estimates are set out in the Accounting Policies in note 1, with further details provided in other notes. 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 Jan Smith. 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	√	√		
Martyn Croft	√	√	√	
Paul Croucher	√			√
Nikki Fenton	√			
Robin Foale	√			√
Malcolm Hayes	√	√		
Guy Herrington	√	√		
Russell Malcolm	√			
Julie Nicholson	√		√	√
Jim Prouty	√			
Jan Smith	√	√	√	
John Wainwright	√			
Justin van Wijngaarden	√	√	√	√

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 - chaired by the Head of Risk and Compliance, meets monthly 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 as required, 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 at least six times a year to provide Financial Risk management oversight including on capital, interest rate, funding and liquidity risks and provide approval of all product structures and pricing within a Board approved product development policy framework.

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 August 2021

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's *loss* for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of *Reliance Bank Limited (the "Bank" or "Company")* for the year ended *31 March 2021* 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 Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

Following the recommendation of the Board of Directors, we were re-appointed at the Annual General Meeting held on 17 September 2020 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 31 March 2019 to 31 March 2021.

We remain 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.

The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Given the significant judgement exercised by the Directors in making the assessment as to whether it is appropriate to prepare the financial statements on a going concern basis we consider this to be a key audit matter. Management's associated accounting policies and details about basis of preparation are detailed in Note 1.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Obtaining the Directors' going concern assessment which comprised a cash flow forecast and reverse stress test and testing for arithmetical accuracy.
- We considered 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
- Holding discussions with the Directors on whether events or conditions exist that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern; Corroborating those discussions by agreeing information acquired to supporting documents such as budgets, cash flow forecasts and minutes of meetings.

- Assessing the assumptions such as revenue growth rates, interest rates, impairment rates, future overheads and regulatory capital requirements that were used in the going concern assessment prepared by Directors and considered whether the budgeting and cash flow forecast models utilised were appropriate for the Bank; We reviewed the outcome of the Bank's prior year budgets against the actual outcomes to assess the reasonability of assumptions applied.
- Considering the impact of the COVID-19 pandemic on the Bank's financial performance, business activities and operations, regulatory capital and liquidity. Assessing the potential impact of the reduced interest rate environment and Covid-19 related national policy decisions on the Bank's revenues and the Bank's profitability and liquidity including available cash resources;
- 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.
- Reviewing the going concern disclosures included in the Annual Report and Financial Statements in order to assess that the disclosures were adequate, consistent with the Directors' going concern assessment and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters		2021	2020
	Interest receivable on loans and advances (Revenue recognition)	✓	✓
	Impairment provisions on loans and advances to banks and customers	✓	✓
	Impact of the outbreak of COVID-19 : Going Concern	✓	✓
Materiality	*Financial statements as a whole* £89,000 (2020:£88,000) based on 0.75% (2020: 0.75%) of Tier 1 Capital		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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. In addition to the matter referred to in the Conclusions relating to going concern section of our report we considered the following to be key audit matters:

Key audit matter description	How we addressed the key audit matter in the 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 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. The loans and advances held at amortised cost of £77,505,973 (2020: £53,204,878) 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.	• We understood management's process for recognising revenue using the effective interest rate method and by undertaking a walk-through to identify the key controls and data flows. We did not test or rely upon these controls. • We verified the arithmetic accuracy of the EIR model through re-calculation, and recalculated the contractual interest calculation for the 31 March 2021 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: In considering the mortgage portfolio, historic behaviours and current economic and market conditions, we consider assumptions included in the EIR model to be reasonable.

Key audit matter description	How we addressed the key audit matter in the audit
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. As disclosed in Note 9, the Bank holds £154,363 of impairment provisions at year end (2020:£193,192). This comprises a specific provision of £13,609 (2020: £55,346) and an IBNR provision of £141 624 (2020: £137,846) Management's associated accounting policies and details about judgements in applying accounting policies and critical accounting estimates are detailed in Note 1.	• 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 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 tested the sampled population of loans to gain comfort that all loans that meet the criteria for a specific provision have been included for 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 HPI and predicted outcomes applied as a result of the potential impact a prolonged recession could have on recoverability of loans, comparing 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: There were no matters arising from performing these procedures.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2021 £m	2020 £m
Materiality	£89,000	£88,000
Basis for determining materiality	*0.75% of Tier 1 Capital*	
Rationale for the benchmark applied	A principal consideration for members of the company in assessing the financial performance of the Bank	
Performance materiality	£66,000	
Basis for determining performance materiality	On the basis of our risk assessments, together with our assessment of the Company's overall control environment and no history of misstatements, our judgement was that performance materiality should be 75% of materiality.	On the basis of our risk assessments, together with our assessment of the Company's overall control environment and no history of misstatements, our judgement was that performance materiality should be 75% of materiality.

Reporting threshold

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £1,700 (2020: £1,700). 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.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. 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.
Matters on which we are required to report by exception	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 by the Company, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained 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;
- We considered the significant laws and regulations to be the Companies Act 2006, UK tax legislation and applicable accounting standards and in addition other laws and regulations that may have a material effect on

the financial statements including the permissions and supervisory requirements of the Financial Conduct Authority (‘FCA') and the Prudential Regulation Authority (“PRA”);

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to revenue recognition, posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Our tests included, but were not limited to:

- enquiries with management, the Audit, Risk and Compliance Committee (“ARCC”) and the board;
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- the procedures performed in the Key Audit Matters section;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; On a sample basis we determined journals with key risk characteristics such as postings made by non- finance staff, debit postings to revenue, identification of least used accounts or round sum values and material journals and we agreed these to supporting documents;
- Inspecting correspondence with regulators;
- assessing whether the key judgements and estimates made in relation to loan loss provisioning and impairment assessment of receivables, EIR and the impact of the Covid-19 pandemic over the going concern assumption are indicative of potential bias
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations.

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. There are inherent limitations in the audit procedures performed 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 are to become aware of it

A further description of our responsibilities is available on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent 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 and on behalf of BDO LLP, Statutory Auditor

London, UK
03 August 2021

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

RELIANCE BANK LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021	2020
		£	£
Interest Income			
- On Debt Securities		351,962	594,066
- Other		2,231,261	2,368,407
	2	2,583,223	2,962,473
Interest Expense	3	(339,335)	(888,263)
Net Interest Income		**2,243,888**	**2,074,210**
Fees and Commissions Receivable		538,562	765,852
Other Operating Income		109,094	96,892
		647,656	862,744
Fees and Commissions Payable		(203,075)	(256,682)
		444,581	606,062
Operating Income		**2,688,469**	**2,680,272**
Administrative Expenses	4	(3,667,941)	(2,998,818)
Amortisation	11	(178,797)	(160,986)
Depreciation	12	(158,545)	(101,758)
Impairment Credit / (Charge) on Loans and Advances	4, 9	38,829	(90,466)
Restructuring Costs	4	(542,273)	(816,571)
Operating Expenses		(4,508,727)	(4,168,599)
Operating Loss	5	**(1,820,258)**	**(1,488,327)**
Tax on Loss on Activities	6	459,451	(2,437)
Loss on Activities after Tax		**(1,360,807)**	**(1,490,764)**

STATEMENT OF COMPREHENSIVE INCOME		
Loss on activities after tax	(1,360,807)	(1,490,764)
Other comprehensive income: Revaluation of property*	1,284,096	-
Total comprehensive profit / (loss) for the year	**(76,711)**	**(1,490,764)**

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

* net of deferred tax

RELIANCE BANK LIMITED
BALANCE SHEET AT 31 MARCH 2021

	Notes	2021 £	2020 £
ASSETS			
Cash and Balances at Central Bank	7	73,927,250	51,769,502
Loans and Advances to Banks	8	46,802,990	29,850,667
Loans and Advances to Customers	9	77,505,973	53,204,878
Debt Securities	10	40,540,011	60,210,153
Intangible Fixed Assets	11	392,501	394,287
Tangible Fixed Assets	12	3,282,956	2,599,924
Investment Property	13	1,573,962	-
Other assets		13,081	12,476
Prepayments and Accrued Income	14	287,516	408,722
Total Assets		**244,326,240**	**198,450,609**
LIABILITIES			
Customer Accounts	15	231,503,315	186,411,063
Other Liabilities	16	112,920	11,864
Accruals and Deferred Income	17	517,568	361,945
Deferred Tax Liability	19	-	13,529
Total Liabilities		232,133,803	186,798,401
Called Up Share Capital	20	10,000,000	10,000,000
Revaluation Reserve		1,258,277	-
Profit and Loss Account		934,160	1,652,208
Equity Shareholder's Funds		12,192,437	11,652,208
Total Liabilities and Equity		**244,326,240**	**198,450,609**
MEMORANDUM ITEMS			
Contingent Liabilities			
Guarantees and assets pledged as collateral security	22	7,693,614	7,693,614
Commitments	22	12,687,888	7,465,505

These accounts were approved by the Board of Directors and authorised for issue on 3 August 2021

Paul Croucher
Managing Director

Nikki Fenton
Finance Director

Company Registration Number: 00068835

RELIANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up Share Capital £	Revaluation Reserve £	Profit and Loss Reserve £	Total Shareholder Funds £
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
Change in accounting policy*	-	-	616,940	616,940
At 1 April 2020	10,000,000	-	2,269,148	12,269,148
Revaluation*	-	1,284,096	-	1,284,096
Loss for the year	-	-	(1,360,807)	(1,360,807)
Trf to P&L Reserve	-	(25,819)	25,819	-
At 31 March 2021	10,000,000	1,258,277	934,160	12,192,437

* shown net of deferred tax. See Note 1 Accounting Policies for details of application of change in accounting policy and Notes 12 and 13 for details of the property revaluation and the reclassification from Tangible Fixed Assets to Investment Property.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Net cash inflow from operating activities	23	19,788,171	7,440,459
Investing activities	24	15,545,473	12,855,842
Financing activities	25	-	1,000,000
Increase in cash and cash equivalents		**35,333,644**	**21,296,301**
Cash and cash equivalents at the beginning of the reporting period		69,895,792	48,599,491
Cash and cash equivalents at the end of the reporting period		**105,229,436**	**69,895,792**

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2021

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 2021. 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 August 2021. 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. There are no new accounting estimates in the year.

The main source of estimation relates to impairment of financial assets, where reviews are undertaken, 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 past events that occurred after the initial recognition of the financial asset, the estimated future cashflows have been affected. Loans and advances to customers 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 of financial assets, all related direct fees and costs are taken into account.

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

Tangible fixed assets and depreciation

Change in accounting policy
During the year the Bank opted to follow the revaluation approach to its freehold property, under FRS102 section 17. This provides an up-to-date value of the Bank's tangible property assets. This is an accounting policy change which is required to be accounted for prospectively where related to the owner-occupied portion of the property. The Bank was required to reclassify the portion of the property let to group entities as Investment Property due to the FRS102 s16.4A exemption not being applicable on the revaluation model (applied in previous years).

The Bank is required to account for the change in policy for Investment Property retrospectively. Management have considered that applying this requirement is impracticable due to the lack of contemporaneous fair value estimates. The Bank has therefore recognised the related revaluation gain in current year opening P&L reserves. The revaluation gain on PPE has been recognised as a gain in OCI during the year.

The revaluation resulted in a total uplift amounting to £2.35m, £1.59m of which was recorded in the revaluation reserve (gross of deferred tax). Depreciation on Tangible Fixed Assets is recognised in the income statement, a transfer is then made between the profit and loss reserve and the revaluation reserve, for the portion of depreciation relating to the revaluation, to recognise that these profits are now distributable.

Property, fixtures and fittings and equipment are stated at cost or revaluation less accumulated depreciation and accumulated impairment losses, except where they are classed as Investment Property. Cost includes costs directly attributable to making the asset capable of operating as intended. No depreciation is provided on freehold land or Investment Property.

Depreciation has been provided on a straight-line basis, so as to write off the cost of tangible fixed assets over their estimated useful lives. The principal rates adopted per annum are 2% for freehold buildings, 20% for subsequent refurbishment costs, 33% for computer hardware and varying rates of between 10% and 20% for fixtures, fittings, and other equipment.

Investment Property
The proportion of the head office building which is not occupied by the Bank, but rented out, is classified under FRS102 as Investment Property and held at fair value. Any change in fair value during the year resulting from an annual valuation is recognised through the income statement. The value of the Investment Property is based on a triennial market valuation which is carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the property being valued. The basis of the market valuation is an estimation for which the property would be exchanged between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. It assumes that the property is free from structural or other defects that would materially affect the market value. The method of valuation used is based on current capitalisation yields in the area where the property is located. If an external valuation is not obtained during the year, the value is assessed internally with external support where required.

During the year the Bank changed its accounting policy with respect to recognising Investment Property, see "change in accounting policy" above, which led to the recognition of Investment Property as an adjustment to current year opening reserves.

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. Where the effect of the time value of money is not material, 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 more probable than not, 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, 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 software licensing arrangements under operating leases are charged in the income statement 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 is reflected through the Income Statement. Employees wishing to join the Bank's pension scheme are now only eligible to join a defined contribution 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 Income Statement.

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

	2021	**2020**
	£	£
Interest receivable on Debt Securities		
- Sterling Certificates of Deposit	351,962	594,066
Interest receivable on Loans and Advances to Customers	2,056,937	1,601,298
Interest receivable on Bank and Discount Market Deposits	174,324	767,109
	2,583,223	2,962,473

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

	2021	**2020**
Payable to:		
	£	£
Parent Undertakings	39,196	222,402
Group Entities	39,196	222,402
Third Parties	300,139	665,861
	339,335	888,263

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

4. ADMINISTRATIVE EXPENSES

	2021	**2020**
Employee Costs (including Executive Directors) (i)	£	£
Wages and Salaries	1,798,519	1,757,506
Social Security Costs	210,280	178,676
Pension Costs (ii)	143,739	141,893
Health Benefits	21,882	16,152
	2,174,420	2,094,227
Other Administrative Expenses (iii)	1,996,965	1,721,162
	4,171,385	3,815,389
Less: Restructuring costs (employee costs)	*(185,864)*	*(144,998)*
Restructuring costs (other)	*(356,408)*	*(671,573)*
	3,629,113	2,998,818

The average number of employees in the current year was 39 (2020: 34).

(i) Employee costs include a total of £185,684 (2020: £144,998) that relates to restructuring costs.

(ii) £42,528 (2020: £75,079) relates to employer contributions to the defined benefit scheme. Employer contributions to the defined contribution scheme totalled £96,664 (2020: £65,042).

(iii) Other administrative expenses include a credit of £38,829 (2020: charge of £90,466) relating to impairment of loans and advances to customers and a charge of £356,408 (2020: £671,573) that relates to restructuring costs and improvements to control systems.

5. OPERATING LOSS

	2021	2020
	£	£
This is stated after charging/(crediting):		
Directors' Remuneration	266,416	257,588
Bankers' Comprehensive Crime Insurance	24,135	24,017
Amounts payable under operating leases	272,615	182,780
Bad and doubtful debts	-	1,161
Auditor's Remuneration - For Statutory Audit	102,000	84,000
Rental Income Receivable	(109,094)	(96,892)

Three Executive Directors received emoluments from Reliance Bank during the year, their remuneration in aggregate is disclosed above and this includes pension contributions of £20,522 (2020: £23,570). The highest paid Director received emoluments of £142,148 of which pension contributions were £Nil (2020: £145,460) of which pension contributions were £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 any such loans are disclosed within note 27.

6. TAXATION

	2021	2020
	£	£
Current tax		
UK Corporation Tax		
Current year – Corporation Tax	-	-
	-	-
Deferred tax note (Note 19)		
Current year	(459,451)	2,437
Tax (credit) / charge	(459,451)	2,437

The tax assessed for the year matches 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:

	2021	2020
Loss on ordinary activities before tax	(1,820,258)	(1,488,327)
Tax credit based on the standard rate of Corporation Tax in the UK of 19% (2020: 19%)	(345,849)	(282,782)
Effects of:		
Fixed asset differences	29,627	10,213
Expenses not deductible for tax purposes	9,355	-
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 on prior year losses re-recognised	(113,602)	-
Deferred tax movement recognised on losses	(38,982)	266,745
Tax (credit) / charge	(459,451)	2,437

Deferred tax charges totalling £445,922 (2020: £nil) have been recognised in reserves in relation to the revaluation of property. The prior year adjustment in 2020 reflects the fact that the Bank was eligible to claim capital allowances.

7. CASH AND BALANCES AT CENTRAL BANK

	2021	2020
	£	£
Cash in Hand	286	267
Balances at Central Bank	73,926,964	51,769,235
	73,927,250	51,769,502

The Bank does not offer a cash counter service at its premises; customers have 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. The Bank maintains a low risk approach to treasury investments, with risk appetite limits set on maintenance of various liquidity thresholds. Sufficient High Quality Liquid Assets must be held to cover net cash outflows over a 30-day period as a regulatory requirement, monitored through the calculation of a Liquidity Coverage Ratio (LCR).

8. LOANS AND ADVANCES TO BANKS

	2021	2020
	£	£
Bank Balances		
Recoverable on Demand	27,670,448	13,602,231
Bank Deposits		
Recoverable in three months or less	18,129,487	15,241,716
Recoverable between three and six months	1,003,055	1,006,720
	46,802,990	29,850,667

Balances held with the Bank of England are included in note 7.

All the loans and advances to banks represent deposits with financial institutions whose credit ratings meet the risk appetite of the Board. No impairment provisions have been raised against these balances (2020: £nil). In both financial years, none of these loans and advances to banks were extended to related parties and none are secured.

Deposits with, and debt instruments issued by, these financial institutions play an important role in Reliance Bank's investment strategy and day-to-day liquidity management. 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 well spread maturities to match expected cash outflows. Some deposits and debt securities are used to directly 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 income whilst maintaining a lower risk appetite and ensuring the Bank's liquidity and overall maturity profile are managed appropriately.

No loans have been made to our parent undertaking.

	2021	2020
	£	£
Recoverable on Demand:		
Overdrafts	286,910	1,115,381
Other Loans and Advances:		
Mortgages	38,614,735	24,503,975
Loans	38,604,328	27,585,522
	77,219,063	52,089,497
	77,505,973	53,204,878

Loans and advances to customers analysed by periods outstanding to maturity:

	2021	2020
Recoverable:		
On demand	7,832,172	9,861,494
In 3 months or less	1,288,207	893
In 1 year or less but more than 3 months	4,119,493	230,012
In 2 years or less but more than one year	221,562	681,130
In 5 years or less but more than 2 years	3,368,193	1,688,407
Over 5 years	60,830,709	40,880,788
Impairment provision	(154,363)	(137,846)
	77,505,973	53,204,878

Non-Performing Loans and Advances to Customers

	2021	2020
Before Provisions	306,897	458,738
After Provisions	293,287	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

	2021 Total	2020 Total
	£	£
As at 1 April	193,192	103,887
(Credit) / charge to Income Statement	(38,829)	90,466
Amounts written off	-	(1,161)
Recovery on amounts written off	-	-
As at 31 March	154,363	193,192

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 book 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 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 2021		31 March 2020	
	Carrying value	Market value	Carrying value	Market value
	£	£	£	£
Issued by:				
Banks/Building Societies	40,540,011	40,517,795	60,210,153	60,227,474

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

	£
At 31 March 2020	60,210,153
Acquisitions	55,432,509
Maturities and disposals	(75,000,000)
Amortisation	(102,651)
At 31 March 2021	40,540,011

Debt securities are generally held to maturity and are valued at amortised cost less impairment. £10,101,195 of Sterling Certificates of Deposit held at the balance sheet date mature within three months (2020: £15,041,704), with £nil maturing between three and six months (2020: £15,077,288) and £23,006,307 maturing between six months and one year (2020: £30,091,161). The Bank also held Covered Bonds of £7,432,509 maturing between two and three years.

The role of debt securities in Reliance Bank's investment strategy is to provide a sufficient 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 term deposits. Fixed rate 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. A geographic spread of these exposures is analysed in the Bank's Pillar 3 disclosures.

11. INTANGIBLE FIXED ASSETS

	Computer Software	2021 Total
Cost:	£	£
Brought Forward	1,912,073	1,912,073
Additions	177,011	177,011
Disposals	(1,365,345)	(1,365,345)
	723,739	723,739
Amortisation:		
Brought Forward	1,517,786	1,517,786
Charge for the year	178,797	178,797
Disposals	(1,365,345)	(1,365,345)
	331,238	331,238
Net Book Value at 31 March 2021	**392,501**	**392,501**
Net Book Value at 31 March 2020	394,287	394,287

12. TANGIBLE FIXED ASSETS

	Fixtures & Fittings	**Land & Buildings**	**2021 Total**
Cost:	£	£	£
Carried Forward 31 March 2020	1,138,142	3,700,894	4,839,036
Reclassification to Investment Property	-	(1,215,888)	(1,215,888)
Brought Forward 1 April 2020	1,138,142	2,485,006	3,623,148
Additions	22,517	46,064	68,583
Revaluation	-	1,585,304	1,585,304
Disposals	(652,205)	-	(652,205)
	508,454	4,116,374	4,624,830
Depreciation:			
Carried Forward 31 March 2020	1,053,741	1,185,371	2,239,112
Reclassification to Investment Property	-	(403,580)	(403,580)
Brought forward 1 April 2020	1,053,741	781,791	1,835,532
Charge for the year	41,255	117,290	158,545
Disposals	(652,205)	-	(652,205)
	442,791	899,081	1,341,872
Net Book Value at 31 March 2021	**65,663**	**3,217,293**	**3,282,956**
Net Book Value at 31 March 2020	84,401	2,515,523	2,599,924

The Bank has opted to apply the revaluation method of accounting for freehold property which resulted in the recognition of a revaluation reserve of £1,585,304. This is based on a market valuation carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the property being valued.

The portion of the premises let to our Parent undertaking has been reclassified to Investment Property (see note 13). As described in the accounting policies note "change in accounting policy" this reclassification has been recognised through current year opening reserves.

The method and significant assumptions of the valuation include an estimation for which the property would be exchanged between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The method of valuation used is based on current rents and capitalisation yields in the area where the property is located. It assumes that the property is free from structural or other defects that would materially affect the market value. Allowances have been made for costs to bring the property to a marketable presentation and for costs to sell.

13. INVESTMENT PROPERTY

	2021	2020
	£	£
Fair value at 1 April	1,573,962	-
Net gain from fair value movements	-	-
Fair value at 31 March	1,573,962	-

Investment property represents the proportion of the head office building, which is let to the Bank's Parent undertaking, on commercial terms. This proportion of the building is held at fair value.

In previous years an exemption was taken for Investment Property let to group entities, to account for them as Tangible Fixed Assets, held on the cost model. This exemption no longer applies due to the change in accounting policy, see note 12 for more details.

14. PREPAYMENTS AND ACCRUED INCOME

	2021	2020
	£	£
Prepayments	191,045	260,768
Overpayment of Gift Aid Recoverable	41,793	41,793
Accrued Income Receivable	54,678	106,161
	287,516	408,722

15. CUSTOMER ACCOUNTS

	2021	2020
	£	£
Current Accounts	110,221,013	65,467,151
Deposit Accounts	121,282,302	120,943,912
	231,503,315	186,411,063
With agreed maturity dates or periods of notice by remaining maturity:		
Repayable on demand	154,483,416	97,584,645
3 months or less but not repayable on demand	72,865,163	66,424,339
1 year or less but over 3 months	4,154,736	22,402,079
	231,503,315	186,411,063
Analysis of Connected Deposits:		
Due to Parent Undertakings	31,998,421	18,186,920

The Bank has entered into an overarching minimum credit balance agreement with its parent and a similar arrangement exists with another key customer. The Bank agreed to adjust these minimum balance agreements during the year and total credit balances with the Bank to £69,000,000 are subject to 3 months' written notice (2020: £79,000,000). The Bank's liquidity position, under the current regulatory liquidity regime, reflects these assurances provided to the Bank.

16. OTHER LIABILITIES

	2021	2020
	£	£
Sundry Creditors	112,920	11,864
	112,920	11,864

Sundry creditors include operational and payment timing differences.

17. ACCRUALS AND DEFERRED INCOME

	2021	2020
	£	£
Pension Fund – deficit payments (note 21)	115,179	115,179
Other payables and accruals	402,389	246,766
	517,568	361,945

18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

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

	2021	2020
	£	£
Amounts payable:		
Within one year	185,595	114,403
In two to five years	523,360	95,867
Over five years	2,160	-
	711,115	210,270

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

	2021	2020
	£	£
Amounts receivable:		
Within one year	55,808	48,244
	55,808	48,244

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

19. DEFERRED TAX LIABILITY

	2021	2020
	£	£
Liability at start of year	13,529	11,092
Deferred tax credited to Income Statement (note 6)	(459,451)	2,437
Deferred tax charged directly to Revaluation Reserve	301,208	
Deferred tax charged directly to P&L Reserve	144,714	-
Liability at end of year	-	13,529

No deferred tax asset has been recognised in respect of tax recoverable on losses except to the extent that it offsets timing differences which will crystalise a tax charge in future periods. The Bank has unused trading losses of £3,994,078 (2020: £2,173,820) which are available for carry forward indefinitely.

Deferred tax has been calculated at 19%. It was announced in the Budget on 3 March 2021 that the main rate of corporation tax of 19% would be increased to 25% with effect from April 2023.

20. CALLED UP SHARE CAPITAL

	2021	2020
	£	£
Allotted, Called Up and Fully Paid:		
£1 Ordinary Shares	10,000,000	10,000,000

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.

Post balance sheet events
After the end of the financial year the shareholder applied for and the Directors issued and allotted 1,000,000 ordinary shares at their nominal value of £1. As at the date of this report the shares are fully paid up. The Bank's issued share capital has risen from £10m at the balance sheet date to £11m at the date of this report.

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, payable in instalments.

A defined contribution scheme was introduced for new members in 2012 and, at the reporting date, there were 35 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 Income Statement. Costs charged in the current year are disclosed in note 4.

At the reporting date, two 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 its share of the shortfall over a 5-year period and has also increased ongoing employer contributions.

22. GUARANTEES AND COMMITMENTS

	2021 Contract Amount £	**2020 Contract Amount** £
Commitments:		
Undrawn formal standby facilities of one year or less	12,687,888	7,465,505
	12,687,888	7,465,505
Contingent Liabilities:		
Guarantees	7,693,614	7,693,614
	20,381,502	15,159,119

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 approved mortgage and loan commitments awaiting drawdown.

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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

	2021	2020
	£	£
Operating loss for the reporting period	(1,820,258)	(1,488,327)
Decrease / (Increase) in prepayments and accrued income	121,206	(124,124)
Decrease / (Increase) in accruals and deferred income	155,623	(81,370)
Movement in provision for bad debts	38,829	89,305
Amortisation in value of investments	102,651	75,468
Amortisation of intangible fixed assets	178,796	160,986
Depreciation of tangible fixed assets	158,545	101,758
Decrease / (Increase) in other liabilities	101,056	(1,004)
Increase in other assets	(605)	(8,083)
Tax refund	-	14,184
	(964,157)	(1,261,207)
Increase in loans and advances to customers before provisions	(24,339,924)	(6,073,953)
Increase in customer accounts	45,092,252	14,775,619
Net cash inflow from operating activities	19,788,171	7,440,459

24. INVESTING ACTIVITIES

	2021	2020
	£	£
Purchase of Sterling Certificates of Deposit	(55,432,509)	(80,000,000)
Sale and maturity of Sterling Certificates of Deposit	75,000,000	85,000,000
Purchase of intangible fixed assets	(177,010)	(253,370)
Purchase of tangible fixed assets	(68,581)	(251,588)
Net movement in loans and advances to banks not recoverable on demand	(3,776,427)	8,360,800
	15,545,473	12,855,842

25. FINANCING ACTIVITIES

	2021	2020
	£	£
Issue of £1 Ordinary Shares	-	1,000,000
	-	1,000,000

26. **ANALYSIS OF GIFT AID**

	2021	**2020**
	£	£
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**

	2021	**2020**
	£	£
Aggregate amounts due, as at 31 March, from		
- Directors and connected persons	-	206,757
	-	206,757
Aggregate amounts due, as at 31 March, to		
- Directors and connected persons	10,892	24,886
	10,892	24,886

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 (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, employees and employees of the parent undertaking 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 (2020: £Nil).

The aggregate compensation paid to the Bank's key management personnel was £585,343 (2020: £572,403).

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.

	2021	**2020**
	£	£
Balances at Central Bank	73,927,250	51,769,235
Loans and advances to banks	46,802,990	29,850,667
Debt securities	40,540,011	60,210,153
Treasury Assets at 31 March	161,270,251	141,830,055
Treasury Assets by credit rating		
- AAA	25,420,863	-
- AA	88,976,114	69,736,859
- A	46,873,274	72,093,196
Treasury Assets at 31 March	161,270,251	141,830,055

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.

	2021	**2020**
	£	£
Neither past due nor impaired	77,353,439	52,919,261
Up to three months overdue but not impaired	-	20,071
More than three months overdue (non-performing)	306,897	458,738
	77,660,336	53,398,070
Specific loss provision	(13,610)	(55,346)
Collective impairment provision	(140,753)	(137,846)
Loans and advances to customers at 31 March	77,505,973	53,204,878

For loans and advances to customers totalling £77.2m (2020: £52.4m), the Bank has security in the form of property to an estimated value of £175m (2020: £129m) 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:

	2021	**2020**
	£m	£m
< 50%	31.3	21.7
50% < 60%	8.5	9.4
60% < 70%	13.6	10.9
70% < 80%	6.4	3.5
80% < 90%	15.2	5.8
>90%	2.2	0.7
Not secured on property	0.2	0.9
	77.4	52.9

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Liquidity and Funding Risk

Reliance Bank maintains a high level of liquidity, holding £81.4m of High Quality Liquid Assets at the year end which equates to 33.6% of total assets (2020: 26.2%). The Bank's Liquidity Coverage Ratio at 31 March 2021 was 986% (2020: 690%), 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. The Bank's increased holding of High Quality Liquid Assets have largely contributed to the year on year increase of the Liquidity Coverage Ratio.

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 table below shows this re-pricing on the Bank's non-trading book as at 31 March 2021 (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 mths	**3 - 6 mths**	**6 mths - 1 yr**	**1 yr – 5 yrs**	**> 5 yrs**	**Non-Interest Bearing**	**Total**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Year Ended 31 March 2021							
Assets:							
Cash and Balances at Central Bank	73,927	-	-	-	-	-	73,927
Loans and Advances to Banks	45,800	1,003	-	-	-	-	46,803
Loans and Advances to Customers	48,362	2,588	1,032	25,499	25	-	77,506
Debt Securities	17,534	-	23,006	-	-	-	40,540
Other Assets	-	-	-	-	-	5,550	5,550
Total Assets	185,623	3,591	24,038	25,499	25	5,550	244,326
Liabilities:							
Customer Accounts	227,348	3,875	280	-	-	-	231,503
Other Liabilities	-	-	-	-	-	631	631
Shareholder's Funds	-	-	-	-	-	12,192	12,192
	227,348	3,875	280	-	-	12,823	244,326
Interest Rate Sensitivity Net Gap	(41,725)	(284)	23,758	25,499	25	(7,273)	-
Cumulative Gap	(41,725)	(42,009)	(18,251)	7,248	7,273	-	-
Year Ended 31 March 2020							
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	-	-

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Whilst there are more liabilities than assets that can re-price within 3 months, £110m of these are currently in products which pay no interest. The Bank manages interest rate risks by the methods outlined in the Risk Management summary within the Strategic Report.

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:

	2021		**2020**	
	USD	EUR	USD	EUR
Monetary Assets	30,194,335	20,201	19,662,519	176,265
Monetary Liabilities	(30,189,426)	(20,234)	(19,653,880)	(175,959)
Net Monetary Assets	$4,909	(€33)	$8,639	€306
Translated At	1.3771	1.1669	1.2387	1.1301
Sterling Equivalent	£3,565	(£28)	£6,974	£271

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	£3,230,879
Staff numbers	39
Loss before Tax	£(1,820,258)
Tax Paid	£Nil
Public subsidies received	£Nil