ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2022

COMPANY NUMBER: 00068835

RELIANCE BANK LIMITED
Annual Report and Accounts
For the Year Ended 31 March 2022

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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.

DIRECTORS, MANAGEMENT AND PROFESSIONAL ADVISORS
As at 27 July 2022

DIRECTORS

Justin Van Wijngaarden – Chair
Martyn Croft
Paul Croucher* – Chief Executive Officer
Nikki Fenton* – Chief Financial Officer
Robin Foale
Malcolm Hayes
Guy Herrington
Commissioner E. Jane Paone
Jim Prouty
Jan Smith

* Executive Directors

COMPANY SECRETARY

Nikki Fenton

EXECUTIVE MANAGEMENT

Paul Croucher, Chief Executive Officer
Andy Detheridge, Chief Operating Officer
Nikki Fenton, Chief Financial Officer
Jervis Rhodes, Chief Risk Officer

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COMPANY NUMBER

00068835

INDEPENDENT AUDITOR

BDO LLP
55 Baker Street
London W1U 7EU

STATEMENT FROM THE CHAIR OF THE BOARD

Reliance Bank was founded in 1890 by William Booth, the founder of the Salvation Army and is owned by the Salvation Army International Trust. The Board is grateful to our shareholder for the support received during the year, a period of disruption and challenge across the world, which has caused, and will continue to cause great hardship to many. Our shared principles are the driving force behind the Bank's Vision to be recognised and respected as an important ethical bank that exists to enable positive social impact.

Performance
The Bank continues to follow its investment plans and remains loss-making for the financial year, as expected. The significant growth in our lending book has driven higher interest income despite market interest rates remaining at historical lows for much of the year. This, together with careful management of costs, has meant the annual loss before tax reduced by £1m, compared to last year. The Bank's total assets exceeded £250m for the first time, with a record £236m held in customer deposits.

Customers
The Bank continues to enhance its extensive day-to-day services for The Salvation Army as a globally renowned Charity. Digital banking interfaces continue to be developed and modernised to provide a competitive banking proposition which will allow us to better serve our not-for-profit and SME customers.

In 2022 the Bank came first overall in the Charity Finance Survey Awards for customer satisfaction, building on the first place for best service category in 2021. These are fantastic achievements given the challenges of lockdown and are a testament to our dedicated Customer Experience team.

Capital
The Bank must meet regulatory requirements for liquidity and capital and ended the year with a CET1 ratio (the regulator's measure of financial strength) of 18.23%. During the financial year, the Bank raised £3 million additional capital from our existing shareholder, to help strengthen us for future growth.

The Bank has historically relied on treasury investment income and its lending book is currently sub-scale. The capital received will help support lending growth to social impact organisations, which aligns with our low credit risk appetite and objective of increasing returns.

Staff
In addition to our shareholders, the Board would also like to extend its thanks to the employees of the Bank who have worked tirelessly to improve our ways of working throughout this pandemic and have adapted to the hybrid working conditions seamlessly. I am delighted that our highest category score in the Financial Standards Culture Board survey is for 'Shared Purpose'. We continue to invest in our people so we can deliver on our goals and the Vision of the Bank.

The Board
During the year Julie Nicholson stepped down as Chair after six years and we are very grateful for her contribution and a job well done. I am proud to have taken on the role of Chair of this important institution and I look forward to seeing the Bank evolve and progress even further.

Justin Van Wijngaarden
Chair
27 July 2022

STRATEGIC REPORT

PERFORMANCE REVIEW FROM THE CHIEF EXECUTIVE OFFICER

The Bank's 5-year strategic plan aims to scale and diversify its 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 economic climate has continued to be very challenging. Like all financial institutions, the Bank's income was impacted by the emergency reduction to 0.1% of the Bank of England's base rate in March 2020, which significantly reduced our income, and the Bank chose to maintain a small positive rate on all customer deposit accounts. During the second half of the year, we saw sporadic improvement in fee income from customers in relation to business current account transactions. The impact of the Omicron variant, which had its epicentre in London in December 2021 and the related work from home guidance, underlined the pandemic's ability to continue to impact our customers and their customers throughout the financial year. The Bank has a strong liquidity position and as at 31 March 2022, £91 million was deposited with the Bank of England (2021: £74 million). Customer deposits have also grown during the year to £236.2 million (2021: £231.5 million).

The mortgage book grew by 22% to £47 million in the year, providing the Bank with an important revenue stream which partly offset the reduction in investment income. Loans to businesses also showed good growth in the year, increasing by 27% to £49 million. The commercial lending market, which fell away at the start of the pandemic started to pick up towards the end of last year and the sectors in which we operate have seen a good recovery. There were no loan losses in the year. The Bank continues to hold good levels of security against its loan exposures, on average the commercial book is 39% LTV (2021: 41%) and the mortgage book is 48% LTV (2021: 47%).

Our business lending is focussed on supporting our communities, churches, healthcare services and the education sector. During the year we also began to add more social housing providers to the portfolio; the Salvation Army Housing Association is a long-standing customer. In 2020 we introduced a Key Worker mortgage looking to support those who supported us during the pandemic, and this – together with our Shared Ownership offering – form the basis of the social impact of our mortgage book. We also have a small portfolio of mortgages secured on properties which have been specifically altered to accommodate disability.

As anticipated in the 5-year strategic plan the Bank continues to be loss making, recording an operating loss before tax of £0.8m (2021: £1.8m). The prior year included £0.5m of non-recurring costs related to restructuring. No gift aid donations were made in the current year (2021: £Nil), reflecting the approach of the 5-year strategic plan. The Bank continues to invest, and the recent losses partly reflect the investment in upskilling our employees and investment in software solutions to enhance risk management and drive digitalisation.

The Bank's key ratios remained strong during the year with a CET1 capital ratio of 18.2% (2021: 15.7%) and a Liquidity Coverage Ratio of 605% (2021: 986%). The Bank's strategy to grow lending and drive income has meant that the Bank's annual Net Interest Margin (NIM) grew to 1.29% (2021: 1.03%). The loan to deposit ratio grew to 40.9% (2021: 33.5%) and this is expected to improve further as lending replaces excess liquidity. Deposits from personal and non-Salvation Army business customers grew by 21% (2021: 24%) to £61m (2021: £51m).

The Bank's low risk appetite and careful stewardship has resulted in no write-offs due to lending losses this year (2021: £nil). Total lending losses for the past seven years have amounted to £128k.

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 remain relevant to our customers with an attractive proposition. We will preserve the Bank's commitment to excellent customer service whilst recognising our customers' needs and behaviours around digital channels and internet banking. Our first phase of digital transformation was to upgrade the internet banking platform and this is now in the customer pilot stage. We are also working on modernising our telephony and network infrastructure which aim to deliver an 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

Our investment in the new internet banking platform and technology infrastructure also supports this key strategic pillar. We are leveraging cloud technology, virtualisation and upgraded physical infrastructure, to achieve an agile, resilient operating foundation. In the later years of the plan we may also upgrade our core banking system.

Risk management is built into every role in the Bank and we follow a risk management model where first-line risk is owned by the business area, the Risk & Compliance function provides the second line of defence and the third line of defence is Internal Audit. During the year, we expanded the risk function, appointing the Bank's first Chief Risk Officer (SMF4) and adding an operational risk role. The Bank met the 31 March 2022 deadline to comply with PS21/3, mapping its critical business activities and identifying impact tolerances. The Bank will now implement systems, within three years, to ensure that these impact tolerances can be met.

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 shareholder and customers. We are investing extensively in capability and capacity, 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 the expanded resources plan adds capacity and capability across the Bank, with a specific focus on risk management. We have introduced a wider range of well-being benefits and now that the pandemic has waned, hope to re-introduce our volunteering opportunities: all employees get two volunteering days a year.

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 areas, although there are also lessons to take forwards as we adjust to the hybrid working model and continue to professionalise the Bank's business model.

OUR FOUNDATIONS

Reliance Bank was founded in 1890 by William Booth, to serve the Salvation Army's 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 over £2m has been returned to its owners in the past decade. 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

This year has seen Reliance Bank make further progress against its 5-year strategy, which focuses on driving 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 loan book over the year and the shareholder invested a further £3 million of capital to support the Bank during the pandemic and allow it to better support the loan growth required to return to profitability. Safe loan growth is needed to drive interest income and offset the lack of treasury interest income, given the very low interest rate environment of the last ten years.

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 its other 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 which 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 rise in line with economic forecasts, by driving income rather than cutting costs. Underlying costs have remained well-controlled however, the Bank will consider adding selected leadership and supporting roles to increase capacity and strengthen capability over the next 12 -18 months. As well as driving growth, a key priority has been developing the new internet banking platform, to remove manual processing and enhance the customer journey. This programme has suffered delivery slippages, although we are now in the process of migrating customers to the new platform. The overall digital transformation programme has been refocussed to prioritise strong business foundations including IT infrastructure and a modern telephony solution.

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 have 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, as it is intended to improve systems, delivery mechanisms and drive operational efficiencies.

The digital foundations required to support the transformation plan are 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 updated its ethical policy, available on our website and increased the number of case studies published. 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 and continues to attract customers, industry advocates and staff, promote the Bank through multiple channels and reinforce our brand and values. The Bank invests in low level direct promotion, attends industry events and leverages digital media channels. The Bank partnered with a specialist digital performance agency in 2021, with focus on online awareness and attracting more customers who share our values. 2022 developments will enhance the customer journey from search engine to application form.

FINANCIAL REVIEW

5-YEAR PERFORMANCE HIGHLIGHTS

£000’s	2021/22	2020/21	2019/20	2018/19	2017/18
Operating Income	3,502	2,688	2,680	2,509	2,210
Operating Costs before one-off items	(4,252)	(3,966)	(3,352)	(2,211)	(2,034)
Operating (Loss)/Profit before one-off items	(750)	(1,278)	(672)	298	176
Shareholder’s Funds	14,443	12,192	11,652	12,143	11,291
Loans to Customers	96,522	77,506	53,205	47,220	45,880
Salvation Army Deposits	174,811	180,611	145,430	135,241	163,899
Other Customer Deposits	61,401	50,892	40,981	36,394	33,644
Loan Losses	-	-	(1)	(2)	(4)

KEY PERFORMANCE INDICATORS

	2022	2021	Commentary
Core Tier 1 Capital Ratio	18.2%	15.7%	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. Increased as the additional capital received from the shareholder more than supports the increase in the risk weighted assets from loan book growth.
Net Interest Margin	1.29%	1.03%	Net interest earned as a % of interest earning assets. Increased as a result of the asset mix, lending to customers has a higher margin than treasury assets. Interest rate rises started to have some positive impact in the last three months of the year.
Lending / Deposits Ratio	40.9%	33.5%	Total customer lending as a % of total customer deposits. Increased as a result of utilising surplus liquidity (customer deposits) to lend to social impact organisations and mortgage customers.
Liquidity Coverage Ratio (LCR)	605%	986%	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.

During the year the Bank adjusted its treatment of Salvation Army deposits in the LCR calculations which resulted in a reduction in the ratio. The position is still significantly in excess of the regulatory minimum (100%).

CAPITAL

The Bank's objective in respect of its capital is to ensure it has sufficient levels to support its growth plans and continue 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. Formal capital reforecasting is performed quarterly and reported to the Board.

The Bank has continued to hold positive levels of regulatory capital throughout the year, having raised £3 million of additional capital from its shareholder. In the prior year it revalued its Head Office freehold property which increased reserves by £2.3m. The Directors have confirmed that this valuation remains valid. 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 18.2% (2021: 15.7%).

Comfortable headroom against regulatory capital requirements has been maintained, with the Bank's Total Capital Requirement (TCR) calculated at £8.1m as at 31 March 2022 (2021: £8.0m) as the Bank's loan growth was offset by a reduction in treasury risk weighted assets. The capital requirement to support treasury assets reduced due to a strategic shift away from interbank investments into lower risk regulated covered bonds.

As at 31 March 2022, the Bank's Leverage Ratio (capital as a percentage of total exposures) increased to 7.6% (2021: 4.5%) 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 which increases over the plan period in line with the loan growth plans but remains conservative overall. 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 2022 ratio at 605% (2021: 986%).

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 2022 the Bank won the Charity Finance Award for customer service for the third 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 £3.1m (2021: £2.2m) for the year, despite the ultra low interest rate environment for most 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 25% (£19.0m) compared to the previous year growth of 46% (£24.3m) and market interest rate rises were passed onto borrowers in the last quarter of the financial year. The mix of deposits held with the Bank is advantageous for interest payable as well, with a significant current account holding which does not attract interest. The Bank did start to increase certain savings rates towards the end of the financial year.

Operating costs

The majority of the Bank's cost base relates to people and systems. Increases in amortisation relate to the ongoing investment in systems. Despite pressure on staff costs and from inflation, Operating Costs excluding transitional items only increased £0.3m (2021: £0.6m). In the prior year the Bank also incurred transitional costs.

Operating profit

The pre-tax operating loss for the year amounted to £0.8m (2021: £1.8m). Performance over the past three years reflects the Bank's investment in a new organisational structure, systems and controls to support its future growth plans. No gift aid donations were made in the current year (2021: £Nil).

OUTLOOK

The Bank continues to make progress against its five-year financial plan, moving away from a treasury income focus to a loan income focus and expanding its positive social impact with lending to businesses and organisations who meet our criteria. As the Bank grows and restructures, further investment in systems and specialist staff skills is required and this will continue to impact profitability until the loan book is large enough to sustain a certain level of fixed cost.

The wider economic outlook is uncertain, with forecasts for inflation and interest rates rising considerably over the last six months. A return to a more normal interest rate environment is positive for the Bank, but the impact on customers and businesses may increase loan loss provisions over time. All customers are stress tested for affordability criteria, even after significant rate rises. Brexit and the conflict in Ukraine have not had any direct impacts on the Bank but the knock-on effects from rising energy prices, shortage of skilled staff and inflation generated from supply chain issues inevitably impact the Bank's costs. Pressure on staff costs is also likely to grow.

Whilst the year ahead is likely to be less disruptive from an operational perspective, post COVID, it is hard to predict whether the economic conditions going forwards will help drive profitability or further cost challenges.

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. This forms 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. 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. 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 regulators as required. All risks and related key risk indicators are monitored regularly at the Board Conduct, 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 Assets and Liabilities Committee ("ALCO"). Affordability in stressed circumstances is a key consideration when reviewing lending applications. Monitoring of credit risk in the case of mortgages is through a suite of key risk indicators and commercial lending also uses 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 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 focused on instant access liquidity funds, short term fixed rate certificates of deposit (USD) and floating rate covered bonds (GBP). The Bank conducts cashflow 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 on variable products in response to the market and maintaining an appropriate spread between rates receivable and rates payable. Currency fixed rate term deposits from customers are matched broadly with fixed rate term investments. Maturity profiles of fixed rate mortgages are controlled by tranche and nominally hedged against non-interest-bearing customer liabilities with long-term behavioural lives. Interest rate sensitivity gap analysis is undertaken monthly and basis risk positions are reviewed regularly. ALCO recommends the approach to managing interest rate risk to the Board Conduct, 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. US dollar and Euro current accounts are provided to The Salvation Army as well as short term fixed rate deposits. To minimise foreign currency risk, where possible customer funds received are placed in deposits which match the same terms and currency; any margins 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 Board Conduct, Risk & Compliance Committee considering the output of second line risk reviews, 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 not 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 front-line business functions, with internal systems and controls designed to facilitate this, reviewed by the ‘second line of defence’ to ensure they remain effective. The Bank’s internal audit function as the “third line of defence” also plays a key role in ensuring that the Bank continues to meet its regulatory requirements.

Reputational Risk - Social Impact Banking

Owing to the Bank’s ethical focus, reputational risk is of particular relevance. The current Conduct Risk regime to eliminate poor outcomes for customers is shortly to be enhanced with the introduction of Consumer Duty by the Financial Conduct Authority. 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. Whilst the Scheme was in surplus at 31 March 2021, in recent years, both employer and employee contribution rates have been increased to help alleviate future funding risks.

Pandemic and Global Geopolitical Risks

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 periods without disruption. Wherever possible the Bank staff were encouraged to attend the office three days a week however, during the Omicron outbreak in December 2021, working from home was temporarily reintroduced and systems and processes were unaffected.

The conflict resulting in Russia’s invasion of Ukraine has not had any direct impact on the Bank or its suppliers. The vast majority of the Bank’s customers are based in the UK and are also unaffected. The Bank provides limited banking services to the overseas territories of the Salvation Army International Trust. Due to the imposition of inexact, ‘blanket’ bans on transactions by global banking institutions, it has been increasingly challenging to transfer funds for the Salvation Army’s charitable work in Russia. The Bank continues to work with its partners, and The Salvation Army, to try and resolve these global processing issues.

The Bank has not seen any credit losses in the year however, it is presumed that credit risk will increase across the financial system as inflation and interest rates start to rise significantly due to global pressures.

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. During the year the Bank met its obligations under SS3/19 and has embedded assessing the risks of climate change into its annual lending reviews. Modelling has been performed in 2022 which reviewed the climate change risks in the residential portfolio and this will help update our approach to stress testing, specifically a specific climate risk related scenario. The Bank also intends to review its own impact on climate change, its carbon footprint and possible actions to reduce this.

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 management information packs which include monthly management accounts which compare key drivers of performance against budget and prior year. Explanations are provided to the Board of significant trends and comment focuses on the key performance indicators of operating profit, net interest income, administrative expenses, customer deposits, customer lending and fee income. 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 Board also receives reporting on the current liquidity position, regulatory capital position and performance against various other key risk indicators. Both the performance pack and the risk pack are being refreshed on the back of improvements during the year to systems and reporting capabilities.

Other standard components of our 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 better 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 regularly monitored on an actual and forecast basis 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 Bank 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 an additional share capital investment by the shareholder.
- Approving the design of a new organisational structure to increase stability and strengthen risk management as the Bank grows.
- Reaffirming the broad objectives of the Bank’s strategy, given the impact of global economic pressures.

BY ORDER OF THE BOARD

Paul Croucher
Chief Executive Officer
27 July 2022

DIRECTORS' REPORT

The Directors have pleasure in presenting their report, together with the accounts of the Bank, for the year ended 31 March 2022.

BUSINESS REVIEW AND OBJECTIVES

A review of the Bank's business, its objectives, activities and future strategy is covered in the accompanying Statement from the Chair of the Board and the 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 2022 over 55% (2021: 55%) of the loan book is classified as 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.

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 (resigned 1 September 2021)
Martyn Croft
Paul Croucher* – Chief Executive Officer
Nikki Fenton* – Chief Financial Officer
Robin Foale
Malcolm Hayes (appointed 4 May 2021)
Guy Herrington (appointed 4 May 2021)
Major Russell Malcolm (resigned 31 January 2022)
Julie Nicholson (resigned 31 December 2021)
Commissioner E Jane Paone (appointed 1 September 2021)
Jim Prouty (appointed 4 May 2021)
Jan Smith (appointed 1 April 2021)
Commissioner John Wainwright (resigned 1 September 2021)
Justin van Wijngaarden - Chair

**Executive Directors*

Non-Executive Directors receive no remuneration for their services to the Bank (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) was:

Aggregate Remuneration of Code Staff (#)	**Fixed Remuneration (incl Pension)**
Managers (6)	£616,267

SUBSTANTIAL SHAREHOLDER

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

There are no 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 £3 million of ordinary share capital during the year, which will support the Bank's continued loan growth, aligned with our low credit risk appetite and objective of increasing returns.

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

BY ORDER OF THE BOARD

Nikki Fenton
Company Secretary
27 July 2022

CORPORATE GOVERNANCE REPORT

The Bank's corporate governance was reviewed as part of the 5–year strategic planning process and was strengthened in several areas, including establishing a formal set of Board sub-committees. At the end of the financial year the Audit, Risk and Compliance Committee was split into two separate committees the Board Conduct, Risk and Compliance Committee and the Board Audit Committee.

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 Statement from the Chair of the Board 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 way 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 currently two Director appointments made directly by the 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 regular management information. All members of the Bank's Executive Committee attend the Board meetings and report an update to the Board on progress against 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. During the year three of these Directors resigned including the Chair, Julie Nicholson. One new appointee joined. The Board has determined that the following should be designated as independent Non-Executive Directors: Martyn Croft, Malcolm Hayes, Guy Herrington, Jim Prouty and Jan Smith. The Board considers that Justin van Wijngaarden met the independence criteria at the time of his appointment as Chair of the Bank.

Both Executive Directors, the Chair of the Board and Chairs of Board Committees 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.

The Board delegates some of its powers to the following committees, the membership of which is shown below:

Directors serving during the year were members of:	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	√		√	√
Commissioner E. Jane Paone	√			
Jim Prouty	√			
Jan Smith	√	√	√	
John Wainwright	√			
Justin van Wijngaarden	√	√	√	√

Audit, Risk & Compliance Committee

The Committee, which met on six occasions during the year, was chaired by Justin van Wijngaarden until he assumed the role of the Board Chair on 1 January 2022. Malcolm Hayes was then appointed Chair of the committee. Its role was to consider the effectiveness of the Bank's control environment and oversee the implementation of recommendations to improve the controls. It was supported by regular reports from the (outsourced) Internal Auditors, Independent External Auditors and the Head of Risk and Compliance / Chief Risk Officer. The Committee reviewed and agreed the annual plans for the Internal Auditors and the Compliance function. The Committee also considered management's regular reviews of individual risk assessments that make up the Bank's Risk Register. The Committee ensured that the recommendations of the Prudential Regulation Authority, the Financial Conduct Authority and the External Auditors were considered in full and implemented, where appropriate. The Committee had 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 reviewed 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.

The Committee 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.

As of 1 April 2022 this committee was dissolved and two new committees were established by the Board: the Board Conduct Risk and Compliance Committee and the Board Audit Committee.

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.

Executive Management

Day to day management of the Bank is delegated by the Board to the Chief Executive Officer who is supported by the executive management team through the operation of an Executive Committee that meets at least fortnightly.

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

Risk and Compliance Committee - chaired by the Chief Risk Officer, meets monthly to undertake a detailed review of the Bank's identified and emerging conduct, risk and compliance issues.

Credit Committee - chaired by the Chief Risk Officer, meets monthly, and ad hoc as required, to consider and approve lending applications within approved authority, review credit policy, review monthly credit MI and provide oversight for watch list accounts and any forbearance considerations.

Assets and Liabilities Committee - chaired by the Chief Financial Officer, 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

Nikki Fenton
Company Secretary
27 July 2022

Independent auditor's report to the members 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 2022 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 "Company") for the year ended 31 March 2022 which comprise the income statement, 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 Audit, Risk and Compliance Committee, we were appointed by the Board of Directors on 25 October 2018 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ending 31 March 2019 to 31 March 2022.

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.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting is set out in the key audit matters section of our report.

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		2022	2021
	Going Concern	✓	✓
	Revenue Recognition (Effective Interest Rate)	✓	✓
	Loan Book Provision	✓	✓
Materiality	*Financial statements as a whole* £108,000 based on 0.75% of Net Assets (2021: £89,000 based on 0.75% of Tier 1 Capital).		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company'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.

We considered the following to be key audit matters:

Key audit matter		**How we addressed the key audit matter in the audit**
Going Concern Please see Note 1: Accounting Policies – Basis of Preparation.	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 as it relates to the Company's financial position and factoring in of future capital injections, as well as the level of regulator focus the Company is subject to, we consider this to be a key audit matter.	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' assessment of the Company's Going Concern and challenging the assumptions and judgements made with regards to their forecast and stress tested scenarios. This included for sensitivity analysis around key assumptions and judgements such as loan book growth rates, costs, loan loss provisioning and interest rates in benchmarking to observable market data; • 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.

Key audit matter		How we addressed the key audit matter in the audit
		• 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 by benchmarking to observable data available in the market, evaluating growth trends in the last 5 years to evaluate the reasonability of projections; and considered whether the budgeting and cash flow forecast models utilised were appropriate for the Company; We reviewed the outcome of the Company's prior year budgets against the actual outcomes to assess the reasonability of assumptions applied and evaluated that the growth assumptions applied to current year period are reasonable. • Reviewing the Directors' forecasted position against capital requirements to evaluate the reasonability of the Director's assessment of minimum capital injections required and the point at which they would be required; • We assessed how the directors have factored in inflationary pressures and the potential impact of the COVID-19, Brexit and Ukraine/Russia conflict on the business, checking these had been appropriately considered as part of the Directors' going concern assessment. These scenarios are reflected in a scenario analysis performed by management which has been evaluated by the audit team and further stressed for a worst case scenario to evaluate the likelihood of the worst case scenario actualising. • Reviewing the going concern disclosures included in the Financial Statements in order to assess that the disclosures were consistent with the Directors' going concern assessment; and • Reviewed the correspondences with regulators and the impact of the Directors' plans and sensitivities on the Company's liquidity requirements and its overall current capital requirements for the twelve months following the date the financial statements are authorised for issue. Key observations: See Conclusions relating to going concern section above.
Revenue Recognition (Effective Interest Rate) Please see Note 1: Accounting Policies – Judgements and key sources of estimation and Note 2: Interest Income.	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	Our testing included but was not limited to: • We understood management's process for recognising revenue using the effective interest rate method to identify the key controls and data flows. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard. • We verified the arithmetic accuracy of the EIR model by performing a detailed review of the logic and consistency of the formulae throughout the EIR model. • On a sample basis, we tested the completeness and accuracy of key model inputs being loan terms,

	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. Errors within the EIR models themselves or bias in key assumptions applied could result in the material misstatement of revenue together with the relevant disclosures required. 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 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.	repayment terms and upfront fees, by agreeing them back to underlying source data such as loan contracts and policy. • Assessed the reasonableness of the loan behavioural life assumptions used by management by considering recent historical experience of loan behavioural lives based on customer behaviour, product type, market factors, performance and external data where applicable. Key observations: We consider that the assumptions included in the EIR models are reasonable in consideration of the Company's portfolio, historical behaviours and current economic and market conditions.
Loan Book Provision Please see Note 1: Accounting Policies – Judgements and key sources of estimation and Note 9(a): Loans and Advances to Customers & (b): Provisions for Bad and Doubtful Debts	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: • A specific provision is calculated for loans where there is an observable loss event. • An Incurred But Not Reported ("IBNR") provision is recognised for loans which are impaired as at the	Our testing included but was not limited to: • 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 Company'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

	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.	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: We have not identified any indicators that the provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made.

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:

	2022	2021
Materiality	£108,000	£89,000
Basis for determining materiality	*0.75% of Net Assets*	*0.75% of Tier 1 Capital*
Rationale for the benchmark applied	We determined that Net Assets was the most appropriate benchmark considering the different stakeholders. The benchmark was changed to Net Assets in the current year as this is considered to be the United Kingdom Generally Accepted Accounting Practice measure which most closely corresponds to regulatory capital, being the main driver for the Company, as the purpose of the Company is to optimise rather than maximise profits.	We determined that Tier 1 capital was the most appropriate benchmark considering the different stakeholders. Regulatory stability is considered to be a main driver for the Company and its purpose is to optimise rather than maximise profits.
Performance materiality	£70,000	£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 history of misstatements, our judgement was to reduce performance materiality to 65% of materiality in the current year.	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 £2,100 (2021: £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.

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

In our opinion the information given in note 31 for the financial year ended 31 March 2022 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

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.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension legislation and tax legislation.

Our tests included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, internal audit and the audit committee about compliance with relevant laws and regulations;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority for indication of any non-compliance; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Identifying and responding to risks of material misstatement due to fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be in relation to accounting estimates such as the EIR and loan loss provisioning (see Key Audit Matters section above) and management override of controls.

Our tests included:

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates were indicative of a potential bias such as EIR and loan provisioning as set out in the Key Audit Matters section; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner has assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with respective 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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

04 April 2023

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 2022

	Notes	2022 £	2021 £
Interest Income			
- On Debt Securities		87,111	351,962
- Other		3,254,993	2,231,261
	2	3,342,104	2,583,223
Interest Expense	3	(226,523)	(339,335)
Net Interest Income		**3,115,581**	**2,243,888**
Fees and Commissions Receivable		741,012	538,562
Other Operating Income		111,614	109,094
		852,626	647,656
Fees and Commissions Payable		(466,297)	(203,075)
		386,329	444,581
Operating Income		**3,501,910**	**2,688,469**
Administrative Expenses	4	(3,907,710)	(3,667,941)
Amortisation	11	(203,839)	(178,797)
Depreciation	12	(156,387)	(158,545)
Impairment Credit on Loans and Advances	4, 9	16,382	38,829
Restructuring Costs	4	-	(542,273)
Operating Expenses		(4,251,554)	(4,508,727)
Operating Loss	5	**(749,644)**	**(1,820,258)**
Tax on Loss on Activities	6	140,817	459,451
Loss on Activities after Tax		**(608,827)**	**(1,360,807)**

STATEMENT OF COMPREHENSIVE INCOME			
Loss on activities after tax		(608,827)	(1,360,807)
Other comprehensive income: Revaluation of property*		-	1,284,096
Deferred tax rate change related to OCI items	19	(95,118)	-
Total comprehensive loss for the year		**(703,945)**	**(76,711)**

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 2022

	Notes	2022 £	2021 £
ASSETS			
Cash and Balances at Central Bank	7	91,287,306	73,927,250
Loans and Advances to Banks	8	23,726,132	46,802,990
Loans and Advances to Customers	9	96,522,411	77,505,973
Debt Securities	10	34,201,068	40,540,011
Intangible Fixed Assets	11	443,170	392,501
Tangible Fixed Assets	12	3,153,335	3,282,956
Investment Property	13	1,573,962	1,573,962
Other assets		17,750	13,081
Prepayments and Accrued Income	14	321,998	287,516
Total Assets		**251,247,132**	**244,326,240**
LIABILITIES			
Customer Accounts	15	236,212,051	231,503,315
Other Liabilities	16	139,116	112,920
Accruals and Deferred Income	17	453,172	517,568
Deferred Tax Liability	19	-	-
Total Liabilities		236,804,339	232,133,803
Called Up Share Capital	20	13,000,000	10,000,000
Revaluation Reserve		1,132,160	1,258,277
Profit and Loss Reserve		310,633	934,160
Equity Shareholder’s Funds		14,442,793	12,192,437
Total Liabilities and Equity		**251,247,132**	**244,326,240**
MEMORANDUM ITEMS			
Contingent Liabilities			
Guarantees and assets pledged as collateral security	22	7,693,614	7,693,614
Commitments	22	16,554,622	12,687,888

These accounts were approved by the Board of Directors and authorised for issue on 27 July 2022

Paul Croucher
Chief Executive Officer

Nikki Fenton
Chief Financial Officer

Company Registration Number: 00068835

RELIANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up Share Capital	Revaluation Reserve	Profit and Loss Reserve	Total Shareholder Funds
	£	£	£	£
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**
Loss for the year	-	-	(608,827)	(608,827)
Deferred tax rate change	-	(95,118)	(45,699)	(140,817)
New shares issued	3,000,000	-	-	3,000,000
Trf to P&L Reserve	-	(30,999)	30,999	-
At 31 March 2022	**13,000,000**	**1,132,160**	**310,633**	**14,442,793**

* 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 2022

	Notes	2022	2021
		£	£
Net cash (outflow) / inflow from operating activities	23	(14,594,540)	19,788,171
Investing activities	24	20,376,709	15,545,473
Financing activities	25	3,000,000	-
Increase in cash and cash equivalents		**8,782,169**	**35,333,644**
Cash and cash equivalents at the beginning of the reporting period		105,229,436	69,895,792
Cash and cash equivalents at the end of the reporting period		**114,011,605**	**105,229,436**

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 2022. 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 26 July 2022. The financial statements have been prepared in accordance with applicable accounting standards using a going concern basis. Accounting standards require the Directors to assess the Bank's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the Directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them.
The Directors considered the Bank's financial position, the capital requirements laid out in its forecasts, its access to funding, the assumptions underlying the forecasts and the potential risks affecting them, including those arising from geopolitical instability. Scenario planning considers impacts to inflation, interest income and loan impairment, due to UK and macro-economic factors. A range of different plausible scenarios have been modelled and mitigating management actions considered.
After performing this assessment, the Directors have a reasonable expectation that the Bank has adequate resources to remain in operation for at least 12 months from the signing date of the Financial Statements and therefore consider it appropriate to continue to adopt the going concern basis.

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). See note 9(b) for more details.

The calculation of an effective interest rate requires an estimate of the expected life of the underlying loan assets which is derived using a combination of historical data and management judgement. Any changes to the expected life would result in an adjustment to the carrying value of the loans and related income recognised in the Income Statement. Whilst this is not currently a critical estimate for the Bank, the loan book is likely to grow in the future and the expected life may become a critical estimate. A one month decrease in the expected life of loans would result in a reduction of £2,000 in loans and an increase of £2,000 in income.

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 six years, consistent with the pattern to which they contribute to future cashflows. The Banking system is reviewed annually for indications of impairment.

Tangible fixed assets and depreciation

Change in accounting policy – prior year

During the prior year the Bank opted to follow the revaluation approach to its freehold property, under FRS102 section 17. This provided an up-to-date value of the Bank's tangible property assets. This was an accounting policy change 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 prior to the change).

The Bank was required to account for the change in policy for Investment Property retrospectively. Management considered that applying this requirement was impracticable due to the lack of contemporaneous fair value estimates. The Bank has therefore recognised the related revaluation gain in the prior year opening P&L reserves. The revaluation gain on PPE was recognised as a gain in OCI during the prior 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 (last conducted in 2020) 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 was 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 significant assumptions in the valuation include that the property is free from structural or other defects that would materially affect the market value and that it is appropriate to base the valuation on capitalisation yields for the area. An external valuation was not obtained during the current year, the Directors assessed the value continued to be relevant as at 31 March 2022.

During the prior 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 prior 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
Monetary 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

	2022	**2021**
	£	£
Interest receivable on Debt Securities	87,111	351,962
Interest receivable on Loans and Advances to Customers	3,007,940	2,056,937
Interest receivable on Bank and Discount Market Deposits	247,053	174,324
	3,342,104	2,583,223

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

	2022	2021
Payable to:		
	£	£
Parent Undertaking	37,012	39,196
Third Parties	189,511	300,139
	226,523	339,335

4. ADMINISTRATIVE EXPENSES

	2022	2021
Employee Costs (including Executive Directors) (i)	£	£
Wages and Salaries	1,913,341	1,798,519
Social Security Costs	217,572	210,280
Pension Costs (ii)	128,404	143,739
Health Benefits	24,077	21,882
	2,283,394	2,174,420
Other Administrative Expenses (iii)	1,607,934	1,996,965
	3,891,328	4,171,385
Less: Restructuring costs (employee costs)	-	*(185,864)*
Restructuring costs (other)	-	*(356,408)*
	3,891,328	3,629,113

The average number of employees in the current year was 41 (2021: 39).

(i) There were no restructuring costs for financial year ending 31 March 2022 (2021: £185,684).

(ii) £17,587 (2021: £42,528) relates to employer contributions to the defined benefit scheme. Employer contributions to the defined contribution scheme totalled £106,339 (2021: £96,664). Fees of £4,478 were incurred in relation to the defined contribution scheme in the current year (2021: £4,547).

(iii) Other administrative expenses include a credit of £16,882 (2021: £38,829) relating to impairment of loans and advances to customers and a charge of £nil (2021: £356,408) that relates to restructuring costs and improvements to control systems.

5. OPERATING LOSS

	2022	2021
	£	£
This is stated after charging / (crediting):		
Directors' remuneration	283,418	266,416
Bankers' comprehensive crime insurance	25,614	24,135
Amounts payable under operating leases	273,086	272,615
Auditor's remuneration - statutory audit	144,150	102,000
Rental income receivable	(111,614)	(109,094)

Two Executive Directors received emoluments from Reliance Bank during the year, their remuneration in aggregate is disclosed above and this includes pension contributions of £13,905 (2021: £20,522). The highest paid Director received emoluments of £152,296 including benefits, 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 details of any such loans are disclosed within note 27.

6. TAXATION

	2022	2021
	£	£
Current tax		
UK Corporation Tax		
Current year – Corporation Tax	-	-
	-	-
Deferred tax note (Note 19)		
Current year	(140,817)	(459,451)
Tax credit	(140,817)	(459,451)

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:

	2022	2021
Loss on ordinary activities before tax	(749,644)	(1,820,258)
Tax credit based on the standard rate of Corporation Tax in the UK of 19% (2021: 19%)	(142,432)	(345,849)
Effects of:		
Fixed asset differences	22,998	27,627
Expenses not deductible for tax purposes	1,615	9,355
Adjust opening deferred tax to average rate of 19%	-	-
Deferred tax on prior year losses re-recognised	-	(113,602)
Deferred tax movement recognised on losses	117,819	(38,982)
Deferred tax asset impact of change in enacted rate (to 25%)	(140,817)	-
Tax credit	(140,817)	(461,451)

7. CASH AND BALANCES AT CENTRAL BANK

	2022	2021
	£	£
Cash in Hand	130	286
Balances at Central Bank	91,287,176	73,926,964
	91,287,306	73,927,250

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. Whilst the Bank maintains an extremely risk averse liquidity policy in light of agreements in place with some of the Bank's larger depositors, maintenance of sufficient High Quality Liquid Assets to cover net cash outflows over a 30-day period is a regulatory requirement, monitored through the calculation of a Liquidity Coverage Ratio.

8. LOANS AND ADVANCES TO BANKS

	2022	2021
	£	£
Bank Balances		
Recoverable on Demand	21,583,683	27,670,448
Bank Deposits		
Recoverable in three months or less	1,140,616	18,129,487
Recoverable between three and six months	1,001,833	1,003,055
	23,726,132	46,802,990

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

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

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

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

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

No loans have been made to our parent undertaking.

	2022	**2021**
	£	£
Recoverable on Demand:		
Overdrafts	458,905	286,910
Other Loans and Advances:		
Mortgages	47,009,328	38,614,735
Loans	49,054,178	38,604,328
	96,063,506	77,219,063
	96,522,411	77,505,973

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

Recoverable:		
On demand	2,449,281	7,832,172
In 3 months or less	1,387,169	1,288,207
In 1 year or less but more than 3 months	5,609,894	4,119,493
In 2 years or less but more than one year	6,723,767	221,562
In 5 years or less but more than 2 years	12,938,717	3,368,193
Over 5 years	67,551,564	60,830,709
Impairment provisions	(137,981)	(154,363)
	96,522,411	77,505,973

Non-Performing Loans and Advances to Customers

Before specific provision	277,279	306,897
Specific provision applied	(2,289)	(13,610)
After specific provision	274,990	293,287

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**

	2022 Total	**2021 Total**
	£	£
As at 1 April	154,363	193,192
Credit to Income Statement	(16,382)	(38,829)
Amounts written off	-	-
Recovery on amounts written off	-	-
As at 31 March	137,981	154,363

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.

A quantitative collective impairment provision assessment is carried out across the loan portfolios based on probability of default, which is informed by past experience, and the level of exposures which exceed the discounted market value of the property security held. An additional provision for credit losses has been recognised in the current and prior years to reflect management's estimate of the impact of the economic environment cognisant of the recent pandemic and ongoing geopolitical uncertainty. The quantitative collective impairment provision and the additional economic provision together represent the Bank's 'incurred but not reported' losses under FRS102. The Bank has a history of very low levels of loan losses.

Key judgements
The measurement of the Bank's provision for bad and doubtful debts involves management judgment including the estimate of the probability of default and the estimate of the expected discount to market value applied to property security. For business loans, an additional 5% on the probability of default would increase the provision by £18,000. A 5% additional discount applied to the market value of property security would increase the provision by £20,000. For mortgages, an additional 0.5% on the probability of default would increase the provision by £5,000. A 5% additional discount applied to the market value of property security would increase the provision by £12,000.

10. DEBT SECURITIES

	31 March 2022		31 March 2021	
	Carrying value	**Market value**	**Carrying value**	**Market value**
	£	£	£	£
Issued by:				
Banks/Building Societies	34,201,068	34,045,557	40,540,011	40,517,795

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

	£
At 1 April 2021	40,540,011
Acquisitions	26,577,654
Maturities and disposals	(33,000,000)
Amortisation	(180,443)
Impact of exchange rates	263,847
At 31 March 2022	34,201,068

Debt Securities are generally held to maturity and are valued at amortised cost (being no greater than net realisable value). £9,884,178 of Debt Securities held at 31 March 2022 mature within three months of the Balance Sheet date (2021: £10,101,195), with nil maturing between three and six months (2021: nil), £1,003,921 maturing between six months and one year (2021: £23,006,307), £10,358,000 maturing between one and two years (2021: nil) and £12,954,966 maturing between two and five years (2021: £7,432,509).

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. Fixed rate debt securities are used to broadly match significant customer term deposits in terms of both currency and interest rate risk. A spread of maturities also helps to manage the Bank's overall maturity profile. A geographic analysis of these exposures is included in the Bank's Pillar 3 disclosures.

11. INTANGIBLE FIXED ASSETS

	Computer Software	**Total**
Cost:	£	£
Brought Forward	723,739	723,739
Additions	254,508	254,508
Disposals	-	-
	978,247	978,247
Amortisation:		
Brought Forward	331,238	331,238
Charge for the year	203,839	203,839
Disposals	-	-
	535,077	535,077
Net Book Value at 31 March 2022	**443,170**	**443,170**
Net Book Value at 31 March 2021	392,501	392,501

12. **TANGIBLE FIXED ASSETS**

	Office Furniture, Fixtures & Fittings	**Land & Buildings**	**Total**
Cost:	£	£	£
Brought Forward	508,454	4,116,374	4,624,828
Additions	12,202	14,563	26,765
Disposals	-	-	-
	520,656	4,130,937	4,651,593
Depreciation:			
Brought Forward	442,791	899,081	1,341,872
Charge for the year	35,342	121,045	156,387
Disposals	-	-	-
	478,133	1,020,126	1,498,259
Net Book Value at 31 March 2022	**42,523**	**3,110,812**	**3,153,335**
Net Book Value at 31 March 2021	65,663	3,217,293	3,282,956

In the prior year the Bank 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 was based on a market valuation carried out by an independent valuer holding a recognised and relevant professional qualification with 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.

The carrying value of land and buildings under the historical cost method would have been £2,199,957 (2021: £2,274,941).

13. INVESTMENT PROPERTY

	2022	2021
	£	£
Fair value at beginning of year	1,573,962	1,573,962
Net gain from fair value movements	-	-
Fair value at end of year	1,573,962	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.

Prior to 2021, 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 applied due to the change in accounting policy, see note 12 for more details.

14. PREPAYMENTS AND ACCRUED INCOME

	2022	2021
	£	£
Prepayments	159,680	191,045
Overpayment of Gift Aid Recoverable	41,793	41,793
Accrued Income Receivable	120,525	54,678
	321,998	287,516

15. CUSTOMER ACCOUNTS

	2022	2021
	£	£
Current Accounts	108,085,472	110,221,013
Deposit Accounts	128,126,579	121,282,302
	236,212,051	231,503,315
With agreed maturity dates or periods of notice by remaining maturity:		
Repayable on demand	158,078,120	154,483,416
3 months or less but not repayable on demand	66,519,723	72,865,163
1 year or less but over 3 months	11,614,208	4,154,736
	236,212,051	231,503,315
Analysis of Connected Deposits:		
Due to Parent Undertaking	27,543,279	31,998,421

The Bank has agreed minimum credit balances with its parent and another key customer. These levels reduce each year and now commit total credit balances with the Bank of £59,000,000 subject to 3 months' written notice (2021: £69,000,000).

16. OTHER LIABILITIES

	2022	2021
	£	£
Sundry Creditors	139,116	112,920
	139,116	112,920

Sundry creditors include operational and payment timing differences.

17. ACCRUALS AND DEFERRED INCOME

	2022	2021
	£	£
Pension Fund – deficit payments (note 21)	39,208	115,179
Other payables and accruals	413,964	402,389
	453,172	517,568

18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

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

	2022	2021
	£	£
Amounts payable:		
Within one year	346,470	185,595
In two to five years	531,840	523,360
Over five years	-	2,160
	878,310	711,115

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

	2022	2021
	£	£
Amounts receivable:		
Within one year	55,808	55,808
	55,808	55,808

Rent receivable relates to leases in place for two floors of the Bank's head office premises.

19. DEFERRED TAX (ASSET) / LIABILITY

	2022	2021
	£	£
Liability at start of year	-	13,529
Deferred tax credited to Income Statement (note 6)	(140,817)	(459,451)
Deferred tax charged to Revaluation Reserve (OCI)	95,118	301,208
Deferred tax charged to P&L Reserve	45,699	144,714
Liability at end of year	-	-

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 £4,562,395 (2021: £3,994,078) which are available for carry forward indefinitely.

Deferred tax in 2021 was 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. The offsetting deferred tax assets and liabilities recognised in 2021 relating to losses and to the revaluation gain have been remeasured at the new rate of 25% in 2022 and continue to be offset.

20. CALLED UP SHARE CAPITAL

	2022	2021
	£	£
Allotted, Called Up and Fully Paid:		
£1 Ordinary Shares	13,000,000	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. During the year, the Bank issued to the Salvation Army International Trustee Company at par, a further 1,000,000 and 2,000,000 £1 Ordinary Shares in July 2021 and March 2022, respectively.

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 who 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 2021. This reported a surplus of £2.6 million relative to the technical provisions which corresponded to an on-going funding ratio of 101.2%. An increase in the employers' contribution rate was agreed by the Employers. This increase was agreed to be funded from the surplus until 31 March 2022 and as at 1 April 2022 an increase in contribution payments took effect. The Bank's share of the previous deficit being £188,000, was payable in instalments over five years, the last of which was paid in April 2022.

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.

On the basis of certain assumptions, the defined benefit pension scheme's triennial actuarial valuation as at 31 March 2021 estimated the market value of the Fund's assets at that date to be £213.7m whilst the actuarial value of the fund's liabilities amounted to £211.1m giving rise to a surplus of £2.6m. At the balance sheet date, the Bank had two active members remaining in the scheme out of 342.

22. GUARANTEES AND COMMITMENTS

	2022 Contract Amount £	2021 Contract Amount £
Commitments:		
Undrawn formal standby facilities of one year or less	16,554,622	12,687,888
	16,554,622	12,687,888
Contingent Liabilities:		
Guarantees	7,693,614	7,693,614
	24,248,236	20,381,502

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.

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

	2022	2021
	£	£
Operating loss for the reporting period	(749,644)	(1,820,258)
(Increase) / Decrease in prepayments and accrued income	(34,482)	121,206
(Increase) / Decrease in accruals and deferred income	(64,396)	155,623
Movement in provision for bad debts	16,412	38,829
Movement in value of investments	179,932	102,651
Amortisation of intangible fixed assets	203,839	178,796
Depreciation of tangible fixed assets	156,387	158,545
Decrease in other liabilities	26,197	101,056
Increase in other assets	(4,671)	(605)
	(270,426)	(964,157)
Increase in loans and advances to customers	(19,032,850)	(24,339,924)
Increase in customer accounts	4,708,736	45,092,252
Net cash (outflow) / inflow from operating activities	(14,594,540)	19,788,171

The operating loss includes cashflows related to interest received of £3,073,598 (2021: £2,575,182) and interest paid of £200,813 (2021: £442,894).

24. INVESTING ACTIVITIES

	2022	2021
	£	£
Purchase of Debt Securities	(26,840,989)	(55,432,509)
Sale and maturity of Debt Securities	33,000,000	75,000,000
Purchase of intangible fixed assets	(254,508)	(177,010)
Purchase of tangible fixed assets	(26,765)	(68,581)
Net movement in loans and advances to banks not recoverable on demand	14,498,971	(3,776,427)
	20,376,709	15,545,473

25. FINANCING ACTIVITIES

	2022	2021
	£	£
Issue of £1 Ordinary Shares	3,000,000	-
	3,000,000	-

26. ANALYSIS OF GIFT AID

	2022	2021
	£	£
Debtors brought forward and carried forward	41,793	41,793

27. KEY MANAGEMENT PERSONNEL AND CONNECTED PERSONS' ACCOUNTS

	2022	2021
	£	£
Aggregate amounts due, as at 31 March, to		
- Directors and connected persons	101,113	10,892
	101,113	10,892

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.

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. During the year there were none.

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 as Trustee 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. All transactions with group undertakings have been carried out on a commercial basis.

No other related party transactions were made during the year (2021: £Nil).

The aggregate compensation paid to the Bank's key management personnel was £616,267 (2021: £585,343).

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.

	2022	**2021**
	£	£
Balances at Central Bank	91,287,176	73,927,250
Loans and advances to banks	23,726,132	46,802,990
Debt securities	34,201,068	40,540,011
Treasury Assets at 31 March	149,214,376	161,270,251
Treasury Assets by credit rating		
- AAA	24,316,889	25,420,863
- AA	98,717,843	88,976,114
- A	26,179,644	46,873,274
Treasury Assets at 31 March	149,214,376	161,270,251

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.

	2022	2021
	£	£
Neither past due nor impaired	96,383,112	77,353,439
Up to three months overdue but not impaired	-	-
More than three months overdue (non-performing)	277,279	306,897
	96,660,391	77,660,336
Specific loss provision	(2,289)	(13,610)
Collective impairment provision	(135,692)	(140,753)
Loans and advances to customers at 31 March	96,522,410	77,505,973

For loans and advances to customers totalling £96.6m (2021: £77.2m), the Bank has security in the form of property to an estimated value of £222m (2021:175m) 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:

	2022	2021
	£m	£m
< 50%	34.3	31.3
50% < 60%	11.3	8.5
60% < 70%	27.0	13.6
70% < 80%	16.0	6.4
80% < 90%	4.6	15.2
>90%	3.1	2.2
Not secured on property	0.0	0.2
	96.3	77.4

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Liquidity and Funding Risk

Reliance Bank maintains a high level of liquidity, holding £115.6m of High Quality Liquid Assets at the year end which equates to 46.0% of total assets (2021: 33.6%). The Bank's Liquidity Coverage Ratio at 31 March 2022 was 605% (2021: 986%), this has reduced due to an adjustment in the minimum credit balance agreements that are in place with significant deposit holders in regulatory reporting.

Interest Rate sensitivity

Part of the Bank's return on financial instruments is obtained from controlling the dates on which interest receivable on assets and interest payable on liabilities are contractually reset to market rates or, if earlier, the date on which the instruments mature. The following table summarises these re-pricing matches on the Bank's non-trading book as at 31 March 2022 (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
31 March 2022							
Assets:							
Cash and Balances at Central Bank	91,287	-	-	-	-	-	91,287
Loans and Advances to Banks	22,724	1,002	-	-	-	-	23,726
Loans and Advances to Customers	61,242	4,555	6,714	24,011	-	-	96,522
Debt Securities	34,201	-	-	-	-	-	34,201
Other Assets	-	-	-	-	-	5,511	5,511
Total Assets	209,454	5,557	6,714	24,011	-	5,511	251,247
Liabilities:							
Customer Accounts	224,052	3,880	8,280	-	-	-	236,212
Other Liabilities	-	-	-	-	-	592	592
Shareholder's Funds	-	-	-	-	-	14,443	14,443
	224,052	3,880	8,280	-	-	15,035	251,247
Interest Rate Sensitivity Net Gap	(14,598)	1,677	(1,566)	24,011	-	(9,524)	-
Cumulative Gap	(14,598)	(12,921)	(14,487)	9,524	9,524	-	-
Year Ended 31 March 2021							
Interest Rate Sensitivity Gap	(41,725)	(284)	23,758	25,499	25	(7,273)	-
Cumulative Gap	(41,725)	(42,009)	(18,251)	7,248	7,273	-	-

Whilst there are more liabilities than assets that can re-price within 3 months, £108m 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.

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Foreign Exchange risk

The Bank has limited net 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:

	2022		2021	
	USD	EUR	USD	EUR
Monetary Assets	28,448,474	1,055,179	30,194,335	20,201
Monetary Liabilities	(28,449,497)	(1,056,012)	(30,189,426)	(20,234)
Net Monetary Assets	(1,023)	(833)	4,909	(33)
Translated At	1.3157	1.1836	1.3771	1.1669
Sterling Equivalent	£778	(£704)	£3,565	(£28)

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. POST BALANCE SHEET EVENTS

There are no post balance sheet events to disclose.

31. 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	£4,194,730
Staff numbers	41
Loss before Tax	£749,644
Tax Paid	£Nil
Public subsidies received	£Nil