RELIANCE BANK
Giving money meaning

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2023

COMPANY NUMBER: 00068835

RELIANCE BANK LIMITED
Annual Report and Accounts
For the Year Ended 31 March 2023

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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 28 July 2023

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
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
Ameeta Singh, Interim Chief Information Officer

REGISTERED OFFICE

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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 Trustee Company. The Bank provides day to day banking services to its parent, international territories, the UK territory and other Salvation Army organisations. 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. The Bank also provides banking services and loans to charities, businesses and community organisations, and offers savings accounts and mortgages to personal customers.

At Reliance Bank we give money meaning.

Performance and the economy

The Bank continues to follow its business plan to grow lending and drive income whilst controlling costs and during the year surpassed the £100 million milestone for its loan book. This growth has been managed carefully, and together with rising interest rates has returned the Bank to profitability without suffering any loan losses in the year. Reducing surplus liquidity and lending it to social impact organisations has improved the Bank's margins and increased the support provided in core sectors, such as housing, community and healthcare.

The economic stress on our mortgage borrowers in particular, has been an area of great focus for the Bank, as inflation and interest rates continue to rise. The Bank is careful in its assessment of each customer's financial position to ensure they don't overstretch themselves and our personal service allows customers to speak directly to the mortgage team should they need to. We continue to see very low levels of arrears but we have prudently increased our provisions in view of the current economic environment.

The Bank has made a profit for the first time since the 2018/19 financial year, even as it has continued to invest in people and systems, with headcount increasing over 20% since the start of the year. These strong foundations will support the Bank as it fulfils its ambitions to grow further, carefully providing even more support to like-minded organisations.

Customers

The Bank has invested to improve its customer experience, strengthening the teams providing the Bank's valued personal service and launching the new Digital Banking application. The project did suffer some delays but allows the Bank to offer a modern, competitive product to better serve our charity and business banking customers.

The Bank is keenly aware of the media coverage of high street banks over the failure to raise their deposit rates for customers. Reliance Bank recognises that our customers trust us with their money for ethical reasons as well as financial returns. We aim to provide a fair return and the in last 12 months increased our variable lending rates for businesses seven times, our 90-day business deposit rates eight times and our instant access business deposit rates seven times.

Financial Strength

The banking market has seen some challenges in recent months but Reliance Bank's business model means it is unaffected by the issues seen in some mid-tier US banks. 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 23.1%. We are grateful to our supportive shareholder and during the year raised £7 million share capital to position us for future growth.

The Board

During the year Jim Prouty stepped down as a Director and I would like to thank him for his wise counsel and broad experience. We wish him every success in his new ventures.

Justin Van Wijngaarden
Chair
28 July 2023

STRATEGIC REPORT

PERFORMANCE REVIEW FROM THE CHIEF EXECUTIVE OFFICER

The Bank's 5-year strategic plan is focussed on scaling the loan book and diversifying its deposit base. The Bank is seeking new business and charity customers to increase its deposits and reduce its concentration of funding from The Salvation Army. This is wholly in line with The Salvation Army's investment strategy and desire to build a broader based bank.

The Bank has a strong liquidity position and as at 31 March 2023, £83 million was deposited with the Bank of England (2022: £91 million). Customer deposits have remained above £230 million, broadly in line with the last two years, with Salvation Army entities continuing to provide around 75% of the Bank's funding. During the year we launched our new Digital Banking service, strengthened the customer services team and appointed a new Head of Marketing and Product. These changes provide us with a robust platform on which to launch our new customer acquisition strategy.

The mortgage book grew by 30% to £60.9 million (2022: 22% to £47.0 million) providing finance to first time buyers and key workers and allowing low income borrowers to get onto the housing ladder through our Shared Ownership product range.

Loans to businesses increased in the year, by 17% to £57.6 million (2022: 27% to £49.1 million). The commercial lending market started to pick up after the impacts of the pandemic and government support was withdrawn. The social impact sectors in which we operate have seen a good recovery and demand is high. In line with our low credit risk appetite and aspirations for 80% social impact in the book, the Bank has needed to be selective in the customers it could provide finance to. 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 38% LTV (2022: 39%) and the mortgage book is 54% LTV (2022: 48%). Our business lending is focussed on supporting our communities, churches, care providers and social housing services.

During the year the Bank returned to profitability recording a profit before tax of £0.2m (2022: loss before tax of £0.7m) which includes a £0.2m increase in the loan impairment provision (2022: £Nil) and a reduction in valuation of investment property of £0.1m (2022: £Nil). No gift aid donations were made in the year (2022: £Nil). The Bank continues to invest in people and systems, including upskilling our employees and developing new software solutions to enhance risk management and drive digitalisation.

The Bank's return to profit is a key element of the 5-year strategic plan, underpinned by loan growth and supported by additional capital from the Bank's shareholder. The Bank delivers value to its shareholder through financial returns, servicing returns and supporting the *One Mission*. The recent period of investment has allowed the Bank to strengthen servicing and grow its impact.

The Bank's key financial strength ratio improved significantly due to the new capital received during the year with a CET1 capital ratio of 23.1% (2022: 18.2%). The Liquidity Coverage Ratio of 315% (2022: 605%) reduced but remains strong as the Bank follows the plan to convert surplus liquidity into safe loan growth. The combination of lending growth and interest rate rises has meant that the Bank's annual Net Interest Margin (NIM) grew to 2.32% (2022: 1.29%). The loan to deposit ratio grew to 51.7% (2022: 40.9%) and this is expected to improve further. Deposits from non-Salvation Army customers fell by 2% to £59.6m (2022: grew by 21% to £60.8m).

The Bank's low risk appetite and careful stewardship has resulted in no write-offs due to lending losses this year (2022: £nil) although provisions have increased to reflect the current economic environment. The Bank is delighted to have reported a profit for the year despite having faced several challenges including increased salary costs, a squeeze on household and commercial incomes, a rapidly changing regulatory landscape and delays to its new digital banking system launch.

STRATEGIC REPORT (continued)

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 130 years, its original purpose has not been lost and through a gift aided share of allowable profits over £2 million 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 share and 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.

STRATEGIC REPORT (continued)

STRATEGY

The Bank is nearing the end of its 5–year plan, originally approved in 2018. A new Strategic Plan is currently being developed to drive the next period in the Bank's development.

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 Bank continues to serve the wider Salvation Army which in itself attracts people and customers to our door. The strategy to date has been supported by the following three key pillars:

Grow customers and ease their journey
We have spent significant time and investment modernising our external interfaces for customers and our internal processes and systems, gearing up for scale. We continue to ensure that we remain relevant to our customers with an attractive proposition. The Bank is committed to excellent customer service whilst recognising our customers' needs and behaviours around digital channels and internet banking. The first phase of digital transformation was to upgrade the internet banking platform which is now complete. We have also modernised our telephony and network infrastructure which support an improved customer experience and 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 has made significant strides towards our goals in this area. We continue to develop and evolve, leveraging cloud technology and third-party specialists, to maintain a modern, resilient operating framework. The Bank met the 31 March 2022 deadline to comply with regulatory requirements to map its critical business activities and identify its impact tolerances (PS21/3). The Bank is making good progress on implementing systems, within two years, to ensure that these impact tolerances can be met.

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.

Our strategic plan demands that we strengthen our risk management foundations before we scale, in line with our mission to maintain a solid and safe bank for our shareholder and customers. This upfront investment in capability and capacity, ensures that we maintain an up to date and forward-looking approach that is supporting our business as it grows.

Attract and retain good people
We have restructured our business model with staff numbers increasing to 55 by May 2023. The expanded resources having increased capacity and capability with many of these new joiners having a specific focus on risk management. We have introduced a wider range of well-being benefits and re-introduced our volunteering opportunities: all employees benefit from two volunteering days a year.

For many years we were members of the Financial Services Culture Board (FSCB) and used its unique benchmarking process based on employee feedback from many banking and financial services members. Since the winding up of the FSCB the Bank has been using an internal survey mechanism and is actively looking for ways to benchmark itself against the similar organisations. During the year the Bank also engaged with external consultants to provide an independent view of the culture and an action plan to improve on any development areas.

STRATEGIC REPORT (continued)

The regulatory burden of running a financial institution is significant and the Bank intends to remain profitable, assuming interest rates remain in line with economic forecasts, by driving income rather than cutting costs. Despite the significant increase in headcount, underlying costs have remained well-controlled however, future investment in the digital transformation programme will be significant.

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.

Digital foundations have been the focus in the current year, required to support the transformation plan; 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 charitable work 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

We 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 strategic marketing 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 direct marketing, attends industry events and leverages digital media channels. A Head of Marketing and Product joined the Bank in 2022, with a focus on deposits, Consumer Duty regulation and attracting more customers who share our values. 2023 developments will enhance the customer journey from search engine to account opening.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW

5-YEAR PERFORMANCE HIGHLIGHTS

£000's	**2022/23**	**2021/22**	**2020/21**	**2019/20**	**2018/19**
Operating Income	6,115	3,502	2,688	2,680	2,509
Operating Costs before one-off items	(5,753)	(4,252)	(3,966)	(3,352)	(2,211)
Operating Profit / (Loss) before one-off items and tax	362	(750)	(1,278)	(672)	194
One-off items	(128)	-	(543)	(817)	(879)
Retained Profit / (Loss) after Tax	127	(609)	(1,361)	(1,491)	(648)
Shareholder's Funds	21,250	14,443	12,192	11,652	12,143
Loans to Customers	118,818	96,522	77,506	53,205	47,220
Salvation Army Deposits	170,406	174,811	180,611	145,430	135,241
Other Customer Deposits	59,644	61,401	50,892	40,981	36,394
Loan Losses	-	-	-	(1)	(2)

KEY PERFORMANCE INDICATORS

	2023	**2022**	**Commentary**
Core Tier 1 Capital Ratio	23.1%	18.2%	Core Tier 1 Capital as a % of total risk weighted assets. As all of the Bank's Capital is Core Tier 1 Capital, this equates to the Bank's 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	2.32%	1.29%	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	51.7%	40.9%	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)	315%	605%	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.

STRATEGIC REPORT (continued)

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 and as at 31 March 2023 has a very strong position, having raised £7 million of additional capital from its shareholder. The Bank adopts the revaluation approach to Head Office freehold property and as at 31 March 2023 a new triennial valuation confirmed a fall in value which decreased reserves by £0.56m. 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 23.1% (2022: 18.2%).

Headroom against regulatory capital requirements has been maintained throughout the year, with the Bank's Total Capital Requirement (TCR) calculated at £9.3m as at 31 March 2023 (2022: £8.1m) as the Bank's loan growth drove an increase in credit risk weighted assets and the increase in income drove a rise in operational risk weighted assets. The Bank calculates operational risk requirements based on 15% average three years' income.

As at 31 March 2023, the Bank's Leverage Ratio (excluding claims on central banks) increased to 11.5% (2022: 7.6%) as the capital base increased and the total assets remained stable year on year.

LIQUIDITY

Throughout the year, the Bank has continued to maintain strong liquidity and funding levels. Total advances to customers are restricted to 65% of total customer deposits ie 35% of customer deposits / reserves should be held in treasury investments to repay customers as and when they wish to withdraw their funds. The Bank holds significant balances in the Bank of England Reserves Account. 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 a 30-day stressed net cash outflow) has remained over and above regulatory requirements, with the 31 March 2023 ratio at 315% (2022: 605%). The Bank has utilised surplus liquidity to fund its loan growth this year and a key strategic goal for 2023 onwards is to drive customer acquisition in its target markets.

OUTLOOK

The Bank has made good progress against its current five-year 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. The Bank has increased headcount, restructured functions and invested in systems to establish a solid foundation for risk management, supporting its growth ambitions. This has increased the Bank's fixed cost base. Scaling the loan book safely, whilst driving increased non-Salvation Army deposits are core business goals for the next 5-year strategic plan.

The wider economic outlook is uncertain, with forecasts for inflation and interest rates being revised regularly. The return to a more normal interest rate environment is positive for the Bank, but the impact on customers and businesses is likely to increase loan loss provisions over time. The Bank is positioned for a downturn, and all customers continue to be stress tested for affordability criteria, even after these rate rises. A return to a hyper-low interest rate environment would impact the Bank's income levels but the transformation in business model away from treasury income to loan book income now makes Reliance far more resilient to such swings.

STRATEGIC REPORT (continued)

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 (BCRC).

The Board have agreed to identify and monitor the risks of Bank across nine broad categories as shown below, a framework to which the Bank's policies, procedures and controls are aligned. The Risk Register can be analysed at the Core Risks level and on an individual risk basis.

- Credit risk (including concentration risk)
- Operational risk
- Information Systems (IS) risk
- Compliance & Regulatory risk
- Conduct risk (including Consumer Duty)
- Financial Crime risk
- Financial risk (including liquidity risk, interest rate risk, other market risk and pension risk)
- People risk
- Strategic risk (including financial risk from climate change and reputational risk)

Credit Risk

Credit risk is principally controlled by the credit policies, establishing authorisation limits, monitoring exposure levels to counterparties and verifying the creditworthiness of counterparties prior to approval of the facility. Daily monitoring of positions identifies where payments have been missed or if facilities are exceeded. The Bank adopts a conservative lending policy, which has resulted in historically low levels of bad debts.

STRATEGIC REPORT (continued)

Detailed credit risk management information is reported to Credit Committee (CC) monthly, and annual facility reviews for commercial customers are reviewed. A watchlist is maintained for customers who are not in arrears but for which there are concerning indicators (eg deterioration in MI) and any developments are reported to CC, often on a weekly basis.

In respect of treasury counterparties, the financial risk policy requires deposits to only be placed with financial institutions of high credit quality, both in terms of agency ratings and, by definition, the PRA's credit quality steps.

Operational Risk

Operational risk includes customer management, outsourcing, physical security, change management, supplier and external reporting risks. Operational risks are identified on an inherent and an emerging basis, as well as at gross and net levels, and are managed and mitigated in accordance with Board risk appetite.

Operational risks are reviewed on a regular basis by the Executive Risk and Compliance Committee (RCC) and BCRC, who receive reports from the business and from the second line's compliance monitoring programme. Day-to-day management of operational risk is carried out as an integral part of conducting the Bank's business by the relevant functional heads and risk owners. The Executive Management are responsible for identifying potential risks and ensuring that adequate controls are in place to mitigate risks. The Bank has implemented a new risk system in the year to capture controls effectiveness and to facilitate Risk Owner sign off.

Information Systems (IS) Risk

IS risk is often considered a sub-category of operational risk but is deemed so material to the Bank's operations that it is a core risk itself. This includes cyber security, resiliency of systems, network integrity and IS supplier outsourcing risks. IS risks are managed and mitigated through the review and implementation of policies, real time monitoring of systems, outsourced supplier controls, mandatory staff e-learning and the Board strategic investment in new infrastructure foundations.

Performance against IS operational indicators are reported and monitored by RCC and by BCRC. IS risk includes cyber risk which is governed by a cyber security policy and controls include third party independent reviews and penetration testing.

Compliance & Regulatory Risk

The Bank's new organisational structure includes an expanded Risk and Compliance Function overseen by an SMF 4 Chief Risk Officer. RCC meets at least monthly and reviews reports which are provided to BCRC.

The Compliance team identify and follow up new regulations and ensuring the Bank has plans in place to prepare for any relevant regulatory change. The Bank's Compliance Monitoring Plan is designed to test that existing regulation and Bank policies are being followed and the Plan is reviewed annually by BCRC.

The Bank has outsourced its internal audit function to Grant Thornton in order to benefit from a broader and deeper skill set than it could employ internally. Their wider industry exposure also helps ensure that the Bank is meeting its regulatory requirements and they report at least quarterly to BCRC including for horizon scanning purposes.

Bank staff are encouraged to raise any issues and identify aspects of non-compliance with rules, policies and internal governance processes. The Bank has a well-publicised whistleblowing policy. The Bank is committed to compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles.

STRATEGIC REPORT (continued)

Conduct Risk

Conduct risk is the risk that the Bank's culture, behaviours, business strategy and actions produce poor outcomes or detriment for customers. Conduct risk is being expanded to include a Consumer Duty framework which has a significantly higher bar for the customer outcome, which was previously summarised as the TCF (Treating Customers Fairly) framework.

Conduct risk is managed and monitored by the Head of Marketing and Product, overseen by the Chief Risk Officer. The Bank embeds its shareholder's ethos in its day-to-day activities including product design, customer services and communication strategies.

Financial Crime Risk

Financial Crime is any kind of criminal conduct relating to money or to financial services or markets, including any offence involving:

(a) fraud or dishonesty; or
(b) misconduct in, or misuse of information relating to, a financial market; or
(c) handling the proceeds of crime; or
(d) the financing of terrorism;

The Bank acknowledges that some level of financial crime risk is inherent in any financial institution. However, the Bank seeks to keep financial crime risk at the lowest degree possible through the application of effective processes, systems and controls to effectively mitigate against the risks of financial crime. The Bank has historically suffered a low level of fraud losses.

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 (HQLAs) (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 also has a Liquidity Contingency Plan (LCP).

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) with a maturity of less than five years. 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 currency fixed rate term investments.

Maturity profiles of fixed rate mortgages are controlled by tranche and structurally hedged against non-interest-bearing capital and customer liabilities with long behavioural lives. Interest rate sensitivity analysis is undertaken monthly and basis risk positions are reviewed regularly. The Executive Assets and Liabilities Committee (ALCO) recommends the approach to managing interest rate risk to BCRC.

Other 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 currency deposits. To minimise foreign currency risk, customer funds received are placed in deposits which broadly match the same terms and currency.

Pension Obligation Risk

The multi-employer defined benefit pension scheme has been closed to new members and in 2023 members voted to close the scheme to future accrual from May 2023. However, there is still 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. Note 21 provides more information on this.

People Risk

People risk may be considered a sub-category of operational risk but it is deemed material enough to be a core risk in itself. People risk includes the risks which may impact the staff at the Bank and the risks that staff actions (or inaction) can damage the Bank's reputation or financial resources.

The Bank aims to maintain a motivated, diverse, talented, and empowered work force. In doing so it necessitates taking risk in a controlled and consistent manner. People risk is connected to other risk and processes across the Bank and includes key person reliance, lack of training or competency and overstretched employees. The Bank has formal recruitment and HR policies, an objective setting and appraisal framework and mandatory e-learning modules to help upskill employees.

The Bank has no appetite for risks that result from non-compliance with employment law, regulation and other standards that could compromise its values and ethics.

Strategic Risk

The Bank has a simple business model which focuses on well understood products and customers. It has a robust strategic planning process which includes capital and liquidity stress testing. The strategic planning assumptions are regularly reviewed to ensure these continue to focus on risks which could become threats to the business model over the planning period and beyond.

Performance against the strategic plan is monitored closely by the Executive Committee and Board. Management is held to account against objectives by the Remuneration Committee. The Bank manages strategic risk by undertaking a formal review of its corporate strategy on an annual basis. This also takes into account the appropriateness of its business model, the Bank's values, culture and future aspiration, shareholder alignment and considers prevailing market conditions.

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-risk elements mainly focus on 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. The Bank met its obligations under SS3/19 and has embedded assessing the risks of climate change into its annual lending reviews. Modelling is performed regularly which reviews the climate change risks in the residential portfolio which helps update our approach to stress testing, specifically a specific climate risk related scenario. The Bank reports its own impact on climate change to its shareholder, measured through its carbon footprint, including electricity and water usage, waste flows and travel (split between public transport and car mileage). The Bank does not use flights for business trips. Almost all employees commute to the office by public transport, bike, or on foot.

Reputational Risk - Social Impact Banking

Owing to the Bank's ethical focus, reputational risk is of particular relevance. 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.

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 and publish a social impact report in the coming year which will monitor key metrics and evolve over time.

The Bank's liquidity position and large exposures are monitored daily against targets and limits set by the Board in line with the PRA'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 PRA.

STRATEGIC REPORT (continued)

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

The directors have a duty to promote the success of the Bank. 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.

Section 172 recognises that companies are run for the benefit of shareholders, but that the long-term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the company's activities. In considering this, 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 FCA and the PRA.
- HMRC: ensuring the Bank is paying all due taxes.
- External Auditors: ensuring the Bank's auditor is 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 £7 million share capital investment by the shareholder.
- Approving an external review of culture and benefits.
- Supporting a vote by members of the defined benefit pension scheme on whether to close to future accrual.

BY ORDER OF THE BOARD

Paul Croucher
Chief Executive Officer
28 July 2023

DIRECTORS' REPORT

The Directors have pleasure in presenting their report, together with the accounts of the Bank, for the year ended 31 March 2023.

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 2023 over 65% (2022: 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. The Bank does not make political donations.

DIVIDEND POLICY

The Bank does not pay dividends. All profits made by the Bank go to support the on-going work of The Salvation Army; either be in the form of gift aid 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.

DIRECTORS' REPORT (continued)
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:

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 (resigned 31 March 2023)
Jan Smith
**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 was:

Aggregate Remuneration of Code Staff (#)	**Fixed Remuneration (Inc Pension)**
Managers (6)	£ 635,955

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.

DIRECTORS' REPORT (continued)

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 continue to 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 £7 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
28 July 2023

CORPORATE GOVERNANCE REPORT

The Bank's corporate governance framework was restructured as part of the 5–year strategic planning process and strengthened in several areas, including establishing a formal set of Board sub-committees. As at 1 April 2022, the previously established 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 and provisions on a proportionate basis. The Code has been written with UK Main Market 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 and management provide regular performance updates.

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 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 provide an update to the Directors 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 performance and providing oversight of management as they deliver the strategic plan.

The Board began the year with eight Non-Executive Directors. At the end of the year, one of these Directors resigned and a search for a new Non-Executive Director is currently underway. The Board has determined that the following were designated as independent Non-Executive Directors during the year: 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.

CORPORATE GOVERNANCE REPORT (continued)

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	Board Conduct, Risk & Compliance Committee	Remuneration Committee	Audit Committee	Nominations Committee
Martyn Croft	√	√	√		
Paul Croucher	√				
Nikki Fenton	√				
Robin Foale	√				
Malcolm Hayes	√	√		√	
Guy Herrington	√	√		√	√
Commissioner E. Jane Paone	√		√		
Jim Prouty	√	√			√
Jan Smith	√	√	√	√	√
Justin van Wijngaarden	√		√	√	√

Board Conduct, Risk & Compliance Committee

The Committee, which met to discuss a full agenda on eight occasions during the year, was chaired by Malcolm Hayes. The Committee also met nine times during the year to discuss specific subject areas.

BCRC has responsibility to oversee the Bank's risk management framework which covers all the risks the Bank is exposed to, across all business lines, customer types and product areas. The Committee recommends to the Board an appropriate level of risk appetite and monitors management information of sufficient regularity and quality to ensure that the risk management framework is effective in managing, minimising or mitigating those risks within appetite. BCRC also approves credit transactions above the authority of the Executive Credit Committee.

The Committee oversees the identification, assessment, mitigation, monitoring and management of risks, reviews the outcomes of the compliance monitoring plan and internal audits, and monitors the actions taken by management. It reviews the adequacy and effectiveness of risk control by management.

BCRC is chaired by an experienced iNED and meets at least six times a year as required. The Executives attend all BCRC meetings and Internal Audit present their findings quarterly. Once a year BCRC meet the internal auditors without the Executives present and the CRO also meets BCRC independently. The Chair of the Board is not a member of the Committee but has a standing invitation to attend.

Nominations Committee

The Nominations Committee met once during the year and has authority delegated by the Board to evaluate the skills and experience of the Board and consider succession planning, in conjunction with the Remuneration Committee. It recommends to the Board, the appointment of directors, the CEO and the Executive Management. The Committee is chaired by the Chair of the Board and meets at least annually. Additional meetings are held as the work of the Committee demands.

Remuneration Committee

The Remuneration Committee met three times during the year and is chaired by Jan Smith. It has authority delegated by the Board to approve the Bank's remuneration policy and oversee decisions that are governed by that policy. The Committee is responsible for ensuring that remuneration processes are fair and appropriate and do not encourage excessive risk taking. Performance against the strategic plan is monitored closely by the Board. Management are held to account against objectives by this Committee.

The Committee reviews and approves the remuneration proposals for directors, the Executive Management and senior managers as well as the general level of pay awards across the Bank. The Committee reviews and approves non-standard remuneration awards to ensure proposed terms are in line with the remuneration policy, including diversity. The Committee engages with advisers as required to ensure that salaries are benchmarked externally and that the benefits framework remains attractive in the market.

The Committee is chaired by an experienced iNED and meets at least twice annually. Additional meetings are held as the work of the Committee demands.

Audit Committee

The Audit Committee oversees the adequacy, extent and effectiveness of the system and processes of internal control and the control environment. It reviews the form and content of the Bank's statutory accounts and other externally facing disclosures, including the Pillar 3 document and reviewing / challenging the Bank's key accounting policies and regulatory return assumptions. The Committee oversees the external audit relationship including discussing with the external auditor their independence, the nature and scope of the external audit and it approves the audit fee.

The Audit Committee was chaired by the Board Chair during the year, being a qualified accountant and met four times. The Bank launched a search for a new iNED with an accountancy background to take over as Chair of Audit Committee in 2023.

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:

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

BY ORDER OF THE BOARD

Nikki Fenton
Company Secretary
28 July 2023

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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Reliance Bank Limited ("the Company") for the year ended 31 March 2023 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash flows and the 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. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 25 October 2018 to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 31 March 2019 to 31 March 2023.

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 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 a sensitivity analysis around key assumptions and judgements such as revenue growth rates, loan book growth rates, costs, loan loss provisioning and interest rates by benchmarking to observable market data;
- Engaging our regulatory experts to review the Company's ICAAP & ILAAP to assess whether it is consistent with the Directors' going concern assessment;
- 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. We corroborated those discussions by agreeing information acquired to supporting documents such evidence of capital injections received, cash flow forecasts and minutes of meetings of Board of Directors. This included performing inquiries with the ultimate parent entity's audit team to assess the impact of the Group strategy with regards to the Bank if relevant;
- Considering whether the budgeting and cash flow forecast models utilized were appropriate for the Company. Reviewing the outcome of the Company's prior year budgets against the actual outcomes to assess the reasonability of assumptions applied;
- Reviewing the Directors' forecasted position against capital requirements to evaluate the reasonability of the Director's assessment of future capital injections required and the point at which they would be required.

- Reviewing the reasonability of the Company's stress scenarios including a plausible stress test in which management evaluate the likelihood and impact of the worst-case scenario crystalising;
- Assessing how the Directors have factored in inflationary pressures, cost of living crisis including the impact of current macro economic environment and the residual impact of the COVID-19 on the business, checking these had been appropriately considered as part of the Directors' going concern assessment.
- Reviewing the going concern disclosures included in the Annual Report and Financial Statements in order to assess that the disclosures were adequate, consistent with the Directors' going concern assessment, and in conformity with the reporting standards; and
- Inspecting the correspondences with regulators, performing inquiries with regulators, assessing 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.

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.

Climate change

The disclosure of the Director's consideration of the impact of climate change on the operations of the entity is included in the Strategic Report and forms part of the Statutory other information. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities as set out in the "Other information" section of our audit report below.

In note 1, the Directors have explained how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. These disclosures also explain the uncertainty regarding effects arising from climate change including the limited impact on accounting judgments and estimates for the current period under the requirements of accounting standards. We have performed our own qualitative risk assessment of the impact of climate change on the operations of the entity, taking into consideration the sector in which the Company operates and how climate change affects this particular sector. Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Overview

Key audit matters		2023	2022
	Going Concern	☒	✔
	Revenue Recognition (Effective Interest Rate)	✔	✔
	Loan Book Provision	✔	✔
	Going concern is no longer considered key audit matter since there was a capital injection in the current year.		
Materiality	*Financial statements as a whole* £212,000 based on 1% of Net Assets (2022: £108,000 based on 0.75% of Net Assets).		

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) that 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.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue Recognition (Effective Interest Rate)

Please see Note 1: Accounting Policies – Judgements and key sources of estimation and Note 2: Interest Income.</td><td>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.

The accounting standard requires interest receivable on loans and advances to customers to be recognised using the effective interest rate ('EIR') method. This results in all directly attributable interest, fees and costs being recognised on an even yield basis over the expected life of the loans.

The recognition of interest receivable on loans and advances to customers under the effective interest rate method requires the directors to make significant judgements and estimates, with the most critical estimate being the loans' expected behavioural life as further discussed in Note 1 to the financial statements. The directors have determined this estimate with reference to historical customer behaviour considering any impact of the cost of living crisis on these behaviours. In addition, the directors apply judgement in determining which fees and costs should be included in the methodology of EIR.

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.</td><td>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, repayment terms and upfront fees, by agreeing them back to underlying source data such as loan contracts and policy.
• We checked against the Company's policy for the appropriateness of management's categorisation with regards to the cohorts used for applying behavioural life expectations.
• We tested the reasonableness of the assumptions used by management by performing an independent peer benchmarking to comparable entities using available data to assess the reasonability of assumptions pertaining to behavioural life.
• We 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, cost of living crisis, 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, historic behaviours and current economic and market conditions.</td></tr>
</table>

	The existence of errors or bias in the application of these assumptions could result in a material misstatement of revenue. For these reasons, revenue recognition was determined to be a fraud risk area and a key audit matter.	
<u>Loan Book Provision</u> 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: (i) A specific provision is calculated for loans where there is an observable loss event. (ii) An Incurred But Not Reported ("IBNR") provision is recognised for loans which are impaired as at the Balance Sheet date and whilst not specifically identified as such are known from experience to be present in any portfolio of loans. As a result of the significant judgement required in determining the provisions we considered this to be a key audit matter.	Our testing included but was not limited to: • We obtained an understanding of the Credit policy and tested the key controls for the impairment provisioning. This included controls over annual reviews of the credit portfolio. • We have tested manual and automated controls surrounding the loan loss provision for operating controls effectiveness, these controls include ensuring that all loans in arrears are included in the arrears report. • 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. • We analysed the components of the loan book and obtained an understanding of management's processes for the identification and treatment of non-performing loans. • We challenged the completeness of management's non-performing loan criteria by evaluating the loan book against independent risk criteria identified per the credit policy, mortgage policy and commercial lending policy. • 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. • We have independently assessed the valuation of collateral through the use of an independent index applied to the book and have challenged management to consider the impact of area specific indexes in their loan loss model. • We tested the sampled population of loans to check that all loans that meet the criteria 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 evaluated the reasonableness of assumptions such as probability of defaults and fall in House Price Index (HPI) including impact on loss given default 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. This

		was compared to plausible stress scenarios obtained from credible and independent sources. 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:

	2023	2022
Materiality	£212,000	£108,000
Basis for determining materiality	1% of Net Assets	0.75% of Net Assets
Rationale for the benchmark applied	We determined that Net Assets was the most appropriate benchmark considering the different stakeholders and this is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Company as well as the purpose of the Company which is to optimise rather than maximise profits. There has been no revisions in the benchmark applied in the current year as Net Assets remained a suitable benchmark. The revision of the percentage applied is based on the audit team's experience auditing the Company and prior results indicating little volatility in the business model or significant changes in the Company.	
Performance materiality	£137,800	£70,000
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Company's overall control environment and history of misstatements, our judgement was to maintain performance materiality at 65% of materiality in the current year.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of £4,200 (2022: £2,100). We also agreed to report differences below this threshold that, in our view warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, 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 Company 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 2023 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 Statement of Directors Responsibilities, 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:
Non-compliance with laws and regulations

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 applicable accounting framework, Companies Act 2006, Prudential Regulation Authority and Financial Conduct Authority regulations, pension legislation and tax legislation.

Our procedures included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations discussed above;
- enquiring of management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities, including fraud;
- involvement of tax specialists in the audit;
- inspecting minutes of meetings of those charged with governance, inspecting internal audit reports and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority to identify any instances of non-compliance with laws and regulations and fraud; and
- obtaining an understanding of the control environment for monitoring compliance with laws and regulations.

Fraud

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

Our procedures included:

- discussion amongst the engagement team with the involvement of our forensic specialists as to how and where fraud might occur in the financial statements;
- 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 a sample of journal entries and other adjustments for appropriateness by agreeing to supporting documentation;
- assessing whether judgments made in making accounting estimates were indicative of a potential bias such as EIR and loan loss 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 who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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: https://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 and 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
28 July 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 2023

	Notes	2023 £	2022 £
Interest Income			
- On Debt Securities		422,427	87,111
- On Loans and Advances to Customers		4,295,434	3,007,940
- Other		2,059,797	247,053
	2	6,777,658	3,342,104
Interest Expense	3	(1,048,467)	(226,523)
Net Interest Income		**5,729,191**	**3,115,581**
Fees and Commissions Income		777,631	741,012
Other Operating Income		76,718	111,614
		854,349	852,626
Fees and Commissions Expense		(468,192)	(466,297)
		386,157	386,329
Operating Income		**6,115,348**	**3,501,910**
Administrative Expenses	4	(5,166,893)	(3,907,710)
Amortisation	11	(202,157)	(203,839)
Depreciation	12	(163,034)	(156,387)
Revaluation of Investment Property		(128,301)	-
Impairment (Charge) / Credit on Loans and Advances	9	(221,018)	16,382
Operating Expenses		(5,881,403)	(4,251,554)
Profit / (Loss) before Tax	**5**	**233,945**	**(749,644)**
Taxation (Charge) / Credit	6	(106,772)	140,817
Profit / (Loss) on Activities after Tax		**127,173**	**(608,827)**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023 £	2022 £
Profit / (Loss) on activities after tax		127,173	(608,827)
Other comprehensive loss: Revaluation of Property*		(320,312)	-
Deferred tax rate change related to OCI items	19	-	(95,118)
Total Comprehensive Loss for the year		**(193,139)**	**(703,945)**

The accounting policies and notes on pages 35 to 54 form part of these financial statements.

* net of deferred tax

RELIANCE BANK LIMITED
BALANCE SHEET AT 31 MARCH 2023

	Notes	2023 £	2022 £
ASSETS			
Cash and Balances at Central Bank	7	83,261,986	91,287,306
Loans and Advances to Banks	8	12,342,225	23,726,132
Loans and Advances to Customers	9	118,818,336	96,522,411
Debt Securities	10	32,981,508	34,201,068
Intangible Fixed Assets	11	284,207	443,170
Tangible Fixed Assets	12	3,620,828	3,153,335
Investment Property	13	603,774	1,573,962
Other Assets		8,250	17,750
Prepayments and Accrued Income	14	267,150	321,998
Total Assets		**252,188,264**	**251,247,132**
LIABILITIES			
Customer Accounts	15	230,049,991	236,212,051
Other Liabilities	16	131,819	139,116
Accruals and Deferred Income	17	756,801	453,172
Deferred Tax Liability	19	-	-
Total Liabilities		230,938,611	236,804,339
Called Up Share Capital	20	20,000,000	13,000,000
Revaluation Reserve		811,847	1,132,160
Profit and Loss Account		437,806	310,633
Equity Shareholder's Funds		21,249,653	14,442,793
Total Liabilities and Equity		**252,188,264**	**251,247,132**
MEMORANDUM ITEMS			
Contingent Liabilities			
Guarantees	22	7,693,614	7,693,614
Commitments	22	7,394,431	16,554,622

The accounting policies and notes on pages 35 to 54 form part of these financial statements. These accounts were approved by the Board of Directors and authorised for issue on 28 July 2023.

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 2023

	Called up Share Capital	Revaluation Reserve	Profit and Loss Reserve	Total Shareholder Funds
	£	£	£	£
At 31 March 2021	**10,000,000**	**1,258,277**	**934,160**	**12,192,437**
Loss for the year	-	-	(608,827)	**(608,827)**
Reserve - Depreciation on revaluation	-	(30,999)	30,999	**-**
Reserve - Deferred tax rate change	-	(95,118)	(45,699)	**(140,817)**
New shares issued	3,000,000	-	-	**3,000,000**
At 31 March 2022	**13,000,000**	**1,132,160**	**310,633**	**14,442,793**
Revaluation*	-	(320,313)	-	**(320,313)**
Profit for the year	-	-	127,173	**127,173**
New shares issued	7,000,000	-	-	**7,000,000**
At 31 March 2023	**20,000,000**	**811,847**	**437,806**	**21,249,653**

* shown net of deferred tax. Effective date of revaluation is 31 March 2023.

The accounting policies and notes on pages 35 to 54 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Net cash outflow from operating activities	23	(28,182,841)	(14,594,540)
Net cash inflow from investing activities	24	1,766,363	20,376,709
Net cash inflow from financing activities	25	7,000,000	3,000,000
(Decrease) / increase in cash and cash equivalents		**(19,416,478)**	**8,782,169**
Cash and cash equivalents at the beginning of the reporting period		114,011,605	105,229,436
Cash and cash equivalents at the end of the reporting period		**94,595,127**	**114,011,605**

Analysis of cash balances & change in net debt	**2023** £	**Cash flows** £	**2022** £
Cash in hand and balances with the Bank of England	83,261,986	(8,025,320)	91,287,306
Loans and advances to credit institutions on demand	11,333,141	(10,250,542)	21,583,683
Other deposits with original maturity of <3 months	-	(1,140,616)	1,140,616
	94,595,127	**(19,416,478)**	**114,011,605**

The accounting policies and notes on pages 35 to 54 form part of these financial statements.

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2023

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 2023. 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 28 July 2023. The financial statements have been prepared on a historical cost convention modified to include land and buildings at fair value in accordance with FRS102 and 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.

The Bank makes use of reasonable and supportable information to make accounting judgments and estimates. This includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of borrowers, asset values and market indicators, where relevant. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates for the current period. Some physical and transition risks can manifest in the shorter term. The items which represent the most significant effects are the use of market indicators (fair value is assumed to include current information and knowledge regarding the effect of climate risk) and the measurement of loan loss provision (valuation of collateral is assumed to include current information and knowledge regarding the effect of climate risk).

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 the 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 reduce loans and increase income by £1,620.

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

The Bank opts to follow the revaluation approach to its freehold property, under FRS102 section 17. A revaluation was completed as at the year end. This provided an up-to-date value of the Bank's tangible property assets. The Bank is required to classify 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. The revaluation loss on investment property was recognised in the income statement during the year, the revaluation loss on PPE was recognised in OCI during the year.

The revaluation resulted in a total reduction amounting to £0.555m, £0.427m 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 in the year 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 2023) 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.

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 substantively enacted 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 cash and balances and at the central bank, 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 and closed to future service accrual from 1 May 2023. The scheme is a multi-employer scheme and the actuary has confirmed that it is not practical to allocate the assets of the scheme between participating employers. Pension costs are therefore reflected in the accounts when payments to the pension scheme fall due. The Bank recognises a liability to fund any past service deficit 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 (or from date of acquisition) of less than three months.

2. INTEREST INCOME

	2023	**2022**
	£	£
Interest receivable on Debt Securities		
- Sterling Certificates of Deposit	7,249	31,406
- Other Debt Instruments	415,178	55,705
Interest receivable on Loans and Advances to Customers	4,295,434	3,007,940
Interest receivable on Bank and Discount Market Deposits	2,059,797	247,053
	6,777,658	3,342,104

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

	2023	2022
Payable to:		
	£	£
Parent Undertaking	262,705	37,012
Third Parties	785,762	189,511
	1,048,467	226,523

4. OPERATING EXPENSES

	2023	2022
Employee Costs (including Executive Directors) (i)	£	£
Wages and Salaries	2,367,905	1,913,341
Social Security Costs	283,314	217,572
Pension Costs (i)	135,402	128,404
Health Benefits	30,473	24,077
	2,817,094	2,283,394
Depreciation and Amortisation	365,191	360,226
Revaluation of Investment Property (see note 13)	128,301	-
Impairment Charge / (Credit) on Loans and Advances	221,018	(16,882)
Other Administrative Expenses	2,349,799	1,624,816
	3,064,309	1,968,160
Operating Expenses	5,881,403	4,251,554

The average number of employees in the current year was 47 (2022: 41).

(i) £18,290 (2022: £17,587) relates to employer contributions to the defined benefit scheme. Employer contributions to the defined contribution scheme totalled £117,409 (2022: £106,339). No fees were incurred in relation to the defined contribution scheme in the current year (2022: £4,478).

5. PROFIT / (LOSS) BEFORE TAXATION

	2023	**2022**
	£	£
This is stated after charging / (crediting):		
Directors' remuneration	304,056	283,418
Bankers' comprehensive crime insurance	34,411	25,614
Amounts payable under operating leases	431,380	273,086
Auditor's remuneration - statutory audit	303,239	144,150
Rental income receivable	(76,718)	(111,614)

Two Executive Directors received emoluments from Reliance Bank during the year, their remuneration in aggregate is disclosed above and this includes pension contributions of £15,083 (2022: £13,905). The highest paid Director received emoluments of £161,609 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

	2023	**2022**
	£	£
Current tax		
UK Corporation Tax	-	-
Current year – Corporation Tax	-	-
	-	-
Deferred tax note (Note 19)		
Current year	106,772	(140,817)
Tax charge / (credit)	**106,772**	**(140,817)**

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

Profit / (loss) on ordinary activities before tax	233,945	(749,644)
Tax charge / (credit) based on the standard rate of Corporation Tax in the UK of 19% (2022: 19%)	44,450	(142,432)
Effects of:		
Fixed asset differences	3,583	22,998
Expenses not deductible for tax purposes	2,698	1,615
Deferred tax on prior year losses re-recognised	(50,731)	-
Deferred tax movement recognised on losses	106,772	117,819
Deferred tax asset impact of change in enacted rate (to 25%)	-	(140,817)
Tax charge / (credit)	106,772	(140,817)

7. CASH AND BALANCES AT CENTRAL BANK

	2023	2022
	£	£
Cash in Hand	105	130
Balances at Central Bank	83,261,881	91,287,176
	83,261,986	91,287,306

The Bank does not offer a cash counter service at its sole branch 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 a low-risk 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

	2023	2022
	£	£
Bank Balances		
Recoverable on Demand	11,333,143	21,583,683
Bank Deposits		
Recoverable in three months or less	-	1,140,616
Recoverable between three and six months	1,009,082	1,001,833
Recoverable between six months and one year	-	-
	12,342,225	23,726,132

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 as these are high credit quality. 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.

	2023	**2022**
	£	£
Recoverable on Demand:		
Overdrafts	327,417	458,905
Other Loans and Advances:		
Mortgages	60,906,781	47,009,328
Loans	57,584,138	49,054,178
	118,490,919	96,063,506
	118,818,336	**96,522,411**

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

	2023	2022
Recoverable:		
On demand	3,220,511	2,449,281
In 3 months or less	3,540,843	1,387,169
In 1 year or less but more than 3 months	8,450,192	5,609,894
In 2 years or less but more than one year	1,225,875	6,723,767
In 5 years or less but more than 2 years	21,339,841	12,938,717
Over 5 years	81,400,073	67,551,564
Impairment provision	(358,999)	(137,981)
	118,818,336	96,522,411

Non-Performing Loans and Advances to Customers

	2023	2022
Before Provisions	1,857,399	277,279
Specific provision applied	(106,376)	(2,289)
After Provisions	1,751,023	274,990

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

9. (b) LOAN LOSS PROVISIONING

	2023 Total £	2022 Total £
As at 1 April	137,981	154,363
Increase in impairment provision	221,018	-
Release of impairment provision	-	(16,382)
As at 31 March	358,999	137,981

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 is recognised to reflect management's estimate of the impact of the economic environment cognisant the current cost of living increases and other factors not captured in the underlying model. 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 and sensitivity

The measurement of the Bank's loan loss provisioning 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 £17,000. A 5% additional discount applied to the market value of property security would increase the provision by £34,000. For mortgages, an additional 1% on the probability of default would increase the provision by £24,000. A 5% additional discount applied to the market value of property security would increase the provision by £18,000.

10. DEBT SECURITIES

	2023	2022
	£	£
Securities Issued by Banks/ Building Societies	32,981,508	34,201,068

	£
At 31 March 2022	34,201,068
Acquisitions	47,661,362
Maturities and disposals	(49,694,094)
Amortisation	813,172
At 31 March 2023	**32,981,508**
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). £11,469,875 of Debt Securities held at 31 March 2023 mature within three months of the Balance Sheet date (2022: £9,884,178), with £3,266,844 maturing between three and six months (2022: nil), £5,275,477 maturing between six months and one year (2022: £1,003,921), £12,969,312 maturing between one and two years (2022: £10,358,000) and nil maturing between two and five years (2022: £12,954,966).

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	978,247	978,247
Additions	43,194	43,194
Disposals	-	-
	1,021,441	1,021,441
Amortisation:		
Brought Forward	535,077	535,077
Charge for the year	202,157	202,157
Disposals	-	-
	737,234	737,234
Net Book Value at 31 March 2023	**284,207**	**284,207**
Net Book Value at 31 March 2022	443,170	443,170

12. TANGIBLE FIXED ASSETS

	Office Furniture, Fixtures & Fittings	**Land & Buildings**	**Total**
Cost:	£	£	£
Brought Forward	520,656	4,130,937	4,651,593
Additions	215,725	-	215,725
Disposals	-	-	-
Reclassification from Investment Property	-	841,887	841,887
Revaluation of Property	-	(427,084)	(427,084)
	736,381	4,545,740	5,282,121
Depreciation:			
Brought Forward	478,133	1,020,126	1,498,259
Charge for the year	33,647	129,387	163,034
Disposals	-	-	-
	511,780	1,149,513	1,661,293
Net Book Value at 31 March 2023	**224,601**	**3,396,227**	**3,620,828**
Net Book Value at 31 March 2022	42,524	3,110,811	3,153,335

The Bank adopts the revaluation method of accounting for freehold property. As at 31 March 2023 an updated valuation was received from an independent valuer holding a recognised and relevant professional qualification with recent experience in the location and class of the property being valued. This resulted in a reduction in the revaluation reserve of £1,132,160 to £811,847 (net of deferred tax).

A portion of the premises is let to our Parent undertaking and is classified as Investment Property (see note 13). During the year a portion of investment property was reclassified to PPE, as it ceased to be let out. This portion has been subject to depreciation from the date of reclassification.

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 £2,102,060 (2022: £2,199,957.

13. INVESTMENT PROPERTY

	2023	2022
	£	£
Fair Value at 1 April	1,573,962	1,573,962
Reclassification to Land and Buildings	(841,887)	-
Revaluation loss recognised in Income Statement	(128,301)	-
Fair Value at 31 March	603,774	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. As at 31 March 2023 an updated valuation was received which resulted in a loss of £128,301 being recognised in the Income Statement (gross of deferred tax). During the year a portion of investment property was reclassified to PPE, as it ceased to be let out. This portion has been subject to depreciation from the date of reclassification, see note 12 above.

14. PREPAYMENTS AND ACCRUED INCOME

	2023	2022
	£	£
Prepayments	132,523	159,680
Overpayment of Gift Aid Recoverable	41,793	41,793
Accrued Income Receivable	92,834	120,525
	267,150	321,998

15. CUSTOMER ACCOUNTS

	2023	2022
	£	£
Current Accounts	100,401,297	108,085,472
Deposit Accounts	129,648,694	128,126,579
	230,049,991	236,212,051
With agreed maturity dates or periods of notice by remaining maturity:		
Repayable on demand	161,373,142	158,078,120
3 months or less but not repayable on demand	47,995,574	66,519,723
1 year or less but over 3 months	20,681,275	11,614,208
	230,049,991	236,212,051
Analysis of Connected Deposits:		
Due to Parent Undertakings	28,140,217	27,543,279

The Bank has entered into an overarching minimum credit balance agreement with its parent and a similar arrangement exists with another key customer. These agreements have been adjusted during the year as agreed by the Bank and now commit total credit balances with the Bank to £49,000,000 subject to 3 months' written notice (2022: £59,000,000).

16. OTHER LIABILITIES

	2023	2022
	£	£
Sundry Creditors	131,819	139,116
	131,819	139,116

Sundry creditors include operational and payment timing differences.

17. ACCRUALS AND DEFERRED INCOME

	2023	2022
	£	£
Pension Fund deficit liability	-	39,208
Accrued interest	272,543	52,100
Other payables	484,258	361,864
	756,801	453,172

The Bank recognises any liability to fund a past service deficit and in 2018, as agreed with the scheme trustees, the deficit repayments were spread over five years. The final payment was made during the year and the scheme is now in surplus.

18. OBLIGATIONS UNDER OPERATING LEASES

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

	2023	2022
	£	£
Amounts payable:		
Within one year	363,696	346,470
In two to five years	67,684	531,840
Over five years	-	-
	431,380	878,310

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

	2023	2022
	£	£
Amounts receivable:		
Within one year	51,799	55,808
	51,799	55,808

Rent receivable relates to leases in place for one (2022: two) floors of the Bank’s head office premises.

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

19. DEFERRED TAX LIABILITY

	2023	2022
	£	£
Liability at start of year	-	-
Deferred tax charge / (credit)	138,846	(140,817)
Deferred tax credit on investment property (note 6)	(32,075)	-
Deferred tax (credit) / charge to Revaluation Reserve (OCI)	(106,771)	95,118
Deferred tax charged to P&L Reserve	-	45,699
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 £4,138,208 (2022: £4,533,637) which are available for carry forward indefinitely.

Deferred tax in 2022 was calculated at 19%. It was announced in the Budget on 3 March 2022 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 were remeasured in 2022 at the new rate of 25% and continue to be offset.

20. CALLED UP SHARE CAPITAL

	2023	2022
	£	£
Allotted, Called Up and Fully Paid:		
Ordinary Shares	20,000,000	13,000,000
	Number	Number
Number of £1 Ordinary Shares	20,000,000	13,000,000

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 7,000,000 £1 Ordinary Shares.

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.

A defined contribution scheme was introduced for new members in 2012 and, at the reporting date, there were 40 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 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.

In March 2023, members of the defined benefit scheme voted to close the scheme to future service accrual. The final salary link is retained. From 1 May 2023, members will contribute instead to the defined contribution scheme with enhanced employer contributions for an agreed period and will also receive three annual lump sum payments. At the balance sheet date, the Bank had one member remaining in the defined benefit scheme.

22. GUARANTEES AND COMMITMENTS

	2023 Contract Amount £	2022 Contract Amount £
Commitments:		
Undrawn formal standby facilities of one year or less	7,394,431	16,554,622
	7,394,431	16,554,622
Contingent Liabilities:		
Guarantees	7,693,614	7,693,614
	15,088,045	24,248,236

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 OUTFLOW FROM OPERATING ACTIVITIES

	2023 £	2022 £
Profit / (loss) before tax	233,945	(749,644)
Add back revaluation of Investment Property	128,301	-
Decrease / (increase) in prepayments and accrued income	54,848	(34,482)
Increase / (decrease) in accruals and deferred income	303,630	(64,396)
Movement in provision for bad debts	(221,048)	16,412
Movement in value of debt securities	(813,173)	179,932
Amortisation of intangible fixed assets	202,157	203,839
Depreciation of tangible fixed assets	163,234	156,387
(Decrease) / increase in other liabilities	(7,297)	26,197
Decrease / (increase) in other assets	9,499	(4,671)
	54,096	(270,426)
Increase in loans and advances to customers	(22,074,877)	(19,032,850)
(Decrease) / increase in customer accounts	(6,162,060)	4,708,736
Net cash outflow from operating activities	(28,182,841)	(14,594,540)

The profit / (loss) before tax includes cashflows related to interest received of £5,970,386 (2022: £3,073,598) and interest paid of £802,314 (2022: £200,813).

24. INVESTING ACTIVITIES

	2023 £	2022 £
Purchase of Debt Securities	(47,661,362)	(26,840,989)
Sale and maturity of Debt Securities	49,694,094	33,000,000
Purchase of intangible fixed assets	(43,194)	(254,508)
Purchase of tangible fixed assets	(215,926)	(26,765)
Net movement in loans and advances to banks not recoverable on demand	(7,249)	14,498,971
	1,766,363	20,376,709

25. FINANCING ACTIVITIES

	2023 £	2022 £
Issue of £1 Ordinary Shares	7,000,000	3,000,000
	7,000,000	3,000,000

26. ANALYSIS OF GIFT AID

	2023	2022
	£	£
Debtors brought forward	41,793	41,793
Debtors carried forward	(41,793)	(41,793)
Distribution to Shareholder	-	-

27. KEY MANAGEMENT PERSONNEL AND CONNECTED PERSONS' ACCOUNTS

	2023	2022
	£	£
Aggregate amounts due, as at 31 March, to		
- Directors	104,421	101,113
- Connected Persons	-	-
	104,421	101,113

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 that are no more favourable than the terms available to other employees of the Bank. During the year there were none.

Any loans to Non-Executive Directors, employees and employees of the parent undertaking are extended in the normal course of business on non-preferential terms available to other customers.

No preferential credit interest rates are applied to the accounts of key management personnel or to accounts of Connected Persons. Connected Persons are defined by s.252 of the Companies Act 2006.

28. RELATED PARTY TRANSACTIONS

As indicated in note 20, The Salvation Army International Trustee Company holds 100% of the issued share capital of Reliance Bank Limited 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 at the start of the year. During the year, one floor ceased to be let and £7,715 of fixtures and fittings were purchased by the Bank from the parent (market value). 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 (2022: £Nil).

The aggregate compensation paid to the Bank's key management personnel was £ 635,955 (2022: £616,267).

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.

	2023	**2022**
	£	£
Balances at Central Bank	83,261,881	91,287,176
Loans and advances to banks	12,342,225	23,726,132
Debt securities	32,981,508	34,201,068
Treasury Assets at 31 March	128,585,614	149,214,376
Treasury Assets by credit rating		
- AAA	18,030,000	24,316,889
- AA	86,289,127	98,717,843
- A	24,051,698	26,179,644
Treasury Assets at 31 March	128,585,614	149,214,376

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.

	2023	**2022**
	£	£
Neither past due nor impaired	117,319,936	96,383,112
Up to three months overdue but not impaired	-	-
More than three months overdue (non-performing)	1,857,399	277,279
	119,177,335	96,660,391
Specific loss provision	(106,376)	(2,289)
Collective impairment provision	(252,623)	(135,692)
Loans and advances to customers at 31 March	118,818,336	96,522,410

For loans and advances to customers totalling £118.8m (2022: £96.6m), the Bank has security in the form of property to an estimated value of £262.3m (2022: 222m) 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:

	2023	**2022**
	£m	£m
< 50%	34.0	34.3
50% < 60%	25.0	11.3
60% < 70%	21.7	27.0
70% < 80%	24.2	16.0
80% < 90%	5.5	4.6
>90%	6.3	3.1
Not secured on property	0.6	0.0
	117.3	96.3

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Liquidity and Funding Risk

Reliance Bank maintains a high level of liquidity, holding £108.2m (2022: 115.4m) of High Quality Liquid Assets at the year end which equates to 42.9% of total assets (2022: 46.0%). The Bank's Liquidity Coverage Ratio at 31 March 2023 was 315% (2022: 605%), 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 2023 (the Bank does not maintain a trading book). Items are allocated to time spans by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

	< 3 mths	**3 - 6 mths**	**6 mths - 1 yr**	**1 yr – 5 yrs**	**> 5 yrs**	**Non-Interest Bearing**	**Total**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Year Ended 31 March 2023							
Assets:							
Cash and Balances at Central Bank	83,262	-	-	-	-	-	83,262
Loans and Advances to Banks	11,333	1,009	-	-	-	-	12,342
Loans and Advances to Customers	65,895	2,034	6,365	44,882	-	(359)	118,818
Debt Securities	29,715	3,267	-	-	-	-	32,982
Other Assets	-	-	-	-	-	4,785	4,785
Total Assets	190,205	6,310	6,365	44,882	,	4,426	252,188
Liabilities:							
Customer Accounts	211,110	7,199	3,740	8,000	-	-	230,050
Other Liabilities	-	-	-	-	-	889	889
Shareholder's Funds	-	-	-	-	-	21,250	21,250
	211,110	7,199	3,740	8,000	-	22,138	252,188
Interest Rate Sensitivity							
Net Gap	(20,905)	(890)	2,625	36,882	-	(17,712)	-
Cumulative Gap	**(20,905)**	**(21,795)**	**(19,170)**	**17,712**	**17,712**	**-**	**-**
Year Ended 31 March 2022							
Interest Rate Sensitivity							
Net Gap	(14,598)	(284)	23,758	25,499	25	(7,273)	-
Cumulative Gap	(14,598)	(42,009)	(18,251)	7,248	7,273	-	-

Whilst there are more liabilities than assets that can re-price within 3 months, £99.7m (2022: £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:

	2023		2022	
	USD	EUR	USD	EUR
Monetary Assets	28,231,077	644,385	28,448,474	1,055,179
Monetary Liabilities	(28,230,878)	(644,385)	(28,449,497)	(1,056,012)
Net Asset / (Liability)	$199	€ 0	($1,023)	(€ 833)
Translated At	1.2379	1.1382	1.3157	1.1836
Sterling Equivalent	£161	£0	(£777)	(£704)

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 retail banking products and services to charities, businesses 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	£7,632,007
Staff numbers	47
Profit on activities after tax	£127,298
Tax paid	£Nil
Public subsidies received	£Nil