RELIANCE BANK

Giving money meaning

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2026

COMPANY NUMBER: 00068835

Contents

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 ("Parent Company").

DIRECTORS, MANAGEMENT AND PROFESSIONAL ADVISORS

As at 22 July 2026

DIRECTORS
Justin Van Wijngaarden – Chair
Mike Anderson
Martyn Croft
Nikki Fenton*
Guy Herrington
Robert Lister
Commissioner E. Jane Paone
Megha Shah*
Jan Smith
George Stylianides

* Executive Directors

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COMPANY NUMBER
00068835

COMPANY SECRETARY
Kelly-Ann Witter

INDEPENDENT AUDITOR
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EXECUTIVE MANAGEMENT
Nikki Fenton, Chief Executive Officer
Morag Davies, Chief Commercial Officer
Tim Frankl, Chief Operating Officer
Grant Murray, Chief Technology Officer
Simon Proctor, Chief Risk Officer (appointed on 5 August 2025; resigned on 7 May 2026)
Jervis Rhodes, Interim Chief Risk Officer (appointed on 13 July 2026)
Megha Shah, Chief Financial Officer

STATEMENT FROM THE CHAIR OF THE BOARD

Reliance Bank Limited (the "Bank") was founded in 1890 by William Booth, the founder of the Salvation Army, and during the year we celebrated our 135-year anniversary. The Board and I are privileged to continue supporting the Bank's founding purpose: to provide day to day banking services to the Shareholder, international territories, the UK territory and other Salvation Army organisations.

The Bank's strategic priorities during the year focussed on providing excellent personal service to our customers, meeting the regulatory standards expected of a regulated bank in the UK and safely scaling the Bank to drive sustainable returns.

Business review

The Bank has started to see the benefits of its focussed product strategy, growing social impact lending and customer deposits to record levels. While net interest income continues to be impacted by market rate reductions and competitive pressures, scaling the loan book remains key to our long-term strategy. This strong commercial momentum delivered a solid profit before taxation of over £1.1 million.

Lending growth is aligned to our specialist sectors, supporting organisations with the fundamental aim of making a positive impact on society. While this year's profit reflects increased strategic investment in our technology and systems alongside broader inflationary pressures, these costs were heavily mitigated by ongoing operating savings and efficiencies.

Customers

Towards the end of the year we launched our Faith Current Account, leveraging our unique experience in this space, to connect with new customers we believe we can serve well. We are also proud to again be a winner at the Charity Banking awards, and we understand how our approach to service is valued by our customers.

In 2025, we changed our debit card provider and reissued customers' cards and some improvements were made to digitise account opening which have been well received, but we know there is still work to be done to improve our digital journeys. Technological enhancements form a key part of the Bank's future strategy.

Governance and Outlook

There have been no changes to the Board since the last annual report although we have appointed George Stylianides as Senior Independent Director (SMF14), reflecting our maturity as an organisation. We also conducted an independent Board effectiveness review during the year and have reduced the number of Board meetings, again testament to the maturing strategy and the stability of the business.

As we look ahead, the global setting is increasingly complex and will inevitably impact the Bank and our customers to some degree. We are confident however, that our strategy is sound and we can continue to scale, deliver our Mission and provide excellent customer service.

Justin Van Wijngaarden
Chair
22 July 2026

STRATEGIC REPORT

The Bank is progressing well against its strategic goals, having now completed this second year of its five-year plan to 31 March 2029. The SME loan book has grown to record levels, surpassing £100 million (excluding retail mortgages) for the first time and with over 90% of the lending this year being social impact lending. Deposits have also hit record levels, helping to drive the Bank to a £285 million balance sheet for the first time.

The strategy is simple: to scale the loan book with maximum social impact whilst continuing to diversify the deposit base in control of profitability, liquidity and capital requirements. The Bank is focussed on new business and charity customers to increase deposits and reduce concentration on funding from The Salvation Army. Scale is vital to support the mainly fixed cost base throughout the economic cycle's interest rate fluctuations, and as the Bank continues to invest in people and technology.

PERFORMANCE REVIEW FROM THE CHIEF EXECUTIVE OFFICER

The Bank has completed another successful year, recording a profit before tax and gift aid of £1.1 million (2025: £1.4 million) despite the challenges of market competition for deposits, high rates of inflation, in particular wage inflation, and falling interest rates impacting income. A gift aid donation of £0.4 million was made in the year (2025: £0.1 million) reflecting the accumulation of positive results over the past several years.

The retained profit of £0.5 million increases our reserves, together with new share capital issued in the year of £5 million and an increase in the revaluation reserve of £0.4 million. This additional regulatory capital supports the business model as we continue to scale the SME lending book and run off the retail mortgage book. New Basel 3.1 regulations become effective from 1 January 2027 and the Bank is awaiting the new capital requirements from the Prudential Regulation Authority ("PRA"). The Small Domestic Deposit Takers ("SDDT") regime may also impact the Bank's future position with a simplified approach to regulatory capital buffers.

The Bank's continued profitability in line with its strategic plan, is part of the journey of sustainable growth supported by additional capital received from the Shareholder in 2023 and 2025. The Bank delivers return to its Shareholder through a triple-value scorecard measuring financial metrics, quality of banking service provision and social impact lending. Net asset value per £1 share owned remains significantly above par but decreased to £1.22 (2025: £1.24) in the year due to the dilutionary effect of the new share capital. Gift aid returns also reduce the value of the shares.

Customer Lending increased by £5 million as the SME loan growth was offset by the reduction in the retail mortgage book.

The Bank maintains a strong liquidity position and as of 31 March 2026, £65.4 million was deposited with the Bank of England (2025: £68.2 million). Customer Deposits increased by £13 million to £254 million (2025: £241 million). This stable funding supported a £5 million expansion in Customer Lending, where solid growth in SME loans successfully offset a managed reduction in the retail mortgage portfolio.

To safeguard these deposits, the Bank holds a substantial buffer of High-Quality Liquid Assets ("HQLA"), unencumbered assets, like central bank cash, that can be instantly converted to liquid funds at little or no loss of value during a period of market stress. Reflecting this strength, the Bank's Liquidity Coverage Ratio

("LCR") which measures our capacity to survive a severe 30-day cash drain, stood at 228% at year-end (2025: 247%). While this represents a slight decrease due to a lower volume of HQLA and a lower historical funding from Salvation Army entities, it remains significantly above regulatory requirements.

The funding profile continues to diversify. Whilst Salvation Army entities still provide the majority of the Bank's funding at £158.1 million (2025: £151.3 million), third-party non-Salvation Army deposits increased by 6% to £95 million (2025: £89 million), which included £44 million sourced via deposit platforms (2025: £42 million).

SME lending showed significant net growth again this year, by 26% to £101.8 million (2025: 31% to £80.6 million). The social impact sectors in which we operate continue to show resilience against macro-economic volatility, continued high inflation, national insurance increases on wage costs and energy prices. While this challenging climate led to a minor increase in non-performing loans and impairments, the amounts remain low relative to the overall size of our loan book. We have invested in the lending team, in processes and systems, enabling the Bank to proactively manage the existing book well while writing new loans aligned to our purpose and credit risk appetite.

Our pipeline of new SME transactions is growing, supporting our future growth plans in a balanced, well-diversified manner across our specialist social impact sectors: Faith, Education, Community and Social Housing services.

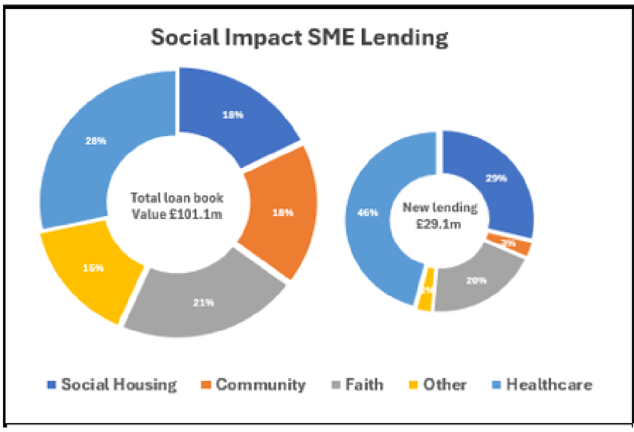
The 50% increase in loan loss provision reflects the Bank's continued prudent approach. While the net increases across both specific and collective provisions were modest in absolute terms, they demonstrate our ongoing commitment to maintaining a robust balance sheet. The Bank continues to hold good levels of security against its loan exposures; on average the SME loan book is 40% Loan to Value (2025: 40%) and the mortgage book is 65% Loan to Value (2025: 65%).

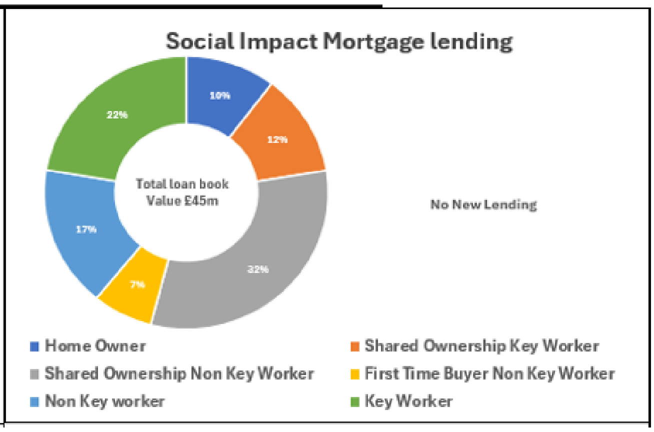
A significant refurbishment of Faith House, our Head Office ("Head Office"), was undertaken in 2024 and in 2025 we built on this to refurbish one additional floor and two kitchens. We are committed to providing a positive environment for employees who currently work Tuesday to Thursday in the office and two days from home under the Bank's hybrid policy. All staff contracts are 100% office based subject to the hybrid policy.

The Bank has expanded available banking products to launch a Faith Current Account, which we are excited to be able to offer to new customers. We were obliged to replace our debit card provider during the year as the previous supplier ceased offering this support; all customers were issued new cards and updated systems and processes have been developed with minimal customer disruption.

The Bank's Common Equity Tier 1 ("CET1") ratio strengthened to 21.8% (2025: 19.9%) due to the new capital received, offset by the steady growth of SME lending. Supported by lending growth and improved management of surplus liquidity through investment in treasury securities, the Bank's annual Net Interest Margin ("NIM") rose modestly to 3.73% (2025: 3.68%), despite a declining interest rate environment.
. The loan to deposit ratio decreased to 58% (2025: 59%) as the growth in customer deposits slightly outpaced the net increase in lending. The Bank's total capital requirement is currently 11.74% of risk weighted assets, pending any changes from the Basel 3.1 rebasing exercise currently being conducted by the PRA.

The Bank aligns to the UN's sustainable development goals for social impact reporting and publishes an annual social impact report. Below is the overview of our new social impact lending as of March 2026. Following the Bank's closure to new mortgage business in September 2024, this social impact sector analysis excludes new mortgage lending:





The Bank's ethical approach means it generally only offers borrowing facilities to organisations who meet its social impact standards, for example by providing faith, education or community support services, healthcare or social housing accommodation. The organisations in our target market benefit from tailored financial support, as High Street banks may not always have the specialised understanding required to navigate the charity sector. The Bank's main competitors are smaller specialist challenger banks. Through our sector expertise and niche focus the Bank can safely underwrite these loans and charge a margin indicative of the additional work involved. All lending is secured on property, usually at no more than 65% loan to the value of the property.

Award Winning Bank

We are very proud that we continue to outperform both high street and peer banks for Telephone service in the 2026 Charity Finance Banking Survey. Reliance Bank also achieved first place for: ESG Credentials and Branch Services. Reliance Bank achieved first place for telephone service in 2020, 2021, 2022, 2023, 2025 and 2026.

Reliance Bank won "Community Lender of the Year" - in both 2024 and 2025 at the NACFB Commercial Lending Awards. This award recognises our commitment to providing loans to organisations supporting their local communities. Examples of our lending include faith organisations providing practical help for people experiencing poverty or hardship, health and social care providers, affordable housing projects and treatment centres that help people affected by gambling-related harm.

We continued to enhance our Digital Banking service to help attract new customers looking for automated customer journeys and invest in our customer experience team who provide the human interaction so many of our customers value.

The Bank previously took the strategic decision to cease retail mortgage lending as of September 2024, with the last advance to a customer in February 2025. The book is slowly running off as customers reach the end of their fixed rate product and remortgage to a new lender. This has resulted in a steady decline in the mortgage book by 27% to £44.9 million (2025: 4% decrease to £61.4 million).

Outlook

A principal risk to the Bank's long-term viability is a significant fall in interest rates resulting in low levels of Net Interest Income which fail to cover the significant costs of running a regulated bank in the UK. Other key risks include failure to meet the standards required by the regulators and failure to keep up with customer expectations of an ethical, specialist bank. The 4-year strategic plan to 2029 focuses on scaling the business to a size where it can be sustainably profitable when interest rates are lower and generate surplus profits to support investment in people and systems when interest rates are higher.

So far the Bank has achieved its aims in terms of growth and we are confident that we can continue to grow at a similar rate. The Bank's biggest challenge over the next 18 months will be to plan and implement a new core banking system and a new digital banking platform, to be completed in two phases to manage "go live" risk. The Bank has partnered with experienced suppliers to deliver this programme and has increased resources internally, to build capability and capacity ahead of initiating the workstreams.

OUR FOUNDATIONS

The 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 over the last 135 years, its original purpose has not been lost and, through a gift aided share of allowable profits, £0.6 million has been returned to its owners in the past five years.

Today, the Bank continues to provide bespoke UK and international payment services for territories across the world, leveraging its understanding of the Army's structure and internal governance frameworks to efficiently process funding grants. Much of the Bank's operational focus is on services it provides to the Army which include the following:

- Safe haven for international project funds and grants for territories around the world, including in conflict zones
- Payment processing for International Headquarters, UK Territory and its trading subsidiaries, bespoke cash collection and accounting reconciliation arrangements
- Bespoke accounts for Salvation Army Territories to hold funds (in USD & GBP) to fund local entities
- Personal current accounts provided to active and retired officers – opened within 2 weeks of arrival in the UK for new postings
- Borrowing facilities for Salvation Army Homes ("Housing Association")
- Standby credit facilities for Salvation Army Trading Company Ltd.

In order to attract customer deposits to fund lending growth the Bank also offers services and banking products to non-Salvation Army customers. Historically, the range of products offered by the Bank was very broad which impacted its ability to maintain all the specialist regulatory frameworks required, e.g. for Cash ISAs, personal current accounts, consumer credit including unsecured overdrafts and loans, staff loans and residential mortgages. Over the last five years, the Bank has chosen to specialise in a smaller product offering and to focus on where it can excel, in terms of specialist sector knowledge and technological capability.

MISSION AND VALUES

Our Mission
To be a distinctive specialist bank delivering positive societal outcomes aligned to the mission of The Salvation Army.

Our Values
Our values drive how we operate: enabling us to give money meaning and support our Shareholder, Employees, Customers and Society.

Partnership
We build strong relationships with The Salvation Army, our suppliers, our customers and each other.

Responsibility
We care about our impact on people, their wellbeing, their environments and communities.

Integrity
We are transparent and act with trust, openness and respect.

Compassion
We show empathy and kindness in our dealings with others.

Equality
We value all voices to enable opportunity and diversity of talent.

STRATEGY

The Board reviewed the Strategy in February 2026 and re-confirmed the Bank's Mission: to serve the needs of the Salvation Army. It reconfirmed the strategic pillars below and considered options to ensure that the Bank remains financially viable throughout the economic cycle. Fundamentally, the Bank's net assets must generate sufficient income levels to cover its mainly fixed cost base. The main driver of income for the Bank is its loan book, and the Board supported strategic options presented, to grow the book organically and by acquisition if the right fit of loan book was available for sale.

The Salvation Army continues to remain the Bank's largest customer, and products and services are developed and improved keeping their needs in mind. Charities and Businesses are targeted for banking and deposits, and lending is focussed on those organisations who meet our social impact criteria. The Bank continues to deepen its knowledge and market reach in line with lending and risk criteria set by the Board.

STRATEGIC PILLARS

The seven Strategic Pillars underpinning the 2025-29 Plan are:

Grow Customers

Across all products in defined target sectors and persuade brand ambassadors & partners to help build critical mass.

The Bank needs to scale and will do this by targeting acquisition at customer need in sectors where we already excel. The business model is aligned to businesses and organisations therefore the personal customer offering is limited to savings accounts. Growth, on both sides of the balance sheet, is instead focussed on businesses and charities; organisations who value our ethical alignment and where we have a shared language around Trustees and faith organisations and a service tailored to their needs.

During the year we have surpassed our loan growth goals and achieved good inflows of deposits, but this latter goal requires an investment of time with organisations who often do not make decisions quickly.

Attracting current accounts is a key focus for 2026-29 but we are realistic in our forecasts and will attract higher cost deposits as required, in the interim period. The target market is sizeable however, and over time we are confident our messaging, and our purpose, will drive acquisition.

Serve the Salvation Army

Provide excellent service and bespoke support and products to the Salvation Army globally.

Our founding mission is to support the work of the International Salvation Army by providing banking services and lending facilities to allow efficient cash management and safe transfer of funds to those territories who need to receive them, often in times of human crisis. The Bank also supports the UK territory with banking services, cash reconciliations and lending to the Housing Association.

As a regulated Bank, we provide banking services to many other customers but it is vital that our contribution as a UK financial institution aligns to the values of our Shareholder. Our lending is therefore focussed on positive societal outcomes, extending The Salvation Army's support for charitable work. We offer a savings account where a portion of the interest is donated to the Salvation Army and we strive to adopt a truly socially responsible operating model.

During the year, the Bank published its third Annual Social Impact report capturing the lives transformed, lending case studies and our first disclosures on carbon emissions. The Bank also updated its ethical policy, available on our website, and increased the number of case studies published.

Provide Excellent Customer Service

Set the brand standard and be known for our quality of customer service, single call resolution and being experts in their field

The Bank continues to attract customers, industry advocates and staff, that help promote the Bank through multiple channels and reinforce our brand and values. The Bank has redefined its target customer market, with deeper focus on specialised segments.

In 2025, we achieved first place overall in the Charity Finance Banking Survey and continued to perform strongly in categories such as Telephone Services, Internet Services and ESG Credentials. Our Business Fixed Term Savings Accounts have been shortlisted for the Best Business Fixed Account Provider category at the Business Moneyfacts Awards 2026.

Manage Risk and Operational Resilience

Adhere to a simple, dynamic risk framework, communicate our risks and controls well to our staff, Shareholder and the regulators.

The Bank has a clear risk management framework which identifies, mitigates and monitors the inherent risks of the bank and the effectiveness of the operational controls which reduce the likely impact of the risks to within Board risk appetite. In general, the Board has a conservative risk appetite, and the risk management framework operates at that level.

We have invested in risk team resources and systems and continue to improve Second Line of Defence oversight across the Bank, working closely with Internal Audit. During the year, focus has been given to Cyber resilience and IT infrastructure with significant improvements made in this space. The Bank runs regular desktop and real-life tests of operational failure scenarios to assess resilience, back up processes and staff readiness. Any lessons learned are fed back into training and process improvements.

Deliver New Core Banking System

Implement core banking to enable modern products for our customers and efficient, professional technology for our staff

The Bank is committed to implementing a modern core banking platform to support the delivery of efficient, scalable and customer-centric services. This transformation will enable development of new products and enhance the Bank's ability to respond to evolving customer needs and expectations. The new system will improve operational efficiency, strengthen data capabilities and support automation across key processes, reducing operational risk and manual intervention. It will also provide a more resilient and secure technology infrastructure, aligned with regulatory expectations. The programme is being delivered in phases to manage implementation risk and ensure continuity of service for customers and stakeholders.

Grow Our People

Recruit, develop & retain talented people who are aligned to our values

The Bank recognises that its people are central to the successful delivery of its strategy and long-term sustainability. Focus remains on attracting, developing and retaining talented individuals who are aligned with the Bank's mission, values and culture. Investment continues in training, leadership development and succession planning to build organisational capability and resilience.

The Bank aims to foster an inclusive and supportive working environment that promotes engagement, wellbeing and high performance. Strengthening expertise across key areas, including risk, technology and customer service, remains a priority as the Bank continues to grow and evolve.

Improve Financial Resilience

Maintain margins and scale the balance sheet so that Net Interest Income exceeds the costs of running the Bank, throughout the economic cycle

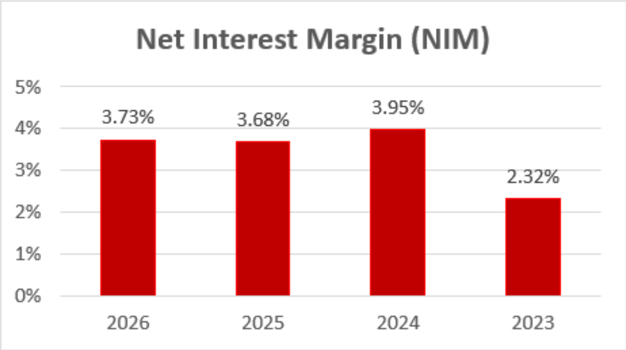
The Bank seeks to maintain a resilient financial position by carefully managing margins and scaling the balance sheet in a disciplined manner. Central to this is ensuring that Net Interest Income is sufficient to cover the largely fixed cost base across varying economic conditions. This will be achieved through continued growth in the lending portfolio, improved deposit diversification and active balance sheet management.

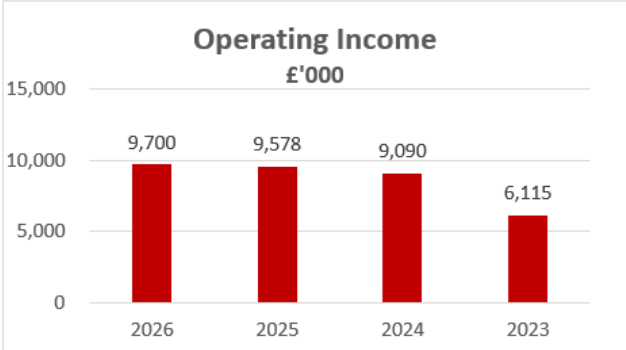
The Bank remains focused on maintaining strong capital and liquidity positions in excess of regulatory requirements, providing a buffer against market volatility. Ongoing cost discipline and targeted investment will support sustainable profitability over the economic cycle.

FINANCIAL REVIEW

Below are the highlights of our performance against the Key Performance Indicators ("KPI") critical to our success:

Net Interest Margin (NIM) and Operating Income

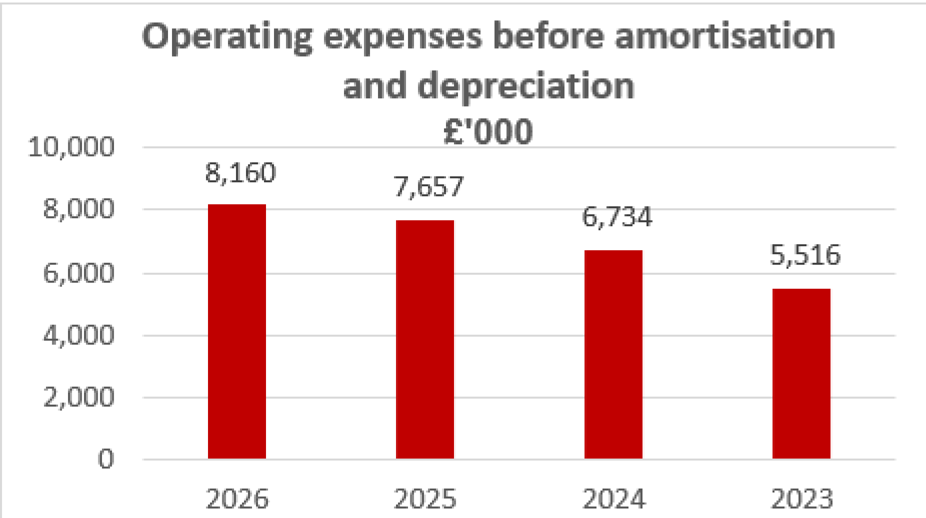




- Net Interest margin represents net Interest receivable as a percentage of average interest earning assets. For 2026, it increased to 3.73% (2025: 3.68%) driven by strong growth in customer loan balances and better management of treasury investments. This was partially offset by margin compression on customer funding, as funding costs reduced slowly than the decline in the Bank of England Base Rate, together with lower yields on nostro bank deposits following the base rate cuts.
- Operating Income refers to Net Interest Income net of any fees and commissions receivable or payable. For 2026, the Bank saw an increase in Operating income to £9.7 million (2025: £9.6 million).

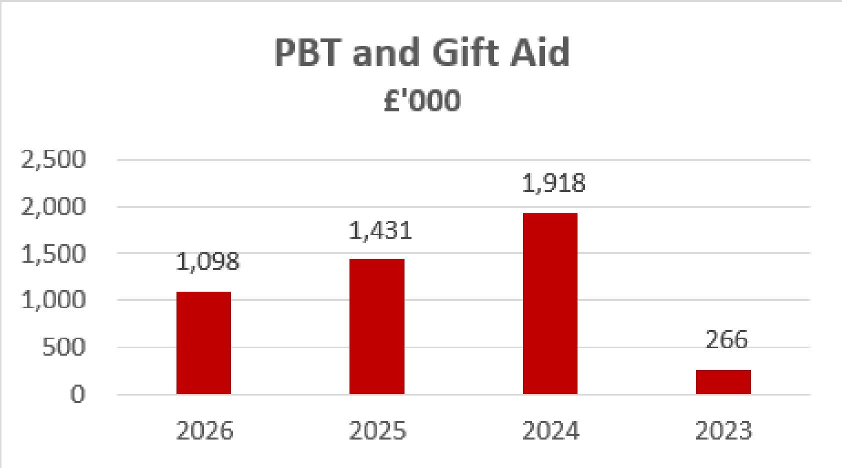
The stable performance in net interest income was primarily driven by continued growth in the SME lending portfolio, which generated robust asset yields, alongside higher income from treasury investments. This expansion was partially offset by increased funding costs due to base rate increases.

Operating expenses before amortisation and depreciation



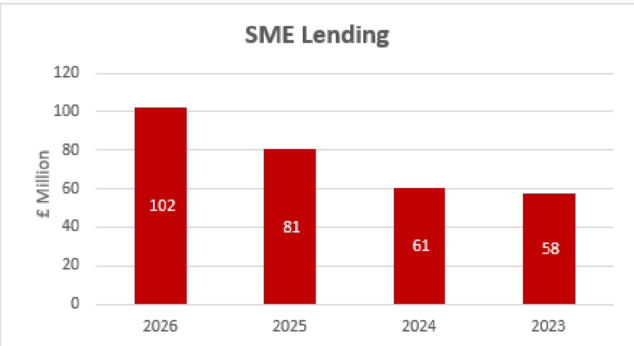
- Operating expenses before amortisation and depreciation increased to £8.2 million (2025: £7.7 million), reflecting continued investment in the Bank's infrastructure and capabilities.
- Costs are primarily comprised of employee expenses, information technology, premises costs and other overheads associated with running the business.
- The increase in the year reflects ongoing investment to meet regulatory expectations, alongside continued strengthening of the Bank's people, risk management frameworks and technology platform.
- As a result, the cost-to-income ratio increased to 84% (2025: 80%), where cost refers to operating expenses before amortisation and depreciation.

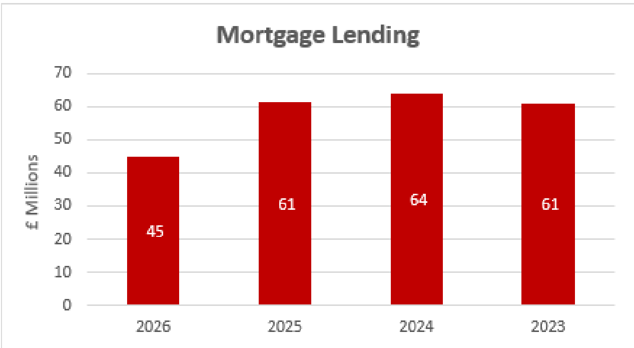
Profit Before Tax and Gift Aid



- Profit before tax decreased to £1.1 million (2025: £1.4 million), primarily reflecting the decrease in interest rate and higher operating expense for the year, offset by an increase in SME loan book growth.
- While interest expense reduced during the year, this did not fully offset the impact of lower asset yields, resulting in continued pressure on margins.
- This was partially offset by growth in the lending portfolio, although performance was also impacted by increased operating costs associated with ongoing investment in the business.
- A gift aid payment of £0.4 million was made to the shareholder during the year (2025: £0.1 million), in line with the Bank's policy of distributing a portion of distributable profits.

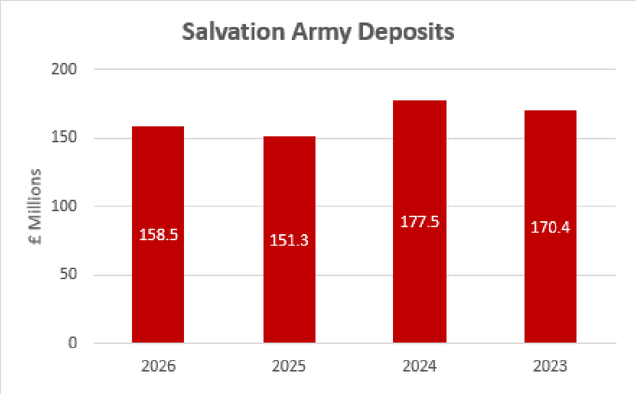
Lending – SME Lending and Mortgages

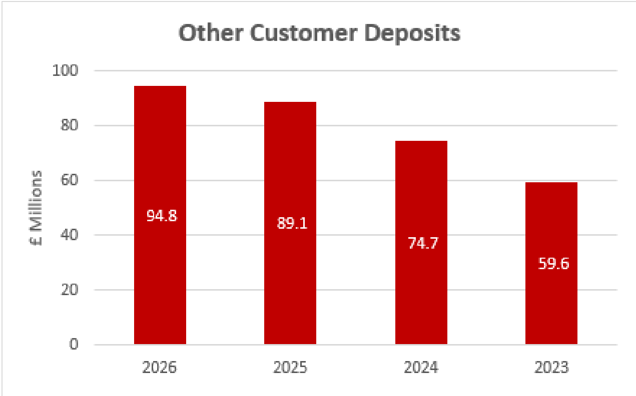




- Total lending increased to £147 million at the year-end (2025: £142 million), reflecting continued growth in the SME lending portfolio.
- SME lending increased to £101.8 million (2025: £80.6 million), driven by new lending of £29.1 million during the year, partially offset by redemptions.
- Following the Bank's withdrawal from the mortgage market in 2024, no new mortgage lending was originated and the portfolio reduced to £44.9 million (2025: £61.4 million) as loans continue to amortise and redeem.
- Redemptions remained elevated on the mortgage lending during the year; however, the composition of the lending book continues to evolve, with reduced concentration in larger exposures and an increasing focus on SME lending aligned to the Bank's target sectors.

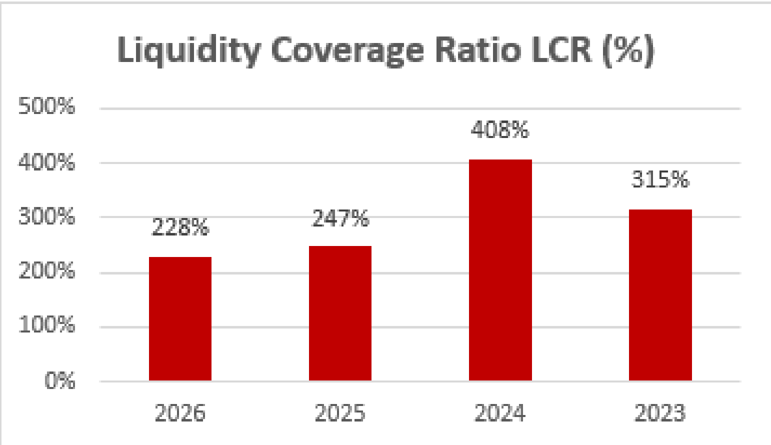
Savings and Deposit Balances





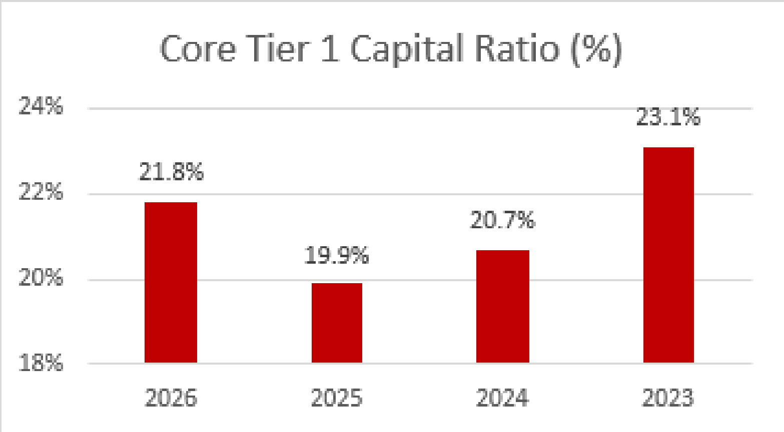
- Total customer deposits increased to £254 million (2025: £241 million), reflecting growth across both Salvation Army and non-Salvation Army funding.
- Deposits from Salvation Army entities increased to £158.1 million (2025: £151.3 million). This includes increased engagement with a broader range of territories, contributing to some of the growth observed in the year.
- Non-Salvation Army deposits increased to £94.8 million (2025: £89.1 million), reflecting continued progress in diversifying the Bank's funding base, supported by current accounts, fixed term and notice products, as well as partnerships with deposit aggregators.

Liquidity



- The LCR decreased to 228% (2025: 247%), reflecting the deployment of surplus liquidity to support lending growth and optimisation of the liquid asset portfolio. The ratio remains significantly above regulatory minimum requirements.
- The Bank maintains a simple and prudent liquid asset portfolio, comprising balances held at the Bank of England and investments in high-quality debt securities, including regulated covered bonds, with predominantly short to medium term maturities.
- During the year, balances held at the Bank of England decreased by 4%, alongside an increase in debt securities to £48 million (2025: £31 million), reflecting a reallocation of liquidity into alternative instruments.

Capital



- The CET1 ratio increased to 21.8% (2025: 19.9%), remaining well in excess of regulatory requirements. The improvement in the year is primarily attributable to the issuance of £5.0 million of new ordinary share capital.
- The Bank maintains a simple and high-quality capital structure, with the majority of its capital resources comprising CET1. Limited regulatory adjustments are made, including the deduction of intangible assets and the partial recognition of general provisions.
- As at 31 March 2026, the Bank's leverage ratio (excluding claims on central banks) increased to 13.3% (2025: 11.4%), reflecting growth in the capital base which more than offset the increase in total assets over the period.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for risk management and ensuring the Bank's policies, procedures and conduct are consistent with its risk appetite, business strategy and objectives.

The Bank manages its risk appetite across the whole business consistent with being wholly owned by a Christian charitable organisation and being itself founded on ethical principles. The Board sets the risk appetite, and reviews it at least annually, which is then embedded in an enterprise-wide framework, taxonomy and applicable policies and control self-assessments. The Bank manages its risks in accordance with qualitative statements and quantitative key risk indicators (KRIs) whilst ensuring all risks are covered in its risk register.

The Board has approved a Risk Management Framework for identifying and monitoring the risks of the Bank. This identifies seven principal risk categories, as shown below, which are identified within the Risk Appetite Statements and Risk Taxonomy:

1. Business
2. Credit Risk
3. Financial Risk
4. Business Resiliency Risk
5. Operational Risk
6. Conduct Risk
7. Regulatory

During the period, the Risk Register was re-examined and in the previous period there were ten principal risks. The previous Principal Risks were:

1. Credit Risk (including concentration risk).
2. Operational Risk;
3. Operational Resilience;
4. Information Systems (IS) Risk;
5. Compliance & Regulatory Risk;
6. Conduct risk (including Consumer Duty);
7. Financial Crime Risk;
8. Financial Risk (including liquidity risk, interest rate risk, other market risk and pension risk)
9. People Risk; and
10. Strategic Risk (including financial risk from climate change and reputational risk).

The enterprise risk register identifies and monitors all individual risks including those raised via the bottom-up RCSA (Risk & Control Self-Assessment) process, which identifies all operational risks in the Bank and the top-down approach, which starts from the Board's and senior management's perspective.

The Risk Register consists of a tier structure:

1. ***Tier 1, the Principal Risks*** - are the Board level risks. These are monitored by the Board with Key Risk Indicators KRIs. These risks consist of the aggregation of the Tier 2, the Executive Risks. They consist of risks which could prevent the Bank from achieving its Strategy. The Board risk appetite is set at this level on an aggregated basis.
2. ***Tier 2, the Executive Risks*** - are the senior management level risks. These risks are more granular than the Principal Risks. They may not pose a risk to Strategy (except in aggregation at Tier 1) and they are measured and monitored by management with KRIs and Early Warning Indicators (EWIs). The KRIs and EWIs are metrics with three possible outcomes, Red, Amber and Green. If these indicators are red or amber, management will take actions to bring back to green.
3. ***Tier 3, the RCSA Risks -*** These risks consist of the operational threats that departments faced while carrying out their day-to-day tasks. Controls exist to mitigate these threats e.g. documented procedures, 4-eyes checks etc.

The Bank fosters a culture of risk awareness and ownership across all levels of the organisation, ensuring that every employee understands their role in maintaining the Bank's financial stability and integrity. This proactive approach is integral to the Bank's strategy and operations, ensuring long term sustainability and compliance with regulatory standards.

The Bank maintains a formal Recovery Plan, a Business Continuity Plan and a Disaster Recovery Plan. These Plans are updated regularly and are shared with regulators as required. All risks and related risk indicators are monitored regularly at the Board Conduct, Risk & Compliance Committee ("BCRC").

The principal risks affecting the Bank and are outlined below:

Business Risk

Ongoing geopolitical tensions and global economic uncertainty may impact customer behaviour, funding stability and lending demand, posing indirect risks to the Bank's strategic priorities and risks. The Bank continues to closely monitor these developments and proactively adjust its practices and offerings to help mitigate potential impacts.

Business risk is defined as risk arising from a sub-optimal choice in the business model, strategy or business plan that results in negative performance and/or reputational damage. This includes risks associated with products or services, threats from competitors, economic risks affecting income and costs, and risks arising from strategic or operational decisions which impact the Bank's reputation. This also covers Environmental, Social, and Governance ("ESG") risks including corporate governance, lack of alignment to the Shareholder's values and the risks of not managing climate change.

This is an aggregation of Executive Risks, which consist of:

- Strategic risk - The risk that incorrect decisions hamper the Bank's ability to deliver its strategy;
- Macro-Economic risk - The risk from global and UK market changes;
- Governance risk – The risk that the Bank does not comply with corporate governance requirements; and
- Reputational risk including climate - The risk arising from a perception that the Bank is failing to align to their values. 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 its attention.

Business risk includes Climate Risk, the risk of financial loss and operational disruption due to climate-related factors, including physical risks (for example extreme weather events) and transition risks (for example policy changes, market shifts). The financial implications for the Bank are most likely to manifest in the damage, destruction or impairment of assets or collateral in climate vulnerable areas. This affects the loan repayment capacity and / or increased costs and compliance burdens due to new environmental regulations. There may also be a change in market demand and asset values as the economy transitions to a lower carbon basis.

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 (e.g. coal-fired power stations etc). The highest risk elements mainly focus on the impact of flooding on property security held by the Bank, also the increased costs of insurance for the Bank in relation to its own property and its supply chain.

The key mitigants for managing climate risk include:

- Conducting climate risk assessments to identify and manage vulnerabilities;
- Diversifying the loan portfolio to reduce concentration in high-risk areas; and
- Monitoring and adapting to evolving regulatory requirements related to climate change.

The Bank is committed to support more community climate schemes and organisations which actively drive low carbon initiatives.

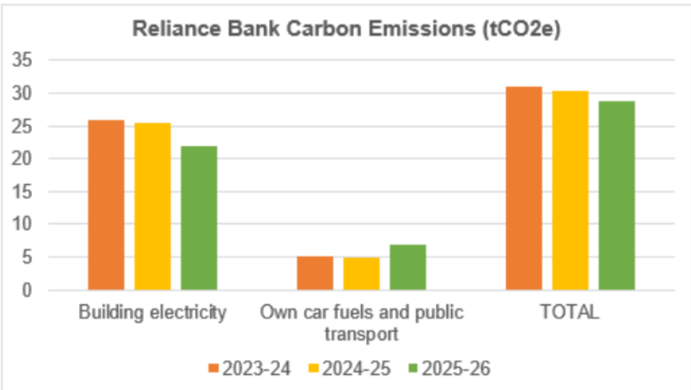
The Bank reports its own impact on climate change to its shareholder, measured through its carbon footprint, including electricity and water usage, waste flows and travel (split between public transport and car mileage). The Bank very rarely uses flights for business trips. Almost all employees commute to the office by public transport, bike, or on foot.

Reliance Bank, like its Shareholder, is committed to reducing its environmental impact and the bank works closely with its Parent Company in this regard. For the year of this report, carbon emissions were calculated using the same scope and methodology as for the Shareholder, and on this basis, its emissions were a total of 29 tonnes CO_2e (tCO_2e), made up as follows: scope 1: zero, scope 2: 22 tCO_2e, scope 3 (business travel only): 7 tCO_2e. This has reduced by 1 tCO_2e compared to last year, and 2 tCO_2e compared to the baseline year of 2023-24.

Scope 1 covers direct emissions from sources owned or controlled by the Bank (which is zero as the Bank utilises electric heating and owns no company vehicles). Scope 2 covers indirect emissions from the electricity purchased from the national grid to power the Bank's office facilities.

Energy actions undertaken in this reporting year include the ongoing review of building energy timings and settings, e.g. consolidating what floors staff work on quieter days of the week and converting an additional floor to sensor lighting. The Bank is also exploring the possibility of installing Solar PV panels on the roof of Faith House. A staff commuting and home working survey was completed and the Bank will use those results in the coming year to further engage staff on lower carbon travel and efficient heating usage at home. During the year a review of other resources was also completed and office paper is now sourced from more sustainable sources (FSC certified).

Finally, the Bank has agreed its own environmental strategy (2025-27). There are five supporting strategic objectives covering areas such as energy and carbon, waste and procurement, and travel and the Board has agreed an initial commitment to reach net-zero carbon emissions by 2045, aligned to the Shareholder. This includes a 75% reduction by 2030 from the baseline year of 2023–24 but is currently limited to our emissions as reported above.



Credit Risk

Credit risk is the financial loss arising from a borrower or counterparty failing to meet its obligations in accordance with agreed contractual terms. This may result from customers' inability to repay their loans, deterioration in the value of security held by the Bank or from the failure of a major treasury counterparty.

This is an aggregation of Executive Risks, which consist of:

- Default risk - The risk that a borrower defaults on their contractual obligations to the Bank;
- Concentration risk – The risk of financial loss due to the portfolio being overly concentrated on a small number of asset types, clients, geography or sectors;
- Wholesale Treasury risk - The risk that a Counterparty defaults on their contractual obligations to the Bank; and
- Loss Given Default risk – The risk to the Bank that the security is not sufficient to cover the exposure, if the customer defaults.

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.

Detailed credit risk management information is reported to Credit Risk and Sanctioning Committee monthly. A watchlist is maintained for customers who are not in arrears but for which there are concerning indicators (e.g. deterioration in financial performance reflected in management information.) Forbearance and arrears registers are maintained, and any developments are reported to Credit Risk and Sanctioning Committee. 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 the PRA’s credit quality steps.

The Bank has very limited appetite for unsecured lending: existing customers and on a short-term basis only, apart from Salvation Army entities.

Financial Risk (including Capital & Liquidity)

Financial Risk is any risk that impacts on earnings, capital or liquidity or funding of the Bank. The Board approves a financial budget each year and delegates authority to the Chief Executive Officer (“CEO”) to operate within that budget. The Financial Risk Management Policy (FRMP) sets out the asset and liability management framework and how the Bank will manage and mitigate the risks related to the balance sheet.

This is an aggregation of Executive Risks, which consist of:

- Capital risk – The risk that the Bank does not hold a sufficient quantity and quality of capital to absorb the impact of significant loss events and ensure ongoing compliance with the PRA’s regulatory requirements.
- Liquidity risk – The risk that the Bank is not able to meet its financial obligations as they fall due or can do so only at excessive cost.
- Funding risk – The risk that the Bank is unable to source sufficient funding at reasonable costs to fund illiquid assets.
- Market risk - The risk related to earnings or capital arising from adverse movements in market prices, interest rates (e.g. IRRBB) or foreign exchange rates.

The Financial Management Risk policy sets out the strategy and controls over Liquidity, Funding, Market risks (including IRRBB). The Bank will always maintain liquidity resources which are adequate both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due, whether in business as usual or in a stress. This includes holding sufficient liquid assets to withstand a severe but plausible stress, for a period of 90 days.

The Bank does not operate a trading book, and whilst the Bank is subject to currency risk, it matches assets and liabilities such that open positions are immaterial. The Bank ensures that for a 2% parallel shift in market interest rates, interest rate risk as measured on either an Earning basis or a Net Asset Value basis, is not greater than £0.6 million. Open positions in foreign currencies are managed so that they are immaterial. Action is taken to convert currency profit and loss positions into sterling on a regular basis.

Business Resiliency Risk

Business resiliency risk represents the Bank's ability to anticipate, adapt, and respond to disruptions—such as cyber-attacks, or supply chain failures. It is the risk that the Bank cannot recover quickly, maintain critical operations, and protect customers from intolerable harm.

This is an aggregation of Executive Risks, which consist of:

- ***Operational Resiliency risk*** - The risk that Important Business Services (IBSs) are disrupted, causing harm to customers or market integrity including Disaster Recovery, infrastructure and incident Management. Operational resilience is the ability to prevent, adapt, respond to, recover from, and learn from operational disruption. Reliance Bank undertakes an annual review of its services to identify its Important Business Services and to determine appropriate impact tolerances for each, based on the point at which disruption could cause intolerable harm to customers. The Bank maps the key resources, processes and third-party dependencies that support these services to identify vulnerabilities and strengthen resilience where required. This framework is supported by scenario-based playbooks for relevant disruption events and a programme of testing, including desktop exercises, simulations and granular testing of specific processes involving critical suppliers. Together, these activities help to ensure that IBSs can continue to be delivered, or recovered, within the Bank's agreed impact tolerances. Where incidents, exercises or testing identify emerging risks or vulnerabilities, the Bank updates its playbooks and control framework accordingly to support continuous improvement in operational resilience.

- ***Third Party Supplier risk*** - The risk of failing to maintain effective oversight of outsourcing arrangements, which the Bank manages through its Third-Party Supplier Management Policy across the entire supplier lifecycle. Prior to onboarding, proportionate due diligence is conducted to assess a supplier's financial resilience, regulatory compliance, data security, and business continuity capabilities. Following onboarding, external suppliers are subject to periodic reviews, with material and critical suppliers monitored against specific KPIs reported monthly to the Executive Risk Committee to mitigate operational, regulatory, and reputational risks; and

- ***Cyber risk*** – The risk of failure of technology or people to prevent unauthorised access, impacting the Bank's systems or data. The Bank controls cyber risk through a layered and continuously monitored security framework that combines governance, technology, and people. This typically includes strong access controls such as multi-factor authentication and least-privilege principles, alongside network security measures like firewalls, intrusion detection and prevention systems, and endpoint protection. The Bank also relies on Security Operations Centres (SOCs) and Security Information and Event Management (SIEM) platforms to detect and respond to threats in real time, supported by threat intelligence and regular vulnerability scanning and penetration testing. In addition, the Bank enforces robust policies, staff training, and third-party risk management to reduce human and supply chain risks, while maintaining incident response and disaster recovery plans to ensure resilience and regulatory compliance in the event of a cyber incident.

Operational Risk

Operational risk is defined as the direct or indirect financial loss, or reputational damage, arising from inadequate or failed internal processes, people, and systems or from external events. The Bank is susceptible to Operational Risk in the normal course of its business operations.

This is an aggregation of Executive Risks, which consist of:

- ***Financial Crime risk*** - The risk of criminal conduct relating to money or to financial services or markets. This risk covers Internal Fraud, External Fraud, Anti Bribery and Corruption, Conflicts of Interest, Anti Money Laundering, Know your Customer / Customer Due Diligence set up and screening against Political Exposed Persons and sanctions database. This includes an act or omission which would be an offence if it had taken place in the United Kingdom. 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 detected financial crime and fraud losses. Controls relevant to managing financial crime risks include controls related to:
    - Account opening, mandate checking and account maintenance controls;
    - Access security arrangements (dual master passwords etc.);
    - Segregation of duties;
    - Independent audit of IS security;
    - Payment controls (including Sanctions checking), customer call backs; and
    - Debit card controls (via Evry).

- ***Information Systems risk*** - The risk of financial loss, disruption or damage to the reputation of the Bank resulting from the failure of its information technology systems. IS risks are managed and mitigated through real time monitoring of systems, outsourced supplier controls, mandatory staff e-learning and the Board strategic investment in new infrastructure foundations.

- ***Facilities risk*** - The risk to employee health and safety and inability to access offices. This risk is managed by conducting regular risk assessments, providing ergonomic equipment, ensuring clear emergency escape routes, and communicating safety policies to staff.

- ***Data Protection risk*** - The risk of corruption or loss of data, incorrect data entry, failure to protect data adequately including client data, misusing client information, incorrect market data used in valuation and risk models. The management data protection consists of building a culture of security awareness alongside strong physical and technical safeguards. The bank has implemented a strict clean desk policy, enforce multi-factor authentication, restrict access to sensitive files, and provide regular staff training on identifying phishing scams.

- ***Change Programme risk*** - The risk of a change creating an outcome that has adverse effects to the running of the Bank. This includes change governance, project management, testing and benefits realisation. The Bank manages this risk with its Business Change Framework. This requires changes to undergo a four-stage process:

  i. Establishing the prerequisites for initiating a project. The Sponsor with support from Project Manager is required to complete and submit the project brief to Program board for approval;
  ii. Establish the foundations for the project, enabling the business to understand the work that needs to be done to deliver the project before committing to any significant expenditure or resources. The outcome is
      - Project Initiation Document (PID)
      - Responsible, Accountable, Consulted, and Informed (RACI Chart)
      - Project Plan – with defined milestones and critical path highlighted where appropriate
      - Risks, Assumptions, Issues, and Dependencies (RAID) Log

- Project Team Structure /Resource Plan
- Detailed Business Requirement document
- Project Governance structure
- Project Communication Plan

iii. Project Execution and Delivery. The purpose of the process is to plan, track and monitor work, handle issues, report project performance to the Board, and take corrective actions and gain the necessary approvals for go-live.

iv. Project Closure - The purpose of this phase is to provide a fixed point at which acceptance of the project is confirmed. It also provides a point to recognise that the objectives or the approved changes to the objectives, as established in the project initiation documentation, have been achieved.

- ***Operational Oversight risk*** - The risk of ineffective 2LOD oversight of operations, leading to financial, customer, and reputational loss. Processes relate to those servicing customers and support functions. This includes process capacity.

- ***Model risk*** - The risk that a model used to measure quantitative information fails or performs inadequately and leads to adverse outcomes for the Bank. This includes model development, operation and validation. The Bank manages this risk by having an inventory of key models and carrying out independent model validations on these models.

- ***Legal risk –*** The risk of loss caused by legal actions or contractual failures for non-credit contracts. The Bank relies on its external solicitors for advice; and

- ***People risk*** - The risk that people do not follow the Bank's procedures, practices and/or rules, thus deviating from expected behaviour in a way that could damage the Bank's performance and reputation. Covering capability and skills, flight risk, key person risk, staff engagement, staff morale, staff conduct, succession planning and remuneration risk. 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.

The Bank makes resources available to control operational risks to acceptable levels. The Bank recognises that it is not possible, or necessarily desirable, to eliminate some of the risks inherent in its activities. Acceptance of some operational risk is necessary to achieve its objectives.

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's risk appetite.

Operational risks are reviewed on a regular basis by ERC, who receive reports from the business and from the second line. 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 Executives are responsible for identifying potential risks and ensuring that adequate controls are in place to mitigate risks. The Bank has implemented a Governance, Risk and Compliance (GRC) software application to capture controls effectiveness and to facilitate Risk Owner sign off.

Conduct Risk

Conduct risk is the risk that the Bank's behaviour, actions, culture, or unethical conduct leads to poor customer outcomes relative to their needs, regulatory sanction, legal action, or severe reputational damage. This risk includes compliance with the FCA's Consumer Duty and Treating Customers Fairly ("TCF") requirements and associated principles, new product design and approval process, complaints handling, and treatment of vulnerable customers.

Conduct risk is owned and managed by the Chief Customer Officer and monitored by the Compliance function within the Second line. The Bank embeds its shareholder's ethos in its day-to-day activities including product design, customer services and communication strategies.

This is an aggregation of Executive Risks, which consist of:

- Consumer Duty/TCF risk - The risk that harm is caused by not complying with the FCA's Consumer Duty and Treating Customers Fairly requirements and associated principles;
- Complaints Management risk - The risk of harm caused from the new product design and approval process, complaints handling, financial difficulty and vulnerable customers; and
- FCA Compliance risk – The risk that the Bank does not comply with other FCA Principles:

1. A *firm* must conduct its business with integrity.
2. A *firm* must conduct its business with due skill, care and diligence.
3. A *firm* must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4. A *firm* must maintain adequate financial resources.
5. A *firm* must observe proper standards of market conduct.
6. A *firm* must pay due regard to the interests of its *customers* and treat them fairly.
7. A *firm* must pay due regard to the information needs of its *clients*, and communicate information to them in a way which is clear, fair and not misleading.
8. A *firm* must manage conflicts of interest fairly, both between itself and its *customers* and between a *customer* and another *client*.
9. A *firm* must take reasonable care to ensure the suitability of its advice and discretionary decisions for any *customer* who is entitled to rely upon its judgment.
10. A *firm* must arrange adequate protection for *clients'* assets when it is responsible for them.
11. A *firm* must deal with its regulators in an open and cooperative way, and must disclose to the *FCA* appropriately anything relating to the *firm* of which that regulator would reasonably expect notice.
12. A *firm* must act to deliver good outcomes for *retail customers*.

Regulatory Risk

Regulatory risk is the risk of the Bank failing to comply with relevant legislation or regulation, other than conduct related regulations, which is referred to above.

This is an aggregation of Executive Risks, which consist of:

- Current regulatory risk - The risk of failing to comply with current relevant legislation or regulation; and
- Emerging regulatory risk - The risk of failing to identify future legislation or regulation requirements and failing to comply with them.

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

The Bank has outsourced its internal audit function to Grant Thornton ("GT") to benefit from a broader and deeper skill set than it could employ internally. GT's wider industry exposure also helps ensure that the Bank is meeting its regulatory requirements, and they report at least quarterly to BAC 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.

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

The directors have a duty to act in good faith to promote the success of the Bank for the benefit of its shareholders and in pursuit of its purpose whilst having regard to factors (a) to (f) in section 172 of the Companies Act 2006. This includes considering the long-term implications of decisions, the interests of employees, the Bank's relationships with customers, suppliers and regulators, the impact of its operations on the community and environment, the Bank's reputation, and the need to act fairly between members.

Stakeholder Engagement

The Board continues to recognise that effective engagement with stakeholders is essential to sound governance and long-term sustainable performance. It encourages transparent and constructive relationships with customers, employees, regulators, suppliers, and the wider community. Insights are gathered through direct interaction, structured reporting, and regular updates from management, ensuring the Board remains sighted on emerging risks, opportunities, and evolving stakeholder expectations.

The Board places significant importance on ongoing, active engagement with its key stakeholders. These insights contribute directly to strategic planning, operational priorities, and risk oversight.

During the year, engagement activity included:
Employees: Increased communication and visibility of the leadership team, including town halls and targeted engagement sessions focused on organisational culture, colleague wellbeing and transformation initiatives.
Customers: Enhanced feedback loops, including customer satisfaction measures and thematic insights from complaints and service-quality reviews, informing improvements to digital channels and lending propositions.

Regulators: Continued proactive engagement across supervisory and thematic areas, reflecting heightened focus on regulatory expectations and demonstrating progress in the Bank's risk management and controls framework.

Shareholder: Regular, structured dialogue including updates on strategic delivery, performance, capital planning and key investment decisions.

Community & Environment: Continued focus on responsible banking practices, local community initiatives, and early steps in strengthening climate-related risk assessment and reporting.

Key Developments During the Year

A number of developments shaped the Board's decision-making during the year:

Execution of the strategic plan: Delivery against second year milestones of the Bank's multi-year strategy, with prioritisation of core lending growth, digital capability uplift, and organisational simplification.

Strengthening the control environment: Continued remediation and enhancement across risk management, operational resilience and regulatory commitments, improving the Bank's governance and risk profile.
Market and macroeconomic conditions: Ongoing economic uncertainty, evolving interest rate expectations, and competitive pressure required the Board to carefully balance growth ambitions with prudent risk appetite and capital strength.

During the year, the Bank established a new Board Steering Committee dedicated to the IT Transformation project, while also appointing a Chief Risk Officer to ensure robust governance.

Operational capacity and systems: Targeted investment in technology modernisation and process improvement, addressing resilience, efficiency, and customer experience.

Culture, people and capability: The Board oversaw initiatives to support colleague engagement and capability development, recognising the importance of skills, leadership stability, and a positive working environment in achieving long-term objectives.

Balancing Short-Term Priorities and Long-Term Objectives

As the Bank continues to navigate a dynamic operating environment, the Board has remained focused on balancing near-term operational priorities with long-term value creation. Investment has been directed into scalable technology, risk infrastructure, strategic lending opportunities, and strengthening our funding capabilities including expanding the business development function and increasing capacity to grow current accounts and broaden our customer base while maintaining disciplined cost management and robust oversight of credit, liquidity and operational risks. This balanced approach supports sustainable and responsible growth aligned with the Bank's purpose and strategic direction.

Forward Outlook

Looking ahead, the Board is committed to further strengthening the way stakeholder perspectives, regulatory expectations and long-term sustainability considerations are incorporated into its decision-making processes. Enhancements to Board reporting and risk insights will improve visibility of outcomes from management actions, particularly in relation to customer experience, conduct, operational resilience, and regulatory engagement.

The Directors are satisfied that the decisions taken throughout the year, and the governance processes that support them, demonstrate clear regard for the factors set out in Section 172(1) and position the Bank to continue building sustainable long-term value.

BY ORDER OF THE BOARD

Nikki Fenton
Chief Executive Officer
22 July 2026

DIRECTORS' REPORT

The Directors have pleasure in presenting their report, together with the accounts of the Bank, for the year ended 31 March 2026.

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 22 contains information relevant to the Bank's financial and credit risk management policies and objectives.

ETHICAL POLICY

The Bank's ethical stance is grounded in the principles it shares with our shareholder and for the year ended 31 March 2026, 97% of the loan book (2025: 94%) was classified as social impact. The Bank uses a positive approach to lending decisions, guided by what it wants to achieve 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 or 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.

The Bank's ethical policy is published on its website.

DIVIDEND POLICY

All profits made by the Bank go to support the ongoing work of The Salvation Army. This is achieved by distributing up to 75% of profits in the form of Gift Aid donations to the Bank's shareholder, with the remainder allocated to retained earnings to increase the value of the shareholder's investment. The Directors do not recommend the payment of a dividend for the year ended 31 March 2026.

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 and other suitable social causes.

The Bank deals fairly with customers at all times and takes complaints very seriously. Feedback is also invited from new customers in respect of onboarding processes.

The Bank holds regular staff training workshops and has a system to record all cases where the customer is not satisfied with its service for whatever reason. The first reviews under the new Consumer Duty rules were completed during the year and in July 2024, the Bank reviewed all on and off sale products to ensure they are being monitored for good outcomes and that they demonstrate fair value for customers.

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
Mike Anderson
Martyn Croft
Nikki Fenton* - Chief Executive Officer
Guy Herrington
Robert Lister
Commissioner E. Jane Paone
Megha Shah*
Jan Smith
George Stylianides
**Executive Directors*

Aggregate remuneration information for Directors and Executive Management during the year, those whose actions could potentially have a material impact on the risk profile of the Bank was:

Aggregate Remuneration of Code Staff (#)	**Fixed Remuneration (Including Pension)**
Executives (7)	£893,915
Non-Executives (8)	£115,750

Remuneration Code Staff are individuals whose professional activities have a material impact on the Bank's risk profile. This includes Executive Management members responsible for day-to-day management and Non-Executive Directors who provide independent oversight and chair Board committees, in accordance with the rules of the FCA and the PRA. Executives do not receive variable remuneration.

During the year, one Executive Management member stepped down from their role and remained employed by the Bank in another capacity. A successor was subsequently appointed but resigned shortly after the year end. At the date of signing these financial statements, the Executive Management member that had previously stepped down had been reappointed on an interim basis. As a result, a total of 7 individuals served as Executive Management members during the year and are included in the aggregate remuneration figures above, while the active headcount at the reporting date remains at 6. The highest paid member received emoluments of £209,078 including benefits and pension contributions. During the year, one non-Executive Director ("NED") was appointed. The Bank does not contribute to the pension scheme on behalf of the NEDs.

Further details and breakdown of the Director's emoluments can be found in Note 4.

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.

Streamlined Energy and Carbon Reporting ("SECR")

The Bank is exempt from SECR requirements for the year ending 31 March 2026, in accordance with the relevant regulations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website at https://www.reliancebankltd.com.

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.

All Directors have been issued a Qualifying Third-Party Indemnity, and all Qualifying Third-Party Indemnities were in force at the date of approval of the financial statements.

POST BALANCE SHEET EVENTS

There have been no material events after the reporting date that require disclosure or adjustment in these financial statements.

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.

The Bank's assets consist of well-diversified loan and treasury investments. The quality of the assets is supported by low levels of non-performing loans ("NPL"s), favourable loan to value ("LTV"s) ratios and high-quality liquid assets along with other investments. The Bank's liabilities are mainly customer deposits, which include instant access savings, notice, and term deposits. These are managed within the financial risk policies set by the Board ensuring the Bank's liquidity remains strong.

Stressed scenario analysis is undertaken by the Bank to model potential downside in both idiosyncratic, market wide and combined scenarios, applying different degrees of severity. In line with its risk management framework, the Bank continues to enhance its Stress testing approach to include new scenarios, granular analysis and additional time horizons considering current and anticipated stressed scenarios. The results of this modelling have been taken into account in an assessment of the adequacy of financial resources to meet regulatory requirements.

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

BY ORDER OF THE BOARD

Kelly-Ann Witter
Company Secretary
22 July 2026

CORPORATE GOVERNANCE REPORT

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 throughout the year.

Board and management

The Directors' principal means of demonstrating compliance with the Code, is through the work of the Board and its committees. The Bank has oversight provided by a Board comprising Executive and Non-Executive Directors. There are two Director roles where appointments are recommended by the Shareholder to represent their interests on the Board. The Board is chaired by an Independent Non-Executive Director ("NED").

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 updates to the Directors on progress against the Bank's 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.

At the start of the financial year, the Board comprised eight NEDs. Following a resignation, changes were made to the Chair of the Board Conduct Risk and Compliance Committee as part of the Bank's succession planning, with the then Chair of the Board Audit Committee transitioning to the Chair of BCRC. In parallel, and following a robust search process, a new NED was appointed as Chair of Board Audit Committee with effect from 1 May 2025.

The Board has determined that the following are designated as independent NEDs: Mike Anderson, Martyn Croft, Guy Herrington, Jan Smith and George Stylianides. The Board considers that Justin van Wijngaarden met the independence criteria at the time of his appointment as Chair of the Bank in November 2021. The Executive Directors, the Chair of the Board and the Chairs of Board Committees hold designated Senior Management Functions under the Senior Managers and Certification Regime, overseen by the Bank's regulators, the Prudential Regulation Authority and the Financial Conduct Authority. Each Senior Manager 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. As a matter of course, the Board reviews its performance by means of a formal annual self-appraisal questionnaire and in December 2025 an independent, external Board effectiveness review was commissioned. Directors and Executives were interviewed, minutes and papers were reviewed, and meetings were observed. Actions have been agreed relating to identified improvements and their implementation will be monitored by the Board.

The Board delegates some of its powers to the following committees, the membership of which is shown below, alongside attendance figures at main committee meetings:

Directors serving during the year were members of:	Board	Board Conduct, Risk & Compliance Committee	Remuneration Committee	Audit Committee	Nominations Committee	Board Steering Committee - Transformation
Mike Anderson	3 (5)	4 (4)		4 (5)	1 (1)	
Martyn Croft	6 (6)	4 (4)	2 (2)			1 (1)
Nikki Fenton	6 (6)					1 (1)
Guy Herrington	6 (6)	4 (4)		5 (5)		1 (1)
Robert Lister	6 (6)	3 (3)				
Commissioner E. Jane Paone	6 (6)		2 (2)			
Megha Shah	5 (6)					
Jan Smith	5 (6)	3 (4)	2 (2)	3 (5)	1 (1)	
George Stylianides	5 (6)	4 (4)		4 (5)	1 (1)	1 (1)
Justin van Wijngaarden	6 (6)		2 (2)		1 (1)	

Board Conduct, Risk & Compliance Committee

The Committee, which met to discuss a full agenda on four occasions during the year, was chaired by George Stylianides. The Committee also met three 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.

During the year the Committee oversaw the identification, assessment, monitoring and management of the Bank's risks. It reviewed the outcomes of the compliance monitoring plan, internal and second line assurance activity, and monitored the management actions arising from regulatory matters, audit findings and risk events. The Committee reviewed the adequacy and effectiveness of the Bank's risk management, compliance and internal control framework.

The Committee is chaired by an experienced NED and must meet at least four times a year. The Executives are invited to attend BCRC meetings. The Directors meet annually with the CRO independently. The Chair of the Board is not a member of the Committee but is invited to attend. As part of the external Board effectiveness review, minutes and papers from BCRC were reviewed and one meeting was observed. Actions have been agreed and their implementation will be monitored by BCRC.

Remuneration Committee ("RemCo")

The Remuneration Committee, which met to discuss a full agenda on two occasions during the year, was 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 also reviews culture, diversity and staff engagement scores. 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 is held to account against objectives by this Committee.

The Committee reviews and approves the remuneration proposals for Directors, the Executive and the general level of pay awards across the Bank. The Committee reviews and approves any 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 NED and meets at least twice annually. Additional meetings are held as the work of the Committee demands.

Nominations Committee ("NomCo")

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 oversees Executive Management appointments.

During the year the committee oversaw the appointment of a new Chief Risk Officer and established a Board advisor role to chair a new Board Steering Committee overseeing an IT Transformation project (more details on this new committee can be found below). The Committee is chaired by the Chair of the Board and meets at least once annually. Additional meetings are held as the work of the Committee demands.

Board Audit Committee ("BAC")

The Audit Committee met on five occasions during the year. From the start of the year, the Committee was chaired by Justin van Wijngaarden, Chair of the Board, who acted as interim BAC Chair while a new Director was recruited. Mike Anderson was appointed to the Board and subsequently approved by the PRA as Chair of the Audit Committee in June 2025.

The 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, 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 committee oversees the work of the Internal Audit function, the External Auditors, and management's responsiveness to audit findings and recommendations to ensure timely and appropriate action is taken. It works closely with the Board Conduct, Risk & Compliance Committee to ensure robust internal controls are in place, and that there is effective coordination between Internal and External Audit functions and the second line of defence Risk Function.

At least once annually, the committee meets privately with the Internal Auditors and also privately with External Auditors, without Executive Management or other employees present, to review progress and any concerns raised. The committee meets at least four times a year, or more frequently if required.

Board Steering Committee - Transformation

A Board Steering Committee, chaired by a Board Advisor with experience in transformation programmes, was established to provide focused oversight of the Bank's IT transformation agenda, including phase 1 being the Core Banking replacement. The Committee met once in the year, following its establishment and will meet at least six times per year until the completion of the projects.

The Committee is responsible for providing oversight, challenge and direction in relation to this project, ensuring that they are delivered in line with the Bank's strategic objectives and reporting to the Board on progress.

Executive Management team ("ExCo")

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 monthly to review the Bank's performance against strategic and financial objectives.

The Chief Executive Officer is also supported by a 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, to review credit policy, review monthly credit MI and provide oversight for watch list accounts, provisioning 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.

Programme Board – chaired by the Business Transformation Director, meets at least monthly to review projects and business change and is a standing committee that assesses, approves and prioritises initiatives, while ensuring the alignment with the Strategic and Operational Plans.

RE-ELECTION OF THE BOARD

All NEDs 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

Kelly-Ann Witter
Company Secretary
22 July 2026

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RELIANCE BANK LIMITED

Opinion

We have audited the financial statements of Reliance Bank Limited (the "Bank") for the year ended 31 March 2026 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and Notes to the Accounts, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Assessing and reviewing the directors' going concern assessment to determine whether it appropriately considers an assessment of key business risks including assessing the sufficiency of the Bank's capital and liquidity taking into consideration the most recent Board-approved Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') documents;

- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank's future financial performance;
- Challenging the appropriateness of the directors' key assumptions used in their forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of stress testing on the Bank's capital and liquidity and their consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control and assessment of the directors' considerations of the implications of the macroeconomic environment and geopolitical risk;
- Assessing the reasonableness of the forecasts prepared by the directors, including testing the historical accuracy of their forecasts;
- Inspecting correspondence with the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') and holding bilateral discussion with the PRA;
- Inspecting minutes of meetings of the executive risk committee, the board audit committee, the credit risk sanctioning committee and the board of directors to identify events or conditions that may impact the Bank's ability to continue as a going concern;
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 Bank'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.

Key audit matters

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

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address this matter and our key observations arising from those procedures.

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Credit risk – Allowance for impairment losses on loans and advances to customers **£693k (2025: £462k)**	**Our audit procedures included, but were not limited to:**

Refer to significant accounting policies (note 1) and notes 8(a) and 8(b) of the financial statements.
Credit risk is an inherently judgement area due to the use of subjective assumptions and high degree of estimation in arriving at the year-end provisions.
Under FRS 102 the Bank applies an 'Incurred loss' model based on objective evidence of past loss events.
The Bank has limited actual loss experience on which to base its impairment assessment across all its loan portfolios, resulting in management judgement being required in deriving assumptions to be applied in the assessment for each of its relevant segmentations.
The total impairment provision of the Bank consists of a collective provision and specific individual provisions on loans secured against residential and commercial properties.
The collective impairment provision, which is applied at a portfolio level, aims to capture the risk inherent in portfolios of loans with similar characteristics. It is derived from a combination of management judgement, qualitative assessments, economic indicators and sector benchmarking. In particular, the collective impairment assessment is most sensitive to the equity haircuts/forced sales discounts ('FSD'), indexation of property valuations, and the probabilities of default ('PD') assumptions which are used for each segmentation.
A specific provision is recognised for loans where there is an observable loss event (e.g. 3 months in arrears) at the individual loan level. Management judgement is applied in estimating the individual provisions. In particular, judgement is required over the loss given default, which is driven by estimates of the collateral value following repossession less sale costs and expected timings.
 	
The assessed risk levels remain unchanged from the prior year.
	• Evaluating the design and implementation, and testing the operating effectiveness of the key controls in relation to the credit process (loans origination and approval, loan redemptions, arrears monitoring and approval of key impairment assumptions);
	• Critically assessing how management has performed the accounting estimate relating to the specific and collective provisions including the reasonableness of external and internal data used, and consider whether this is consistent with our understanding of the Bank's portfolio;
	• Engaging our credit modelling specialists to assess the appropriateness of the PD and FSD assumptions used in determining the collective impairment provision, including the reasonableness and adequacy of the related management overlay.
	• Testing the completeness and accuracy of the data inputs such as original collateral valuation and external indices applied to the original collateral valuation into the impairment model;
	• Performing a stand-back assessment of the resulting specific and collective impairment assumptions such as PD and FSD to assess their appropriateness taking into consideration the overall credit risk profile of the portfolio including collateralisation;
	• With the assistance of our internal property expert, testing the reasonableness of the underlying collateral valuations assigned to loan facilities, on a sample basis, which will include:
	  ○ Assessing the appropriateness of certain third-party valuation reports at the origination of the loan;
	  ○ Assessing the independence, objectivity and competence of the third-party valuers used by the Bank at loan origination;
	  ○ Assessing the appropriateness of the year end valuation for certain properties held as collateral to determine that the valuations are reasonable; and
	  ○ Benchmarking valuations to external data sources to assess whether

	property valuations are appropriately adjusted to reflect changes in change in the property prices subsequent to the original valuation report. • Independently challenging the appropriateness of specific provisions for the customers in arrears and performing recalculations using relevant internal and external data; and • Assessing the adequacy of the disclosures relating to provisions for impairment losses on loans and advances to customers. **Our observations** Based on the procedures performed, we found that the allowance for impairment losses on loans and advances to customers is not materially misstated as of 31 March 2026 and is materially consistent with the requirements of FRS 102.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£304,000 (2025: £240,000)
How we determined it	1% of net assets (2025: 1% of net assets)
Rationale for 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 Bank as well as the purpose of the Bank which is to optimise the use of capital and resources with a focus on long-term sustainability, rather than maximise profits. There have been no revisions in the benchmark applied in the current year as net assets remained a suitable benchmark.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £182,400 (2025: £144,000), which represents 60% (2025: 60%) of overall materiality. In determining performance materiality, we considered several factors, including the level and nature of uncorrected and corrected misstatements identified in the prior year and the effectiveness of

	the control environment, Based on these considerations, we concluded that an amount towards the middle point of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £9,100 (2025: £7,200) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors’ responsibilities statement set out on page 29, 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 Bank’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 Bank 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.

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

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.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the PRA and of the FCA.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- Inspecting correspondence with relevant regulatory authorities including the PRA and FCA and holding bilateral discussion with the PRA;
- Inspecting minutes of meetings of directors held during the year and up until the date of approval of the financial statements; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and unusual transactions.

Our procedures in relation to fraud included but were not limited to:
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Performing testing over balances held in the suspense accounts as at the year-end date;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remains a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the board audit committee, we were appointed by the Board of Directors on 4 October 2024 to audit the financial statements for the year ended 31 March 2025 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 March 2025 to 31 March 2026.

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

Our audit opinion is consistent with our additional report to the board audit committee.

Use of the audit report

This report is made solely to the Bank’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 Bank’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 Bank and the Bank’s members as a body for our audit work, for this report, or for the opinions we have formed.

Michael Davidson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey, London, EC4M 7AU
22 July 2026

RELIANCE BANK LIMITED
INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026	2025
		£	£
Interest Income			
- Debt Securities		617,560	616,711
- Loans and Advances to Customers		9,112,271	8,061,008
- Bank and Discount Market Deposits		4,105,052	5,673,987
		13,834,883	14,351,706
Interest Expense	2	(4,230,881)	(4,871,055)
Net Interest Income		**9,604,002**	**9,480,651**
Fees and Commission Income		609,353	617,013
Fees and Commission Expense		(513,096)	(519,874)
Net Fees and Commission Income		**96,257**	**97,139**
Operating Income		**9,700,259**	**9,577,790**
Administrative Expenses	3	(7,929,596)	(7,563,544)
Amortisations	10	(71,120)	(116,162)
Depreciation	11	(370,918)	(373,648)
Impairment charge on Loans and Advances	8 (b)	(230,821)	(93,310)
Operating Expenses		**(8,602,455)**	**(8,146,664)**
Profit before Tax	4	**1,097,804**	**1,431,126**
Taxation	5	(228,220)	(209,982)
Profit on Activities after Tax		**869,584**	**1,221,144**

STATEMENT OF COMPREHENSIVE INCOME

	Note	2026	2025
Profit on activities after tax		869,584	1,221,144
Revaluation of tangible fixed assets, net of deferred tax	11	364,981	600,816
Total Comprehensive Income for the year		**1,234,565**	**1,821,960**

The accounting policies and Note on pages 49 to 71 form part of these financial statements.

RELIANCE BANK LIMITED
BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026	2025
		£	£
ASSETS			
Cash and Balances at Central Bank	6	65,404,792	68,150,991
Balances at Banks	7	8,415,747	5,729,293
Other Assets	13	11,828,905	14,247,232
Loans and Advances to Customers	8 (a)	146,696,075	142,039,997
Debt Securities	9	47,845,043	31,152,108
Intangible Fixed Assets	10	126,970	175,064
Tangible Fixed Assets	11	4,845,723	4,745,873
Prepayments and Accrued Income	12	299,078	410,388
Total Assets		**285,462,333**	**266,650,946**
LIABILITIES			
Customer Accounts	14	254,118,275	241,237,545
Other Liabilities	15	557,347	689,476
Current Tax Liability	5	185,893	-
Deferred Tax Liability	16	44,631	2,303
Total Liabilities		**254,906,146**	**241,929,324**
Called Up Share Capital	17	25,000,000	20,000,000
Revaluation Reserve		1,777,644	1,412,663
Profit and Loss Account		3,778,543	3,308,959
Equity Shareholder's Funds		**30,556,187**	**24,721,622**
Total Liabilities and Equity		**285,462,333**	**266,650,946**
MEMORANDUM ITEMS			
Commitments	19	9,095,257	9,105,562

The accounting policies and Note on pages 49 to 71 form part of these financial statements. These accounts were approved by the Board of Directors and authorised for issue on 22 July 2026.

Nikki Fenton
Chief Executive Officer

Megha Shah
Chief Financial Officer
Company Registration Number: 00068835

RELIANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2026

	Note	Called up Share Capital	Revaluation Reserve	Profit and Loss Reserve	Total Shareholder Funds
		£	£	£	£
As 31 Mar 2024	17	**20,000,000**	**811,847**	**2,187,815**	**22,999,662**
Revaluation of property, net of deferred tax		-	600,816	-	600,816
Profit for the year		-	-	1,221,144	1,221,144
Distributions to Salvation Army		-	-	(100,000)	(100,000)
As 31 Mar 2025		**20,000,000**	**1,412,663**	**3,308,959**	**24,721,622**
New shares issued	17	5,000,000	-	-	5,000,000
Revaluation of property	11	-	364,981	-	364,981
Profit for the year		-	-	869,584	869,584
Distributions to Salvation Army		-	-	(400,000)	(400,000)
Total Equity	17	**25,000,000**	**1,777,644**	**3,778,543**	**30,556,187**

The accounting policies and Note on pages 49 to 71 form part of these financial statements.

RELIANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026	2025
		£	£
Cash flows from operating activities			
Profits before tax		1,097,804	1,431,126
Adjustments for			
Movement in provision for bad debts	8 (b)	230,821	83,855
Amortisation of intangible fixed assets	10	71,120	116,162
Depreciation of tangible fixed assets	11	370,918	373,648
Movement in value of debt securities		169,844	372,879
Cash flows from operating activities before changes in operating assets and liabilities		**1,940,507**	**2,377,670**
Changes in operating assets and liabilities			
Decrease / (Increase) in prepayments and accrued income	12	111,310	(142,965)
(Decrease) in accruals and deferred income		-	(915,795)
(Decrease) / Increase in other liabilities		(132,129)	8,354
(Increase) in other assets	13	(47,072)	(11,150)
(Increase) in loans and advances to customers		(4,886,899)	(16,375,104)
Increase / (Decrease) in customer accounts	14	12,880,730	(10,991,390)
Net cash outflows from operating activities		**9,866,447**	**(26,050,380)**
Cash flows from investing activities			
Sale and maturity of Debt Securities		66,320,081	74,717,939
Purchase of Debt Securities		(83,182,860)	(80,507,526)
Purchase of intangible fixed assets	10	(23,026)	(143,693)
Purchase of tangible fixed assets	11	(105,786)	(758,943)
Movement in interest on security deposit	7	840,758	4,899
Net cash outflows from investing activities		**(16,150,833)**	**(6,687,324)**
Cash flows from financing activities			
Issuance of new shares	17	5,000,000	-
Distribution to Parent Company		(400,000)	(100,000)
Net cash outflow from financing activities		**4,600,000**	**(100,000)**
Decrease in cash and cash equivalents		**(1,684,386)**	**(32,837,704)**
Cash and cash equivalents at 1 April		87,080,370	119,918,074
Cash and cash equivalents at 31 March		**85,395,984**	**87,080,370**

RELIANCE BANK LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026	Cash flows	2025
		£	£	£
Analysis of cash balances				
Cash in hand and balances with the Bank of England	6	65,404,792	(2,746,199)	68,150,991
Balances with Banks	7	8,229,284	3,527,212	4,702,072
Other assets - Money Market Funds	13	11,761,908	(2,465,399)	14,227,307
		85,395,984	**(1,684,386)**	**87,080,370**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that meet the definition of cash equivalent under FRS 102 7.2.

The accounting policies and Note on pages 49 to 71 form part of these financial statements.

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2026

1. ACCOUNTING POLICIES

Statement of compliance

Reliance Bank Limited is a private company limited by shares incorporated in England. The Registered Office at Faith House, 23-24 Lovat Lane, London EC3R 8EB. The financial statements have been prepared in compliance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Companies Act 2006, as applicable to the financial statements for the year ended 31 March 2026. The Bank has applied the provisions of Sections 11 and 12 of FRS 102 and has not elected to apply the recognition and measurement provisions of IAS 39.

Basis of preparation

The financial statements of the Bank were approved for issue by the Board of Directors on 22 July 2026.

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).

The Bank's financial statements are presented in Sterling (£), which is the Bank's functional and presentation currency. All amounts in the annual accounts have been rounded to the nearest whole number unless otherwise indicated.

Going Concern

The financial statements have been prepared on a historical cost convention modified to include land and buildings at fair value in accordance with FRS 102 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 Bank also considered additional stresses on Interest rate decline by 2%, delays and implementation issues with the Core Banking Platform, Cyber Security. All led the Bank to confirm going concern in terms capital requirements.

Judgement 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, there is uncertainty to the key sources of estimation, however valuation data is only available one quarter in arrears. A post balance sheet check is completed to determine if the actual quarter end valuation is within the +10/-10% range of the estimate valuation used in the provision calculation. 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 8(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.

The Bank adopts the revaluation method of accounting for freehold property. 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.

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.

Revenue recognition

Revenue is recognised on an accruals basis in accordance with the substance of the underlying transactions.

- Interest receivable is recognised using the effective interest method, which incorporates all directly attributable fees, costs, and transaction premiums or discounts.

- Fees and commissions receivable are recognised as the related services are performed, or when the entity becomes entitled to the income.

Pension benefits

The Bank is an employer within The Salvation Army Employees' Pension Fund ("the 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. As such, in accordance with FRS 102, the scheme is accounted for as a defined contribution plan.

Pension costs are therefore reflected in the accounts when payments to the pension scheme fall due. While the Bank may recognise a liability for any past service deficit agreed with the Pension Scheme Trustees, no such liability has been recognised in the current year. 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.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value as per FRS 102.

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents comprise cash at banks and in hand, short-term deposits with an original maturity of three months or less from the date of acquisition, and highly liquid Money Market Funds.

Other Assets

Money Market Funds

Money market funds are classified as financial assets measured at amortised cost, classified within Other Assets on the Balance Sheet and included as Cash and Cash Equivalents in the Statement of Cash Flows due to their immediate liquidity. For accumulated funds, the carrying value is stated at the statement value, with any change in value recognised immediately as interest income in the profit or loss. For distributed funds, interest is recognised as interest income on a monthly basis when the distribution is declared.

Loan Loss Provision

Background

Collective provision, that is commonly used in the banking and financial services industry refers to credit losses on a portfolio basis rather than on an individual loan basis. In strict compliance with FRS 102, the Bank applies an incurred loss model, meaning provisions are only recognised where objective evidence of impairment exists as a result of one or more events that occurred after initial recognition (loss events). The collective provisions are therefore referred to as "incurred but not reported" provisions, which capture losses that have been look-back incurred within the portfolio at the reporting date but are not yet individually identified.

The calculation of collective provisions aims to use historical data analysis to make informed decisions. However, since the Bank does not have any crystallised losses in its secured portfolio, the identification and measurement of these incurred losses is largely based on a combination of expert judgement, qualitative assessments, economic indicators, and industry benchmarks. The approach for the collective provision for the Bank as agreed by the management aims to capture the risk inherent in portfolios of loans with similar credit risk characteristics. It helps ensure that the provisions are more accurately aligned with the already sustained underlying credit risk of the overall loan portfolio, enhancing transparency and reliability in financial reporting.

Segmentation

Given the absence of historical crystallised credit loss data in the Bank's secured book, and following the assessment of objective impairment indicators, management has applied a prudent and structured approach to calibrate the key risk drivers of the loan portfolio based on historical evidence:

- Probability of Default ("PD"s) are segmented by borrower behaviour and evidence of payment arrears. The PD segmentation helps assess the statistical emergence of incurred losses for groups of loans and reflects varying levels of existing credit deterioration in the portfolio.
- Loss Given Default ("LGD"s) are segmented by collateral position.

Probability of Default

Portfolio Trend Analysis as Quantitative Support for incurred losses: Internal trend analysis conducted over recent reporting periods shows that on average, 9-12% of the loan book exhibits objective evidence of impairment through an elevated risk state (i.e., loss events such as arrears over one month, the loan under restructuring / forbearance). This observation validates the segmentation applied and demonstrates that:

- The 90% of loans that remain current are reasonably assumed to have a lower PD (10%) reflecting latent incurred losses not yet individually identified.
- The 10% of loans classified as higher-risk have triggered objective loss events and are appropriately assigned elevated PDs (20–30%) based on risk level and arrears age.

This approach embeds a data-driven calibration into the qualitative assumptions, improving the reasonableness and audit defensibility of the PD model under the incurred loss criteria.

Loan Segment	Credit Risk Indicator	Average % of loan Book (from trend last 24 months)
Performing Loans	No arrears, not on watchlist or forbearance	~92 - 98%
Stage 2 – Elevated Risk	Early-stage arrears with any amount, forbearance, watchlist	
Stage 3 – Default or High Risk	Arrears of two months or more, In probation for six months	
Total Higher risk exposure (Stages 2 and 3)	Includes all arrears over one month and forbearance loans	~2 - 8%

- 30% PD for SME loans / 1.61% for Mortgages with arrears over 2 months is applied to reflect significantly increased default risk in line with common contractual breach triggers.
- 20% PD for SME loans / 1.18% for Mortgages in early arrears, under forbearance or on watchlist reflects objective evidence of early-stage credit deterioration. These loans require monitoring or intervention and are more likely to experience default than the performance segment.
- 10% PD for performing SME Loans / 1.07% for Mortgages is considered reasonable and prudent, acknowledging that while these loans show no current signs of distress, external and macroeconomic risk factors indicate latent incurred losses exist within the portfolio.

Loss Given Default

- Judgment-Based Segmentation: In the absence of historical loss severity data, management has used its understanding of collateral values, credit practices, and property market norms to establish a rational LGD framework to measure the recoverable amount of impaired assets.

- LTV justification:

    - LTV ratios reflect the relationship between the loan amount and the value of the underlying collateral. Since loans with high LTVs have less equity cushion, increasing the estimated loss severity if a default event is triggered. Segmenting LGD based on LTV allows for a more granular analysis of the collateral's impact on potential impairment measurement.
    - A higher LTV ratio indicates a greater reliance on collateral, making the loan balance more susceptible to loss severity following a loss event. At a lower LTV, there is typically a greater likelihood of a consensual resolution, whereas higher LTVs historically correlate with lower recovery outcomes.
    - Finally, the regulator, PRA, also requires LTV ratios to be considered in assessing credit risk and determining capital adequacy. Segmenting on LTV ensures compliance with regulatory guidelines and enhances the transparency of risk assessment practices.

- Coverage Logic: For loans with LTVs less than75%, a 25% LGD implies the potential for full recovery even in the event of moderate asset value decline - i.e., 25% LGD = 75% recovery, which means even at 100% PD, the asset value can absorb 4 times the loss estimate.
- Incremental Scaling: Higher LGDs are assigned to riskier segments to reflect the shrinking collateral cushion and greater likelihood of partial recovery.

Based on the criteria above, the PD and LGD percentages are applied to each loan in the portfolio, and the estimated incurred loss is calculated as PD x LGD (after costs) x loan balance.
Specific provisions

The Bank's policy on loan losses requires that if a review of loans identifies objective evidence of impairment, the PD is assumed to be 100% and hence the measured impairment loss is calculated as LGD x loan balance (including costs).

The Credit committee reviews the mortgage and commercial loan watchlists each month and assesses whether it is likely that the loan will fall into default, defined as greater than or equal to 3 months-in-arrears and if so, to what extent there may be a loss if the Bank had to release the property security.

Effective Interest Rate ("EIR")

The EIR is accounted for via an accounting adjustment outside the core banking system which records the amount of the timing difference between the banking system and the EIR approach.

The calculation of the effective interest rate includes costs and arrangement fees paid or received that are an integral part of the effective interest and considers the contractual cash flows of each loan agreement or Mortgage.

Management's approach is to spread fees and costs related to the fixed rate mortgages on an EIR basis (or good approximation to EIR) over the period of the fixed rate, and not to try and predict and account for future ERC income, that is estimated to be even more unlikely considering the Bank's decision to cease new lending.

For commercial loans, fees and costs are amortised over the shorter of the actual remaining loan duration or a maximum of 4 years, derived from the behavioural average life of the portfolio. At the end of March 2026, only 37 of the 141 loans are beyond this 4-year term with the remainder within their behavioural life.

Financial instruments

The Bank's financial instruments are all basic financial instruments and comprise cash and cash equivalents and at the central bank, loans and advances, debt securities and customer accounts. The Bank does not hold derivative financial instruments.

Debt securities

Debt securities are held for investment purposes and held to redemption at par and recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using effective interest method, less any impairment losses.
The amortisation of premiums or discounts is included in interest income in the income statement.

Financial assets and liabilities are recognised initially at fair value which are typically the transaction price.

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 licenses are reviewed annually for indications of impairment.

Tangible fixed assets and depreciation

The Bank adopts the revaluation approach to its freehold property in accordance with FRS 102 section 17. A revaluation was conducted at the financial year end by an independent, professionally qualified valuer with recent experience in the location and class of the property.

The market valuation was determined on an arm's length basis between a willing buyer and seller, acting knowledgeably, prudently and without compulsion. This assumes the property is free from structural or other material defects. The valuation method applied was based on capitalisation yields in the area.

This external valuation resulted in a total appreciation amount to £0.37 million, increasing the carrying value to £4.25 million. The gain has been recognised in Other Comprehensive Income to the revaluation reserve.

Property, fixtures and fittings and equipment are stated at cost or revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes costs directly attributable to making the asset capable of operating as intended. No depreciation is provided on freehold land.

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.

Asset Description	Life (months)	Rate (p.a.)
Building	600	2%
Fixtures & Fittings	60	20%
Office Furnishing	60	20%
IT - Hardware	36	33%

Other financial assets and liabilities

Other financial assets and liabilities held at amortised cost are:

- Cash and investments: these are recorded at net cost on inception (including fees and charges) and interest is accrued at the EIR (i.e. the rate which amortises any discount or premium over the life of the asset)

- Financial liabilities include trade creditors (held at cost) and customer deposits (held at cost plus interest accrued at the product rate)

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. There were no set-off position adjustments made in the accounts.

Provisions for liabilities

A provision is recognised when the Bank has a legal or constructive obligation because 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.

A deferred tax liability represents future tax obligations arising from temporary differences between the book value and tax base of assets and liabilities, where the book value exceeds the tax base for assets or the tax base exceeds the book value for liabilities.

The Bank continues to account for deferred tax in accordance with FRS 102 and there has been no change in accounting policy during the year. The deferred tax movement reflects changes in the underlying temporary differences and the utilisation of deferred tax assets recognised in prior periods, including those arising from Gift Aid deductions.

Gift Aid

Where the Bank has generated profits, it may make a discretionary Gift Aid payment to its Parent Company. Such payments are accounted for as distributions and recognised as a reduction in retained earnings.

Gift Aid payments are only accrued where there is a demonstrable obligation at the balance sheet date (i.e. board approval and intention to pay), in line with the principles of constructive obligations under FRS 102.

As a subsidiary trading company, that donates their profit to the parent charity, the distributable profits are limited to an amount close to the profits for the last financial year. Gift Aid does not exceed the distributable profits.

Commitments

Commitments are where the Bank has confirmed its intention to provide funds to a customer under prespecified terms and conditions in the form of loans, whether cancellable or not and the Bank has not made payments at the balance sheet date. They are disclosed as memorandum items below the Balance Sheet and further analysed in note 19 at their contract amounts unless the possibility of any transfer on settlement is remote.

2. INTEREST EXPENSE

	2026	2025
	£	£
Payable to:		
Parent Undertaking	997,446	421,047
Third Parties	3,233,435	4,450,008
	4,230,881	**4,871,055**

3. OPERATING EXPENSES

	Note	2026	2025
		£	£
Staff Costs			
Wages and Salaries		3,768,173	3,678,385
Social Security Costs		519,326	422,864
Pension Costs *		323,108	309,931
Health Benefits		75,115	55,302
Total Staff Costs		**4,685,722**	**4,466,482**
Other Administrative Expenses			
Professional Costs		1,254,951	1,076,271
Computer Expenses		1,007,414	1,045,493
Premise Costs		309,883	378,041
Marketing		235,794	157,001
Staff Recruitment costs		195,228	322,697
Other Operational		149,369	53,215
Postage		91,235	64,344
Total Other Administrative Expenses		**3,243,874**	**3,097,062**
Total Administrative Expenses		**7,929,596**	**7,563,544**
Amortisations	10	71,120	116,162
Depreciation	11	370,918	373,648
Impairment charge on Loans and Advances		230,821	93,310
Operating Expenses		**8,602,455**	**8,146,664**

The average number of employees in the current year was 65 (2025: 65).
Of the average headcount, the Bank employed 25 in the Business Segment (2025: 25), 40 in the Support services (2025: 40).

* No employer contributions were made to the defined benefit scheme in the current year (2025: £Nil). Employer contributions to the defined contribution scheme totalled £321,790 (2025: £297,214). No fees were incurred in relation to the defined contribution scheme in the current year (2025: £Nil).

4. PROFIT BEFORE TAXATION

	2026	2025
	£	£
The profit before tax is stated after charging the following:	1,097,804	1,431,126
Directors' remuneration	474,671	425,870
Bankers' comprehensive crime insurance	60,217	55,173
Auditor's remuneration	285,000	315,000

Two Executive Directors received emoluments from the Bank during the year; their remuneration in aggregate is disclosed above and this includes pension contributions of £38,232 (2025: £45,275). The highest paid Director received emoluments of £209,078 (2025: £177,501) including salary, benefits and pension contributions of £22,032 (2025: £18,705).). The Bank made the decision to start remunerating its non-executive directors from September 2024. The total remuneration paid to the NEDs amounted to £115,750 (2025: £52,917). The Bank does not contribute to pension schemes on behalf of the NEDs. Executive Directors are eligible to apply for loans on the same terms available to all Bank employees, with details of any such loans disclosed in note 20.

5. TAXATION

	Note	2026	2025
		£	£
Current tax			
UK Corporation Tax		185,893	-
Deferred Tax			
Current year		142,327	209,982
Prior year adjustment		(100,000)	-
Tax charge		**228,220**	**209,982**
Profit on ordinary activities before tax	4	1,097,804	1,431,126
Tax charge based on the standard rate of Corporate Tax in the UK of 25% (2025: 25%)		274,429	357,782
Effects of:			
Fixed asset differences		27,627	33,920
Expenses not deductible for tax purposes		26,164	1,618
Deduction on charitable donation		-	(25,000)
Deferred tax prior year adjustment		(100,000)	
Reversal of deferred tax liability on investment property		-	(158,338)
Tax charge		**228,220**	**209,982**

6. CASH AND BALANCES AT CENTRAL BANK

	2026	2025
	£	£
Cash in Hand	105	105
Balances at Central Bank	65,404,687	68,150,886
	65,404,792	**68,150,991**

The Bank does not have any physical branches; 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 the Bank's investment strategy. Whilst the Bank maintains a low-risk liquidity policy considering 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.

7. BALANCES AT BANKS

	2026	2025
	£	£
Bank Balances		
Recoverable on Demand	8,229,284	4,702,072
Bank Deposits		
Recoverable in three months or less	-	-
Recoverable between three and six months	186,463	1,027,221
	8,415,747	**5,729,293**

All the loans and advances to banks represent deposits with banks and building societies. No provision against these balances is deemed necessary as these are high credit quality. The Bank accounts for these financial instruments as basic financial instruments in accordance with FRS 102 as they are debt instruments that are not of a derivative nature and only facilitate liquidity requirements. 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 the 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 maturities matching 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.

8. (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.

	Note	2026	2025
		£	£
Recoverable on Demand			
Overdrafts		15,167	1,591
Other Loans and Advances			
Mortgages		44,833,297	61,413,123
SME Loans		101,847,611	80,625,283
		146,680,908	**142,038,406**
Total Loans and Advances to Customers		**146,696,075**	**142,039,997**

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

	Note	2026	2025
Repayable on demand		1,237,657	843,688
3 months or less		9,240,731	7,253,222
Over 3 months but one year or less		33,132,215	19,591,760
Over one year but two years or less		19,089,299	36,097,417
Over two years but five years or less		69,308,605	64,606,096
Over five years		15,380,153	14,109,578
Impairment provision	8 (b)	(692,585)	(461,764)
Total Loans and Advances to Customers		**146,696,075**	**142,039,997**

	Note	2026	2025
Non-Performing Loans and Advances to Customers			
Before Provisions		2,906,004	614,575
Specific impairment provision applied	8 (b)	(543,921)	(361,305)
After Provisions		**2,362,083**	**253,270**

The Bank's policy on loan losses requires that if a review of loans identifies that it may be impaired, the Probability of Default is assumed to be 100% and hence the estimated loss is calculated as Loss Given Default x loan balance (including costs). The Credit committee reviews the mortgage and commercial loan watchlists each month and assesses whether it is likely that the loan will fall into default, defined as greater than or equal to 3 Months-In-Arrears ("MIA") and if so, to what extent there may be a loss if the Bank had to release the property security.

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

8. (b) LOAN LOSS PROVISIONING

	Note	2026	2025
		£	£
Specific impairment provision			
As at 1 April		361,305	168,000
Increase in impairment provision		182,616	193,305
As at 31 March	8 (a)	**543,921**	**361,305**
Collective impairment provision			
As at 1 April		100,459	200,454
Increase / (decrease) in impairment provision		48,205	(99,995)
As at 31 March		**148,664**	**100,459**
Total Loan loss provision	8 (a)	**692,585**	**461,764**

As indicated in note 1, the accounting policies, following the assessment of various risk factors, management consider appropriate to segment both the Probability of Default and Loss Given Default. In devising the segmentation and agreeing an approach to the calculation, management has used judgement along with qualitative assessment. The PD segmentation helps assess the likelihood of default for individual loans and reflects varying levels of default risk in the portfolio. The segmentation criteria include factors such as arrears status, watchlist designations, and any forbearance arrangements. The loans are categorised as follows:

- High PD segment – Loans exhibiting high risk indicators, such as financial distress, significant payment delays fall into this segment. These loans require heightened provisioning to account for the elevated likelihood of default and potential losses.
- Medium PD segment – Loans in this segment may display moderate risk indicators such as minor payment delays or exhibit other indicators of heightened risk. While the default probability is deemed lower compared to the high PD segment, these loans still warrant increase provisioning to mitigate potential losses.
- Low PD segment – Loans in this segment pose relatively lower default risk with no significant arrears or other adverse indicators. All new loans will automatically be included in this segment along with any commitments.

In addition to the PD segmentation, LGD segmentation is utilised to assess the potential severity of losses in the event of fault. For both the mortgage and commercial lending portfolio, the management deems Loan to value ratios appropriate basis for segmentation.

As for the specific provision, the Bank's policy on loan losses requires that if a review of loans identifies that it may be impaired, the PD is assumed to be 100% and hence the estimated loss is calculated as LGD x loan balance (including costs). The Credit committee reviews the mortgage and commercial loan watchlists each month and assesses whether it is likely that the loan will fall into default, defined as greater than or equal to 3 MIA and if so, to what extent there may be a loss if the Bank had to release the property security.

9. DEBT SECURITIES

	2026	2025
	£	£
Securities Issued by Banks and Building Societies	47,845,043	31,152,108

Maturity Profile

	2026	2025
	£	£
Three months or less	17,253,413	17,038,467
Over three months but six months or less	10,980,294	-
Over six months but one year or less	19,611,336	3,012,355
Over one year but two years or less	-	11,101,286
	47,845,043	**31,152,108**

The role of debt securities in the 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.

10. INTANGIBLE FIXED ASSETS

	Computer Software
Cost:	£
Brought Forward	1,198,680
Additions	23,026
	1,221,706
Amortisation:	
Brought Forward	1,023,616
Charge for the year	71,120
	1,094,736
Net Book Value at 31 March 2026	**126,970**
Net Book Value at 31 March 2025	**175,064**

11. TANGIBLE FIXED ASSETS

	Land and Buildings	Office Refurbishing	Furniture, Fixtures and Fittings	Total
	£	£	£	£
Cost or Valuation:				
Brought Forward	5,229,683	938,740	875,037	7,043,460
Additions	-	77,324	28,462	105,786
Revaluation	364,981	-	-	364,981
Revaluation adjustment	(1,344,664)	-	-	(1,344,664)
	4,250,000	**1,016,064**	**903,499**	**6,169,563**
Accumulated Depreciation:				
Brought Forward	1,225,260	362,473	709,853	2,297,586
Charge for the year	119,404	145,260	106,254	370,918
Revaluation adjustment	(1,344,664)	-	-	(1,344,664)
	-	**507,733**	**816,107**	**1,323,840**
Net Book Value at 31 March 2026	**4,250,000**	**508,331**	**87,392**	**4,845,723**
Net Book Value at 31 March 2025	**4,004,423**	**576,266**	**165,184**	**4,745,873**

Freehold land and building are measured at fair value based on an independent professional valuation as of 31 March 2026, which determined the market value to be £4.3 million.

Upon revaluation, the accumulated depreciation of £1.3 million was eliminated against the gross value of the asset. This presentation adjustment leaves a closing accumulated depreciation balance of nil.

Office refurbishments are classified and depreciated as a separate asset class from the core property structure.

12. PREPAYMENTS AND ACCRUED INCOME

	2026	2025
	£	£
Prepayments	298,230	334,828
Accrued Income Receivable	848	75,560
	299,078	**410,388**

13.OTHER ASSETS

	2026	2025
	£	£
Money Market Funds	11,761,908	14,227,307
Other Receivables	66,997	19,925
	11,828,905	**14,247,232**

As part of its liquidity management, the Bank holds balances with MMFs that allow withdrawals at a short notice without any penalties, as they can be redeemed at par value or at an insignificant loss to overall value.

14. CUSTOMER ACCOUNTS

	2026	2025
	£	£
Current Accounts	87,811,799	73,164,377
Deposit Accounts *)	166,306,476	168,073,168
	254,118,275	**241,237,545**
With agreed maturity dates or periods of notice by remaining maturity:		
Repayable on demand	128,474,300	167,820,728
Three months or less	77,159,816	27,700,328
Over three months but one year or less	46,074,029	44,346,717
Over one year	2,410,130	1,369,772
	254,118,275	**241,237,545**
Analysis of Connected Deposits:		
Due to Parent Undertakings	50,656,362	45,160,461

*) Includes accrued interest payable of £0.9 million.(2025: £0.9 million)

Total customer deposits held by related parties, comprising entities with The Salvation Army group, totalled £158.1 million (2025: £151.3 million). The Bank has continued its overarching minimum credit balance agreement with a key customer. These agreements have been adjusted during the year and the committed total credit balances with the Bank reduced to £60 million subject to 6 months' written notice. This committed credit balance has been revised as £45 million from 1 April 2026 onwards.

15. OTHER LIABILITIES

	2026	2025
	£	£
Other payables	371,899	559,217
Sundry Creditors	185,448	130,259
	557,347	**689,476**

Sundry creditors include operational and payment timing differences. Other payables accrued administrative expenses.

16. DEFERRED TAX LIABILITY

	2026	2025
	£	£
Liability		
Accelerate tax depreciation	44,631	109,763
Tax losses	-	(107,460)
Net Deferred Tax Liability Recognised	**44,631**	**2,303**

During the year, the Bank fully utilised it remaining brought-forward trading losses (2025: unutilised trading loss of £429,842), reducing the unutilised balance to nil.

17. CALLED UP SHARE CAPITAL

	2026	2025
	£	£
Allotted, Called Up and Fully Paid:		
Ordinary Shares of £1.00 each	25,000,000	20,000,000

The share capital of the Bank is held by the Parent Company for the benefit of The Salvation Army International Trust. During the year, the Bank issued to the Parent Company at par, a further 5,000,000 £1 Ordinary Shares.

Although the Parent Company is the principal shareholder and a related party, in accordance with the disclosure requirements of Section 33.5 of FRS 102, the Bank is consolidated into the group financial statements of The Salvation Army International Trust. These consolidated financial statements can be obtained from https://www.salvationarmy.org/resources/annual-report. The immediate parent undertaking is The Salvation Army International Trustee Company, incorporated in England and Wales.

18. PENSION COSTS

The Bank is a participating employer of the Salvation Army Employees' Pension Fund, a defined benefit scheme, that is operated for five separate entities within The Salvation Army. It is administered and valued on an overall basis. Therefore, under FRS 102 (para 28.38), the scheme is being accounted for as a defined contribution scheme, no change from prior year.

Full actuarial valuations of the scheme are performed every three years. The last valuation of the Fund was carried out by a qualified actuary as at 31 March 2024 and showed a surplus driven by the fair value of the Fund assets exceeding the present value of the funded Defined Benefit Obligation.

19. COMMITMENTS

	2026 Contract Amount	2025 Contract Amount
	£	£
Undrawn formal loan facilities	9,095,257	9,105,562

Commitments reflect approved loan commitments awaiting drawdown.

20. KEY MANAGEMENT PERSONNEL AND CONNECTED PERSONS' ACCOUNTS

	2026	2025
	£	£
Aggregate amounts due to Directors as at 31 March	2,510	2,442

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 its Directors, both 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 NEDs, 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.

The aggregate compensation paid to the Bank's key management personnel was £976,641 (2025: £947,482).

21. RELATED PARTY TRANSACTIONS

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

The Bank has taken advantage of the exemption available under FRS 102 (para. 33.1A) not to disclose transactions entered into between two or more members of a group, on the basis that the Bank is a wholly own subsidiary within the Group.

Related party balances, associated interest expenses, and change in equity (including share issuances and distributions) are already fully presented within Notes 2 and 14, 17 and the Statement of Changes in Equity. All such transactions are connected on an arm's length, commercial basis.

22. 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.

BCRC 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.

		2026	2025
		£	£
Balances at Central Bank	6	65,404,792	68,150,991
Loans and advances to banks	7	8,415,747	5,729,293
Debt securities	9	47,845,043	31,152,108
Treasury Assets at 31 March		**121,665,582**	**105,032,392**
Treasury Assets by credit rating			
AAA		186,902	-
AA- to AA+		96,277,566	84,341,840
A- to A+		25,201,114	20,690,552
Treasury Assets at 31 March		**121,665,582**	**105,032,392**

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 treasury counterparty limits for Board approval. Monetary market funds are excluded from this disclosure as per the restatement in prior year, however they carry a rating of AAA.

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

		2026	2025
	Note	£	£
Neither past due nor individually impaired		144,450,023	141,887,186
Past due more than three months (non-performing)		2,737,776	614,575
Not past due		200,861	-
		147,388,660	**142,501,761**
Allowance for individual impairment		(543,921)	(361,305)
Allowance for collective impairment		(148,664)	(100,459)
	8 (b)	**(692,585)**	**(461,764)**
Loans and advances to customers at 31 March	**8 (a)**	**146,696,075**	**142,039,997**

For loans and advances to customers totalling £147 million (2025: £142 million), the Bank has security in the form of property to an estimated value of £337.8 million (2025: £300.7 million) 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 nor impaired, by LTV:

	2026	2025
	£	£
Less than 50%	51,052,235	42,666,415
50% to 60%	33,205,668	22,699,953
60% to 70%	35,916,707	40,336,189
70% to 80%	9,688,419	16,436,888
80% to 90%	12,370,199	16,328,294
More than 90%	1,301,023	3,127,515
Not secured on property	915,772	291,932
	144,450,023	141,887,186

The below sensitivities are calculated on the collective model provision as opposed to the specific provision which is covered by different approach.

Risk Scenario	**Commercial**	**Mortgages**	**Total**	**Increase**	
	£	**£**	**£**	**£**	**% Change**
Base Case	11,050	36,811	**47,861**	-	-
Scenario 1: LGD haircuts increased by 5% (to High 40%, Medium 35%)	27,469	51,537	**79,006**	31,145	65%
Scenario 2: PD shifted to high risk (100%) and medium risk (50%)	14,663	203,259	**217,922**	170,061	355%

The model exhibits a higher sensitivity to variations in LGD haircuts compared to changes in PD. This indicates that fluctuations in LGD haircuts have a more pronounced impact on the model's outputs or predictions than equivalent variations in PD.

The Sensitivity on Loss Given Default haircuts increase by 5% result in an increase in collective provision by £31,145 and the sensitivity of increase in probability of default to 100% and 50% for high risk and medium risk customers respectively, increases the provision by £170,061.

The Bank's credit risk exposure is limited to UK-focused SME and mortgage lending carries on one principal class of business, being that of banking, and operates in one geographical segment, the United Kingdom.

Liquidity Risk

The Bank maintains a high level of liquidity, holding £82.5 million (2025: 91.3 million) of HQLA at the year-end which equates to 34.3% of total assets (2025: 34.3%).

The Bank's LCR at 31 March 2026 was 247% (2025: 247%), this has decreased vs. last year due to decrease in HQLA, mainly balances with Bank of England due to overall lower current accounts by Salvation Army and increased outflow balances expected in the next 30 days due to increased fixed term deposits maturing within 30 days on the Platforms.

Liquidity risk is the risk that the Bank may not be able to meet its payment obligations including those arising from customer deposits, borrowings, and off-balance sheet exposures such as commitments and guarantees, within the stipulated repayment frame and without significant additional cost. The Bank has a system in place to monitor contractual and residual maturity inflows and outflows and to manage liquidity gaps within pre-stipulated limits that are prescribed by the Board. The Bank holds sufficient HQLA in approved securities to meet the regulatory obligations for 30 and 90 days under stressed conditions. As part of its liquidity management, the Bank holds balances with MMFs that allow withdrawals at a short notice without any penalties. The liquidity positions and gap analysis are periodically analysed and measured against Bank's risk appetite limits and reported monthly to Asset and Liability Committee and to the BCRC.

The following table analyses the Bank's financial liabilities that shows the remaining contractual maturities at undiscounted amounts. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest calculated at current rates. In practice, contractual maturities are not always reflected in actual experience.

Year Ended 31 March 2026	**Note**	**Repayable on Demand**	**Three months or less**	**Between three and six months**	**Between six months and one year**	**Between one and five years**	**Total**
		£	£	£	£	£	£
Liabilities:							
Customer Accounts	14	128,474,300	77,159,816	40,208,332	5,865,697	2,410,130	**254,118,275**
Future unaccrued Interest		361	314,761	186,006	193,696	96,719	**791,543**
Other Liabilities	15	-	557,347	-	-	-	**557,347**
Current Tax Liability	5	-	-	-	185,893	-	**185,893**
Total		**128,474,661**	**78,031,924**	**40,394,338**	**6,245,286**	**2,506,849**	**255,653,058**

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 2026 (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.

Interest Rate Sensitivity

	Note	Three months or less	Between three and six months	Between six months and one year	Between one and five years	Non-Interest Bearing	Total
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Year Ended 31 March 2026							
Assets:							
Cash and Balances at Central Bank	6	65,405	-	-	-	-	**65,405**
Loans and Advances to Banks	7	8,229	187	-	-	-	**8,416**
Loans and Advances to Customers	8 (a)	119,814	6,610	10,182	10,090	-	**146,696**
Debt Securities	9	17,253	10,980	19,612	-	-	**47,845**
Other Assets	10, 11, 12, 13	11,762	-	-	-	5,338	**17,100**
Total Assets		**222,463**	**17,777**	**29,794**	**10,090**	**5,338**	**285,462**
Liabilities:							
Customer Accounts	14	223,355	22,622	5,815	2,326	-	**254,118**
Other Liabilities	15, 16	-	-	-	-	602	**602**
Current Tax Liabilities	5	-	-	186	-	-	**186**
Shareholder's Funds		-	-	-	-	30,556	**30,556**
Total Liabilities and Equity		223,355	22,622	6,001	**2,326**	**31,158**	**285,462**
Interest Rate Sensitivity Gap		(892)	(4,845)	23,793	7,764	(25,820)	-
Cumulative Gap		**(892)**	**(5,737)**	**18,056**	**25,820**	**-**	**--**
Year Ended 31 March 2025							
Interest Rate Sensitivity Gap		(24,688)	7,999	(4,514)	41,265	(20,062)	-
Cumulative Gap		**(24,688)**	**(16,688)**	**(21,203)**	**20,062**	**-**	**-**

The Bank manages interest rate risks by the methods outlined in the Risk Management summary within the Strategic Report. The Bank's policy sets out the wide Interest Rate sensitivity range of processes and controls that the Bank uses to monitor and control liquidity and interest rate risk, including monitoring the maturity of assets and liabilities between time periods to ensure that mismatches do not exceed policy or trigger early warning indicators. The impact on Operating Income over the 12 months from the balance sheet date of an immediate 200 bps fall in rates is £(2,601k) or an immediate 200 bps rise in rates is £2,382k respectively (2025: £1,700k reduction and increase).

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 yearend were as follows:

	2026		2025	
	USD	EUR	USD	EUR
Monetary Assets	48,857,695	616,497	42,494,237	1,044,569
Monetary Liabilities	(48,857,695)	(616,497)	(42,494,237)	(1,044,569)
Net Asset	-	-	-	-
Translated At	1.3203	1.1515	1.2953	1.1959
Sterling Equivalent	**-**	**-**	**-**	**-**

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.

Monetary assets are recoverable on demand money market funds and monetary liabilities are customer deposits.

23. POST BALANCE SHEET EVENTS

There have been no material events after the reporting date that require disclosure or adjustment in these financial statements.

24. COUNTRY BY COUNTRY REPORTING

The 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 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	£14,444,236
Staff numbers	65
Profit on activities after tax	£869,584
Tax paid	£Nil
Public subsidies received	£Nil