RELIANCE BANK
Giving money meaning

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2024

COMPANY NUMBER: 00068835

RELIANCE BANK LIMITED
Annual Report and Accounts
For the Year Ended 31 March 2024

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

DIRECTORS, MANAGEMENT AND PROFESSIONAL ADVISORS

As at 23 July 2024

DIRECTORS

Justin Van Wijngaarden – Chair
Martyn Croft
Paul Croucher*
Nikki Fenton*
Robin Foale
Guy Herrington
Commissioner E. Jane Paone
Jan Smith
George Stylianides
Claire Sunderland Hay

* Executive Directors

COMPANY SECRETARY

Nikki Fenton

EXECUTIVE MANAGEMENT

Paul Croucher, Chief Executive Officer
Jim Bendon, Interim Chief Information Officer
Nikki Fenton, Deputy Chief Executive Officer
Tim Frankl, Chief Customer Officer
Jervis Rhodes, Chief Risk Officer
Megha Shah, Chief Financial Officer

REGISTERED OFFICE

Faith House
23-24 Lovat Lane
London EC3R 8EB

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

COMPANY NUMBER

00068835

INDEPENDENT AUDITOR

BDO LLP
55 Baker Street
London W1U 7EU

STATEMENT FROM THE CHAIR OF THE BOARD

Reliance Bank was founded in 1890 by William Booth, the founder of the Salvation Army, and is owned by the Salvation Army International Trustee Company. The Bank provides day to day banking services to its parent, international territories, the UK territory and other Salvation Army organisations. Our shared principles are the driving force behind the Bank's vision to be recognised and respected as an important ethical bank that exists to enable positive social impact. The Bank also provides banking services and loans to charities, businesses and community organisations, and offers savings accounts and mortgages to personal customers.

At Reliance Bank we give money meaning.

Performance and gift aid

In the first year of the Bank's new five-year strategic plan, the Bank surpassed its forecasts recording over £1.9m in profit before taxation. The rapid rise in interest rates during the year and the continued growth of the loan book have driven a record result, helping to restore reserves and boost the financial strength of the Bank. The Board was delighted to able to recommend a gift aid payment to its Shareholder for the first time in five years.

The Bank has approached new lending with caution this year, cognisant of borrower affordability, the challenging economic environment and our social impact focus. Some customers have preferred to deleverage to avoid rising rates. The Bank closely monitors credit for its loan portfolio and during the year has made only a marginal increase in provisions, testament to our conservative risk appetite.

Customers

The Bank ceased offering Individual saving accounts (ISAs) during the year, following a strategic review supported by the Board, to focus on products for which the Bank is a specialist and can offer a quality service to customers. We also closed all personal current accounts, other than those for employees or pensioners of the Salvation Army. We understand that these changes have caused challenges for some of our customers, and having worked through them together, it is pleasing that many decided to stay with us as savings customers.

We are committed to offering an excellent personal service to all our customers and meeting the new FCA Consumer Duty regulations. In particular, our empowered customer service team can be reached directly without going through a 'call centre-style' menu and we know from our customer surveys and our Charity Banking awards, how valued that is by our customers.

We continue to invest in our specialist products and focus on the niche markets we serve. The Digital Banking system completed a major upgrade in May 2024, and we look forward to continuing to expand the functionality it offers to better serve our social impact businesses and charity core markets.

The Board

We would like to record our sincere thanks to Malcolm Hayes who recently stepped down as Chair of the Board Conduct Risk and Compliance Committee "BCRC'. During his tenure the Bank undertook a significant transformation in terms of resources and approach to risk management and his expert eye for detail has been invaluable. We also welcome two new Directors to the Board, Claire Sunderland Hay, our new Chair of BCRC, and George Stylianides, our new Chair of the Board Audit Committee 'BAC'. These additions help strengthen and balance the Board, bringing current industry knowledge and a wealth of financial services regulation, risk management and audit experience.

I am encouraged by the Bank's progress this year including publishing its Social Impact Report link here and I look forward to seeing its growth and development over the years to come.

Justin Van Wijngaarden
Chair
23 July 2024

STRATEGIC REPORT

The Bank completed its strategic review and approved a new five-year plan in 2023 for the period to 31 March 2028. Using input from staff, stakeholders and the external environment, we refreshed our strategy, reaffirmed our Mission and updated our values. Overall, the strategy continues to focus on scaling the loan book and diversifying the deposit base. The Bank is seeking new business and charity customers to increase deposits and reduce concentration on funding from The Salvation Army. This is wholly in line with The Salvation Army's investment strategy and desire to build a broader based bank.

PERFORMANCE REVIEW FROM THE CHIEF EXECUTIVE OFFICER

The Bank has a strong liquidity position and as of 31 March 2024, £99 million was deposited with the Bank of England (2023: £83 million). Customer deposits have increased to above £250 million for the first time, a 10% increase on last year. Salvation Army entities continue to provide around 70% of the Bank's funding however, non-Salvation Army deposits have increased to £75 million, an increase of 25% from last year.

A Chief Customer Officer was appointed during the year, to lead a review of our products and services and focus on customer needs and understanding our target market. We have expanded our business and personal deposit account range, launching longer term fixed rate deposits, and closed our Personal Current Account and ISA offerings as we could not be competitive in these regulated markets. We continue to enhance our Digital Banking service to help attract new customers looking for automated customer journeys, and we continue to invest in our customer experience team who provide the human interaction so many of our customers value.

As we build the infrastructure to support scaling the deposit book, our marketing team is conducting targeted campaigns to explore our target market and provide invaluable knowledge for when the systems are in place for a full business and charity banking launch.

Loans to businesses increased in the year, by 7% to £61.8 million (2023: 17% to £57.6 million). The social impact sectors in which we operate have generally been resilient against the backdrop of higher interest rates, wage costs and energy prices. We have seen some challenges this year, with material one-off loan redemptions impacting net growth and an increase in the time taken for lending transactions to complete. Our pipeline of new transactions is growing, supporting our future growth plans, however we continue to be selective with our borrowers, in line with our credit risk appetite and aspiration to reach a 100 % social impact business loan portfolio - supporting our communities, charities, churches, care providers and social housing services.

The mortgage book grew by 5% to £63.9 million (2023: 30% to £60.9 million) providing finance to first time buyers and key workers and allowing lower-income borrowers to get onto the housing ladder through our specialist Shared Ownership product range.

There was a marginal increase in loan loss provision in the year. The Bank continues to hold good levels of security against its loan exposures, on average the commercial book is 42% Loan to Value (LTV, 2023: 38%) and the mortgage book is 53% LTV (2023: 54%).

The Bank has seen an exceptional result this year, recording a profit before tax of £1.9 million (2023: £0.2 million). Gift aid donations of £0.1 million were made in the year (2023: £Nil). The retained profit restores reserves after the recent period of losses, which were driven by ultra-low interest rates, investment in people and systems, and the increasing cost of regulation. We anticipate that profit levels will moderate, but be nonetheless sustainable, as the interest rate environment adjusts downwards in line with Bank of England forecasts.

A premises review was undertaken as part of the five-year strategic plan. During the year the Bank re-occupied the remaining leased floor of Faith House, its head office building, which had been rented out to the Shareholder on commercial terms and £0.6 million of investment property has therefore been reclassified to freehold land and buildings. A significant refurbishment of the building is being undertaken in 2024 to modernise the infrastructure, strengthen the foundation and provide a better working environment for collaboration and a growing workforce.

STRATEGIC REPORT (continued)

The Bank's profitability in the first year of this new 5-year plan period, is an excellent start on the journey towards sustainable growth supported by the additional capital received from the Shareholder in the prior year. The Bank delivers a return to its Shareholder through a triple-value scorecard measuring financial metrics, quality banking service provision and social impact lending. Net asset value per share has increased to £1.16 (2023: £1.06) in the year. The Bank has expanded available deposit products and strengthened customer servicing provision for all business and charity customers during the year. The ongoing investment in systems and people has also allowed us to better measure and report our social impact, with the publication of our inaugural social impact report, which will be updated annually.

The Bank's CET1 ratio, a key measure of financial strength, improved significantly last year due to the new capital received in March 2023. For the year 2024, this, remains at 21.2% (2023: 23.1%). The Bank's total capital requirement is 13.0%. The Liquidity Coverage Ratio increased to 408% (2023: 315%) and continues to be significantly higher than regulatory requirements. The combination of lending growth and interest rate rises has meant that the Bank's annual Net Interest Margin (NIM) grew to 3.95% (2023: 2.32%). The loan to deposit ratio reduced to 50% (2023: 51.7%) driven by the increase in deposits from non-Salvation Army customers by 25% to £74.7m (2023: £59.6m).

Outlook
The economic outlook remains uncertain. The change in government will inevitably have some impact on the banking industry and the economy more generally, but the timing of expected future interest rate falls is also subject to several factors outside the UK's control. The Bank is in a good position to manage the risks and deliver the strategic plan, against this backdrop, with strong liquidity and capital ratios boosted by record profits this year.

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 in the last 130 years, its original purpose has not been lost and through a gift aided share of allowable profits, over £2 million has been returned to its owners in the past decade. Today, the Bank's depositors include many private individuals as well as charities and businesses, attracted by our proposition, and who share and value the Bank's ethical principles.

VISION, MISSION AND VALUES

Our Vision
To be an enduring ethical bank that exists to enable positive social impact.

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 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 Social Impact businesses are targeted for lending, banking and deposits. The Bank continues to deepen its knowledge and market size in line with lending and risk criteria set by the Board.

Managing and enhancing the existing control environment and technology foundations programme has been a key focus. Additionally, loan book growth and further interest rate rises have driven record level monthly operating profits for the 2023/24 financial year. The ‘foundations plan ‘looked at profitability and market challenges in each of the Bank’s many product areas. As a result, and a key plank of the new 5-year strategic plan was the exit from certain segments including personal current account banking and ISAs.

The focus for the year 2023 / 2024 remained:

Develop, Empower & Retain our people
We want our People to live our Values, with the common goal of delivering the Bank’s strategy. We will support them to become the best version of themselves

Grow our Customer Base
We want to become famous in our niche sectors and for our mantra of “Giving Money Meaning” and to create a customer following who shout about our distinctive customer experience

Accelerate Digital Transformation
We want to close out our resilience building foundations to focus on our ambition of a modern infrastructure that will support our growth plans

Strengthen our Control Framework
We want to build robust data and processes that drive effective risk management, governance, reporting and forecasting

STRATEGIC PILLARS

Aligning with the Salvation Army

Our mission is to continue our contribution to social purposes through our products, thus extending The Salvation Army’s charitable work and adopting a truly socially responsible operating model.

Measuring Societal Impact

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

Sharpening Marketing and Product delivery

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 continues to redefine its customer experience, with deeper focus on specialised segments

STRATEGIC REPORT (continued)

Diversifying and growing deposits and fee income
Primary focus of the Bank remains on charity and small to medium sized (SME) markets driving business banking, deposits and fee income. In the year, the Bank partnered with two deposit aggregators to diversify and grow its funding portfolio. It continues to work on improving it's deposit product range including 1 and 2 year fixed rates.

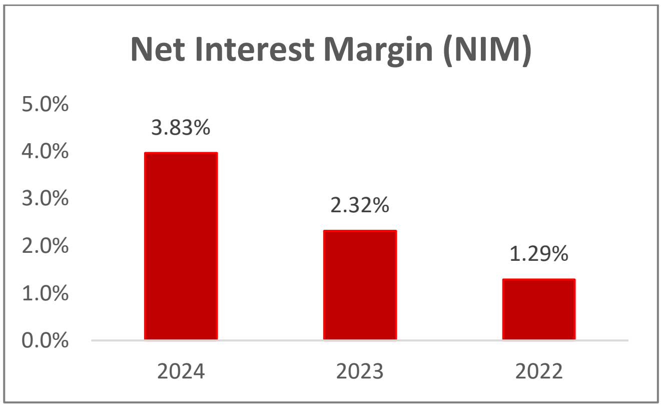
Enabling Strategic Partnerships
As the Bank matures, it continues to identify and leverage partnerships with peer group banks, social finance funds and charities. There are projects ongoing in this area for each of the Bank's specialist products.

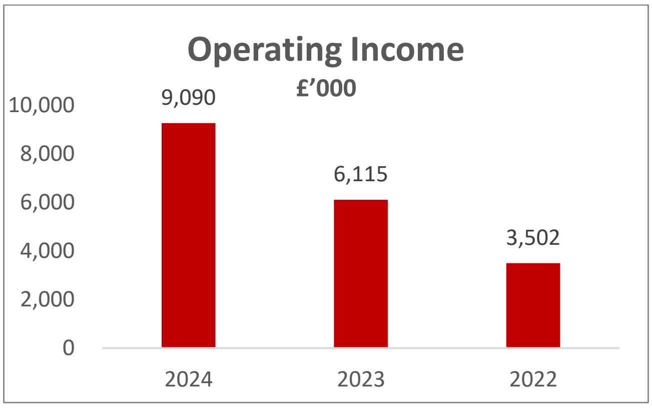
Operating platform transition
In the year, the Bank has accelerated its efforts on the digital and operational transformation to modernise its systems and process. The investment in enhancing its technology and change function was the first step of this journey.

Maintaining a resilient business model
Steadily growing the loan book, prioritising safe, well controlled lending through diversified sectors and products. The Bank continues to build capability by ensuring we have a clearly stated target operating model for every area of the business along with mapped future resources. Operational resilience is embedded within its business model.

FINANCIAL REVIEW
Below are the highlights of our performance against the key financial indicators critical to our success:

Net Interest Margin (NIM) and Operating Income

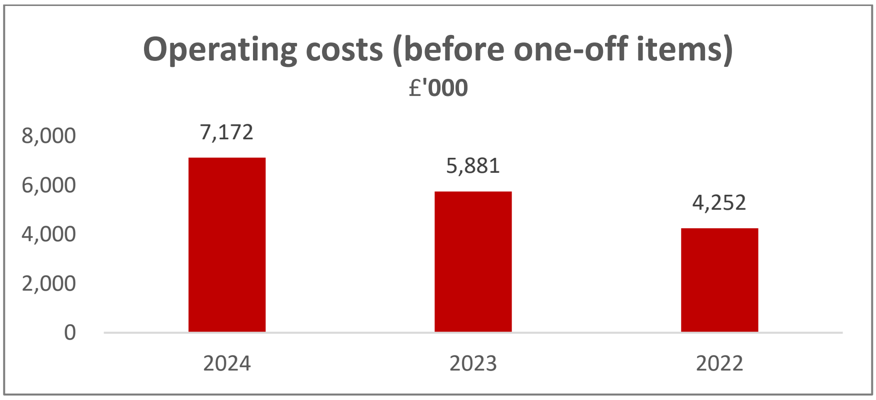




- Net Interest margin represents net Interest receivable as a percentage of average total assets. For 2024, this increased to 3.83% (2023: 2.32%). Average assets are determined by taking average of the balance sheet of the current month and the previous month.
- Operating Income refers to Net Interest Income net of any fees and commissions payable. For 2024, the Bank saw an increase in Operating income of £3.2m to £9.1m (PY: £6.1m).
- The increase in the Net Interest Income was driven by strong business margins across the commercial lending portfolio as well as an increase in Interest income driven by Treasury investments.

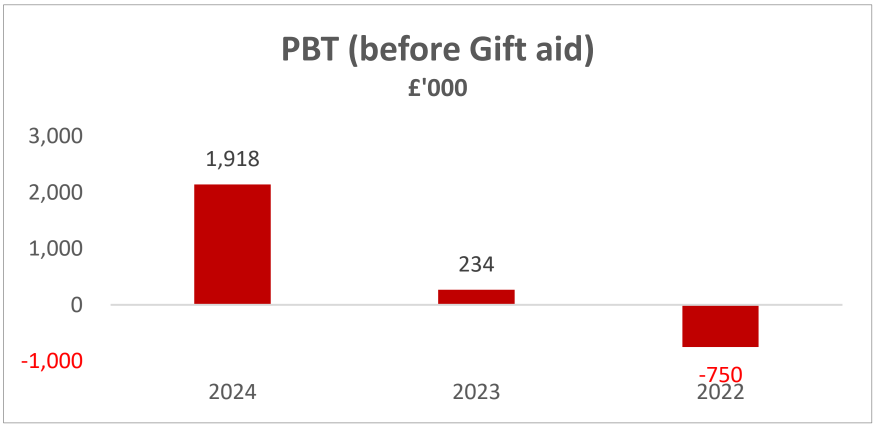
STRATEGIC REPORT (continued)

Operating Costs (before one off items)



- Operating costs are primarily made up of Employee expenses, Information technology (IT) costs, premises and other costs associated with running the business.
- Whilst the costs are higher in 2024, the Cost Income ratio reduced to 77.1% (2023: 80.5%).
- Increase in costs reflects the amount of investment to facilitate regulatory expectations, in addition to the significant investment in people, risk frameworks and IT.

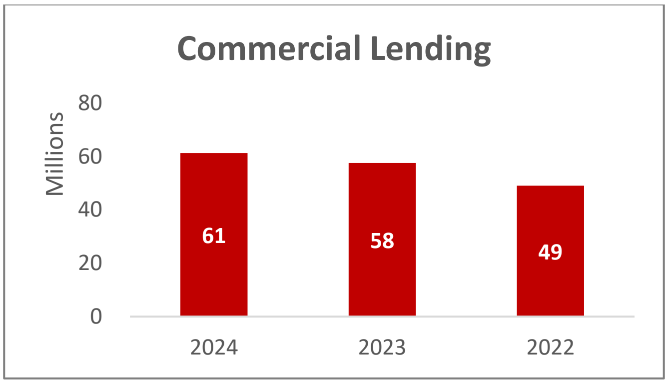
Profit before Tax

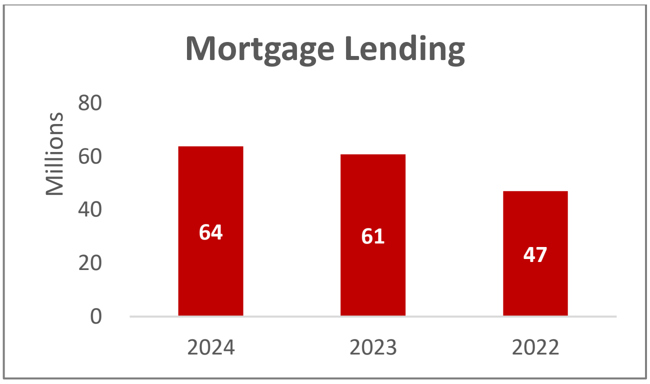


- In 2024, the Bank generated Profit before Tax (PBT) of £1.9m (2023: £0.2m).
- Driven by the growth in the lending portfolio whilst minimising cost of funding and managing administrative expenses.
- The Bank continues to grow its profits sustainably and in line with its mission to deliver positive societal outcomes aligned to the mission of The Salvation Army.
- A gift aid donation of £0.1m was paid in 2024 (2023: nil).

STRATEGIC REPORT (continued)

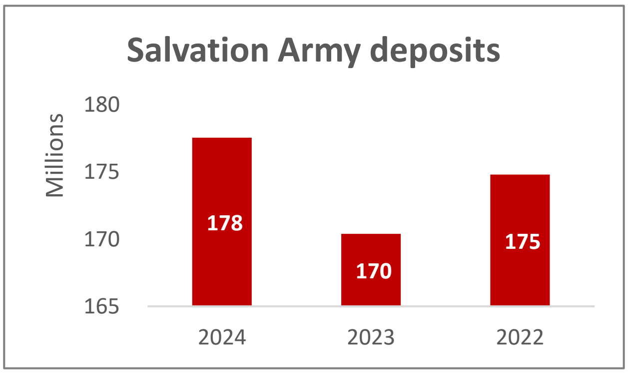
Lending – Commercial and Mortgages

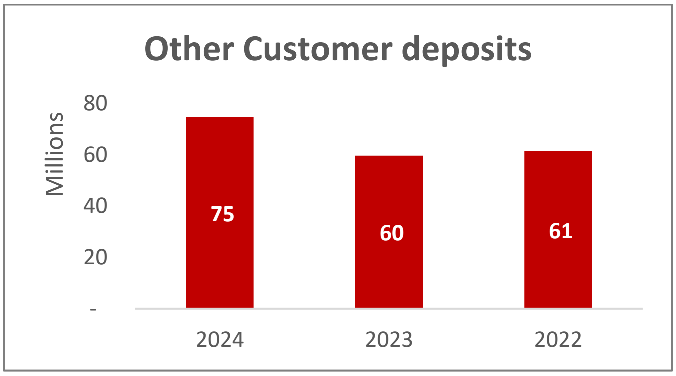




- Total lending for the year was £125m, expanding positive social impact with lending to businesses and organisations who meet the Bank's criteria.
- Commercial new lending in the year was £15.2m bringing the total commercial lending book to £61.4m (2023: £57.6m)
- Mortgages saw new lending of £9.2m, growing the mortgage book to £63.9m (2023: £60.9m)
- Whilst redemptions have remained high in the year across the lending portfolio, the mix of the book is changing with reduced large exposures, more social impact and improved fees and margins.
- Lending pipeline remains resilient despite a highly competitive market.

Savings and Deposit Balances

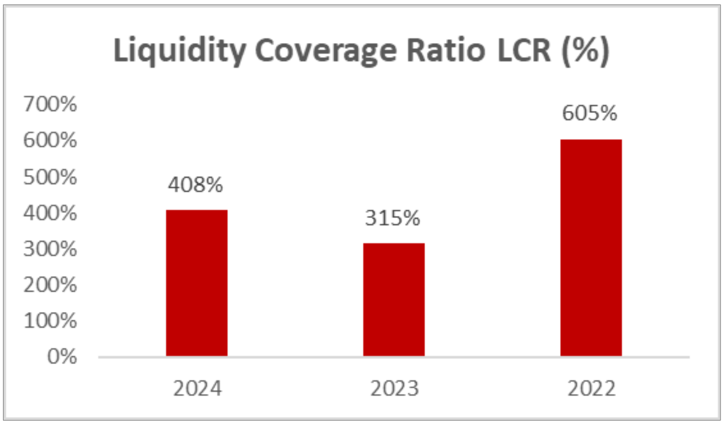




- Total deposits increased to £253m from £230m in 2023. Growth observed in both Salvation and Non-Salvation army deposits.
- Non SA deposits increased driven by new fixed term and notice account launches, supported by recent partnerships established with deposit aggregators.

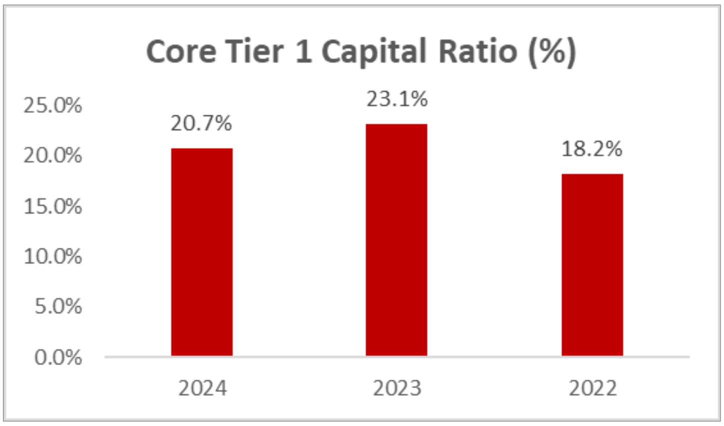
STRATEGIC REPORT (continued)

Liquidity



- LCR is High quality liquid assets as a % of expected net cash outflows (expected cash outflows less capped expected cash inflows) over a 30-day stressed period. LCR for 2024 was 408% (2023: 315%) reflecting increase in its deposit balances.
- The Bank has a simple liquid asset holdings structure, reflecting its low-risk appetite for treasury counterparty credit risk
- The Bank's high quality liquid assets currently comprise balances held at the Bank of England and Regulated Covered Bonds.
- The Bank has utilised surplus liquidity to fund its loan growth this year and a key strategic goal for 2023 onwards is to drive customer acquisition in its target markets.
- Total advances to customers are restricted to 65% of total customer deposits ie 35% of customer deposits / reserves should be held in treasury investments to repay customers as and when they wish to withdraw their funds

Capital



- Core Tier 1 Capital as a % of total risk weighted assets.
- CET1 ratio for the year was 20.7% (2023: 23.1%) exceeding regulatory requirements.
- There was a capital injection of £7m reflecting the increase in capital ratios for 2023.
- The Bank has a simple capital structure, and all capital resources qualify as Common Equity Tier 1 (CET1). There are small amounts of regulatory adjustments to capital in Tier 2 relating to the add back of general provisions and deduction of intangible assets. The Bank has not issued any AT1 or T2 capital instruments
- As at 31 March 2024, the Bank's Leverage Ratio (excluding claims on central banks) decreased to 10.8% (2023: 11.5%) as the capital base increase was outweighed by the total assets year on year.

STRATEGIC REPORT (continued)

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.

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

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

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

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

The principal categories of risk affecting the Bank and their effective management are outlined below:

Credit Risk

The risk that borrowers will default on their loan obligations, or the treasury counterparties fail to meet their obligations to repay, leading to financial losses.

Credit risk is principally controlled by:

- Implementing robust credit assessment and underwriting standards. Credit policies establish authorisation limits, monitor exposure levels to counterparties and verify the creditworthiness of counterparties prior to approval of the facility.
- Regular monitoring of positions identifies where payments have been missed or if facilities are exceeded.
- Ensuring the loan loss provision is adequate and covers any unforeseen delay/ missed payment.
- In respect of treasury counterparties, the financial risk policy requires deposits to only be placed with financial institutions of high credit quality, both in terms of agency ratings and, by definition, the PRA's credit quality steps.

The Bank adopts a conservative lending policy, which has resulted in historically low levels of bad debts.

Operational Risk (includes Compliance, Operational Resilience, Regulatory and Conduct Risk)

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, people or external events. It includes customer management, outsourcing, physical security, change management, supplier and external and regulatory reporting risks. Operational risks are identified on an inherent and an emerging basis, as well as at gross and net levels, and are managed and mitigated in accordance with Board risk appetite.

Operational risks are mitigated by:

- Implementing strong internal controls and risk management frameworks. The Executive Management are responsible for identifying potential risks and ensuring that adequate controls are in place to mitigate risks.
- Day-to-day management of operational risk carried out as an integral part of conducting the Bank's business by the relevant functional heads and risk owners.
- Regular audits and reviews of the processes and systems are conducted.
- Monitored and reviewed on a regular basis by the Executive Risk and Compliance Committee (RCC) and BCRC, who receive reports from the business and from the second line's compliance monitoring programme.
- Providing ongoing training to all employees on risk awareness and management.

RCC meets at least monthly, and reviews reports which are provided to BCRC. The Bank has outsourced its internal audit function to Grant Thornton to benefit from a broader and deeper skill set than it could employ internally. Their wider industry exposure also helps ensure that the Bank is meeting its regulatory requirements, and they report at least quarterly to Board Audit Committee (BAC) including for horizon scanning purposes.

The Bank continues to enhance its risk management systems capability to better capture controls effectiveness and to facilitate Risk Owner sign off.

Information Systems (IS) Risk

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

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

Strategic Risk (including Capital Risk)

The risk of adverse business decision, or the failure to implement appropriate business decisions, affecting the bank's strategic objectives and goals or the sufficient capital available to absorb losses and meet regulatory requirements.

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

Mitigants include:

- Monitoring the performance against the strategic plan closely by the Executive Committee and Board.
- Conducting stress tests and scenario analysis to evaluate the impact of adverse conditions on the bank's capital position.
- Maintaining a capital buffer and setting a board risk appetite that is above the minimum regulatory requirements and allows to absorb any unforeseen losses.
- Management is held to account against objectives by the Remuneration Committee.
- The Bank manages strategic risk by regularly updating and analysing strategic plans to align with market conditions, business model, the Bank's values, culture and future aspiration, shareholder alignment.

Total Loss Absorbing Capital (TLAC) and Minimum Requirement for Eligible Liabilities (MREL) regulations became effective from 1 January 2019. The Bank is in the lowest resolution risk level category where MREL requirements are set to equal the level of Pillar 1 and Pillar 2 requirements also known as the Total Capital Requirement (TCR). The Bank's TCR as of 31 March 2024 is 13.1% (2023: 9.7%). On 5 July 2023 the Bank of England's Financial Policy Committee increased the UK Countercyclical Buffer (CcyB) rate from 1% to 2%, meaning that the Overall Capital Requirement (OCR) stands at 18.4% (2023: 13.2%).

Liquidity and Interest Rate Risk
The risk that the bank may not have sufficient liquid assets to meet its obligations and the risks that the risk of loss due to fluctuations in interest rate affecting the bank's earnings and economic value.

The Bank adopts a conservative approach to the management of its liquid assets and treasury investments. Counterparty credit risk is discussed above. The Bank can only invest in simple products, approved by the Board and is generally focused on instant access liquidity funds, short term fixed rate certificates of deposit (USD) and floating rate covered bonds (GBP) with a maturity of less than five years. The Bank conducts cashflow forecasts for operational purposes and has minimum credit balance agreements in place with some large depositors. A significant proportion of total balances are committed to remain with the Bank subject to three months' formal notice.

The Bank's medium and long-term liquidity management includes a Liquidity Contingency Plan (LCP).

Mitigants of these Risks include:

- The Bank's policy sets out the wide range of processes and controls that the Bank uses to monitor and control liquidity and interest rate risk.
- Reporting includes a dashboard of financial risk information including the maturity of assets and liabilities between time periods, to the Executive Asset and Liability Committee (ALCO).
- Regular stress testing to ensure that it holds adequate liquid assets to protect customers in the case of a severe but plausible stress scenario.
- An annual Internal Liquidity Adequacy Assessment Process (ILAAP) is completed, which also details the liquidity systems and controls in place to ensure the Bank maintains adequate liquidity resources.
- The Bank's liquidity position and large exposures are monitored periodically in line with financial risk policy against targets and limits set by the Board in line with the PRA's parameters. Capital adequacy is regularly monitored on an actual and forecast basis against an early warning indicator set above a minimum regulatory target, the calculation rules for which are set by the PRA.

STRATEGIC REPORT (continued)

Pension Obligation Risk

The multi-employer defined benefit pension scheme has been closed to new members and in 2023 members voted to close the scheme to future accrual from May 2023. However, there is still a risk that fund assets will not meet liabilities as they fall due for remaining members. A number of assumptions are made in valuing the scheme including assumptions on discount rates, inflation, mortality rates and salary increases. The scheme is subject to triennial valuations and the Bank makes commitments to pay up its share of any shortfalls arising. Note 21 provides more information on this.

Climate Change Risk

The risk of financial loss and operational disruption due to climate-related factors, including physical risks (E.g. extreme weather events) and transition risks (e.g. 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 low carbon model.

The Bank has no direct funding links to carbon-emitting industries, so has no exposure to high-risk sectors for the direct impacts of climate change (coal-fired power stations etc). The indirect financial risks of climate change, however, are wider and the Board has categorised these risks as high, medium and low.

The high-risk elements mainly focus on the impact of flooding on property security held by the Bank, and also the increased costs of insurance for the Bank in relation to its own property and its supply chain.

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

Addressing Climate change risks is essential for the long-term sustainability of the bank, and the bank continues to evolve its efforts to better navigate the challenges posed by climate change and seize opportunities in the transition to a more sustainable economy.

Reputational Risk - Social Impact Banking

The risk of damage to the Bank's reputation, leading to loss of customer trust and business.

Owing to the Bank's ethical focus, reputational risk is of particular relevance. Undertaking business with integrity is crucial to the Bank in building trust with customers and has seen the Bank benefit from many new business introductions from existing customers. Providing products that meet customers' needs, together with delivering excellent customer service in a fair and transparent manner has been engrained in the Bank's culture for many years and continues to be the focus of our attention.

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

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

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

Section 172 recognises that companies are run for the benefit of shareholders, but that the long-term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the company's activities. In considering this, the directors have identified the following stakeholders, in addition to the shareholder:

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

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

- Approving the strategic plans to expand headcount and restructure Executive Committee.
- Approving significant investment in premises from April 2024
- Reviewing and driving enhancements in the Bank's Consumer Duty framework.

BY ORDER OF THE BOARD

Paul Croucher
Chief Executive Officer
23 July 2024

DIRECTORS' REPORT

The Directors have pleasure in presenting their report, together with the accounts of the Bank, for the year ended 31 March 2024.

BUSINESS REVIEW AND OBJECTIVES

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

ETHICAL POLICY

The Bank's ethical stance is driven by its shared principles with our shareholder and at 31 March 2024 65% (2023: 65%) of the loan book is 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 / 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 on-going work of The Salvation Army; either be in the form of gift aid donations made to the Bank's shareholder or by increasing the value of the shareholder's investment in the Bank through retained earnings.

CUSTOMER COMMITMENT

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

The Bank deals fairly with customers at all times and takes complaints very seriously. Feedback is also invited from new customers in 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 from July 2024, the Bank will have 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
Martyn Croft
Paul Croucher* – Chief Executive Officer
Nikki Fenton* – Deputy Chief Executive Officer
Robin Foale
Malcolm Hayes (resigned 4 May 2024)
Guy Herrington
Commissioner E. Jane Paone
Jan Smith
George Stylianides (appointed 1 October 2023)
Claire Sunderland Hayes (appointed 4 May 2024)
**Executive Directors*

Non-Executive Directors received no remuneration for their services to the Bank (note 5). Aggregate remuneration information for 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 (Inc Pension)**
Executives (8)	£837,892

Executives do not receive variable remuneration.

The highest paid Director received emoluments of £203,426 including benefits and pension contributions. The Bank does not provide remuneration to the Non-executive directors and does not contribute to the pension scheme on their behalf.

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.

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 company's website.

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 are no post balance sheet events.

GOING CONCERN

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

The Bank's assets consist of a well-diversified loan and treasury investments. The quality of the assets is supported by low levels of non-performing loans (NPLs), favourable loan to value (LTVs) ratios and high-quality liquidity assets along with other investments. The Bank's liabilities are mainly customer deposits, which include 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 taking into account 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 Bank's shareholder invested £7 million of ordinary share capital in March 2023, which will support the Bank's continued loan growth and objective of increasing financial returns.

DIRECTORS' REPORT (continued)

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

BY ORDER OF THE BOARD

Nikki Fenton
Company Secretary
23 July 2024

CORPORATE GOVERNANCE REPORT

The Bank's corporate governance framework was restructured and strengthened as at 1 April 2022, when the previously established Audit, Risk and Compliance Committee was split into two separate committees the Board Conduct, Risk and Compliance Committee and the Board Audit Committee.

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

The Board believes that the disclosures set out in the Statement from the Chair of the Board and the Strategic Report provide the information necessary for our Shareholder to assess the Bank's position and performance, business model and strategy. In addition, the Shareholder appoints representatives to the Bank's Board and management provide regular performance updates throughout the year.

Board and management

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

The Board meets at least six times a year, holds an annual strategic planning day and receives regular management information. All members of the Bank's Executive Committee attend the Board meetings and provide an update to the Directors on progress against the strategic and operational goals. The Board's principal responsibilities consist of determining the business strategy of the Bank, setting risk appetite, reviewing the financial performance and providing oversight of management as they deliver the strategic plan.

The Board began the year with seven Non-Executive Directors pending the recruitment of George Stylianides, the new Chair of BAC. During the year, a non-executive director provided notice of their intention to resign at the end of their term and, following a robust search, a new Non-Executive Director was appointed in May 2024. The Board has determined that the following are designated as independent Non-Executive Directors: Martyn Croft, Malcolm Hayes, Guy Herrington, Jan Smith, George Stylianides and Claire Sunderland Hay. 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 are designated as 'Approved Persons' under the rules of the Prudential Regulation Authority and the Financial Conduct Authority (the Bank's regulators). Each Approved Person has a Statement of Responsibilities clearly defining the areas and activities of the Bank's affairs for which they take individual responsibility and for which they are accountable.

New Board members undergo induction training, and all directors are expected to participate in relevant training courses and otherwise maintain an appropriate level of knowledge, particularly with regard to regulatory matters as they affect the Bank. The Board reviews its performance by means of a formal annual self-appraisal questionnaire. Actions are agreed to take forward any identified improvements and their implementation is subsequently monitored by the Board.

The Board delegates some of its powers to the following committees, the membership of which is shown below, 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
Martyn Croft	3 (6)	5 (5)	1 (2)		
Paul Croucher	6 (6)				
Nikki Fenton	6 (6)				
Robin Foale	6 (6)				
Malcolm Hayes	6 (6)	5 (5)		4 (4)	
Guy Herrington	6 (6)	4 (5)		4 (4)	2 (2)
Commissioner E. Jane Paone	6 (6)		2 (2)		
Jan Smith	3 (6)	3 (4)	2 (2)	2 (4)	2 (2)
George Stylianides	4 (4)	2 (2)		2 (2)	
Justin van Wijngaarden	6 (6)		2 (2)	2 (2)	2 (2)

Board Conduct, Risk & Compliance Committee (BCRC)

The Committee, which met to discuss a full agenda on five occasions during the year, was chaired by Malcolm Hayes. The Committee also met five 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, mitigation, monitoring and management of risks, reviewed the outcomes of the compliance monitoring plan and internal audits, and monitored the actions taken by management. It reviewed the adequacy and effectiveness of risk control by management.

From 1 January 2024, after onboarding an independent Chair of BAC, the Board reviewed its delegated responsibilities for the oversight of internal audit and transferred it from BCRC to BAC. The Committee is chaired by an experienced iNED and since 1 January 2024, must meet at least four times a year. The Executives are invited to attend BCRC meetings and up until the responsibilities were transferred to BAC, Internal Audit presented their findings quarterly to BCRC. The Directors meet annually with the internal auditors without the Executives present and the CRO also meets BCRC independently. The Chair of the Board is not a member of the Committee but is invited to attend.

Remuneration Committee (RemCo)

The Remuneration Committee met two times during the year and is chaired by Jan Smith. It has authority delegated by the Board to approve the Bank's remuneration policy and oversee decisions that are governed by that policy. The Committee is responsible for ensuring that remuneration processes are fair and appropriate and do not encourage excessive risk taking. Performance against the strategic plan is monitored closely by the Board. Management 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 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 twice during the year and has authority delegated by the Board to evaluate the skills and experience of the Board and consider succession planning, in conjunction with the Remuneration Committee. It recommends to the Board, the appointment of directors, the CEO and the Executive Management. The Committee is chaired by the Chair of the Board and meets at least once annually. Additional meetings are held as the work of the Committee demands.

Board Audit Committee (BAC)

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

The Committee was chaired by the Board Chair until October 2023 and by George Stylianides thereafter, and met four times during the year. From 1 January 2024, after onboarding an independent Chair of BAC, the Board reviewed its delegated responsibilities for the oversight of internal audit and transferred responsibility from BCRC to BAC. The Committee meets at least four times a year.

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.

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

Executive Risk and Compliance Committee - chaired by the Chief Risk Officer, meets monthly to undertake a detailed review of the Bank's identified and emerging conduct, risk and compliance issues.
Executive Credit Committee - chaired by the Chief Risk Officer, meets weekly, to consider and approve lending applications within approved authority, review credit policy, review monthly credit MI and provide oversight for watch list accounts and any forbearance considerations.
Executive Assets and Liabilities Committee - chaired by the Deputy Chief Executive Officer, meets at least six times a year to provide financial risk management oversight including on capital, interest rate, funding and liquidity risks and provide approval of all product structures and pricing within a Board approved product development policy framework.

RE-ELECTION OF THE BOARD

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

BY ORDER OF THE BOARD

Nikki Fenton
Company Secretary
23 July 2024

Independent Auditor's Report to the Members of Reliance Bank Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Reliance Bank Limited ("the Bank") for the year ended 31 March 2024 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 25 October 2018 to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 6 years, covering the years ended 31 March 2019 to 31 March 2024.

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 FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Bank.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' assessment of the Bank's Going Concern and challenging the assumptions and judgements made with regards to their forecast and stress tested scenarios. This included a sensitivity analysis around key assumptions and judgements such as revenue growth rates, loan book growth rates, costs, loan loss provisioning and interest rates by benchmarking to observable market data;
- Engaging our regulatory experts to review the Bank's capital stress scenario & ILAAP to assess whether it is consistent with the Directors' going concern assessment;
- Holding discussions with the Directors on whether events or conditions exist that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern. We corroborated those discussions by agreeing information acquired to supporting documents such evidence of cash flow forecasts and minutes of meetings of Board of Directors. This included performing inquiries with the audit team of the ultimate parent to assess the impact of the Group strategy with regards to the Bank if relevant;
- Considering whether the budgeting and forecast models utilized were appropriate for the Bank. Reviewing the outcome of the Bank's prior year budgets against the actual outcomes to assess the reasonability of assumptions applied;
- Reviewing the Directors' forecasted position against capital requirements to evaluate the reasonability of the Director's assessment.

- Assessing how the Directors have factored in key external factors expected to impact the Bank such as rise in interest rates, falling house prices, climate change and cyber-attacks and their corresponding economic impact, checking these had been appropriately considered as part of the Directors' going concern assessment.
- Reviewing the going concern disclosures included in the Annual Report and Financial Statements in order to assess that the disclosures were adequate, consistent with the Directors' going concern assessment, and in conformity with the reporting standards; and
- Inspecting the correspondences with regulators, performing inquiries with regulators, assessing the impact of the Directors' plans and sensitivities on the Bank's liquidity requirements and its overall current capital requirements for the twelve months following the date the financial statements are authorised for issue.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Bank's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the Annual report and Accounts;
- Our own qualitative risk assessment taking into consideration the sector in which the Bank operates and how climate change affects this particular sector; and
- Review of the minutes of Board of Directors and Board Audit Committee meeting and other papers related to climate change and performed a risk assessment as to how the impact of the Bank's commitment as set out in the Strategic report may affect the financial statements and our audit.

We also assessed the consistency of managements disclosures included as 'Other Information' on pages 4-23 with the financial statements and with our knowledge obtained from the audit. Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Overview

Key audit matters		2024	2023
	Revenue Recognition (Effective Interest Rate)	✔	✔
	Loan Book Provision	✔	✔
Materiality	*Financial statements as a whole* £233,000 based on 1% of Net Assets (2023: £212,000 based on 1% of Net Assets).		

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue Recognition (Effective Interest Rate) Please see the accounting policies in Note 1 for: Judgements and key sources of estimation: -Financial instruments: and Revenue recognition. Further information is also included in Note 2: Interest Income.	The loans and advances to customers is held at amortised cost as presented in Note 10 to the financial statements and contain prepaid arrangement and procurement fees as well as accrued interest income which is spread over the behavioural life of the loans using the effective interest rate method. The recognition of interest receivable on loans and advances to customers under the effective interest rate method requires the directors to make significant judgements and estimates, with the most critical estimate being the loans' expected behavioural life as further discussed in Note 1 to the financial statements. Management uses a model in estimating the behavioural life. The existence of errors or bias in the application of these assumptions could result in a material misstatement of revenue. For these reasons, we considered the behavioural life assumptions of business loans within revenue recognition to be a fraud risk and a key audit matter.	Our testing included but was not limited to: • We discussed with management to understand their process for recognising revenue using the effective interest rate method, and to identify the key controls and data flows. • We also assessed whether the revenue recognition policies adopted by the Bank are in accordance with requirements of the applicable accounting framework. • We tested the functionality of the management's model including the consistency of the calculations with the Bank's accounting policy. • We assessed the arithmetic accuracy of the model by performing a detailed review of the logic, consistency and integrity of the formulae throughout the model and recalculated the model output. • We checked the appropriateness of management's categorisation with regards to the cohorts used for applying behavioural life expectations against the Bank's accounting policy. • We tested the reasonableness of the assumptions used by management for the behavioural life by performing an independent peer benchmarking to comparable entities using available data. • We assessed the reasonableness of the loan behavioural life assumptions used by management by considering recent historical experience of loan behavioural lives based on customer behaviour, product type, market factors, including the impact of rise in interest rate in the current economic and inflationary environment. Key observations: Based on the procedures performed, we did not identify any matters which would indicate

		that the behavioural life assumptions of business loans within revenue recognition are not reasonable.
Loan Book Provision Please see the accounting policies in Note 1 for: Judgements and key sources of estimation: and loan loss provision. Further information is also included in Note 10(a): Loans and Advances to Customers & (b): Loan loss provisioning	The Bank recognises impairment on loans and advances to banks and customers using an incurred loss model. Directors have calculated two types of provisions: (i) A specific provision is calculated for loans where there is an observable loss event. (ii) A collective provision, ie Incurred But Not Reported ("IBNR") provision is recognised for loans which are impaired as at the Balance Sheet date and whilst not specifically identified as such are known from experience to be present in any portfolio of loans. Estimating both the specific and collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows. The significant assumption that we focused on in our audit was the equity hair cut used to calculate the loss given default for business loans which had a greater level of management judgement and we considered this to be a significant risk and key audit matter.	Our testing included but was not limited to: • We discussed with management to understand the Credit policy and we tested the key controls for the impairment provisioning. This included controls over annual reviews of the credit portfolio. • We reconciled the loan balances included in the impairment model to the loan book to assess whether the relevant loan populations were being considered for impairment. • We analysed the components of the loan book and obtained an understanding of management's processes for the identification and treatment of non-performing loans. • We challenged the completeness of management's non-performing loan criteria by evaluating the loan book against independent risk criteria identified per the credit policy, mortgage policy and commercial lending policy. • We assessed the relevance and reliability of the valuation of collateral through the use of an index applied by management to the book. • We assessed the appropriateness of the equity hair cut through a combination of benchmarking against market information, including the impact the current macro-economic environment could have on recoverability of loans; • We checked the accuracy of data and key assumption inputs feeding into the model through agreeing them on a sample basis to underlying source data; • We tested the integrity and the mathematical accuracy of the model by independently recalculating the results for the entire portfolio; Key observations: Based on the procedures performed, we did not identify any matters which would indicate that the equity hair cut assumption used in the loan loss provision for loans and advances to customers is unreasonably estimated.

Our application of materiality

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

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

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

	2024	2023
Materiality	£233,000	£212,000
Basis for determining materiality	1% of Net Assets	1% of Net Assets
Rationale for the benchmark applied	We determined that Net Assets was the most appropriate benchmark considering the different stakeholders and this is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Bank as well as the purpose of the Bank which is to optimise rather than maximise profits. There has been no revisions in the benchmark applied in the current year as Net Assets remained a suitable benchmark.	
Performance materiality	£151,800	£137,800
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Bank's overall control environment and history of misstatements, our judgement was to maintain performance materiality at 65% (2023: 65%) of materiality in the current year.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of £4,000 (2023: £4,200). We also agreed to report differences below this threshold that, in our view warranted reporting on qualitative grounds.

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

	• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the 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.

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

In our opinion the information given in Note 30 for the financial year ended 31 March 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

As explained more fully in the Responsibilities of Directors, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Bank and the industry in which it operates;
- Discussion with management and those charged with governance; and

- Obtaining and understanding of the Bank's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the applicable accounting framework, Companies Act 2006 and UK tax legislation.

The Bank is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Prudential Regulation Authority and Financial Conduct Authority regulations.

Our procedures in respect of the above included:
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with Financial Conduct Authority and the Prudential Regulation Authority to identify any instances of non-compliance with laws and regulations and fraud;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:
- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Bank's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be to be management override of controls and in relation to accounting estimates such the EIR and loan loss provisioning.

Our procedures in respect of the above included:
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- assessing whether judgments made in making accounting estimates were indicative of a potential bias such as EIR and loan loss provisioning as set out in the Key Audit Matters section; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the 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.

Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
23 July 2024

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

RELIANCE BANK LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024	2023
		£	£
Interest Income			
- On Debt Securities		906,012	422,427
- On Loans and Advances to Customers		6,720,038	4,295,434
- Other		4,004,050	2,059,797
	2	11,630,100	6,777,658
Interest Expense	3	(2,908,023)	(1,048,467)
Net Interest Income		**8,722,077**	**5,729,191**
Fees and Commissions Income		844,088	777,631
Other Operating Income		30,214	76,718
		874,302	854,349
Fees and Commissions Expense		(506,137)	(468,192)
		368,165	386,157
Operating Income		**9,090,242**	**6,115,348**
Administrative Expenses	4	(6,724,210)	(5,166,893)
Amortisation	12	(175,719)	(202,157)
Depreciation	13	(262,446)	(163,034)
Revaluation of Investment Property		-	(128,301)
Impairment Charge on Loans and Advances	10	(9,455)	(221,018)
Operating Expenses		(7,171,830)	(5,881,403)
Profit before Tax	**5**	**1,918,412**	**233,945**
Taxation Charge	6	(67,671)	(106,772)
Profit on Activities after Tax		**1,850,741**	**127,173**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2024	2023
Profit / (Loss) on activities after tax		1,850,741	127,173
Other comprehensive loss: Revaluation of Property*			(320,312)
Deferred tax rate change related to OCI items	19	-	-
Total Comprehensive Profit / (Loss) for the year		**1,850,741**	**(193,139)**

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

RELIANCE BANK LIMITED
BALANCE SHEET AT 31 MARCH 2024

	Notes	2024	2023 Restated
		£	£
ASSETS			
Cash and Balances at Central Bank	7	99,657,428	83,261,986
Loans and Advances to Banks	8	9,342,232	5,605,201
Loans and Advances to Customers	10	125,748,749	118,818,336
Debt Securities	11	25,735,400	32,981,508
Intangible Fixed Assets	12	147,533	284,207
Tangible Fixed Assets	13	4,035,112	3,620,828
Investment Property	14	-	603,774
Other Assets	9	11,959,308	6,745,274
Prepayments and Accrued Income	15	267,423	267,150
Total Assets		**276,893,185**	**252,188,264**
LIABILITIES			
Customer Accounts	16	252,228,935	230,049,991
Other Liabilities	17	681,122	616,077
Accruals and Deferred Income	18	915,795	272,543
Deferred Tax Liability	19	67,671	-
Total Liabilities		253,893,523	230,938,611
Called Up Share Capital	20	20,000,000	20,000,000
Revaluation Reserve		811,847	811,847
Profit and Loss Account		2,187,815	437,806
Equity Shareholder’s Funds		22,999,662	21,249,653
Total Liabilities and Equity		**276,893,185**	**252,188,264**
MEMORANDUM ITEMS			
Contingent Liabilities			
Financial Guarantees	22	7,693,614	7,693,614
Commitments	22	8,198,708	7,394,431

The accounting policies and notes on pages 35 to 54 form part of these financial statements. These accounts were approved by the Board of Directors and authorised for issue on 23 July 2024.

Paul Croucher
Chief Executive Officer

Nikki Fenton
Deputy CEO

Company Registration Number: 00068835

RELIANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Called up Share Capital	Revaluation Reserve	Profit and Loss Reserve	Total Shareholder Funds
	£	£	£	£
At 31 March 2022	**13,000,000**	**1,132,160**	**310,633**	**14,442,793**
Revaluation*	-	(320,313)	-	**(320,313)**
Profit for the year	-	-	127,173	**127,173**
New shares issued	7,000,000	-	-	**7,000,000**
At 31 March 2023	**20,000,000**	**811,847**	**437,806**	**21,249,653**
Revaluation*				
Profit for the year	-	-	1,850,741	**1,850,741**
Distributions to Salvation Army			(100,000)	**(100,000)**
New shares issued				
Adjustment			(732)	**(732)**
At 31 March 2024	**20,000,000**	**811,847**	**2,187,815**	**22,999,662**

The accounting policies and notes on pages 36 to 63 form part of these financial statements.

RELIANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024	2023
		£	£
Net cash inflow/(outlflow) from operating activities	23	18,698,728	(28,182,841)
Net cash inflow from investing activities	24	6,724,219	1,766,363
Net cash inflow from financing activities	25	(100,000)	7,000,000
Increase/(Decrease) in cash and cash equivalents		**25,322,947**	**(19,416,478)**
Cash and cash equivalents at the beginning of the reporting period		94,595,127	114,011,605
Cash and cash equivalents at the end of the reporting period		**119,918,074**	**94,595,127**

		2024	Cash flows	2023
				Restated
Analysis of cash balances & change in net debt		£	£	£
Cash in hand and balances with the Bank of England		99,657,428	16,395,442	83,261,986
Loans and advances to credit institutions on demand	8	8,310,112	3,713,995	4,596,117
Other Assets – Monetary Market Funds	9	11,950,534	5,213,510	6,737,024
		119,918,074	**25,322,947**	**94,595,127**

The accounting policies and notes on pages 36 to 63 form part of these financial statements.

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2024

1. ACCOUNTING POLICIES

Statement of compliance

Reliance Bank Limited is a limited liability company incorporated in England. The Registered Office is Faith House, 23-24 Lovat Lane, London EC3R 8EB. The Bank's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 March 2024. The Bank is applying the provisions of FRS 102 sections 11 and 12 and has not elected to apply the recognition and measurement provisions of IAS 39.

Basis of preparation

The financial statements of the Bank were approved for issue by the Board of Directors on 23 July 2024. The financial statements have been prepared on a historical cost convention modified to include land and buildings at fair value in accordance with FRS102 and using a going concern basis. Accounting standards require the Directors to assess the Bank's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the Directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them.

The Directors considered the Bank's financial position, the capital requirements laid out in its forecasts, its access to funding, the assumptions underlying the forecasts and the potential risks affecting them, including those arising from geopolitical instability. Scenario planning considers impacts to inflation, interest income and loan impairment, due to UK and macro-economic factors. A range of different plausible scenarios have been modelled and mitigating management actions considered. After performing this assessment, the Directors have a reasonable expectation that the Bank has adequate resources to remain in operation for at least 12 months from the signing date of the Financial Statements and therefore consider it appropriate to continue to adopt the going concern basis.

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

Judgements and key sources of estimation

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

The main source of estimation relates to impairment of financial assets, where reviews are undertaken, both on an individual and a collective basis. They are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more past events that occurred after the initial recognition of the financial asset, the estimated future cashflows have been affected. Loans and advances to customers are considered on a case by case basis and are provided against in the financial year in which it is anticipated that they may not be recoverable in full (which in practice means when they become non-performing, unless the Bank considers that it has adequate security to cover all balances outstanding plus a margin). See note 9(b) for more details.

The calculation of an effective interest rate requires an estimate of the expected life of the underlying loan assets which is derived using a combination of historical data and management judgement. Any changes to the expected life would result in an adjustment to the carrying value of the loans and the income recognised in the Income Statement. Whilst this is not currently a critical estimate for the Bank, the loan book is likely to grow in the future and the expected life may become a critical estimate. A one month decrease in the expected life of loans would reduce loans and increase income by £1,620.

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

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

Tangible fixed assets and depreciation
The Bank opts to follow the revaluation approach to its freehold property, under FRS102 section 17. A revaluation was completed as in FY ending March 23. This provided an up-to-date value of the Bank's tangible property assets. The Bank is required to classify the portion of the property let to group entities as Investment Property due to the FRS102 s16.4A exemption not being applicable on the revaluation model. The revaluation loss on investment property was recognised in the income statement and the revaluation loss on PPE was recognised in OCI during the previous financial year. There was no change in the revaluation in the current financial year.

For the current financial year the value of the Head Office freehold property is based on a triennial market valuation (last conducted in 2023) which is carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the property being valued. The basis of the market valuation was an estimation for which the property would be exchanged between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. This assumes that the property is free from structural or other defects that would materially affect the market value. The method of valuation used was based on capitalisation yields in the area. An external valuation was not obtained during the current year.

Property, fixtures and fittings and equipment are stated at cost or revaluation less accumulated depreciation and accumulated impairment losses, except where they are classed as Investment Property.

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

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

Investment Property
The proportion of the head office building, which is not occupied by the Bank, but rented out, is classified under FRS102 as Investment Property and held at fair value. Any change in fair value during the year resulting from an annual valuation is recognised through the income statement. The value of the Investment Property is based on a triennial market valuation (last conducted in 2023) which is carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the property being valued. Based on the triennial valuation approach, the Directors deem the valuation in March 23 still relevant, requiring no further revaluation.

The significant assumptions in the valuation include that the property is free from structural or other defects that would materially affect the market value and that it is appropriate to base the valuation on capitalisation yields for the area.

However, during the financial year, investment property ceased to exist as the lease of top floor of Head office to the shareholder, was not renewed and transferred to freehold building assets. The depreciation charge for the period following the cessation of the lease for the freehold building has been charged to Profit and Loss reserve

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

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. The collective provisions are sometimes referred to as "incurred but not reported" provisions. 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, this 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 characteristics. It helps ensure that the provisions are more accurately aligned with the underlying credit

risk of the overall loan portfolio, enhancing transparency and reliability in financial reporting.

Segmentation

Following the assessment of various risk factors, management consider appropriate to segment both the Probability of default (PD) and Loss given default (LGD). In devising the segmentation and agreeing an approach to the calculation, management has used judgement along with qualitative assessment based on available market benchmarks.

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 (LTV) ratios appropriate basis for segmentation mainly because:

- LTV ratios provide valuable insight into the risk associated with the individual loans. A higher LTV ratio indicates a greater reliance on collateral, making the loan more susceptible to loss severity in the event of default. At a lower LTV, there is typically more likelihood to be an alignment between borrower and lender to resolve through a consensual sale, repayment plan whereas at higher LTVs there can be a disincentive for borrower collaboration and historically more likely to see default.

- 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 likelihood of loss in foreclosure or asset disposal. Segmenting LGD based on LTV allows for a more granular analysis of the collateral's impact on potential loss severity.

- 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.

  The indexed LTV bands correlate with the lending criteria of the respective assets at origination i.e. assets deemed high risk at origination are considered high risk in life as well.

LTV limits for mortgages range from 70 – 95% based on purpose, amount, and application type, hence the medium and high LGD bands are set at 75% and upwards. Commercial lending LTV criteria also varies by sector, this ranges from 65 – 70% with exception of other SME which is capped at 60% currently.

As the Commercial loan book is growing, to ensure a more appropriate reflection of expected losses on the loan book, Management has taken steps to receive information on the ongoing valuation of properties using a credible index for commercial properties. In the financial year, the Bank has signed a contract with MSCI to provide quarterly indexation of its commercial portfolio.

Criteria For the year 2023/ 24, the mortgage and commercial PD and LGD segmentation can be summarised as follows:

		Commercial		Mortgages	
Segmentation		Criteria	%	Criteria	%
Probability of default	High	Arrears >= 2MIA (in ££), Probation (6m)	30%	Arrears >= 2MIA (in ££), Probation (6m)	1.61%
	Medium	Arrears > £0 , Watchlist, forebearance	20%	Arrears > £0 , Watchlist, forebearance	1.18%
	Low	All other (not in the above)	10%	All other (not in the above)	1.07%
Loss given default	High	LTV >=80%	35.0%	LTV >=90%	35.0%
	Medium	LTV >=65 - LTV <80%	30.0%	LTV >=75% - LTV <90%	30.0%
	Low	LTV <65%	25.0%	LTV <75%	25.0%

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.

Specific provisions : 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,

The Credit Committee also discussed whether the current economic environment should be reflected in the underlying collective provision assumptions. It was agreed that for each of the last three years its commercial borrowers had been under stress from the pandemic lockdowns and last year the jump in energy prices was a significant impact due to the war in Ukraine. The Bank had seen little stress in the book during these periods with only a handful requiring a forbearance approach and no losses were incurred, therefore other assumptions from the prior years remained unchanged. , therefore management overlay is not relevant.

Deferred tax

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

A net tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more probable than not, that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Financial instruments

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

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

Effective Interest Rate

The annual report and accounts are prepared in accordance with FRS102 which is a different basis to the monthly management accounts.
The EIR is accounted for via an overlay outside the core banking system which records the amount of the timing difference between the banking system approach and the EIR approach. The Bank does this overlay using a Whistlebrook EIR module for mortgages and manually on spreadsheets for commercial loans.

Mortgages are broker-led and the mortgage team manage product end dates proactively to aid retentions. The team's strategy is to ensure that wherever possible, borrowers are transferred onto a new 2- or 5-year fixed rate to avoid redemptions. Each mortgage tranche is relatively small so a personal proactive approach can be taken. The expected life of 2-year fixed rate mortgages is therefore c2 years, with the majority switching at 2 years and similarly 5 years for a 5-year fix product. This behaviour is further evidenced by the low level of customers on our product reversion rates. The last few years has seen a highly unusual, steep increase in market interest rates. The ERC to March 2024 have remained higher than average, however in the Bank's view, this behaviour is not a trend. With interest rates now at their peak, Management strongly believe the level of ERC income going forwards will be similar to that over the period 2018 - 2022.

Management approach was 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.

For commercial loans, previously an average life of 4 years was applied. At the end of March 2024, 2023, only 21 of the loans are beyond this term with the remainder within their behavioural life. The recommendation to leave the behavioural life as it is however approved by BAC.

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 / 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)

Leasing commitments

No assets are held under finance leases. Rentals payable and software licensing arrangements under operating leases are charged in the income statement on a straight-line basis over the lease term.

Pension benefits

The Bank is an employer within The Salvation Army Employees' Pension Fund – a defined benefit funded scheme – which was closed to new members on 31 December 2011 and closed to future service accrual from 1 May 2023. The scheme is a multi-employer scheme, and the actuary has confirmed that it is not practical to allocate the assets of the scheme between participating employers. Pension costs are therefore reflected in the accounts when payments to the pension scheme fall due. The Bank recognises a liability to fund any past service deficit agreed with the Pension Scheme Trustees. Any resulting expense is reflected through the Income Statement. Employees wishing to join the Bank's pension scheme are now only eligible to join a defined contribution scheme. Pension costs for this scheme are also accounted for when payments fall due.

Set-off

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

Contingent liabilities

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

Foreign currency translation

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

Cash and cash equivalents

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

Prior Year Adjustment

The 2023 accounts were restated to reflect the reclassification of balances related to money market fund (MMF) from 'loans and advances to banks' to 'other asset' to align with the requirements of Companies Act. As part of its liquidity management, the Bank holds balances with MMFs that allow withdrawals at a short notice without any penalties. As a result of this restatement, comparatives in Note 8 are impacted.

	2023 Balance	Adjustments	2023 Restated
	£	£	£
Loans and Advances to Banks	12,342,225	(6,737,024)	5,605,201
Other Assets	8,250	6,737,024	6,745,274

2. INTEREST INCOME

	2024	2023
	£	£
Interest receivable on Debt Securities		
- Sterling Certificates of Deposit	-	7,249
- Other Debt Instruments	906,012	415,178
Interest receivable on Loans and Advances to Customers	6,720,038	4,295,434
Interest receivable on Bank and Discount Market Deposits	4,004,050	2,059,797
	11,630,100	6,777,658

All interest income arises within the UK from the conduct of retail banking business.
No loans or advances were made to the Bank's parent company.

3. INTEREST EXPENSE

	2024	2023
Payable to:		
	£	£
Parent Undertaking	195,414	262,705
Third Parties	2,712,609	785,762
	2,908,023	1,048,467

4. OPERATING EXPENSES

	2024	**2023**
Employee Costs (including Executive Directors) (i)	£	£
Wages and Salaries	3,230,739	2,367,905
Social Security Costs	384,286	283,314
Pension Costs (i)	249,619	135,402
Health Benefits	31,077	30,473
	3,895,721	2,817,094
Depreciation and Amortisation	438,165	365,191
Revaluation of Investment Property (see note 13)	-	128,301
Impairment Charge / (Credit) on Loans and Advances	9,455	221,018
Other Administrative Expenses	2,828,489	2,349,799
	3,276,110	3,064,309
Operating Expenses	7,171,830	5,881,403

The average number of employees in the current year was 63 (2023: 47).

(i) £16,654 (2023: £18,290) relates to employer contributions to the defined benefit scheme. Employer contributions to the defined contribution scheme totalled £253,780 (2023: £117,409). No fees were incurred in relation to the defined contribution scheme in the current year (2023: £Nil).

Other Administrative Expenses	**2024**	**2023**
Professional Costs	1,078,845	951,545
Premise Costs	261,663	164,903
Computer Expenses	784,436	691,120
Postage	69,245	95,132
Marketing	130,278	92,532
Other Operational	89,534	47,577
Staff / Recruitment	414,488	306,990
	2,828,489	2,349,799

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

5. PROFIT / (LOSS) BEFORE TAXATION

	2024	2023
	£	£
This is stated after charging / (crediting):		
Directors' remuneration	373,024	304,056
Bankers' comprehensive crime insurance	51,420	34,411
Amounts payable under operating leases	-	431,380
Auditor's remuneration - statutory audit	352,566	303,239
Rental income receivable	(30,214)	(76,718)

Two Executive Directors received emoluments from the Bank during the year, their remuneration in aggregate is disclosed above and this includes pension contributions of £37,695 (2023: £15,083). The highest paid Director received emoluments of £203,426 including benefits and pension contributions. The Bank does not provide remuneration to the Non-executive directors and does not contribute to the pension scheme on their behalf. Executive Directors are eligible to apply for loans on terms that are available to all employees of the Bank. The details of any such loans are disclosed within note 27.

6. TAXATION

	2024	2023
	£	£
Current tax		
UK Corporation Tax	-	-
Current year – Corporation Tax	-	-
	-	-
Deferred tax note (Note 19)		
Current year	67,671	106,772
Tax charge / (credit)	**67,671**	**106,772**

The tax assessed for the year matches the standard rate of Corporation Tax in the UK (25%). A reconciliation from the expense / (credit) implied by the standard rate to the actual tax expense is as follows:

Profit / (loss) on ordinary activities before tax	1,918,412	233,945
Tax charge / (credit) based on the standard rate of Corporation Tax in the UK of 25% (2023: 19%)	479,603	44,450
Effects of:		
Fixed asset differences		3,583
Expenses not deductible for tax purposes	45,085	2,698
Deduction on charitable donation	(25,000)	
Reversal of unrecognised Deferred Tax Asset	(432,067)	(50,731)
Deferred tax movement recognised on losses	-	106,772
Deferred tax movement recognised on prior tear losses re-recognised		
Deferred tax asset impact of change in enacted rate (to 25%)	-	-
Tax charge / (credit)	**67,671**	**106,772**

7. CASH AND BALANCES AT CENTRAL BANK

	2024	2023
	£	£
Cash in Hand	105	105
Balances at Central Bank	99,657,323	83,261,881
	99,657,428	83,261,986

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.

8. LOANS AND ADVANCES TO BANKS

	2024	2023 Restated
	£	£
Bank Balances		
Recoverable on Demand	8,310,112	4,596,117
Bank Deposits		
Recoverable in three months or less	-	-
Recoverable between three and six months	1,032,120	1,009,082
Recoverable between six months and one year	-	-
	9,342,232	5,605,201

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

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 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.

9. OTHER ASSETS

	2024	2023 Restated
	£	£
Other Assets	11,950,534	6,737,024
Other Receivables	8,774	8,250
	11,959,308	6,745,274

As part of its liquidity management, the Bank holds balances with MMFs that allow withdrawals at a short notice without any penalties. The 2023 accounts were restated to reflect the reclassification of balances related to money market fund (MMF) from 'loans and advances to banks' to 'other assets'. As a result of this restatement, comparatives in Note 8 are impacted. As part of its liquidity management, the Bank holds balances with MMFs that allow withdrawals at a short notice without any penalties. As a result of this restatement, comparatives in Note 8 are impacted.

10.(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.

	2024	2023
	£	£
Recoverable on Demand:		
Overdrafts	446,798	327,417
Other Loans and Advances:		
Mortgages	63,859,773	60,906,781
Loans	61,442,178	57,584,138
	125,301,951	118,490,919
	125,748,749	**118,818,33**

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

Recoverable: On demand	829,658	3,220,511
In 3 months or less	6,668,170	3,540,843
In 1 year or less but more than 3 months	6,878,445	8,450,192
In 2 years or less but more than one year	1,607,567	1,225,875
In 5 years or less but more than 2 years	37,231,046	21,339,841
Over 5 years	72,902,317	81,400,073
Impairment provision	(368,454)	(358,999)
	125,748,749	118,818,336

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

Non-Performing Loans and Advances to Customers

Before Provisions	2,153,227	1,857,399
Specific provision applied	(168,000)	(106,376)
After Provisions	1,985,227	1,751,023

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.

10. (b) LOAN LOSS PROVISIONING

	2024 Total	2023 Total
	£	£
As at 1 April	358,999	137,981
Increase in impairment provision	9,455	221,018
		-
As at 31 March 2024	368,454	358,999

As indicated in accounting policies (note 1), following the assessment of various risk factors, management consider appropriate to segment both the Probability of default (PD) and Loss given default (LGD). 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 (LTV) 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.

11. DEBT SECURITIES

	2024	2023
	£	£
Securities Issued by Banks/ Building Societies	25,735,400	32,981,508

Maturity Profile:	2024	2023
	£	£
Debt securities <3 mths	17,817,515	11,469,875
Debt securities 3-6 mths	-	3,266,844
Debt securities 6-12 mths	7,917,885	5,275,477
Debt securities 1-2 yrs	-	12,969,312
Debt securities 2-5 yrs	-	-
	25,735,400	**32,981,508**

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. A geographic analysis of these exposures is included in the Bank's Pillar 3 disclosures.

12. INTANGIBLE FIXED ASSETS

	Computer Software	Total
Cost:	£	£
Brought Forward	1,021,441	1,021,441
Additions	39,045	39,045
	1,060,486	1,060,486
Amortisation:		
Brought Forward	737,234	737,234
Charge for the year	175,719	175,719
Disposals	-	-
	912,953	912,953
Net Book Value at 31 March 2024	**147,533**	**147,533**
Net Book Value at 31 March 2023	284,207	284,207

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

13. TANGIBLE FIXED ASSETS

	Office Furniture, Fixtures & Fittings	Land & Buildings	Total
Cost:	£	£	£
Brought Forward	736,580	4,545,740	5,282,320
Additions	72,757		72,757
Disposals	-	-	-
Reclassification from Investment Property		603,774	603,774
Revaluation of Property	-	-	-
	809,337	5,149,514	5,958,851
Depreciation:			
Brought Forward	511,778	1,149,514	1,661,292
Charge for the year	93,300	169,146	262,446
	605,079	1,318,660	1,923,739
Net Book Value at 31 March 2024	**204,258**	**3,830,854**	**4,035,112**
Net Book Value at 31 March 2023	224,601	3,396,227	3,620,828

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

During the year a portion of investment property was reclassified to PPE, as it ceased to be let out. This portion has been subject to depreciation from the date of reclassification.

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

The carrying value of land and buildings under the historical cost method would have been £4,000,000 (2023: £2,102,060).

14. INVESTMENT PROPERTY

	2024	2023
	£	£
Fair Value at 1 April	603,774	1,573,962
Reclassification to Land and Buildings	(603,774)	(841,887)
Revaluation loss recognised in Income Statement		(128,301)
Fair Value at 31 March	(0)	603,774

Investment property represents the proportion of the head office building, which is let to the Bank's Parent undertaking, on commercial terms. This proportion of the building is held at fair value. However, as the portion of the building let out as investment property was reclassified PPE as from November 2023, the depreciation for 5 months has been added to fixed asset register.

15. PREPAYMENTS AND ACCRUED INCOME

	2024	2023
	£	£
Prepayments	185,957	132,523
Overpayment of Gift Aid Recoverable	-	41,793
Accrued Income Receivable	81,466	92,834
	267,423	267,150

16. CUSTOMER ACCOUNTS

	2024	2023
	£	£
Current Accounts	130,936,528	100,401,297
Deposit Accounts	121,292,407	129,648,694
	252,228,935	230,049,991
With agreed maturity dates or periods of notice by remaining maturity:		
Repayable on demand	185,302,280	161,373,142
3 months or less but not repayable on demand	12,534,369	47,995,574
1 year or less but over 3 months	54,392,286	20,681,275
	252,228,935	230,049,991
Analysis of Connected Deposits:		
Due to Parent Undertakings	38,695,142	28,140,217

The Bank has entered into an overarching minimum credit balance agreement with a key customer. These agreements have been adjusted during the year as agreed by the Bank and now commit total credit balances with the Bank to £75,000,000 subject to 6 months' written notice (2023: £49,000,000).

17. OTHER LIABILITIES

	2024	2023
	£	£
Sundry Creditors	117,843	131,819
Other payables	563,279	484,258
	681,122	616,077

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

18. ACCRUALS AND DEFERRED INCOME

	2024	2023
	£	£
Pension Fund deficit liability	-	-
Accrued interest	915,795	272,543
	915,795	272,543

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

19. DEFERRED TAX LIABILITY

Asset/(Liability)	2024 £'000	2023 £'000
Fixed assets	(76,746)	(113,541)
Tax losses	442,764	1,034,552
Revaluation of investment property	(158,338)	(158,338)
Revaluation of property – OCI	(275,350)	(275,350)
Net Deferred Tax Liability Recognised	(67,671)	

The Bank has unutilised trading losses totalling £1,771,055 (2023: £3,917,190) which are available for carry forward indefinitely. A deferred tax asset on the 2024 unutilised trading losses have been recognised in full. A deferred tax asset was not recognised on these for 2023 due to the uncertainty as to when these would reverse.

20. CALLED UP SHARE CAPITAL

	2024 £	2023 £
Allotted, Called Up and Fully Paid:		
Ordinary Shares	20,000,000	20,000,000
		Number
Number of £1 Ordinary Shares	20,000,000	20,000,000

The share capital of the Bank is held by The Salvation Army International Trustee Company for the benefit of the International Trust of The Salvation Army. Last year, the Bank issued to the Salvation Army International Trustee Company at par, a further 7,000,000 £1 Ordinary Shares.

21. PENSION COSTS

The Bank participates in two separate pension schemes. It contributes to The Salvation Army Employees' Pension Fund, a funded defined benefits scheme, in respect of those members of staff who were eligible and had joined the scheme prior to its closure to new members on 31 December 2011. It is subject to triennial actuarial valuations, with the most recent valuation performed as at 31 March 2021. This reported a surplus of £2.6 million relative to the technical provisions which corresponded to an on-going funding ratio of 101.2%. An increase in the employers' contribution rate was agreed by the Employers. This increase was agreed to be funded from the surplus until 31 March 2022 and as at 1 April 2022 an increase in contribution payments took effect.

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

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

On the basis of certain assumptions, the defined benefit pension scheme's triennial actuarial valuation as at 31 March 2022 estimated the market value of the Fund's assets at that date to be £213.7m whilst the actuarial value of the fund's liabilities amounted to £211.1m giving rise to a surplus of £2.6m.

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

The valuation for the pension fund as at March 24, remains unchanged.

RELIANCE BANK LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

22. GUARANTEES AND COMMITMENTS

	2024 Contract Amount £	**2023 Contract Amount** £
Commitments:		
Undrawn formal standby facilities of one year or less	8,198,708	7,394,431
	8,198,708	7,394,431
Contingent Liabilities:		
Guarantees	7,693,614	7,693,614
	15,892,322	15,088,045

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

Commitments reflect approved mortgage and loan commitments awaiting drawdown.

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

	2024 £	**2023** £
Profit / (loss) before tax	1,918,412	233,945
Add back revaluation of Investment Property		128,301
Decrease / (increase) in prepayments and accrued income	(274)	54,848
Increase / (decrease) in accruals and deferred income	722,273	303,630
Movement in provision for bad debts	9,455	221,048
Movement in value of debt securities	386,849	(813,173)
Amortisation of intangible fixed assets	175,719	202,157
Depreciation of tangible fixed assets	262,446	163,234
(Decrease) / increase in other liabilities	(13,969)	(7,297)
Decrease / (increase) in other assets	(524)	9,499
	3,460,387	496,192
Increase in loans and advances to customers	(6,940,602)	(22,074,877)
(Decrease) / increase in customer accounts	22,178,943	(6,162,060)
Net cash inflow / (outflow) from operating activities	18,698,728	(27,740,745)

The profit / (loss) before tax includes cashflows related to interest received of £4,889,979 (2023: £5,970,386) and interest paid of £1,859,555 (2023: £802,314).

24. INVESTING ACTIVITIES

	2024	2023
	£	£
Sale and maturity of Debt Securities	54,372,721	49,694,094
Purchase of Debt Securities	(47,513,462)	(47,661,362)
Purchase of intangible fixed assets	(39,045)	(43,194)
Purchase of tangible fixed assets	(72,957)	(215,926)
Movement in interest on security deposit	(23,038)	(7,249)
	6,724,219	1,766,363

25. FINANCING ACTIVITIES

	2024	2023
	£	£
Distribution to Salvation Army	(100,000)	
Issue of £1 Ordinary Shares	-	7,000,000
	(100,000)	7,000,000

26. KEY MANAGEMENT PERSONNEL AND CONNECTED PERSONS' ACCOUNTS

	2024	2023
	£	£
Aggregate amounts due, as at 31 March, to		
- Directors	335,329	104,421
	335,329	104,421

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 (Executive and Non-Executive) and other members of its Executive Committee.

Key management personnel and any person who may be expected to influence or be influenced by them are considered related parties. Any loans to key management personnel are extended in the normal course of business and at terms that are no more favourable than the terms available to other employees of the Bank. During the year there were none.

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

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

27. RELATED PARTY TRANSACTIONS

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

The Bank conducts business with its shareholder. In addition to ordinary banking service transactions, two floors of the Bank's premises were let to The Salvation Army at the start of the year. During the year, one last floor ceased to be let. Rental income and service charges ceased as of November 2023 as disclosed within other operating income. All transactions with group undertakings have been carried out on a commercial basis.

No other related party transactions were made during the year (2023: £Nil).

The aggregate compensation paid to the Bank's key management personnel was £837,892 (2023: £635,955).

28. RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

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

Credit Risk

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

	2024	2023
	£	£
Balances at Central Bank	99,657,323	83,261,881
Loans and advances to banks	21,292,765	12,342,225
Debt securities	25,735,400	32,981,508
Treasury Assets at 31 March	146,685,488	128,585,614
Treasury Assets by credit rating		
- AAA	18,106,718	18,030,000
- AA	116,235,532	86,288,916
- A	12,343,238	24,051,698
Treasury Assets at 31 March	146,685,488	128,585,614

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

28. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Credit Risk (Continued)

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

	2024	**2023**
	£	£
Neither past due nor impaired	123,963,976	117,319,936
Up to three months overdue but not impaired	-	-
More than three months overdue (non-performing)	2,153,227	1,857,399
	126,117,203	119,177,335
Specific loss provision	(168,000)	(106,376)
Collective impairment provision	(200,454)	(252,623)
Loans and advances to customers at 31 March	125,748,749	118,818,336

For loans and advances to customers totalling £125.8m (2023: £118.8m), the Bank has security in the form of property to an estimated value of £271.9m (2023: 262.3m) which can be called upon if the customer is in default under the terms of the agreement.

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

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

	2024	**2023**
	£m	£m
< 50%	34.3	34.0
50% < 60%	17.2	25.0
60% < 70%	31.7	21.7
70% < 80%	21.6	24.2
80% < 90%	10.8	5.5
>90%	6.7	6.3
Not secured on property	1.7	0.6
	123.97	117.3

28. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

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

	Commercial	Mortgages	Total	Diff	%
Base	109,145.54	43,473.79	152,619.33		
LGD haircuts increased by 5% to High - 40%, Med - 35% and Low - 30%	262,171.15	63,843.82	326,014.97	173,395.64	114%
PD - high risk - 100% and medium risk - 50%	120,103.62	165,808.69	285,912.31	133,292.98	87%

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.

Liquidity and Funding Risk

The Bank maintains a high level of liquidity, holding £121.3m (2023: 108.2m) of High Quality Liquid Assets at the yearend which equates to 43.8% of total assets (2023: 42.9%). The Bank's Liquidity Coverage Ratio at 31 March 2023 was 408% (2023: 315%), this has increased due to increase in HQLA and reduced outflow balances expected in the next 30 days.

Liquidity risk is the risk that the Bank may not be able to meet its payment obligations with respect to customer deposits or any other borrowings, 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 high-quality liquid assets (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 ALCO and to the BCRC. The following table analyses the Bank's assets and liabilities (based on undiscounted cash flows) into relevant maturity groupings based on the remaining period to the contractual maturity date as at 31 March 2024. The 2023 accounts were restated to reflect the reclassification of balances related to money market fund (MMF) from 'loans and advances to banks' to 'other asset'

28. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Liquidity and Funding Risk (continued)

The above maturities are based on contractual outflows rather than behavioural or stressed flows. The Bank does not have significant forecast inflows in the short to medium term in with its product offering and its liquidity strategy is focused on using excess liquidity to fund the growth in the loan book. It therefore highlights that the Bank's liquidity has short-medium term maturities and that its funding, e.g. through current accounts and instant access deposits, has a significant proportion with overnight maturities. Like all Banks, performing maturity transformation for customers from short-term deposits into longer-term lending is part of the Bank's role within the Board approved parameters.

	On Demand	**< 3 mths**	**3 - 6 mths**	**6 mths - 1 yr**	**1 yr – 5 yrs**	**> 5 yrs**	**Total**
	£	£	£	£	£	£	£
Year Ended 31 March 2024							
Assets:							
Cash and Balances at Central Bank	99,657,428						99,657,428
Loans and Advances to Banks	8,310,112		1,032,120				9,342,232
Other Assets	11,959,308						11,959,308
Loans and Advances to Customers	839,725	2,360,943	6,853,170	6,531,458	53,260,738	206,852,664	276,698,698
Debt Securities	-	17,890,737	1,052,142	7,918,516			26,861,395
Total Assets	120,766,573	20,251,680	8,937,432	14,449,974	53,260,738	206,852,664	424,519,061
Liabilities:							
Customer Accounts	161,552,632	23,768,973	28,786,267	27,371,293	10,486,695		250,492,201
Accrued interest		263,075	652,496	1,024,673	695,284		2,633,528
Deferred tax			67,671				67,671
Other Liabilities		681,122					681,122
Shareholder's Funds							
Total Liabilities	161,552,632	24,713,170	29,506,434	28,395,966	11,181,979		253,874,523
Off-balance sheet contingent liabilities							
Financial Liabilities		7,693,614					
Liquidity Gap	(40,786,059)	(12,155,104)	(20,569,002)	(13,945,992)	42,078,759	206,852,664	
Cumulative Gap	(40,786,059)	(52,941,163)	(73,510,165)	(87,456,157)	(45,377,395)	161,475,266	332,119,805

28. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Liquidity and Funding Risk (continued)

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 2024 (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

	< 3 mths	3 - 6 mths	6 mths - 1 yr	1 yr – 5 yrs	> 5 yrs	Non-Interest Bearing	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Year Ended 31 March 2024							
Assets:							
Cash and Balances at Central Bank	99,657	-	-	-	-	0.105	99,657
Loans and Advances to Banks	8,310	1,032	-	-	-	-	9,342
Loans and Advances to Customers	71,144	11,876	4,917	37,812			125,749
Debt Securities	17,818	-	7,917	-	-	-	25,735
Other Assets	11,959						11,959
Non-Interest-bearing assets						4,451	4,451
Total Assets	208,880	12,908	12,834	37,812	-	4,451	276,893
Liabilities:							
Customer Accounts	197,838	11,304	33,297	9,790	-	-	252,229
Accrued interest on Customer accounts	652	263					915
Deferred Tax Liability						68	68
Other Liabilities	-	-	-	-	-	681	681
Shareholder's Funds	-	-	-	-	-	23,000	23,000
	198,490	11,567	33,297	9,790	-	23,749	276,893
Interest Rate Sensitivity							
Net Gap	10,390	1,341	(20,643)	28,022		(19,290)	-
Cumulative Gap	**10,390**	**11,731**	**(8,732)**	**19,290**	**19,290**		**-**
Year Ended 31 March 2023							
Interest Rate Sensitivity							
Net Gap	(20,905)	(890)	2,625	36,882	-	(17,712)	-
Cumulative Gap	**(20,905)**	**(21,795)**	**(19,170)**	**17,712**	**17,712**	**-**	**-**

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

28. RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Interest Rate sensitivity (Continued)

warning indicators. The impact on Operating Income of an adverse and positive movement in 200 bp in Interest rates is reduction and increase in £1209k respectively.

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:

	2024		2023	
	USD	**EUR**	**USD**	**EUR**
Monetary Assets	35,398,421	1,751,066	28,231,077	644,385
Monetary Liabilities	(35,398,421)	(1,751,066)	(28,230,878)	(644,385)
Net Asset / (Liability)	$0	€ 0	$199	€ 0
Translated At	1.2628	1.1662	1.2379	1.1382
Sterling Equivalent	£0	£0	£161	£0

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 as liabilities are customer deposits.

29. POST BALANCE SHEET EVENTS

There are no post balance sheet events to disclose.

30. 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 retail banking products and services to charities, businesses and personal customers within the UK. It also holds some deposits for overseas customers, chiefly with a connection to The Salvation Army.
Geographical location	United Kingdom
Turnover	£12,504,402
Staff numbers	63
Profit on activities after tax	£1,850,741
Tax paid	£Nil
Public subsidies received	£Nil