Annual Report and Financial Statements

For the year ended 31 December 2022









WELCOME

Company Information

Directors

Abdulaziz AlBader
Lesley Beecher
Fahed Faisal Boodai
Usman Chaudry
Andrew Gray
Gerald Gregory
Charles Haresnape
Danesh Mahadeva

Company Secretary

Mohaimin Chowdhury

Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Registered office

The Helicon
One South Place
London
EC2M 2RB

Registered number

06260053

Contents

Chairman's Statement

In the name of Allah, the Most Gracious, the Most Merciful, on behalf of the Board of Directors of Gatehouse Bank plc ('the Bank'), I am pleased to present the 2022 Annual Report and Financial Statements.

I would first and foremost like to extend my thanks to our Shareholders and Board of Directors for their support and guidance throughout the year. Equally, I'd like to thank all our staff for their continued hard work and dedication in supporting our customers.

With the customer remaining at the centre of the Bank's strategy, we have experienced strong growth across all business areas in 2022, enhancing our product offering for all customers – from savers to homeowners and landlords.

We are pleased to have been recognised for our strong position in the UK banking market by Moody's Investors Service which assigned the Bank an investment grade credit rating with a long-term stable outlook.

The Bank's award-winning savings products remained popular with customers, ensuring we can raise sufficient liquidity with a high customer retention rate. During 2022, we commenced our digital-first strategy by launching a savings app, allowing customers to manage their personal savings accounts round-the-clock. Our digital-first ethos and competitive savings rates were instrumental in enabling us to surpass the milestone of £1 billion in retail savings.

Our Residential Property Finance offering went from strength to strength in 2022, surpassing £1 billion in Residential Property Finance assets. Alongside our robust Home Finance offering, this was aided by the introduction of our Green Home Finance range – the first Shariah-compliant products of their kind in the UK – which support customers looking to reduce their impact on the environment.

In the institutional Build to Rent sector, the Bank continued to deliver as planned, acquiring an increasing stake in leading Build to Rent specialist, Ascend Properties. This enhances our Build to Rent platform offering end-to-end service and cements the Bank's position as a leader in the field.

In 2022, Gatehouse Bank was independently certified as operationally carbon neutral for the second consecutive year advancing our commitment to reaching Net Zero status by 2050. We also continued supporting UK woodland growth through our Woodland Saver accounts, for which we plant a tree on behalf of our customers for every account opened or renewed, reaching the 20,000 tree milestone in 2022.

The Board continues to diligently monitor all regulatory requirements, including our Risk Appetite Statement. Gatehouse Bank is in an excellent position to deliver robust growth whilst remaining true to the ethical values that underpin its operations. As a Shariah-compliant UK Bank, our unique products give me confidence that we remain well-placed to support our values of fair and responsible banking while contributing towards a sustainable future for all.

Fahed Faisal Boodai
Chairman
25 April 2023

I would like to thank our Shareholders and the Board of Directors for their support and guidance and our staff for their continuing hard work and dedication to supporting our customers during 2022.

Chief Executive Officer's Statement

2022 was a significant year for Gatehouse Bank as we further developed our product offering, enhanced our digital-first approach and surpassed the £1 billion milestone in both Retail Savings and Residential Property Finance assets.

Our credible position in the UK housing market was recognised by credit rating agency, Moody's Investors Service, which assigned Gatehouse Bank an investment grade credit rating with a long-term stable outlook.

Our annual growth is outlined in the table below and demonstrates continued progress:

	£	Year-on-Year Change
Gross Assets	1.3 billion	+30%
Total Deposits	1.2 billion	+28%
Home Finance Portfolio	1.1 billion	+40%

Customers

During 2022, we developed our digital savings services by launching a mobile app for iOS and Android users, offering all customers the convenience of 24/7 access to their personal savings accounts. We also continued to support sustainability initiatives through our Woodland Saver accounts, for which we plant a tree on behalf of our customers for every account opened or renewed, surpassing the 20,000 tree milestone in 2022.

We advanced our customer-first strategy by launching an online Decision in Principle facility to streamline our home finance customer journey. This allows UK Home Purchase Plan (HPP) and Buy-to-Let (BTL) customers to independently gain a Decision in Principle. The Bank also enhanced its home finance offering by launching a range of green home finance products. Under this scheme, customers acquiring or refinancing a property with an EPC rating of A or B pay a reduced rate, with Gatehouse offsetting the carbon emissions generated by the average UK property for as long as the customer remains with the Bank.

Colleagues

I am incredibly proud of all our colleagues for enhancing our level of service to customers throughout the year, especially amidst political challenges and economic uncertainty in the market. Our colleagues' commitment to exceeding customers' expectations is reflected not only through our strong performance, but also through the Bank's credible NPS score of +40.

We continue to recognise the benefits of working in a hybrid model and have engaged with colleagues at all levels to implement a new hybrid working policy, which is tailored to support all colleagues. In addition, we ensure that there are regular social activities and two-way communication between the Bank and colleagues, including monthly town hall business updates, regular wellbeing surveys, seminars and monthly one-to-one meetings between all managers and colleagues.

We are committed to providing all colleagues with the opportunity to develop their careers in a positive work environment. In our view, an inclusive, diverse workplace is paramount to this as it fuels our creativity and connects us to the communities we serve. Annually, we encourage all colleagues to fill in an anonymous equality and diversity survey, which we use to monitor our progress and identify key measures to include in our action plan moving forward. During the year, the Bank established allyship training for all colleagues to empower them to continue cultivating an inclusive environment for all.

We continue to operate with an entrepreneurial and challenger style, whilst meeting regulatory standards.

The Bank was keen to endorse the benefits of taking out a Green Home Purchase Plan to all stakeholders.

Chief Executive Officer's Statement (continued)

Community

Our colleagues selected FareShare as the Bank's Charity of the Year for 2022 due to its vital work to address hunger and food waste in the UK. FareShare redistributes good quality surplus food from the hospitality industry to nearly 9,500 charities and community groups across the country, also sparing the greenhouse gas emissions which would have otherwise resulted from food going to waste.

In support of our charity partner the Bank's colleagues engaged in a range of fundraising missions which were organised and facilitated by Gatehouse Bank's Social Committee. Several colleagues also arranged their own fundraising activities, both individually and in groups, including charity runs, a virtual rowing challenge and groups completing the One Million Step Challenge plus the Jubilee Walk. Our colleagues went above and beyond in their efforts, managing to raise over £11,000 for FareShare.

We continue to encourage colleagues to support further causes that are close to their hearts through our Volunteering Policy, which entitles them to one paid day of leave for volunteering every year. The policy was launched in 2022, with Gatehouse colleagues volunteering for a number of environmental and social projects, including boosting biodiversity in Walthamstow Village, litter picking through central London and volunteering with local primary schools.

Sustainability

As a Shariah-compliant Bank, we are uniquely positioned to support responsible banking due to the natural alignment between the Shariah principles of promoting, protecting and preserving the human race through sustainable development frameworks. We have firmly embedded sustainability into our growth strategy and I am incredibly proud of the work the Bank has undertaken.

In 2022, we celebrated the third anniversary of the UN Principles for Responsible Banking, of which we are a founding signatory, and the first UK Shariah-compliant bank to commit to this framework. Through this we have formalised our commitment to further aligning our business strategy with the UN's Sustainable Development Goals, the Paris Climate Agreement and other relevant frameworks that identify the most pressing societal, environmental and economic needs of our time.

Over the last year, we have made strong progress in developing further the Bank's sustainability strategy and continue to integrate sustainability into our corporate culture and operations. We have set out an action plan on how to meet our sustainability targets to improve the Bank's impact on the environment and wider society.

Key highlights from the year included being certified by Carbon Neutral Britain as operationally carbon neutral for the previous year and planting over 20,000 trees through our Woodland Saver accounts since their launch in February 2021.

Following the success of our Woodland Saver accounts, we continued to demonstrate the business opportunity for products that offer a chance to support a sustainable future for all by launching our Green Home Finance product range.

Our Promise

For savvy savers looking for a better return, aspiring homeowners prepared to think differently and businesses driving for growth, we offer a genuine alternative to conventional banks.

Business Progress

Our strategy for 2022 remained focused on three core markets:

1. Home Finance

- Home Purchase Plans (owner occupiers)
- Buy-to-Let Plans (property investors)

2. Retail Savings

- Fixed Term Deposits
- Cash ISAs
- Easy Access Accounts
- Notice Accounts

3. Build to Rent

- Ascend Estates Limited subsidiary (property management)
- In-house property fund expertise

At the end of 2022, the Bank's total balance sheet assets stood at £1.3 billion, a year-on-year increase of 30%, which highlights the continued growth of the Bank.

In 2022, Gatehouse Bank completed the sale of its stake in Gatehouse Capital KSCC, an advisory firm based in Kuwait, which resulted in a gain of £1.5 million.

As of 31st December 2022, Gatehouse Bank acquired a further 24.95% of shares from the founders of Ascend Estates Limited, taking the Bank's stake to 75.05%. There is an agreement to purchase the remaining shares at a pre-agreed price in April 2023, taking the Bank's holding to 100%. This will complete our Build to Rent platform, enabling the Bank to offer an end-to-end service and cementing its position as a leader in this field. The Ascend property platform now manages over 8,000 properties for rent.

Gatehouse Bank received a number of awards in recognition of its product design and ethical stance in 2022. These include:

Moneynet Award Winner 2022, 2021 and 2020
Best Ethical Savings Provider

International Business Magazine Awards 2022
Best Corporate Social Responsibility Bank UK

International Business Magazine Awards 2022
Best Shariah-Compliant Bank UK

Moneyfacts Award Winner 2022
Best Fixed Account Provider

Chief Executive Officer's Statement (continued)

The Bank surpassed £1 Billion in financial assets.

Supporting the Bank's financing business, our award-winning savings proposition also saw considerable growth in 2022, with total deposits increasing by 28% to £1.2 billion. The combination of competitive products and a fully digital platform has ensured that customer satisfaction remains high, with our Savings Net Promoter Score standing at a strong +59 at the end of the year.

In 2023, we are looking to strengthen our savings offering by further enhancing our products and rolling out new features of the Gatehouse Bank savings app for iOS and Android users. We also aim to reintroduce Gatehouse Bank's Easy Access accounts, which require a minimum deposit of £1, therefore helping young people and other customers with smaller deposits to build a healthy savings habit.

The Bank's Institutional Build to Rent funds performed strongly, with tenant occupancy high at an average 98%.

2022 was a year of exceptional growth whilst implementing new products to assist homebuyers, landlords and savers. This resulted in Gatehouse Bank achieving a post-tax profit of £8.1 million. Based on two consecutive years of strong performance and increased confidence in the Bank's future profitability, we have recognised £4.5 million of deferred tax asset for the first time this year which will be used against future profits.

Future growth

Following the penalty fine issued by the Financial Conduct Authority for legacy activity undertaken between June 2014 – July 2017, we are pleased to be able to move forward and draw a line under this issue. We have invested significantly in financial crime control capabilities to ensure we continue to operate to the highest industry standards.

Looking towards 2023, we aim to continue to grow our core sectors steadily and organically, whilst remaining mindful of the uncertain economic outlook for the year ahead. Rather than focusing on rapid growth, we will continue to deploy resources to ensure we consistently meet our customers' standards, both in terms of product quality and customer satisfaction.

We have a number of product developments in progress, both for savings, where we are working to launch a Regular Saver product and for home finance, where we are developing additional green home finance options for our customers. We will also advance our digitalisation strategy, particularly through our savings app.

In the coming year, we look forward to further cementing our position as a leader in the institutional Build to Rent sector by working closely with our colleagues at Ascend Estates Limited. Ascend's in-house capabilities range from maintenance and compliance to marketing, therefore enabling us to offer an end-to-end service to our Build to Rent customers.

In 2023, some of our efforts will be directed towards exploring new and exciting partnerships as we expand into the field of Bridging and Asset Finance, both Shariah-compliant.

The Board continues to monitor all macro-economic impacts, and we will consider all options and scenarios resulting from these.

Finally, I would like to thank our colleagues for their hard work and dedication, the Board and the Chairman for their strategic advice and direction, our Shareholders and the Shariah Supervisory Board for their continued support.

Charles Haresnape
Chief Executive Officer
25 April 2023

2022 Key Highlights

Home Finance balances increased

40% to £1,065m

(2021: £762m)

Our Impact

In 2022 we offset our total operational carbon for 2021 and remained a carbon neutral Bank. We introduced Green Home Finance products for customers who acquire or refinance a property with an A or B EPC rating where they benefit from reduced rental rates. This further demonstrates our commitment to achieving our Net Zero target by 2050. Our Woodland Saver accounts have resulted in over 20,000 trees planted by the end of 2022.

Over £1 Billion in Financed Assets

During the year we achieved the milestone of over £1 Billion in financed assets. This demonstrates that demand for our ethical-led financial support is growing rapidly, as increasing numbers of customers and investors embrace the approach we take.

Total Deposits grew by

28% to £1,169m

(2021: £915m)

Total Regulatory Capital increased by

8% to £112m

(2021: £103.5m)

Charity Partnership

Our colleagues raised over £11,000 for FareShare, our charity partner for the year 2022. It was a privilege to support FareShare in their mission to reduce food waste and hunger in the UK by redistributing good quality surplus food from right across the food industry to frontline charities and community groups.

Corporate Governance Report

THE BOARD OF DIRECTORS ('the Board')

Non-Executive Directors

Fahed Faisal Boodai, Chairman

Mr Boodai is the co-founder and Chairman of Gatehouse Financial Group, Chairman of Gatehouse Bank plc and the founder and Chairman of Gatehouse Capital. Mr Boodai is also the CEO of The Securities House, one of the largest shareholders of Gatehouse Financial Group. With more than 20 years' investment banking experience specifically within the global real-estate market, he has presided over diverse real estate acquisitions and exits totalling more than US$3 billion. Mr Boodai holds an MBA with a concentration in Finance from Loyola Marymount University in Los Angeles, California and a Bachelor of Science degree in International Business from the University of San Diego. He also occupies a number of external board and director positions. Mr Boodai's family maintains overall control of the Boodai Corporation, a Kuwait-based holding company with diverse interests including construction, engineering and global real estate.

Gerald Gregory, Gerald Gregory, Deputy Chairman and Chairman of the Board Risk and Compliance Committee and Remuneration and Nominations Committee and Senior Independent Director

Mr Gregory is a retired Managing Director of a diverse portfolio of businesses, he has significant strategic and operational experience in large (equivalent FTSE top 100) mutual retail financial services companies. He has extensive experience in strategy development and implementation, risk management, treasury and structured finance operations, marketing and sales. He retired from his executive career in March 2008 and since then has worked in a variety of Non-Executive Director roles mainly, but not exclusively, in financial services. He is very familiar with the UK liquidity and capital regimes.

Abdulaziz AlBader, Vice Chairman

Mr AlBader joined the Board of Gatehouse Bank in February 2017. He has been employed by the Kuwait Investment Authority (KIA) since 1989 and is currently Executive Director for Operations and Administration. Mr AlBader has held other senior roles at the KIA including Executive Vice President, Human Resources & Administration at the Kuwait Investment Office, London. Prior to joining the KIA, he served as Director of the Minister's Office, Ministry of Finance; and Director, Public Warehousing Company and Kuwait Fund for Arab Economic Development, Kuwait. He represented the KIA on the Board of Directors of Warba Bank from February 2014 to March 2016, where he was Chairman of the Risk Committee; Vice Chairman of the Audit Committee; and member of the Governance Committee. Mr AlBader graduated from Kuwait University in 1980 with a BA in Accounting; holds an MBA in Finance from the University of Scranton Pennsylvania, USA; and is a member of the Kuwait Accounting Society.

Andrew Gray, Chairman of the Audit Committee

Mr Gray joined the Board of Gatehouse Bank in July 2017. With more than 30 years' experience in the UK banking sector, Mr Gray is a well-respected figure in the industry and was previously Managing Director of Mortgages at Barclays, Deputy Chairman of the Council of Mortgages Lenders and a member of its executive committee. In 2015, he received the Lifetime Achievement Award at the British Mortgage Awards.

THE BOARD OF DIRECTORS ('the Board')
Non-Executive Directors (Continued)

Lesley Beecher, Non-Executive Director

Ms Beecher joined the Board of Gatehouse Bank in April 2023. With over 30 years' experience in Financial Services, she is a technology specialist and was previously a retail banking Chief Information Officer at HSBC and First Direct. She has also held board-level roles at HSBC, First Direct, Harpenden Building Society and Cornerstone Mutual Services. Lesley has extensive executive experience in delivering large change programmes and leading teams of up to 1,000 technology professionals, making her highly skilled in digital, technology, delivery and people leadership. She currently also remains on the board at Harpenden Building Society.

THE BOARD OF DIRECTORS ('the Board')
Executive Directors

Charles Haresnape, Chief Executive Officer

Mr Haresnape joined Gatehouse Bank as Chief Executive Officer in May 2017. Prior to joining the Bank, he was Group Managing Director at Aldermore Bank from January 2011, where he was responsible for residential and commercial mortgages, plus property development. Before joining Aldermore, Charles was with Connells, one of the UK's largest estate agency groups, where he was Group Mortgage Services Director. Prior to Connells, he was responsible for intermediary mortgage lending at both NatWest and RBS, plus the branch mortgage sales force within NatWest. He has worked for a number of other household names in the banking and building society sectors, including Nationwide and HBOS where he was a senior executive, responsible for mortgage sales and portfolio acquisitions. Charles has been Deputy Chairman of the Council of Mortgage Lenders (CML) and Chairman of the Intermediary Mortgage Lenders Association (IMLA).

Danesh Mahadeva, Chief Financial Officer

Mr Mahadeva was appointed Chief Financial Officer of Gatehouse Bank in July 2017. Danesh began his career at the Bank as Vice President, Head of Finance in September 2013 and was responsible for managing the finance function. He has been an active member of key governing committees of the Bank and has worked closely with the Board in developing the Bank's strategy and financial planning. Prior to joining the Bank, Danesh's previous roles have included working for Barclays Bank Plc across financial and product control and Ernst & Young specialising in audit in the banking and capital markets division. Danesh graduated with a BSc degree in Management Sciences from London School of Economics and Political Science and is a member of the Institute of Chartered Accountants for England & Wales (ICAEW).

Usman Ahmed Chaudry, Chief Risk Officer

Dr Chaudry joined Gatehouse Bank as Chief Risk Officer in January 2018. Prior to this he was Risk Director at Tandem, a fintech bank, responsible for risk management and compliance; and part of the management team that completed the acquisition of Harrods Bank. Prior to Tandem, Usman held the role of Global Head of Risk Governance and Policy at Standard Chartered, responsible for risk oversight across some 80 countries. Prior to this, he was at KPMG advising UK banks on FS risk & regulatory matters, including FS corporate transactions; and at Barclays and GE Capital helping setup greenfield operations and risk management in retail & commercial businesses across Europe, Middle East and Africa. He started his career at FICO, where he used advanced analytics and artificial intelligence to help banks drive better decisions. Usman holds a PhD in Computational Chemistry from the University of Manchester.

Corporate Governance Report (continued)

Compliance with the UK Corporate Governance Code
The Bank is not required to comply with the UK Corporate Governance Code ("the Code") but it recognises that the Code is seen as a benchmark for best practice and therefore seeks to apply the Code's principles where appropriate and commensurate with its size and operations.

Further explanation of how the principles have been applied is set out on the following pages.

Board Leadership and Company Purpose

The Board is responsible for the long-term sustainable success of the Bank within a framework of controls which enables prudential and conduct risk to be assessed and managed and in accordance with the Bank's Corporate Governance Framework ("CGF"). It is responsible for establishing the Bank's purpose, values and strategy, ensuring that the necessary financial and non-financial resources are in place to meet strategic aims, monitoring performance against key financial and non-financial indicators, overseeing the system of risk management and controls and for setting values and standards in governance matters. It is also responsible for engagement with shareholders and stakeholders and ensuring workforce policies and practices are consistent with the Bank's values and support its long-term sustainable success.

Division of Responsibilities

The chair leads the Board and is responsible for its overall effectiveness in directing the Bank. The Board includes a combination of executive and non-executive (including independent non-executive) directors and there is a clear division of responsibilities across the Board, separating out the executive from the non-executive functions, in line with the PRA and FCA's Senior Managers and Certification Regime and which are captured in the CGF. The time commitment of the non-executive directors is stated in their individual letters of appointment, and they are expected to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The Board considers Gerald Gregory, Andrew Gray and Lesley Beecher to be independent within the meaning of the Code. None of these Directors have any executive or other role or material relationship with the Bank that, in the Board's view, would affect their objectivity and all have proven to be independent in character and judgement.

The Board has appointed Gerald Gregory as Senior Independent Director to provide a sounding board for the Chairman and serve as an intermediary for the other directors and shareholders.

The Board acknowledges the Chairman's extended appointment but, given his areas of expertise, contacts and contribution to the Board and the wider group from which the Company benefits, believes his appointment continues to be appropriate and promotes the success of the Company.

Composition, Succession and Evaluation

Appointments to the Board are considered by a Remuneration and Nominations Committee and approved by the Board and succession plans are maintained for board and senior management. The Board and its committees have a combination of skills, experience and knowledge. The Board's annual self-evaluation process considers its composition, diversity and how effectively members work together to achieve objectives. The results of these are considered by the Remuneration and Nominations Committee and reported to the Board with any recommendations.

Audit, Risk and Internal Control

The Board has established an Audit Committee comprising non-executive directors. Its functions include the responsibility to oversee the independence and effectiveness of internal and external audit functions and to satisfy itself on the integrity of financial and narrative statements and that a fair, balanced and understandable assessment of the Bank's position and prospects is presented. The Board has also established a Board Risk and Compliance Committee comprising non-executive directors. Its functions include the responsibility to oversee the internal control framework and determine the nature and extent of the principal risks the company is willing to take to achieve its long-term strategic objectives.

Remuneration

The Board has established a Remuneration and Nominations Committee comprising of non-executive directors. Its functions include the responsibility to ensure remuneration policies and practices are designed to support strategy and promote long-term sustainable success; are in line with the Bank's regulatory obligations; and that executive remuneration is aligned to the Bank's purpose and values and linked to the successful delivery of the company's long-term strategy. Directors are expected to exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Delegation of Authority

Management Committees

The Board has delegated to the Executive Committee (comprising of Executive Directors and other senior management) authority to execute Board strategy and to manage the Bank on a day-to-day basis.

Board Committees

The Board establishes sub-Committees as ad hoc or standing Committees to which certain powers and authority of the Board are delegated. The standing sub-Committees operate under terms of reference approved by the Board that set out the delegation of powers and authority to them.

The following standing Committees are currently established:

Board Risk and Compliance Committee ('BRCC')

The BRCC's responsibilities include ensuring that an appropriate risk management framework is in place, the Bank's control environment is commensurate to its needs, based on the strategy adopted by the Board and the nature and scale of the Bank's activities. The committee also aids managing relationships with external parties, including the Prudential Regulation Authority and the Financial Conduct Authority. The BRCC comprises two independent non-executive directors and one other non-executive director. The BRCC met seven times in 2022.

Audit Committee ('AC')

The AC oversees financial reporting, the internal and external audit functions and ensures appropriate actions are taken with regard to internal and external audits. It also oversees relationships with relevant external parties including the external auditor. The AC comprises of two independent non-executive directors and one other non-executive director. The AC met five times in 2022.

Remuneration and Nominations Committee ('RNC')

The RNC's responsibilities include reviewing the ongoing appropriateness of the Bank's remuneration policy and the design of any performance related pay schemes and share incentive plans operated by the Bank. The RNC's responsibilities also include reviewing the structure, size and composition of the Board and making recommendations to the Board, succession planning, identifying and nominating candidates to fill Board vacancies, and reviewing the results of the Board evaluation process. The RNC comprises two independent non-executive directors and one other non-executive director. The RNC met five times in 2022.

Given changes in the business strategy of the Bank and consequent diminution of the activities of the Board Credit and Investment Committee ('BCIC'), in 2022, the Board disbanded the BCIC and transferred its residual duties to the Board. The BCIC's responsibilities included approving transactions beyond authorities delegated to management committees and approving off-balance sheet proposals relating to the Bank's real estate investment advisory business. The BCIC comprised one independent non-executive director, two other non-executive directors and one executive director. The BCIC did not meet in 2022.

Corporate Governance Report (continued)

Below is a table of Directors appointments, resignations and committee memberships.

Director	Date of Appointment	Committee Memberships*
Fahed Faisal Boodai	25.05.2007	BRCC
Gerald Gregory	10.12.2015	AC, BRCC, RNC
Abdulaziz AlBader	15.02.2017	AC, RNC
Andrew Gray	12.07.2017	AC, BRCC, RNC
Lesley Beecher	01.04.2023	AC, BRCC, RNC
Charles Haresnape	08.05.2017	-
Danesh Mahadeva	17.08.2017	-
Usman Chaudry	29.04.2021	-

*All of the Directors had participated in the Committees during 2022, except for Lesley Beecher who was appointed on 1st April 2023.

Our Ethical Approach

Balanced Banking

Grounded in Shariah principles, our products are transparent, fair and socially responsible. We prohibit the use of our funds to support the arms industry, alcohol, tobacco, adult entertainment and gambling.

Sustainability

As founding signatories to the UN Principles for Responsible Banking we have committed to aligning our business strategy with society's goals, as expressed in the UN SDGs and the Paris Climate Agreement – frameworks that identify the most pressing societal, environmental and economic needs of our time. In doing so we demonstrate that our business, and the products and services we provide, can support a sustainable future while achieving long term business benefits.

Charity Partnership

In December 2022, Gatehouse colleagues selected Rainbow Trust Children's Charity as the Bank's Charity of the Year for 2023 who provide vital practical and emotional support to families caring for a child with a life-threatening illness, helping them to make the most of their precious time together. We are looking forward to creating a meaningful partnership with Rainbow Trust and helping to provide support for families during these challenging times.

Strategic Report

This strategic report has been prepared solely to provide additional information to shareholders to assess the Bank's strategy and the potential for the strategy to succeed.

The strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006. For Section 172(1) statement, please refer to the Directors' report on page 34.

This strategic report has been prepared for Gatehouse Bank plc as a whole and therefore gives greater emphasis to those matters which are significant to the Bank when viewed as a whole.

The Chairman's and Chief Executive Officer's statements (pages 4 to 9) provide a review of business over the reporting period and this report highlights the relevant key performance indicators (KPIs) of the Bank, which include the Core Equity Tier 1 (CET1) ratio and cost : income ratio.

Gatehouse Bank continues to evolve the strategy it commenced in 2017 with profit emanating from the hybrid approach of on-balance sheet financing and fee income plus low capital off-balance sheet activity. This approach increasingly ensures diversification and production of revenue, not solely relying on capital intensive on-balance sheet financing.

The strategic report discusses the following areas:
- The business model and performance review
- Financial results
- Strategy and objectives
- Principal risk and uncertainties
- Corporate sustainability
- Going concern

Performance Review

Gatehouse Bank plc is a Shariah-compliant bank based in London, Milton Keynes and Wilmslow. Gatehouse Bank is part of the Gatehouse Financial Group of companies and is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

In December 2022, Gatehouse Bank completed the sale of its stake in Gatehouse Capital KSCC, an advisory firm based in Kuwait, resulting in a £1.5 million gain for the Bank through this transaction. As of 31st December 2022, Gatehouse Bank has acquired a further 24.95% of shares from leading UK property management company, Ascend Estates Limited ("Ascend"), taking the Bank's stake to 75.05%. There is an agreement to purchase the remaining shares at a pre-agreed price from April 2023[1], which will take the Bank's holding to 100%.

The Bank aims to be a leader in the Islamic Finance sector by striving to become the most admired UK Shariah compliant bank. The Bank will achieve this through a business model with a diverse, low risk profile supported by an expert senior management team with skills and experience appropriate for the strategy. This involves skilled, manual underwriting dovetailed with modern technology, thereby ensuring scalability.

Financial Results

The financial statements for the year ended 31st December 2022 are shown on pages 54 to 63. Post-tax profit for the year amounted to £8.1 million (£3.3 million in 2021).

Based on two consecutive years of strong performance and increased confidence in the Bank's future profitability, we have recognised £4.5 million of deferred tax asset for the first time this year which will be used against future profits.

Strategy and Objectives

The Bank's business segments can be described as follows:

Residential Property Financing

Our range of Residential Property Financing products help facilitate ownership of residential property with the Bank using common forms of Shariah financing structures, including Diminishing Musharaka agreements.

The Bank offers Buy-to-Let (BTL) finance for UK residents, UK expats, international residents and UK registered corporate entities, as well as Home Purchase Plans (HPP) for UK, UK expat, and international customers looking to purchase or refinance residential property across England and Wales.

[1]As a result of this agreement, the Bank effectively acquired 100% control of Ascend.

Financial Results: the table below highlights the relevant Key Performance Indicators (KPIs) for 2022:
The Chairman's and Chief Executive Officer's statements provide a review of business over the reporting period.

	2022	2021 Restated*	% Annual change
Home finance portfolio	£1.1 billion	£762 million	+40%
Total deposits	£1.2 billion	£915 million	+28%
Leverage ratio	8%	9%	(16%)
Return on equity	8.5%	3.2%	+158%
Return on assets	0.7%	0.4%	+92%
Cost : income ratio	101%	93%	+9%
Net interest margin (NIM)	2.3%	2.3%	-
Average risk weight	43%	51%	(16%)
CET1 ratio	17%	18%	(6%)

* Certain balances for the year 2021 have been restated. Please refer to Note 2 for more information.

KPIs are calculated as follows:

Leverage ratio: calculated as Tier 1 Capital / Total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and generally follow the accounting measure of exposure.
Return on equity: calculated as profit / average Equity.
Return on asset: calculated as profit / average total Asset.

Cost to income ratio: calculated as the total operating expenses / total operating income excluding one-off revaluations on financing assets and unquoted equity securities presented in Note 6 and net gains from fair value remeasurement in Note 10.
Net interest margin: Calculated as net Income from financing assets at amortized cost
Average risk weight: calculated as risk-weighted assets / total assets
CET1 ratio: calculated as Tier 1 common equity/risk-weighted assets

The UK property market experienced some turbulence in 2022 which was driven by macro-economic factors and political instability within the UK government. As the year drew to a close, house prices remained robust, supported by the continued shortage of stock and with indications of rates beginning to stabilise.

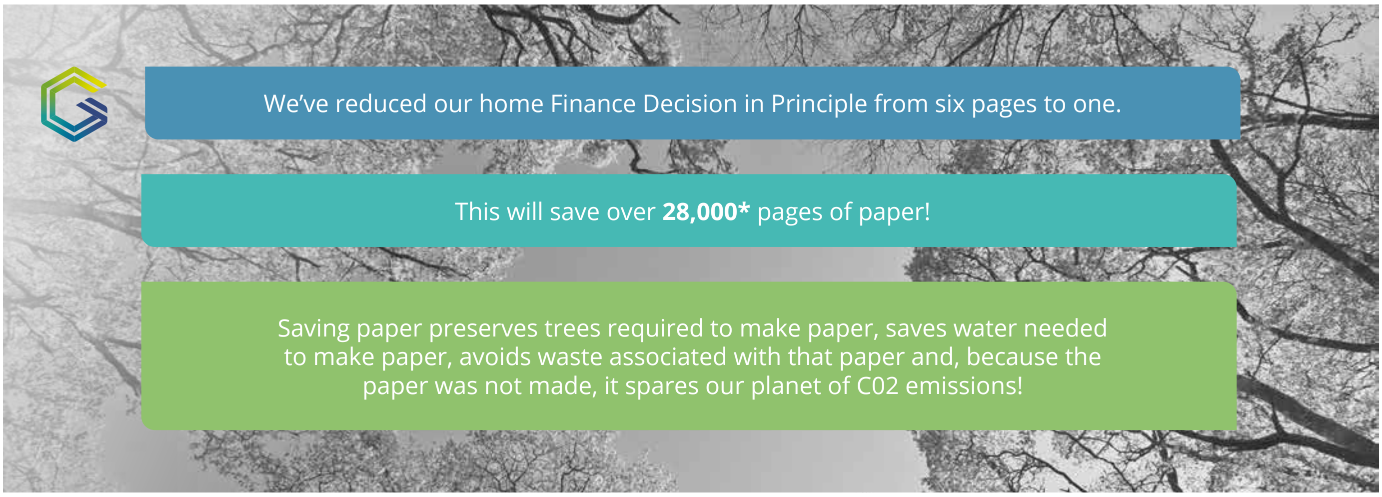
In 2022, Gatehouse Bank surpassed £1 billion of Residential Property Finance assets. This was bolstered by strong growth in the Bank's Home Finance offering for UK residents, UK expats and international customers, where total balances increased by 40% year-on-year to £1.1 billion.

Bank introduced a range of green home finance products, which are the first Shariah-compliant products of their kind in the UK. Under this scheme, customers acquiring or refinancing a property with an EPC rating of A or B receive a reduction on the rental rate, with Gatehouse Bank committing to offsetting the energy related carbon emissions of the average UK property for as long as the customer remains with the Bank.

Customers welcomed the launch of the Bank's Green Home Finance products.

Strategic Report (continued)

The introduction of the online Decision in Principle facility reduced our carbon fooprint.



*Based on 5,652 DIPs issued in 2021.

Gatehouse Bank also advanced its customer-first strategy by launching an online Decision in Principle facility to streamline the home finance customer journey. This allows HPP and BTL customers who are UK residents to independently gain a Decision in Principle which is available round-the-clock at a time convenient to them.

The Bank's Direct-to-Consumer finance advisory team accounted for 34% of our total originations, thereby continuing our strategy of embracing both direct and intermediated customers.

The Bank continues to hold strong intermediary relationships with more active brokers registered to introduce clients to the Bank in 2022, including through new partnerships. In addition, the Bank has continued to work in partnership with two Banks in Kuwait, Commercial Bank of Kuwait, and Warba Bank, who act as introducers, referring their clients wishing to acquire and finance property in the UK.

The growth in Home Finance achieved in 2022 helped contribute to the average risk-weight falling to 43% (51% in 2021) and improved the Bank's capital efficiency.

As a key player in the Shariah-compliant Residential Property Finance market, Gatehouse Bank is poised to experience a favourable year ahead. In 2023, the Bank aims to continue advancing its home finance product offering, particularly through additional green home finance options for its customers.

Private Rented Sector / Build to Rent

Gatehouse Bank's third Build to Rent fund, a £500 million joint venture with TPG Real Estate Partners, branded Start Living, continued to perform well. Start Living has forward funded the construction of 622 homes across eight sites in locations around the UK, including Merseyside, the West Midlands, Nottinghamshire and Lincolnshire.

In addition to the Start Living platform, Gatehouse Bank continues to manage a further portfolio of single-family Build to Rent homes under the DifRent brand alongside cornerstone investor, Kuwait Investment Authority. The portfolio is now fully established and generating income, with tenant occupancy high at an average 98%.

Over the last year Gatehouse Bank has further reinforced its position in the single-family Build to Rent field by expanding its capabilities and positioning itself for future growth in this sector.

In 2022, the Bank acquired a further 24.95% of shares in leading property management company, Ascend, taking Gatehouse's stake to 75.05%. There is an agreement to purchase the remaining shares at a pre-agreed price from April 2023, which will take the Bank's holding to 100% and complete its Build to Rent platform offering end-to-end service. The Ascend property platform now manages over 8,000 properties for rent.

TPG

Ascend

START LIVING

الهيئة العامة للاستثمار

Kuwait Investment Authority

DIFRENT

Savings

The Bank provides online personal savings accounts for UK customers offering diversification of existing funding sources with products up to a five-year term.

In 2022, we enhanced our digital offering by launching a mobile app for iOS and Android users. The app offers all customers the convenience of being able to access and manage their personal savings accounts 24/7.

The combination of competitive products and a fully digital platform has ensured the Bank's continued growth over the last year, with deposits increasing by 28% to surpass £1.2 billion in retail savings. Customer satisfaction has also remained high, with our Savings Net Promoter Score standing at a strong +59 at the end of December 2022. This score indicates our customers' willingness to recommend the Bank to others.

Gatehouse Bank's range of fixed term and cash ISA Woodland Saver accounts continue to allow our customers to achieve competitive returns on their deposits whilst contributing to UK woodland growth. For every Woodland Saver account opened or renewed, we work with Forest Carbon to plant a tree in a certified UK woodland project on behalf of our customers, reaching the 20,000-tree milestone in 2022.

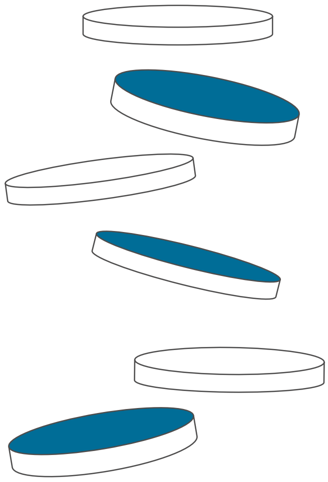
In 2023, the Bank will continue to deliver its strong savings offerings and expand its product range by re-introducing its Easy Access account into the market and working to launch a Regular Saver product. We also aim to expand on our digitalisation strategy through our savings app by introducing new features to give customers more control over their personal savings accounts.

Retail customers continue to benefit from protection under the Financial Services Compensation Scheme ("FSCS").

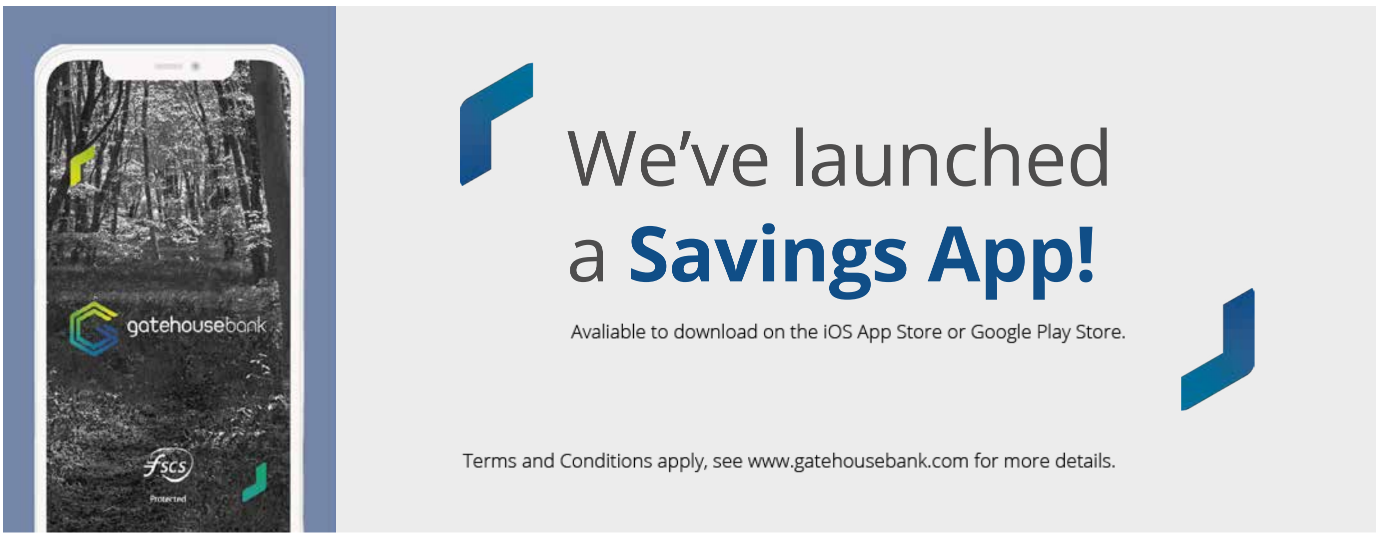
Treasury

The Treasury team's primary function is to ensure that the Bank's balance sheet remains robust through prudent and efficient management of liquidity by using the short and medium-term money markets, retail deposits and foreign exchange products. They also ensure that the Bank maintains liquidity in accordance with its internal and regulatory requirements and manages investments in sukuk and funds.

In 2022, credit rating agency, Moody's Investors Service, assigned Gatehouse Bank an investment grade credit rating with a long-term stable outlook. This was the first credit rating the Bank has received, with Moody's citing a number of factors in support of its rating, including Gatehouse Bank's solid capital base, good liquidity profile and role as a growing, leading Shariah-compliant Bank in the United Kingdom.



First image customers see when they download the savings mobile app which launched in June 2022.



Strategic Report (continued)

Principal Risks and Uncertainties

The Bank continuously monitors economic indicators including inflation and interest rates, to identify risks that may impact Gatehouse Bank and our customers. We recognise that the current cost-of-living increases that the UK economy is experiencing may cause financial difficulties for customers and have polices in place to support those facing economic hardship.

The Bank's principal risks and uncertainties have been highlighted and discussed in detail in Note 37.

Our Market and Competition

Gatehouse Bank is a Shariah-compliant UK Bank which is a subsidiary of Gatehouse Financial Group Limited. Founded in 2007, the Bank operates in accordance with Shariah principles, offering savings products and finance for UK real estate. Gatehouse Bank has been part of the UK private rented sector (PRS) since 2014 with the aim of addressing the nation's housing shortage.

Following the penalty fine issued by the Financial Conduct Authority for activity undertaken between June 2014 – July 2017, we are pleased to be able to move forward and draw a line under this issue. Gatehouse Bank has invested significantly in financial crime control capabilities to ensure we continue to operate to the highest industry standards.

In 2023, we aim to continue growing our core sectors organically, whilst remaining mindful of the uncertain economic outlook predicted for the year ahead. We have a number of new product developments in process, both for savings, where we are working towards developing a Regular Saver product, and for home finance, where we are developing additional green home finance options for our customers. Gatehouse Bank continues to focus on advancing its digitalisation strategy, with updates to the savings app planning for the year ahead.

In the coming year, Gatehouse Bank aims to further cement its position as a leader in the institutional Build to Rent sector by working closely with colleagues at Ascend. The Bank will also look towards exploring new opportunities and partnerships, particularly in the field of Shariah-compliant Bridging and Asset Finance.

Sustainability

Please note more information on the Bank's Sustainability initiatives can be found within our Sustainability Report which is available on our website **www.gatehousebank.com**.

Gatehouse Bank was established in 2007 and is one of the fastest growing banks of its kind in the UK. We offer Shariah-compliant products and services to individuals, businesses and institutional investors.

Our aim is to provide transparent, fair, and socially responsible products and services to those of all religions and none. We believe in a financial system that is fair for everyone. As a Shariah-compliant UK Bank, our ethically designed products are well-placed to support fair finance and have a positive environmental and social impact.

In line with the Shariah principles of promoting, protecting, and preserving the human race, Gatehouse Bank promotes fair play and strives to ensure that our customers' financial affairs are handled responsibly. These principles rule out highly speculative financial products and services, and prohibit funds being used to support sectors that could cause harm to society, such as alcohol, gambling, tobacco, adult entertainment and the arms industry.

We recognise that the banking sector has a crucial role to play in helping to solve many of the significant challenges the world faces today. This is because the products and services we offer and the industries we support have a big influence on the world.

Gatehouse Bank is the first Shariah-compliant UK Bank to become a founding signatory to the UN Principles for Responsible Banking (UN PRB), of which we celebrated the third anniversary in 2022. By becoming a founding signatory, we committed to strategically aligning our business to the United Nations' Goals for Sustainable Development, Paris Climate Agreement, and other relevant frameworks.

For Gatehouse Bank, this has entailed formalising our sustainability governance structure, establishing an initial roadmap to net zero, developing green products, driving sustainable procurement and engaging with our customers and community on financial inclusion and health. We also support local charities through fundraising and volunteering and have developed a sustainability agenda that is aligned to the UN's Sustainable Development Goals.

Moving into 2023, Gatehouse Bank will continue to develop positive solutions that demonstrate we continue to be a successful business, meeting our customers' growing expectations, whilst supporting a better future for all.

Material Sustainability Categories

We have deepened our understanding of the social, economic and environmental topics that matter most to the Bank's business and key stakeholders. We considered the greatest needs of the United Kingdom, our shareholders' key concerns and our business potential to make an impact in these areas.

We subsequently developed a list of material sustainability topics, grouped into four categories:
- Our People and Culture
- Environment
- Community
- Economy

	People & Culture	Environment	Community	Economy
Material ESG	• Employee Wellbeing • Diversity and inclusion	• Climate change • Supply chain sustainability	• Customer Wellbeing • Financial health and inclusion • Community giving	• Responsible use of funds and investments • Economic value generated and distributed • Preventing financial crime
Bank's Initiatives	• Our values • Employee benefits, training and development, • Wellbeing mentors and webinars • Diversity and inclusion	• Carbon neutral operations • Net zero home finance • Sustainable procurement • Sustainable products	• Fair treatment of customers • Customer privacy • Customer financial well-being • Charity partnerships: volunteering and corporate philanthropy	• Socially responsible • Shariah-compliant • Profit, employment, tax contributions • Anti-corruption and bribery • Training and anti-money laundering policy
	8 Decent work and economic growth; 3 Good health and well-being; 10 Reduced inequalities	13 Climate action; 12 Responsible consumption and production	8 Decent work and economic growth; 10 Reduced inequalities; 12 Responsible consumption and production	17 Partnerships for the goals; 12 Responsible consumption and production

Two of the identified material topics; climate change (environment) and financial health and inclusion (community) are significant impact areas that the Bank has set targets for as part of our commitment as a founding signatory to the UN Principles for Responsible Banking (UN PRB).

The Bank will continue to measure performance for all material topics, increasing the scale of disclosures over time as qualitative and quantitative data availability improves.

Climate Change

As a Bank, we maintain our accurate awareness and understanding of how climate change is impacting the economy, environment and community. We continue to align ourselves to the UK's goal of achieving net zero by 2050, taking into account the impact our business has on the environment through greenhouse gas emissions.

The Bank has taken significant steps to reduce its operational carbon footprint through measures including a new travel policy aiming for a 20% reduction in emissions from business travel by the end of 2023 from the base year of 2019.

In 2022, we worked closely with Carbon Neutral Britain to measure and offset our operational emissions for the previous year, including Scope 1, Scope 2 and selected Scope 3 emission categories in accordance with ISO 14064:1-2018 and GHG Emissions Protocol Accounting and Reporting Standard. The Bank's operational emissions include those produced across its three offices in London, Milton Keynes and Wilmslow as well as employee business travel. We are proud to have been independently certified by Carbon Neutral Britain as an operationally carbon neutral business for the second consecutive year.

This certification provides assurance that Gatehouse Bank met all standards in measuring, calculating, and offsetting operational emissions via the Climate Fund portfolio of verified carbon offsetting projects around the world. These projects have been selected based on their direct and indirect impact around the world and have been certified to the highest standards via the Verra – Verified Carbon Standard, the Gold Standard – Voluntary Emissions Reductions (VER), or the United Nations – Certified Emission Reductions (CERs) programmes.

The Bank's report on all emission sources for 2022 required under the Companies Act 2006 Regulation 2013 is set out below. In compiling this information, the Bank has used Streamlined Energy and Carbon Reporting (SECR). Greenhouse gas emissions are reported as a single total by converting them to the equivalent amount of carbon dioxide using emission factor from SECR conversion factor 2022. There is no data to compare as the SECR report is being submitted for the first time. However, the Bank has been voluntarily disclosing its greenhouse gas emissions from 2019 – 2021 through Carbon Neutral Britain.

In August 2022, Gatehouse Bank was certified by Carbon Neutral Britain as an operationally carbon neutral business for the second consecutive year.

Strategic Report (continued)

Gatehouse Bank and Ascend Estates Limited*	
Energy Source	**tCO2e**
Scope 1: Direct emissions from combustion of fuel	91.45
Scope 2: Indirect emissions from electricity purchased	64.95
Scope 3: Business travel only	87.62
Scope 1 + 2 +3	244.02
Environmental intensity indicator (tonnes of carbon dioxide per £1m gross income)	4.3

*Disclosure for the financial year ended as at 31 December 2022.

We continue to work hard to reduce our environmental impact and have set targets to continue mitigating the impact of our operational emissions as well as financed emissions, particularly through our home finance portfolio, which accounts for 80% of the Bank's financing activity.

In the Community

Gatehouse Bank is committed to giving back to the community through corporate giving, volunteering and fundraising activities.

In December 2021, our colleagues selected FareShare as Gatehouse Bank's Charity of the Year for 2022 due to its vital work to address hunger and reduce food waste in the UK. This was an important issue to colleagues across Gatehouse Bank, particularly in light of the fact that 1 in 10 people in the UK struggle to access enough food to eat.[2] Meanwhile, FareShare estimates that 3.6 million tonnes of good quality food are wasted by the hospitality industry yearly. This also has an adverse effect on the environment, with Energy Saving Trust estimating that between 8-10% of global greenhouse gas emissions relate to food waste.[3]

FareShare redistributes good quality surplus food from the hospitality industry to nearly 9,500 charities and community groups across the country. For every £1 donated, FareShare redistributes the equivalent of four meals to those in need, also sparing greenhouse gas emissions which would have otherwise resulted from this food going to waste.

Throughout the year, colleagues across the Bank engaged in a range of fundraising missions which were organised and facilitated by the Social Committee, including raffle and bingo tournaments across Gatehouse Bank's offices in London, Milton Keynes, and Wilmslow. Several colleagues also organised their own fundraising efforts, both individually and in groups, including the One Million Step Challenge, Forest Run, Budapest Marathon and Jubilee Walk. For each activity, Gatehouse Bank matched the amount raised up to £200.

Gatehouse Bank's fundraising efforts resulted in over £11,000 raised in aid of FareShare, enabling the charity to redistribute over 41,000 meals to those in need. In total, the partnership aided FareShare to provide support for 400 homeless people, 789 families with children and 248 community groups for the elderly.[4] The Bank's fundraising also helped to redistribute 17 tonnes of surplus food, preventing 27 tonnes of carbon emissions and 25,925 litres of embedded water from going to waste.[5]

As well as fundraising for our Charity of the Year, we encourage all Gatehouse Bank colleagues to support causes that are close to their hearts. In 2022, the Bank launched a Volunteering Policy to provide colleagues with one paid day of leave per year to be used for volunteering. Since the policy came into effect, Gatehouse colleagues have volunteered for a number of environmental and social causes, including boosting biodiversity in Walthamstow Village, litter picking through central London and volunteering with local primary schools.

[2] FareShare, https://fareshare.org.uk/what-we-do/hunger-food-waste/
[3] Energy Saving Trust, https://energysavingtrust.org.uk/love-food-hate-waste/
[4] FareShare Impact Report, Gatehouse Bank 2022
[5] Data obtained from FareShare and Carbon Trust

Our colleague Ben Pearce-Fulker, Senior Operational Risk Analyst, completed the 5K Forest Runner at Salcey Forest to fundraise for FareShare.

John Coles, Head of Acquisitions at Gatehouse Investment Management, ran the Budapest Marathon in under 3 hours and 30 minutes.

“We’re incredibly grateful to Gatehouse Bank’s staff for their brilliant fundraising. The £11,000 they’ve raised has made a huge difference in helping us get good-to-eat surplus food, that may otherwise go to waste, to people across the UK impacted by the cost-of-living crisis.”

Miriam Emanuel,
Corporate Partnerships Manager at FareShare

Our CEO, Charles Haresnape virtually rowed the English Channel and raised £1,775!

Our CEO raised **£1,775** for FareShare by virtually rowing the **English Channel!**

In aid of FareShare fighting hunger, tackling food waste

Strategic Report (continued)

Diversity and Inclusion

At Gatehouse Bank, we believe that diversity fuels our creativity and connects us to the communities we serve. We strive for the Bank to remain a workplace where those of all backgrounds can contribute and cultivate their skills in a positive work environment.

We are committed to offering equal opportunities in employment and avoiding unlawful discrimination in relation to employees, customers, suppliers and other key stakeholders. Our Equal Opportunities policy, which applies to all Bank employees, is intended to enable the Bank to put this commitment into practice, ensuring that everyone is treated with respect. In 2022, we further reinforced the importance of diversity and inclusion in the workplace by introducing a mandatory e-learning training module on equality, diversity and unconscious bias, which was completed by 100% of our colleagues.

The Bank also organised two rounds of allyship training designed and delivered by an external diversity and inclusion expert. The first three-hour session was delivered virtually to groups of between 15 and 20 people, while the second took place in person for groups of between 12 and 15 colleagues. The training covered a range of topics, including diversity, bias, privilege, power, microaggressions, and the importance of allyship and what it means in practice. Following this, we completed an annual accreditation with the Bank's line managers on interviewing skills and unconscious bias.

In September 2022, the Bank conducted its third annual anonymous Diversity and Inclusion Survey to gain colleague feedback, measure and assess its progress on representation and inclusion. Inclusion performance is measured through understanding colleague experience, with good inclusion performance ensuring that we get the best from everyone.

We use a combination of HR data and anonymous survey data to build a picture of diversity at the Bank. In addition to representation across characteristics such as gender and ethnicity, the Bank also assesses diversity across age, socio-economic background, sexual orientation, religion, disability and dependents. This information is used to inform the Bank's strategy on Diversity and Inclusion moving forward.

Gatehouse Bank evaluates the gender pay gap on an annual basis and takes steps to address any issues that are identified. In 2022, the Bank worked with a third party to assess and provide a granular picture of the gender pay gap across all departments. The gender composition of Gatehouse Bank's workforce is outlined in the table below, as of 31st December 2022:

	Male	Female
Directors at Gatehouse Bank	7	1
Executive Committee members at Gatehouse Bank (excluding the above)	4	2
Employees at Gatehouse Bank (excluding the above)	99	92

In the first quarter of 2023, a female Non-Executive Director was appointed.

Gatehouse Bank colleagues participated in a number of volunteering activities to support local communities throughout 2022.

The Gatehouse Bank Finance team volunteered to help maintain a green space in Walthamstow Village by clearing the area, planting wildflowers and restoring biodiversity.

The Bank's Talent Manager Lee Stockdale volunteered at Whirlow Hall Farm Trust to support education and contribute to a better learning environment for children.

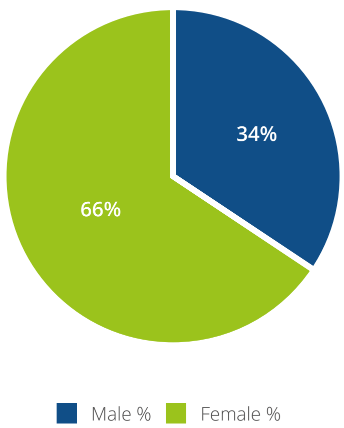
Colleagues from the Marketing, Communications and Business Development team spent an afternoon litter picking in some of the busy streets in London to support the local community.

Strategic Report (continued)

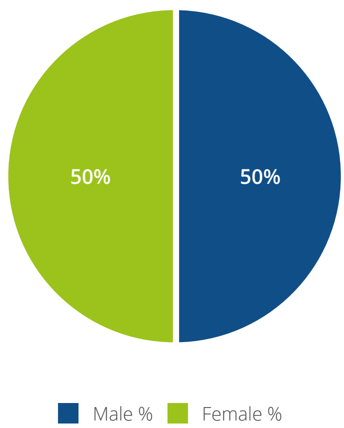
As of 31st December 2022, we have calculated a 32% mean and 21% median gender pay gap between women and men who work at Gatehouse Bank. The results are broken down by quartile in the following charts.

Quartile	Number	Male (No.)	Female (No.)	Male (%)	Female (%)
Lower	50	17	33	34%	66%
Lower Middle	50	25	25	50%	50%
Upper Middle	50	30	20	60%	40%
Upper	50	34	16	68%	32%

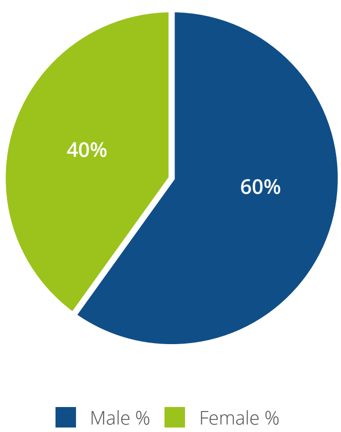
Lower Quartile Gender Split



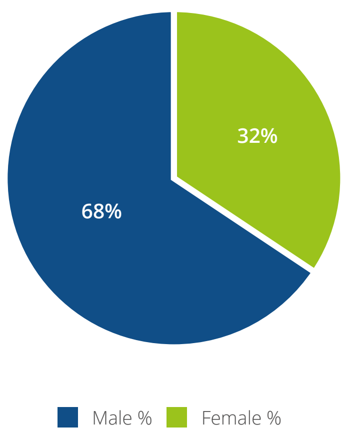
Lower Middle Quartile Gender Split



Upper Middle Quartile Gender Split



Upper Quartile Gender Split



We are proud to partner with these organisations that demonstrate our commitment to Corporate Social Responsibility:

United Nations Environmental Programme - Finance Initiative (UNEP FI) - UN Principles for Responsible Banking

Women in Islamic and Ethical Finance Forum (WIEFF)

Forest Carbon

Carbon Neutral Britain

Global Ethical Finance Initiative (GEFI)

The Islamic Finance Council UK (UKIFC)

UK Finance

Money & Pensions Service

FareShare

Strategic Report (continued)

In March 2022, Roger Evans, Thomas Humphreys, Rachel Hunter and Paul Jones participated in 'March in March'! Together they raised funds throughout March to support the Bank's charity of the year, FareShare by walking a combined total of one million steps.

Memberships and Affiliations

At Gatehouse Bank, we recognise the importance of community in driving best practice in sustainability. We are committed to continuously strengthening our network as well as partnering with other key players and organisations to help us achieve our social and environmental goals.

United Nations Environmental Programme - Finance Initiative (UNEP FI) - UN Principles for Responsible Banking

Gatehouse Bank became a founding signatory to the UN Principles for Responsible Banking (UN PRB) in September 2019 alongside 129 other global banking institutions. The UN Principles for Responsible Banking provide a framework for a sustainable banking system and help the financial sector demonstrate how it makes a positive contribution to society. By signing these Principles, Gatehouse Bank has committed to strategically aligning its business to society's goals, as laid out by the UN's Sustainable Development Goals, the Paris Climate Agreement and other relevant frameworks that identify the most pressing societal, environmental, and economic needs of our time.

Since becoming a signatory, Gatehouse Bank has been an active member of the global community of signatory banks, participating in multiple working groups developing and sharing best practice for responsible banking. In December 2021, the Bank became a founding signatory to the UN PRB's commitment to climate and financial health and inclusion. Throughout 2022, Gatehouse Bank has been actively participating and supporting the working groups in setting impact targets and developing indicators to measure and report on progress.

[6] Global Ethical Finance Initiative www.globalethnicalfinance.org.

Global Ethical Finance Initiative (GEFI)

Gatehouse Bank has partnered with the Global Ethical Finance Initiative (GEFI), a non-profit organisation seeking to drive finance for positive change. GEFI has become a hub at the centre of the ethical finance movement. The organisation curates independent conversations among a coalition of financial services stakeholders, as well as delivering practical projects.[6]

Through its partnership with GEFI, the Bank has been able to reinforce its position as an ethical bank by presenting at events involving some of the world's leading financial institutions, including a discussion on "ESG in a Volatile World" held in Edinburgh in 2022. Gatehouse Bank will be actively working with GEFI leading up to and following COP28.

Women in Islamic and Ethical Finance Forum (WIEFF)

Gatehouse Bank is a corporate member of the Women in Islamic and Ethical Finance Forum (WIEFF). WIEFF is an independent, international forum for industry professionals to collaborate and promote the interests of the ethical and Islamic finance industry. The forum's long-term vision is to support and promote women in Islamic finance globally and to create a platform which fosters links between the Islamic and ethical finance industries (ESG, SRI, Green Finance, Impact Investing) for the expansion and advancement of the sector.

In 2022, Gatehouse Bank hosted a panel discussion on "Innovation in ESG" at its London office in partnership with the Women in Islamic and Ethical Finance Forum. Alongside speakers from Gatehouse Bank and WIEFF, the event included insights from numerous distinguished speakers within the industry, including representatives from HSBC Asset Management, Aviva Investors, Deutsche Bank, EY and Citi.

Islamic Finance Council UK (UKIFC)

The Bank is working with non-profit group, UKIFC, as part of a global taskforce intended to encourage Islamic financial institutions to embrace the UN's Sustainable Development Goals and show the world that commitment to planet and people lies at the heart of Islamic finance. The UKIFC is the first advisory body dedicated to Islamic finance to endorse the UN Principles for Responsible Banking.

In 2022, Gatehouse Bank collaborated with the UKIFC to roll out the world's largest global Islamic Finance retail survey, designed to gain insight into customers' understanding of the UN's Sustainable Development Goals and the Bank's activities in relation to people and the planet. The Bank also actively participated in the 'Islamic Finance Power Roundtable' event, which took place in Edinburgh on 7th September 2022.

Gatehouse Bank also partnered with the Islamic Finance Council as part of the Global Islamic Finance and SDGs Series, where our CEO, Charles Haresnape, spoke on 'Going Green – commercial opportunity or operational headache?'. Gatehouse Bank will continue to actively work together with the UKIFC leading up to and following COP28.

UK Finance – Financial Education Committee

UK Finance is the collective voice of the UK's banking and finance industry, representing almost 300 firms and acting to enhance competitiveness, support customers and facilitate innovation.[7]

The organisation works for and on behalf of its members to promote a safe, transparent and innovative banking and finance industry. UK Finance offers research, policy expertise, thought leadership and advocacy in support of its work.

Gatehouse Bank joined UK Finance's Financial Education Committee in November 2022. The Bank continues to work closely with UK Finance with a view to developing its financial education programme for customers and the wider community – one of the core impact areas under Gatehouse Bank's commitment to the UN Principles for Responsible Banking.

Carbon Neutral Britain

Gatehouse Bank works in partnership with Carbon Neutral Britain to identify and offset the Bank's operational carbon emissions. Gatehouse Bank first measured its operational carbon footprint for the year 2019. The Bank has since taken significant steps to reduce its carbon footprint through measures such as its new travel policy aiming to reduce emissions from business travel by 20% by the end of 2023 from the base year 2019.

Forest Carbon

Forest Carbon is a leading organisation in woodland creation and peatland restoration projects for carbon capture and ecosystem services. The quality of Forest Carbon's schemes is assured by the UK Government's Woodland Carbon Code and Peatland Code.

Through its Woodland Saver accounts, Gatehouse Bank works closely with Forest Carbon in supporting the mission of growing the UK's woodland cover. For every Fixed Term Deposit or Fixed Term Cash ISA account opened or renewed, we work with Forest Carbon to plant a tree in a certified UK woodland project on behalf of the customer. In 2022, Gatehouse Bank worked with Forest Carbon to surpass the significant milestone of 20,000 trees planted.

We have also partnered with Forest Carbon for our green home finance range. These products are designed to support UK homebuyers and landlords that are purchasing or refinancing a more energy efficient home – with an EPC rating of A or B.[8] Under this scheme, qualifying customers will receive a reduction on the rental rate and Gatehouse Bank will offset the carbon emissions of the average UK property at 2.9 tonnes per household[9] for the entire two-or five-year fixed term of the product.

Money & Pensions Service

The Money and Pensions Service (MaPS) is an arm's-length body of the Department for Work and Pensions. Established in early 2019, the Money and Pensions Service engages with HM Treasury on policy matters relating to financial capability and debt advice.[10]

Gatehouse Bank works in close partnership with the Money and Pensions Service with a view to learn and develop its financial health and inclusion programme for customers and the wider community, as well as help deliver the UK's strategy for financial wellbeing. Gatehouse Bank has identified financial health and inclusion as one of its core impact areas as per the Bank's commitment to the UN Principles for Responsible Banking.

---

[7] Homepage | UK Finance

[8] https://www.gatehousebank.com/personal/home-finance/green-finance-products

[9] *The average UK household's carbon emissions generated by heating and lighting the home are 2.9 tonnes of CO_2 per year. Source: Forest Carbon, April 2022

[10] https://maps.org.uk/

Strategic Report (continued)

FareShare

FareShare is the UK's national network of charitable food redistributors, made up of 18 independent organisations. Together, they take good quality surplus food from across the food industry and get it to nearly 9,500 frontline charities and community groups.[11] For every £1 donated, FareShare redistributes the equivalent of four meals to those in need, also sparing the greenhouse gas emissions which would have otherwise resulted from this food going to waste.

Gatehouse Bank colleagues selected FareShare as the Bank's Charity of the Year for 2022 due to its vital work to address hunger and reduce food waste in the UK. This charity's work aligned with Gatehouse Bank's social, economic and environmental commitments. Throughout the year, colleagues across the Bank engaged in a range of fundraising activities and helped raise over £11,000 in aid of FareShare.

Going Concern

As of the date of signing this report, after making all reasonable and appropriate enquiries and taking into account the Bank's regulatory capital and liquidity, its forecasts, stress tests, and scenario analyses, the Directors have reasonable expectation that the Bank has adequate financial resources to continue in operational existence for the foreseeable future. The Directors are satisfied that the going concern basis remains appropriate in preparing the Bank's financial statements. Further disclosures on the going concern basis can be found in Note 3 of the financial statements.

Approval

This strategic report was approved by the Board of Directors and signed on its behalf by:

Charles Haresnape
Chief Executive Officer
25 April 2023

[11] https://fareshare.org.uk/

Improving our Social, Economic and Environmental Impact throughout 2022:

Financial Health & Inclusion

We launched a mobile savings app with the aim to provide our customers with round-the-clock access to their personal savings accounts. Following this launch, the percentage of our customers aged 18-30 increased.

To further increase inclusion, we relaunched our Easy Access Account, reducing the minimum deposit from £1,000 to £1.

To better understand our customers' financial confidence, resilience and support needed, we conducted a survey through our customer newsletter. The data from this survey has informed the delivery of our Financial Health and Inclusion project - a core impact area for the Bank which was identified under the UN Principles for Responsible Banking.

Product Innovation

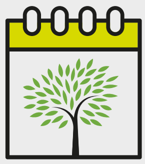
In 2022, we launched a range of Green Home Finance products for UK homeowners and landlords. For customers who acquire or refinance a property with an A or B Energy Performance Certificate (EPC) rating, they will receive a 0.10% reduction off the standard equivalent product rate. In addition, we will offset the carbon footprint of the average UK property as long as the customer remains with the Bank with a qualifying property.

Net Zero Progress

The Bank has set a target to achieve Net Zero by the year 2050, which is aligned to the Paris Climate Agreement. As Residential Property Financing comprises of 94% of the Bank's portfolio, this is being achieved in part by setting SMART targets such as capturing and improving EPC ratings of the properties we finance.

Volunteering in the Community

Our new Volunteering Policy enables Gatehouse colleagues to take one day of paid leave to volunteer in the local community. Since the launch in August 2022, colleagues have volunteered to support causes such as the environment, health, wellbeing and education.



Milestone Achievement

Since their launch in February 2021, our award-winning Woodland Saver accounts have continued to prove popular throughout 2022. We have now planted over 20,000 trees on behalf of our customers in nine certified woodland projects around the UK. A carefully planned and managed woodland offers a wide range of benefits beyond supporting biodiversity and capturing CO2.

Shariah Supervisory Board Report

بسم الله الرحمن الرحيم

To the Shareholders of Gatehouse Bank plc
Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh

In compliance with our terms of appointment with Gatehouse Bank plc (the '**Bank**'), we, the Shariah Supervisory Board of the Bank (the '**SSB**'), are required to submit the following report of Shariah compliance to you in connection with the business activities and the operations of the Bank.

Pursuant to our mandate, we have reviewed the activities of the Bank and material transaction documents entered into and material agreements with third parties for supply of services to facilitate the operations of the Bank. This report relates to the period 1 January 2022 to 31 December 2022 (the '**Period**').

We have conducted an overall review the Bank's activities to form an opinion as to whether the Bank has complied with Shariah rules and principles and also with the specific pronouncements, rulings and guidelines issued by us ('**Shariah**').

Management is responsible for ensuring that the Bank conducts its business in accordance with Shariah. It is our responsibility to form an independent opinion on that and report to you, based on our review of the operations of the Bank.

Supervision

The SSB has supervised the Bank's operations to the extent it is relevant to Shariah and carried out its role in directing the Bank to comply with Shariah.

Bank's Contracts

The Bank has entered into contracts for its operations and financing agreements. These include obtaining services from third parties to manage the Bank and providing financing to clients in a Shariah-compliant manner to generate income. The SSB has reviewed the contracts and agreements presented during the year and conveyed its pronouncements. The Bank has followed the pronouncements and, where necessary, amended the relevant documents in order to comply with Shariah.

Shariah Audit

The SSB has reviewed internal Shariah audit reports and made an assessment of systems and controls in place for the processing of related expenses incurred by employees of the Bank.

Annual Report

The SSB has perused the Bank's draft Annual Report and Accounts and the statements and notes therein.

Zakaat

The Bank's parent company, Gatehouse Financial Group Limited ('GFGL'), calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by its Shariah Supervisory Board. The Zakaat payable for GFGL's paid up capital is the responsibility of GFGL's shareholders.

Conclusion

We performed our review so as to obtain material information and explanations which we considered necessary in order to provide us with sufficient evidence to give a reasonable assurance that the Bank has not breached Shariah during the Period.

In our opinion, the Bank was, in all material respects, in compliance with Shariah rules and principles during the Period.

Members of the Shariah Supervisory Board

Sheikh Dr Nizam Yaquby
Chairman of the SSB

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

Sheikh Dr. Abdul Aziz Al-Qassar
Member of the SSB

25 April 2023

Our purpose

We exist to help more people realise their dreams and aspirations.

With an alternative, balanced approach to banking, we offer **a different way**.

Directors' Report

The Directors present their annual report on the affairs of the Bank, together with the financial statements and auditor's report, for the year ended 31 December 2022. The Corporate Governance Statement set out on pages 10 to 15 forms part of this report. The Strategic Report starting on page 16 contains details of the principal activity of the Company and provides information on the development of the Company's business during the year, details of exposure to risks and uncertainties and indications of likely future developments, going concern, and any significant events after the reporting date.

Information about the use of financial instruments by the company and its subsidiaries is given in note 3 to the financial statements. Further details on the Bank's Energy and Carbon emissions can be found in the Strategic report. The Bank has no branches outside the UK.

For details about subsequent events and going concern, please refer to note 39 and 3.

Dividend

No dividends were paid during the year (2021: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2021: £nil).

Directors and Directors' Interests in Shares

The names of the Directors and Company Secretary at the date of this report are shown on page 2, and director appointments, resignations and committee memberships are shown on page 14. All of the Directors have served the Bank during the year and until the date of signing the accounts. None of the Directors who held office at the end of the financial year has any interest in the shares of the Bank.

Sharia Supervisory Board members

The names of the Sharia Supervisory Board's members at the date of this report are shown on page 32 in the Sharia Supervisory Board's report.

Directors' Indemnities

The Bank has made qualifying third party indemnity provisions jointly with its parent for the benefit of their Directors and directors of subsidiaries that were in post during the year and remain in force at the date of this report.

Employee Consultation

The Bank places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Bank. The Bank holds monthly town hall events to provide updates to all the staff on the strategic plans of the Bank and its progress.

Employees with Disabilities

Application for employment by people with disability are given full and fair consideration bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees suffering a disability, all reasonable effort is made to ensure that appropriate training is given and their employment with the Bank continues. Training, career development and promotion of a person with a disability is, as far as possible, identical to that of an able-bodied person.

As set out in the Strategic Report, the Bank has undertaken a number of initiatives to ensure gender diversity requirements are achieved. The Strategic Report also includes the Bank's engagement with stakeholders, reporting of carbon emissions, and considerations in respect of climate change.

Policy on Payment of Creditors

The Bank's policy is to agree on terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Bank to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

Auditor

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Our values

Responsible

We believe in a transparent, fair and socially responsible system of finance, based on Shariah principles. Through the sharing of both risk and reward in an equitable way, we offer an alternative, balanced approach to banking for our customers.

Open

We encourage an open and transparent dialogue with our customers and colleagues, welcoming different ideas and perspectives. We recognise the value of listening and the progress that comes from freedom of thought and permission to fail.

Can-do

We embrace opportunity and are resourceful in the face of challenge. By looking beyond accepted conventions, being willing to adapt, and always working as a team, we move forward where others stand still. Our attitude is refreshingly can-do.

Directors' Report (continued)

Political Contributions and Charitable Donations
The Bank made no political contributions (2021: £nil) and £5,715 of charitable donations (2021: £5,395) during the year.

Directors' Statement as to Disclosure of Information to Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Bank's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.

Danesh Mahadeva
Chief Financial Officer
25 April 2023

Directors’ Report (continued)

Section 172(1) Statement

The directors have, in good faith, acted in a way to promote the success of the company for the benefit of its members as a whole, and in doing so have had regard (amongst other matters) to factors (a) to (f) under section 172 of the Companies Act 2006 which includes:

- The likely consequences of any decision in the long term;
- The interests of the company’s employees;
- The need to foster the company’s business relationships with suppliers, customers and others;
- The impact of the company’s operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The Directors have taken into consideration these matters, and also considered the views and interests of the other stakeholders, such as the Bank’s regulators. The Directors’ approved the business plan and revised strategy for 2023 after ensuring these matters were given due consideration and the need of stakeholders were incorporated in the development of the business plan and future strategy of the Bank.

The Board regularly receives reports from management on issues concerning the interests of the below key groups:

- Investors;
- Customers;
- Communities;
- Employees;
- Environment; and
- Regulators.

The Board also reviews the financial and operational performance of the Bank, including key risk areas and legal, Shariah and regulatory compliance.

Stakeholders’ Engagement

Investors

The Board appreciates the support from its shareholders at its parent company level and the interests of our two major shareholders are represented by shareholder nominated directors, Fahed Faisal Boodai and Abdulaziz AlBader - representing The Securities House and the Kuwait Investment Authority (KIA) respectively. In 2020, both The Securities House and the KIA participated in a group convertible debt instrument, with the funds used solely for the Bank and to support its strategic growth. In 2022, the debt was partially converted and balance settled in cash.

Customers

As outlined in the Chairman’s and CEO’s statement, supporting our customers is key to the Bank’s business model and strategic plan and has been a significant focus of the Board throughout 2022.

The Board was keen to ensure that there was no deterioration in customer service levels during 2022 and with the Bank continuing to support its customers where appropriate whilst maintaining an appropriate risk and control environment.

The Board and Executive Committees monitor the impact on customers through regular reports on customer Net Promoter Scores (NPS) and customer feedback, and this information helps guide and inform the Board’s decisions on strategy and customer satisfaction.

Communities

The Board is committed and proud to support the wider community in dealing with the economic crisis caused by COVID-19. Please refer to the Bank’s strategic report for further details on the Bank’s key initiatives in 2022 to support its communities.

Employees

The Bank’s employees and their well-being is of paramount importance to the Board and Executive Committee. In light of the pandemic, all employees were required to work from home and formal risk assessment process were undertaken to ensure an appropriate environment was maintained. This has involved increasing the resources of our IT department to provide greater support to our staff working remotely as well as the provision to all staff of laptops and other home office equipment, where appropriate.

Directors' Report (continued)

The Bank undertakes employee surveys (including diversity and inclusivity surveys) throughout the year as a means to obtain ongoing feedback from its staff. This feedback is used by management and reported to the Board in guiding its decision-making affecting employees. Throughout the pandemic, the Bank has maintained monthly virtual town halls providing employees with updates on strategy and key business matters.

The Board is also pleased with the level of engagement from its staff in charitable giving and in supporting the Bank in improving the wider community. Please see the strategic report for further details.

Environment

The Board recognises the importance of climate change and in reducing the Bank's carbon footprint. Please refer to Bank's strategic report for further details on the Bank's key initiatives supporting the environment.

Regulators

The Board and the Executives maintain an open and transparent relationship with the regulators.

The Bank ensures at all times that the regulatory impact of its activities are taken fully into consideration. All key regulatory requirements and metrics are reviewed by the Board throughout the year and the Board ensures it keeps the regulators up to date on key business and operational updates.

Directors' Responsibilities

Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 UK-adopted International Financial Reporting Standards (IFRSs). 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 Group and Parent company and of their profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with relevant reporting framework, give a true and fair view of the assets, liabilities, financial loss of the Bank and the undertakings included in the consolidation taken as a whole;
- the Strategic Report together with the Chairman and CEO statements include a fair review of the development and performance of the business and the position of the Bank and the undertakings included, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board

Danesh Mahadeva
Chief Financial Officer
25 April 2023

Independent Auditor's Report to the Members of Gatehouse Bank Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Gatehouse Bank Plc (the 'Company') and its subsidiaries (together the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated and company statements of cash flows; and
- the notes 1 to 40 to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of expected credit losses on financing assets; • Deferred tax asset recognition; • Significant unusual transaction (SUT) with related party; and • Measurement of financial liability agreed upon acquisition of 50.1% Ascend shares Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £999k which was determined as 0.9% of net assets.
Scoping	Our Group audit scope represented 100% of the Group's revenue, 98% of the Group's profit before tax and 98% of the Group's total net assets.
Significant changes in our approach	Following the sale of Gatehouse Capital Economic and Financial Consultancy KSCC ("Gatehouse Capital") during the year, valuation of unquoted equities at fair value is no longer a key audit matter. The following have been identified as new key audit matters during the audit: - Deferred tax asset (DTA) recognition due to the recognition of a material DTA by the Group in the current period for the first time as a result of consistent recent and projected profits; - Significant unusual transaction (SUT) with a related party due to the sale of Gatehouse Capital to a related party; and - Measurement of financial liability agreed upon acquisition of 50.1% Ascend shares as a result of the identification of a prior period error related to a complex area of accounting.

Independent Auditor's Report to the Members of Gatehouse Bank Plc (continued)

4. 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 Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating whether the going concern assessment appropriately captures all key business risks, such as operational, financial, liquidity and capital risks.
- Assessing the Group's most recent Internal Capital Adequacy Assessment and Internal Liquidity Adequacy Assessment (ICAAP & ILAAP), understood the Group's and the Company's regulated status, regulatory category for prudential purposes, and its minimum prudential regulatory requirements, including major sources of prudential risk.
- Challenging the assumptions used in the cash flow projections and profitability forecasts. We compared the actual results reported in 2021 with the budgeted performance to identify any significant variation.
- Assessing the results of reverse stress testing on the liquidity reserve position and capital position. Our challenge focused on the appropriateness of the assumptions used under the reverse stress testing and the Group's and the Company's ability to meet its financial obligation and absorb additional loss under a worst case scenario.
- Engaging our regulatory specialist to assess Bank's latest capital and liquidity returns.
- Discussing existing and emerging risks to the Group and the Company with the supervision team at the Prudential Regulation Authority.
- Considering the appropriateness of the disclosures made in the financial statements in view of the requirements of applicable financial reporting framework.

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 Group's or the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. 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. These matters included 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.

5.1. Valuation of expected credit losses on financing assets

Key audit matter description	Valuation of expected credit losses (ECL) on financing assets requires a significant degree of judgement. During the year ended 31 December 2022, there was an increase in the total amount of financing assets primarily due to the continuing growth in the buy-to-let residential property financing portfolio leading to the total net amount of financing and advances at amortised cost reaching £1.3bn (2021: £901m). At 31 December 2022, the total provision for expected credit losses on financing assets was £9.15m (2021: £3.6m). The focus of the key audit matter was on the following: • Appropriateness of macroeconomic scenarios used and their weightings; • Identification of significant increase in credit risk (SICR) since origination for the Real Estate Finance (REF) portfolio; • Valuation of overlays for the Residential Property Financing (RPF) and Real Estate Financing (REF); and • Appropriateness of the model code for the RPF portfolio. We considered that a risk of potential fraud lies within valuation of expected credit losses on financing assets due to the inherent potential for management bias in the valuation of expected credit losses. Management has disclosed information about credit risk within Note 37 and provision for expected credit losses in Note 17 to the financial statements. The accounting policy and information about judgements and estimation can be found within Note 3 to the financial statements.
How the scope of our audit responded to the key audit matter	As part of our audit work we: • Obtained an understanding of the controls over the ECL assessment; • Assessed management's impairment policy and models against the requirements of IFRS 9; • Engaged our credit modelling specialists to test whether the implemented model code is in line with the methodology; • Performed a retrospective assessment of observed default rates against modelled Probability of Default ('PD'); • Performed an assessment for a sample of loans in Stages 1 and 2 exposures, to determine whether they have been appropriately allocated to the correct stage; • Working with our credit modelling specialist, evaluated changes in the ECL methodology, assessed if any additional overlays are required to address model weaknesses; • Engaged our real estate specialists to test the valuations for properties where an up to date suitable third party valuation was not available; • Engaged our economics specialist to challenge macro-economic scenarios; and • Independently performed a re-coding and parallel re-run of the ECL model for the RPF portfolio based on management's methodology.
Key observations	Based on the procedures performed, we have concluded that the provision for expected credit losses is appropriately stated. We have made recommendations to the Audit Committee to formalise some of management's reviews and processes to address significant deficiencies identified.

Independent Auditor's Report to the Members of Gatehouse Bank Plc (continued)

5.2. Deferred tax asset recognition

Key audit matter description	The Group recognised deferred tax assets (DTA) of £4.5m (2021: £nil) arising from significant unutilised tax losses. The Group had unutilised tax losses of £41.6m (2021: £45.7m) that are available to offset against future taxable profits. The Group had forecasted its future taxable profits and recognised deferred tax asset up to the point where sufficient taxable profits can be utilised against these unutilised tax losses. Due to the magnitude of the amount of DTA related to the accumulated losses and the significant judgement involved in the determination of future taxable profits where these tax losses are expected to be utilised, we considered this a key audit matter. The extent of DTA recognised was dependent on the assessment that the Company will continue to make future taxable profit for the next 10 years based on its five year stressed Board approved business plan and an assumed steady growth rate from years 6 – 10. This is focused on two key judgements: • the ability to generate future profits through continued growth of profit generating assets; and • the appropriateness of the 10-year recognition period based on these profit projections. Management has disclosed information about deferred tax asset within Note 14 to the financial statements. The accounting policy and information about judgements and estimation can be found within Note 3 to the financial statements.
How the scope of our audit responded to the key audit matter	As part of our audit work we: • Obtained an understanding of the relevant controls over the production of the plan and the assessment of the DTA; • Assessed the Audit Committee's and Board's review of the factors underlying the DTA recognition through our review of meeting minutes and inquiries with management; • Engaged our tax specialist in assessing management's deferred tax calculation and assessed its compliance with IAS 12 and the UK tax rules applicable; • Challenged the appropriateness of the 10-year recognition period by considering the Group's expected futures activities, historical accuracy of forecasting future profits and increased difficulty in forecasting due to continued economic uncertainty further out into the future; • Evaluated the reasonableness of management's profitability forecast by assessing the past accuracy of management's forecasting process; and • Assessed the appropriateness of the relevant financial statement disclosures.
Key observations	Based on the procedures performed, we concluded deferred tax asset is recognised appropriately.

5.3. Significant unusual transaction with related party

Key audit matter description	During the year, the Group disposed its investment in associate, Gatehouse Capital Economic and Financial Consultancy KSCC ("Gatehouse Capital") (35.6% ownership), to a related party ("The Securities House K.S.C.C."). Total proceeds from this sale amounted to £14.2 million, 35.6% of this was received by the Group. The investment in associate was subsequently derecognised upon disposal. Given the nature of the transaction, it is considered to be a significant unusual transaction with a related party, and there is an inherent risk of material misstatement that the sale was not made at an arms-length price. We consider this a key audit matter due to the complexity and judgement involved in the determination of the fair value of Gatehouse Capital. Management has disclosed information about investment in associate within Note 20 to the financial statements. The accounting policy and information about judgements and estimation can be found within Note 3 to the financial statements.
How the scope of our audit responded to the key audit matter	As part of our audit work we: • Obtained an understanding of the relevant control implemented by group around the board committee oversight in the review and approval of significant unusual related party transactions; • Assessed the arm's length price of the Gatehouse Capital sale consideration by engaging our valuation specialist; • Tested the cash consideration of the sale by agreeing to relevant documentation i.e. bid offers, board approval, sale purchase agreements and bank statements; and • Assessed whether the accounting treatment for the derecognition of investment in associate and the related loss on disposal of Gatehouse Capital was appropriate.
Key observations	Based on the procedures performed, we concluded the significant unusual transaction with a related party was conducted at arm's length.

Independent Auditor's Report to the Members of Gatehouse Bank Plc (continued)

5.4. Measurement of financial liability for acquisition of Ascend shares

Key audit matter description	The Group restated its prior period consolidated financial statements, including its earliest opening consolidated balance sheet, to correct a prior period error and recognise a liability of £19,836k (31 December 2020: £19,697K) related to a put option written to the minority shareholders of a subsidiary, Ascend Estates Limited ("Ascend"). Further details are included within in note 2 to the consolidated financial statements. There is significant level of judgement and complexity involved in the estimation and accounting for this financial liability. The valuation of the liability is based on management's forecast of Ascend's future financial performance, which requires management judgement. Management has disclosed information about the financial liability including the prior period restatement within Note 2 to the financial statements.
How the scope of our audit responded to the key audit matter	As part of our audit work we: • Assessed the appropriateness of the accounting treatment of the transaction; • Tested the valuation of the financial liability calculation by performing the following: - we challenged the basis for management's forecast of the subsidiary's future financial performance and the calculation of the amount payable to the minority shareholders; - we challenged the discount rate used; and - we checked the mathematical accuracy of the calculation. • Assessed the appropriateness of the relevant consolidated financial statement restatement disclosures
Key observations	Based on the procedures performed, we concluded that the measurement of the financial liability, including the prior year restatement, is appropriately stated.

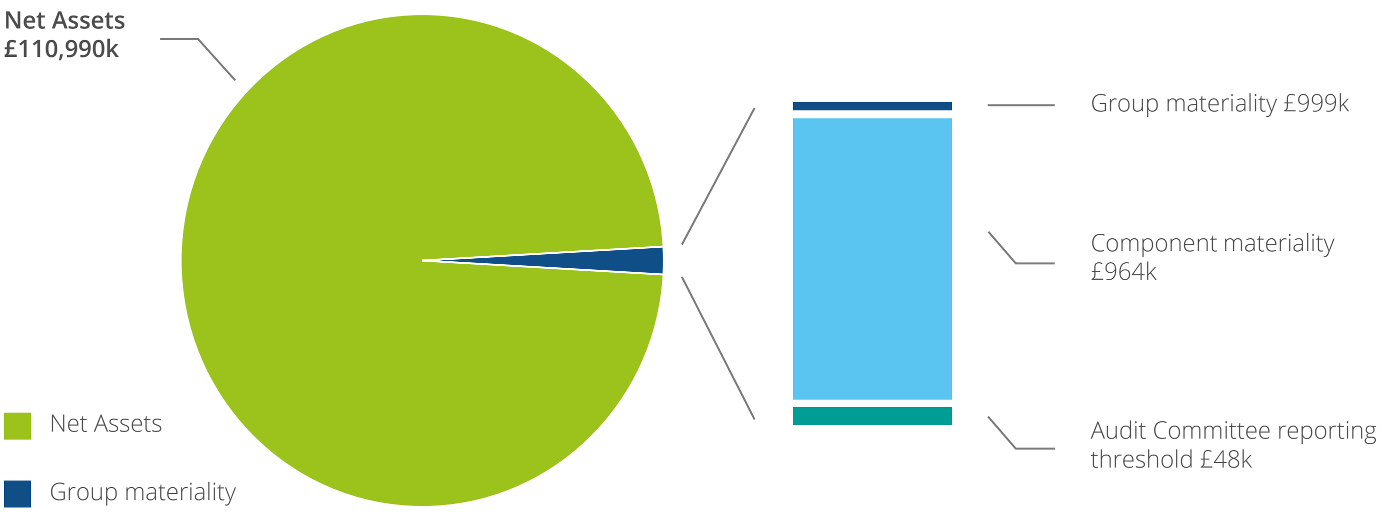
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Company financial statements
Materiality	£999k (2021: £1,013k)	£964k (2021: £972k)
Basis for determining materiality	0.9% of net assets (2021: 0.9% of net assets)	0.9% of net assets capped at 96.5% of the group materiality (2021: 0.9% of net assets capped at 96.5% of the group materiality)
Rationale for the benchmark applied	Consistent with prior period, net assets has been chosen as a benchmark as it provides a more stable measure year on year than profit before tax. We also considered the key risks to the Group, its relative size, scale and complexity and regulatory capital position. The latter is of particular significance to the regulators, as well as the shareholders as the viability of the Group is determinant on the capital position being sustained. Decrease in materiality in 2022 is due to the disposal of investment in associate during the year.	



Independent Auditor's Report to the Members of Gatehouse Bank Plc (continued)

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	50% (2021: 50%) of Group materiality	50% (2021: 50%) of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered factors including the previously identified deficiencies in internal controls, and the number of uncorrected misstatements in the prior year.	

6.2. Error reporting threshold

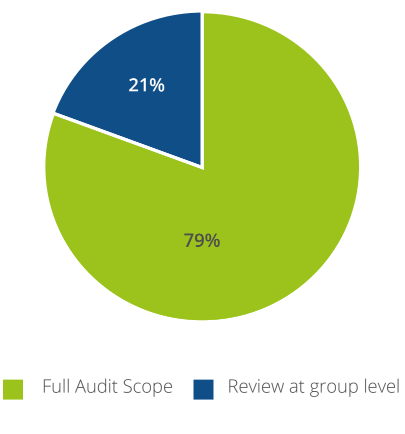
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £48.2k (2021: £48.6k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

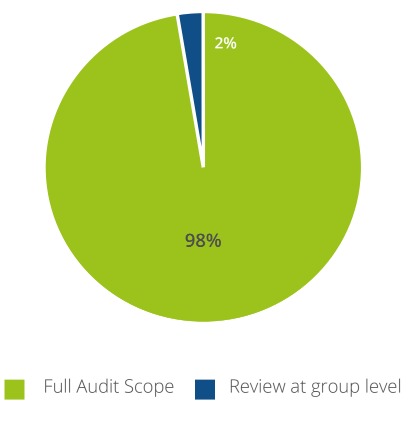
7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control framework, and assessing risks of material misstatements. The parent company has one subsidiary each in UK and France. As at 31 December 2022, the Bank had 100% shareholding in Ascend Estates Limited ("Ascend Properties"), a UK property sales and management company. Gatehouse Bank Plc have been identified as the only financially significant component of the group. In addition, we have performed audit procedures over the operating revenue and expenses of Ascend Estates Limited. Together, these provide a coverage of 100% of revenue, 98% of profit before tax and 98% of net assets of the Group. Component materiality level was set at £964k (2021: range of £610k to £972k).

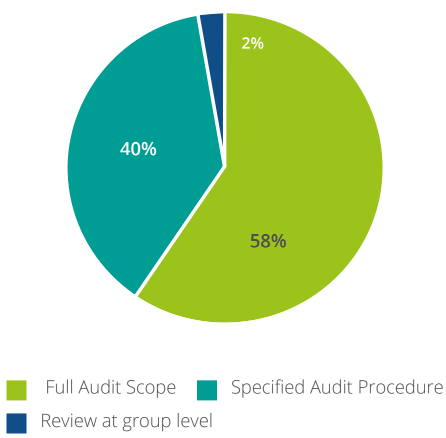
Revenue



Net Assets



Profit before tax



Audit work to respond to the risks of material misstatement was performed directly by the Group engagement team in the UK for all subsidiaries, including work on consolidation entries.

Independent Auditor's Report to the Members of Gatehouse Bank Plc (continued)

7.2. Our consideration of the control environment

As part of our audit we:

- Obtained an understanding of the Group's and Company's control environment;
- Engaged our IT specialist team to obtain an understanding of the general IT controls;
- Considered the control deficiencies identified in the prior periods; and
- Evaluated the impact of recent changes in the business and the environment it operates in since the last annual report and consolidated financial statements and their impact on the control environment.

Having considered the aforementioned factors and implementation process of control deficiencies identified in prior period, we designed a fully substantive audit approach with no control reliance for the audited period for all areas apart from income from financing, customer deposits and journal postings.

A third party administrator maintains the records of customer deposits. We obtained and evaluated an external auditor's ISAE 3402 report for the period from 1 November 2021 to 31 October 2022, which documents the suitability of design and implementation and operating effectiveness of controls. As the reporting date of the Bank is 31 December 2022, we have obtained a bridging letter for the period from 1 November 2022 to 31 December 2022 detailing that there have not been any material changes to the internal control environment nor any material deficiencies in the internal controls.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of climate change and its risk management. As stated in strategic report on page 21, the Group measured its 2022 operational carbon footprint. The Group's operational emissions include those produced across its three offices in London, Milton Keynes and Wilmslow, as well as the business travel of its employees. The Group will continue to measure performance for all material topics, including climate change increasing the scale of disclosures over time as qualitative and quantitative data availability improves.

As part of our audit, we have obtained management's climate-related risk assessment and held discussions with relevant operational staffs and finance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the financial statements. Management has identified there to be no material impact arising from climate change on the judgements and estimates made in the financial statements.

We performed our own qualitative and quantitative risk assessment of the potential impact of climate change material misstatement. Our procedures included reading disclosures included in the Strategic Report and audit team consideration as to whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. 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

Independent Auditor's Report to the Members of Gatehouse Bank Plc (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

11. Extent to which the audit was considered 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, compliance function, directors and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of expected credit losses on financing assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of expected credit losses on financing assets as key audit matter related to the potential risk of fraud. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and other regulatory authorities including the Prudential Regulation Authority and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements.

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

In our opinion the information given in note 38 to the financial statements for the financial year ended 31 December 2022 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors at its meeting on 5 November 2007 to audit the financial statements for the year ending 31 December 2007 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ending 31 December 2007 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

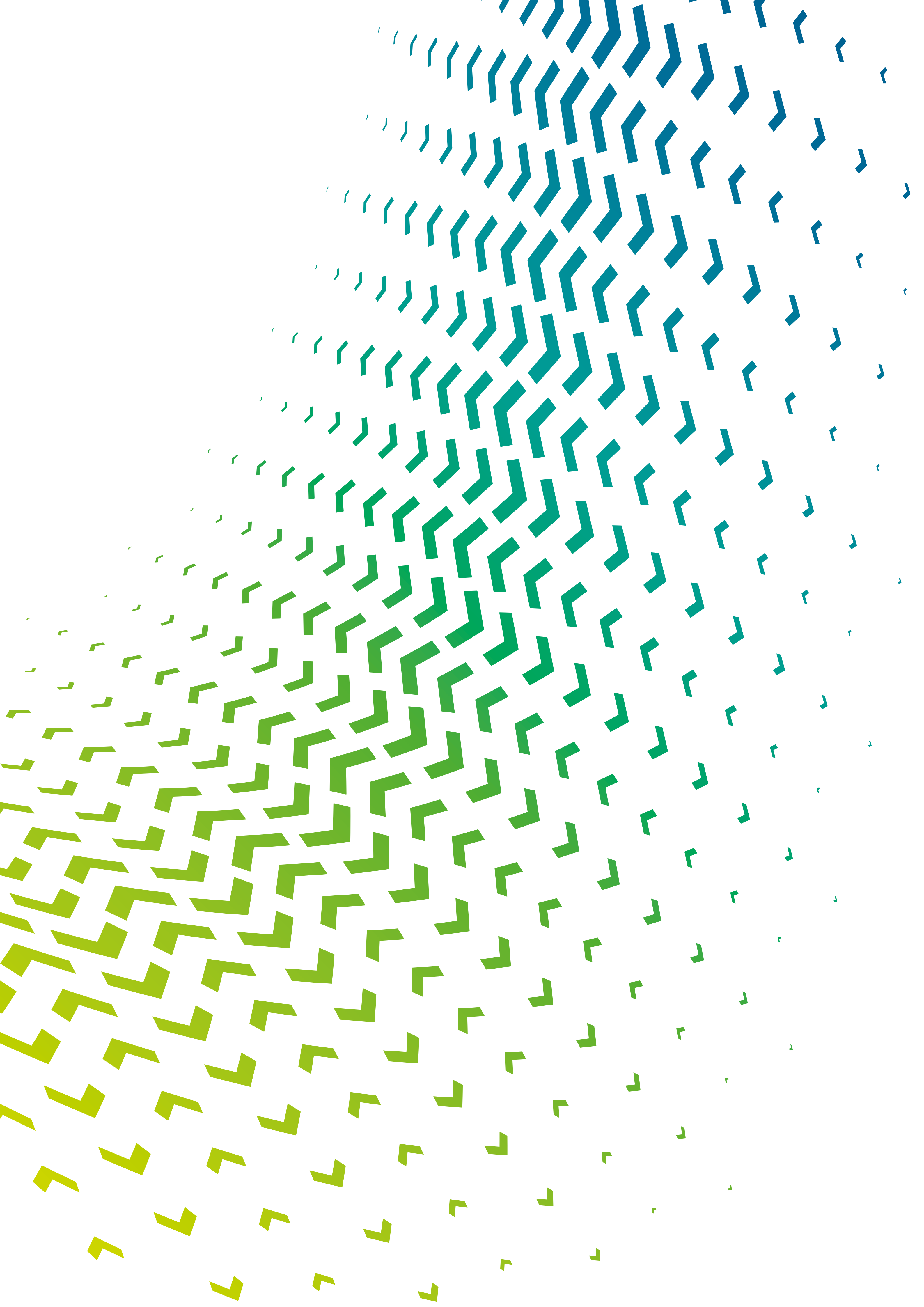
16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Atif Yusuf

Atif Yusuf (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 April 2023

Consolidated Financial Statements for the year ended 31 December 2022



Consolidated Income Statement

	Notes	Year ended 31 Dec 2022 £'000s	Year ended 31 Dec 2021 £'000s
Income			**Restated**
Income from financial assets held at amortised cost	4	42,738	33,889
Charges to financial institutions and customers		(18,604)	(15,332)
Fees and commission income		9,078	9,954
Fees and commission expense		(167)	(164)
Foreign exchange (losses)	5	(834)	(516)
Net gains from financial assets at fair value through income statement (FVTIS)	6	5,676	756
Net gains from financial assets at fair value through other comprehensive income (FVTOCI)		376	335
(Loss) on property held for sale	11	-	(472)
Gain on investment properties	10	-	1,412
Other income	12	335	2,039
Impairment charge	9	(5,714)	(806)
Total operating income		**32,884**	**31,095**
Expenses			
Staff costs	7	(19,889)	(18,126)
Depreciation and amortisation	24 & 25	(1,319)	(1,222)
Other operating expenses	8	(9,121)	(9,173)
Total operating expenses		**(30,329)**	**(28,521)**
Operating profit		**2,555**	**2,574**
Net share of profit of associate	20	-	-
Profit before tax continuing operations	13	**2,555**	**2,574**
Tax	14	3,933	(153)
Profit for the year from continuing operations		**6,488**	**2,421**
Profit after tax for the year from discontinued operation	20	1,640	904
Profit for the year		**8,128**	**3,325**
Attributable to:			
Profit attributable to the Bank's equity holders		6,911	2,865
Non-controlling interest		1,217	460
		8,128	**3,325**

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 Dec 2022 £'000s	Year ended 31 Dec 2021 £'000s restated
Profit for the year		**8,128**	**3,325**
Items that may be reclassified subsequently to income statement if specific conditions are met:			
(Losses) on FVTOCI investments		-	(15)
Foreign currency translation gains/(losses) from investment in associate – discontinued operation	20	(1,792)	244
		(1,792)	**229**
Items that will not be reclassified subsequently to income statement:			
Losses on FVTOCI investments		(1,539)	(367)
Other comprehensive losses for the year		**(3,331)**	**(138)**
Comprehensive profit for the year		**4,797**	**3,187**
Attributable to:			
Profit attributable to the Bank's equity holders		3,580	2,727
Non-controlling interest		1,217	460
		4,797	**3,187**

Notes 1 to 40 form an integral part of the financial statements.

Consolidated Statement of Financial Position

Assets	Notes	31 Dec 2022 £'000s	31 Dec 2021 £'000s Restated*	1 Jan 2021 £'000s Restated*
Cash and balances with banks		22,845	41,598	12,644
Financing and advances at amortised cost	17	1,227,896	901,111	702,170
Financial assets held at FVTIS	18	17,061	26,366	27,579
Financial assets at FVTOCI	19	19,351	22,951	17,942
Investment in associate – discontinued operation	20	-	14,298	13,764
Goodwill	21	4,242	4,242	3,805
Derivative financial instruments	23	34,138	2,619	15,351
Intangible assets	24	1,812	1,389	1,465
Investment Properties	10	-	-	24,516
Property, Plant and Equipment and right-of-use assets	25	1,486	1,714	1,906
Other assets	27	2,571	5,533	3,682
Deferred Tax Asset	14	4,525	-	-
		1,335,927	1,021,821	824,824
Property held for sale	11	-	4,537	-
Total assets		**1,335,927**	**1,026,358**	**824,824**
Liabilities				
Financial liabilities measured at amortised cost	28	1,168,586	915,473	718,533
Financial liabilities held at FVTIS	29	-	1,340	1,226
Derivative financial instruments	23	61,224	5,033	7,734
Other liabilities	30	7,333	11,696	7,702
Total liabilities		**1,237,143**	**933,542**	**735,195**
Net assets		**98,784**	**92,816**	**89,629**
Shareholders' equity				
Share capital	34	150,049	150,049	150,049
Foreign currency translation reserve		-	1,792	1,548
Fair value through other comprehensive income reserve		(5,275)	(3,848)	(3,434)
Non-controlling interest Acquisition reserve		(15,917)	(19,836)	(19,697)
Retained deficits		(30,073)	(36,644)	(39,680)
Equity attributable to the Bank's equity holders		**98,784**	**91,513**	**88,786**
Non-controlling interest		-	1,303	843
Total Equity		**98,784**	**92,816**	**89,629**

*Certain balances for the year 2021 have been restated. Please refer to Note 2 for more information.

Notes 1 to 40 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 April 2023. They were signed on its behalf by:

Charles Haresnape
Chief Executive Officer

Danesh Mahadeva
Chief Financial Officer

Consolidated Statement of Changes in Equity

	Share capital	FVTOCI reserve	Foreign currency translation reserve	Non-controlling interest acquisition reserve	Retained deficit	Equity attributable to the Bank's equity holders	Non-controlling interest	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2022 (restated)	150,049	(3,848)	1,792	(19,836)	(36,644)	**91,513**	1,303	**92,816**
Other comprehensive (losses)/gains for the year								
Recycle of Gain on Sale of OCI Investments	-	112	-	-	(112)	-	-	**-**
Unrealised loss on instruments at FVTOCI	-	(1,539)	-	-	-	**(1,539)**	-	**(1,539)**
Reserve on acquisition of subsidiaries	-	-	-	-	-	-	-	**-**
Foreign currency translation gains/(losses) from investment in associate – discontinued operation investments	-	-	(1,792)	-	-	(1,792)	-	**(1,792)**
Total other comprehensive (losses)/gains for the year	**150,049**	**(5,275)**	**-**	**(19,836)**	**(36,756)**	**88,182**	**1,303**	**89,485**
Continued Operations	-	-	-	228	5,043	5,271	1,217	**6,488**
Discontinued Operations	-	-	-	-	1,640	1,640	-	**1,640**
Profit for the year	-	-	-	**228**	**6,683**	**6,911**	**1,217**	**8,128**
Acquisition of a subsidiary	-	-	-	3,691	**-**	**3,691**	(2,520)	**1,171**
Balance at 31 December 2022	**150,049**	**(5,275)**	**-**	**(15,917)**	**(30,073)**	**98,784**	**-**	**98,784**

	Share capital	FVTOCI reserve	Foreign currency translation reserve	Non-controlling interest acquisition reserve	Retained deficit	Equity attributable to the Bank's equity holders	Non-controlling interest	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2021 (restated)	150,049	(3,434)	1,548	(19,697)	(39,680)	**88,786**	843	**89,629**
Other comprehensive (losses)/gains for the year								
Recycle of Gain on Sale of OCI Investments	-	(32)	-	-	32	-	-	**-**
Unrealised loss on instruments at FVTOCI	-	(382)	-	-	-	**(382)**	-	**(382)**
Foreign currency translation loss from associate investments	-	-	244	-	-	244	-	**244**
Total other comprehensive (losses)/gains for the year	**150,049**	**(3,848)**	**1,792**	**(19,697)**	**(39,648)**	**88,648**	**843**	**89,491**
Profit for the year	**-**	**-**	**-**	**(139)**	**3,004**	**2,865**	**460**	**3,325**
Balance at 31 December 2021	**150,049**	**(3,848)**	**1,792**	**(19,836)**	**(36,644)**	**91,513**	**1,303**	**92,816**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 Dec 2022	Year ended 31 Dec 2021 Restated
Cash flows from operating activities		**£'000s**	**£'000s**
Profit after tax from continuing operations		6,488	2,421
Profit after tax from discontinued operations	20	1,640	904
Profit after tax		**8,128**	**3,325**
Adjusted for:			
Impairment charge	9	5,714	806
(Negative)/ Positive revaluation of financial instruments held at FVTIS (unquoted investments)	6	(2,904)	210
Positive revaluation on investment properties	10	-	(1,412)
Share in profit of associate	20	(1,640)	(904)
Loss on sale of property held for sale	11	-	472
Fair value movement in Financial instruments held at FVTIS (derivative financial instruments)		(1,634)	160
Depreciation and amortisation	24 & 25	1,319	1,222
Foreign exchange (gains)/losses		(264)	461
Taxation	14	(3,933)	153
Net decrease/(increase) in operating assets:			
Fair value movement in financial instruments held at FVTIS (derivative financial instruments)		26,558	8,683
Changes in financing and advances at amortised cost	17	(332,498)	(199,760)
Net (increase)/decrease in other assets		3,007	(1,816)
Net increase/(decrease) in operating liabilities:			
Changes in financial liabilities measured at amortised cost	28	263,503	196,478
Income tax paid		(330)	(18)
Net increase/(decrease) in other liabilities		(3,953)	4,583
Net cash (outflow)/inflow from operating activities		**(38,927)**	**12,643**
Cash flow from investing activities			
Cash flow received from discontinued operations	20	14,253	859
Proceeds from sale of financial assets held at FVTOCI		2,061	11,331
Purchase of financial assets held at FVTIS (unquoted investments)		(600)	(1,100)
Proceeds from sale of financial assets held at FVTIS (unquoted investments)		11,468	24,339
Purchases of financial assets held at FVTOCI		-	(17,000)
Purchase of plant and equipment	25	(637)	(633)
Investments in subsidiaries		-	(437)
Purchase of intangible assets	24	(878)	(320)
Net proceeds from disposal of property held for sale		4,537	-
Net cash inflow from investing activities		**30,204**	**17,039**
Cash flows from financing activities			
Acquisition of subsidiaries	21	(9,218)	-
Cash outflow for lease liabilities	26	(672)	(724)
Net cash outflow from financing activities		**(9,890)**	**(724)**
Net (outflow)/inflow in cash and cash equivalents		**(18,613)**	**28,958**
Cash and cash equivalents at the beginning of the year		41,598	12,644
Effect of foreign exchange rate changes		(140)	(4)
Cash and cash equivalents at the end of the year		**22,845**	**41,598**

Company Statement of Financial Position

	Notes	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Assets		**£'000s**	**£'000s**
Cash and balances with banks		17,555	17,781
Financing and advances at amortised cost	17	1,227,896	901,111
Financial assets held at FVTIS	18	17,061	49,868
Financial assets at FVTOCI	19	19,351	22,951
Investment in associate	20	-	11,308
Investment in subsidiaries	21	22,780	4,344
Derivative financial instruments	23	34,138	2,619
Intangible assets	24	1,267	801
Property, Plant and Equipment and right-of-use assets	25	674	1,049
Other assets	27	3,764	2,806
Deferred tax asset	14	4,525	-
Total assets		**1,349,011**	**1,014,638**
Liabilities			
Financial liabilities measured at amortised cost	28	1,168,312	895,088
Financial liabilities held at FVTIS	29	-	1,341
Derivative financial instruments	23	61,225	5,033
Other liabilities	30	5,157	6,198
Total liabilities		**1,234,694**	**907,660**
Net Assets		**114,317**	**106,978**
Shareholders' Equity			
Share capital	34	150,049	150,049
Fair value through other comprehensive income reserve		(5,275)	(3,596)
Retained deficits		(30,457)	(39,475)
Equity attributable to the Bank's equity holders and total equity		**114,317**	**106,978**

During the financial year ended as at 31 December 2022, the Bank has made standalone profit of £9,018k (2021: £5,162k profit).

Notes 1 to 40 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 25 April 2023.
They were signed on its behalf by:

Charles Haresnape
Chief Executive Officer

Danesh Mahadeva
Chief Financial Officer

Company Statement of Changes in Equity

	Share capital £'000s	FVTOCI reserve £'000s	Retained deficit £'000s	Total £'000s
Balance at 1 January 2022	150,049	(3,596)	(39,475)	**106,978**
Other comprehensive losses for the year				
Unrealised loss on instruments at FVTOCI	-	(1,679)	-	**(1,679)**
Total other comprehensive losses for the year	**150,049**	**(5,275)**	**(39,475)**	**105,299**
Profit for the year			9,018	**9,018**
Balance at 31 December 2022	**150,049**	**(5,275)**	**(30,457)**	**114,317**

	Share capital £'000s	FVTOCI reserve £'000s	Retained deficit £'000s	Total £'000s
Balance at 1 January 2021	150,049	(2,969)	(44,637)	**102,443**
Other comprehensive losses for the year				
Unrealised loss on instruments at FVTOCI	-	(627)	-	**(627)**
Total other comprehensive losses for the year	**150,049**	**(3,596)**	**(44,637)**	**101,816**
Profit for the year	**-**	**-**	5,162	**5,162**
Balance at 31 December 2021	**150,049**	**(3,596)**	**(39,475)**	**106,978**

Company Statement of Cash Flows

	Notes	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Cash flows from operating activities		**£'000s**	**£'000s**
Profit after tax from continuing operations		6,034	4,303
Profit after tax from discontinued operations	20	2,984	859
Profit after tax		**9,018**	**5,162**
Adjusted for:			
Impairment charge	9	5,714	806
Loss on discontinued operations	20	398	-
Positive revaluation of financial instruments held at FVTIS (unquoted investments)	6	(2,904)	(1,800)
Fair value movement in derivative financial instruments	6	(1,634)	160
Depreciation and amortisation	24 & 25	866	850
Foreign exchange (gains)/losses	20	(3,483)	495
Taxation	14	(4,525)	-
Net decrease/(increase) in operating assets:			
Fair value movement in financial instruments held at FVTIS (derivative financial instruments)	15	26,555	8,683
Changes in financing and advances at amortised cost	17	(332,499)	(200,251)
Net (increase) in other assets		(956)	(1,774)
Net increase/(decrease) in operating liabilities:			
Changes in financial liabilities measured at amortised cost	28	264,005	196,251
Net increase /(decrease) in other liabilities		(626)	1,727
Net cash (outflow)/inflow from operating activities		**(40,071)**	**10,309**
Cash flow from investing activities			
Cash flow received from discontinued operations	20	14,253	859
Proceeds from sale of financial assets held at FVOCI		1,920	11,363
Purchases of financial assets held at FVOCI			(17,000)
Purchase of financial assets held at FVTIS (unquoted investments)		(600)	(1,100)
Proceeds on sale of financial assets held at FVTIS (unquoted investments)		34,969	3,419
Purchase of plant and equipment	25	(79)	(84)
Purchase of intangible assets	24	(878)	(124)
Net cash inflow/(outflow) from investing activities		**49,585**	**(2,667)**
Cash flows from financing activities			
Acquisition of subsidiaries	21	(9,218)	-
Cash outflow for lease liabilities	26	(411)	(428)
Net cash outflow from financing activities		(9,269)	**(428)**
Net (outflow)/inflow in cash and cash equivalents		**(115)**	**7,214**
Cash and cash equivalents at the beginning of the year		17,781	10,571
Effect of foreign exchange rate changes		(111)	(4)
Cash and cash equivalents at the end of the year		**17,555**	**17,781**

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

1. General Information

The Bank was incorporated as a public limited company, limited by shares in England and Wales on 25 May 2007 under the Companies Act 1985 and received authorisation from the FSA on 21 April 2008 to carry out regulated activities as a deposit-taking institution. The address of the registered office is given on page 2.

The principal activities of the Company and its subsidiaries (The Group) and the nature of the Group's operation are set out in the Strategic Report on pages 16 to 31.

2. Adoption of new and revised standards

New and revised IFRSs in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective and have not yet been adopted by the UK:

New or amended standard or interpretation	Effective date – for annual periods beginning on or after
Amendments to IAS 1 Classification of liabilities as current or non-current and Classification of Liabilities as Current or Non-current — Deferral of Effective Date	1 January 2023
Amendments to IAS 1 to help preparers in deciding which accounting policies to disclose in their financial statements	1 January 2023
Amendments to IAS 8 Definition of accounting estimates	1 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 and Amendments to IFRS 17 Insurance contracts	1 January 2023

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022 Amendments to IAS 16, IFRS 3 and IAS 37 (1 Jan 2022).

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Interest Rate Benchmark Reform

In 2020, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/ IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

Modification of financial assets, financial liabilities and lease liabilities are being considered by the IASB, which introduces a practical expedient for modifications required by the reform. These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements.

Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

The Group did not cease hedge accounting due to retrospective effectiveness is not outside the 80-125 per cent range.

Disclosures are defined in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendments which require that an entity discloses information about.

The Bank' has transitioned everything to SONIA in 2022.

Restatement of prior period

The Bank purchased a 50.1% controlling interest of Ascend Estate Limited (Ascend) in October 2018. There was also an agreement which contained an option for the Ascends' minority shareholders enable them, after two years, to require the Bank to acquire their remaining non-controlling interest. The pay-out agreed with the non-controlling shareholders should have been treated as a financial liability at the time of acquisition, subsequently remeasured through profit and loss, in the consolidated statement of financial position of the Bank.

The consolidated balance sheet as at 31 December 2021 has been restated as follows:

	31 December 2021 £'000s	Adjustment £'000s	31 December 2021 £'000s (restated)
Financial liabilities measured at amortised cost	895,637	19,836	915,473
Other income	2,178	(139)	2,039
Non-controlling interest acquisition reserve	-	(19,836)	(19,836)

The consolidated balance sheet as at 1 January 2021 has been restated as follows:

	1 January 2021 £'000s	Adjustment £'000s	1 January 2021 £'000s (restated)
Financial liabilities measured at amortised cost	698,837	19,697	718,534
Non-controlling interest acquisition reserve	-	(19,697)	(19,697)

Notes to the Consolidated Financial Statements (continued)

3. Basis of preparation and significant accounting policies

Going concern

The Bank's business activities, together with the factors likely to affect its future development, performance as well as the financial position of the Bank, its cash flows, liquidity position and obtaining financing facilities are described in this annual report and accounts. In addition, note 37 to the financial statements includes the Bank's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Bank ensures it meets its capital and liquidity prudential limits and regulatory thresholds on a day-to-day basis by actively managing its cash, short-term treasury placements and longer dated exposures. This also includes stress testing the impact of one or more events that may adversely affect the amount of regulatory capital and positive liquidity of the Bank. The Directors monitor the likelihood of such a stress event or combination of events happening on a forward looking basis regularly and take such preventive and detective actions as appropriate to ensure any stress event or events and their impact is mitigated on a timely basis. The Bank's forecasts and projections take account of possible changes in future conditions and performance and the maintenance of planned capital and liquidity resources above the regulatory base requirements for the foreseeable future. In light of the above, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The Bank has made an assessment of going concern, taking into account both current performance of the Bank as well as the impact of the Post Covid-19 pandemic, Post Brexit, war in Ukraine and domestic economic crisis, including consideration of projections incorporating the impact of rising in the interest rate, property market for the Bank's capital and funding position. Specifically, the Bank considered:

- The adequacy and resilience of the Bank's capital base throughout the year including revised macro-economic scenarios;
- The impact of negative valuations on the Bank's real estate and legacy assets;
- The adequacy of the Bank's liquidity taking into account the hardship policy offered to customers in financial stress, the strength of its retail deposit offering and the support it continues to receive from the Kuwait Investment Authority ("KIA"); and
- The regulatory and legal environment and any potential conduct risks.

Basis of accounting

The financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRSs). The financial statements have been prepared under the historical cost accounting convention except for financial assets and liabilities stated at their fair value, comprising investment securities and derivative financial instruments.

Figures stated in thousands of pounds sterling

These consolidated financial statements disclose figures stated in thousand of pound sterling and are rounded up to the nearest amount in pound sterling.

Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements.

Structured entities

The Bank uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Bank identifies such entities as structured entities. After determining whether an entity is a structured entity, the Company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Company has determined that it does not have any controlling interest in consolidated structured entities as at 31 December 2022 (see Note 22).

Key estimates

Level 3 fair value measurements

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. Fair value is estimated on the basis of historic cost less impairment and by reference to the net asset value of the underlying investment, where the net asset value is not based on observable market data (see Note 37).

Deferred tax

Deferred tax assets are recognised in respect of tax losses to the extent that is probable that future taxable profit will be available against which the tax losses can be utilised. Although in UK taxes losses can be utilised indefinitely, judgment is required to determine the amount of deferred tax asset that can be recognised, based on the likely timing and level of future taxable profit, together with future tax planning strategies.

Credit losses

The calculation of expected credit losses involves a number of assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty.

If 5% and 10% shift in accounts occurred, moving from stage 1 to stage 2 for the Bank's financing portfolio and all other variables were held constant, the Bank's loss for the year ended 31 December 2022 would increase by £957k and £1,914k respectively.

A 10% relative reduction in the overall value of collateral realised in RPF business would increase the total impairment provisions for such financing £1,378k as at 31 December 2022. A 20% relative reduction in the overall value of collateral realised in RPF business would increase the total impairment provisions for such financing by £4,167k as at 31 December 2022.

A 10% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provisions for such financing £729k as at 31 December 2022. A 20% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provision for such financing by £2,562k as at 31 December 2022.

Basis of consolidation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Bank's financial statements.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements (continued)

Foreign currencies

The financial statements are presented in sterling, which is the Bank's functional and presentation currency, transactions in foreign currencies are initially recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the balance sheet date. Non-monetary assets and liabilities are translated into sterling at the effective historical rate used on the date of initial recognition. Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in the profit or loss for the year.

Discontinued operations

Discontinued operations are excluded from the profit for the year from continuing operations and are presented as a single amount as profit after tax from discontinued operations in the consolidated income statement. Additional disclosures are provided in Note 20. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Financial Instruments

The Bank has applied the accounting policy choice to remain with IAS 39 for fair value hedge accounting.

Measurement categories of financial assets and liabilities

The Bank classifies all financial assets into one of the following categories:

1. Amortised cost;
2. Fair value thorough other comprehensive income (FVOCI); and
3. Fair value though income statement (FVTIS):
   a. mandatory
   b. fair value option.

The starting point for classification of financial assets into respective measurement categories is the business model for managing the financial instruments, as well as whether the instrument's contractual cash flows only constitute solely payments of principal and profit.

Financial liabilities are classified as follows:

1. Amortised cost; and
2. Fair value through income statement (FVTIS):
   a. mandatory
   b. fair value option.

As a general rule, financial liabilities are recognised at amortised cost. The exceptions are the financial liabilities required to be measured at fair value through profit or loss, such as derivatives and liabilities which, upon initial recognition, are irrevocably identified as being measured at fair value (fair value option).

Upon initial recognition, all financial assets and liabilities are measured at fair value. Directly attributable transaction costs are included in the acquisition cost.

All purchases and sales of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulations or conventions in the market place.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The Solely Payments of Principal and Profit ("SPPP") test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPP test.

Principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of the profit from a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

Financing and advances at amortised cost

Financing and advances at amortised cost include financial assets that are held to collect contractual cash flows that are SPPP. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost less impairment losses.

Financial assets held at fair value through the income statement

Financial assets held at value through income statement include financing advanced to corporate customers and unquoted equity securities. Financing advanced to corporate customer has been classified in this caption as it has failed to meet all the requirements set out in the SPPP test indicating that its cash flows are not solely payments of principal and profit, irrespective of the business model. Unquoted equity securities are not held for trading and therefore the Bank has the irrevocable election at initial recognition to classify the instruments as FVTOCI, which has not been taken. This election is available for each separate investment.

Financial assets classified under this caption are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include quoted funds, unquoted equity securities which the Bank has elected to hold under FVTOCI and quoted Sukuk.

The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination, in other comprehensive income. Gains and losses arising from changes in the fair value of these financial instruments are never recycled to the income statement. Dividends on such investments are recognised in the income statement unless the dividend represents a recovery of part of the cost of the investment.

For debt instruments, gains and losses arising from changes in the fair value are recognised in FVTOCI reserve of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income are recycled to the income statement.

Reclassification of financial instruments

As a general rule, financial assets are not reclassified after initial recognition. Reclassification is permitted in the rare case that the Bank changes the business model it applies for the management of financial asset. The reclassification of financial liabilities is not permitted after initial recognition.
No reclassifications have been made during the period covered in the financial statements.

Offsetting financial assets and liabilities

Financial assets and liabilities are set off on the balance sheet if the Bank has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability.

Fair Value Hedge Accounting

IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which the Bank has exercised. The Bank applies fair value hedge accounting to hedge Profit Rate Swaps ("PRS") which hedge the exposure in fixed rate mortgages in the residential and commercial financing books. At the inception of a hedging relationship, the Bank documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values of the hedged items.

To qualify for hedge accounting, IAS 39 requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an on-going basis; GHB assesses this at inception (prospective effectiveness) and on a monthly basis (retrospective effectiveness). The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in fair value must offset each other in the range of 80 per cent to 125 per cent, for the hedge to be deemed effective.

Derivative Financial Instruments

Derivative financial instruments include Shariah-compliant forward foreign exchange agreements based on the principle and commitment to investment securities and PRS instruments.

Derivative financial instruments are recognised initially, and are subsequently re-measured, at fair value Fair values of PRS instruments are obtained using discounted cash flow models. The valuation of derivative financial instruments held at fair value through the income statement is recognised in the balance sheet under derivative financial instruments on either the asset or liability side of the balance sheet dependent on whether the valuation is positive or negative respectively. The valuation of one class of derivative financial instruments is not offset against the valuation of another class of derivative financial instruments.

Notes to the Consolidated Financial Statements (continued)

ECL measurement

The Bank's financing assets portfolio is split into three asset classes Treasury (placements and Liquid Asset Buffer ("LAB") Sukuk), Real Estate Finance ("REF") and Residential Finance Book (Home Purchase Plans ('HPPs') and Buy To Let). ECL is based on a separate estimation of probability of defaults ('PDs'), loss given defaults ('LGDs') and exposures at defaults ('EADs') for each exposure and which are determined based on a combination of internal and external data.

The assets to be tested for impairment are divided into the following three stages:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition;
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the claim is credit-impaired at the time of reporting; and
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is impaired.

In Stage 1, provisions are to be recognised which correspond to the loss expected to occur within 12 months as a result of default. In Stage 2 and Stage 3, provisions are to be recognised corresponding to the loss expected to occur at some time during the whole of the remaining maturity of the asset as a result of default.

The significant increase in credit risk reflects the risk of default and is a measurement by which the agreement's relative change in credit risk is measured. The assessment is made up of three elements: quantitative, qualitative and the 30 days past due 'backstop' indicator whereby clients would move from Stage 1 to Stage 2 for RPF. The major triggers for significant increase in credit risk differ between products:

- REF - commonly breach of covenants Finance To Value (FTV), Finance Service Cover Ratio (FSCR) or non-payment;
- RPF - non-payment or forbearance; and
- Treasury – non-payment.

Quantitative modelling is used in conjunction with internal and external credit grades and ratings in assessing whether credit risk has significantly increased. The Bank monitors the effectiveness of the criteria used to identify significant increase through regular reviews. For each financial asset the Bank also compares the lifetime probability of default (PD) at the reporting date with the lifetime PD that was expected at the reporting date at initial recognition (PD thresholds) in order to identify whether the risk of default has increased significantly.

REF and residential financing portfolios under IFRS 9 consider a financial asset to be in default when either the customer is unlikely to pay its credit obligation, or the customer is more than 90 days past due. Treasury assets are considered to be in default immediately if they are not settled on the due date or when there is evidence that the counterparty is unlikely to pay its credit obligations on the contractual due date.

To supplement the IFRS 9 models, the Bank uses post model adjustments (PMA's) where there are known model / data limitations, or the sensitivity is not as expected. The PMA's take into account risk factors and related credit impacts that have not been captured in the model. All PMA's are approved by the CRO and CFO and agreed at the Bank's risk committee with a plan for remediation.

Forward-looking information

Under IFRS 9, the Bank has incorporated Oxford Economics forward-looking forecasts. The Bank uses UK unemployment rate, residential property price index, BoE policy rate UK 5-Yr Government Bond Yield for a forward-looking assessment into the IFRS9 model.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Investment in subsidiaries (for standalone)

The investments in subsidiary undertakings in the Bank's financial statements are stated at cost less impairment. Investments in subsidiary undertakings are assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the statement of comprehensive income.

IFRS 3 – Optional 'Concentration' test – Asset Acquisition

Effective from 01 January 2020, IFRS 3 introduces an optional 'concentration test' to assess whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. The purpose of the concentration test is to permit a simplified assessment of whether an acquired set of activities and assets may not be a business. The Bank may elect to apply the concentration test on a transaction-by-transaction basis.

According to paragraph 2(b) of IFRS 3, an entity needs to do the following on acquisition of a group of assets:

(a) Identify and recognise the individual identifiable assets acquired and liabilities assumed; and

(b) Allocate the cost of the group to the individual identifiable assets and liabilities based on their relative FVs at the date of the acquisition.

According to the November 2017 The IFRS Interpretations Committee ("Committee") update, the Committee considered two possible ways of accounting for the acquisition of the group.

Applying the first approach, an entity accounts for the acquisition of a group of assets as follows:

a. it identifies the individual identifiable assets acquired and liabilities assumed that it recognises at the date of the acquisition;

b. it determines the individual transaction price for each identifiable asset and liability by allocating the cost of the group based on the relative fair values of those assets and liabilities at the date of the acquisition; and then

c. it applies the initial measurement requirements in applicable Standards to each identifiable asset acquired and liability assumed. The entity accounts for any difference between the amount at which the asset or liability is initially measured and its individual transaction price applying the relevant requirements.

Applying the second approach, for any identifiable asset or liability initially measured at an amount other than cost, an entity initially measures that asset or liability at the amount specified in the applicable IFRS Standard. The entity deducts from the transaction price of the group of assets the amounts allocated to the assets and liabilities initially measured at an amount other than cost, and then allocates the residual transaction price to the remaining identifiable assets and liabilities based on their relative fair values at the date of the acquisition.

The Bank may apply the first approach to account for the acquisition of an asset or a group of assets provided the criteria for asset acquisition is met using the optional concentration test in IFRS 3.

Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The Bank has adopted the fair value model for subsequent measurement and any change in fair value is recognised in consolidated income statement. Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Financial liabilities held at fair value through income statement

The Bank may designate a financial liability upon initial recognition as at financial liabilities held at fair value through income statement if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring that liability or recognising the gains and losses on such a liability on different bases (commonly referred to as an 'accounting mismatch').

Investment in associate

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and net assets of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Bank's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Bank's interest in that associate are not recognised.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is included within the carrying amount of the investment.

Cash and balances with banks

The caption Cash and Balances with Banks represents cash and current account balances with banks, all held in interest-free accounts.

Property, Plant and Equipment

Plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and impairment losses if any. Depreciation is provided on a straight-line basis over estimated useful life as follows:

Notes to the Consolidated Financial Statements (continued)

Leasehold Property	Over life of lease
Leasehold Improvements	Minimum of life of lease or 10 years
Leasehold Vehicles	Over life of lease
Property	Over life of lease
Computer Equipment	3 years
Fixtures and Fittings	5 years

Costs include all incremental, directly attributable external costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 Intangible Assets. Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives on a straight line basis, in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

- Goodwill - not amortised;
- Software development costs - 5 years;
- Licence fees - 5 years; and
- Customer lists - 15 years.

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

The amortisation share is recorded in depreciation and amortisation.

Property held for sale

Property held for sale is measured at the lower of carrying amount and fair value less costs to sell. Impairment on property held for sale is recognised in profit and loss. Property held for sale is not depreciated.

Goodwill

Goodwill arises on the acquisition of subsidiary and associated entities and represents the excess of the fair value of the acquisition over the identifiable net assets acquired. Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications impairment has occurred.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised. Goodwill is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

Impairment of non-financial assets

The Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered permanent diminution in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognised as an expense in the income statement.

Notes to the Consolidated Financial Statements (continued)

Income and expenses

Income from financial assets held at amortised cost

"Income from financial assets held at amortised cost" consists of profit derived from Shariah-compliant financing and advances under Murabaha, Diminishing Musharaka agreements and Murabaha placements. A Murabaha arrangement represents an agreement whereby the Bank purchases a commodity and then sells it to a customer on a deferred settlement basis with an agreed mark-up. A Musharaka contract represents an agreement between the Bank and the customer entering into a partnership in the ownership of a specific asset on ongoing basis or for a limited time, during which the Bank enters in particular arrangements with the customer to sell to them its share in this partnership until they become the sole owner of the specific asset (diminishing musharaka).

The calculation of profit on financial assets that are not impaired (Stage 1, Stage 2) is performed by applying the effective profit rate to the gross outstanding amount of asset. Once asset is impaired or classified as Stage 3, the effective profit rate is applied to amortised cost of the asset (i.e. gross amount less the expected credit losses).

Profit receivable on Murabaha placements and Diminishing Musharaka is recognised as income on a time-apportionment basis over the period of the contract, based on applying the effective profit rate to the principal amounts outstanding.

Revenue from contracts with customers

The standard for revenue from contracts with customers, IFRS 15, is applied for different types of services which are mainly recognised under Fees and commission income in the income statement.

The income is recognised at the point in time when the performance obligation is satisfied, which corresponds to the transfer of control over the service to the customer. The total income is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time.

The following principles apply to the time at which income is recognised:

- Income earned gradually as the services are performed, is recognised at the rate these services are delivered, i.e. on a straight-line basis over time. This is due to the fact that the customer receives and consumes the service simultaneously, meaning that the Bank's obligation is fulfilled in line with the rendering of the service.
- Income attributable to a specific service or action is recognised when the service has been performed, i.e. at a specific point in time. Examples of such income are brokerage and payment commissions.

The income recognised must reflect the anticipated income. When the income includes variable reimbursement, such as refund, bonus or performance-based element, the income is recognised when it is highly probable there that no repayment of the amount will take place. Payments are made on a regular basis as the services are performed and advance payments refer to a maximum of 12 months into the future. Accrued income is recognised for services that have been performed but have not been paid for. Deferred income is recognised for payments received for services which have not been performed. Income from contracts with customers constitutes an immaterial portion of the items including in Other Income. Additional expenditure required to obtain a contract with a customer is not recognised as an asset (prepaid expense), and instead is recognised as an expense during the accounting period in which it arises.

Fees and commissions

Fees and commissions are recognised in line with the satisfaction of performance obligations. This can be either at a point in time or over time, in line of the provision of the service to the customer. Fees and commissions arising from transactions for third parties, such as the acquisition of securities or the purchase or sale of other assets, are recognised when right to receive the income has been established. Management advisory and service fees are recognised based on applicable service contracts or over the period the service is provided.

Charges to financial institutions and customers

"Charges to financial institutions and customers" consists of profit payable from Shariah-compliant deposits including Murabaha deposits and Wakala arrangements. A Wakala arrangement represents an agreement whereby the Bank accepts a deposit of funds on behalf of a customer to perform an investment activity and endeavours to pay a return based on a pre agreed rate.

Profit payable on Murabaha deposits and Wakala arrangements is recognised as income on a time-apportionment basis over the period of the contract, based on the principal amounts outstanding.

Share-based payments

The Bank accounts for its share-option scheme in accordance with IFRS 2. At each balance sheet date, the Bank revises its estimate of the number of equity options expected to vest.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.

Current tax is provided on taxable profits at the current rate.

Deferred tax is provided in full using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

The Bank has recognised £4,525k at 31 December 2022 (2021:nil). Deferred tax assets are recognised in respect of tax losses to the extent that is probable that future taxable profit will be available against which the tax losses can be utilised.

IFRS 16 – Leases

IFRS 16 introduced a new definition for leases and confirmed the distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the accounting standard sets, for all the leasing typologies, the recognition of right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments.

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right of use is measured on the basis of the rules set for the assets by IAS 16, IAS 38 or by IAS 40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses.

The Bank decided, as allowed by the standard, not to apply IFRS 16 provisions to:

- Leases of intangible assets;
- Short-term leases, lower than 12 months; and
- Low value assets leases.

In order to calculate the lease liability and the related right-of-use asset, the Bank proceeds with discounting the future lease payments at a proper discount rate. In this respect, future lease payments to discount are determined based on contractual provisions.

The lease payments are discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost funding for liabilities of similar duration and similar security of those implicit in the lease contract.

In determining the lease term, the Bank takes into consideration the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset also taking into account potential renewal options if the lessee is reasonably certain to renew. In particular, with regards to those contracts that allow the lessee to tacitly renew the lease contract after a first set of years, the lease term is determined taking into account factors such as the length of the first period, the existence of dismissal plans for the asset leased and any other circumstance indicating the reasonable certainty of the renewal.

Right-of-use assets are disclosed within property, plant and equipment in the consolidated statement of financial position, lease liabilities are disclosed within other liabilities in the consolidated statement of financial position. Finance cost is disclosed within other operating expenses and similar changes in the consolidated income statement, depreciation of right-of-use assets is disclosed within depreciation and amortisation in the consolidated income statement. Cash outflow for lease liabilities is disclosed within cash flows from financing activities in the consolidated statement of cash flows.

The lease term for the Group's right of use asset is 5 years. There are no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This asset has been assessed for impairment under IAS 36. The carrying amount of the right of use assets remains above the recoverable amount of right of use assets and no impairment has occurred in the year ended 31 December 2022.

Operating leases

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Pension costs

The Bank operates a defined contribution pension scheme for all staff. The cost of the scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within "Staff costs" in the income statement. The Bank has no further obligation once the contributions have been paid.

Segmental reporting

The Bank has one class of business and carries out its activity only in the UK and accordingly no segmental reporting is provided.

Notes to the Consolidated Financial Statements (continued)

4. Income from financial assets held at amortised cost

	2022 £'000s	2021 £'000s
Income from financing arrangements	42,046	33,877
Income from financial institutions	692	12
	42,738	**33,889**

5. Foreign exchange losses

	2022 £'000	2021 £'000
Net losses on translation of derivative financial instruments	(168)	(759)
Net (losses)/gains on translation of balances denominated in foreign currency	(666)	243
Net (loss) in foreign exchange	**(834)**	**(516)**

6. Net gains on financial assets at fair value through income statement

	2022 £'000s	2021 £'000s
Profit income of financing assets	294	3,241
Dividend income	844	794
Revaluation on financing asset	-	(3,386)
Hedge ineffectiveness	1,634	202
Net revaluation on unquoted equity securities	2,904	(95)
	5,676	**756**

7. Staff costs, Directors' emoluments and number of employees

	2022	2021
	£'000s	£'000s
Staff costs		
Directors' salaries and fees	2,530	1,451
Directors' pensions	79	73
	2,609	**1,524**
Staff salaries	12,986	12,444
Staff pension contributions	735	534
Social security costs	1,818	1,303
Other staff costs	1,741	2,321
	19,889	**18,126**

Highest paid Director	772	596
Emoluments	**772**	**596**

	2022	2021
	No.	No.
Number of employees at year end	304	314
Average number of employees	303	311

In July 2017 the Bank adopted the Gatehouse Long-Term Incentive Plan (LTIP) for the purposes of granting options to eligible employees to incentivise and reward the delivery of the Bank's long-term strategy and growth over a sustained period. The options provide a conditional right to acquire a specified number of ordinary shares in Gatehouse Bank plc subject to an exit event occurring which includes the acquisition of more than 50% ordinary shares of the Bank or a successful completion of an initial public offering (IPO). The exercise price is set at £0.01p per share. The option period is the period beginning on the date on which the option first becomes exercisable and ending on the tenth anniversary of the date of grant. In 2022, the new issued numbers of options were 103m and 27m were lapsed. As result the total number of Options in issue are 441,000,000; (2021: 365,000,000).

Notes to the Consolidated Financial Statements (continued)

8. Other operating expenses

	2022	2021
	£'000s	£'000s
Occupancy Costs	1,000	717
IT and communication costs	1,596	1,052
Legal and professional fees	2,974	2,227
Travel and accommodation	232	309
Consultancy	78	51
Advertising and marketing	654	692
Other tax payable	866	782
Shariah Supervisory Board fees	55	55
Other operating charges	1,666	1,022
Other operating costs relating to Investment Properties	-	2,266
	9,121	**9,173**

9. Impairment charge

	2022	2021
	£'000s	£'000s
Charge of expected credit losses	5,714	806
	5,714	**806**

10. Investment Properties

During 2020, the Bank acquired three properties which were classified as 'Investment Properties' and measured as fair value through profit and loss (FVTPL). Two of these three properties were sold during the year while the sale of the third property is in progress – please refer to note 11 for more information. Below table provides movement in the Investment Properties during 2021:

Investment in Property	**£'000s**
At 1 January 2021	24,516
Gain on investment properties	1,412
Negative revaluation on reclassification as 'Held for Sale'	(472)
Property disposal during the period	(20,919)
Reclassified to Property Held for Sale (see note 11)	(4,537)
At 31 December 2021	**-**

The fair value of investment properties was determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. The valuations were carried out by appropriately qualified independent valuers. There were no restrictions on the title for the sale of the properties or the transfer of income or proceeds from disposal.

11. Property Held For Sale

During 2021 a property was reclassified from 'Investment properties' to 'Property held for sale' as it is highly probable the sale of this property will complete within next 12 months from the reporting date. The fair value less costs to sell for the property was £4,537k. A loss of £472k was recorded for property held for sale during 2021.

12. Other Income

	2022	**2021 Restated**
	£'000s	**£'000s**
Rental Income	-	2,178
Remeasure of Financial Liability (mentioned in Note 2 Restatement of prior period)	229	(139)
Others	106	-
	335	**2,039**

Notes to the Consolidated Financial Statements (continued)

13. Profit/(Loss) before tax

	2022	2021
Profit before tax is stated after charging:	£'000s	£'000s
Net foreign exchange losses	(834)	(516)
Auditor's remuneration	498	317
Rentals paid under leases	672	724
Depreciation and amortisation	1,320	1,222

	2022	2021
Auditor's remuneration can be analysed as follows:	£'000s	£'000s
Audit of accounts	486	305
Other services:		
Other audit-related services	12	12
	498	**317**

14. Taxation

	2022	2021
	£'000s	£'000s
Analysis of tax charge for the period		
Current tax		
UK Corporation tax based on the profit for the year	-	-
Other corporation tax – GHB Properties Limited	-	-
Other corporation tax – Ascend Estates Limited	(592)	(153)
Other corporation Tax – Silver Noisy	-	-
Total current tax charge	**(592)**	**(153)**
Deferred tax		
Utilisation of brought forward tax losses	4,525	-
Effect on changes in tax rates	-	-
Tax on profits on ordinary activities	**3,933**	**(153)**

The standard rate of corporation tax applied to reported profit is 19% (2021: 19%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Finance Act 2021 increases the main rate of corporate tax to 25% with effect from 1 April 2023. At 31 December 2022, deferred tax balance was valued with reference to the blended corporation tax rate of 23.50% in relation to expected utilisation until quarter end of 2023. The remaining portion was valued with reference to tax rate of 25%.

At the statement of financial position date, the Bank has unused tax losses of £41,557k (2021: £45,692k) available for offset against future profits. A deferred tax asset has been recognised on losses of £23,317k in 2022. No deferred tax asset has been recognised in respect of the remaining £18,240k of losses at the statement of financial position date due to limited certainty with respect to forecasting profits over extended future periods.








Notes to the Consolidated Financial Statements (continued)

The tax expense in the income statement for the period was £592k (2021: £153). The tax expense can be reconciled to the profit per the income statement as follows:

	2022 £'000s	2021 £'000s
Profit before tax from continuing operations	2,555	2,574
	2,555	**2,574**
Tax at the UK corporation tax rate of 19%	485	489
Effects of:		
Results from associates and subsidiaries	937	477
Expenses not deductible for tax purposes	323	714
Tax relief on disposal of fixed asset	-	1
Unrecognised current year losses and other temporary differences	1	(671)
Deferred	-	(660)
Fixed asset differences	(5)	-
Income not taxable for tax purposes	(546)	(203)
Other permanent differences	-	1
Remeasured of deferred tax for changes in tax rate	-	5
Deferred Tax recognition	(5,129)	-
Tax (credit)/charge in the consolidated income statement	**(3,934)**	**153**

15. Profit Rate Swap

The Bank undertakes Shariah compliant derivatives, profit rate swaps ("PRS") to hedge the exposure in fixed rate financing in the residential and commercial financing books.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. The hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship. The effectiveness of the hedge can be reliably measured, i.e. the fair value of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured. The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedge ineffectiveness for the Bank's PRS can be explained by:

- Floating leg of the PRS will have a value on any day other than the reset date. The floating leg only exists in the hedging instrument and not the hedged item so ineffectiveness will result;
- Prepayments of the hedged items will cause an over-hedged position and ineffectiveness will result; and
- Maturity dates of the hedged items and the hedging instruments differ so ineffectiveness will result.

The table below show the fair values of financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts:

Group and Company	2022	2021
	£'000s	£'000s
Notional Principal	**555,000**	**281,700**
Fair value adjustment to hedged item	31,211	2,556
Accrued profit of hedged item	1,339	63
Carrying Value of hedged item	**32,550**	**2,619**
Fair value adjustment to hedging instrument	(29,710)	(2,689)
Accrued profit of hedging instrument	(140)	(374)
Carrying Value of hedging instrument	**(29,850)**	**(3,063)**
Net Profit Rate Swaps Fair Value Hedges	1,501	(133)
Net Profit Rate Swaps Accrued profit	1,199	(312)
Net carrying Value of hedged item and hedging instrument	**2,700**	**(445)**

The line item in the Statement of Financial Position that includes the hedging instrument is 'Derivative Financial Instruments' and the line item that includes the hedged item is 'Financing and advances at amortised cost'.

For actual hedge effectiveness to be achieved, the changes in fair values of hedging instrument and the hedged item must offset each other in the range of 80 per cent to 125 per cent, for the hedge to be deemed highly effective. Effectiveness are driven by (i) Maturity dates of the hedged items and the hedging instruments differ (ii) Payment frequencies/ payment dates differing between the hedged item and hedging instrument (iii) The floating leg only exists in the hedging instrument and not hedged item. The hedge ineffectiveness recognised in profit for the year 2022 is £1,634k gain (2021: £202k gain).

16. Company profit attributable to equity shareholders of the Bank

£9,018k of the company profit for the financial year (2021: £5,162k profit) has been dealt with in the accounts of the Bank.

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account of the Bank has not been presented.

Notes to the Consolidated Financial Statements (continued)

17. Financing and advances at amortised cost

Financing and advances to customers, corporates and financial institutions are held at amortised cost.

That is, the initial fair value (which is normally the amount advanced or financed) is adjusted for repayments and fees to represent the effective finance rate of the asset.

Group	Avg. Yield	2022	Avg. Yield	2021
		£'000s		£'000s
Gross financing and advances at amortised cost		1,237,222		904,723
Less: allowances for impairment		(9,326)		(3,612)
Financing and advances at amortised cost	4.02%	**1,227,896**	3.97%	**901,111**

Company	Avg. Yield	2022	Avg. Yield	2021
		£'000s		£'000s
Gross financing and advances at amortised cost		1,237,222		904,723
Less: allowances for impairment		(9,326)		(3,612)
Financing and advances at amortised cost	4.02%	**1,227,896**	3.97%	**901,111**

Exposure on financing and advances at amortised cost subject to impairment testing:

Financing and advances at amortised cost 2022	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	1,113,761	106,426	17,035	**1,237,222**
Loss allowance	(3,108)	(5,586)	(632)	**(9,326)**
Carrying value under IFRS 9	**1,110,653**	**100,840**	**16,403**	**1,227,896**

Financing and advances at amortised cost 2021	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	812,023	79,034	13,666	**904,723**
Loss allowance	(413)	(2,468)	(731)	**(3,612)**
Carrying value under IFRS 9	**811,610**	**76,566**	**12,935**	**901,111**

Change in expected credit losses on financing and advances at amortised cost:

Financing and advances at amortised cost 2022	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Loss allowance as at 1 January 2022	(413)	(2,468)	(731)	**(3,612)**
New financial assets originated or purchased	(1,538)	-	-	**(1,538)**
Transfers				
Transfer from stage 1 to stage 2	20	(20)	-	**-**
Transfer from stage 1 to stage 3	57	-	(57)	**-**
Transfer from stage 2 to stage 1	386	(386)	-	**-**
Transfer from stage 2 to stage 3	-	23	(23)	**-**
Transfer from stage 3 to stage 1	-	-	-	**-**
Transfer from stage 3 to stage 2	-	(15)	15	**-**
Changes in PD's/ LGD's / EAD's	(1,620)	(2,720)	164	**(4,176)**
Loss allowance as at 31 December 2022	**(3,108)**	**(5,586)**	**(632)**	**(9,326)**

Financing and advances at amortised cost 2021	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Loss allowance as at 1 January 2021	(265)	(2,492)	(175)	**(2,932)**
New financial assets originated or purchased	(304)	-	-	**(304)**
Transfers				
Transfer from stage 1 to stage 2	(64)	64	-	**-**
Transfer from stage 1 to stage 3	(88)	-	88	**-**
Transfer from stage 2 to stage 1	168	(168)	-	**-**
Transfer from stage 2 to stage 3	-	(64)	64	**-**
Transfer from stage 3 to stage 1	24	-	(24)	**-**
Transfer from stage 3 to stage 2	-	26	(26)	**-**
Changes in PD's/ LGD's / EAD's	116	166	(658)	**(376)**
Loss allowance as at 31 December 2021	**(413)**	**(2,468)**	**(731)**	**(3,612)**

Notes to the Consolidated Financial Statements (continued)

Change in gross carrying amount of financing and advances at amortised cost:

Financing and advances at amortised cost 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying amount as at 1 January 2022	812,023	79,034	13,666	**904,723**
Transfers				
Transfer from stage 1 to stage 2	(41,830)	41,830	-	**-**
Transfer from stage 1 to stage 3	(6,982)	-	6,982	**-**
Transfer from stage 2 to stage 1	48,513	(48,513)	-	**-**
Transfer from stage 2 to stage 3	-	(2,014)	2,014	**-**
Transfer from stage 3 to stage 1	-	-	-	**-**
Transfer from stage 3 to stage 2	-	(493)	493	**-**
Net new financing/payments	302,037	36,582	(6,120)	**(332,499)**
Gross carrying amount as at 31 December 2022	**1,113,761**	**106,426**	**17,035**	**1,237,222**

Financing and advances at amortised cost 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying amount as at 1 January 2021	643,615	55,290	6,197	**705,102**
Transfers				
Transfer from stage 1 to stage 2	(41,708)	41,708	-	**-**
Transfer from stage 1 to stage 3	(6,348)	-	6,348	**-**
Transfer from stage 2 to stage 1	22,861	(22,861)	-	**-**
Transfer from stage 2 to stage 3	-	(4,415)	4,415	**-**
Transfer from stage 3 to stage 1	1,093	-	(1,093)	**-**
Transfer from stage 3 to stage 2	-	1,722	(1,722)	**-**
Net new financing/payments	192,510	7,590	(479)	**199,621**
Gross carrying amount as at 31 December 2021	**812,023**	**79,034**	**13,666**	**904,723**

Notes to the Consolidated Financial Statements (continued)

18. Financial assets held at fair value though the income statement

Group	Avg. Yield	2022	Avg. Yield	2021
		£'000s		£'000s
Gross financing and advances		-		12,728
(Negative)/Positive revaluations		-		(22)
Total financing and advances		**-**		**12,706**
Unquoted equity securities		17,061		13,660
	0%	**17,061**	3.13%	**26,366**

Company	Avg. Yield	2022	Avg. Yield	2021
		£'000s		£'000s
Gross financing and advances		-		36,231
(Negative)/Positive revaluations		-		(22)
Total financing and advances		**-**		**36,209**
Unquoted equity securities		17,061		13,659
	0%	**17,061**	5.54%	**49,868**

In 2021 included within the Company financing and advances is an intercompany Wakala of £12,709k with the Bank's parent company, Gatehouse Financial Group Limited which was cancelled during 2022.

19. Financial assets at fair value through other comprehensive income

Group and Company	Avg. Yield	2022	Avg. Yield	2021
		£'000s		£'000s
Quoted Sukuk	1.21%	19,351	1.28%	22,951
Unquoted equity securities		-		-
Quoted funds		-		-
		19,351		**22,951**

Exposure on financial assets at fair value through other comprehensive income subject to impairment testing:

Financial assets at fair value through other comprehensive income – Debt assets 2022	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	19,354	-	-	**19,354**
Loss allowance	(3)	-	-	**(3)**
Carrying value under IFRS 9	**19,351**	**-**	**-**	**19,351**

Financial assets at fair value through other comprehensive income – Debt assets 2021	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	22,954	-	-	**22,954**
Loss allowance	(3)	-	-	**(3)**
Carrying value under IFRS 9	**22,951**	**-**	**-**	**22,951**

Notes to the Consolidated Financial Statements (continued)

Change in expected credit losses on financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income – Debt assets 2022	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Loss allowance as at 1 January 2022	(3)	-	-	**(3)**
New financial assets originated or purchased	-	-	-	**-**
Changes in PD's/ LGD's / EAD's	-	-	-	**-**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2022	**(3)**	**-**	**-**	**(3)**

Financial assets at fair value through other comprehensive income – Debt assets 2021	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Loss allowance as at 1 January 2021	(2)	-	-	**(2)**
New financial assets originated or purchased	-	-	-	**-**
Changes in PD's/ LGD's / EAD's	(1)	-	-	**(1)**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2021	**(3)**	**-**	**-**	**(3)**

20. Investment in associate

The Bank had one associate as at 31 December 2021, Gatehouse Capital Economic and Financial Consultancy KSCC ("Gatehouse Capital"), where the Bank had 35.6% ownership in the underlying legal and/or beneficial interests and voting power held. The Company's registered address is 15th Floor, Al Dhow Tower, Sharq, Khalid Bin Al Waleed Street, P. O. Box 29120, Safat 13150, Kuwait.

In December 2022, the Bank completed the sale of its stake in Gatehouse Capital. Total proceeds from this sale and prior to sale, share buy back by Gatehouse Capital amounted to £14.2 million. As a result, the effect in the profit for the year related to the investment in Gatehouse Capital has been classified as discontinued operation. On the standalone basis, the Bank measured the investment in associate at cost. In 2022, the Company Income statement include the profit of £2,984k related to the sale of Gatehouse Capital.

Foreign currency translation profit from discontinued operation of 1,792k (2021: £244k profit) during the period have been transferred to profit for the year from discontinued operations.

The consolidated statement of financial position reflects an investment in associate of nil (2021: £14,298k), and a profit from sale of discontinued operation for the year ended 31 December 2022 of £1,640k (2021:904k).

	2021 £'000s
Aggregated amounts relating to associate	
Total assets	34,090
Total liabilities	(2,879)
Net assets	**31,211**
Group's share of net assets of associates (*)	**11,111**
Total revenue	7,437
Profit	2,540
Net share of profit from associate	**904**

(*) In 2021, Investment in associate included a goodwill asset of £3,187k .Investment in associated total amount of £14,298k as at 31 December 2021.

21. Investment in Subsidiaries

Information about the composition of the Group at the end of the reporting period is as follows:

Subsidiaries	Principal Activity	Place of business & Country of incorporation	GHB consolidated interest
Directly held:			
Ascend Estates Limited	Management of real estate	England and Wales	100%
Silver Noisy Sarl	Letting of office space	France	100%

Above subsidiaries are included in the consolidated accounts.

Notes to the Consolidated Financial Statements (continued)

Following subsidiaries of the Bank were incorporated in 2022 but were not operational at the reporting date:

Subsidiaries	Principal Activity	Place of business & Country of incorporation	GHB consolidated interest
Directly held:			
Gatehouse Build to Rent Group Limited	Holding Company	England and Wales	100%
Indirectly held:			
Gatehouse Investment Management Limited	Real Estate Investment Advisory	England and Wales	100%

The Bank acquired 50.1% shareholding of Ascend in October 2018 for a total consideration of £4,344k. The sale and purchase agreement contained an option for the Ascends' minority Shareholders to enable them, after two years, to require the Bank to acquire their remaining non-controlling interest. The Bank acquired a further 24.95% of Ascend in December 2022, taking the Bank's stake to 75.05%. Also, there is an agreement to purchase remaining 24.95% at a pre-agreed consideration of £9,218k, see note 28. This balance is included in the financial liabilities measured at amortised cost as at 31 December 2022.

The recoverable amount of this investment in subsidiary as a cash-generating unit (CGU) is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a year period. The pre-tax discount rate applied to the cash flow projections is 11.6%. The growth rate used to extrapolate the cash flows of the unit beyond a year period is 2%.

The calculation of the value in use for the unit is most sensitive to the following assumptions:

- Forecast growth rate. This rate is in line with the economic and fiscal outlook for the UK economy from 2023-2026.

- Earnings before income tax, depreciation and amortization (EBITDA). EBITDA forecast is based on historical experience of operating margins, adjusted for the impact for any potential adverse market movement.

- Discount rate. This represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and pertinent risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Bank and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the company's investors. Although cost of debt is not part of permanent capital structure of the company, this portion was derived by taking into account pertinent risk free rate of a government bond which will be repaid at maturity.

The movement of the Goodwill during the year is provided below:

Goodwill £'000s	**2022**	**2021**
Cost		
At 1 January	4,242	3,805
Impairment		
Impairment loss recognised in the year ended 31 December	-	-
Acquisitions during the year		
Intangible assets recognised in the year ended 31 December	-	437
Carrying amount		
At 31 December	**4,242**	**4,242**

22. Disclosure of interests in other entities

The Bank has investments in a number of special purpose vehicles (SPVs) that have an interest in UK property. The Bank provides investment advisory services in relation to the investments. The investment SPVs have two classes of equity: management shares which carry voting rights; and participating shares which represent economic interests in the SPVs. None of the SPVs are consolidated by the Bank as the Bank holds only a small percentage of the participating shares and acts as agent in its capacity as investment advisor for the SPVs. Typically, the Bank receives a fixed annual advisory fee for its services which is not linked to the performance of the SPV and a performance fee of 20% of profits achieved over a specified rate of return.

The Bank also has investments in a number of US property special purpose vehicles (SPVs) which are included in investment securities. Gatehouse Capital is the sponsor of these SPVs and provides investment advisory services to them. None of the SPVs are consolidated by the Bank as the Bank holds only a small percentage of the participating shares and has no involvement in the management or control of the SPVs.

The Bank's gross investment in property SPVs is £17,061k (2021: £13,656k) which is included in financial assets held at fair value through the income statement and financial assets held at fair value through other comprehensive income. The Bank has also provided funding through fixed term Murabaha contracts as bridge financing to these SPVs. The Bank's maximum loss relating to these SPVs is equal to the exposure in the SPVs. The primary risk to which the Bank is exposed is the risk of changes in the valuation of the Bank's investment in the SPV due to changes in the valuation of the property held by each SPV or changes in the cash flows generated by the property.

23. Derivative financial instruments

	Assets	Liabilities	Notional amount
	£'000s	**£'000s**	**£'000s**
2022			
Maturing in 0-3 months	34,138	(61,224)	577,631
Maturing in 3-6 months	-	-	-
	34,138	**(61,224)**	**577,631**
2021			
Maturing in 0-3 months	2,619	(5,033)	388,672
Maturing in 3-6 months	-	-	-
	2,619	**(5,033)**	**388,672**

The Bank uses foreign currency agreements for matching currency exposure. The Bank also uses derivatives to prudently manage its profit rate risk, which allows the Bank to hedge against risks arising from deposits of certain short-term maturities and longer-term financing.

Notes to the Consolidated Financial Statements (continued)

24. Intangible assets

Group & Company

Software costs and licence fees	2022	2021
	£'000s	£'000s
Cost		
At 1 January	3,820	3,696
Additions	878	124
At 31 December	**4,698**	**3,820**
Amortisation		
At 1 January	3,019	2,655
Charge for the period	412	364
At 31 December	**3,431**	**3,019**
Net book value		
At 1 January	**801**	**1,041**
At 31 December	**1,267**	**801**

Group

Customer lists	2022	2021
	£'000s	£'000s
Cost		
At 1 January	686	490
Additions	-	196
At 31 December	**686**	**686**
Amortisation		
At 1 January	99	66
Charge for the period	42	33
At 31 December	**141**	**99**
Net book value		
At 1 January	**587**	**424**
At 31 December	**545**	**587**
Total Intangibles		
At 1 January	**1,389**	**1,465**
At 31 December	**1,812**	**1,389**

25. Property, plant and equipment

Group	Leasehold property	Leasehold vehicles	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
At 1 January 2022	2,178	363	1,106	278	245	**4,170**
Additions	457	77	84	-	19	**637**
Disposals	-	-	-	-	-	**-**
At 31 December 2022	**2,635**	**440**	**1,190**	**278**	**264**	4,807
Depreciation						
At 1 January 2022	1,075	133	949	159	140	**2,456**
Charge for the period	473	184	108	41	59	**865**
Write-off on disposals	-	-	-	-	-	**-**
At 31 December 2022	**1,548**	**317**	**1,057**	**200**	**199**	3,321
Net book value						
At 1 January 2022	1,103	230	157	119	105	**1,714**
At 31 December 2022	**1,087**	**123**	**133**	**78**	**65**	1,486

Notes to the Consolidated Financial Statements (continued)

Group	Leasehold property £'000s	Leasehold vehicles £'000s	Computer equipment £'000s	Fixtures and fittings £'000s	Leasehold improvements £'000s	Total £'000s
Cost						
At 1 January 2021	1,910	205	1,020	157	245	**3,537**
Additions	268	158	86	121	-	**633**
Disposals	-	-	-	-	-	**-**
At 31 December 2021	**2,178**	**363**	**1,106**	**278**	**245**	**4,170**
Depreciation						
At 1 January 2021	566	105	821	49	90	**1,631**
Charge for the period	509	28	128	110	50	**825**
Write-off on disposals	-	-	-	-	-	**-**
At 31 December 2021	**1,075**	**133**	**949**	**159**	**140**	**2,456**
Net book value						
At 1 January 2021	1,344	100	199	108	155	**1,906**
At 31 December 2021	**1,103**	**230**	**157**	**119**	**105**	**1,714**

Company	Leasehold property	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Cost					
At 1 January 2022	1,529	1,023	15	244	**2,811**
Additions	-	79	-	-	**79**
Disposals	-	-	-	-	**-**
At 31 December 2022	**1,529**	**1,102**	**15**	**244**	**2,890**
Depreciation					
At 1 January 2022	719	900	4	139	**1,762**
Charge for the period	315	90	3	46	**454**
Write-off on disposals	-	-	-	-	**-**
At 31 December 2022	**1,034**	**990**	**7**	**185**	**2,216**
Net book value					
At 1 January 2022	810	123	11	105	**1,049**
At 31 December 2022	**495**	**112**	**8**	**59**	**674**

Company	Leasehold property	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Cost					
At 1 January 2021	1,502	966	15	244	**2,727**
Additions	27	57	-	-	**84**
Disposals	-	-	-	-	**-**
At 31 December 2021	**1,529**	**1,023**	**15**	**244**	**2,811**
Depreciation					
At 1 January 2021	392	793	1	90	**1,276**
Charge for the period	327	107	3	49	**486**
Write-off on disposals	-	-	-	-	**-**
At 31 December 2021	**719**	**900**	**4**	**139**	**1,762**
Net book value					
At 1 January 2021	1,110	173	14	154	**1,451**
At 31 December 2021	**810**	**123**	**11**	**105**	**1,049**

Notes to the Consolidated Financial Statements (continued)

26. Leases

Right of use assets

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2022:

Group	Leasehold property	Leasehold Vehicles	Computer equipment	Total
	£'000s	£'000s	£'000s	£'000s
At 1 January 2022	1,103	230	6	**1,339**
Additions	457	77	-	**534**
Depreciation charge for the year	(473)	(184)	(6)	**(663)**
At 31 December 2022	**1,087**	**123**	**-**	**1,210**

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2021:

Group	Leasehold property	Leasehold Vehicles	Computer equipment	Total
	£'000s	£'000s	£'000s	£'000s
At 1 January 2021	1,344	100	6	**1,450**
Additions	268	158	-	**426**
Depreciation charge for the year	(509)	(28)	-	**(537)**
At 31 December 2021	**1,103**	**230**	**6**	**1,339**

The Company's leased assets including buildings for its office spaces:

Company	Leasehold property 2022	Leasehold property 2021
	£'000s	£'000s
At 1 January	810	1,110
Additions	-	27
Depreciation charge for the year	(315)	(327)
At 31 December	**495**	**810**

Lease liabilities

Contractual undiscounted cash flows:

Group	2022	2021
	£'000s	£'000s
Less than one year	561	543
One to five years	943	975
More than five years	-	-
	1,504	**1,518**

Company	2022	2021
	£'000s	£'000s
Less than one year	404	372
One to five years	333	652
	737	**1,024**

Amounts recognised in the income statement:

Group	2022	2021
	£'000s	£'000s
Profit on lease liabilities	77	77
Expenses relating to short-term leases	-	-
Expenses relating to leases of low value assets, excluding short-term leases of low value items	-	-
	77	**77**

Notes to the Consolidated Financial Statements (continued)

Amounts recognised in the statement of cash flows:

Group	2022 £'000s	2021 £'000s
Total cash outflow for leases	(672)	(724)
	(672)	**(724)**

Company	2022 £'000s	2021 £'000s
Total cash outflow for leases	(411)	(428)
	(411)	**(428)**

27. Other assets

Group	2022 £'000s	2021 £'000s
Intercompany receivable	202	403
Prepayments	476	1,033
Accrued income receivable	420	437
Other debtors	1,473	3,660
	2,571	**5,533**

Company	2022 £'000s	2021 £'000s
Intercompany receivable	202	403
Prepayments	396	607
Accrued income receivable	420	437
Other debtors	2,746	1,359
	3,764	**2,806**

28. Financial liabilities measured at amortised cost

Group	Avg. Yield	£'000s Restated
Financial liabilities measured at amortised cost at 1 January 2022	1.92%	915,473
Net proceeds from financial institutions and customers		249,136
Net increase in profit payable		3,977
FX Movement		-
Financial liabilities measured at amortised cost at 31 December 2022	2.82%	**1,168,586**

	Avg. Yield	£'000s Restated
Financial liabilities measured at amortised cost at 1 January 2021	1.74%	718,533
Net proceeds from financial institutions and customers		198,545
Net increase in profit payable		(962)
FX Movement		(643)
Financial liabilities measured at amortised cost at 31 December 2021	1.92%	**915,473**

Financial liabilities measured at amortised cost includes financial liability to acquire remaining non-controlling interest as discussed in "Note 21" and "Note 2" - Restatement of prior period" amounted to £19,697k and £19,836k as at 1 January 2021 and 31 December 2021 respectively. Financial liabilities measured at amortised cost as at 31 December 2022 includes £9,218k liability relating to a pre-agreed price to purchase remaining 24.95% Ascend shareholding.

Notes to the Consolidated Financial Statements (continued)

Company	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2022	1.92%	895,088
Net proceeds from financial institutions and customers		269,245
Net increase in profit payable		3,979
FX Movement		-
Financial liabilities measured at amortised cost at 31 December 2022*	2.82%	**1,168,312**

*Financial liabilities measured at amortised cost as at 31 December 2022 includes £9,218k liability relating to a pre-agreed price to purchase remaining 24.95% Ascend shareholding.

	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2021	1.74%	698,837
Net proceeds from financial institutions and customers		197,997
Net increase in profit payable		(1,102)
FX Movement		(644)
Financial liabilities measured at amortised cost at 31 December 2021	1.92%	**895,088**

29. Financial liabilities held at fair value through the income statement

Group & Company	2022	2021
	£'000s	£'000s
Financial liabilities held at fair value through the income statement	-	1,340

Financial liabilities held at fair value through income statement relate to a partial participation from a third party in a syndicated financing arrangement with the Bank which is classified as fair value through the income statement.

30. Other liabilities

Group	2022	2021
	£'000s	£'000s
Other provisions	-	1,250
Lease liabilities	1,504	1,517
Other taxes and social security costs	1,824	537
Other creditors	4,005	8,392
	7,333	**11,696**

Company	2022	2021
	£'000s	£'000s
Other provisions	-	1,250
Other taxes and social security costs	850	537
Lease liabilities	737	1,024
Other creditors	3,570	3,387
	5,157	**6,198**

Notes to the Consolidated Financial Statements (continued)

31. Maturity analysis of financial assets and liabilities

The table shows an analysis of assets and liabilities analysed between those expected to be recovered or settled from the balance sheet date:

Group 2022	Less than 12 months	More than 12 months	Total
	£'000s	£'000s	£'000s
Assets			
Cash and balances with banks	22,845	-	**22,845**
Financing and advances at amortised cost	143,694	1,084,202	**1,227,896**
Financial assets held at fair value through the income statement	-	17,061	**17,061**
Financial assets held at fair value through other comprehensive income	-	19,351	**19,351**
Investment in Associates	-	-	**-**
Derivative financial instruments	34,138	-	**34,138**
Total financial assets	**200,677**	**1,120,614**	**1,321,291**
Liabilities			
Financial liabilities measured at amortised cost	837,086	331,500	**1,168,586**
Derivative financial instruments	61,224	-	**61,224**
Other liabilities for leases	561	943	**1,504**
Total financial liabilities	**898,871**	**332,443**	**1,231,314**

Company 2022	Less than 12 months	More than 12 months	Total
	£'000s	£'000s	£'000s
Assets			
Cash and balances with banks	17,555	-	**17,555**
Financing and advances at amortised cost	143,694	1,084,202	**1,227,896**
Financial assets held at fair value through the income statement	-	17,061	**17,061**
Financial assets held at fair value through other comprehensive income	-	19,351	**19,351**
Derivative financial instruments	34,138	-	**34,138**
Total financial assets	**195,387**	**1,120,614**	**1,316,001**

Liabilities			
Financial liabilities measured at amortised cost	837,086	331,226	**1,168,312**
Derivative financial instruments	61,225	-	**61,225**
Other liabilities for leases	404	333	**737**
Total financial liabilities	**898,715**	**331,559**	**1,230,274**

Notes to the Consolidated Financial Statements (continued)

Group 2021	Less than 12 months £'000s Restated	More than 12 months £'000s Restated	Total £'000s Restated
Assets			
Cash and balances with banks	41,598	-	**41,598**
Financing and advances at amortised cost	61,449	839,662	**901,111**
Financial assets held at fair value through the income statement	12,709	13,657	**26,366**
Financial assets held at fair value through other comprehensive income	10,269	12,682	**22,951**
Investment in Associates	-	14,298	**14,298**
Derivative financial instruments	2,619	-	**2,619**
Total financial assets	**128,644**	**880,299**	**1,008,943**

Liabilities			
Financial liabilities measured at amortised cost	619,760	295,713	**915,473**
Financial liabilities held at fair value through the income statement	1,340	-	**1,340**
Derivative financial instruments	5,033	-	**5,033**
Other liabilities for leases	543	975	**1,518**
Total financial liabilities	**626,676**	**296,688**	**923,364**

Company 2021	Less than 12 months £'000s	More than 12 months £'000s	Total £'000s
Assets			
Cash and balances with banks	17,781	-	**17,781**
Financing and advances at amortised cost	61,449	839,662	**901,111**
Financial assets held at fair value through the income statement	36,211	13,657	**49,868**
Financial assets held at fair value through other comprehensive income	2,921	20,030	**22,951**
Investment in Subsidiaries	-	4,344	**4,344**
Investment in Associates	-	11,308	**11,308**
Derivative financial instruments	2,619	-	**2,619**
Total financial assets	**120,981**	**889,001**	**1,009,982**

Liabilities			
Financial liabilities measured at amortised cost	600,587	294,501	**895,088**
Financial liabilities held at fair value through the income statement	1,341	-	**1,341**
Derivative financial instruments	5,033	-	**5,033**
Other liabilities for leases	372	652	**1,024**
Total financial liabilities	**607,333**	**295,153**	**902,486**

Notes to the Consolidated Financial Statements (continued)

32. Assets and liabilities in foreign currency

The Bank manages its exposure to foreign exchange rate fluctuations by matching assets with liabilities in the same currency as far as possible.

Group	2022	2021
	£'000s	£'000s Restated
Assets		
Denominated in Sterling	1,311,601	975,429
Denominated in other currencies	24,326	50,929
	1,335,927	**1,026,358**
Liabilities		
Denominated in Sterling	1,209,477	862,281
Denominated in other currencies	27,666	71,261
	1,237,143	**933,542**

Company	2022	2021
	£'000s	£'000s
Assets		
Denominated in Sterling	1,325,510	967,443
Denominated in other currencies	23,501	47,195
	1,349,011	**1,014,638**
Liabilities		
Denominated in Sterling	1,207,313	846,719
Denominated in other currencies	27,381	60,941
	1,234,694	**907,660**

33. Pension commitments

The Bank provides a defined contribution pension scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the period, pension costs of £813k were charged to the income statement (2021: £607k). The pension creditor outstanding at the balance sheet date amounted to £92k (2021: £20k).

34. Share capital

	2022	2021
Authorised:	**£'000s**	**£'000s**
22,500,000,000 ordinary shares of 1 pence each	225,000	225,000
Issued and paid:		
15,000,000,100 ordinary shares of 1 pence each	150,000	150,000
Issued and partly paid:		
Ordinary shares of 1 pence each paid up by 0.01 pence per share	4,930	4,930
Issued but not paid:		
Ordinary shares of 1 pence each	3,070	3,070
Total issued share capital	158,000	158,000
Total uncalled and unpaid share capital	(7,951)	(7,951)
	150,049	**150,049**

The uncalled and unpaid share capital relates to shares previously issued to the Bank's former Employee Benefit Trust (EBT). These shares were transferred to Gatehouse Financial Group Limited, following the share for share exchange in 2015.

35. Off balance sheet items

Financing commitments

At the balance sheet date, the Bank has outstanding financing commitments relating to residential property financing portfolio as follows:

	2022	2021
	£'000s	**£'000s**
Within one year	165,431	93,494
	165,431	**93,494**

Expected credit losses on financing commitments as at 31 December 2022 amounted to £115k (31 December 2021: £30k).

Notes to the Consolidated Financial Statements (continued)

36. Related party transactions

The Bank is a wholly-owned subsidiary of Gatehouse Financial Group Limited ("GFGL"). During 2015 the Bank entered into a financing agreement with GFGL which was used to purchase the remaining 64.4% share in Gatehouse Capital. In December 2022, sale of Gatehouse Capital to The Securities House (TSH) was completed and proceeds from this sale were used by GFGL to fully repay financing to the Bank (2021: £12,709k); further details are provided in note 20. The Bank also entered into £127k (2021: £120k) of rechargeable expenses for professional fees incurred on behalf of GFGL.

The Kuwait Investment Authority is a shareholder of Gatehouse Financial Group Limited. As at 31 December 2022 the Bank had a credit facility in place with the KIA for $250m (£207m) that could be drawn when required.

The disclosure requirement in respect of remuneration to key management personnel has been met by providing Directors' emoluments details in note 7.

All related parties' transactions were entered into at an arm's length price; amounts outstanding with related parties as at 31 December were as follows

2022	Shareholder	Shareholder	Ultimate parent	Associate
	Kuwait Investment Authority	The Securities House K.S.C.C.	Gatehouse Financial Group Limited	Gatehouse Capital
	£'000s	£'000s	£'000s	£'000s
Profit income	-	-	590	-
Profit expense	2,046	-	-	-
Assets	-	74	127	-
Liability	-	-	127	-
Treasury liabilities	20,122	-	-	-
Undrawn credit facility	187,192	-	-	-

2021	Shareholder	Shareholder	Ultimate parent	Associate
	Kuwait Investment Authority	The Securities House K.S.C.C.	Gatehouse Financial Group Limited	Gatehouse Capital
	£'000s	£'000s	£'000s	£'000s
Profit income	-	-	1,459	-
Profit expense	925	-	-	-
Assets	-	-	11,228	-
Treasury liabilities	159,660	-	-	-
Undrawn credit facility	25,752	28	5	-

Notes to the Consolidated Financial Statements (continued)

37. Risk Management

The Risk Management function forms an integral part of Gatehouse's three lines of defence governance model. Its role, as the second line of defence, is to provide the control functions (Risk and Compliance) for the Board that are robust and commensurate to scale and nature of the business activities that the Bank undertakes. It discharges these responsibilities through monitoring performance against set limits and tolerances to risk exposures, through various validation and exception reports, through the composition of prudential reports and through stress testing and sensitivity analysis. The Internal Audit function, performed by Grant Thornton, a professional services firm, performs regular reviews of different activities of the Bank represents the third line of defence.

The Risk Management Function provides the day-to-day monitoring of risk exposures to ensure that the Bank's activities remain within the risk appetite parameters set by the Board.

The Chief Risk Officer is responsible for the risk management and compliance function, which considers all material risks on a consolidated basis and, in this respect, chairs the Executive Risk Committee.

Credit Risk

Credit risk is the risk of suffering financial loss in the event that one or more of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Bank's investment in that entity's financial instruments to fall. The credit risk that the Bank faces arises mainly from financing residential real estate, Treasury activities, real estate equity investment and senior and mezzanine commercial real estate financing.

The Bank's Risk function covers several areas in respect of assessing credit related exposures:

- The overall management and implementation of the risk appetite framework as determined by the Board; determining mandate and scale limits and implementing the risk appetite as set by the Board;
- Assessment of existing and potential Treasury counterparties and Sukuk by undertaking comprehensive credit risk assessments and making recommendations to the appropriate decision making forums. This includes monitoring of portfolio composition; and
- The monitoring of exposures to ensure compliance with approved limits and that the credit quality of the counterparty has not deteriorated or circumstances changed. Monitoring provides a picture of the portfolio as a whole and its inherent risks, including concentrations and capital allocation.

In view of the Bank's strategic focus on real estate business, the Risk function also covers the following:

- Assessment of real estate equity investments and senior and mezzanine financing activities via the provision of comprehensive credit risk assessments making recommendations to appropriate decision-making forums. This includes monitoring of portfolio composition; and
- The ongoing monitoring and review of credit risk for real estate equity investment and finance exposures to ensure compliance with covenants and early identification of changes to the credit risk profile and composition of the portfolio.
- Enhanced analysis of potentially deteriorating credit exposures through a 'watch list' process.

A comprehensive control framework is in place.
This incorporates:

- Maximum exposure guidelines relating to exposure to an individual counterparty or transaction;
- Country / Region specific limits to avoid excessive concentration of credit risk; and
- Industry specific limits to avoid excessive concentration of credit risk in individual economic sectors.

A range of analysis methodologies are used to determine the credit quality of a counterparty, such as quantitative analysis, qualitative analysis, credit rating model, external rating agency research, industry specific research and for wholesale assets, market information such as credit spreads. The current Internal Capital Adequacy Assessment Process (ICAAP) is based on the Bank adopting the Standardised approach to credit risk quantification for capital purposes.

The Bank has in place processes for estimating the impairment provision on loans and advances associated with credit risk in accordance with IFRS 9 Financial instruments (IFRS 9). IFRS 9 requires use of expected credit loss ("ECL") models for the purposes of calculating impairment loss.

The Bank's ECL models allow the assessment of the credit risk exposure to the Bank that is inherent in financial assets and commitments (Treasury assets (including LAB Sukuk), real estate finance and residential property finance). The models are jointly controlled by Risk and Finance functions, who also agree the nature of forward-looking scenarios.

The ECL models require the Bank to exercise judgement using subjective assumptions when determining both the timing and the amounts of ECL for loans and advances subject to credit risk.

Note 3 refers to the basis by which the Bank reviews for impairments of its financial assets. Note 9 details the impairment provisions taken in the year to the income statement.

Notes to the Consolidated Financial Statements (continued)

Exposure

The table below shows the maximum exposure to credit risk for financial assets on the balance sheet at 31 December 2022 and 31 December 2021:

Group	**2022**	**2021**
	£'000s	**£'000s**
Cash and balances with banks	22,845	41,598
Financing and advances at amortised cost	1,227,896	901,111
Financial assets held at fair value through the income statement (Debt Assets)	-	12,709
Financial assets held at fair value through other comprehensive income (Debt Assets)	19,351	22,951
Derivative financial instruments	34,138	2,619
	1,304,230	**980,988**

Company	**2022**	**2021**
	£'000s	**£'000s**
Cash and balances with banks	17,555	17,781
Financing and advances at amortised cost	1,227,896	901,111
Financial assets held at fair value through the income statement (Debt Assets)	-	36,211
Financial assets held at fair value through other comprehensive income (Debt Assets)	19,351	22,951
Derivative financial instruments	34,138	2,619
	1,298,940	**980,673**

The Bank holds collateral against secured financing made to businesses and individuals in the form of charges over properties, other registered securities over assets, and guarantees.

Geographical region

The Bank's credit exposure can be analysed into the following geographical regions based on the location of the obligor:

Group	2022	2021
	£'000s	£'000s
GCC countries	137,796	89,653
Kuwait	9,664	19,754
Saudi Arabia	21,381	17,450
UAE	79,236	39,888
Qatar	20,645	7,715
Oman	2,343	2,421
Bahrain	4,527	2,425
Europe	884,336	649,640
North America	25,125	25,569
South America	1,076	305
Asia	220,399	180,972
Africa	19,972	18,958
Australasia	15,526	15,891
	1,304,230	**980,988**

Company	2022	2021
	£'000s	£'000s
GCC countries	137,796	89,654
Kuwait	9,664	19,754
Saudi Arabia	21,381	17,452
UAE	79,236	39,887
Qatar	20,645	7,715
Oman	2,343	2,421
Bahrain	4,527	2,425
Europe	879,046	649,320
North America	25,125	25,573
South America	1,076	306
Asia	220,399	180,971
Africa	19,972	18,958
Australasia	15,526	15,891
	1,298,940	**980,673**

Notes to the Consolidated Financial Statements (continued)

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2022 and at 31 December 2021, based on a credit rating system:

Group	Investment grade	Non-investment grade	Non-rated	Total
2022	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	22,843	-	2	**22,845**
Financing and advances at amortised cost	76,673	-	1,151,223	**1,227,896**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	-	**-**
Financial assets held at fair value through other comprehensive income	19,351	-	-	**19,351**
Derivative financial instruments	34,138	-	-	**34,138**
Total assets	**153,005**	**-**	**1,151,225**	**1,304,230**

Company	Investment grade	Non-investment grade	Non-rated	Total
2022	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	17,553	-	2	**17,555**
Financing and advances at amortised cost	76,673	-	1,151,223	**1,227,896**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	-	**-**
Financial assets held at fair value through other comprehensive income	19,351	-	-	**19,351**
Derivative financial instruments	34,138	-	-	**34,138**
Total assets	**147,715**	**-**	**1,151,225**	**1,298,940**

Group	Investment grade	Non-investment grade	Non-rated	Total
2021	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	41,596	-	2	**41,598**
Financing and advances at amortised cost	22,992	-	878,119	**901,111**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	12,709	**12,709**
Financial assets held at fair value through other comprehensive income	22,951	-	-	**22,951**
Derivative financial instruments	2,619	-	-	**2,619**
Total assets	**90,158**	**-**	**890,830**	**980,988**

Company	Investment grade	Non-investment grade	Non-rated	Total
2021	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	17,779	-	2	**17,781**
Financing and advances at amortised cost	22,992	-	878,119	**90,111**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	36,211	**36,211**
Financial assets held at fair value through other comprehensive income	22,951	-	-	**22,951**
Derivative financial instruments	2,619	-	-	**2,619**
Total assets	**66,341**	**-**	**914,332**	**980,673**

Notes to the Consolidated Financial Statements (continued)

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its short-term payment obligations when they fall due, without a loss of capital and/or income. Liquidity risk management on a day-to-day basis is the responsibility of the Treasury department which is overseen and monitored by the Risk function and the Asset and Liability Committee. To manage this risk, the Bank maintains an adequate portfolio of liquid assets which consists of cash and short-term bank deposits and Sukuk by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Bank is subject to and complies with the systems and control requirements of the PRA and CRD IV liquidity regime.

The Bank has two principal sources of funding being: i) funding from shareholder via the Kuwait Investment Authority ("KIA") and ii) retail deposit platform Gatehouse savings. As at 31 December 2022 the KIA has provided the Bank with a funding of £20m (2021: £159m). The Bank has actively sought to reduce its reliance on shareholder funding and has concentrated its efforts in raising alternative funding via its retail savings platform, Gatehouse savings. As at 31 December 2022 Gatehouse savings deposits were £928m (2021: £657m).

Liquidity and rate profile

The following table details the Bank's contractual maturities for its financial assets and financial liabilities based on contractual cash flows.

Group	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
2022	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets						
Fixed rate items	121,986	6,275	200	15,714	1,104,663	1,248,838
Non-rate sensitive	55,392	-	-	-	-	55,392
Total assets	**177,378**	**6,275**	**200**	**15,714**	**1,104,663**	**1,304,230**
Liabilities						
Fixed rate items	376,242	80,692	103,198	338,453	331,226	1,229,811
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**376,242**	**80,692**	**103,198**	**338,453**	**331,226**	**1,229,811**
Net	**(198,864)**	**(74,417)**	**(102,998)**	**(322,739)**	**773,437**	**74,419**

Company	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
2022	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets						
Fixed rate items	121,986	6,275	200	15,714	1,104,663	1,248,838
Non-rate sensitive	50,102	-	-	-	-	50,102
Total assets	**172,088**	**6,275**	**200**	**15,714**	**1,104,663**	**1,298,940**
Liabilities						
Fixed rate items	375,968	80,692	103,198	338,453	331,226	1,229,537
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**375,968**	**80,692**	**103,198**	**338,453**	**331,226**	**1,229,537**
Net	**(203,880)**	**(74,417)**	**(102,998)**	**(322,739)**	**773,437**	**69,403**

Group	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
2021	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets						
Fixed rate items	31,783	16,595	16,192	9,790	862,473	936,833
Non-rate sensitive	44,154	-	-	-	-	44,154
Total assets	**75,937**	**16,595**	**16,192**	**9,790**	**862,473**	**980,987**
Liabilities						
Fixed rate items	133,131	66,338	141,280	266,760	294,501	902,010
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**133,131**	**66,338**	**141,280**	**266,760**	**294,501**	**902,010**
Net	**(57,194)**	**(49,743)**	**(125,088)**	**(256,970)**	**567,972**	**78,977**

Notes to the Consolidated Financial Statements (continued)

Company	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
2021	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Assets						
Fixed rate items	31,784	40,097	16,192	9,790	862,473	960,336
Non-rate sensitive	20,337	-	-	-	-	20,337
Total assets	**52,121**	**40,097**	**16,192**	**9,790**	**862,473**	**980,673**
Liabilities						
Fixed rate items	132,583	66,338	141,280	266,760	294,501	901,462
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**132,583**	**66,338**	**141,280**	**266,760**	**294,501**	**901,462**
Net	**(80,462)**	**(26,241)**	**(125,088)**	**(256,970)**	**567,972**	**79,211**

The Bank's contractual maturities for its derivative financial instruments is disclosure in the Note 23.

Market Risk

Market risk is the risk of loss arising from a potential change in the value of an instrument or portfolio of instruments as a result of changes in market parameters (such as interest rates, equity indices, bond prices, commodity markets and exchange rates) during a specified time horizon. Gatehouse Bank is exposed to market risk in the management of its balance sheet. The role of the Risk function is to identify, quantify, manage and monitor the potential effects of those potential changes on the value of the portfolio, and broader balance sheet.

The Board sets and approves the market risk appetite for the Bank's activities. The Bank's Treasury department generally manages market risk. The Risk function implements a quantitative and qualitative limit framework within the context of the approved market risk appetite. A daily market risk report summarises market risk exposures against agreed limits. This daily report is circulated to the Treasurer for review.

A detailed market risk presentation is produced monthly and discussed at the Asset and Liability Committee.

Market risk measurement

The techniques used to measure and control market risk include:

- Nominal exposure limits: overnight and intraday limits;
- Value at Risk: an estimate of potential changes in the fair value or market value of the Bank's portfolio due to changes in market risk factors;
- Maximum loss: an estimate of the potential loss the Bank would have made on its portfolio had it held the same portfolio every day for the last 12 months;
- Sensitivity Analysis: an estimate of the potential loss incurred due to a specified change in a specified market risk factor; and
- Stress Testing and Scenario Analysis: used to estimate vulnerability to exceptional but plausible events. Stress testing ensures the adequacy of capital and liquidity, the viability of strategy and assesses the risks impacting Gatehouse Bank across a range of market conditions.

Although the Bank only trades in Shariah-compliant products, the carrying value of financial instruments held by the Bank is sensitive to movement in interest rates. If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Bank's profit for the year ended 31 December 2022 would decrease/increase £4,880k (2021: £4,887k).

In order to meet internal and client demand, the Bank maintains access to market liquidity by using all reasonable endeavors to quote bid and offer prices with other market makers and carries an inventory of approved capital market and treasury instruments, including a range of cash, securities and treasury products. These include Commodity Murabaha, Wakala, Islamic foreign exchange forwards and Profit Rate Swaps or a combination of these instruments.

Value at Risk

Profit Rate Risk (equivalent to Interest Rate Risk)

The varying profit share features and maturities of products, together with the use of Treasury products create Profit Rate Risk ('PRR') exposures due to the imperfect matching of margins and maturity differences between assets and liabilities.

The Bank uses derivatives to prudently manage its PRR. In 2022 the Bank undertook profit rate derivatives (swaps) totalling £555m (2021: £360m) in the form of fixed for floating rate, which allowed the Bank to tactically hedge against risks arising from deposits of certain short-term maturities and longer-term financing.

Overarching PRR limits are set by the Board and articulated accordingly within the Risk Appetite Statement. The Board have further delegated oversight of PRR to the Bank's Executive Committee who mandate the Bank's Asset and Liability Committee (ALCO) to monitor and assess PRR. Basis Point Value (BPV) and Value at Risk (VaR) is used to monitor the risk arising from open profit rate positions. The Bank's Pillar 1 minimum capital requirement allows for profit rate risk through the profit rate risk requirement.

Notes to the Consolidated Financial Statements (continued)

As at 31 December 2022, the market value of nominal positions generating profit rate VaR was £137m (2021: £90m) which generated profit rate VaR of:

2022	95% VaR (£)
One day	**(948)**
One week	4,111

2021	95% VaR (£)
One day	**(60,885)**
One week	(170,938)

The Bank applies VaR methodology for measuring interest rate, currency and basis spread risks for both the trading portfolio and banking books. VaR measure adopted by the Bank estimates the potential negative change in the market value of a portfolio at a 99% confidence level over a 1-day horizon. The Bank distinguishes the following types of VaR:

1. Total VaR is calculated for all risk factors taken in aggregate;

2. Interest rate VaR is originated from interest rate risk exposure of the portfolio;

3. Foreign exchange VaR is originated from foreign exchange risk exposure of the portfolio;

4. Residual VaR is originated from other factors exposure of the Sukuk portfolio.

LIBOR Interest Rate Benchmark Reform (IBOR)

In order to make the business ready for transition away from LIBOR, a working group was setup headed by the Treasurer who reports to the Assets and Liabilities Committee (ALCO). Aside from Treasury, this working group comprised of Finance, Risk, Legal, Operations, Compliance and the Front Office for the Residential and Commercial areas of the Bank.

The purpose of the working group was to understand existing exposures of the Bank which have reference to LIBOR benchmarking in their pricing, review current documentation and to prepare and deliver on an action plan to enable a smooth transition to alternative benchmark risk free rates (RFR) such as the Sterling Overnight Index Average Rate (SONIA).

The Bank has adopted IBOR reform Phase 2 and changed RFR from Libor to Sonia for its 7 Libor linked swaps with one counterparty in January 2022. In line with the guidance from IASB, this transition did not result in hedge ineffectiveness.

Foreign Exchange Risk

A proportion of treasury funding and investment activity is undertaken in foreign currencies, mainly US dollars, Euros and Kuwaiti Dinar. Foreign currency exposure is hedged on the balance sheet to reduce currency exposures to acceptable levels. VaR is used to monitor the risk arising from open foreign currency positions. The Group's Pillar 1 minimum capital requirement allows for foreign exchange risk through the foreign exchange risk requirement.

As at 31 December 2022, the net market value of nominal foreign exchange exposure was £425k (2021: £693k) which generated Foreign Exchange VaR of:

2022	95% VaR (£)
One day	**(2,107)**
One week	(6,198)

2021	95% VaR (£)
One day	**(3,262)**
One week	(7,329)

Financial assets at fair value through other comprehensive income - Sukuk Portfolio Risk

As part of liquidity management, the Bank's Treasury department invests in selected Sukuk. As at 31 December 2022, the Bank has not used derivatives to hedge Sukuk investments. VaR is used to monitor the risk arising from the available-for-sale Sukuk investment portfolio. The Group's Pillar 1 minimum capital requirement allows for investment risk through the equity position risk requirement.

As at 31 December 2022, the market value of nominal FVTOCI Sukuk investment exposure was £19,351k (2021: £22,951k) which generated Price Risk VaR of:

2022	95% VaR (£)
One day	**(47,025)**
One week	(117,251)

2021	95% VaR (£)
One day	**(15,539)**
One week	(42,800)

Fair value measurements recognised in the balance sheet

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities. As at 31 December 2022 and 31 December 2021, Level 1 financial instruments are primarily investments in Sukuk that are quoted in active markets and market bid prices have been applied to fair value these at year end;
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); As at 31 December 2022 and 31 December 2021, Level 2 financial instruments were primarily legacy financing assets; and
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. As at 31 December 2022 and 31 December 2021, Level 3 financial instruments are investments in unquoted equity securities and financing arrangements. Fair value is estimated on the basis of discounted cash flow models for financing arrangements at fair value through income statement and by reference to the net asset value of the underlying investment for unquoted equities, where the net asset value is not based on observable market data. Unquoted equity securities are valued using confirmations of debt and cash balances held via the SPV and third-party appraisal reports. The valuation techniques include net present value and discounted cash flow models, comparison to similar instruments and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, and credit spreads. The objective of valuation techniques is to arrive at fair value determination that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to the Consolidated Financial Statements (continued)

Group & Company	Level 1	Level 2	Level 3	Total
2022	£'000s	£'000s	£'000s	£'000s
Derivative financial instruments				
Derivative financial instruments	34,138	-	-	**34,138**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	17,061	**17,061**
Financing arrangements	-	-	-	**-**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	19,351	-	-	**19,351**
Total	**53,489**	**-**	**17,061**	**70,550**

Group	Level 1	Level 2	Level 3	Total
2021	£'000s	£'000s	£'000s	£'000s
Derivative financial instruments				
Derivative financial instruments	2,619	-	-	**2,619**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	13,657	**13,657**
Financing arrangements			12,709	**12,709**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	22,951	**-**	**-**	**22,951**
Total	**25,570**		**26,366**	**51,936**

Company	Level 1	Level 2	Level 3	Total
2021	£'000s	£'000s	£'000s	£'000s
Derivative financial instruments				
Derivative financial instruments	2,619	-	-	**2,619**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	13,657	**13,657**
Financing arrangements	-	23,502	12,709	**36,211**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	22,951	**-**	**-**	**22,951**
Total	**25,570**	**23,502**	**26,366**	**75,438**

The fair value of financial assets and liabilities at amortised cost approximates their carrying value. There were no transfers between Level 1 and Level 2 during the year and no transfers between Level 2 and Level 3

.

Notes to the Consolidated Financial Statements (continued)

Group and Company	2022	2021		
Level 3 asset	**Carrying value**	**Carrying value**	**Valuation Technique**	**Significant unobservable inputs**
	£'000s	**£'000s**		
Financing arrangements	-	12,709	Measured using discounted cash flow models	Financial statements
UK Unquoted equity securities	17,061	13,657	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, cash and debt balances
Total	**17,061**	**26,366**		

Notes to the Consolidated Financial Statements (continued)

2022 — **Financial assets held at fair value through the income statement**

	Financing arrangements	Unquoted equities	Total
Balance at 1 January 2022	**12,709**	**13,654**	**26,363**
Negative revaluations			
Fair value uplifts	-	3,407	**3,407**
Net settlements	(12,709)	-	**(12,709)**
Balance at 31 December 2022	**-**	**17,061**	**17,061**

A 20 % decrease in property prices would reduce the fair value of financial assets held at FVIS by £1m as at 31 December 2022.

2021 — **Financial assets held at fair value through the income statement**

	Financing arrangements	Unquoted equities	Total
Balance at 1 January 2021	**12,623**	**14,956**	**27,579**
Negative revaluations	-	-	**-**
Fair value uplifts	86	-	**86**
Net settlements	-	(1,302)	**(1,302)**
Balance at 31 December 2021	**12,709**	**13,654**	**26,363**

The line item in the Consolidated Income Statement that includes change in unrealised gains/ (losses) on financial assets held at fair value through the income statement is 'Net gains from financial assets at fair value through income statement'.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human factors, or from external events. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, operational error, customer service quality, regulatory and legislative compliance, recruitment, training retention of staff and social and environmental impacts.

Ongoing assessment of operational risks occurs through the analysis of risk events, internal audit findings, external events and key operational risk indictors. Relevant operational risk management information is recorded in a dashboard that is prepared and presented monthly to the Executive Risk Committee, and quarterly to the Board Risk & Compliance Committee.

Pillar 3 Disclosures (Unaudited)

Pillar 3 disclosures are presented in the "Pillar 3 Disclosures" document, available on request. The disclosures are made annually and are published as soon as practicable after the publication of the annual report and financial statements of the Bank.

Capital Risk Management (Unaudited)

The Bank policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the year, capital has been maintained at a level above minimum regulatory requirements. Such levels have been established by reference to an Internal Capital Adequacy.

Assessment Process ("ICAAP") assessment. The PRA reviews the ICAAP assessment of its Pillar 2 capital requirement as part of the Total Capital Requirement (TCR) process.

The Bank holds its cash with a number of reputable financial institutions. All cash and cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash.

The Bank's capital requirements are set and monitored by the regulator. Regulatory capital consists of Tier 1 capital, which includes ordinary share capital and retained earnings less intangible assets, and Tier 2 capital, where the Bank was able to raise £9,000k in the first quarter 2020. The financing was provided by private and institutional investors.

The Bank's regulatory capital position was as follows:

	2022	2021
Core Tier 1 Capital	**£'000s**	**£'000s**
Share capital	150,049	150,049
Retained losses	(30,457)	(39,475)
Other Reserves – FVTOCI	(5,275)	(3,596)
Add back of IFRS 9 impairments due to transitional arrangements	-	723
	114,317	**107,701**
Deductions from CET1	**(11,121)**	**(13,213)**
Tier 2 Capital	9,000	9,000
Total regulatory capital	**112,196**	**103,488**

38. Country by Country Disclosures

The Capital Requirements (Country-by-Country) Regulations came into effect on 1 January 2014 and places certain reporting obligations on financial institutions that are within the scope of the European Union's Capital Requirements Directive (CRD IV). The objective of the reporting requirements is to provide increased transparency regarding the activities of the institution.

As at 31 December 2022, Gatehouse Bank Plc and its subsidiaries are all UK or France registered entities.

Notes to the Consolidated Financial Statements (continued)

Employees

The average number of permanent employees was 303 (2021: 311) for the year ended 31 December 2022.

Country-by-Country Breakdown

2022

Country	**Type of Operations**	**Net Income from Continuing operations £'000s**	**Profit/(loss) before tax £'000s**	**Corporation tax paid £'000s**	**Average number of employees**
United Kingdom	PRA and FCA regulated Bank	30,318	4,494	-	190
France	Letting of office space	135	(180)	-	-
United Kingdom	Management of real estate	8,063	3,095	(592)	113
Group Consolidated adjustments		(5,632)	(4,854)	-	-
Total	-	**32,884**	**2,555**	**(592)**	**303**

2021

Country	**Type of Operations**	**Net Income from Continuing operations £'000s**	**Profit/(loss) before tax £'000s**	**Corporation tax paid £'000s**	**Average number of employees**
United Kingdom	PRA and FCA regulated Bank	26,074	5,162	-	164
France	Letting of office space	(366)	(2,630)	-	-
United Kingdom	Management of real estate	6,380	1,049	(153)	147
Group Consolidated adjustments		-	(103)	-	-
Total	-	**32,088**	**3,478**	**(153)**	**311**

The Group received no public subsidies during 2022 and 2021.

Notes to Country-by-Country Breakdown

- Financial information is presented under IFRS.
- The information is presented on a consolidated basis, inclusive of subsidiaries.
- Group consolidation adjustments include accounting eliminations between Gatehouse Bank plc and its subsidiaries (Ascend Estates Limited and Silver Noisy Sarl).

39. Subsequent Events

On 29th March 2023 Gatehouse Investment Management (GIM) was launched. GIM is a wholly owned subsidiary of the Bank indirectly though Gatehouse Build to Rent Group Limited, a holding company, designed to encompass our Build to Rent activity under one umbrella. GIM has been created to further strengthen the Bank's position in the Build to Rent market.

There were no other material events subsequent to 31 December 2022 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

40. Parent Company

As at 31 December 2022 the Bank's ultimate parent undertaking and controlling party was Gatehouse Financial Group Limited, incorporated as a private company in Jersey on 5 March 2015 under the Companies (Jersey) Law 1991. The address of the registered office is Gatehouse Financial Group Limited, 44 Esplanade, St Helier, Jersey JE4 9WG.

gatehousebank

The Helicon
One South Place
London
EC2M 2RB
+44 (0) 20 7070 6000

@gatehousebank
/gatehousebankplc
Gatehouse bank plc
gatehousebank

www.gatehousebank.com

Final