Annual Report and Financial Statements

For the year ended 31 December 2021

WELCOME

Company Information

Directors

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

Company Secretary

Mohaimin Chowdhury

Auditor

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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 2021 Annual Report and Financial Statements.

Firstly, 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 2021.

Despite the ongoing uncertainty of the global pandemic, the Bank made excellent progress in delivering its Board approved strategy.Gatehouse continues its evolution into a digital-first retail focussed bank.

The customer remains at the heart of the Bank's strategy and we continue to enhance our range of products to assist homeowners, landlords and savers.

Gatehouse became operationally carbon neutral in 2021. The Bank has a committed ambition to achieve Net Zero status and during the year an initial roadmap to achieve this was established. The Bank demonstrated the opportunity for sustainable products and helped our customers support UK woodland growth with the launch of the award-winning Woodland Saver accounts. These offer savers a competitive return and the opportunity to have a positive impact on the environment, as a tree is planted in UK woodland developments for each account opened or renewed.

The Bank's award-winning digital savings platform continues to perform above expectations, ensuring we can raise sufficient liquidity with a high customer retention rate.

Our Residential Property Finance offering went from strength to strength in 2021, with a record number of originations. We further enhanced our offering in Q3 2021, with the launch of higher finance to value Home Finance – helping UK first-time buyers take their first step onto the property ladder.

In the institutional Build to Rent sector, where Gatehouse Bank's expertise is well established, the Bank continued to deliver as planned. The Bank sold its first Fund in Q1 2021, representing the first Single Family home portfolio sale of scale in the UK and providing investors with an excellent return on their funds. In addition, Gatehouse Bank and Texas Pacific Group Real Estate formed a minimum £500 million joint venture to enable the construction of at least 2,500 family rental homes in the UK.

The increasing strength of the Bank's strategy and operating model is reflected in the profitability Gatehouse was able to achieve in 2021.

The Board continues to monitor diligently 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 British domiciled, Shariah-compliant Bank, our differently designed products give me confidence that we remain well placed to support fairness in finance and have a positive impact on a sustainable future for all.

Fahed Faisal Boodai
Chairman
26 April 2022

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 2021.

Chief Executive Officer's Statement

2021 was an important year for Gatehouse Bank as we further enhanced our retail offering, attracted a considerable number of new customers and achieved a profitable return for the second consecutive year.

This growth was achieved despite the backdrop of working remotely whilst the world grappled with COVID-19. Our colleagues adapted well to a second year of home working and to support them we ensured all relevant IT and well-being support was available.

Our achievements are captured in this table:

	£	Year-on-Year Change
Gross Assets	1.03 billion	+24%
Total Deposits	897m	+28%
Home Finance Portfolio	762m	+40%

Customers

In 2021, we launched an award-winning savings product, the Woodland Saver, to help customers support sustainability and climate change, by planting a tree in UK woodland developments for each deposit account opened or renewed.

In addition, the Bank enhanced its home finance products by launching higher finance to value products to assist UK home buyers with smaller deposits and first-time buyers wanting to take their first step onto the property ladder.

Colleagues

I am incredibly proud of all our colleagues for providing excellent customer service throughout the year, despite challenges from huge inflows of applications as the Stamp Duty holiday came to an end. Our colleagues' commitment to delighting customers whilst working from home, due to the Covid-19 pandemic, has shown that remote working can bring benefits for colleagues, the Bank and customers and therefore we have implemented a hybrid working model.

This will provide colleagues with additional flexibility going forward and I believe result in a better outcome for all.

We continue to offer colleagues office space for those that wish to meet with other colleagues. In addition, we ensure there are regular social activities and two-way communication between the Bank and colleagues with weekly team meetings, monthly business updates, regular well-being pulse surveys and one-to-one meetings between managers and colleagues.

We are committed to providing all colleagues with the opportunity to develop their careers in a strong, positive working environment and ensuring a positive culture for all is paramount to this.

The Bank's Diversity & Inclusion Council has been strengthened since being established in 2020. Made up of colleagues from across the Bank, the Council met a number of times during the year to consider improvements we could make to our policies and procedures. The select focus areas for the council in 2021 were the Bank's Management Development Programme (MDP), Women in Finance, and the recruitment process.

The MDP works to maximise the skills, experience and expertise from our line managers, which in turn impacts positively the culture of the Bank, the well-being and professional development of colleagues.

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

Chief Executive Officer's Statement (continued)

Community

Our colleagues selected Centrepoint as the Bank's 2021 Charity of the Year because of the work this leading charity does to support social mobility and access to housing in the UK. Centrepoint helps vulnerable young people move on from homelessness and build a future they can believe in.

Despite the ongoing challenges associated with the Pandemic, the Bank hosted a range of successful virtual and in-person events to fundraise for our charity partner. Led by our active Social Committee, Gatehouse colleagues participated in online quizzes, pizza nights and gameshows. Teams bonded during lockdown in March, where we collectively walked 16 million steps for Centrepoint's Move in March fundraising challenge.

Further fundraising highlights from the partnership were the Chiltern Hill's walk for Centrepoint in December, where the Gatehouse team walked 25km together to raise awareness of the 130,000 young people experiencing homelessness in the UK. In addition, we participated in Centrepoint's flagship fundraising event the Sleep Out, where we swapped beds for sleeping bags for one night to raise funds for the homeless youth.

Sustainability

I am incredibly proud of the work the Bank has undertaken on sustainability in 2021.

Across the Bank we have put significant effort into taking our positive sustainability intentions and turning them into measurable actions and performance targets. As a founding signatory of the UN Principles for Responsible Banking, we have committed to further aligning our business strategy with society's goals, as expressed in the United Nations Sustainable Development Goals (UN SDGs), the Paris Climate Agreement and other relevant frameworks that identify the most pressing societal, environmental, and economic needs of our time.

In 2021, we made strong progress developing the Bank's sustainability strategy and further integrated sustainability into our corporate culture and operations. We set targets to improve the Bank's impact on the environment and society and captured sustainable business opportunities.

Moving into 2022, we aim to continue to develop positive solutions that demonstrate we can be a successful business that meets our customers' growing expectations, while supporting a better future for all.

Key highlights included becoming operationally carbon neutral in 2021 and setting initial Net Zero targets for the Bank's home finance portfolio. Further details are within our Strategic Report.

We also demonstrated the business opportunity for products that offer the opportunity to support a sustainable future for all, with the launch of our Woodland Saver range. These allow customers to play their part in the development of UK woodlands, whilst also gaining a competitive return on their hard-earned savings. In 2021, the Bank's Woodland Savers planted over 10,000 trees at woodland projects across the UK, including in County Durham, Cumbria, Perthshire and the Scottish Borders. These trees will sequester 3,000 tonnes of CO_2e emissions in their lifetime, the equivalent to powering 361* homes for one year.

Gatehouse Bank sees Shariah Finance as uniquely positioned to support the achievement of sustainable and responsible finance. We see a natural alignment with the principles of Shariah Finance and society's goals, as expressed in the UN Sustainable Development Goals and other national and international frameworks.

*Based on a conservative estimate of each tree sequestering 0.3 tonnes CO_2e during its lifetime. Equivalent measure used for illustrative purposes only, sourced from the US Govt Greenhouse Gas Equivalencies Calculator https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator

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 2021 strategy focused in 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
- Notice Accounts

3. Build to Rent

- The Bank's initial Build to Rent scheme called Thistle was sold to Goldman Sachs representing the first Single Family Unit sale of scale in the UK.

- An established second fund producing high and sustainable returns to investors.

- A third fund created with TPG Real Estate to form a joint venture to create at least a 2,500 unit single-family portfolio.

The UK property market saw strong levels of activity in 2021 driven by a temporary stamp duty holiday, homebuyers looking for more space due to the Covid-19 pandemic lockdowns and changing working locations.

In 2021, our Home Finance offering for UK residents, UK Expat and international owner-occupiers and landlords saw robust growth, with balances increasing 40% year-on-year to £762m.

Our higher finance to value home finance products launched in the third quarter led to a significant increase in the number of home buyers engaging with Gatehouse Bank directly. In addition, during 2021 we established strong relationships with new intermediary relationships – with more active brokers registered to introduce clients to the Bank.

We also continued to work in partnership with Commercial Bank of Kuwait and Warba Bank as introducers for their clients wishing to acquire and finance property in the UK.

In addition, our Direct-to-Consumer finance advisory team accounted for 30% of our total 2021 originations.

Gatehouse Bank received a number of awards in recognition of its product design, customer service and ethical stance in 2021. These include:

Moneynet Awards 2021
Best Ethical Savings Provider

MoneyAge Awards 2021
Savings Account Provider of the Year

Global Islamic Finance Awards (GIFA) 2021
Best Islamic Bank for Property & Real Estate Finance

Moneyfacts Awards 2021
Innovation in Personal Finance (Green Saver)

Moneyfacts Awards 2021
Best Fixed Account Provider (Highly Commended)

Moneycomms Award Winner 2021
Top Performer for Best Ethical Savings Initiative (Green Saver)

Chief Executive Officer's Statement (continued)

In 2022, we plan to broaden our home finance product range further, developing new products.

At the end of 2021, the Bank's total balance sheet assets stood at £1.03bn, a year-on-year increase of 24%. This is the first time the Bank's balance sheet has exceeded £1billion and highlights the continued growth of the Bank.

Supporting the Bank's financing businesses, our award-winning savings proposition also saw considerable growth in 2021, with total deposits increasing 28% to £897m. The combination of competitive products and a fully digital platform has ensured that customer satisfaction remains high. At the end of December 2021, our Savings Net Promoter Score, which signifies customers willingness to recommend the Bank to others, was a very credible +55.

In 2022, we are looking to strengthen our savings offering, by further enhancing our product offering and introducing a digital savings proposition to appeal to a wider demographic.

The Bank's Institutional Build to Rent Funds performed strongly with tenant occupancy high at 99%.

Gatehouse Bank sold its first Build to Rent fund and this transaction represented the first sale of a portfolio of scale in the Single-Family Home sector in the UK and further established Gatehouse Bank as a leader in this field.

The Bank established a third fund, creating a joint venture with Texas Pacific Group Real Estate, a leading alternative asset manager and this new fund will deliver at least 2,500 houses for rental to families across the UK

2021 was a year of exceptional growth whilst implementing new products to assist homebuyers, landlords and savers and this resulted in Gatehouse achieving a pre-tax profit of £3.6m.

Future growth

We will continue to grow our core sectors organically, whilst looking at the opportunities available in potential adjacent markets.

The Board continues to monitor any impacts from the UK leaving the European Union, the implications of the Coronavirus pandemic and the Russia/Ukraine conflict. We will continue to consider all options and scenarios resulting from this.

We also recognise the role we can play in enhancing access to finance and in 2022 plan to develop further Shariah-compliant sustainable products and services for customers of all faiths and none. These will include Bridging Finance and Asset Finance.

A growing number of customers are looking to utilise digital channels to apply for and manage their finances and so, in 2022, we will invest to further digitalising customer journeys, making it easier for more customers to choose Gatehouse Bank.

Our cost:income ratio is predicted to fall significantly over our plan period and will be the result of controlled expenses but significant revenue increases as our Home Finance portfolio exceeds £1bn.

Despite the continuing impact of the Covid-19 pandemic, geo-political concerns and potential economic challenges, I am confident that our ambitious growth projections are achievable as our specialist focus means we need to attract a modest proportion of UK finance and savings to achieve our planned expansion.

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

Finally, I would like to thank our employees 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
26 April 2022

2021 Key Highlights

Home Finance balances increased

40% to £762m

(2020: £546m)

Our Impact

In 2021 we became operationally carbon neutral and demonstrated further commitment by setting an initial Net Zero climate target to reduce the absolute emissions of our growing home finance portfolio. We also delivered through product innovation by launching our Woodland Saver accounts, resulting in over 10,000 trees being planted in woodland projects across the UK.

The Covid-19 Pandemic

Continuing to support our customers during the ongoing Covid-19 pandemic was at the forefront of the Bank's operations throughout 2021. In addition, we also implemented a hybrid working model for colleagues acknowledging the changes to societal working practices.

Total Deposits grew by

28% to £897m

(2020: £700m)

Total Regulatory Capital increased by

5% to £103.5m

(2020: £98.7m)

Charity Partnership

Our colleagues raised £12,800 for our charity partner Centrepoint during our partnership which ended in 2021. It was a privilege to support Centrepoint with the provision of resources and much needed funds to help vulnerable young people move on from homelessness and build a future they can believe in.

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, 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')
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 Usman 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.

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.

Corporate Governance Report (continued)

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.

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 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 both 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 five times in 2021.

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 two independent non-executive directors and one other non-executive director. The AC met four times in 2021.

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 four times in 2021.

Board Credit and Investment Committee ('BCIC')

The BCIC's responsibilities include 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 comprises one independent non-executive director, two other non-executive directors and one executive director. The BCIC met twice in 2021.

Corporate Governance Report (continued)

Below is a table of Directors appointments, resignations and committee memberships in 2021.

Director	Date of Appointment	Committee Memberships (as at 31 December 2021)
Fahed Faisal Boodai	25.05.2007	BRCC, BCIC
Gerald Gregory	10.12.2015	AC, BRCC, RNC
Abdulaziz AlBader	15.02.2017	AC, RNC, BCIC
Andrew Gray	12.07.2017	AC, BRCC, RNC, BCIC
Charles Haresnape	08.05.2017	BCIC
Danesh Mahadeva	17.08.2017	-
Usman Chaudry	29.04.2021	-

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.

In the Community

In December 2021, Gatehouse colleagues selected FareShare as the Bank's 2022 Charity of the Year due to the fantastic work this leading charity does to reduce food waste and hunger in the UK. Fareshare takes good quality surplus food from right across the food industry and gets it to over 10,000 frontline charities and community groups.

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 Director's report on page 30.

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 (page 4 and 5 respectively) provide a review of business over the reporting period and this report highlights the relevant key performance indicators (KPI's) 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.

This strategic report discusses the following areas:

- The business model;
- Financial results;
- Strategy and objectives;
- Principal risks and uncertainties;
- Corporate Social Responsibility including Sustainability; and
- Going concern.

The Business Model

Gatehouse Bank plc is a Shariah-compliant bank based in London, Milton Keynes and Wilmslow, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. As at 31 December 2021, the Bank had an interest of 35.6% in Gatehouse Capital – Economic and Financial Consultancy KSC, an advisory firm incorporated in Kuwait and a majority shareholding of 50.1% in Ascend Estates Limited ("Ascend Properties"), a UK property management company.

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 31 December 2021 are shown on pages 46 to 55. Profit before tax for the year amounted to £3.6m (2020; profit before tax of £2.1m).

The Chief Executive Officer's and Chairman's statements provide a review of business over the reporting period.

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 finance for UK, UK expat and international residential property landlords plus Home Purchase Plans for UK, UK expat and international homeowner buyers.

The table below highlights the relevant key performance indicators for 2021:

	2021	2020	% Annual change
Home finance portfolio	762m	£546m	40%
Total deposits	897m	£700m	28%
Leverage ratio	9%	11%	(2%)
Average risk weight	51%	54%	(3%)
Cost: income ratio*	93%	114%	(21%)
CET1 ratio	18%	21%	(3%)

*Cost:income ratio is calculated by dividing the total operating expenses by the total operating income excluding one-off revaluations on financing assets and unquoted equity securities presented in Note 6 and net gains from fair value re-measurement presented in Note 10.

The UK property market saw strong levels of activity in 2021 driven by the temporary stamp duty holiday and homebuyers looking for more space due to the Covid-19 pandemic lockdowns plus changing working locations. The property market remains robust throughout various cycles.

Gatehouse Bank provides financing for a range of Buy-to-Let investors, from single residential property investment finance to more complex company structures including property portfolios. All finance is secured on UK residential property. Total Buy-to-Let financing increased by 28% year on year to £630m.

In 2021, our total Home Finance offering for UK residents, UK Expat and international owner-occupiers and landlords saw robust growth, with balances increasing 140% year on year to £132m.

The Bank launched a higher finance to value homeowner finance product in the third quarter, to assist UK homebuyers with smaller deposits and First Time Buyer's wanting to take their first step on to the property ladder. This has led to a significant increase in the number of home buyers engaging with Gatehouse Bank directly.

The Bank's Direct-to-Consumer finance advisory team accounted for 30% of our total 2021 originations, thereby continuing our strategy of embracing both direct and intermediated customers.

Gatehouse has established strong relationships with new intermediary relationships – with more active brokers registered to introduce clients to the Bank. 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 2021 helped contribute to the average risk-weight falling to 51% (54% in 2020) and improving the Bank's capital efficiency.

During 2022, the Bank plans to broaden its home finance product range further, developing new products adjacent to its core range.

Private Rented Sector / Build to Rent (BTR)

In 2021, the Bank established a third BTR fund, creating a minimum £500 million joint venture with Texas Pacific Group Real Estate, a leading alternative asset manager, and this new fund will deliver at least 2,500 high quality single-family homes, for rental to families across the UK.

Gatehouse Bank sold its first BTR fund in January 2021. This transaction represented the first Single-Family Home portfolio sale of scale in the UK and further established Gatehouse Bank as a leader in this field.

The Bank's second Institutional BTR Funds performed strongly with tenant occupancy high at 99%.

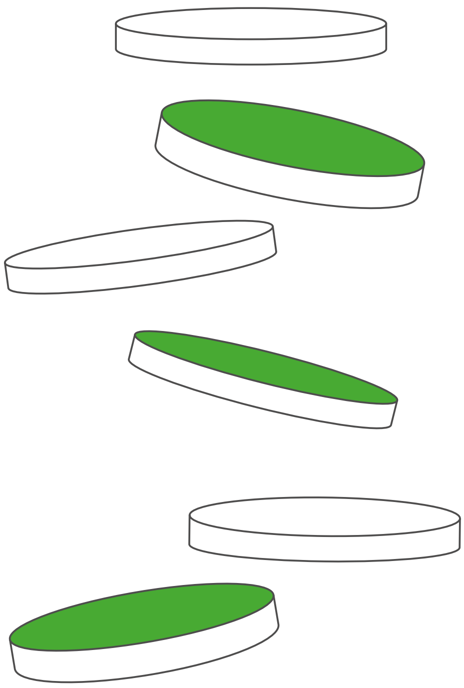
The Build to Rent sector is one of the fastest growing housing segments in the UK and we have a dedicated team with expertise in acquisitions and property management.

The Bank is committed to single-family home properties, rather than large apartment blocks ensuring locations are well connected with accessibility to the city centres and/or to local and national transport links, within catchment areas for good local schools and educational institutions.

Strategic Report (continued)

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. It also ensures that the Bank maintains liquidity in accordance with its internal and regulatory requirements and manages investments in sukuk and funds.



Savings

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

The Bank experienced considerable growth in 2021 for its competitive savings products, with deposits increasing by 28% to £897million.

The combination of competitive products and a fully digital platform has ensured that customer satisfaction remains high. At the end of December 2021, our Savings Net Promoter Score, which signifies customers willingness to recommend the Bank to others, was a very credible +55.

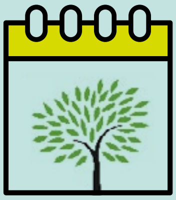
During 2021, the Bank launched its Woodland Saver range. The products allow customers to play their part in the development of UK woodlands, whilst also gaining a competitive return on their hard-earned savings. The new products have attracted additional savers to Gatehouse Bank. The Woodland Saver customers planted over 10,000 trees in woodland projects across the UK, including in County Durham, Cumbria, Perthshire and the Scottish Borders. These trees will sequester 3,000 tonnes of CO_2e emissions in their lifetime, the equivalent to powering 361* homes for one year.

In 2022, the Bank is looking to strengthen its savings offering, by further enhancing its product range and introducing an app for its savings proposition to appeal to a wider demographic.

*Based on a conservative estimate of each tree sequestering 0.3 tonnes CO_2e during its lifetime. Equivalent measure used for illustrative purposes only, sourced from the US Govt Greenhouse Gas Equivalencies Calculator **https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator**

2021 Social Media post: Gatehouse launched its Woodland Saver accounts in February 2021 where fixed-term account and Cash ISA customers have a tree planted for each one opened and the carbon credits registered on their behalf.

Improving our Environmental Footprint throughout 2021



Product Innovation

In 2021, we launched an award-winning savings product, the Woodland Saver, to help customers support sustainability and reduce climate change, by planting a tree in UK woodland developments for each deposit account opened or renewed. During the year wet planted over 10,000 trees at woodland projects across the UK. These trees will sequester 3,000 tonnes of CO2e emissions in their lifetime, the equivalent to powering 361 homes for one year.

Net Zero Targets

The groundwork commenced to set a Net Zero climate target to reduce the absolute emissions of the growing home finance portfolio from the baseline figure 3,455 tCO2e (December 2020) by 35% by 2030 and 72% by 2050 to achieve Net Zero emissions.

Carbon Neutral

The Bank became operationally carbon neutral in 2021 by offsetting the total carbon emissions we produce. This status is independently certified with Carbon Neutral Britain to measure and offset our operational emissions in accordance with the ISO 14064 and GHG Protocol Emissions Standards.

Strategic Report (continued)

Principal Risks and Uncertainties

Following the ending of the Brexit transition period, the United Kingdom left the EU single market and customs union in December 2020. To date, the impact of Brexit on our core products and customers has not been significant. The Bank is also exposed to general regulatory change in this area and continues to monitor the impact of Brexit on its business.

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

Corporate Social Responsibility including Sustainability

Please note more information on our Corporate Social Responsibility, including our GRI Index, can be found within our Sustainability Report which is available on our website ***www.gatehousebank.com.***

At Gatehouse Bank we believe in a financial system that is fair for everyone. As a UK, Shariah-compliant Bank, our differently designed products are well placed to support fairness in finance and have a positive sustainability impact.

We follow a set of principles, which promote fair play and ensure that our customers' financial affairs are handled responsibly. These principles exclude highly speculative financial products and services and prohibit funding for many activities that have the potential to cause harm to society.

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.

We are taking the time to understand the way our business impacts the UK's most pressing environmental and social needs, like climate change and financial well-being, with a view to finding opportunities to meet these needs through our business strategy, products, and services.

Gatehouse Bank is one of the founding signatories to the UN Principles for Responsible Banking (UN PRB), which were launched in September 2019. The UN PRB provide the framework for a sustainable banking system and help the financial sector demonstrate how it makes a positive contribution to society.

As a founding signatory, we have committed to further aligning our business strategy with society's goals, as expressed in the United Nations Sustainable Development Goals, the Paris Climate Agreement and other relevant frameworks that identify the most pressing societal, environmental, and economic needs of our time.

In 2021, the Bank made strong progress developing its sustainability strategy and further integrated sustainability into our corporate culture and operations. We set targets to improve the Bank's impact on the environment and society and captured sustainable business opportunities.

Moving into 2022, Gatehouse Bank will continue to develop positive solutions that demonstrate we can be a successful business, meeting our customers' growing expectations, whilst supporting a better future for all.

Sustainability Strategy

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

We exist to help more people realise their dreams and aspirations in a different way - One that's transparent, fair and socially responsible. The Bank's products are available to customers of all religions and none, and many non-Muslims choose us for our ethical approach and competitive products.

Material Sustainability Topics

In 2021, we deepened our understanding of the social and environmental topics that matter most to the Bank's business and key stakeholders. We considered the greatest needs of the United Kingdom, the key concerns of our stakeholders, and the potential for our business to make an impact in these areas.

Through a process of materiality and impact analysis, we developed a list of material sustainability topics, grouped into four categories:

- Our people and culture
- The Environment
- Society
- The Economy

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

Climate Change

We are proud to have achieved carbon neutral certification in 2021, after first measuring the greenhouse gas emissions of the Bank's internal operations in 2020.

In 2021, the Bank measured its 2020 operational carbon footprint. The Bank's operational emissions include those produced across its three offices in London, Milton Keynes and Wilmslow, as well as the business travel of the Bank's employees. We are a digital-first bank and therefore avoid any emissions associated with physical branches.

Category	Material Topic	Bank initiatives	UN SDGs
Our people and culture	• Employee Well-being • Diversity & Inclusion	• Our values • Employee benefits, training and development, well-being mentors and webinars • Diversity & Inclusion performance, Diversity Council	**SDG 3**, Good Health & Well-being, **SDG 5** Gender Equality, **SDG 8** Decent work and economic growth, **SDG 10** Reduced Inequalities
Gatehouse Bank and the Environment	• Climate change • Supply Chain Sustainability	• Carbon Neutral Operations • Net Zero Home Finance • Sustainable Procurement • Sustainable products	SDG 12 Responsible Consumption & Production, SDG 13, Climate Action, **SDG 15** Life on Land
Gatehouse Bank and the Community	• Customer Well-being • Financial Health and Inclusion • Community giving	• Fair treatment of customers, customer privacy • Customer financial well-being • Charity Partnerships, volunteering, and corporate philanthropy	SDG 1 no poverty, SDG 8, Decent work, and economic growth SDG 10 Reduced Inequalities
Gatehouse Bank and the Economy	• Responsible use of funds and investments • Economic Value Generated and distributed • Preventing financial Crime	• Socially responsible Shariah-compliant exclusion list • Profit, employment, tax contributions • Anti-corruption & bribery policy and training, Anti-Money Laundering	SDG 8 Decent work and economic growth, SDG 10, Reduced Inequalities, SDG 16 Peace and Justice and Strong Institutions

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

We have achieved carbon neutrality by offsetting the total carbon emissions we produce. Becoming carbon neutral means that we are acting now to take responsibility for the emissions we produce today. At the same time, we recognise that offsetting alone will not tackle climate change, which is why we are looking at ways to reduce the Bank's operational and financed emissions. We have set a target to reduce the emissions we produce from business travel by 20% from the base year of 2019.

Through our partner Carbon Neutral Britain™ we support international offsetting projects, selected based on their direct and indirect impact around the world. These projects have been certified to the highest standards through the Verra – Verified Carbon Standard, the Gold Standard – Voluntary Emissions Reductions (VER), or the United Nations – Certified Emission Reductions (CERs) programmes.

2021 Social Media post: Results from Gatehouse Bank's nationally representative Opinium Survey in January 2021 found 93% of the UK are doing something to benefit the environment.

Strategic Report (continued)

Gatehouse Bank has offset the total carbon footprint from the period identified within this report to become certified as a Carbon Neutral Business by Carbon Neutral Britain™. As a certification awarded by an external organisation, it provides assurance that the carbon neutral claim is robust and credible, following calculation using the ISO 14064 and GHG Protocol Emissions Standard.

In the Community

Gatehouse Bank is committed to giving back to community causes. We do this through corporate giving, volunteering and staff fundraising.

In December 2020, our colleagues selected Centrepoint as the Bank's 2021 Charity of the Year because of the work this leading charity does to support social mobility and access to housing in the UK. Centrepoint helps vulnerable young people move on from homelessness and build a future they can believe in.

Despite the ongoing challenges associated with the pandemic, colleagues hosted a range of successful virtual and in person events to fundraise for the Bank's charity partner. Led by the Bank's active Social Committee, Gatehouse Bank colleagues participated in online quizzes, pizza nights and gameshows. Teams bonded during lock down in March, where we collectively walked 16 million steps for Centrepoint's Move in March fundraising challenge.

Further fundraising highlights from the partnership were the Chiltern Hills walk for Centrepoint in September, where our team walked 25km together to raise awareness of the 130,000 young people experiencing homelessness in the UK and the Bank's participation in Centrepoint's flagship fundraising event, the Sleep Out, in November, where colleagues swapped beds for sleeping bags for one night to raise awareness and funds for homeless youth.

Carol Huggins, MoneyWise Project Coordinator at Centrepoint, said: "The Moneywise Programme is designed to build confidence and empower young people to make better financial decisions. Our project with Gatehouse Bank to develop new learning resources will support young people as they learn new financial skills, understand how to improve their finances and find out where to go for additional support".

The Bank is proud to have deepened its partnership with Centrepoint during 2021 with a strategic skills-based volunteering project. The project supports the charity's MoneyWise Programme to build a new online hub full of vital financial information for the young people they support.

MoneyWise supports young people who are homeless, or at risk of homelessness, in dealing with existing debt, preventing future money problems, and promoting overall financial capability. MoneyWise is delivered through a combination of group workshops, one-to-one support, and referrals to specialist advice services where necessary. Centrepoint helps around 1,300 young people a year, and each of these is assessed and given access to elements of the Moneywise programme according to need.

Gatehouse Bank colleagues worked with Centrepoint to identify key financial literacy topics for the educational programme and developed and produced engaging multi-media content for the charity. The e-learning tool will be available to over 1,300 young people supported by Centrepoint.

"The Moneywise Programme is designed to build confidence and empower young people to make better financial decisions. Our project with Gatehouse Bank to develop new learning resources will support young people as they learn new financial skills, understand how to improve their finances and find out where to go for additional support".

Carol Huggins
Centrepoint Moneywise Project Coordinator

2021 Social Media post: During the year we held a number of fundraising events for Centrepoint. Pictured below is a selection of photos from our Summer Bingo Virtual Quiz in July 2021:

Diversity and Inclusion

We believe that diversity fuels our creativity and connects us to the communities we serve. Gatehouse Bank must be a company where everyone, regardless of their background or beliefs, can contribute and succeed.

The Bank is committed to recruiting and retaining a diverse workforce that reflects our increasingly diverse customer base. We are working together to create an inclusive workplace.

In September 2021, the Bank conducted its second annual Diversity and Inclusion Survey to help it measure representation and inclusion. Inclusion performance is measured through understanding colleague experience, good inclusion performance ensures that we get the best from everyone. The Bank's inclusion performance improved across all measures from the 2020 survey.

Diversity performance is measured by assessing the level of representation of different groups at the Bank and is about maximising the value of different perspectives.

We use a combination of HR data and completely anonymous survey data to build a picture of diversity at the Bank. In addition to gender and ethnicity representation, the Bank assesses diversity performance across age, socio-economic background, LGBTQ+, religion, disability and dependents. This information informs the Bank's Diversity and Inclusion strategy and activities.

Strategic Report (continued)

Sharron Harvey, Chief People Officer at Gatehouse Bank plc, said: "Cultivating and maintaining the right environment for colleagues to perform and be their best self is and remains a key consideration for the Bank. To service the communities we serve, needs an understanding that those communities form our talented workforce and so recognising the value of their contributions and perspectives that are shaped by cultural norms is of importance to our stakeholders."

"We have put considerable effort in 2021 into understanding who our colleagues are and how they perceive equality and equity within the bank so that we can continue to effectively build a brand in our niche market but also so that we can become an employer of choice moving forward."

"The work of our D&I council continued to ensure that fairness in promotions and opportunities could be realised by all as well as helping to develop a leadership skills program. We challenged ourselves to give each other constructive feedback as leaders so that we could continue to grow leadership skills at all levels and understand the effect of our actions on colleagues wework closely with. This work will be ongoing as we seek to challenge ourselves and build on our bank beliefs."

Memberships and Affiliations

At Gatehouse Bank, we recognise that we are part of a global community committed to responsible banking and sustainability. We value the benefits of community and peer learning to drive best practice in sustainability and are committed to strengthening our network as well as partnering with organisations to help achieve society's goals.

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

In September 2019, Gatehouse Bank became a **founding** signatory to the UN Principles of Responsible Banking, alongside 129 other institutions from the global banking community. The UN Principles provide the framework for a sustainable banking system and help the financial sector demonstrate how it makes a positive contribution to society.

As a founding signatory, we have committed to further aligning our business strategy with society's goals. These Goals are expressed in the United Nations Sustainable Development Goals, the Paris Climate Agreement and other relevant frameworks that identify the most pressing societal, environmental, and economic needs of our time.

Gatehouse Bank has been an active member of the community of signatory banks throughout 2021, participating in multiple working groups developing and sharing best practice for responsible banking. This has included our contribution to the UNEP FI portfolio analysis tool, Guidance on Impact Analysis and Guidance on Reporting.

In December 2021 we became a founding signatory to the UN PRB Commitment to Financial Health and Inclusion to support the Bank's target setting and improvement of impact in this area.

2021 Social Media post: Gatehouse Bank celebrated its 2nd anniversary as being a founding member of the United Nations Principles for Responsible Banking:

The Gatehouse team participated in Centrepoint's flagship fundraising event the Sleep Out in November 2021, where colleagues swapped beds for sleeping bags for one night to raise funds for homeless young people.

Strategic Report (continued)

Global Ethical Finance Initiative (GEFI) and the Islamic Finance Council UK (UKIFC)

Gatehouse Bank has partnered with the Islamic Finance Council UK (UKIFC) and the Global Ethical Finance Initiative (GEFI) – both not-for-profit organisations committed to driving finance for positive change. The UKIFC is the first advisory body dedicated to Islamic finance to endorse the UN Principles for Responsible Banking.

GEFI has become a hub at the centre of the ethical finance movement. They curate independent conversations among a broad coalition of financial services stakeholders, as well as delivering practical projects.[1]

The Bank is working with the UKIFC as part of a global taskforce intended to encourage Islamic financial institutions to embrace the UN SDGs and show the world that commitment to planet and people lies at the heart of Islamic finance.

Through its partnership with GEFI, the Bank has been able to reinforce its position as a progressive ethical bank by presenting at events involving some of the world's leading financial institutions and demonstrate its commitment to climate action by supporting the Path to COP26 campaign.

In 2021, the Bank was a strategic partner for the Path to COP26 campaign and colleagues joined and presented updates on the Bank's progress before and during COP26 in Glasgow.[2] The Bank sponsored the Islamic Finance and the Principles for Responsible Investment Thought Leadership Series Report (Part 2),[3] and the Islamic Finance and the Principles for Responsible Banking Thought Leadership Series, (Part 3) report.[4] The Bank was an active member of the Global Islamic Finance and the SDGs Taskforce.[5]

Charles Haresnape, the Bank's CEO, delivered an update at COP26 alongside John Glen MP, Economic Secretary to the Treasury. The Bank co-developed a Guidance Note for Islamic Finance Institutions Reporting under the UN PRBs and contributed to design and planning to assist with the distribution of the world's largest global Islamic Finance retail survey.[6]

Women in Islamic and Ethical Finance Forum (WIEFF)

Gatehouse Bank are corporate members 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 long-term vision of the forum 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.

Going Concern

As at 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 a 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 these financial statements of the Bank. Further disclosures on the going concern basis can be found in Note 3 to 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
26 April 2022

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

[2] Path to COP26 www.pathtocop26.com

[3] UK IFC Islamic Finance and the Principles for Responsible Investment, Thought Leadership Series, March 2021 https://www.ukifc.com/wp-content/uploads/2021/04/ISLAMIC-FINANCE-AND-THE-PRI-%E2%80%93-THOUGHT-PAPER-2.pdf

[4] UK IFC Islamic Finance and the Principles for Responsible Banking, Thought Leadership Series Part 3, June 2021 https://www.ukifc.com/wp-content/uploads/2021/06/IF-and-the-principles-for-responsible-banking-part-3.pdf

[5] Global Islamic Finance and the SDGs Taskforce www.ukifc.com/sdg

[6] Guidance Note for Islamic Finance Institutions Reporting Under the UN PRBs https://www.ukifc.com/wp-content/uploads/2021/12/UKIFC-PRB-Report_20211020.pdf

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

Global Ethical Finance Initiative (GEFI)

Forest Carbon

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

Woodland Carbon Code

The Islamic Finance Council UK (UKIFC)

Women in Islamic and Ethical Finance Forum (WIEFF)

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 2021 to 31 December 2021(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

26 April 2022

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 2021. 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 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 3 and 39.

Dividend

No dividends were paid during the year (2020: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2020: £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.

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.

Policy on Payment of Creditors

The Bank's policy is to agree 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.

Political Contributions and Charitable Donations

The Bank made no political contributions (2020: £nil) and £5,395 of charitable donations (2020: £23,060) 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
26 April 2022

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)

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 Board's key duty is to ensure a sustainable business model as underpinned by its strategic change from 2017 and in doing so has regard to the interest of the below key groups:

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

Investors

The Board appreciates the support from its shareholders and the interests of our shareholders are represented by our shareholder 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.

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 2021.

The Board was keen to ensure that there was no deterioration in customer service levels during 2021 and with the Bank continuing to support its customers via payment holidays and review of customer terms 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 2021 to support the 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 processes were undertaken to ensure an appropriate environment was maintained. This 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.

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 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 Executive Committee 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 on a daily basis and throughout the year the Board ensures it keeps the regulators up to date on key business and operational updates.

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
26 April 2022

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 2021 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;
- the notes to the consolidated 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 parent 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 the non-audit services prohibited by the FRC's Ethical Standard were not provided 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; • Valuation of unquoted investments at fair value;
Materiality	The materiality that we used for the group financial statements was £1.01m which was determined as 0.9% of net assets.
Scoping	Our audit included the full audit scope of all significant components of the Group. Our Group audit scope represented 83% of the Group's revenue, 77% of the Group's profit before tax and 99% of the Group's total net assets.
Significant changes in our approach	Due to reduction of uncertainty related to Covid-19 pandemic, going concern is no longer a key audit matter. Due to significant headroom in goodwill assessment in current year, impairment of goodwill is not considered a key audit matter.

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:

- Reviewing management assessment paper to assess whether it appropriately captures all key business risks, such as operational, financial, liquidity and capital risks.

- Based on discussion with management, where appropriate, we have read the entity's most recent Internal Capital Adequacy Assessment and Internal Liquidity Adequacy Assessment (ICAAP & ILAAP), understood the entity'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 use back testing approach where the audit team compare the actual results reported in 2021 with the budgeted performance to identify any significant variation.

- Reviewing the results of reverse stress testing on the liquidity reserve position and capital position. Our challenge focused on reviewing the appropriateness of the assumptions used under the reverse stress testing and the Bank's ability to meet its financial obligation and absorb additional loss under a worst case scenario.

- Engaging regulatory specialist to review Bank's latest capital and liquidity returns.

- Carrying out bilateral meetings with the Prudential Regulation Authority.

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.

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

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 2021, 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 £901m (2020: £702m). At 31 December 2021, the total provision for expected credit losses on financing assets was £3.6m (2020: £2.9m). The focus of the key audit matter was on the following: • Appropriateness of macroeconomic scenarios used and their weightings; • Determination of probabilities of default ("PDs") for the diminishing Musharaka portfolio (RPF); • Identification of significant increase in credit risk ("SICR") since origination for the Real Estate Finance (REF) portfolio; • Completeness and valuation of overlays for the RPF portfolio; and • Valuation of collateral for exposures in Stage 2 and Stage 3 for the Real Estate Finance (REF) 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: • Independently reviewed and assessed management's impairment policy and models against the requirements of IFRS 9; • Engaged our credit modelling experts to test whether the implemented model code is in line with the methodology; • Obtained an understanding of the bank's controls over the ECL assessment; • Performed a retrospective assessment of observed default rates against modelled PDs; • Performed a 2-way test of Stage 1 and 2 exposures to evaluate whether they were included in the appropriate stage; • Working with credit modelling specialist team, performed a review and evaluated changes in the ECL methodology, assessed if any additional overlays are required to address model weaknesses; • Engaged Deloitte Real Estate specialists to test the valuations for properties where an up to date suitable third party valuation was not available; and • Engaged with Deloitte economics specialist team to challenge macro-economic scenarios.
Key observations	Based on the procedures performed, we have concluded that the provision for expected credit losses is free of material misstatement.

5.2. Valuation of unquoted investments at fair value

Key audit matter description	The Group holds a portfolio of unquoted investments in real estate investment structures (SPVs) held at fair value. The valuations of these investments are determined in line with IFRS 9 and are dependent on a number of judgemental inputs with the most significant being valuations of underlying property assets. We considered that a risk of potential fraud lies within the valuation of unquoted investments, due to the inherent potential for management bias in determining the judgemental inputs to the valuation calculation, including valuations of underlying properties. COVID-19 have continued to have a significant impact on property markets, and we considered this impact as part of our risk assessment. At 31 December 2021, the fair value of unquoted investments in real estate investment structures at fair value was £13.6m (2020: £15m) — see Notes 19 to the financial statements. The accounting policy can be found within Note 3 to the financial statements. Management also disclosed information about market risk in Note 37 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 around the valuation process; • Independently recalculated the net asset value of the SPVs based on SPV accounts and third party property valuations. These were compared to the Bank's assessment of value; • Involved our real estate valuation specialists to assess the property valuations and relevant methodologies used for appropriateness. • Independently assessed the SPV valuation methodology in line with the requirements of IFRS 9; • Obtained audited SPV to test inputs into the valuation; Where SPV accounts were not audited, we tested material balances by agreeing them to supporting documentation; • Challenged adjustments made in the valuation by independent reperformance and testing of adjustments, and assessment of their reasonableness.
Key observations	Based on the procedures performed, we concluded that the valuation of unquoted investments at fair value is appropriate.

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

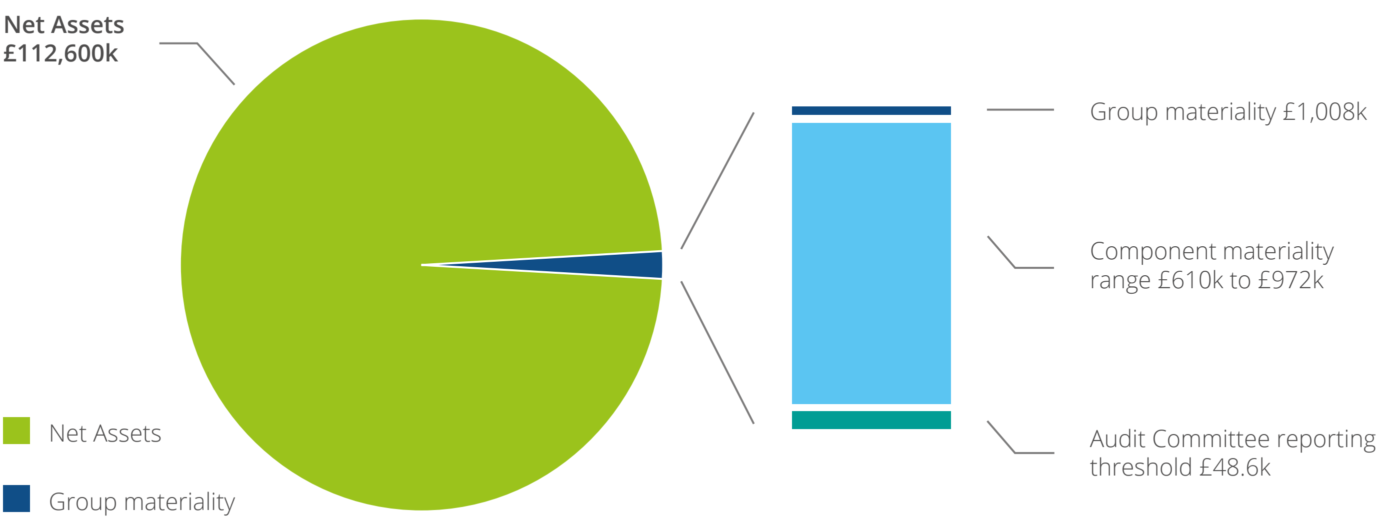
6. Our application of materiality

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	£1.01m (2020: £653k)	£972k (2020: £630k)
Basis for determining materiality	0.9% of net assets (2020: 0.6% of net assets)	0.9% of net assets capped at 96.5% of the group materiality (2020: 0.6% of net assets)
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. Increase in materiality in 2021 is due to an increase in the net assets balance driven by increase in the loan book.	



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% of Group materiality	50% of Company materiality
Basis and rationale for determining performance materiality	We considered factors including the previously identified deficiencies in internal controls, and the number of uncorrected misstatements in the prior year, we believe it is appropriate to reduce the materiality threshold by a greater tolerance level. We have concluded that a reduction of 50% is appropriate.	

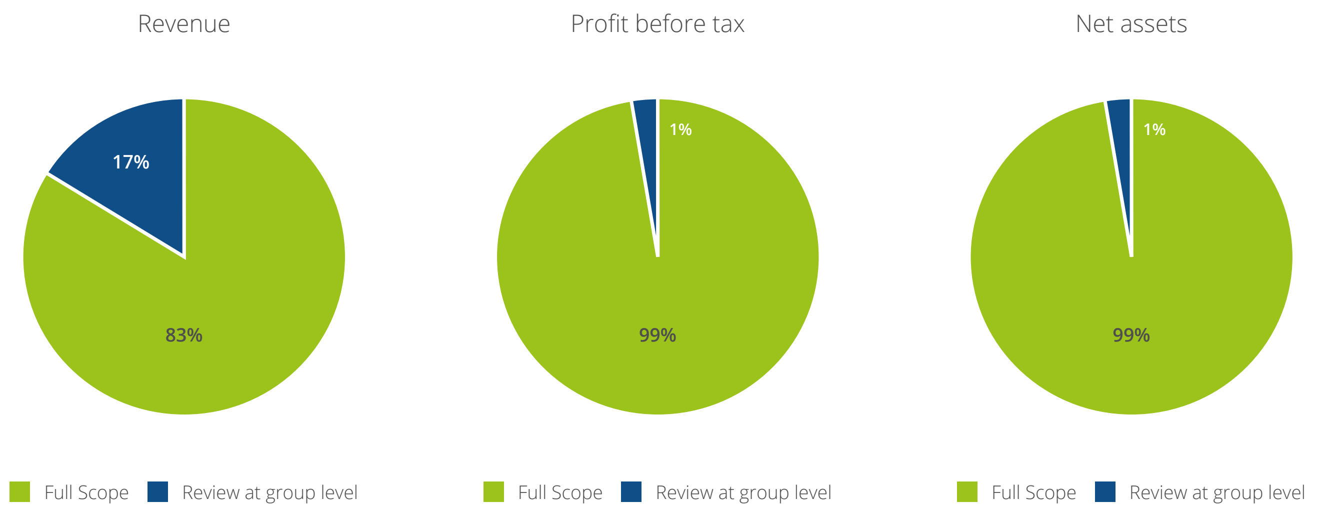
6.2. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £48.6k, 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 and one associate located in Kuwait. As at 31 December 2021, the Bank had an interest of 35.6% in Gatehouse Capital – Economic and Financial Consultancy KSC, an advisory firm incorporated in Kuwait and a shareholding of 50.1% in Ascend Estates Limited ("Ascend Properties"), a UK property sales and management company. Component materiality levels were set in the range from £610k to £972k (2020: £544k to £630k).



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 customer deposits.

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 01 November 2020 to 31 October 2021, which documents the suitability of design and implementation and operating effectiveness of controls. As the reporting date of the Bank is 31 December 2021, we have obtained a bridging letter for the period from 01 November 2021 to 31 December 2021 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 16, the Bank measured its 2021 operational carbon footprint. The Bank's operational emissions include those produced across its three offices in London, Milton Keynes and Wilmslow, as well as the business travel of the Bank's employees.

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 company 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.

7.4. Working with other auditors

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, with the exception of the associate where a component audit team in Kuwait was involved. Our supervision of this component included regular communication and discussion of the component's risk assessment, audit plan and results of testing. We also performed a review of their working papers.

For Ascend and Silver Noisy (UK and France Subsidiaries) we performed analytical review procedures at the Group level. For Gatehouse Capital (Associate in Kuwait) we engaged Deloitte Kuwait audit team to perform a full scope 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 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 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.

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

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 matters related to the potential risk of fraud or non-compliance with laws and regulations. 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 2021 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 15 years, covering the years ending 31 December 2007 to 31 December 2021.

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

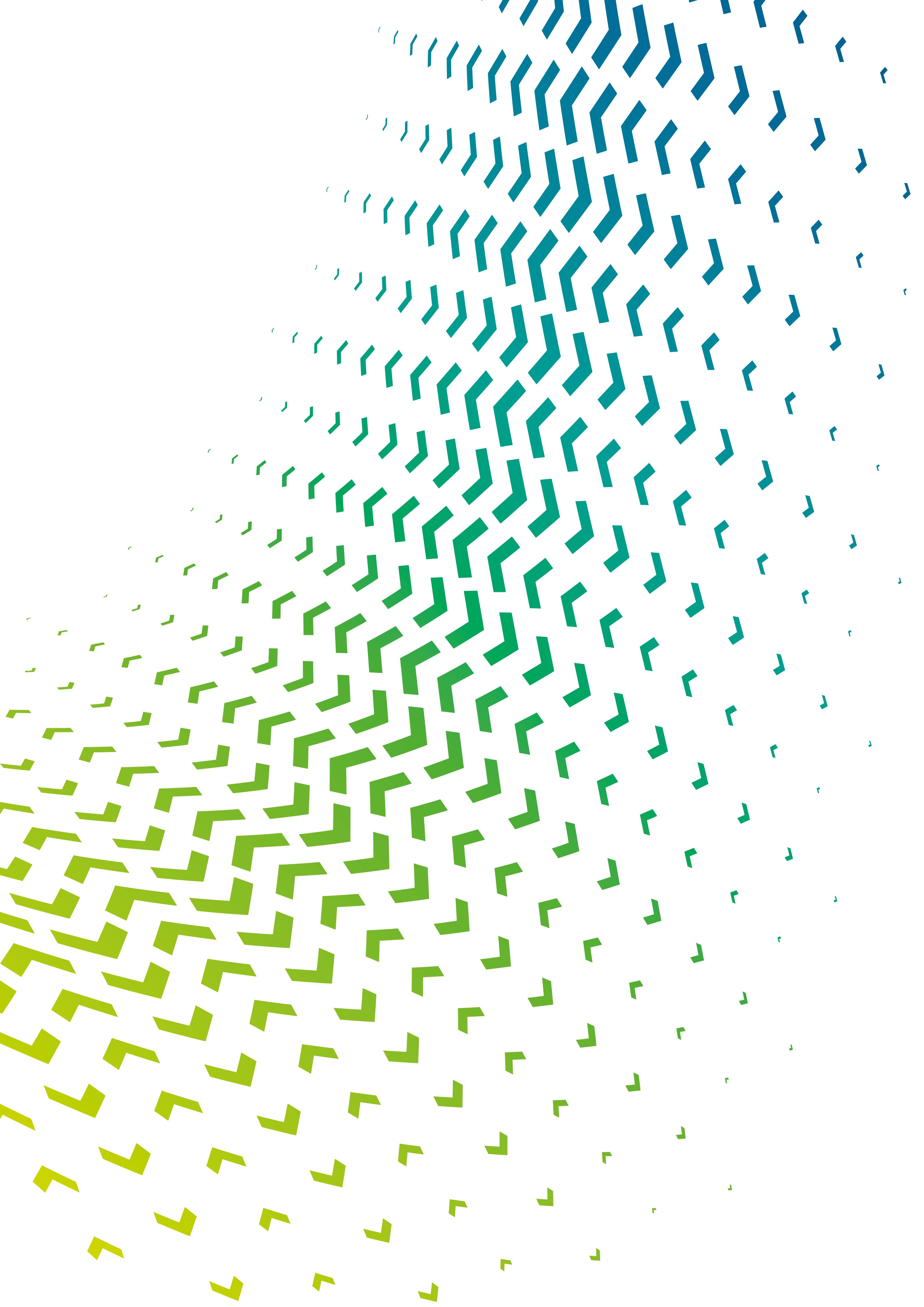
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 April 2022

Consolidated Financial Statements for the year ended 31 December 2021



Consolidated Income Statement

	Notes	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Income		**£'000s**	**£'000s**
Income from financial assets held at amortised cost	4	33,889	25,588
Charges to financial institutions and customers		(15,332)	(15,760)
Fees and commission income		9,954	5,170
Fees and commission expense		(164)	(117)
Foreign exchange (losses)/gains	5	(516)	915
Net gains from financial assets at fair value through income statement (FVTIS)	6	756	2,708
Net gains from financial assets at fair value through other comprehensive income (FVTOCI)		335	359
(Loss)/Gain on property held for sale	11	(472)	1,581
Gain on investment properties	10	1,412	3,753
Other income	12	2,178	2,542
Impairment charge	9	(806)	(2,783)
Total operating income		**31,234**	**23,956**
Expenses			
Staff costs	7	(18,126)	(13,972)
Depreciation and amortisation	24 & 25	(1,222)	(1,030)
Other operating expenses	8	(9,173)	(7,688)
Total operating expenses		**(28,521)**	**(22,690)**
Operating profit		**2,713**	**1,266**
Net share of profit of associate	20	904	819
Profit before tax	13	**3,617**	**2,085**
Tax	14	(153)	-
Profit for the year from continuing operations		**3,464**	**2,085**
Attributable to:			
Profit attributable to the Bank's equity holders		3,004	2,079
Non-controlling interest		460	6
		3,464	**2,085**

Consolidated Statement of Comprehensive Income

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	£'000s	**£'000s**
Profit for the year from continuing operations	**3,464**	**2,085**
Items that may be reclassified subsequently to income statement if specific conditions are met:		
Gain/(losses) on FVTOCI investments	(15)	268
Reclassification of gains on FVTOCI debt instruments included in the profit or loss	-	-
Foreign currency translation gains/(losses) from investment in associate	244	(539)
	229	**(271)**
Items that will not be reclassified subsequently to income statement:		
Losses on FVTOCI investments	(367)	(847)
Other comprehensive losses for the year	**(138)**	**(1,118)**
Comprehensive profit for the year	**3,326**	**967**
Attributable to:		
Profit attributable to the Bank's equity holders	2,866	961
Non-controlling interest	460	6
	3,326	**967**

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

Consolidated Statement of Financial Position

	Notes	31 Dec 2021	31 Dec 2020
Assets		**£'000s**	**£'000s**
Cash and balances with banks		41,598	12,644
Financing and advances at amortised cost	17	901,111	702,170
Financial assets held at FVTIS	18	26,366	27,579
Financial assets at FVTOCI	19	22,951	17,942
Investment in associate	20	14,298	13,764
Goodwill	21	4,242	3,805
Derivative financial instruments	23	2,619	15,351
Intangible assets	24	1,389	1,465
Investment Properties	10	-	24,516
Property, Plant and Equipment and right-of-use assets	25	1,714	1,906
Other assets	27	5,533	3,682
		1,021,821	824,824
Property held for sale	11	4,537	-
Total assets		**1,026,358**	**824,824**
Liabilities			
Financial liabilities measured at amortised cost	28	895,637	698,837
Financial liabilities held at FVTIS	29	1,340	1,226
Derivative financial instruments	23	5,033	7,734
Other liabilities	30	11,696	7,701
Total liabilities		**913,706**	**715,498**
Net assets		**112,652**	**109,326**
Shareholders' equity			
Share capital	34	150,049	150,049
Foreign currency translation reserve		1,792	1,548
Fair value through other comprehensive income reserve		(3,848)	(3,434)
Retained deficits		(36,644)	(39,680)
Equity attributable to the Bank's equity holders		111,349	108,483
Non-controlling interest		1,303	843
Total Equity		**112,652**	**109,326**

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 26 April 2022. 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 £'000s	FVTOCI reserve £'000s	Foreign currency translation reserve £'000s	Retained deficit £'000s	Equity attributable to the Bank's equity holders £'000s	Non-controlling interest £'000s	Total £'000s
Balance at 1 January 2021	150,049	(3,434)	1,548	(39,680)	108,483	843	**109,326**
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)**
Reserve on acquisition of subsidiaries	-	-	-	-	-	-	**-**
Foreign currency translation gains from associate investments	-	-	244	-	244	-	**244**
Total other comprehensive (losses)/gains for the year	**150,049**	**(3,848)**	**1,792**	**(39,648)**	**108,345**	**843**	**109,188**
Profit for the year	-	-	-	**3,004**	**3,004**	**460**	**3,464**
Balance at 31 December 2021	**150,049**	**(3,848)**	**1,792**	**(36,644)**	**111,349**	**1,303**	**112,652**

	Share capital	FVTOCI reserve	Foreign currency translation reserve	Retained deficit	Equity attributable to the Bank's equity holders	Non-controlling interest	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2020	150,049	(2,855)	2,087	(42,027)	107,254	837	**108,091**
Other comprehensive (losses)/gains for the year							
Unrealised loss on instruments at FVTOCI	-	(579)	-	-	(579)	-	**(579)**
Reserve on acquisition of subsidiaries	-	-	-	268	268	-	**268**
Foreign currency translation loss from associate investments	-	-	(539)	-	(539)	-	**(539)**
Total other comprehensive (losses)/gains for the year	**150,049**	**(3,434)**	**1,548**	**(41,759)**	**106,404**	**837**	**107,241**
Profit for the year	**-**	**-**	**-**	**2,079**	**2,079**	**6**	**2,085**
Balance at 31 December 2020	**150,049**	**(3,434)**	**1,548**	**(39,680)**	**108,483**	**843**	**109,326**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Cash flows from operating activities		**£'000s**	**£'000s**
Operating profit on ordinary activities after tax		3,464	2,085
Adjusted for:			
Impairment charge	9	806	2,783
Negative revaluation of financial instruments held at FVTIS		210	295
Positive revaluation on investment properties	10	(1,412)	(3,753)
Loss/(Gain) on sale of property held for sale	11	472	(1,581)
Share of operating profit from associate	20	(904)	(819)
Fair value movement in derivative financial instruments		160	(96)
Depreciation and amortisation	24 &25	1,222	1,030
Foreign exchange (gains)/losses		461	(898)
Taxation	14	153	-
Net decrease/(increase) in operating assets:			
Net investment in financial assets held at FVTOCI		(286)	488
Net investment in financial assets held at FVTIS		8,683	(17,583)
Changes in financing and advances at amortised cost	17	(199,760)	(145,837)
Net (increase)/decrease in other assets		(1,816)	(965)
Net increase/(decrease) in operating liabilities:			
Changes in financial liabilities measured at amortised cost	28	196,339	134,094
Net increase in other liabilities		4,565	1,202
Net cash outflow from operating activities		**12,357**	**(29,555)**
Cash flow from investing activities			
Dividend received from associate		859	1,107
Proceeds from sale of financial assets held at FVTOCI		11,617	9,574
Proceeds from sale of financial assets held at FVTIS		23,238	14,259
Purchases of financial assets		(17,000)	(5,517)
Purchase of plant and equipment	25	(632)	(1,786)
Investments in subsidiaries	21	(437)	-
Purchase of intangible assets	24	(320)	(501)
Net proceeds from disposal of property held for sale		-	13,779
Net cash inflow from investing activities		**17,325**	**30,915**
Cash flows from financing activities			
Cash outflow for lease liabilities	26	(724)	(359)
Net cash outflow from financing activities		**(724)**	**(359)**
Net inflow/(outflow) in cash and cash equivalents		**28,958**	**1,001**
Cash and cash equivalents at the beginning of the year		12,644	11,659
Effect of foreign exchange rate changes		(4)	(16)
Cash and cash equivalents at the end of the year		**41,598**	**12,644**

Company Statement of Financial Position

	Notes	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Assets		**£'000s**	**£'000s**
Cash and balances with banks		17,781	10,571
Financing and advances at amortised cost	17	901,111	702,170
Financial assets held at FVTIS	18	49,868	49,072
Financial assets at FVTOCI	19	22,951	17,942
Investment in associate	20	11,308	11,308
Investment in subsidiaries	21	4,344	4,344
Derivative financial instruments	23	2,619	15,351
Intangible assets	24	801	1,041
Property, Plant and Equipment and right-of-use assets	25	1,049	1,451
Other assets	27	2,806	1,892
Total assets		**1,014,638**	**815,142**
Liabilities			
Financial liabilities measured at amortised cost	28	895,088	698,837
Financial liabilities held at FVTIS	29	1,341	1,226
Derivative financial instruments	23	5,033	7,734
Other liabilities	30	6,198	4,902
Total liabilities		**907,660**	**712,699**
Net Assets		**106,978**	**102,443**
Shareholders' Equity			
Share capital	34	150,049	150,049
Fair value through other comprehensive income reserve		(3,596)	(2,969)
Retained deficits		(39,475)	(44,637)
Equity attributable to the Bank's equity holders and total equity		**106,978**	**102,443**

During the financial year ended as at 31 December 2021, the Bank has made standalone profit of £5,162k (2020: £1,217k loss).

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 26 April 2022.
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 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**

	Share capital £'000s	FVTOCI reserve £'000s	Retained deficit £'000s	Total £'000s
Balance at 1 January 2020	150,049	(2,492)	(43,420)	**104,137**
Other comprehensive losses for the year				
Unrealised loss on instruments at FVTOCI	-	(477)	-	**(477)**
Total other comprehensive losses for the year	**150,049**	**(2,969)**	**(43,420)**	**103,660**
Loss for the year	**-**	**-**	(1,217)	**(1,217)**
Balance at 31 December 2020	**150,049**	**(2,969)**	**(44,637)**	**102,443**

Company Statement of Cash Flows

	Notes	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Cash flows from operating activities		**£'000s**	**£'000s**
Operating profit/ (loss) on ordinary activities after tax		5,162	(1,217)
Adjusted for:			
Impairment charge	9	806	2,783
Positive revaluation of financial instruments held at FVTIS		(1,800)	(608)
Fair value movement in derivative financial instruments		160	(96)
Depreciation and amortisation	24&25	850	1,461
Foreign exchange (gains)/losses		495	(874)
Net decrease/(increase) in operating assets:			
Net investment in financial assets held at FVTOCI		(254)	488
Net investment in financial assets held at FVTIS		8,683	(17,409)
Changes in financing and advances at amortised cost	17	(200,251)	(138,792)
Net (increase)/decrease in other assets		(1,774)	(765)
Net increase/(decrease) in operating liabilities:			
Changes in financial liabilities measured at amortised cost	28	196,251	134,094
Net increase /(decrease) in other liabilities		1,727	(1,099)
Net cash outflow from operating activities		**10,055**	**(22,035)**
Cash flow from investing activities			
Dividends received from associate		859	1,107
Proceeds from sale of financial assets		11,617	9,574
Purchases of financial assets		(17,000)	(5,517)
Proceeds on sale of financial assets held at FVTIS		2,319	14,259
Purchase of plant and equipment	25	(84)	(1,510)
Purchase of intangible assets	24	(124)	(501)
Proceeds from sale of subsidiaries		-	5,338
Net cash inflow from investing activities		**(2,413)**	**22,750**
Cash flows from financing activities			
Cash outflow for lease liabilities	27	(428)	(199)
Net cash outflow from financing activities		**(428)**	**(199)**
Net inflow/(outflow) in cash and cash equivalents		**7,214**	**516**
Cash and cash equivalents at the beginning of the year		10,571	10,096
Effect of foreign exchange rate changes		(4)	(41)
Cash and cash equivalents at the end of the year		**17,781**	**10,571**

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

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 for the year ended 31 December 2021.

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 16 Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3 (May 2020) Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37 (May 2020)	1 January 2022
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 and IFRS Practice Statement Amendments to IFRS 10 and IAS 28 Sale on Contribution of Assets between an Investor and its Associate or Joint Venture Disclosure of accounting policies	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 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16-Interest Rate Benchmark Reform — Phase 2 (1 Jan 2021)
- Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

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

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

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.

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's exposure to LIBOR are explained in Note 37 "LIBOR Interest Rate Benchmark reform (IBOR)" which also includes a description of these changes.

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 Covid-19 pandemic, and including consideration of projections incorporating the impact of the Covid-19 pandemic for the Bank's capital and funding position. Specifically, the Bank considered:

- The adequacy and resilience of the Bank's capital base throughout the pandemic 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.

Notes to the Consolidated Financial Statements (continued)

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 2021 (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).

Provisions

In 2019, the Bank estimated a judgemental provision for £1.25m for any adverse findings on legacy activities. The provision represents management's best estimate on any potential liability taking into account all readily available information. Management have retained the provision at the same level as taken in 2019 with no adjustment proposed for 2021.

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. Areas involving a high degree of assumptions include forward-looking information in macroeconomic scenarios.

If a further 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 2021 would increase by £431k and £863k respectively.

A 10% relative reduction in the overall value of collateral realised in RPF business would increase the total impairment provisions for such financing by £915k as at 31 December 2021. A 20% relative reduction in the overall value of collateral realised in RPF business would increase the total impairment provisions for such financing by £2,365k as at 31 December 2021.

A 10% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provisions for such financing by £420k as at 31 December 2021. A 20% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provisions for such financing by £1,266k as at 31 December 2021.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

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.

Notes to the Consolidated Financial Statements (continued)

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 Wa'ad 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.

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 qualitative 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 significant increase in credit risk (SICR – Quantitative Assessment); 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.

Notes to the Consolidated Financial Statements (continued)

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:

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.

Notes to the Consolidated Financial Statements (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

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.

No deferred tax assets are recognised at 31 December 2021 and 2020 as management believe that it is improbable that the related tax benefit will be realised due to tax losses brought forward.

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 2021.

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

	2021	2020
	£'000s	£'000s
Income from financing arrangements	33,877	25,406
Income from financial institutions	12	182
	33,889	**25,588**

5. Foreign exchange losses/gains

	2021	2020
	£'000s	£'000s
Net (losses)/gains on translation of derivative financial instruments	(759)	(575)
Net gains/(losses) on translation of balances denominated in foreign currency	243	1,490
Net (loss)/gains in foreign exchange	**(516)**	**915**

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

	2021	2020
	£'000s	£'000s
Profit income of financing assets	3,241	1,421
Dividend income	794	1,095
Revaluation on financing asset	(3,386)	65
Hedge ineffectiveness	202	(96)
Net revaluation on unquoted equity securities	(95)	223
	756	**2,708**

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

	2021	2020
	£'000s	**£'000s**
Staff costs		
Directors' salaries and fees	1,451	1,019
Directors' pensions	73	54
	1,524	**1,073**
Staff salaries	12,444	10,126
Staff pension contributions	534	452
Social security costs	1,303	933
Other staff costs	2,321	1,388
	18,126	**13,972**

Highest paid Director	596	432
Emoluments	**596**	**432**

	2021	2020
	No.	**No.**
Number of employees at year end	314	248
Average number of employees	311	246

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. During the year the total number of Options in issue were 365,000,000; no options were issued during the year (2020: 365,000,000).

Notes to the Consolidated Financial Statements (continued)

8. Other operating expenses

	2021 £'000s	2020 £'000s
Occupancy Costs	717	858
IT and communication costs	1,052	868
Legal and professional fees	2,227	1,274
Travel and accommodation	309	271
Consultancy	51	29
Advertising and marketing	692	411
Other tax payable	782	670
Shariah Supervisory Board fees	55	55
Other operating charges	1,022	942
Other operating costs relating to Investment Properties	2,266	2,310
	9,173	**7,688**

9. Impairment charge

	2021 £'000s	2020 £'000s
Charge of expected credit losses	806	2,783
	806	**2,783**

The balance as at 31 December 2021 for Charge of expected credit losses include £125k for account receivable.

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

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. Changes to fair value less costs to sell of £472k (2020: £1,581k) were recognised in profit and loss before classification of the asset as 'Property held for sale'.

12. Other Income

Income of £2,178k (2020: 2,542k) relates to rental income the Bank has earned from its investment properties in the year.

Notes to the Consolidated Financial Statements (continued)

13. Profit/(Loss) before tax

	2021	2020
Profit /(Loss) before tax is stated after charging:	£'000s	£'000s
Net foreign exchange (losses)/gains	(516)	915
Auditor's remuneration	317	279
Rentals paid under leases	724	359
Depreciation and amortisation	1,222	1,030

	2021	2020
Auditor's remuneration can be analysed as follows:	£'000s	£'000s
Audit of accounts	305	267
Other services:		
Other audit-related services	12	12
	317	**279**

14. Taxation

	2021	2020
	£'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	153	-
Other corporation Tax – Silver Noisy	-	-
Total current tax charge	**153**	**-**

	2021	2020
	£'000s	£'000s
Deferred tax		
Origination and reversal of timing differences	-	-
Effect on changes in tax rates	-	-
Tax on profits on ordinary activities	**153**	**-**

The standard rate of corporation tax applied to reported profit is 19% (2020: 19%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax assets of £8,930k (2020: £10,097k), have not been recognised due to uncertainty of timing on future profitability.








Notes to the Consolidated Financial Statements (continued)

The tax expense in the income statement for the period was £153k (2020: £0). The tax expense can be reconciled to the profit/(loss) per the income statement as follows:

	2021	2020
	£'000s	£'000s
Profit/(Loss) before tax from continuing operations	3,617	2,085
	3,617	**2,085**
Tax at the UK corporation tax rate of 19%	687	396
Effects of:		
Results from associates and subsidiaries	477	(210)
Expenses not deductible for tax purposes	516	42
Tax relief on disposal of fixed asset	1	122
Unrecognised current year losses and other temporary differences	(671)	764
Deferred	(660)	-
Fixed asset differences	-	1
Income not taxable for tax purposes	(203)	(1,117)
Other permanent differences	1	2
Remeasured of deferred tax for changes in tax rate	5	-
Other corporation tax charge – GHB Properties limited	-	-
Other corporation tax – Ascend Estates Limited	-	-
Tax charge in the consolidated income statement	**153**	**-**

15. Profit Rate Swap

The Bank undertakes Shariah-compliant derivatives, profit rate swaps ("PRS") to hedge the exposure in fixed rate mortgages 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	**2021**	**2020**
	£'000s	**£'000s**
Notional Principal	**360,000**	**281,700**
Fair value adjustment to hedged item	2,556	7,134
Accrued profit of hedged item	63	12
Carrying Value of hedged item	**2,619**	**7,146**
Fair value adjustment to hedging instrument	(2,689)	(7,469)
Accrued profit of hedging instrument	(374)	(265)
Carrying Value of hedging instrument	**(3,063)**	**(7,734)**
Net Profit Rate Swaps Fair Value Hedges	(133)	(335)
Net Profit Rate Swaps Accrued profit	(312)	(253)
Net carrying Value of hedged item and hedging instrument	**(445)**	**(588)**

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'.

The hedge ineffectiveness recognised in profit for the year 2021 is £ 202k gain (2020: £96k loss).

16. Company profit attributable to equity shareholders of the Bank

£5,162k of the company profit for the financial year (2020: £1,217k loss) 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	2021	Avg. Yield	2020
		£'000s		£'000s
Gross financing and advances at amortised cost		904,723		705,102
Less: allowances for impairment		(3,612)		(2,932)
Financing and advances at amortised cost	3.97%	**901,111**	3.92%	**702,170**

Company	Avg. Yield	2021	Avg. Yield	2020
		£'000s		£'000s
Gross financing and advances at amortised cost		904,723		705,102
Less: allowances for impairment		(3,612)		(2,932)
Financing and advances at amortised cost	3.97%	**901,111**	3.92%	**702,170**

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

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**

Financing and advances at amortised cost 2020	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	643,615	55,290	6,197	**705,102**
Loss allowance	(265)	(2,492)	(175)	**(2,932)**
Carrying value under IFRS 9	**643,350**	**52,798**	**6,022**	**702,170**

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

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)**

Financing and advances at amortised cost 2020	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Loss allowance as at 1 January 2020	(67)	(59)	(24)	**(150)**
New financial assets originated or purchased	(89)	-	-	**(89)**
Transfers				
Transfer from stage 2 to stage 1	17	(17)	-	**-**
Transfer from stage 3 to stage 1	6	-	(6)	
Transfer from stage 1 to stage 2	(12)	12	-	**-**
Transfer from stage 3 to stage 2	-	56	(56)	**-**
Changes in PD's/ LGD's / EAD's	(120)	(2,484)	(89)	**(2,693)**
Loss allowance as at 31 December 2020	**(265)**	**(2,492)**	**(175)**	**(2,693)**

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 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	192,509	7,590	(478)	**199,621**
Gross carrying amount as at 31 December 2021	**812,022**	**79,034**	**13,667**	**904,723**

Financing and advances at amortised cost 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying amount as at 1 January 2020	537,488	18,663	3,114	**559,265**
Transfers				
Transfer from stage 1 to stage 2	(48,647)	48,647	-	-
Transfer from stage 1 to stage 3	(4,882)	-	4,882	-
Transfer from stage 2 to stage 1	4,691	(4,691)	-	-
Transfer from stage 2 to stage 3	-	(951)	951	-
Net new financing/payments	154,966	(6,378)	(2,751)	**145,837**
Gross carrying amount as at 31 December 2020	**643,616**	**55,290**	**6,196**	**705,102**

Notes to the Consolidated Financial Statements (continued)

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

Group	Avg. Yield	2021	Avg. Yield	2020
		£'000s		£'000s
Gross financing and advances		12,728		12,659
(Negative)/Positive revaluations		(22)		(36)
Total financing and advances		**12,706**		**12,623**
Unquoted equity securities		13,660		14,957
	3.13%	**26,366**	2.98%	**27,580**

Company	Avg. Yield	2021	Avg. Yield	2020
		£'000s		£'000s
Gross financing and advances		36,231		36,510
(Negative)/Positive revaluations		(22)		(2,395)
Total financing and advances		**36,209**		**34,115**
Unquoted equity securities		13,659		14,957
	5.54%	**49,868**	5.29%	**49,072**

Included within the Company financing and advances is an intercompany Wakala of £12,709k (2020: £12,623k) with the Bank's parent company, Gatehouse Financial Group Limited.

19. Financial assets at fair value through other comprehensive income

Group and Company	**Avg. Yield**	**2021**	**Avg. Yield**	**2020**
		£'000s		**£'000s**
Quoted Sukuk	1.28%	22,951	2.16%	17,942
Unquoted equity securities		-		-
Quoted funds		-		-
		22,951		**17,942**

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 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**

Financial assets at fair value through other comprehensive income – Debt assets 2020	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying value	17,944	-	-	**17,944**
Loss allowance	(2)	-	-	**(2)**
Carrying value under IFRS 9	**17,942**	**-**	**-**	**17,942**

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 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 2020	**(3)**	**-**	**-**	**(3)**

Financial assets at fair value through other comprehensive income – Debt assets 2020	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Loss allowance as at 1 January 2020	(1)	-	-	**(1)**
New financial assets originated or purchased	(2)	-	-	**(2)**
Changes in PD's/ LGD's / EAD's	1	-	-	**1**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2020	**(2)**	**-**	**-**	**(2)**

20. Investment in associate

The Bank has one associate, Gatehouse Capital Economic and Financial Consultancy KSCC ("Gatehouse Capital"), where the Bank has 35.6% (2020: 35.6%) ownership in the underlying legal and/or beneficial interests. The Company's registered address is 15th Floor, Al Dhow Tower, Sharq, Khalid Bin Al Waleed Street, P. O. Box 29120, Safat 13150, Kuwait.

Foreign currency translation profit from associate investments of £244k (2020: £539k loss) during the period have been recorded in reserves.

The consolidated statement of financial position reflects an investment in associate of £14,298k (2020: £13,764), and a net share of profit for the year ended 31 December 2021 of £904k (2020: £819k).

	2021	2020
	£'000s	£'000s
Aggregated amounts relating to associate		
Total assets	34,090	31,238
Total liabilities	(2,879)	(1,364)
Net assets	**31,211**	**29,874**
Group's share of net assets of associates (*)	**11,111**	**10,635**
Total revenue	7,437	6,178
Profit	2,540	2,302
Net share of profit from associate	**904**	**819**

(*) Investment in associate include a goodwill asset of £3,187k.

Details of the Bank's associate at 31 December 2021 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Gatehouse Capital Economic and Financial Consultancy KSCC	Kuwait	35.6%	35.6%

Notes to the Consolidated Financial Statements (continued)

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	50.1%
Silver Noisy Sarl	Letting of office space	France	100%

All subsidiaries are included in the consolidated accounts.

The Bank acquired 50.1% shareholding of Ascend in October 2018 for a total consideration of £4,344k. Movement of the Goodwill during the year is provided below:

Goodwill £'000s	Principal Activity
Cost	
At 1 January 2021	3,805
At 31 December 2021	**4,242**
Impairment	
Impairment loss recognised in the year ended 31 December 2021	-
Acquisitions during the year	
Intangible assets recognised in the year ended 31 December 2021	437
Carrying amount	
At 31 December 2021	4,242
At 31 December 2020	**3,805**

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 £ 13,656k (2020: £14,070k) 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
2021			
Maturing in 0-3 months	2,619	(5,033)	388,672
Maturing in 3-6 months	-	-	-
	2,619	**(5,033)**	**388,672**
2020			
Maturing in 0-3 months	15,351	7,734	314,885
Maturing in 3-6 months	-	-	-
	15,351	**7,734**	**314,885**

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	2021	2020
	£'000s	£'000s
Cost		
At 1 January	3,696	3,195
Additions	124	501
Disposals	-	-
At 31 December	**3,820**	**3,696**
Amortisation		
At 1 January	2,655	2,326
Charge for the period	364	329
On disposal	-	-
At 31 December	**3,019**	**2,655**
Net book value		
At 1 January	**1,041**	**869**
At 31 December	**801**	**1,041**

Group

Customer lists	2021	2020
	£'000s	£'000s
Cost		
At 1 January	490	490
Additions	196	-
At 31 December	**686**	**490**
Amortisation		
At 1 January	66	33
Charge for the period	33	33
At 31 December	**99**	**66**
Net book value		
At 1 January	**424**	**457**
At 31 December	**587**	**424**
Total Intangibles		
At 1 January	**1,465**	**1,326**
At 31 December	**1,389**	**1,465**

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 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**

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 2020	564	108	1,130	251	1,654	**3,707**
Additions	1,346	97	164	40	138	**1,785**
Disposals	-	-	(274)	(134)	(1,547)	**(1,955)**
At 31 December 2020	**1,910**	**205**	**1,020**	**157**	**245**	**3,537**
Depreciation						
At 1 January 2020	159	49	936	164	968	**2,276**
Charge for the period	407	56	139	19	47	**668**
Write-off on disposals	-	-	(254)	(134)	(925)	**(1,313)**
At 31 December 2020	**566**	**105**	**821**	**49**	**90**	**1,631**
Net book value						
At 1 January 2020	405	59	194	87	686	**1,431**
At 31 December 2020	**1,344**	**100**	**199**	**108**	**155**	**1,906**

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**

Company	Leasehold property	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Cost					
At 1 January 2020	294	1,091	134	1,654	**3,173**
Additions	1,208	148	15	138	**1,509**
Disposals	-	(274)	(134)	(1,547)	**(1,955)**
At 31 December 2020	**1,502**	**965**	**15**	**245**	**2,727**
Depreciation					
At 1 January 2020	75	923	134	968	**2,100**
Charge for the period	317	124	1	47	**489**
Write-off on disposals	-	(254)	(134)	(925)	**(1,313)**
At 31 December 2020	**392**	**793**	**1**	**90**	**1,276**
Net book value					
At 1 January 2020	219	168	-	686	**1,073**
At 31 December 2020	**1,110**	**172**	**14**	**155**	**1,451**

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 2021:

Group	Leasehold property	Leasehold Vehicles	Computer equipment	Total
	£'000s	£'000s	£'000s	£'000s
At 1 January 2021	1,344	101	6	**1,451**
Additions	268	158	-	**426**
Depreciation charge for the year	(508)	(29)	-	**(537)**
At 31 December 2021	**1,104**	**230**	**6**	**1,340**

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2020:

Group	Leasehold property	Leasehold Vehicles	Computer equipment	Total
	£'000s	£'000s	£'000s	£'000s
At 1 January 2020	405	60	11	**476**
Additions	1,346	97	-	**1,443**
Depreciation charge for the year	(407)	(56)	(5)	**(468)**
At 31 December 2020	**1,344**	**101**	**6**	**1,451**

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

Company	Leasehold property 2021	Leasehold property 2020
	£'000s	£'000s
At 1 January	1,110	219
Additions	27	1,208
Depreciation charge for the year	(327)	(316)
At 31 December	**810**	**1,110**

Lease liabilities

Contractual undiscounted cash flows:

Group	2021	2020
	£'000s	£'000s
Less than one year	543	518
One to five years	975	1,167
More than five years	-	29
	1,518	**1,714**

Company	2021	2020
	£'000s	£'000s
Less than one year	372	370
One to five years	652	1,028
	1,024	**1,398**

Amounts recognised in the income statement:

Group	2021	2020
	£'000s	£'000s
Profit on lease liabilities	77	82
Expenses relating to short-term leases	-	-
Expenses relating to leases of low value assets, excluding short-term leases of low value items	-	-
	77	**82**

Notes to the Consolidated Financial Statements (continued)

Amounts recognised in the statement of cash flows:

Group	2021 £'000s	2020 £'000s
Total cash outflow for leases	(724)	(359)
	(724)	**(359)**

Company	2021 £'000s	2020 £'000s
Total cash outflow for leases	(427)	(199)
	(427)	**(199)**

27. Other assets

Group	2021 £'000s	2020 £'000s
Intercompany receivable	403	116
Prepayments	1,033	837
Accrued income receivable	437	46
Other debtors	3,660	2,683
	5,533	**3,682**

Company	2021 £'000s	2020 £'000s
Intercompany receivable	403	116
Prepayments	607	563
Accrued income receivable	437	46
Other debtors	1,359	1,167
	2,806	**1,892**

28. Financial liabilities measured at amortised cost

Group	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2021	1.74%	698,837
Net proceeds from financial institutions and customers		198,545
Net increase in profit payable		(1,102)
FX Movement		(643)
Financial liabilities measured at amortised cost at 31 December 2021	1.92%	**895,637**

	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2020	2.19%	564,742
Net proceeds from financial institutions and customers		134,092
Net increase in profit payable		798
FX Movement		(795)
Financial liabilities measured at amortised cost at 31 December 2020	1.74%	**698,837**

Notes to the Consolidated Financial Statements (continued)

Company	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**

	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2020	2.19%	564,742
Net proceeds from financial institutions and customers		134,092
Net increase in profit payable		798
FX Movement		(795)
Financial liabilities measured at amortised cost at 31 December 2020	1.74%	**698,837**

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

Group & Company	2021	2020
	£'000s	£'000s
Financial liabilities held at fair value through the income statement	**1,341**	**1,226**

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	2021	2020
	£'000s	£'000s
Other provisions	1,250	1,250
Lease liabilities	1,517	1,714
Other taxes and social security costs	537	391
Other creditors	8,392	4,346
	11,696	**7,701**

Company	2021	2020
	£'000s	£'000s
Other provisions	1,250	1,250
Lease liabilities	1,024	1,397
Other taxes and social security costs	537	391
Other creditors	3,387	1,864
	6,198	**4,902**

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 2021	Less than 12 months	More than 12 months	Total
	£'000s	£'000s	£'000s
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	599,923	295,713	**895,637**
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	**606,839**	**296,688**	**903,528**

Company 2021	Less than 12 months	More than 12 months	Total
	£'000s	£'000s	£'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 Associates	-	11,308	**11,308**
Investment in Subsidiaries	-	4,344	**4,344**
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)

Group 2020	Less than 12 months	More than 12 months	Total
	£'000s	£'000s	£'000s
Assets			
Cash and balances with banks	12,644	-	**12,644**
Financing and advances at amortised cost	65,741	636,428	**702,169**
Financial assets held at fair value through the income statement	27,580	-	**27,580**
Financial assets held at fair value through other comprehensive income	3,663	14,279	**17,942**
Investment in Associates	-	13,764	**13,764**
Derivative financial instruments	15,351	-	**15,351**
Total financial assets	**124,979**	**664,471**	**789,450**

Liabilities			
Financial liabilities measured at amortised cost	470,933	227,904	**698,837**
Financial liabilities held at fair value through the income statement	1,226	-	**1,226**
Derivative financial instruments	7,734	-	**7,734**
Other liabilities for leases	518	1,196	**1,714**
Total financial liabilities	**480,411**	**229,100**	**709,511**

Company 2020	Less than 12 months £'000s	More than 12 months £'000s	Total £'000s
Assets			
Cash and balances with banks	10,571	-	**10,571**
Financing and advances at amortised cost	65,741	636,429	**702,170**
Financial assets held at fair value through the income statement	49,072	-	**49,072**
Financial assets held at fair value through other comprehensive income	3,663	14,279	**17,942**
Investment in Associates	-	4,344	**4,344**
Investment in Subsidiaries	-	11,308	**11,308**
Derivative financial instruments	15,351	-	**15,351**
Total financial assets	**144,398**	**666,360**	**810,758**
Liabilities			
Financial liabilities measured at amortised cost	470,933	227,904	**698,837**
Financial liabilities held at fair value through the income statement	1,226	-	**1,226**
Derivative financial instruments	7,734	-	**7,734**
Other liabilities for leases	370	1,028	**1,398**
Total financial liabilities	**480,263**	**228,932**	**709,195**

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	2021	2020
	£'000s	£'000s
Assets		
Denominated in Sterling	975,429	755,158
Denominated in other currencies	50,929	69,666
	1,026,358	**824,824**

Liabilities		
Denominated in Sterling	842,445	690,281
Denominated in other currencies	71,261	25,217
	913,706	**715,498**

Company	2021	2020
	£'000s	£'000s
Assets		
Denominated in Sterling	967,443	752,880
Denominated in other currencies	47,195	62,262
	1,014,638	**815,142**

Liabilities		
Denominated in Sterling	846,719	689,077
Denominated in other currencies	60,941	23,622
	907,660	**712,699**

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 £607k were charged to the income statement (2020: £452k). The pension creditor outstanding at the balance sheet date amounted to £20k (2020: £59k).

34. Share capital

	2021	2020
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:

	2021	2020
	£'000s	£'000s
Within one year	93,494	75,557
	93,494	**75,557**

Expected credit losses on financing commitments as at 31 December 2021 amounted to £30k (31 December 2020: £15k).

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 has a 2021 year-end balance of £12,709k (2020: £12,623k) which was used to purchase the remaining 64.4% share in Gatehouse Capital. The Bank also entered into £120k (2020: £140k) 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 2021 the Bank had a credit facility in place with the KIA for $250m (£185m) 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:

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	28	5	-
Undrawn credit facility	25,752	-	-	-

2020	**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	-	-	1,409	-
Profit expense	1,885	-	-	-
Assets	-	-	11,214	-
Treasury liabilities	55,329	-	12	-
Undrawn credit facility	127,681	-	-	-

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 Bank's Risk Management Framework outlines the key risks for the Bank and governance structure essential to manage and monitor each risk type. Each principal risk has detailed documented policy and overseen by a robust governance process.

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.
- For the Bank's residential real estate portfolio, the most material physical climate hazards are deemed to be flood, strong winds and subsidence risk. As such, our approach to assessing physical climate risk in this portfolio focused on forecasting how these physical hazards could change over time. To assist with this assessment, the Bank collaborates with industry experts to periodically quantify financial risks to the Bank arising from climate change under different scenarios. These analyses are reported at the Executive Risk Committee and the Board Risk and Compliance Committee.

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;
- Geographical specific limits to avoid excessive concentration of credit risk; and
- Specific limits to avoid excessive concentration of credit risk in individual economic sectors.

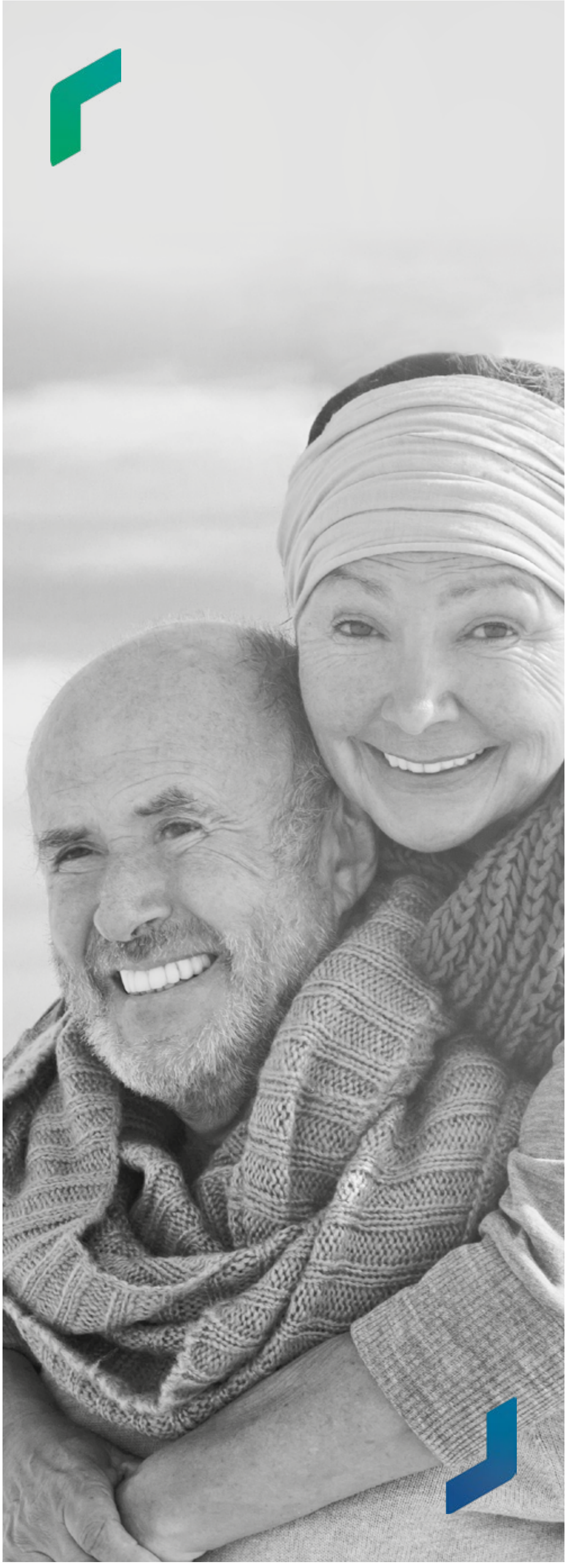
A range of analysis methodologies are used to determine the credit quality of a counterparty, such as quantitative analysis, qualitative analysis, credit rating model, external rating agency research, industry specific research and for wholesale assets, market information such as credit spreads. The 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 2021 and 31 December 2020:

Group	**2021**	**2020**
	£'000s	**£'000s**
Cash and balances with banks	41,598	12,644
Financing and advances at amortised cost	901,111	702,170
Financial assets held at fair value through the income statement (Debt Assets)	12,709	12,623
Financial assets held at fair value through other comprehensive income (Debt Assets)	22,951	17,942
Derivative financial instruments	2,619	15,351
	980,988	**760,730**

Company	**2021**	**2020**
	£'000s	**£'000s**
Cash and balances with banks	17,781	10,571
Financing and advances at amortised cost	901,111	702,170
Financial assets held at fair value through the income statement (Debt Assets)	36,211	34,116
Financial assets held at fair value through other comprehensive income (Debt Assets)	22,951	17,942
Derivative financial instruments	2,619	15,351
	980,673	**780,150**

Geographical region

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

Group	2021	2020
	£'000s	**£'000s**
GCC countries	89,653	101,762
Kuwait	19,754	18,159
Saudi Arabia	17,450	22,003
UAE	39,888	41,774
Qatar	7,715	16,411
Oman	2,421	1,717
Bahrain	2,425	1,698
Europe	649,640	510,305
North America	25,569	21,256
South America	305	960
Asia	180,972	94,432
Africa	18,958	16,978
Australasia	15,891	15,037
	980,988	**760,730**

Company	2021	2020
	£'000s	**£'000s**
GCC countries	89,652	101,762
Kuwait	19,754	18,159
Saudi Arabia	17,452	22,003
UAE	39,887	41,774
Qatar	7,715	16,411
Oman	2,421	1,717
Bahrain	2,425	1,698
Europe	649,320	529,726
North America	25,573	21,256
South America	306	960
Asia	180,971	94,431
Africa	18,958	16,978
Australasia	15,891	15,037
	980,673	**780,150**

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 2021 and at 31 December 2020, based on a credit rating system:

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	**901,111**
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**

Group	Investment grade	Non-investment grade	Non-rated	Total
2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	10,570	-	2,074	**12,644**
Financing and advances at amortised cost	16,463	-	685,707	**702,170**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	12,623	**12,623**
Financial assets held at fair value through other comprehensive income	17,942	-	-	**17,942**
Derivative financial instruments	15,351	-	-	**15,351**
Total assets	**60,326**	**-**	**700,404**	**760,730**

Company	Investment grade	Non-investment grade	Non-rated	Total
2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	10,570	-	1	**10,571**
Financing and advances at amortised cost	16,463	-	685,707	**702,170**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	34,116	**34,116**
Financial assets held at fair value through other comprehensive income	17,942	-	-	**17,942**
Derivative financial instruments	15,351	-	-	**15,351**
Total assets	**60,326**	**-**	**719,824**	**780,150**

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 2021 the KIA has provided the Bank with a funding of £159m (2020: £55m). 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 2021 Gatehouse savings deposits were £657m (2020: £465m).

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
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**

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**

Group	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets						
Fixed rate items	47,900	3,311	4,156	26,672	650,708	732,747
Non-rate sensitive	27,983	-	-	-	-	27,983
Total assets	**75,883**	**3,311**	**4,156**	**26,672**	**650,708**	**760,730**
Liabilities						
Fixed rate items	136,626	75,868	113,039	154,360	227,904	707,797
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**136,626**	**75,868**	**113,039**	**154,360**	**227,904**	**707,797**
Net	**(60,743)**	**(72,557)**	**(108,883)**	**(127,688)**	**422,804**	**52,933**

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**
2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets						
Fixed rate items	47,900	3,311	4,156	48,165	650,707	754,239
Non-rate sensitive	25,910	-	-	-	-	25,910
Total assets	**73,810**	**3,311**	**4,156**	**48,165**	**650,707**	**780,149**
Liabilities						
Fixed rate items	136,626	75,868	113,039	154,360	227,904	707,797
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**136,626**	**75,868**	**113,039**	**154,360**	**227,904**	**707,797**
Net	**(62,815)**	**(72,557)**	**(108,883)**	**(106,195)**	**422,803**	**72,353**

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 2021 would decrease/increase £4,887k (2020: £10,461k).

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 2021 the Bank undertook profit rate derivatives (swaps) totalling £360m (2020: £282m) 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 2021, the market value of nominal positions generating profit rate VaR was £90m (2020: £92m) which generated profit rate VaR of:

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

2020	95% VaR (£)
One day	**(53,470)**
One week	(231,998)

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 2021, the net market value of nominal foreign exchange exposure was £693k (2020: £694k) which generated Foreign Exchange VaR of:

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

2020	95% VaR (£)
One day	**(4,385)**
One week	(11,589)

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 2021, 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 2021, the market value of nominal FVTOCI Sukuk investment exposure was £22,951k (2020: £17,944k) which generated Price Risk VaR of:

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

2020	95% VaR (£)
One day	**(7,508)**
One week	(10,943)

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 2021 and 31 December 2020, 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 2021 and 31 December 2020, 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 2021 and 31 December 2020, 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	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**

Group	Level 1	Level 2	Level 3	Total
2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Derivative financial instruments				
Derivative financial instruments	15,351	-	-	**15,351**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	14,957	**14,957**
Financing arrangements	-	-	12,623	**12,623**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	17,942	-	-	**17,942**
Total	**33,293**	**-**	**27,580**	**60,873**

Company	Level 1	Level 2	Level 3	Total
2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Derivative financial instruments				
Derivative financial instruments	15,351	-	-	**15,351**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	14,957	**14,957**
Financing arrangements	-	21,493	12,623	**34,116**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	17,942	-	-	**17,942**
Total	**33,293**	**21,493**	**27,580**	**82,366**

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	2021	2020		
Level 3 asset	**Carrying value**	**Carrying value**	**Valuation Technique**	**Significant unobservable inputs**
	£'000s	**£'000s**		
Financing arrangements	12,709	12,623	Measured using discounted cash flow models	Financial statements
UK Unquoted equity securities	13,657	14,957	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, cash and debt balances
US Unquoted equity securities	-	-	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, audited financial statements
Unquoted funds	-	-	Measurement of net assets as a proportion of participating shares in issue	Financial statements
Total	**26,366**	**27,580**		

Notes to the Consolidated Financial Statements (continued)

A proportionate increase/(decrease) in the net asset value within the financial statements would result in an increase/(decrease) in the fair value of the level 3 instruments.

Reconciliation of Level 3 fair value measurements of financial assets:

	Fair Value Through Other Comprehensive Income	
Unquoted equities	**2021**	**2020**
	£'000s	**£'000s**
Balance at 1 January	-	1,099
Total gains or losses:		
In income statement	-	-
In FVTOCI	-	(1,099)
Purchases	-	-
Issues	-	-
Settlements	-	-
Transfers out of Level 3	-	-
Transfers into Level 3	-	-
Balance at 31 December	**-**	**-**

The line item in the Consolidated Statement of Comprehensive Income that includes change in unrealised gains/ (losses) on financial assets through other comprehensive income is 'Losses on FVOCI investments'.

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**

A 20 % decrease in property prices would reduce the fair value of financial assets held at FVIS by £4m as at 31 December 2021.

2020	**Financial assets held at fair value through the income statement**		
	Financing arrangements	**Unquoted equities**	**Total**
Balance at 1 January 2020	**27,109**	**14,732**	**41,841**
Negative revaluations	-	-	**-**
Fair value uplifts	65	224	**289**
Net settlements	(14,551)	-	**(14,551)**
Balance at 31 December 2020	**12,623**	**14,956**	**27,579**

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'.

Notes to the Consolidated Financial Statements (continued)

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

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:

	2021	2020
Core Tier 1 Capital	**£'000s**	**£'000s**
Share capital	150,049	150,049
Retained losses	(39,475)	(44,637)
Other Reserves – FVTOCI	(3,596)	(2,969)
Add back of IFRS 9 impairments due to transitional arrangements	723	1,172
	107,701	**103,615**
Deductions from CET1	**(13,213)**	**(13,915)**
Tier 2 Capital	9,000	9,000
Total regulatory capital	**103,488**	**98,700**

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 2021, Gatehouse Bank Plc and its subsidiaries are all UK or France registered entities.

Employees

The average number of permanent employees was 311 (2020: 246) for the year ended 31 December 2021.

Country-by-Country Breakdown

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		-	36	-	-
Total	**-**	**32,088**	**3,617**	**(153)**	**311**

2020

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	15,857	(1,217)	-	146
France	Letting of office space	2,542	232	-	-
United Kingdom	Management of real estate	3,841	(21)	-	100
Group Consolidated adjustments		1,716	3,091	-	-
Total	**-**	**23,956**	**2,085**	**-**	**246**

The Group received no public subsidies during 2021 and 2020.

Notes to the Consolidated Financial Statements (continued)

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

There were no material events subsequent to 31 December 2021 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 2021 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.

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