Annual Report and Financial Statements

For the year ended 31 December 2023

WELCOME

Company Information

Directors

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

Company Secretary

Mohaimin Chowdhury

Auditor

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Registered number

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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 2023 Annual Report and Financial Statements.

I would first and foremost like to extend my thanks to our Shareholders and Board of Directors for their support and guidance throughout the year. Equally, I'd like to thank all our colleagues for their continued hard work and dedication to supporting our customers, especially amidst the uncertain economic backdrop that has characterised the last year.

Despite these economic challenges, I am incredibly proud of the sustained growth achieved over the last year, which marks four years of consecutive profitability for the Bank, with a post-tax profit of £3.2 million.

Our customers remained at the heart of the Bank's strategy, as we enhanced our product offering across business areas for savers, homeowners and landlords. Our excellent level of service was reflected in our net promoter score (NPS) reaching +53 at the end of the year, marking a new milestone for the business.

Our award-winning savings proposition remained popular with customers, ensuring the Bank can raise sufficient liquidity with a high customer retention rate. In 2023, we launched the UK's first Shariah-compliant Regular Saver account, which provides a competitive variable expected profit rate for customers who regularly set aside funds. Our digital-first ethos and competitive savings rates contributed to a healthy 13% growth in total deposits to £1.3 billion.

Despite challenges faced by UK-centric home finance providers over the last year, our Residential Property Finance offering continued to grow in 2023, surpassing £1.2 billion in Residential Property Finance assets. This was aided by enhancements to our green home finance range, which is now available to UK expats and international residents, in addition to UK residents.

In the institutional Build to Rent sector, the Bank continued to deliver as planned, acquiring the remaining stake in leading property management provider, Ascend Estates Limited.

The Gatehouse Build to Rent Group was subsequently established in early 2023 to include Gatehouse Investment Management and Ascend, consolidating the Bank's Build to Rent activity under one entity. This allows us to offer a vertically integrated single-family investment platform, including acquisitions, structuring, lettings and management.

We continue to embed ESG into our product offering and future growth strategy and are pleased to have remained an operationally carbon neutral bank for the third consecutive year. As a founding signatory to the UN Principles for Responsible Banking, we continued to positively engage with the UN on progress against our sustainability targets, particularly around the environment and driving financial health and inclusion.

I look forward to continuing to work closely with the Bank's Board of Directors in the coming year. I would also like to express my sincere gratitude to Andy Gray – who retired from his role as a Non-Executive Director last year – for his longstanding dedication to helping the Bank grow. The Board continues to diligently monitor all regulatory requirements, including our Risk Appetite Statement.

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

Fahed Faisal Boodai
Chairman
23 April 2024

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 2023.

Chief Executive Officer's Statement

As I reflect on 2023, I am incredibly proud of our business progress, especially when considering the challenging macro-economic backdrop that characterised the last year.

Gatehouse Bank has delivered a robust financial performance, illustrating four consecutive years of profitability for the Bank, which is a significant milestone as the business continues to mature.

Our annual growth is outlined in the table below:

	£	Year-on-Year Change
Gross Assets	£1.470 billion	10%
Total Deposits	£1.317 billion	13%
Home Finance Portfolio	£1.224 billion	15%

Retail Customers

Over the last year, we strengthened our savings proposition by launching the UK's first Shariah-compliant Regular Saver account, which aims to support those looking to establish a savings habit, especially younger generations who typically have smaller deposits. The account can be opened with a minimum of £1 and rewards customers who regularly set aside funds of up to £300 a month, with a competitive variable expected profit rate. We also continued to support sustainability initiatives through our Woodland Saver accounts, for which we plant a tree on behalf of our customers for every account opened or renewed, surpassing the 40,000 tree milestone at the end of the year.

We also enhanced our green home finance offering, previously only available for UK residents, by extending the products to also apply to UK expats and international residents. These products offer a reduced rate for customers who are acquiring or refinancing a more energy efficient home, with Gatehouse Bank also offsetting the carbon emissions generated by the average UK property for as long as the customer remains with the Bank with a qualifying property.

Institutional Customers

The Gatehouse Build to Rent Group was established in early 2023 to include Gatehouse Investment Management and Ascend. The group consolidates the Bank's Build to Rent activity under one roof, offering a vertically integrated, single-family investment platform which includes acquisitions, structuring, lettings and management.

A strategic joint venture with The Carlyle Group was launched during the year to acquire new build, single family homes for rent from leading housebuilders Gleeson, Persimmons, Bovis and Bellway Homes.

In 2023 the Bank launched the UK's first Shariah-compliant Regular Saver account to support those looking to establish a savings habit.

Chief Executive Officer's Statement

(continued)

Colleagues

It has been fantastic to see our colleagues' ongoing commitment to upholding an excellent level of service for our customers, as reflected by the Bank's net promoter score (NPS) reaching +53 in December 2023, the highest in Gatehouse Bank's history.

In line with Consumer Duty, which came into effect in July 2023, I am incredibly proud of the hard work undertaken by colleagues across the Bank to enhance the customer experience and ensure that we are able to deliver good customer outcomes. Some of our key enhancements have included reviewing and refining our processes, streamlining customer communications and ensuring the products we offer continue delivering value to our customers.

The Bank's Customer Committee holds monthly meetings to continuously review the customer experience and identify any necessary improvements, while Gatehouse's Customer Champions have been appointed to promote the Duty at a localised level. Gatehouse Bank has also heavily invested in training to ensure that all colleagues are aware of their obligations and feel empowered to continue identifying areas of improvement to our current and future customers.

We continue to follow a hybrid working model but provide colleagues with significant opportunities for face-to-face collaboration, including monthly town hall business updates, training sessions, regular wellbeing webinars and one-to-one meetings between all line managers and their direct reports. We also continue to support our line managers through our Management Development Programme, for which we were proud to receive two industry awards in 2023.

We are committed to fostering a diverse and inclusive workplace, which we believe fuels our creativity, connects us to the communities we serve and provides our colleagues with the opportunity to develop their careers in a positive work environment. Annually, we encourage all colleagues to complete an anonymous diversity and inclusion survey, which we use to identify and monitor our progress on the topics that resonate with our colleagues the most.

Following the survey results from 2022, we established a colleague-led Diversity, Equity and Inclusion Forum, which engaged with colleagues throughout 2023 on topics including understanding neurodiversity, using inclusive language and reducing unconscious bias.

It has been fantastic to see strong levels of colleague engagement across our offices in London, Milton Keynes and Wilmslow, with a 90% response rate to the Bank's annual engagement survey.

Community

Gatehouse Bank colleagues selected Rainbow Trust as the Bank's charity partner for 2023, following an all-staff vote where colleagues nominated and voted for the charity they would like to support. Rainbow Trust helps families who have a child with a life-threatening or terminal illness, pairing each with an expert Family Support Worker. The charity's approach is tailored to a family's needs, and could include driving them to medical appointments, keeping a child company during hospital stays and organising activities for sick children and their siblings.

Throughout the year, our colleagues organised fundraising activities in aid of Rainbow Trust, including charity walks and runs, groups of colleagues completing the Yorkshire Three Peaks Challenge and the Bank's Executive Team taking part in the Thames Moonlight 10k Walk. Gatehouse Bank also facilitated charity raffles and supported Rainbow Trust's 72-hour match funding "No Family Alone" Appeal. Our colleagues' dedication allowed us to raise over £15,700 for Rainbow Trust, which will help the charity to support eight families caring for a seriously ill child for an entire year.

In December 2023, Gatehouse Bank announced a three-year sponsorship agreement with community sports club, Hyderi Sports Association (HSA), which was selected due to the club's values of inclusivity, empathy and strong connection with the community. Our support helps HSA by providing sports kits for their members, facilitating their attendance in domestic and international sports tournaments and enabling the club to continue hosting community sports days.

We continue to provide opportunities for colleagues to support causes that are close to their hearts through our Volunteering Policy, which we have extended to cover two paid days of leave for volunteering every year. I'm incredibly proud of the uptake on this policy, with 40% of colleagues across the Bank accruing 630 hours of volunteering over the last year.

Sustainability

As a Shariah-compliant Bank, we believe we are uniquely positioned to support ethical and responsible finance, due to the natural alignment between the Shariah principles of protecting, promoting and preserving the human race as well as several international frameworks for sustainable development. In line with these principles, we do not invest in sectors perceived to cause harm to society, including alcohol, adult entertainment, gambling, tobacco and the arms industry. 2023 also marked the third consecutive year of being an operationally carbon neutral bank.

As a founding signatory to the UN Principles for Responsible Banking, we continued to positively engage with the UN and I am incredibly proud of the progress we have made, particularly on our targets around the environment, financial health and inclusion. We have set out a clear action plan on how to continue meeting these targets and improve the Bank's impact on the environment and wider society.

A highlight from 2023 was piloting a financial education programme, which aims to help community groups boost the financial resilience of their members and build healthy habits around money, particularly relating to budgeting, savings and financing.

Charles Haresnape, our Chief Executive Officer, announced a three year sponsorship agreement with community sports club, Hyderi Sports Association (HSA) in December 2023.

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.

Chief Executive Officer's Statement

(continued)

Business Progress

Our strategy for 2023 remained focused on three core markets:

1. Home Finance

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

2. Retail Savings

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

3. Gatehouse Build to Rent Group

- Gatehouse Investment Management
- Ascend Estates Limited

At the end of 2023, the Bank's total balance sheet assets stood at £1.5 billion, a year-on-year increase of 10%, which highlights the Bank's continued growth.

Gatehouse Bank received a number of awards in recognition of its product design, ethical stance and business culture in 2023. These include:

Islamic Finance News Award Winner 2023
Best Islamic Bank in the UK

Business Culture Awards 2023
Best Learning Initiative for Business Culture

Association for Business Psychology Awards 2023
Excellence in Talent Management

MoneyComms Awards 2023
Best Ethical Cash ISA Provider

Moneyfacts Award Winner 2022 & 2023
Best Fixed Account Provider

To raise funds for Rainbow Trust Children's Charity, our Executive Team - Usman Chaudry, Paul Stockwell, Mohaimin Chowdhury, Danesh Mahadeva, Tracey Bailey and Joanna Collings - took part in the Thames Moonlight 10 Walk, a looped 10km walk through the heart of London.

Chief Executive Officer's Statement

(continued)

Supporting the Bank's financing business, our award-winning savings proposition also experienced considerable growth in 2023, with total deposits increasing by 13% to £1.3 billion.

Our home finance portfolio performed strongly during 2023, despite economic turbulence with lower than industry average defaults. Overall performance of the Build to Rent portfolio remained favourable, with strong year-on-year rental growth and high occupancy.

Gatehouse Bank's post-tax profit for the year stood at £3.2 million.

Future growth

Despite economic headwinds over the last year, we continue to observe strong demand from new and existing customers for our unique, Shariah-compliant product proposition. Looking towards 2024, we will continue to uphold high standards of product quality and customer satisfaction, aiming to grow our core sectors steadily and organically. We continue to monitor the wider macro-economic environment and remain mindful of the challenges facing UK-centric home finance providers.

We are working on developing additional home finance options to help our customers make energy efficient improvements to their homes, which we aim to launch in 2024. For our savings customers, we aim to roll out new features of the Gatehouse Bank savings app, whilst continuing to test and improve our newly launched live chat facility for home finance customers.

The upcoming year marks one year since the restructure of the Gatehouse Build to Rent Group into a dedicated wholly owned subsidiary. We will continue to work closely with our colleagues at Gatehouse Investment Management and Ascend, as we further cement our position as a leader in the institutional Build to Rent field. At the end of the year, we welcomed Paul Borrmann onboard as Ascend's Managing Director, where he will spearhead the business' future growth and strategic expansion of its capabilities.

During 2023, we started to plan our next IT-led enhancement for customers and we plan to deliver significant new offerings during 2024 and beyond.

I look forward to continuing to work closely with the Bank's Board of Directors. The Board continues to monitor all macro-economic impacts and we will consider all options and scenarios resulting from these.

Finally, I would like to express my sincere appreciation for our colleagues and their hard work and dedication, the Board and the Chairman, for their strategic advice and direction, as well as our Shareholders and the Shariah Supervisory Board for their continued support.

Charles Haresnape
Chief Executive Officer
23 April 2024

2023 Key Highlights

Home Finance balances increased

15% to £1.224 billion

(2022: £1.065 billion)

Our Impact

We have been certified as an operationally carbon neutral bank for three consecutive years and continue to set targets to reduce the absolute emissions of our home finance portfolio. We plant a tree on behalf of our customers for every fixed-term Woodland Saver Cash ISA or deposit account, surpassing the 40,000-tree milestone in 2023.

UK's first Shariah-compliant Regular Saver account

Launched in 2023, this account aims to drive financial inclusion amongst young people and those with smaller deposits. The account can be opened with a minimum of £1 and allows monthly deposits of up to £300, offering customers a competitive variable expected profit rate.

Total Deposits grew by

13% to £1.3117 billion

(2022: £1.169 billion)

Total Regulatory Capital increased by

13% to £126.6m

(2022: £112m)

Charity Partnership

Our colleagues' fundraising efforts resulted in raising over £15,700 for our 2023 Charity of the Year, Rainbow Trust. It was a privilege to support Rainbow Trust who provide vital practical and emotional support to families caring for a child with a life-threatening illness.

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 and Chairman of Gatehouse Bank plc. With more than 27 years' investment banking experience specifically within the global real-estate market, he has presided over diverse real estate acquisitions and exits totalling over 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. 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 and 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 has since 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 was employed by the Kuwait Investment Authority (KIA) from 1989 and in 2023 retired from his position there as Executive Director for Operations and Administration. Mr AlBader 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.

Lesley Beecher, Non-Executive Director

Lesley joined the Board of Gatehouse Bank in April 2023. She has over 30 years' experience in the financial services industry, including board-level roles at HSBC, First Direct, Harpenden Building Society and Cornerstone Mutual Services. As a technology specialist, she has extensive executive experience in delivering large change programmes and leading teams of up to 1,000 technology professionals, making her highly skilled in digital, technology, delivery and people leadership.

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 Accountant for England & Wales (ICAEW).

Usman Ahmed Chaudry, Chief Risk Officer

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

Corporate Governance Report

(continued)

Compliance with the UK Corporate Governance Code

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

Further explanation of how the principles have been applied is set out below.

Board Leadership and Company Purpose

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

It is also responsible for engagement with shareholders and stakeholders and ensuring workforce policies and practices are consistent with the Bank's values and support its long-term sustainable success.

Division of Responsibilities

The chair leads the Board and is responsible for its overall effectiveness in directing the Bank. The Board includes a combination of executive and non-executive (including independent non-executive) directors and there is a clear division of responsibilities across the board, separating out the executive from the non-executive functions, in line with the PRA and FCA's Senior Managers and Certification Regime and which are captured in the CGF.

The time commitment of the non-executive directors is stated in their individual letters of appointment, and they are expected to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The Board considers Gerald Gregory and Lesley Beecher to be independent within the meaning of the Code. Neither Directors have any executive or other role or material relationship with the Bank that, in the Board's view, would affect their objectivity and all have proven to be independent in character and judgement.

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

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

Composition, Succession and Evaluation

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

Audit, Risk and Internal Control

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

Delegation of Authority

Management Committees

The Board has delegated to the Executive Committee (comprised of 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 on an ad hoc basis 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 is comprised of two independent non-executive directors and one other non-executive director.

The BRCC met five times in 2023.

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 is comprised of two independent non-executive directors and one other non-executive director. The AC met five times in 2023.

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 is comprised of two independent non-executive directors and one other non-executive director. The RNC met seven times in 2023.

Corporate Governance Report

(continued)

Below is a table of Directors appointments, resignations, and committee memberships in 2023.

Director	Date of Appointment	Committee Memberships
Fahed Faisal Boodai	25.05.2007	BRCC
Gerald Gregory	10.12.2015	AC, BRCC, RNC
Abdulaziz AlBader	15.02.2017	AC, RNC
Andrew Gray (1)	12.07.2017	AC, BRCC, RNC
Charles Haresnape	08.05.2017	-
Lesley Beecher	01.04.2023	AC, BRCC, RNC
Danesh Mahadeva	17.08.2017	-
Usman Chaudry	29.04.2021	-

(1) Resigned 9 August 2023.

Our Ethical Approach

Balanced Banking

Grounded in Shariah principles, our products are transparent, fair and socially responsible. We do not invest funds into harmful sectors such as alcohol, tobacco, adult entertainment, gambling and the arms industry.

Sustainability

As a founding signatory to the UN Principles for Responsible Banking, we have committed to aligning our business strategy to the UN's Sustainable Development Goals, Paris Climate Agreement and other relevant frameworks.

Charity Partnership

In December 2023, Gatehouse Bank colleagues selected Bone Cancer Research Trust as the Bank's Charity of the Year for 2024. The charity's mission is to save lives and improve outcomes for people affected by bone cancer through research, information, awareness and support.

Strategic Report

This strategic report has been prepared solely to provide information to shareholders to assess how the directors have performed their duty to promote the success of the Bank.

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 the Section 172(1) statement, please refer to the Directors' report on page 39.

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

The Chairman's and Chief Executive Officer's statements page 4 to 11 provide a review of business over the reporting period and this report highlights the relevant key performance indicators (KPIs) of the Bank, which include the Core Equity Tier 1 (CET1) ratio and cost to income ratio.

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

The strategic report discusses the following areas:

- Business model
- Financial results
- Strategy and objectives
- Principal risk and uncertainties
- Corporate sustainability
- Going concern

Charles Haresnape, our Chief Executive Officer, was quoted in the Financial Reporter on the road to becoming an operationally carbon neutral Bank.

"Consistency is vital and an ongoing measurement of the impact the changes are having will help ensure the benefits of reducing operational emissions are acknowledged and celebrated along the way."

Charles Haresnape
Chief Executive Officer

Business Model

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

The Bank aims to be a leader in the UK Islamic Finance sector by striving to become the most admired Shariah-compliant bank in the UK. Gatehouse 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 to the strategy. This involves skilled, manual underwriting dovetailed with modern technology, thereby ensuring scalability.

Our strategy for 2023 remained focused on three core markets:

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

2. Retail Savings
- Fixed Term Deposits
- Cash ISAs
- Easy Access Accounts
- Notice Accounts
- Regular Saver

3. Gatehouse Build to Rent Group
- Gatehouse Investment Management
- Ascend Estates Limited

Financial Results

The financial statements for the year ended 31st December 2023 are shown on pages 56 to 67. Post tax profit for the year amounted to £3.2 million (£8.1 million in 2022). The profit after tax includes £0.7 million deferred tax credit, mainly due to improved profitability and business growth prospects over the planning horizon.

In 2023, Gatehouse Bank delivered a robust financial performance, marking four consecutive years of profitability, which is a significant milestone for the Bank and indicates that the business is continuing to mature.

The Board and Executive leadership team remained mindful of the Bank's cost to income ratio, which observed a healthy year-on-year decrease of 10% to reach 91%, compared to 101% for the previous reporting period.

The Chairman's and Chief Executive Officer's statements provide a review of business over the reporting period.
The table below highlights the relevant Key Performance Indicators (KPIs) for 2023[1]:

	2023	2022	% Annual change
Home finance portfolio	£1.224 billion	£1.065 billion	+15%
Total deposits	£1.317 billion	£1.169 billion	+13%
Leverage ratio	7.3%	7.5%	(3%)
Cost : income ratio	90.8%	101.2%	(10%)
Average risk weight	42.3%	42.8%	(1%)
CET1 ratio	17.1%	17.4%	(2%)

[1]KPIs are calculated as follows:

Leverage ratio: calculated as Tier 1 Capital / Total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and generally follow the accounting measure of exposure.
Cost to income ratio: calculated as the total operating expenses / total operating income excluding one-off revaluations on unquoted equity securities presented in Note 6.
Average risk weight: calculated as risk-weighted assets / total assets
CET1 ratio: calculated as Tier 1 common equity/risk-weighted assets

Strategic Report

(continued)

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 the Diminishing Musharakah Shariah financing structure.

During 2023, the Bank offered Buy-to-Let (BTL) finance for UK, UK expat and international resident landlords and UK registered corporate entities, as well as Home Purchase Plans (HPP) for UK, UK expat and international resident homebuyers looking to purchase or refinance residential property across England and Wales.

The UK property market experienced some turbulence in 2023 which was driven by macro-economic factors, exacerbated by rising inflation and the cost-of-living crisis. Despite these challenges, Gatehouse Bank's home finance offering achieved solid growth, with total balances increasing by 15% year-on-year to exceed £1.2 billion.

In 2023, we enhanced our green home finance product offering, which had previously only been available to UK HPP and BTL residents, to also apply to UK expats and international residents. These are the first Shariah-compliant products of their kind in the UK, offering a reduced rental rate for customers who have improved their property or are acquiring a more energy efficient home. Gatehouse Bank also offsets the carbon emissions generated by the average UK property for the product's initial fixed term and for as long as the customer remains with the Bank with a qualifying property. In 2023, we also re-entered the higher finance-to-value (FTV) market with HPP products of up to 90% FTV.

Gatehouse Bank continued to enhance its digitalisation strategy by launching a live chat website facility, which allows new home finance customers to communicate with the Bank's online support agents in real time, rather than submitting an enquiry form on the website. Our online Decision in Principle service, launched in 2022, continued to prove popular with customers looking to independently obtain a Decision in Principle at a time that is convenient to them. In 2023, almost 3,500 Decisions in Principle were successfully completed online.

The Bank's Direct-to-Consumer finance advisory team accounted for 35% of our total originations, continuing our strategy of embracing both direct and intermediated customers.

The Bank continues to strengthen relationships with the intermediary market, with more active brokers registered to introduce clients to the Bank in 2023.

Looking towards 2024, we are looking to further extend our product offering for both homebuyers and landlords and help our customers make energy efficient improvements to their homes. We also plan to continue our digitalisation strategy and maximise the use of technology to further enhance the customer experience.

Gatehouse Build to Rent Group

In early 2023, Gatehouse Bank established the Gatehouse Build to Rent Group, a vertically integrated residential investment and management platform, comprising of Gatehouse Investment Management and Ascend Estates. The Gatehouse Build to Rent Group is a 100% wholly owned subsidiary of Gatehouse Bank plc.

The Gatehouse Build to Rent Group has a unique position and track record in the market, with Gatehouse Investment Management having created four institutional single family rental platforms and Ascend now managing over 10,000 homes.

Gatehouse Investment Management recently launched a strategic joint venture with The Carlyle Group to acquire new build, single-family homes for rent from leading housebuilders Gleeson, Persimmons, Bovis and Bellway Homes.

In November 2023, Ascend made key senior hires, including a Managing Director and a Commercial Director. The leadership team will spearhead Ascend's future growth and the strategic expansion of its capabilities within the residential living sector.

Overall, performance of the Build to Rent portfolio remained favourable with strong year-on-year rental growth and high occupancy.

Savings

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

The combination of competitive products and a fully digital platform ensured Gatehouse's continued growth over the last year, with deposits increasing by 13% to surpass £1.3 billion in retail savings.

Customer satisfaction remained high, with our Savings Net Promoter Score standing at a strong +65 at the end of December 2023.

Over the last year, Gatehouse Bank further broadened its savings proposition with the launch of the UK's first Shariah-compliant Regular Saver account. The account aims to drive financial inclusion amongst young people and those with smaller deposits, helping them to form healthy saving habits by setting money aside for a fixed period of 12 months. The account can be opened with a minimum of £1 and allows monthly deposits of up to £300, offering customers a competitive variable expected profit rate, which is paid at the end of the term.

We continue to provide our customers with the opportunity to boost UK woodland growth through our Woodland Saver range of fixed term deposit and cash ISA accounts. Gatehouse Bank plants a tree on behalf of the customer for every account opened or renewed, planting our 40,000th tree in 2023 since the accounts were launched.

Looking towards 2024, the Bank will continue to deliver its strong savings offerings and enhance its digitalisation strategy by introducing new features to our savings app. Gatehouse Bank's retail savings customers continue to benefit from protection under the Financial Services Compensation Scheme ("FSCS").

Treasury

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

Since the Woodland Saver range of fixed term deposit and cash ISA accounts launched in February 2021, over 40,000 trees have been planted on behalf of customers.

Strategic Report

(continued)

Principal Risks and Uncertainties

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

The Bank's principal risks and uncertainties have been highlighted and discussed in detail in Note 34.

Our Market and Competition

Founded in 2007, Gatehouse Bank is a Shariah-compliant UK Bank. The Bank operates in accordance with Shariah principles, offering savings products and finance for UK real estate. Gatehouse Bank has been part of the UK private rented sector (PRS) since 2014, launching Gatehouse Build to Rent Group in 2023 to consolidate the Bank's Build to Rent activity in one entity.

Sustainability

Please note that more information on the Bank's Sustainability initiatives can be found in our Sustainability Report which is available on our website **www.gatehousebank.com/about-us/corporate-governance.**

Since the Bank was established in 2007, our aim has been to provide transparent, fair and socially responsible products and services to those of all religions and none. We believe in a financial system that is fair for everyone and, as a Shariah-compliant UK Bank, our ethically designed products are well-placed to support fair finance and have a positive environmental and societal impact.

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

In 2019, Gatehouse Bank became the first Shariah-compliant UK Bank to sign up to the UN Principles for Responsible Banking, where we committed to strategically aligning our business to the United Nations' Goals for Sustainable Development and the Paris Climate Agreement.

For Gatehouse, this has entailed formalising our sustainability governance structure, establishing an initial roadmap to net zero, developing green savings and home finance products, driving sustainable procurement and piloting a programme to boost financial health and inclusion.

Material Sustainability Categories

As a signatory to the UN Principles for Responsible Banking, Gatehouse Bank is committed to strategically aligning our business to the UN Goals for Sustainable Development (UN SDGs).

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

We subsequently developed a list of material sustainability topics, grouped into four categories:

- People and Culture
- Environment
- Community
- Economy

People & Culture	Environment	Community	Economy
• Safeguarding human rights • Employee wellbeing • Diversity and inclusion	• Climate change • Climate risk • Supply chain sustainability. • Biodiversity	• Customer wellbeing • Financial health & inclusion • Customer journey • Access to financing & housing • Community giving	• Responsible use of funds and investment • Economic value generated and distributed • Preventing financial crime • Innovation and adaptability • Greenwashing prevention
• Our values • Employee benefits, training and development. • Wellbeing mentors and webinars • Diversity and inclusion	• Carbon neutral operations • Net zero home finance • Sustainable procurement • Sustainable products	• Fair treatment of customers • Customer privacy • Customer financial well-being • Charity partnerships: volunteering and corporate philanthropy	• Socially responsible • Shariah-compliant • Profit, employment, tax contributions • Anti-corruption and bribery • Training and anti-money laundering policy

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

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

Strategic Report

(continued)

Climate Change

As a Bank, we strive to continually build our awareness and understanding of how climate change is impacting the economy, environment and community. We continue to align ourselves to the UK's goal of achieving net zero by 2050, in part by considering the impact our business has on the environment through greenhouse gas emissions.

In 2023, we continued to work closely with Carbon Neutral Britain to offset our operational emissions for the previous year, including Scope 1, Scope 2 and selected Scope 3 emission categories in accordance with ISO 14064:1-2018 and the GHG Emissions Protocol Accounting and Reporting Standard. The Bank's operational emissions include those produced across its three offices in London, Milton Keynes and Wilmslow as well as employee business travel. The Bank's operational emissions are offset via the Climate Fund portfolio of verified carbon offsetting projects around the world. These projects have been selected based on their direct and indirect impact around the word and have been certified to the highest standards via the Verra – Verified Carbon Standard, the Gold Standard – Voluntary Emissions Reductions (VER), or the United Nations Certified Emission Reductions (CERs) programmes.

Andy Homer, Chief Customer Officer at Gatehouse Bank, was featured on a podcast episode by Islamic Finance News to discuss the Bank's ESG journey and green home finance products.

The Bank's report on all emission sources for 2023 required under the Companies Act 2006 Regulation 2013 is set out below. In compiling this information, the Bank has used Streamlined Energy and Carbon Reporting (SECR). Greenhouse gas emissions are reported as a single total by converting them to the equivalent amount of carbon dioxide using the emission factor from the SECR conversion factor 2023.

Gatehouse Bank Group		
Energy Source	**2023 (tCO2e)**	**2022 (tCO2e)**
Scope 1: Direct emissions from combustion of fuel (heating gas)	142.38	91.45
Scope 2: Indirect emissions from electricity purchased	102.27	64.95
Scope 3: Business travel, hotel stays and staff working from home	294.44	87.62
Scope 1 + 2 + 3	539.08	244.02
Environmental intensity indicator (tonnes of carbon dioxide per £1m gross income)	8.0	4.3

Improving our Social, Economic and Environmental Impact throughout 2023:

Product Innovation

In 2023 we further developed our award-winning savings range with the launch of the UK's first Shariah-compliant Regular Saver account. This new account, which provided a highly competitive variable profit rate, proved very popular and attracted many new customers. The account can be opened with a minimum deposit of £1 for a fixed period of 12 months and was launched to help people form positive savings habits.

Our green home finance* product range was extended to also include UK expats and international residents, as well as UK residents. In 2023, we also re-entered the higher finance-to-value (FTV) market with Home Purchase Plan products available up to 90% FTV.

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

Financial Health & Inclusion

To mark Talk Money Week 2023 and as part of our wider UN PRB commitment to drive financial health and inclusion for customers and the wider community, we piloted a financial education programme. This was especially important in light of the rising cost-of-living throughout 2023, which presented a challenge for communities across the UK. The programme aimed to help community groups boost their financial resilience and build healthy habits around budgeting, saving and financing.

Carbon Neutral Business

We are pleased to have remained an operationally carbon neutral bank for the third consecutive year by offsetting the total carbon emissions we produce. We have set targets to continue mitigating the impact of our operational emissions as well as financed emissions.

Volunteering in the Community

In 2023, we extended our Volunteering Policy to offer colleagues with two paid days to volunteer in their local communities. Throughout the year, colleagues across the Bank accrued over 630 hours of volunteering for causes including local schools and community groups, litter picking and supporting local foodbanks.

Woodland Saver

Our award-winning Woodland Saver accounts continue to prove popular with customers. For each fixed term deposit or cash ISA account opened or renewed, we plant a tree on behalf of the customer in a certified UK woodland project, surpassing the 40,000 tree milestone in 2023. A carefully planned and managed woodland offers a wide range of benefits including boosting biodiversity and capturing CO2.

Strategic Report

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The year-on-year increase in carbon emissions is due to incomplete Scope 3 emissions data from 2022, which only took emissions from business travel into account due to lack of data around hotel stays and colleagues working from home. In 2023, there was also an unavoidable increase in international business travel related to client meetings.

We continue to work hard to reduce our environmental impact and have been an operationally carbon neutral business for the third consecutive year. We have achieved carbon neutrality by offsetting the total carbon emissions we produce. However, we recognise that offsetting alone will not tackle climate change, which is why we have set targets to continue mitigating the impact of our operational emissions as well as financed emissions, particularly through our home finance portfolio.

In 2022, Gatehouse Bank launched the UK's first Shariah-compliant green home finance products, which incentivise customers to opt for a more energy efficient home by providing a rental rate reduction for those who are acquiring a property with an A or B energy efficiency. The Bank also offsets the carbon emissions generated by the average UK property for as long as the customer remains with the Bank with a qualifying property.

In 2023, Gatehouse Bank actively promoted Zero Waste Week on social media which encouraged communities to reduce waste, preserve resources and protect the environment, and how this aligns with the Bank's approach to Responsible Banking.

In the Community

As a Shariah-compliant, ethical Bank, we are committed to giving back to the communities we serve, including through corporate giving, volunteering and fundraising for our Charity of the Year.

Following an anonymous all-staff vote where colleagues nominated and selected a charity they would like to support, Rainbow Trust Children's Charity was chosen as the Bank's Charity of the Year for 2023. Rainbow Trust provides vital help and support for families who have a child with a life-threatening or terminal illness, pairing each with an expert Family Support Worker. The charity's approach is tailored to a family's needs and could include driving them to medical appointments, keeping a child company during hospital stays and organising activities for sick children and their siblings.

Throughout the year, our colleagues organised fundraising activities for Rainbow Trust, which ranged from charity walks and runs, groups of colleagues completing the Yorkshire Three Peaks Challenge and the Bank's Executive Team taking part in the Thames Moonlight Walk 10k. Gatehouse Bank also facilitated charity raffles and supported Rainbow Trust's 72-hour match funding "No Family Alone" appeal. Our colleagues' efforts allowed the Bank to collectively raise over £15,700 for Rainbow Trust, which will help the charity to support eight families caring for a seriously ill child for a year.

In addition to fundraising for our Charity of the Year, we encourage all Gatehouse Bank colleagues to further give back to the communities we serve. On Volunteers' Week in June 2023, the Bank enhanced its Volunteering Policy to offer colleagues two paid days per year to volunteer for causes close to their hearts. In 2023, 40% of Gatehouse Bank colleagues volunteered for a number of environmental and social causes, accruing over 630 hours in total. Activities included supporting local schools and community groups, litter picking and supporting local foodbanks.

In December 2023, Gatehouse Bank embarked upon a three-year sponsorship agreement with community sports club, Hyderi Sports Association (HSA), which was selected due to the club's values of inclusivity, empathy and understanding, and strong connection with the community. Based in Croydon, South London, HSA facilitates regular sports activities for its 300 members, including football, volleyball, netball, cricket and badminton. The club has a diverse membership, with its associated community centre regularly hosting interfaith initiatives and getting involved with local charity work.

As part of our wider UN PRB commitment to drive financial health and inclusion for customers and the wider community, we launched a financial education programme to mark Talk Money Week 2023. This is especially important in light of the rising cost-of-living throughout 2023, which presented a challenge for communities across the UK. The programme aimed to help community groups boost their financial resilience and build healthy habits around budgeting, saving and financing.

In 2023, we launched the UK's first Shariah-compliant Regular Saver account, which aims to drive financial inclusion amongst young people and those with smaller deposits, helping them to form healthy saving habits by setting money aside for a fixed period of 12 months.

We will continue our Sustainability efforts in 2024, with further information on the Bank's Sustainability initiatives available in our latest Sustainability Report on our website **www.gatehousebank.com/about-us/corporate-governance**

Our colleagues from the Gatehouse Investment Management team challenged themselves to run the Hampton Court Palace half marathon to fundraise for Rainbow Trust. Despite the rain, the team (Edward Marsden, John Coles, Florian Graham-Watson and George Lindsay) ploughed through and finished the course.

Diversity and Inclusion

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

We are committed to offering equal opportunities in employment and avoiding unlawful discrimination in relation to employees, customers, suppliers and other key stakeholders. Our Equal Opportunities policy, which applies to all employees, is intended to allow the Bank to put this commitment into practice, ensuring that everyone is treated with respect.

Over the last year, two mandatory e-learning modules on Equality & Diversity and Menopause Awareness were introduced, which were completed by all colleagues across the Bank. Looking towards 2024, training on neurodiversity is being rolled out for all line managers, which will be delivered at the beginning of the year.

Annually, the Bank distributes an anonymous Diversity and Inclusion survey, which aims to identify and monitor the Bank's progress on the topics that resonate with our colleagues the most. The survey is completed on a voluntary basis, with participation rate for 2023 standing at 88%.

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

Following the results of the survey from the previous year, we established a colleague-led Diversity, Equity and Inclusion Forum, which engaged with colleagues throughout the year on the topics deemed to be most important to them: reducing unconscious bias, understanding neurodiversity and using inclusive language.

Gatehouse Bank annually evaluates the gender pay gap and takes steps to address any issues that are identified.

Strategic Report

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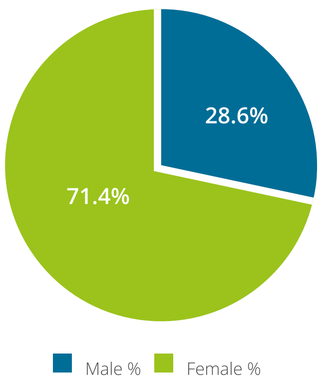
The gender composition of Gatehouse Bank's workforce as of 31st December 2023 is outlined in the table below.

	Male	Female
Directors at Gatehouse Bank	6	1
Executive Committee members at Gatehouse Bank (excluding the above)	4	2
Employees at Gatehouse Bank (excluding the above)	98	91

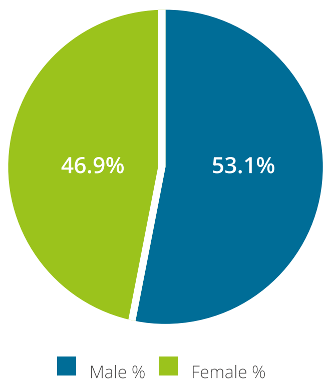
As of 31st December 2023, we have calculated a 32% mean and 23% median gender pay gap between men and women who work at Gatehouse Bank. The primary reason for our gender pay gap is due to more men holding Executive-level positions, whilst women tend to work in lower quartiles, which is consistent with trends observed in the wider industry. The results are broken down by quartile in the charts below:

Quartile	Number	Male (No.)	Female (No.)	Male %	Female %
Lower	49	14	35	28.6%	71.4%
Lower Middle	49	26	23	53.1%	46.9%
Upper Middle	49	29	20	59.2%	40.8%
Upper	50	36	14	73.5%	28.6%

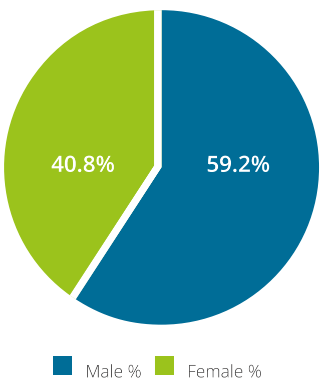
Lower Quartile Gender Split



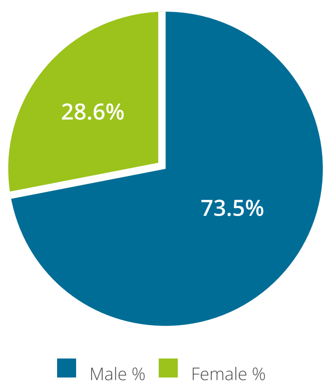
Lower Middle Quartile Gender Split



Upper Middle Quartile Gender Split



Upper Quartile Gender Split



To fundraise for the Rainbow Trust, a group of colleagues challenged themselves to take part in The Yorkshire Three Peaks Challenge, a 25 mile circular trek. Those who took part were Stacey Watson, Usman Chaudry, James Kerton, Thomas Humphries, Daniel Webley, Paul Giles and Lee-Anne Harrison.

Memberships and Affiliations

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

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

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

Gatehouse Bank is an active member of the global community of signatory banks, participating in multiple working groups developing and sharing best practice for responsible banking. Throughout 2023, Gatehouse Bank continued to actively participate in and support these working groups, setting impact targets and developing indicators to measure and report on progress.

Global Ethical Finance Initiative (GEFI)

Gatehouse Bank has a longstanding partnership with the Global Ethical Finance Initiative (GEFI), a non-profit organisation seeking to drive finance for positive change. As well as delivering practical projects, the organisation curates independent conversations among a coalition of financial services stakeholders.[2]

Through its partnership with GEFI, Gatehouse has reinforced its position as an ethical bank by taking part in campaigns and presenting at events involving some of the world's leading financial institutions. Over the last year, Gatehouse Bank was actively involved in GEFI's "Path to COP28" campaign. As part of this initiative, we took part in a panel discussion on sustainable home finance products at the Sustainable Finance Summit and shared our UN PRB journey with UAE-based banks at a private round table in March 2023. We also joined a panel on the 'S' in ESG at the Ethical Finance Global in Edinburgh.

In December, we attended COP28, where we joined the 'COP28 Unlocking Islamic Finance Summit', sharing insights on green and sustainable Islamic finance products.

Women in Islamic and Ethical Finance Forum (WIEFF)

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

Islamic Finance Council UK (UKIFC)

The Bank has a long-term partnership with the UKIFC, a Specialist advisory and developmental body focused on promoting and enhancing the global Islamic finance industry.

As a founding Stakeholder Endorser of the UN Principles for Responsible Banking, over the past 5 years, the UKIFC's Islamic sustainable finance initiatives have included the Global Islamic Finance & UN SDGs Taskforce, the High-Level Working Group on Green & Sustainable Sukuk and the COP28 Unlocking Islamic Finance programme.

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

Strategic Report

(continued)

As part of the Taskforce, Gatehouse Bank collaborated with the UKIFC to roll out the world's largest global Islamic Finance retail survey, with the results published in 2023. The survey was designed to gain insight into customers' understanding of the UN's Sustainable Development Goals and the Bank's activities in relation to people and the planet.

UK Finance – Financial Education Committee

UK Finance, the collective voice of the UK's banking and finance industry, represents over 300 firms and acts to enhance competitiveness, support customers and facilitate innovation.[3]

The organisation promotes a safe, transparent and innovative banking and finance industry through research, policy expertise, thought leadership and advocacy. In November 2022, Gatehouse Bank joined UK Finance's Financial Education Committee, which aims to raise awareness of members' proprietary programmes, lead industry advocacy efforts and collaborate with charities, the third sector and government to elevate the profile of financial education.

Carbon Neutral Britain

Gatehouse Bank works in partnership with Carbon Neutral Britain to offset the Bank's operational carbon emissions. Gatehouse Bank first measured its operational carbon footprint for the year 2019 and has since taken significant steps to reduce its carbon footprint by implementing measures such as a new business travel policy.

Forest Carbon

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

Through its Woodland Saver accounts, Gatehouse Bank works closely with Forest Carbon in supporting the mission of growing the UK's woodland cover. For every Fixed Term Deposit or Fixed Term Cash ISA account opened or renewed, we work with Forest Carbon to plant a tree in a certified UK woodland project on behalf of the customer. In 2023, the number of trees planted through the Bank's Woodland Saver accounts surpassed the 40,000 milestone.

We have also partnered with Forest Carbon for our green home finance range. These products are designed to support UK homebuyers and landlords who are purchasing a home with an energy efficiency rating of A or B. Under this scheme, qualifying customers receive a rate reduction and Gatehouse Bank works with Forest Carbon to offset the carbon emissions generated by the average UK property (2.9 tonnes per household) for as long as the customer remains with the Bank with a qualifying property. The offsetting projects selected by Forest Carbon are outside the UK and certified as per Verra (VCS) – Verified Carbon Standard.

Our Marketing Manager Zoe Sopper participated in the Saffery Rotary Walk by walking 39 miles around the island of Guernsey in one day to raise funds for Rainbow Trust.

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[3]Homepage | UK Finance

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

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

Women in Islamic and Ethical Finance Forum (WIEFF)

Forest Carbon

Carbon Neutral Britain

Global Ethical Finance Initiative (GEFI)

The Islamic Finance Council UK (UKIFC)

UK Finance

Money & Pensions Service

Bone Cancer Research Trust

Hyderi Sports Association

Strategic Report

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Money & Pensions Service

The Money and Pensions Service (MaPS) is an arm's-length body, sponsored by the Department for Work and Pensions, offering free impartial help and guidance on money and pensions to everyone.

In 2023, the Bank worked closely with the Money and Pensions Service to develop its financial education programme for customers and the wider community, as well as to help execute the UK's strategy for financial wellbeing. Gatehouse Bank has identified financial health and inclusion as one of its core impact areas as per the Bank's commitment to the UN Principles for Responsible Banking.

Rainbow Trust

Rainbow Trust Children's Charity supports families who have a child with a life-threatening or terminal illness. The charity provides practical and emotional support for these families, pairing each one with an expert Family Support Worker, depending on their individual needs. Subsequently, Rainbow Trust can provide help for the entire family through measures such as listening to the family's fears, keeping a child company during hospital stays and organising activities to help sick children and their siblings.

Colleagues at Gatehouse Bank selected Rainbow Trust as the Bank's Charity of the Year for 2023 through a staff vote. Throughout the year, colleagues across the Bank engaged in fundraising activities and helped to raise over £15,700 in aid of Rainbow Trust.

Hyderi Sports Association

Hyderi Sports Association (HSA) is a community sports club based in Croydon, South London. HSA facilitates regular sports activities for its 300 members, including football, cricket, volleyball, netball and badminton. The club has a diverse membership, with its associated community centre regularly hosting interfaith initiatives and getting involved in local charity work.

HSA adheres to the Islamic values of inclusivity, empathy and understanding and strives to create an active collaborative and diverse environment for its members. These values align to Gatehouse Bank's ethos as a Shariah-compliant UK challenger bank that follows the Islamic principles of being transparent, fair and socially responsible.

Gatehouse Bank has a three-year sponsorship agreement in place with HSA, which will help the club to provide sports kits for their members, facilitate their attendance in UK and overseas sports tournaments and support the club in hosting community sports days for all athletes.

Going Concern

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

Approval

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

Charles Haresnape
Chief Executive Officer

23 April 2024

The Bank's volunteering policy was extended in 2023 to cover two paid days of leave each year for colleagues who volunteer.

Cat Bredice and Jen Williams volunteered at Lindow Common to help with the management of the heathland by clearing the birch trees from the site.

Usman Chaudry, Mark Wetherall, Shevani Patel, Aliasger Suratwala and Liatt Joseph-Mitchell helped to maintain Walthamstow Village by clearing the area and planting wildflowers to restore biodiversity in the area and support the local community in accessing these green spaces.

Gemma Donnelly, Lottie Dougill, Guru Thothathri and Liatt Joseph-Mitchell volunteered as career advisers for secondary school students at the Phoenix Academy in London.

Anita Szecsenyi volunteered as Chief Cheerleader to support those running for Rainbow Trust at the London Marathon.

Dana Reid helped a small team conserve nature by removing Himalayan Balsam, an invasive weed, from North Loughton Valley Park in Milton Keynes.

Gatehouse Bank colleagues participated in a number of volunteering activities to support local communities throughout 2023.

Shazia Essa volunteered at a food bank in Blackburn by helping to make food bags from all the donations that come in to be then shared with people from the community who are facing challenges and hardships.

A number of colleagues in the Risk and Compliance team volunteered to support Willen Hospice in Milton Keynes by sorting, labelling and getting items ready for sale in their retail shops to help raise funds for the hospice.

Danesh Mahadeva, Christopher Sapitula, Mohammad Shafique, Sarah Hepplewhite, Muhammed Khatri, Milan Vara, Priya Karadia, Kristi Kurti, Maryam Yusuf and Michael Heath volunteered for St. Mary's Church in Walthamstow where the team rotated through a number of tasks to aide a sculpture project.

Ben Bianchi, Edward Marsden, John Coles, Peter Hall and Paul Stockwell litter picked at Regis Park in the West Midlands and helped to keep the scheme neat and tidy.

In 2023, 40% of colleagues across the Bank accrued 630 hours of volunteering.

A number of colleagues across the Bank supported the Mission Christmas cash for kids annual event by sorting out donations to hand to children and teenagers on Christmas Day.

Melissa Economou, Ellie Thorne, Sophie Ryder and Rachael Snelling volunteered at Little Forest Pre-School by helping to transform the outdoor area for children.

Lee Stockdale volunteered at Whirlow Hall Farm Trust in Sheffield, helping to reclaim the pond as part of the project to build an outdoor classroom for the children.

Charles Haresnape, Gemma Donnelly, Maria Cunningham, Roger Evans, Ben Latimer, Catherine Boisclair and Courtney Bowles volunteered at Park Lane School by clearing the garden which was previously unusable, painting flowerbeds and jet washing the plaques.

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 2023 to 31 December 2023 (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 Yaqubу
Chairman of the SSB

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

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

23 April 2024

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.

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 2023. The Corporate Governance Statement set out on pages 12 to 17 forms part of this report. The strategic report starting on page 18 contains details of the principal activity of the Company and provides information on the development of the Company's business during the year, details of exposure to risks and uncertainties and indications of likely future developments, going concern, and any significant events after the reporting date.

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

For details about subsequent events and going concern, please refer to note 3 and 36.

Dividend

No dividends were paid during the year (2022: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2022: £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 16. All of the Directors have served the Bank during the year and until the date of signing the accounts except Andrew Gray who resigned on 09 August 2023. None of the Directors who held office at the end of the financial year has any interest in the shares of the Bank.

Sharia Supervisory Board members

The names of the Sharia Supervisory Board's members at the date of this report are shown on page 36 in the Sharia Supervisory Board's report.

Directors' Indemnities

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

Employee Engagement

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

Employees with Disabilities

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

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

Engagement with Suppliers, Customers and Others

The Bank's policy is to agree on terms of payment with suppliers, customers, and others 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 suppliers, customers, and others perform according to the terms of the contract

Auditor

The Bank is currently undertaking review of its external auditor's appointment and it is expected to conclude by first half of 2024.

Political Contributions and Charitable Donations

The Bank made no political contributions (2022: £nil) and £28,662 of charitable donations (2022: £5,715) during the year.

Directors' Report

(continued)

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
23 April 2024

Section 172(1) statement

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

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

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

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

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

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

Stakeholders' engagement

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. In 2022 the debt was partially converted and balance settled in cash.

Customers

As outlined in the Chairman's and CEO's statement, supporting our customers is key to the Bank's business model and strategic plan and has been a significant focus of the Board throughout 2023.

The Board was keen to ensure that there was no deterioration in customer service levels during 2023 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

Please refer to the Bank's strategic report for further details on the Bank's key initiatives in 2023 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.

Directors' Report

(continued)

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

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
23 April 2024

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 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 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 parent 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 parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 37.

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 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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of expected credit losses on financial assets; • Deferred tax asset recognition; Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1,035k which was determined on the basis of 1% of net assets.
Scoping	Our group audit scope represented 100% of the group's revenue, 95% of the group's profit before tax and 95% of the group's total net assets.
Significant changes in our approach	Given the one-off nature of the below transactions in the prior year, the following are no longer key audit matters: • Significant unusual transaction (SUT) with related party due to the sale of Gatehouse Capital to related party; and • Measurement of financial liability agreed upon acquisition of 50.1% Ascend shares.

Independent Auditor's Report To The Members Of Gatehouse Bank Plc

(continued)

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating whether the going concern assessment appropriately captures all key business risks, such as operational, financial, liquidity and capital risks.
- Assessing the group's most recent internal Capital Adequacy Assessment and Internal Liquidity Adequacy Assessment (ICAAP & ILAAP), understanding the group's and the parent company's regulated status, regulatory category for prudential purposes, and their minimum prudential regulatory requirements, including major sources of prudential risk.
- Challenging the assumptions used in the cash flow projections and profitability forecasts. We compared the actual results reported in 2023 with the budgeted performance to identify any significant variations.
- Assessing the results of reverse stress testing on the liquidity reserve position and capital position. Our challenge focused on the appropriateness of the assumptions used under the reverse stress testing as well as the group's and the parent company's ability to meet its financial obligation and absorb additional loss under a worst case scenario.
- Working with our regulatory specialists to assess the parent company's latest capital and liquidity returns.
- Discussing existing and emerging risks to the group and parent company with the supervision team at the Prudential Regulation Authority.
- Considering the appropriateness of the disclosures made in the financial statements in view of the requirements of applicable financial reporting framework.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of expected credit losses on financial 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 2023, there was an increase in the total amount of financing assets primarily due to the continuing growth in the buy-to-let residential property financing portfolio, leading to the total net amount of financing and advances at amortised cost reaching £1.4bn (2022: £1.3bn).

5.1. Valuation of expected credit losses on financial assets (continued)

Key audit matter description	At 31 December 2023, the total provision for expected credit losses on financing assets was £10.2m (2022: £9.15m). The focus of the key audit matter was on the following: • Appropriateness of macroeconomic scenarios used and their weightings; • Identification of significant increase in credit risk ("SICR") since origination for the Real Estate Finance ("REF") portfolio; • Valuation of post model adjustments ("PMAs") for the Residential Property Financing ("RPF"); and • Accuracy of the model for RPF, including the risk that the code within the model is not consistent with the approved methodology. 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. Management has disclosed information about credit risk within Note 34 and the provision for expected credit losses in Note 15 to the financial statements. The accounting policy and information about judgements and estimation can be found within Note 3 to the financial statements.

How the scope of our audit responded to the key audit matter	As part of our audit work we:
	• Obtained an understanding of the process and relevant controls in the ECL provisioning, including management review and automated controls;
	• Assessed management's impairment policy and methodology against the requirements of IFRS 9;
	• Engaged Deloitte's credit modelling specialists to:
	  • Independently recode the REF and RPF models in our own environment;
	  • Test whether the model conforms to the methodology;
	  • Rerun the calculation and reconcile outputs to test mathematical accuracy of the calculation; and
	  • Rerun the quantification of any PMAs.
	• Performed a 2-way test of Stage 1 and 2 exposures to test whether they were included in the appropriate stage;
	• Challenged and considered the judgments, tested the data and the calculations that have been used to estimate the overlays, and assessed whether their valuation is appropriate;
	• Engaged Deloitte's real estate specialists to assess valuations for property collateral for a sample of exposures;
	• Engaged Deloitte's economics specialist to challenge the multiple-economic scenario forecasts for reasonableness; and
	• Assessed the appropriateness of the relevant financial statement disclosures.

Key observations	Based on the procedures performed, we concluded that the provision for expected credit losses is appropriately stated. We made recommendations to the Audit Committee related to the identified control deficiencies over the determination of ECL.

Independent Auditor's Report To The Members Of Gatehouse Bank Plc

(continued)

5.2. Deferred tax asset recognition

Key audit matter description	The parent company had unutilised tax losses of £45.3m (31 December 2022: £41.6m) that are available to offset against future taxable profits. The parent company has recognised deferred tax asset (DTA) amounting to £5.3m (31 December 2022: £4.5m) related to these unutilised tax losses up to the point of where there are sufficient taxable profits can be utilised against these unutilised tax losses. Due to the magnitude of the amount of DTA related to the accumulated losses, and the significant judgement involved in the determination of future taxable profits where these tax losses are expected to be utilised, we considered this a key audit matter. The extent of DTA recognised was dependent on the assessment that the parent company will continue to make future taxable profit for the next 10 years based on its five year stressed Board-approved business plan, with assumed steady growth rate from years 6 – 10. Our key audit matter is focused on two key judgements: • The ability of the parent company to generate future profits through continued growth of profit generating assets; and • The appropriateness of the 10-year recognition period based on these profit projections. Management has disclosed information about deferred tax asset within Note 12 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:
	
	• Assessed the governance over the production of the strategic budget plan and obtained an understanding of the process and relevant controls over the DTA recognition;
	
	• Obtained understanding of the management review control related to review of DTA workings;
	
	• Performed the following substantive procedures:
	
	  • Engaged our tax specialists to assess DTA workings for compliance with relevant tax regulations;
	
	  • Challenged the reasonableness of management key judgemental inputs in the DTA workings, focussing on:
	
	a. the reasonability of a 10-year recognition period, by performing partial and full recognition assessment with consideration of the macro-economic environment, benchmarking with other banks and considerations of the parent company's strategic plan;
	
	b. forecast profits by assessing management's historical forecasting accuracy;
	
	c. the profit growth rate, with consideration to expected UK economy growth rate; and
	
	d. the strategic budget plan of the parent company by assessing the key changes in the prior year and current year strategic budget plan.
	
	• disclosures.
	
	• Assessed the appropriateness of the relevant financial statement disclosures.

Key observations	Based on the procedures performed, we have concluded that the DTA is recognised appropriately. We have made recommendations to the Audit Committee related to the identified control deficiencies on the preparation and review of the DTA.

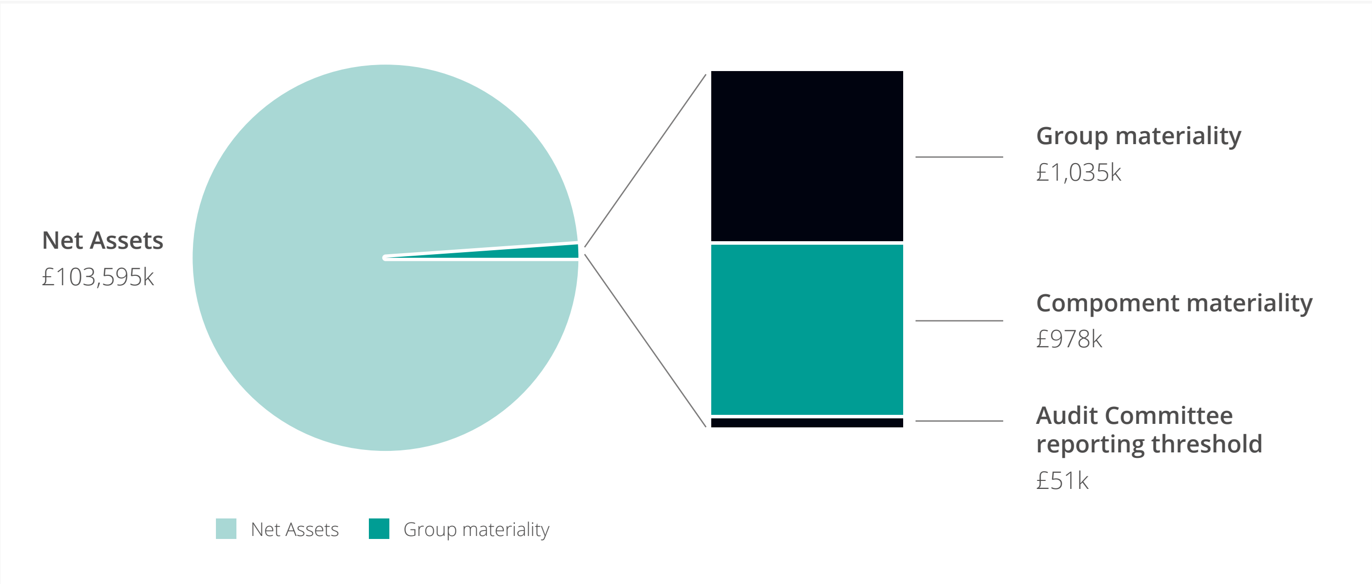
6. Our application of materiality

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	Parent Company financial statements
Materiality	£1,035k (2021: £999k)	£978k (2021: £964k)
Basis for determining materiality	1% of net assets (2021: 1% of net assets)	1% of net assets capped at 96.5% of the group materiality (2021: 1% of net assets capped at 96.5% of the group materiality))
Rationale for the benchmark applied	Consistent with prior period, net assets was chosen as the benchmark as it remains the key focus area for the users of the financial statements. This includes consideration of the strategic plan, key risks to the group, the group's size, complexity and regulatory capital position.	



Independent Auditor's Report To The Members Of Gatehouse Bank Plc

(continued)

6.2 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	Parent Company financial statements
Performance materiality	50% (2022: 50%) of group materiality	50% (2022: 50%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered factors including the previously identified deficiencies in internal controls, and the number of uncorrected misstatements in the prior year.	

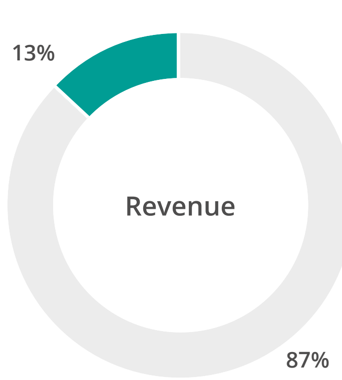
6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £51.0k (2022: £48.2k), 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.

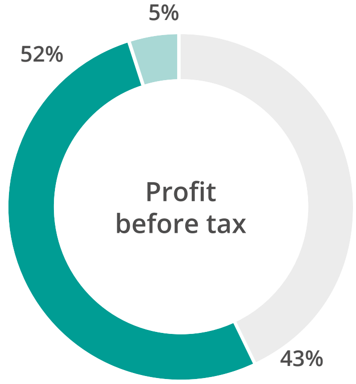
7. An overview of the scope of our audit

7.1. Identification and scoping of components

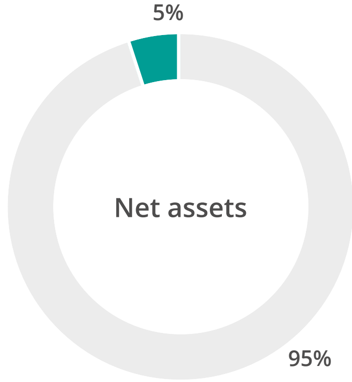
Our audit was scoped by obtaining an understanding of the group and its environment, including internal control, and assessing the risks of material misstatements. The parent company has one subsidiary in the UK. As at 31 December 2023, the Bank had a 100% shareholding in Gatehouse Build to Rent Group Limited, which itself had a 100% shareholding in Ascend Estates Limited ("Ascend Properties"), a UK property sales and management company, and Gatehouse Investment Management Limited. Within the Gatehouse Bank Group, Gatehouse Bank Plc (the Bank) and Ascend Estates Limited ("Ascend Properties") are the only operating entities. Gatehouse Bank Plc has been identified as the only financially significant component of the group. In addition, we have performed audit procedures over the operating revenue and expenses of Ascend Estates Limited. Together, these provide coverage of 100% of revenue, 95% of profit before tax and 95% of net assets of the group. Component materiality level was set at £978k (2022: £964k).



Full audit scope
Specified audit procedure



Full audit scope
Specified audit procedure
Review at group level



Full audit scope
Review at group level

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.

7.2. Our consideration of the control environment

As part of our audit we:

- Obtained an understanding of the group's and parent 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 all areas apart from income from financing, customer deposits and journal postings.

A third party administrator maintains the records of customer deposits. We obtained and evaluated an external auditor's ISAE 3402 reports for the period from 1 November 2022 to 31 October 2023, which documents the suitability of design and implementation of controls, and their operating effectiveness. As the reporting date of the Bank is 31 December 2023, we also obtained a bridging letter for the period from 1 November 2023 to 31 December 2023 detailing that there have not been any material changes to the internal control environment nor any material deficiencies in 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 18, the group measured its 2023 operational carbon footprint. The group's operational emissions include those produced across its three offices in London, Milton Keynes and Wilmslow, as well as the business travel of its employees. The group will continue to measure performance for all material topics, including climate change increasing the scale of disclosures over time as qualitative and quantitative data availability improves.

As part of our audit, we obtained management's climate-related risk assessment including the transition to net zero, and held discussions with relevant operational staff and finance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the financial statements. Management considers 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 considering whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

Independent Auditor's Report To The Members Of Gatehouse Bank Plc

(continued)

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 parent 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 parent 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, directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to group and parent company's sector;
- 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 financial assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence and regulatory solvency requirements.

11.2. Audit response to risks identified

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

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

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

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

Independent Auditor's Report To The Members Of Gatehouse Bank Plc

(continued)

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 parent 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 35 to the financial statements for the financial year ended 31 December 2023 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 17 years, covering the years ending 31 December 2007 to 31 December 2023.

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).

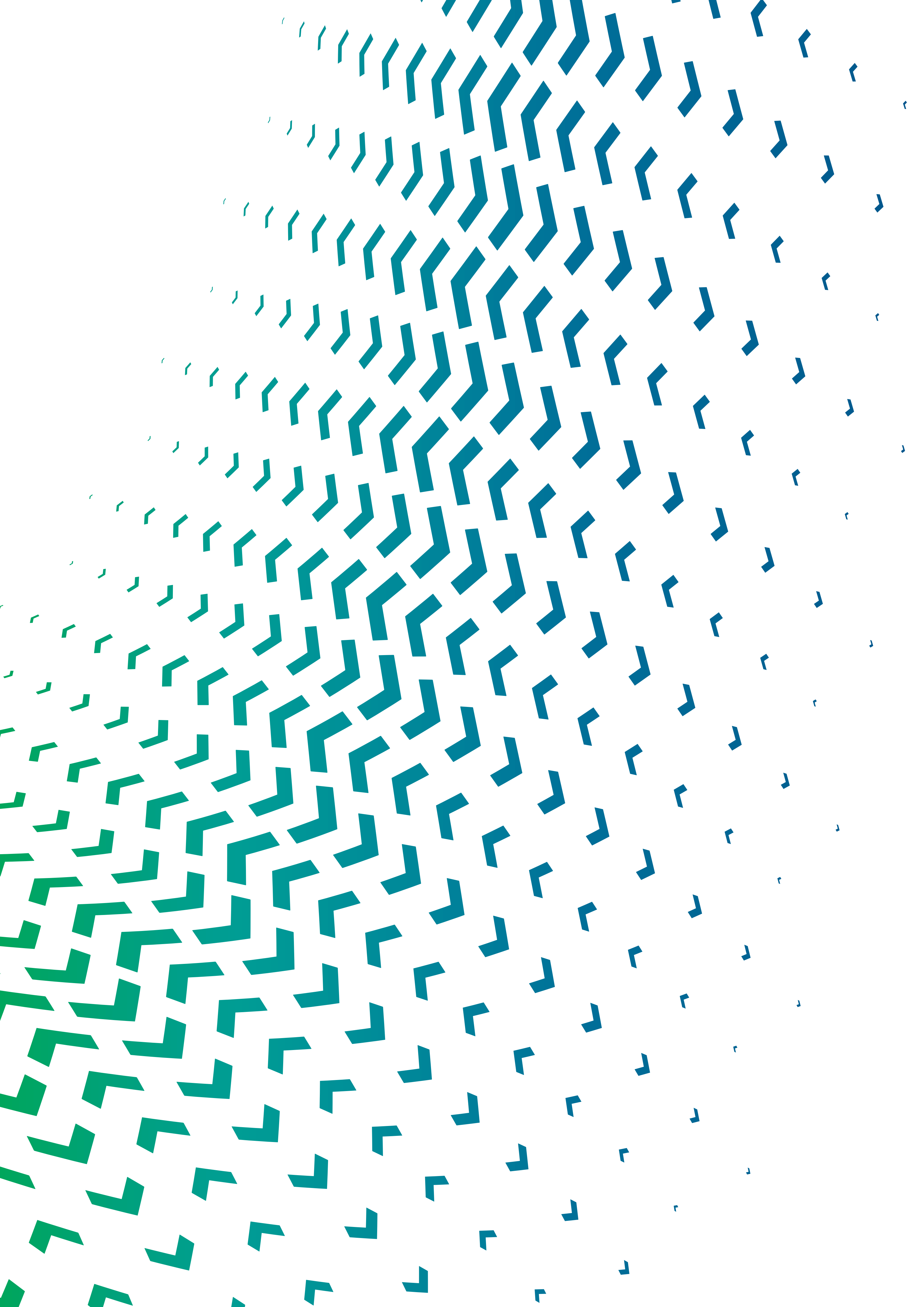
16. Use of our report

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
23 April 2024

Consolidated Financial Statements for the year ended

31 December 2023



Consolidated Income Statement

	Notes	Year ended 31 Dec 2023 £'000s	Year ended 31 Dec 2022 £'000s
Income			
Income from financial assets held at amortised cost	4	55,745	42,738
Charges to financial institutions and customers	26	(32,736)	(18,604)
Fees and commission income		10,130	9,078
Fees and commission expense		(127)	(167)
Foreign exchange losses	5	19	(834)
Net gains from financial assets at fair value through income statement (FVTIS)	6	1,952	5,676
Net gains from financial assets at fair value through other comprehensive income (FVTOCI)		197	376
Other (loss) / income	10	(231)	335
Impairment charge	9	(847)	(5,714)
Total operating income		**34,102**	**32,884**
Expenses			
Staff costs	7	(20,643)	(19,889)
Depreciation and amortisation	22 & 23	(1,302)	(1,319)
Other operating expenses	8	(9,004)	(9,121)
Total operating expenses		**(30,949)**	**(30,329)**
Operating profit before tax from continuing operations		**3,153**	**2,555**
Tax	12	4	3,933
Profit for the year from continuing operations		**3,157**	**6,488**
Profit after tax for the year from discontinued operation	18	-	1,640
Profit for the year		**3,157**	**8,128**
Attributable to:			
Profit attributable to the Bank's equity holders		**3,157**	**6,911**
Non-controlling interest		**-**	**1,217**
		3,157	**8,128**

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 Dec 2023 £'000s	Year ended 31 Dec 2022 £'000s
Profit for the year		**3,157**	**8,128**
Items that may be reclassified subsequently to income statement if specific conditions are met:			
Foreign currency translation gains/(losses) from investment in associate – discontinued operation	18	-	(1,792)
		-	**(1,792)**
Items that will not be reclassified subsequently to income statement:			
Gains / (Losses) on FVTOCI investments		554	(1,539)
Other comprehensive losses for the year		**554**	**(3,331)**
Comprehensive profit for the year		**3,711**	**4,797**
Attributable to:			
Profit attributable to the Bank's equity holders		3,711	3,580
Non-controlling interest		-	1,217
		3,711	**4,797**

Notes 1 to 37 form an integral part of the financial statements.

Consolidated Statement of Financial Position

	Notes	Year ended 31 Dec 2023 £'000s	Year ended 31 Dec 2022 £'000s
Assets			
Cash and balances with banks		24,596	22,845
Financing and advances at amortised cost	15	1,357,803	1,227,896
Financial assets held at FVTIS	16	18,278	17,061
Financial assets at FVTOCI	17	19,512	19,351
Goodwill	19	4,242	4,242
Derivative financial instruments	21	33,032	34,138
Intangible assets	22	1,879	1,812
Property, Plant and Equipment and right-of-use assets	23	1,155	1,486
Other assets	25	4,016	2,571
Deferred Tax Asset	12	5,260	4,525
Total assets		**1,469,773**	**1,335,927**
Liabilities			
Financial liabilities measured at amortised cost	26	1,316,609	1,168,586
Derivative financial instruments	21	44,010	61,224
Other liabilities	27	6,926	7,333
Total liabilities		**1,367,545**	**1,237,143**
Net assets		**102,228**	**98,784**
Shareholders' equity			
Share capital	31	150,049	150,049
Fair value through other comprehensive income reserve		(4,721)	(5,275)
Non-controlling interest Acquisition reserve		(15,917)	(15,917)
Retained deficits		(27,183)	(30,073)
Equity attributable to the Bank's equity holders		**102,228**	**98,784**
Non-controlling interest		-	-
Total Equity		**102,228**	**98,784**

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2024. They were signed on its behalf by:

Charles Haresnape
Chief Executive Officer

Danesh Mahadeva
Chief Financial Officer

Consolidated Statement of Changes in Equity

	Share capital	FVTOCI reserve	Foreign currency translation reserve	Non-controlling interest acquisition reserve	Retained deficit	Equity attributable to the Bank's equity holders	Non-controlling interest	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2023	150,049	(5,275)	-	(15,917)	(30,073)	98,784	-	**98,784**
Other comprehensive (losses)/gains for the year								
Unrealised gain on instruments at FVTOCI	-	554	-	-	-	554	-	**554**
Total other comprehensive (losses)/gains for the year	**150,049**	**(4,721)**	**-**	**(15,917)**	**(30,073)**	**99,338**	**-**	**99,338**
Continued Operations	-	-	-	-	3,157	3,157	-	**3,157**
Discontinued Operations	-	-	-	-	-	-	-	**-**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**3,157**	**-**	**3,157**
Recycling of reserve on liquidation of subsidiary	-	-	-	-	**(267)**	**(267)**	-	**(267)**
Balance at 31 December 2023	**150,049**	**(4,721)**	**-**	**(15,917)**	**(27,183)**	**102,228**	**-**	**102,228**

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

Consolidated Statement of Cash Flows

	Notes	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Cash flows from operating activities		**£'000s**	**£'000s**
Profit after tax from continuing operations		3,157	6,488
Profit after tax from discontinued operations	18	-	1,640
Profit after tax		3,157	8,128
Adjusted for:			
Impairment charge	9	847	5,714
Negative / (positive) revaluation of financial instruments held at FVTIS (unquoted investments)	6	(22)	(2,904)
Share in profit of associate	18	-	(1,640)
Fair value movement in financial instruments held at FVTIS (derivative financial instruments)	6	(1,083)	(1,634)
Depreciation and amortisation	22 & 23	1,302	1,319
Foreign exchange (gains)/losses		145	(264)
Taxation	12	(4)	(3,933)
Net decrease/(increase) in operating assets:			
Fair value movement in financial instruments held at FVTIS (derivative financial instruments)		(14,824)	26,558
Changes in financing and advances at amortised cost	15	(130,754)	(332,498)
Net (increase)/decrease in other assets		(1,712)	3,007
Net increase/(decrease) in operating liabilities:			
Changes in financial liabilities measured at amortised cost	26	(148,024)	263,503
Income tax paid		(592)	(330)
Net (decrease)/increase in other liabilities		156	(3,953)
Net cash (outflow)/inflow from operating activities		**4,640**	**(38,927)**
Cash flow from investing activities			
Cash flow received from discontinued operations	18	-	14,253
Proceeds from sale of financial assets held at FVTOCI		-	2,061
Purchase of financial assets held at FVTIS (unquoted investments)		(1,195)	(600)
Proceeds from sale of financial assets held at FVTIS (unquoted investments)		-	11,468
Purchase of plant and equipment	23	(416)	(637)
Purchase of intangible assets	22	(623)	(878)
Net proceeds from disposal of property held for sale		-	4,537
Net cash inflow from investing activities		**(2,234)**	**30,204**
Cash flows from financing activities			
Acquisition of subsidiaries	19	-	(9,218)
Cash outflow for lease liabilities	24	(701)	(672)
Net cash outflow from financing activities		**(701)**	**(9,890)**
Net (outflow) / inflow in cash and cash equivalents		**1,705**	**(18,613)**
Cash and cash equivalents at the beginning of the year		22,845	41,598
Effect of foreign exchange rate changes		46	(140)
Cash and cash equivalents at the end of the year		**24,596**	**22,845**
Additional information on operational cash flows from profit and dividends			
Profit paid		23,431	14,671
Profit received		55,817	43,043
Dividend received		845	844

Company Statement of Financial Position

	Notes	Year ended 31 Dec 2023 £'000s	Year ended 31 Dec 2022 £'000s
Assets			
Cash and balances with banks		22,450	17,555
Financing and advances at amortised cost	15	1,357,803	1,227,896
Financial assets held at FVTIS	16	18,278	17,061
Financial assets at FVTOCI	17	19,512	19,351
Investment in subsidiaries	19	22,780	22,780
Derivative financial instruments	21	33,032	34,138
Intangible assets	22	1,382	1,267
Property, Plant and Equipment and right-of-use assets	23	519	674
Other assets	25	3,688	3,764
Deferred tax asset	12	5,260	4,525
Total assets		**1,484,705**	**1,349,011**
Liabilities			
Financial liabilities measured at amortised cost	26	1,317,725	1,168,312
Derivative financial instruments	21	44,010	61,225
Other liabilities	27	4,746	5,157
Total liabilities		**1,366,481**	**1,234,694**
Net assets		**118,224**	**114,317**
Shareholders' equity			
Share capital	31	150,049	150,049
Fair value through other comprehensive income reserve		(4,722)	(5,275)
Retained deficits		(27,103)	(30,457)
Equity attributable to the Bank's equity holders		**118,224**	**114,317**

During the financial year ended as at 31 December 2023, the Bank has made standalone profit of £3,353K (2022: £9,018K profit). Notes 1 to 37 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 23 April 2024. 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 2023	150,049	(5,275)	(30,457)	**114,317**
Other comprehensive losses for the year				
Unrealised gain on instruments at FVTOCI	-	554	-	**554**
Total other comprehensive losses for the year	**150,049**	**(4,722)**	**(30,475)**	**114,871**
Profit for the year	-	-	3,353	**3,353**
Balance at 31 December 2023	**150,049**	**(4,722)**	**(27,103)**	**118,224**

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

Company Statement of Cash Flows

	Notes	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Cash flows from operating activities		**£'000s**	**£'000s**
Profit after tax from continuing operations		3,353	6,034
Profit after tax from discontinued operations	18	-	2,984
Profit after tax		**3,353**	**9,018**
Adjusted for:			
Impairment charge	9	847	5,714
Loss on discontinued operations	18	-	398
Negative / (positive) revaluation of financial instruments held at FVTIS (unquoted investments)	6	(21)	(2,904)
Fair value movement in derivative financial instruments	6	(1,083)	(1,634)
Depreciation and amortisation	22 & 23	929	866
Foreign exchange (gains)/losses		145	(3,483)
Taxation	12	(735)	(4,525)
Net decrease/(increase) in operating assets:			
Fair value movement in financial instruments held at FVTIS (derivative financial instruments)		(14,824)	26,555
Changes in financing and advances at amortised cost	15	(130,754)	(332,499)
Net (increase)/decrease in other assets		76	(956)
Net increase/(decrease) in operating liabilities:			
Changes in financial liabilities measured at amortised cost	26	149,414	264,005
Net increase /(decrease) in other liabilities		(13)	(626)
Net cash (outflow)/inflow from operating activities		**7,336**	**(40,071)**
Cash flow from investing activities			
Cash flow received from discontinued operations	18	-	14,253
Proceeds from sale of financial assets held at FVOCI		-	1,920
Purchases of financial assets held at FVOCI		-	-
Purchase of financial assets held at FVTIS (unquoted investments)		(1,196)	(600)
Proceeds from sale of financial assets held at FVTIS (unquoted investments)		-	34,969
Purchase of plant and equipment	23	(267)	(79)
Purchase of intangible assets	22	(621)	(878)
Net cash inflow from investing activities		**(2,086)**	**49,585**
Cash flows from financing activities			
Acquisition of subsidiaries	19	-	(9,218)
Cash outflow for lease liabilities	24	(401)	(411)
Net cash outflow from financing activities		**(401)**	**(9,629)**
Net (outflow) / inflow in cash and cash equivalents		**4,849**	**(115)**
Cash and cash equivalents at the beginning of the year		17,555	17,781
Effect of foreign exchange rate changes		46	(111)
Cash and cash equivalents at the end of the year		**22,450**	**17,555**
Additional information on operational cash flows from profit and dividends			
Profit paid		23,458	14,659
Profit received		55,817	43,043
Dividend received		2,145	3,345

Notes to the Consolidated Financial Statements for the Year Ended

31 December 2023

Notes to the Consolidated Financial Statements for the Year Ended

31 December 2023

1. General Information

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

The principal activities of the Company and its subsidiaries (The Group) and the nature of the Group's operation are set out in the strategic report on pages 18 to 35.

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 IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1: Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 January 2024

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:

Disclosure of Accounting Policies –
Amendment to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Bank has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

Amendments to IAS 12 Income Taxes

The Bank has adopted amendments on deferred tax related to Assets and Liabilities arising from a Single Transaction International; and International Tax Reform — Pillar Two Model Rules.

The amendments have had an immaterial impact on the Bank's disclosures of accounting policies, and on the measurement, recognition or presentation of any items in the Bank's financial statements.

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 34 to the financial statements includes the Bank's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Bank ensures it meets its capital and liquidity prudential limits and regulatory thresholds on a day-to-day basis by actively managing its cash, short-term treasury placements and longer dated exposures. This also includes stress testing the impact of one or more events that may adversely affect the amount of regulatory capital and positive liquidity of the Bank.

The Directors monitor the likelihood of such a stress event or combination of events happening on a forward looking basis regularly and take such preventive and detective actions as appropriate to ensure any stress event or events and their impact is mitigated on a timely basis. The Bank's forecasts and projections take account of possible changes in future conditions and performance and the maintenance of planned capital and liquidity resources above the regulatory base requirements for the foreseeable future. In light of the above, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

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

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

Basis of accounting

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

Figures stated in thousands of pounds sterling

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

Significant accounting judgements, estimates and assumptions

Judgements

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

Structured entities

The Bank uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Bank identifies such entities as structured entities. After determining whether an entity is a structured entity, the Company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Company has determined that it does not have any controlling interest in consolidated structured entities as at 31 December 2023 (see Note 20).

Notes to the Consolidated Financial Statements

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Key sources of estimation uncertainty

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 34).

The fair value of unquoted equity securities (See Note 16) has been identified as a key source of estimation uncertainty at 31 December 2023 that has a significant risk of resulting in a material adjustment within the next year. Estimates are involved in assessing the fair value of the equity investment securities based on expected sale proceeds which is significantly derived from property prices. Applying different assumptions at 31 December 2023 to determine expected sale proceeds could materially impact the fair value estimation. As discussed in Note 34, a 20 % decrease in property prices would reduce the fair value of financial assets held at FVTIS by £4.9m and £3.9m as at 31 December 2023 and 2022, respectively.

Recoverability of deferred tax asset

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

Accounting policy for deferred tax is set out in taxation section and the details of deferred tax assets and liabilities are set out in note 12.

In recognising a deferred tax asset for unutilised losses, the Directors' make certain judgements around the recoverability of the deferred tax asset.

Judgement is involved in determining the period of time over which it is probable there will be sufficient future taxable profits against which the unutilised losses can be used.

Estimates of the level of future profitability are made in determining the amount of deferred tax asset against unutilised losses at the reporting date. This includes estimating the impact of economic conditions on future profitability.

The factors considered by management in making these judgements and assumptions for the estimates are disclosed in note 12 together with a sensitivity analysis of the deferred tax asset to a change in the estimate of future profitability.

Expected Credit losses (ECL)

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. When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The IFRS9 engine is complex and uses quite a variety of data to calculate the forward looking ECL which includes macro-economic forecast among other variables. This complexity and forward-looking information give rise to uncertainties and assumptions.

At 100% upside macro-economic scenario realised in RPF business would decrease the total impairment provisions for such financing by £770K as at 31 December 2023 when compared to blended ECL. A 100% mild upside macro-economic scenario realised in RPF business would decrease the total impairment provisions for such financing by £536K as at 31 December 2023 when compared to blended ECL. A 100% base macro-economic scenario realised in RPF business would decrease the total impairment provisions for such financing by £160K as at 31 December 2023 when compared to blended ECL.

A 100% stagnation macro-economic scenario realised in RPF business would increase the total impairment provisions for such financing by £862K as at 31 December 2023 when compared to blended ECL. A 100% downside macro-economic scenario realised in RPF business would decrease the total impairment provisions for such financing by £1,344K as at 31 December 2023 when compared to blended ECL. A 100% sever upside macro-economic scenario realised in RPF business would decrease the total impairment provisions for such financing by £2,351K as at 31 December 2023 when compared to blended ECL.

The weights of the blended ECL as recommend by Oxford Economics is 50% for the base case macroeconomic scenario and 10% for the rest of the macroeconomic scenarios.

More details of the sensitivity of the RPF ECL allowance to changes in the macro-economic scenarios used in the calculation are set out in note 34.

REF business ECL calculation is based on Monte- Carlo simulation and does not follow the scorecard methodology. Hence the methodology is not directly comparable to RPF ECL calculation. Please note that this is a closed portfolio and no new accounts are booked in this portfolio. A 10% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provisions for such financing by £1.92m (2022: £729k) as at 31 December 2023. A 20% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provisions for such financing by £4.1m (2022: £2,562k) as at 31 December 2023.

Basis of consolidation

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

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

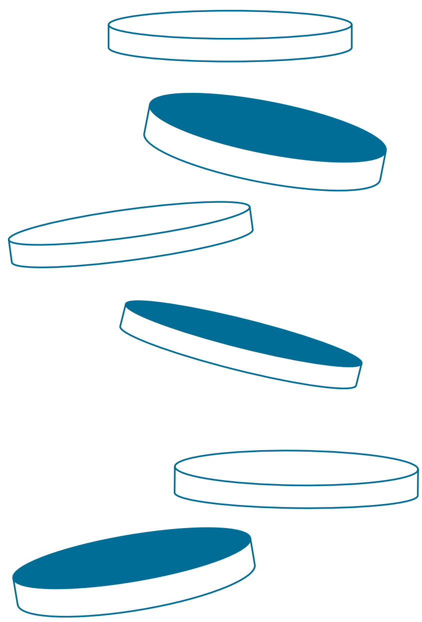
Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

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

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

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.



Notes to the Consolidated Financial Statements

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Discontinued operations

Discontinued operations are excluded from the profit for the year from continuing operations and are presented as a single amount as profit after tax from discontinued operations in the consolidated income statement. Additional disclosures are provided in Note 18. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Financial Instruments

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

Measurement categories of financial assets and liabilities

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

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

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

Financial liabilities are classified as follows:

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

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

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

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

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 unquoted equity securities. 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.

Notes to the Consolidated Financial Statements

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Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include 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 book. Effective 1 January 2023, the Bank has transitioned from micro to macro fair value hedge accounting which is in conformity with IAS 39 carve-out.

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.

The Bank determines hedged items by identifying portfolios of homogenous financing based on their contractual profit rates, maturity and other risk characteristics. Financing within the identified portfolios are allocated to repricing time buckets based on expected, rather than contractual, repricing dates. The hedging instruments are designated appropriately to those repricing time buckets. Hedge effectiveness is measured on a monthly basis, by comparing fair value movements of the designated proportion of the bucketed loans due to the hedged risk, against the fair value movements of the derivatives, to ensure that they are within an 80% to 125% range.

The aggregated fair value changes in the hedged financing are recognised as an asset in the Fair value hedge accounting adjustment on the face of the Statement of financial position. Should hedge effectiveness testing highlight that movements for a particular bucket fall outside the 80-125% range (i.e., the hedge relationship was ineffective for the period), no fair value hedge accounting adjustment is recorded for that month for that particular bucket. Regardless of the results of the retrospective hedge effectiveness testing, at the end of every month, in order to minimise the ineffectiveness from early repayments and accommodate new exposures, the Bank voluntarily de-designates the hedge relationships and

re-designates them as new hedges. At de-designation, the fair value hedge accounting adjustments are amortised on a straight-line basis.

Derivative Financial Instruments

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

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

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 Property 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 exposure is credit-impaired at the time of reporting; and
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is impaired.

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

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

- REF - Missed-payment (one or two), risk events etc;
- RPF - Missed-payment (one or two) or forbearance; and
- Treasury – non-payment.

Notes to the Consolidated Financial Statements

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

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

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

Forward-looking information

Under IFRS 9, the Bank has incorporated Oxford Economics forward-looking forecasts. The Bank uses UK unemployment rate, residential property price index, BoE policy rate and 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.

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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.

Goodwill

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

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

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

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

Impairment of non-financial assets

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

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

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repayment of the amount will take place. Payments are made on a regular basis as the services are performed and advance payments refer to a maximum of 12 months into the future. Accrued income is recognised for services that have been performed but have not been paid for. Deferred income is recognised for payments received for services which have not been performed. Income from contracts with customers constitutes an immaterial portion of the items including in Other Income. Additional expenditure required to obtain a contract with a customer is not recognised as an asset (prepaid expense), and instead is recognised as an expense during the accounting period in which it arises.

Fees and commissions

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

Charges to financial institutions and customers

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

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

Share-based payments

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

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

Taxation

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

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

Deferred tax is provided in full using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

The Bank has recognised deferred tax asset amounting to £5,260k at 31 December 2023 (2022: 4,525k). Deferred tax assets are recognised in respect of tax losses to the extent that is probable that future taxable profit will be available against which the tax losses can be utilised.

IFRS 16 – Leases

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

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

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right of use is measured on the basis of the rules set for the assets by IAS 16 and IAS 38 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 of assets remains above the recoverable amount of right of use of assets and no impairment has occurred in the year ended 31 December 2023.

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

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4. Income from financial assets held at amortised cost

	2023	2022
	£'000s	£'000s
Income from financing arrangements	53,645	42,046
Income from financial institutions	2,100	692
	55,745	**42,738**

5. Foreign exchange losses

	2023	2022
	£'000	£'000
Net losses on translation of derivative financial instruments	71	(168)
Net (losses)/gains on translation of balances denominated in foreign currency	(52)	(666)
Net loss in foreign exchange	**19**	**(834)**

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

	2023	2022
	£'000s	£'000s
Profit income of financing assets	2	294
Dividend income	845	844
Hedge ineffectiveness	1,083	1,634
Net revaluation on unquoted equity securities	22	2,904
	1,952	**5,676**

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

	2023	2022
	£’000s	£’000s
Staff costs		
Directors’ salaries and fees	2,121	2,530
Directors’ pensions	103	79
	2,224	**2,609**
Staff salaries	14,228	12,986
Staff pension contributions	700	735
Social security costs	1,821	1,818
Other staff costs	1,670	1,741
	20,643	**19,889**
Highest paid Director	740	772
Emoluments	**740**	**772**

	2023	2022
	No.	No.
Number of employees at year end	300	304
Average number of employees	300	303

The average number of persons employed by the Group during the period, including Non-Executive Directors, is disclosed as below:

Function	**2023**	**2022**
General Management	15	16
Operations	82	85
Specialist Functions	95	102
Subsidiaries	108	100
Average number of employees	**300**	**303**

Notes to the Consolidated Financial Statements

(continued)

In July 2017 the Bank adopted the Gatehouse Long-Term Incentive Plan (LTIP) for the purposes of granting options to eligible employees to incentivise and reward the delivery of the Bank's long-term strategy and growth over a sustained period. The options provide a conditional right to acquire a specified number of ordinary shares in Gatehouse Bank plc subject to an exit event occurring which includes the acquisition of more than 50% ordinary shares of the Bank or a successful completion of an initial public offering (IPO). The exercise price is set at £0.01p per share. The option period is the period beginning on the date on which the option first becomes exercisable and ending on the tenth anniversary of the date of grant. In 2023 and 2022, the new issued numbers of options were 70m and 103m, respectively. There were no options lapsed in 2023 (2022: 27m). As a result, the total number of options in issue are 511,000,000 as at 2023 (2022: 441,000,000).

8. Other operating expenses

	2023	2022
	£'000s	£'000s
Occupancy Costs	1,012	1,000
IT and communication costs	1,784	1,596
Legal and professional fees	2,504	2,974
Travel and accommodation	626	232
Consultancy	268	78
Advertising and marketing	689	654
Other tax payable	510	866
Shariah Supervisory Board fees	65	55
Other operating charges	1,546	1,666
	9,004	**9,121**

9. Impairment charge

	2023	2022
	£'000s	£'000s
Charge of expected credit losses	847	5,714
	847	**5,714**

10. Other Income

	2023	2022
	£'000s	**£'000s**
Remeasure of Financial Liability on NCI	-	229
Other (loss) / income	(231)	106
	(231)	**335**

11. Profit/(Loss) before tax

	2023	2022
Profit before tax is stated after charging:	**£'000s**	**£'000s**
Net foreign exchange gains / (losses)	19	(834)
Auditor's remuneration	476	498
Rentals paid under leases	701	672
Depreciation and amortisation	1,302	1,320

	2023	2022
Auditor's remuneration can be analysed as follows:	**£'000s**	**£'000s**
Audit of accounts	464	486
Other services:		
Other audit-related services	12	12
	476	**498**

Notes to the Consolidated Financial Statements

(continued)

12. Taxation

	2023 £'000s	2022 £'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	(16)	-
Other corporation tax – Ascend Estates Limited	(715)	(592)
Total current tax charge	**(731)**	**(592)**
Deferred tax		
Utilisation of brought forward tax losses	735	4,525
Effect on changes in tax rates	-	-
Tax credit on profits on ordinary activities	**4**	**3,933**

The standard rate of corporation tax applied to reported profit is 23.5% (2022: 19%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

At the statement of financial position date, the Bank has unused tax losses of £45,165k (2022: £41,557k) available for offset against future profits. Deferred tax asset is recognised for unused tax losses to the extent it is probable there will be sufficient future taxable profits against which the losses can be used. It requires significant judgements to be made about the projection of long-term future profitability and the period over which recovery extends. The Bank has selected a 10-year horizon for the recognition period. A deferred tax asset has been recognised on losses of £24,270k and £23,317k in 2023 and 2022, respectively. As at 31 December 2023 and 31 December 2022, no deferred tax asset has been recognised in respect of the remaining £20,895k and £18,240k, respectively, of losses at the statement of financial position date due to limited certainty with respect to forecasting profits over extended future periods.

In assessing future profitability, the management considered a range of positive and negative evidence for this purpose. The principal positive evidences and factors include:

- The absence of any expiry dates for UK tax losses.
- The ability to generate future profits through continued growth of profit generating assets.

Against this, there are a number of uncertainties inherent in any long-term financial assumptions and projections and other negative evidence, including:

- Incurred an accumulated pre-tax loss of £49.3 million in previous years.
- Political uncertainty and potential risk of further taxation of UK BTL market.
- Difficulty of predicting future revenues accurately.








Notes to the Consolidated Financial Statements

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Sensitivity of the deferred tax asset to changes in assumptions:

Determining the value of the deferred tax asset relies on making judgments about when it will be recoverable and estimating future income. If future earnings deviate from current forecasts, adjustments may be necessary, potentially impacting the income statement significantly in the coming years. The sensitivity of the deferred tax asset on unutilised tax losses due to changes in forecasts and assumptions was considered.

Impact of change in assumptions:

Profit forecast: If the profitability forecast for 2024 – 2028 for the group was assumed to be 10% lower than projected, the deferred tax asset balance on 31 December 2023 would decrease by £49k to £5,211m.

Profit growth: For standalone GHB profits, 2% increase in profits is projected starting from 2029. If this assumption was changed to 1% growth for all years from 2029 to 2033 while maintaining a 10-year horizon, the deferred tax asset balance on 31 December 2023 would decrease by £10k to £5,250m.

The tax credit in the income statement for the period was £4k (2022: £3,934k). The tax expense can be reconciled to the profit per the income statement as follows:

	2023	2022
	£'000s	£'000s
Profit before tax from continuing operations	3,153	2,555
	3,153	**2,555**

Tax at the UK corporation tax rate of 23.5% (2022:19%)	741	485
Effects of:		
Results from associates and subsidiaries	58	393
Expenses not deductible for tax purposes	134	323
Unrecognised current year losses and other temporary differences	-	1
Income not taxable for tax purposes	(1)	(2)
Other permanent differences	(10)	(5)
Effect of changes in tax rate	(1)	-
Deferred tax recognition	(925)	(5,129)
Tax (credit)/charge in the consolidated income statement	(4)	(3,934)

13. Profit Rate Swap

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

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	**2023**	**2022**
	£'000s	**£'000s**
Notional Principal	**415,000**	**555,000**
Fair value adjustment to hedged item	28,904	31,211
Accrued profit of hedged item	2,087	1,339
Carrying Value of hedged item	**30,991**	**32,550**
Fair value adjustment to hedging instrument	(26,320)	(29,710)
Accrued profit of hedging instrument	-	(140)
Carrying Value of hedging instrument	**(26,320)**	**(29,850)**
Net Profit Rate Swaps Fair Value Hedges	2,584	1,501
Net Profit Rate Swaps Accrued profit	2,087	1,199
Net carrying Value of hedged item and hedging instrument	**4,671**	**2,700**

Notes to the Consolidated Financial Statements

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

For actual hedge effectiveness to be achieved, the changes in fair values of hedging instrument and the hedged item must offset each other in the range of 80 per cent to 125 per cent, for the hedge to be deemed highly effective. Effectiveness are driven by (i) Maturity dates of the hedged items and the hedging instruments differ (ii) Payment frequencies/ payment dates differing between the hedged item and hedging instrument (iii) The floating leg only exists in the hedging instrument and not hedged item. The hedge ineffectiveness recognised in the income statement for the year 2023 is £1,083k gain (2022: £1,634k gain).

The below table sets out the outcome of the Bank's hedging strategy, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		2023			2022		
		Gains/(losses) attributable to the hedged risk		Hedge Effectiveness	Gains/(losses) attributable to the hedged risk		Hedge Effectiveness
Hedged Items	**Hedging Instrument**	**Hedged Items**	**Hedging Instrument**		**Hedged Items**	**Hedging Instrument**	
Fixed rate mortgages	Profit rate swaps	16,662	(15,579)	(106.95) %	25,254	(26,888)	(93.93) %

14. Company profits attributable to equity shareholders of the Bank

£3,353K of the company profit for the financial year (2022: £9,018K profit) has been presented 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.

15. 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	2023	Avg. Yield	2022
		£'000s		£'000s
Gross financing and advances at amortised cost		1,367,974		1,237,222
Less: allowances for impairment		(10,171)		(9,326)
Financing and advances at amortised cost	4.69%	**1,357,803**	4.02%	**1,227,896**

Company	Avg. Yield	2023	Avg. Yield	2022
		£'000s		£'000s
Gross financing and advances at amortised cost		1,367,974		1,237,222
Less: allowances for impairment		(10,171)		(9,326)
Financing and advances at amortised cost	4.69%	**1,357,803**	4.02%	**1,227,896**

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

Financing and advances at amortised cost 2023	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	1,193,879	116,499	57,596	**1,367,974**
Loss allowance	(1,379)	(1,362)	(7,430)	**(10,171)**
Carrying value under IFRS 9	**1,192,500**	**115,137**	**50,166**	**1,357,803**

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

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

Financing and advances at amortised cost 2023	Stage 1 12m ECL £'000s	Stage 2 Lifetime ECL £'000s	Stage 3 Lifetime ECL £'000s	Total £'000s
Loss allowance as at 1 January 2023	(3,108)	(5,586)	(632)	**(9,326)**
New financial assets originated or purchased	-	-	-	**-**
Transfers				
Transfer from stage 1 to stage 2	1,176	(1,176)	-	**-**
Transfer from stage 1 to stage 3	23	-	(23)	**-**
Transfer from stage 2 to stage 1	(910)	910	-	**-**
Transfer from stage 2 to stage 3	-	5,275	(5,275)	**-**
Transfer from stage 3 to stage 1	-	-	-	**-**
Transfer from stage 3 to stage 2	-	(13)	13	**-**
Changes in PD's/ LGD's / EAD's	1,540	(664)	(1,721)	**(845)**
Loss allowance as at 31 December 2023	**(1,279)**	**(1,254)**	**(7,638)**	**(10,171)**

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

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

Financing and advances at amortised cost 2023	Stage 1	Stage 2	Stage 3	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying amount as at 1 January 2023	1,113,761	106,426	17,035	**1,237,222**
Transfers				
Transfer from stage 1 to stage 2	(51,033)	51,033	-	-
Transfer from stage 1 to stage 3	(27,770)	-	27,770	-
Transfer from stage 2 to stage 1	44,324	(44,324)	-	-
Transfer from stage 2 to stage 3	-	(13,486)	13,486	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	315	(315)	-
Net new financing/payments	114,283	16,850	(381)	**130,752**
Gross carrying amount as at 31 December 2023	**1,193,565**	**116,814**	**5,759**	**1,367,974**

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

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

Group and Company	Avg. Yield	2023	Avg. Yield	2022
		£'000s		£'000s
Unquoted equity securities		18,278		17,061
	0%	**18,278**	0%	**17,061**

17. Financial assets at fair value through other comprehensive income

Group and Company	Avg. Yield	2023	Avg. Yield	2022
		£'000s		£'000s
Quoted Sukuk		19,512		19,351
	1.10%	**19,512**	1.21%	**19,351**

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 2023	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	19,516	-	-	**19,516**
Loss allowance	(4)	-	-	**(4)**
Carrying value under IFRS 9	**19,512**	**-**	**-**	**19,512**

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

Notes to the Consolidated Financial Statements

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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 2023	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Loss allowance as at 1 January 2023	(3)	-	-	**(3)**
New financial assets originated or purchased	(1)	-	-	**(1)**
Changes in PD's/ LGD's / EAD's	-	-	-	**-**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2023	**(4)**	**-**	**-**	**(4)**

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

18. Investment in associate – discontinued operation

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

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

Foreign currency translation profit from discontinued operation in 2022 of £1,792k have been transferred to profit for the year from discontinued operations.

The consolidated statement of financial position reflects an investment in associate of nil in 2023 and 2022 and a profit from sale of discontinued operation for the year ended 31 December 2022 of £1,640k.

19. Investment in Subsidiaries

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

The subsidiary undertakings on 31st December 2023					
Subsidiary name	**Year end**	**Nature of business**	**Place of incorporation**	**Registered address**	**Class of shares**
Directly held:					
Gatehouse Build to Rent Group Limited	31 December 2023	Holding Company	England and Wales	The Helicon, One South Place, London, United Kingdom, EC2M 2RB	100% ordinary shares
Indirectly held					
Ascend Estates Limited	31 December 2023	Management of real estate	England and Wales	Stafford Court, 145 Washway Road, Sale, England, M33 7PE	100% ordinary shares
Gatehouse Investment Management Limited	31 December 2023	Real Estate Investment Advisory	England and Wales	The Helicon, One South Place, London, United Kingdom, EC2M 2RB	100% ordinary shares

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The Bank acquired 50.1% shareholding of Ascend in October 2018 for a total consideration of £4,344k. The sale and purchase agreement contained an option for the Ascends' minority Shareholders to enable them, after two years, to require the Bank to acquire their remaining non-controlling interest. The Bank acquired a further 24.95% of Ascend in December 2022, taking the Bank's stake to 75.05%. The Bank purchased the remaining 24.95% at a pre-agreed consideration of £9,218k. This balance was included in the financial liabilities measured at amortised cost as at 31 December 2022 and was settled in April 2023.

The opportunity was identified to combine Ascend and the Bank's build-to-rent (BTR) arm under one branded entity, with a view to adding future value within a fast-growing sector of the UK real estate market. As a result of this initiative, Gatehouse Build to Rent Group Limited ('GBTRG') and its wholly owned subsidiary Gatehouse Investment Management Limited ('GIM') were established and the BTR business was transferred to GIM in April 2023. Subsequently, the Bank transferred its entire holding in Ascend to GBTRG. The Group has accounted the restructuring transaction under common control under book-value method of accounting.

Silver Noisy Sarl, a previously 100% owned subsidiary by the Bank, has been liquidated in 2023.

The recoverable amount of this investment in subsidiary as a cash-generating unit (CGU) is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a year period. The discount rate applied to the cash flow projections is 13.2%. The growth rate used to extrapolate the cash flows of the unit beyond a year period is 2%.

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

- Forecast growth rate. This rate is in line with the economic and fiscal outlook for the UK economy from 2024-2028.
- Earnings before income tax, depreciation and amortization (EBITDA). EBITDA forecast is based on historical experience of operating margins, adjusted for the impact for any potential adverse market movement.
- Discount rate. This represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and pertinent risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the bank and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the company's investors. Although cost of debt is not part of permanent capital structure of the company, this portion was derived by taking into account pertinent risk-free rate of a government bond which will be repaid at maturity.

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

Goodwill £'000s	2023	2022
Cost		
At 1 January	4,242	4,242
Impairment		
Impairment loss recognised in the year ended 31 December	-	-
Acquisitions during the year		
Intangible assets recognised in the year ended 31 December	-	-
Carrying amount		
At 31 December	**4,242**	**4,242**

For the year ending 2023 the company has assessed that GIM and GBTRG qualify for exemption from audit under section 477 of the Companies Act 2006 relating to small companies. Based on the projected position and performance of GIM and GBTRG (i.e. company only) as at 31 December 2023, both subsidiaries have met at least 2 of the conditions for claiming audit exemption. Therefore, the management has elected to prepare and file an abridged versions of financial statements for GIM and GBTRG with the Companies House.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

20. 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.

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 £18,278k (2022: £ 17,061k) which is included in financial assets held at fair value through the income statement. 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.

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21. Derivative financial instruments

	Assets £'000s	Liabilities £'000s	Notional amount £'000s
2023			
Maturing in 0-3 months	33,032	(44,010)	434,713
Maturing in 3-6 months	-	-	-
	33,032	**(44,010)**	**434,713**
2022			
Maturing in 0-3 months	34,138	(61,224)	577,631
Maturing in 3-6 months	-	-	-
	34,138	**(61,224)**	**577,631**

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.

22. Intangible assets

Group & Company

Software costs and licence fees	2023 £'000s	2022 £'000s
Cost		
At 1 January	4,698	3,820
Additions	623	878
At 31 December	**5,321**	**4,698**
Amortisation		
At 1 January	3,431	3,019
Charge for the period	508	412
At 31 December	**3,939**	**3,431**
Net book value		
At 1 January	**1,267**	**801**
At 31 December	**1,382**	**1,267**

Group

Customer lists	2023 £'000s	2022 £'000s
Cost		
At 1 January	686	686
Additions	-	-
At 31 December	**686**	**686**
Amortisation		
At 1 January	141	99
Charge for the period	48	42
At 31 December	**189**	**141**
Net book value		
At 1 January	**545**	**587**
At 31 December	**499**	**545**
Total Intangibles		
At 1 January	**1,812**	**1,389**
At 31 December	**1,879**	**1,812**

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23. 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 2023	2,635	440	1,190	278	264	**4,807**
Additions	291	19	120	6	-	**436**
Disposals	-	-	-	-	(20)	**(20)**
At 31 December 2023	**2,926**	**459**	**1,310**	**284**	**244**	**5,223**
Depreciation						
At 1 January 2023	1,548	317	1,057	200	199	**3,321**
Charge for the period	552	64	93	24	14	**747**
Write-off on disposals	-	-	-	-	-	**-**
At 31 December 2023	**2,100**	**381**	**1,150**	**224**	**213**	**4,068**
Net book value						
At 1 January 2023	1,087	123	133	78	65	**1,486**
At 31 December 2023	**826**	**78**	**160**	**60**	**31**	**1,155**

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

Company	Leasehold property £'000s	Computer equipment £'000s	Fixtures and fittings £'000s	Leasehold improvements £'000s	Total £'000s
Cost					
At 1 January 2023	1,529	1,102	15	244	**2,890**
Additions	237	30	-	-	**267**
Disposals	-	-	-	-	**-**
At 31 December 2023	**1,767**	**1,132**	**15**	**244**	**3,157**
Depreciation					
At 1 January 2023	1,034	990	7	185	**2,216**
Charge for the period	327	63	3	29	**422**
Write-off on disposals	-	-	-	-	**-**
At 31 December 2023	**1,362**	**1,053**	**10**	**214**	**2,638**
Net book value					
At 1 January 2023	**495**	**112**	**8**	**59**	**674**
At 31 December 2023	**404**	**79**	**5**	**31**	**519**

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

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24. Leases

Right of use assets

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2023:

Group	Leasehold property	Leasehold Vehicles	Computer equipment	Total
	£'000s	£'000s	£'000s	£'000s
At 1 January 2023	1,087	123	-	**1,210**
Additions	291	19	-	**310**
Depreciation charge for the year	(552)	(64)	-	**(616)**
At 31 December 2023	**826**	**78**	**-**	**904**

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

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

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

Company	Leasehold property 2023	Leasehold property 2022
	£'000s	£'000s
At 1 January	495	810
Additions	237	-
Depreciation charge for the year	(327)	(315)
At 31 December	**405**	**495**

Lease liabilities

Contractual undiscounted cash flows:

Group	2023 £'000s	2022 £'000s
Less than one year	619	561
One to five years	466	943
More than five years	-	-
	1,085	**1,504**

Company	2023 £'000s	2022 £'000s
Less than one year	402	404
One to five years	116	333
	518	**737**

Amounts recognised in the income statement:

Group	2023 £'000s	2022 £'000s
Profit on lease liabilities	64	77
Expenses relating to short-term leases	-	-
Expenses relating to leases of low value assets, excluding short-term leases of low value items	-	-
	64	**77**

Amounts recognised in the statement of cash flows:

Group	2023 £'000s	2022 £'000s
Total cash outflow for leases	(701)	(672)
	(701)	**(672)**

Company	2023 £'000s	2022 £'000s
Total cash outflow for leases	(401)	(411)
	(401)	**(411)**

Notes to the Consolidated Financial Statements

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25. Other assets

Group	2023	2022
	£'000s	£'000s
Prepayments	1,185	476
Accrued income receivable	203	420
Other debtors	2,627	1,675
	4,016	**2,571**

Company	2023	2022
	£'000s	£'000s
Intercompany receivable	1,959	202
Prepayments	1,108	396
Accrued income receivable	203	420
Other debtors	417	2,746
	3,688	**3,764**

26. Financial liabilities measured at amortised cost

Group	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2023	2.82%	1,168,586
Net proceeds from financial institutions and customers		138,770
Net increase in profit payable		9,254
Financial liabilities measured at amortised cost at 31 December 2023	4.72%	**1,316,609**

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

Financial liabilities measured at amortised cost includes financial liability to acquire remaining non-controlling interest as discussed in Note 19. Financial liabilities measured at amortised cost as at 31 December 2022 includes £9,218k liability relating to a pre-agreed price to purchase remaining 24.95% Ascend shareholding and was settled in April 2023.

The total accrued profit for financial liabilities at amortised cost during 2023 is £32,736k (2022: £18,604k).

Company	**Avg. Yield**	**£'000s**
Financial liabilities measured at amortised cost at 1 January 2023	2.82%	1,168,312
Net proceeds from financial institutions and customers		140,160
Net increase in profit payable		9,254
Financial liabilities measured at amortised cost at 31 December 2023	4.72%	**1,317,725**

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

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

27. Other liabilities

Group	**2023**	**2022**
	£'000s	**£'000s**
Lease liabilities	1,085	1,504
Other taxes and social security costs	1,398	1,824
Other creditors	4,443	4,005
	6,926	**7,333**

Company	**2023**	**2022**
	£'000s	**£'000s**
Lease liabilities	518	850
Other taxes and social security costs	715	737
Other creditors	3,513	3,570
	4,746	**5,157**

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28. 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 2023	Less than 12 months	More than 12 months	Total
	£'000s	£'000s	£'000s
Assets			
Cash and balances with banks	24,596	-	**24,596**
Financing and advances at amortised cost	123,931	1,233,872	**1,357,803**
Financial assets held at fair value through the income statement	-	18,278	**18,278**
Financial assets held at fair value through other comprehensive income	7,310	12,202	**19,512**
Derivative financial instruments	33,032	-	**33,032**
Total financial assets	**188, 869**	**1,264,352**	**1,453,221**
Liabilities			
Financial liabilities measured at amortised cost	841,088	475,521	**1,316,609**
Derivative financial instruments	44,010	-	**44,010**
Other liabilities for leases	619	466	**1,085**
Total financial liabilities	**885, 717**	**475,987**	**1,361,704**

Company 2023	Less than 12 months £'000s	More than 12 months £'000s	Total £'000s
Assets			
Cash and balances with banks	22,450	-	**22,450**
Financing and advances at amortised cost	123,931	1,233,872	**1,357,803**
Financial assets held at fair value through the income statement	-	18,278	**18,278**
Financial assets held at fair value through other comprehensive income	7,310	12,202	**19,512**
Derivative financial instruments	33,032	-	**33,032**
Other asset - dividend	1,000	-	**1,000**
Total financial assets	**187,723**	**1,264,352**	**1,452,075**

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

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Group 2022	Less than 12 months £'000s	More than 12 months £'000s	Total £'000s
Assets			
Cash and balances with banks	22,845	-	**22,845**
Financing and advances at amortised cost	143,694	1,084,202	**1,227,896**
Financial assets held at fair value through the income statement	-	17,061	**17,061**
Financial assets held at fair value through other comprehensive income	-	19,351	**19,351**
Derivative financial instruments	34,138	-	**34,138**
Total financial assets	**200,677**	**1,120,614**	**1,321,291**
Liabilities			
Financial liabilities measured at amortised cost	842,203	475,522	**1,317,725**
Derivative financial instruments	44,010	-	**44,010**
Other liabilities for leases	402	116	**518**
Total financial liabilities	**886,615**	**475,638**	**1,362,253**

Company 2022	Less than 12 months	More than 12 months	Total
	£'000s	£'000s	£'000s
Assets			
Cash and balances with banks	17,555	-	**17,555**
Financing and advances at amortised cost	143,694	1,084,202	**1,227,896**
Financial assets held at fair value through the income statement	-	17,061	**17,061**
Financial assets held at fair value through other comprehensive income	-	19,351	**19,351**
Derivative financial instruments	34,138	-	**34,138**
Total financial assets	**195,387**	**1,120,614**	**1,316,001**
Liabilities			
Financial liabilities measured at amortised cost	837,086	331,226	**1,168,312**
Derivative financial instruments	61,225	-	**61,225**
Other liabilities for leases	404	333	**737**
Total financial liabilities	**898,715**	**331,559**	**1,230,274**

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29. 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	2023	2022
	£'000s	£'000s
Assets		
Denominated in Sterling	1,448,996	1,311,601
Denominated in other currencies	20,777	24,326
	1,469,773	**1,335,927**
Liabilities		
Denominated in Sterling	1,366,666	1,209,477
Denominated in other currencies	879	27,666
	1,367,545	**1,237,143**

Company	2023	2022
	£'000s	£'000s
Assets		
Denominated in Sterling	1,463,929	1,325,510
Denominated in other currencies	20,777	23,501
	1,484,705	**1,349,011**
Liabilities		
Denominated in Sterling	1,365,602	1,207,313
Denominated in other currencies	879	27,381
	1,366,481	**1,234,694**

30. 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 £723k were charged to the income statement (2022: £813k). The pension creditor outstanding at the balance sheet date amounted to £94k (2022: £92k).

31. Share capital

	2023	2022
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.

32. 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:

	2023	2022
	£'000s	**£'000s**
Within one year	39,740	165,431
	39,740	**165,431**

Expected credit losses on financing commitments as at 31 December 2023 amounted to £20k (31 December 2022: £115k).

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33. Related party transactions

The Bank is a wholly owned subsidiary of Gatehouse Financial Group Limited ("GFGL"). During 2015 the Bank entered into a financing agreement with GFGL which was used to purchase the remaining 64.4% share in Gatehouse Capital. In December 2022, sale of Gatehouse Capital to The Securities House (TSH) was completed and proceeds from this sale were used by GFGL to fully repay financing to the Bank; further details are provided in note 18. There were no rechargeable expenses for professional fees to GFGL in 2023 (2022: £127k).

The Kuwait Investment Authority is a shareholder of Gatehouse Financial Group Limited.

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:

2023	**Shareholder**	**Shareholder**	**Ultimate parent**
	Kuwait Investment Authority	The Securities House K.S.C.C.	Gatehouse Financial Group Limited
	£'000s	**£'000s**	**£'000s**
Profit income	-	-	-
Profit expense	117	-	-
Assets	-	104	-
Liability	-	-	145
Treasury liabilities	-	-	-

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

34. Risk Management

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

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

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

Credit Risk

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

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

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

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

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

A comprehensive control framework is in place.
This incorporates:

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

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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.

Sensitivity Analysis

As per the sensitivity analysis of macro-economic factors, PD and ECL are expected to increase due to worsening economic projections, including economic growth, unemployment rates, and product rate increases, on the other hand, improving economic forecasts and rate decreases are anticipated to reduce the PD and ECL. LGD is inversely proportional to house prices, it would elevate if house prices fell, and would decline if house prices increased. The influence of economic variables differs according to different portfolios. The computation of ECL is on a per-customer basis, considering local indexation, with modifications made to account for additional risk factors in geographical areas that are projected to respond more strongly to changes in economic conditions.

The major assumptions considered for the analysis include unemployment forecasts, predicted housing price changes, and borrowing rate movements.

Exposure of credit risk

The Expected credit loss estimate is essential to be based on an unbiased expectation of future economic scenarios. The Group's approach incorporates a starting point which is a defined base case scenario used for planning purposes and to further generate alternative economic scenarios around the base case. The base case scenario is a conditional forecast based on numerous assumptions that represent the Group's best estimate of significant future developments.

The parameters used with group's ECL model include macroeconomic factors which have been established as drivers of the default risk and loss estimates. As a result, in each scenario an estimate of credit losses is calculated using the combination of these macroeconomic factors.

The ECL calculation incorporates multiple economic scenarios which have been weighted according to considered likelihood. The table below shows the weightings and peak values of the key variables used within the scenarios, based on a 5-year forecast.

Scenarios	Key Economic Variables	Years				
		2024	2025	2026	2027	2028
Base Case	BOE Rate	5.25%	4.60%	3.60%	2.59%	2.00%
	Unemployment rate	4.54%	4.51%	4.13%	3.97%	3.85%
	House Price Index	-4.26%	-2.49%	0.01%	0.05%	0.04%
Upside	BOE Rate	6.25%	6.25%	5.38%	4.38%	3.38%
	Unemployment rate	4.02%	3.11%	2.42%	2.29%	2.31%
	House Price Index	1.32%	1.90%	4.50%	4.99%	3.99%
Mild Upside	BOE Rate	5.75%	5.75%	4.88%	3.88%	2.88%
	Unemployment rate	4.30%	4.06%	3.82%	3.76%	3.71%
	House Price Index	-0.71%	-0.04%	0.03%	0.06%	0.04%
Stagnation	BOE Rate	5.13%	3.88%	2.88%	1.88%	1.75%
	Unemployment rate	5.70%	6.55%	6.95%	6.87%	6.55%
	House Price Index	-8.52%	-6.51%	-2.47%	0.03%	0.05%
Downside	BOE Rate	5.00%	3.63%	2.38%	1.50%	1.50%
	Unemployment rate	5.86%	6.77%	7.17%	7.09%	6.75%
	House Price Index	-10.38%	-8.19%	-3.98%	1.32%	4.61%
Severe Downside	BOE Rate	4.88%	3.00%	1.63%	0.75%	0.75%
	Unemployment rate	6.12%	7.12%	7.54%	7.45%	7.09%
	House Price Index	-13.52%	-11.07%	-6.69%	-0.99%	4.85%

The base case scenario is in line with the annual financial forecast of the company and has been revised in line with the recent changes in the economic environment on the reporting date. To exhibit the best judgment of the management, the scenario weighting shall be reviewed regularly throughout the year. The slight upturn and downturn economic scenarios are viewed as less likely and are weighted accordingly in the model.

Scenario Weighting 2023		Base Case	Upside	Mild Upside	Stagnation	Downside	Severe Downside
		50%	10%	10%	10%	10%	10%
BOE Rate	Highest Rate	5.25%	6.25%	5.75%	5.13%	5.00%	4.88%
Unemployment Rate	Peak	4.54%	4.02%	4.30%	6.95%	7.17%	7.54%
House Price Index	Start to Trough	-4.26%	1.32%	-0.71%	-8.52%	-10.38%	-13.52%

Notes to the Consolidated Financial Statements

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The below table sets out the average five-year forecast for key macroeconomic variables forecast with 100% weighing, to illustrate sensitivities to model weighting.

2023	Weighted Scenario ECL, no PMA	Base Case	Upside	Mild Upside	Stagnation	Downside	Severe Downside
HPP	733,294	721,689	479,241	571,662	1,003,951	1,133,794	1,374,851
BTL	1,644,011	1,549,336	1,128,528	1,269,655	2,235,677	2,587,147	3,353,417
Total	2,377,305	2,271,025	1,607,769	1,841,317	3,239,628	3,720,941	4,728,268

2023			
Post model adjustments	ECL model output	PMA	Total ECL
HPP	733,294	63,098	796,392
BTL	1,644,011	196,630	1,840,641
Total	2,377,305	259,728	2,637,033

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.

Exposure

The table below shows the maximum exposure to credit risk for financial assets on the balance sheet at 31 December 2023 and 31 December 2022:

Group	**2023**	**2022**
	£'000s	**£'000s**
Cash and balances with banks	24,596	22,845
Financing and advances at amortised cost	1,357,803	1,227,896
Financial assets held at fair value through other comprehensive income (Debt Assets)	19,512	19,351
Derivative financial instruments	33,032	34,138
	1,434,943	**1,304,230**

Company	**2023**	**2022**
	£'000s	**£'000s**
Cash and balances with banks	22,450	17,555
Financing and advances at amortised cost	1,357,803	1,227,896
Financial assets held at fair value through other comprehensive income (Debt Assets)	19,512	19,351
Derivative financial instruments	33,032	34,138
	1,432,797	**1,298,940**

Notes to the Consolidated Financial Statements

(continued)

Geographical region

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

Group	**2023**	**2022**
	£'000s	**£'000s**
GCC countries	142,171	137,796
Kuwait	8,800	9,664
Saudi Arabia	25,639	21,381
UAE	80,402	79,236
Qatar	19,955	20,645
Oman	2,263	2,343
Bahrain	5,112	4,527
Europe	983,642	884,336
North America	26,688	25,125
South America	955	1,076
Asia	246,558	220,399
Africa	20,417	19,972
Australasia	14,512	15,526
	1,434,943	**1,304,230**

Company	**2023**	**2022**
	£'000s	**£'000s**
GCC countries	142,171	137,796
Kuwait	8,800	9,664
Saudi Arabia	25,639	21,381
UAE	80,402	79,236
Qatar	19,955	20,645
Oman	2,263	2,343
Bahrain	5,112	4,527
Europe	981,496	879,046
North America	26,688	25,125
South America	955	1,076
Asia	246,558	220,399
Africa	20,417	19,972
Australasia	14,512	15,526
	1,432,797	**1,298,940**

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2023 and at 31 December 2022, based on a credit rating system:

Group	**Investment grade**	**Non-investment grade**	**Non-rated**	**Total**
2023	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	24,594	-	2	**24,596**
Financing and advances at amortised cost	68,260	-	1,289,543	**1,357,803**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	-	**-**
Financial assets held at fair value through other comprehensive income	19,512	-	-	**19,512**
Derivative financial instruments	33,032	-	-	**33,032**
Total assets	**145,398**	**-**	**1,289,545**	**1,434,943**

Company	**Investment grade**	**Non-investment grade**	**Non-rated**	**Total**
2023	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	22,448	-	2	**22,450**
Financing and advances at amortised cost	68,260	-	1,289,543	**1,357,803**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	-	**-**
Financial assets held at fair value through other comprehensive income	19,512	-	-	**19,512**
Derivative financial instruments	33,032	-	-	**33,032**
Total assets	**143,252**	**-**	**1,289,545**	**1,432,797**

Notes to the Consolidated Financial Statements

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

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

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 retail aggregators via Rasin, Flagstone and Akoni deposits ii) retail deposit platform Gatehouse savings. 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, Rasin, Flagstone and Akoni deposits. As at 31 December 2023 Gatehouse savings deposits were £1,041m (2022: £928m) and Retail aggregator deposits were £247m (2022: £187m).

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
2023	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets						
Fixed rate items	95,660	23,262	3,535	11,325	1,246,074	1,379,856
Non-rate sensitive	55,087	-	-	-	-	55,087
Total assets	**150,747**	**23,262**	**3,535**	**11,325**	**1,246,074**	**1,434,943**
Liabilities						
Fixed rate items	359,147	77,754	99,565	330,916	475,522	1,342,904
Non-rate sensitive	17,715	-	-	-	-	17,715
Total liabilities	**376,862**	**77,754**	**99,565**	**330,916**	**475,522**	**1,360,619**
Net	**(226,115)**	**(54,492)**	**(96,030)**	**(319,591)**	**770,552**	**74,324**

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
2023	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Assets						
Fixed rate items	95,659	23,262	3,535	11,325	1,246,074	1,379,856
Non-rate sensitive	52,942	-	-	-	-	52,942
Total assets	**148,601**	**23,262**	**3,535**	**11,325**	**1,246,074**	**1,432,797**
Liabilities						
Fixed rate items	360,263	77,754	99,565	330,916	475,522	1,344,020
Non-rate sensitive	17,715	-	-	-	-	17,715
Total liabilities	**377,978**	**77,754**	**99,565**	**330,916**	**475,522**	**1,361,735**
Net	**(229,377)**	**(54,492)**	**(96,030)**	**(319,591)**	**770,552**	**71,062**

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

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

The Bank's contractual maturities for its derivative financial instruments is disclosure in the Note 21.

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.

Notes to the Consolidated Financial Statements

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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 2023 would decrease/increase £7,172k (2022: £4,880k).

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. As at 31 December 2023, the Bank had total £415m (2022: £555m) 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.

As at 31 December 2023, the market value of nominal positions generating profit rate VaR was £131m (2022: £137m) which generated profit rate VaR of:

2023	95% VaR (£)
One day	**3,176**
One week	(21,080)
2022	**95% VaR (£)**
One day	**(948)**
One week	4,111

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 2023, the net market value of nominal foreign exchange exposure was £5,165 (2022: £425k) which generated Foreign Exchange VaR of:

2023	95% VaR (£)
One day	**(707)**
One week	(2,954)
2022	**95% VaR (£)**
One day	**(2,107)**
One week	(6,198)

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 2023, 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 2023, the market value of nominal FVTOCI Sukuk investment exposure was £19,512 (2022: £19,351k) which generated Price Risk VaR of:

2023	95% VaR (£)
One day	**(24,389)**
One week	(54,983)
2022	**95% VaR (£)**
One day	**(47,025)**
One week	(117,251)

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 2023 and 31 December 2023, 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 2023 and 31 December 2022, the Bank did not hold any Level 2 financial instruments; 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 2023 and 31 December 2022, Level 3 financial instruments consisted of investments in unquoted equity securities. Fair value is estimated 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.

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(continued)

Group & Company	Level 1	Level 2	Level 3	Total
2023	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Derivative financial instruments				
Derivative financial instruments	33,032	-	-	**33,032**
Financial assets held at fair value through the income statement	-	-	-	**-**
Unquoted equity securities	-	-	18,278	**18,278**
Financial assets at fair value through other comprehensive income	-	-	-	**-**
Quoted Sukuk	19,512	**-**	**-**	**19,512**
Total	**52,544**	**-**	**18,278**	**70,822**

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

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.

Group and Company	2023	2022		
Level 3 asset	Carrying value	Carrying value	Valuation Technique	Significant unobservable inputs
	£'000s	£'000s		
UK Unquoted equity securities	18,278	17,061	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, cash and debt balances
Total	**18,278**	**17,061**		

2023	Financial assets held at fair value through the income statement		
	Financing arrangements £'000s	**Unquoted equities £'000s**	**Total £'000s**
Balance at 1 January 2023	**-**	**17,061**	**17,061**
Negative revaluations	-	(20)	**(20)**
Fair value uplifts	-	-	**-**
Trading income/loss	-	-	**-**
Net settlements	-	1,237	**1,237**
Balance at 31 December 2023	**-**	**18,278**	**18,278**

A 20 % decrease in property prices would reduce the fair value of financial assets held at FVIS by £4.9m and £3.9m as at 31 December 2023 and 2022, respectively.

2022	Financial assets held at fair value through the income statement		
	Financing arrangements £'000s	**Unquoted equities £'000s**	**Total £'000s**
Balance at 1 January 2022	**12,709**	**13,654**	**26,363**
Negative revaluations	-	-	**-**
Fair value uplifts	-	-	**-**
Trading income/loss	-	3,407	**3,407**
Net settlements	(12,709)	-	**(12,709)**
Balance at 31 December 2022	**-**	**17,061**	**17,061**

Notes to the Consolidated Financial Statements

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

Operational risk

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

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

Pillar 3 Disclosures (Unaudited)

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

Capital Risk Management (Unaudited)

The Bank policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the year, capital has been maintained at a level above minimum regulatory requirement. 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 an additional £9,500k in 2023 totaling £18,500k Tier 2 capital. The Tier 2 Capital financing was provided by private and institutional investors.

The Bank's regulatory capital position was as follows:

Core Tier 1 Capital	2023	2022
	£'000s	**£'000s**
Share capital	150,049	150,049
Retained losses	(27,103)	(30,457)
Other Reserves – FVTOCI	(4,722)	(5,275)
Add back of IFRS 9 impairments due to transitional arrangements	-	-
	118,224	**114,317**
Deductions from CET1	**(10,066)**	**(11,121)**
Tier 2 Capital	18,500	9,000
Total regulatory capital	**126,658**	**112,196**

35. 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 2023, Gatehouse Bank Plc and its subsidiaries are all UK registered entities.

Employees

The average number of permanent employees was 300 (2022: 303) for the year ended 31 December 2023.

Country-by-Country Breakdown

2023

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	27,107	2,618	-	192
France	Letting of office space	(41)	(272)	-	-
United Kingdom	Management of real estate	8,041	3,088	(731)	100
United Kingdom	Real estate investment advisory	1,486	69	-	8
Group Consolidated adjustments	-	(2,491)	(2,349)	-	-
Total	**-**	**34,102**	**3,153**	**(731)**	**300**

As discussed in note 19, Silver Noisy Sarl, a subsidiary which was incorporated in France, has been liquidated in 2023.

Notes to the Consolidated Financial Statements

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2022

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

The Group received no public subsidies during 2023 and 2022.

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 (Gatehouse Build to Rent Group Limited and Silver Noisy Sarl).

36. Subsequent Events

There were no material events subsequent to 31 December 2023 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

37. Parent Company

As at 31 December 2023 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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