TRUSTED NOVUS BANK

Annual Report 2020



Proud to be out of the ordinary

Trusted Novus Bank (TNB) serves over 3,000 customers, offering a comprehensive set of banking products and services to support our customers' everyday banking needs through a selection of channels, including branch, telephony and digital.

We offer full banking services to both corporate and private clients.

Our Vision

Our vision is to make banking an enjoyable and out of the ordinary experience

Our Values

- Common sense
- Open and honest
- Different and unpretentious
- Genuine interest and equal respect
- Efficient and persevering

Our Mission Statement

Our missions is to build sustainable stakeholder value by balancing the following four areas:

For our employees
Being the best working place in Gibraltar.

For our customers
Providing an easy, personal, and out of the ordinary experience.

For our shareholder
Generating a sustainable shareholder return.

For our community
Supporting our community as a good corporate citizen.

2020 at the bank

2020 has been a uniquely challenging year for the banking industry and our business, and this is reflected in our financial performance for the year. We have been primarily focused on supporting our customers, colleagues and the community, while at the same time ensuring the stability of the bank. Despite the challenges, we did continue to execute on some key transformational and strategic milestones.



Results

£1.1m

2020 underlying profit before tax

Customers

3,272

Customers served

Strength

28.4%

Capital Ratio

Society

£200k

Donated to fight Covid-19

MESSAGE FROM CHRISTIAN BJØRLØW, CHIEF EXECUTIVE OFFICER

"We have remained true to our identity"



CEO'S letter

2020 has been tough for everyone.

I'd like to begin by expressing my support and sympathy to all the families that have suffered as a result of the unprecedented pandemic.

The Covid-19 pandemic left a deep mark on TNB, Gibraltar, and the rest of the world. Covid-19 has taught us a lot of things, but most importantly, that change is inevitable, and it is how we react to change that really determines the type of institution we really are.

Strength in the numbers

The 2020 financial year has seen us navigate through a very difficult economic, market and business environment with a profound human impact. But with a balanced business model, strong culture and customer-focused approach, we entered the Covid-19 crisis in a strong position to deliver a resilient performance over this unprecedented period.

The impact of Covid-19 has been felt across the Bank's core business. A highly liquid balance sheet in GBP denominated assets is sensitive to interest rate changes at the Bank of England. Certainly, the record-low interest rate environment continued to suppress the Bank's net interest income, with excess liquidity invested mostly in low-yielding assets. However, we made prudent structural changes to the composition of our liquid assets in 2020 while supporting organic growth in the loan book to lift net interest income going into 2021. Additionally, we have continued to build a healthy core business and a strong capital position.

During these troubling times, TNB donated £200,000 to the Gibraltar Disease Prevention Fund, to help Gibraltar combat the disease.

Although we have a new identity as a bank, we remain true to our identity as a value-based organisation. Our clients know this, and for this reason they have also remained loyal to us, even through the changes and challenges.

Our Relationship Managers have also seen more willingness in clients to diversify their investments and take advantage of new opportunities. This gives us the confidence that, even faced with the uncertainty within the financial markets, our clients remain assured.

TNB of tomorrow

Our strategy is to continue to maintain a strong local presence, not just as a local bank but also as an integral part of the community. We are actively working with local charities and organisations to help young adults to build skills to enter further education, internships and employment opportunities.

This is just the beginning. We are focussing our efforts in increasing our Corporate Social Responsibility (CSR) initiatives to ensure we are constantly giving back to the community in a meaningful manner.

In respect to our business, it's evident the world of banking has significantly changed and is reinventing itself. There has been a of lot of volatility in the financial markets in the last year and we expect this for the foreseeable future. Previously, we were able to generate a margin profit from deposits, which is no longer the case; this is true for all banks. We are working towards adapting to the new way of Banking and modernising the way we work, starting with our internal systems.

We need to understand that change is inevitable, and we need to be agile as people and as an organisation to embrace the changes ahead of us.

As we look forward to 2021, we will continue to work on our development, seek new opportunities, and continue to deliver growth and diversification.

Finally, 2020 has been a year of reflection, and I want to conclude by thanking my colleagues for their commitment, and for everything they do for TNB and our customers every single day. I feel grateful to lead such a group of people.

CHRISTIAN BJØRLØW
Chief Executive Officer

Operating environment

A rapidly evolving landscape

The seismic impact of the Covid-19 pandemic on the worldwide economy continues to impact our stakeholders, including colleagues, clients and the wider community in Gibraltar.

The successful roll out of the vaccine has enabled the Gibraltar economy to slowly return, however visitor numbers through tourism will only recover as other countries successfully implement a vaccine roll out. The Gibraltar market is, however, a resilient one and many clients have adapted quickly to the impact of Covid-19. Despite the pandemic, TNB has not seen an increase in provisions.

Covid-19 will continue to impact the Gibraltar economy in what will be a critical time for our local businesses and TNB will continue to support our clients as we emerge from Covid-19.

Interest rates and economic consequences

As a result of the economic consequences of the Covid-19 pandemic, there have been changes in the financial environment that we have adapted to meet. We have, in particular, seen a significant decrease in the interest rate environment. This underlines the importance of adapting and developing the structural elements of the banking market.

Political and regulatory change

With regards to Brexit, TNB has been preparing for all eventualities, including a full exit of the EU Single Market. In parallel, the strategic repositioning of TNB in recent years has significantly reduced the Bank's footprint in the EU and its economic dependency therefore strengthening its position in the status quo.

Regulatory change remains firmly on the banking horizon with the implementation of CRD V, DAC 6, and the new Environment, Social and Governance regulations.

Our strategy

MESSAGE FROM CHRISTIAN BJØRLØW, CHIEF EXECUTIVE OFFICER

"We will keep doing what we do best, trying to build a company that all our stakeholders can be proud of"



Our strategy

TNB is a locally based full service bank supporting the banking needs of Personal, Corporate and Private banking clients through direct access to Relationship Managers who are empowered to make decisions together with clients.

Our four fundamentals

TNB is transforming. We are evolving to ensure we continue to build stakeholder value.
Our missions is to build sustainable stakeholder value by balancing the following four areas:

1

For our employees

At the heart of TNB are our values. We continue to believe that our values create an inclusive and supportive culture which gives our employees a sense of belonging and enables them to perform at their best.

2

For our customers

Our customers are at the heart of every decision made in the bank. Understanding and listening to our customers' needs enables us to provide an easy, personal and out of the ordinary service.

3

For our shareholder

We aim to deliver attractive and sustainable shareholder returns on a foundation of a strong balance sheet.

4

For our community

We look to support our community as a good corporate citizen.

Our business model

TNB is a locally based full service bank supporting the banking needs of Personal, Corporate and Private banking clients through direct access to Relationship Managers who are empowered to make decisions together with clients. We support clients at all stages of their wealth planning, whether it is saving for the future, purchasing their home or through investments as part of their long term financial planning.

CORPORATE

DESCRIPTION

- Offered to local companies;
- Some of the largest businesses in Gibraltar use TNB as their main bank;
- Many Gibraltarian businesses are family owned making business owners potential clients for Private Banking.

EXAMPLE OF SERVICES

- Corporate lending (inc. Buy to let)
- Guarantees
- Corporate current accounts and deposits
- Cash management
- FX

RELATIVE PERFORMANCE SPLITS

Total Assets



Total Income



PERSONAL BANKING

DESCRIPTION

- Banking for local private clients;
- Considered “premier banking” with focus on high-earning individuals who are willing to pay for exceptional service;
- Personalised services with direct access to a Relationship Manager.

EXAMPLE OF SERVICES

- Residential mortgage loans (Gibraltar only – inc. Buy to let)
- Consumer loans
- VISA payment cards
- Current/savings accounts
- Investments – Mutual funds

RELATIVE PERFORMANCE SPLITS

Total Assets



Total Income



PRIVATE BANKING

DESCRIPTION

- Wealth management for private banking clients;
- Multi-language service;
- Products and law (UK based) are familiar to these clients.

EXAMPLE OF SERVICES

- Residential mortgage loans (Gibraltar only)
- Invest loans
- Investments
- VISA payment cards
- Savings accounts

RELATIVE PERFORMANCE SPLITS

Total Assets



Total Income



Our employees

MESSAGE FROM YVETTE MCELWEE, MANAGER OF HUMAN RESOURCES

"To succeed in this new banking world and meet our customers' expectations, we need our employees to be driven and competent in their roles"



Our employees

Supporting our workforce

The Covid-19 pandemic has affected all our lives and challenged the way we work. At the height of the pandemic we were running the bank at a 95% working from home capacity.

TNB will continue to invest in our colleagues in order to strengthen our business and protect our culture. Our employees have shown extraordinary adaptability and resilience, and thanks to them so has TNB.

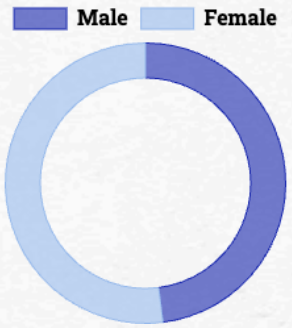
Diversity and inclusion

To be able to provide an easy, personal and out of the ordinary service, our employees must resemble our community.

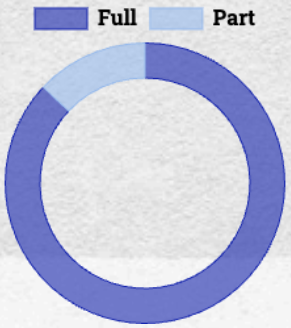
We want to become one of the most accessible and inclusive workplaces in Gibraltar for all our customers, clients, and colleagues. We make everyone, regardless of who they are, or what role they hold in our business, feel equally involved and supported across our organisation. We also ensure opportunities for training, career development and promotion are available to all.

Employee statistics

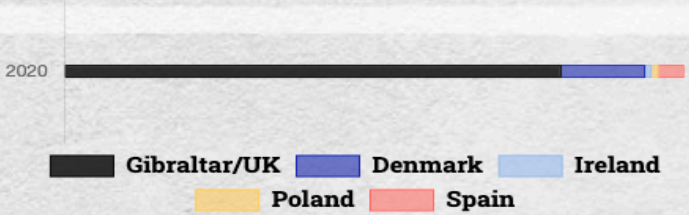
Gender Split %



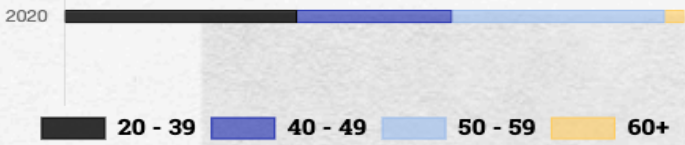
Split by Full time/Part time %



Number of employees split by nationality



Age of employees



Employee engagement survey results

89% "I understand the values that we are expected to abide by at all times"

94% "The Bank's Directors treat all staff with respect"

88% "The Bank is an ethical business and strives to be ethical in everything it does"

Society

MESSAGE FROM JOHN O'HARA, CHIEF OPERATING OFFICER

"TNB supported our clients through the pandemic to help with loan capital repayment holidays, temporary overdrafts and new lending under the Government Guarantee Scheme. TNB will be there for our clients as we emerge from the pandemic"



Society

Our Corporate Social Responsibility (CSR)

At TNB, we aim to support the local initiatives and contribute to the local community of Gibraltar.

We are partnering with local non-profit organisations to support various training and education programmes to empower the youth of Gibraltar to build the necessary tools to develop their skills and knowledge, which they will eventually use in their future work life.

Young Enterprise (YE) Gibraltar, part of YE UK, a leading charity focusing on empowering young people to harness their personal and business skills.

CYE-CYL is a non-profit organisation focused on helping make the world around us a better, happier place. They organise programmes, community-building events, and workshop sessions to help the youth discover their highest potential.

"As part of our corporate social responsibility ambition to support local, we are thrilled to sponsor the local youth training and education programmes"
Christian Bjørløw, CEO, Trusted Novus Bank.

Clean up the World

Clean Up the World was established in 1993 and is a non-profit, non-government apolitical event that unites communities with a common focus to protect the environment. They support local groups and organisations to plan and conduct various activities to clean up, fix up and conserve the environment.

Clean Up the World has engaged an estimated 35 million volunteers across 133 countries, making it one of the largest community-based environmental campaigns in the world, and colleagues from TNB have proudly played their part.

Every September TNB colleagues gather together with other volunteers at various locations around the Rock and collect litter to be disposed of in an environmentally friendly manner.

GHA donation – TNB donated £200k towards the fight against Covid-19

The Bank decided to donate £200,000 towards the GHA Covid-19 fund. This was to assist our healthcare workers to continue their good work in helping those afflicted and towards supporting the Gibraltar economy to get back on its feet.

TNB played its part towards protecting our clients, colleagues and the wider community from the physical dangers of this disease. The donation was to not only help save lives, but hopefully contribute to the overall economic recovery for Gibraltar.

Achievements

Increased focus on our clients with the introduction of assistant relationship managers and account managers.

TNB's ambition is to make banking easy, personal, and out of the ordinary. One of the ways we are trying to achieve this is by introducing Assistant Relationship Managers and Account Managers into our client facing teams.

We have dedicated teams of Assistant Relationship Managers and Account Managers ready to assist clients in daily and routine tasks, and clients will talk to them directly - not via a call centre. Should our clients wish to discuss more complex banking matters then the client's Relationship Manager is available with personal service, as and when it is needed.

The introduction of Assistant Relationship Managers and the Account Managers also enables the Relationship Managers to focus more time on building a relationship with their clients.

Employee support program / introduction of flex working

TNB has always aimed at being the best working place in Gibraltar. This has been done by following our values in every part of our working life.

As part of our Employee support program, we recognise how important it is to create a flexible and agile workforce. We also recognise that our employees should be valued and we support what most matters to them.

We have always offered flexibility based on a trusting relationship with our employees. We believe this has supported our inhouse culture and has been aligned to our company values.

Today, we are looking into ways of formalising and promoting a flexible work environment, offering the option of combining working remotely and in the office. Going forward this ensures there is better clarity on expectations, fairness and equality offered across our organisation.

Investors in People (IIP)

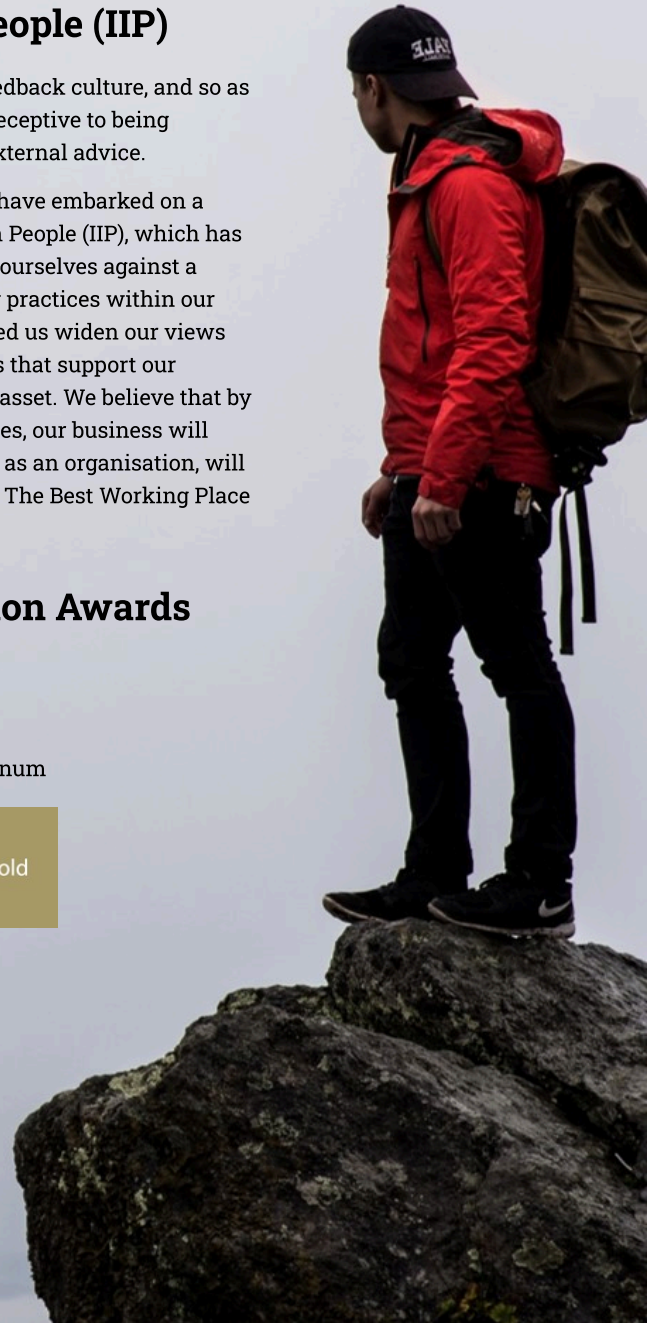
At TNB we embrace a feedback culture, and so as an organisation we are receptive to being assessed and to obtain external advice.

For many years now we have embarked on a journey with Investors in People (IIP), which has helped us to benchmark ourselves against a standard on our working practices within our organisation. It has helped us widen our views and develop within areas that support our employees – our biggest asset. We believe that by investing in our employees, our business will continue to grow and we as an organisation, will continuously strive to be The Best Working Place in Gibraltar.

IIP Accreditation Awards

- 2013 - Silver
- 2015 - Gold
- 2018 - Gold
- 2021 - Aiming for Platinum

INVESTORS IN PEOPLE | Gold



Governance and risk

Board of Directors

Trusted Novus Bank's Board of Directors meet at least four times a year. There is a clear division of responsibility which ensures a balance of power and authority between the Chairman, who controls and directs the Board meetings and the Chief Executive Officer, who together with the Managing Director, carries responsibility for running the Bank's operations.

Oversight of strategy and risk

The Board are responsible for identifying the risks to which the Bank is exposed in relation to its activities and ensuring that proper mandates, policies, authority levels, risk frameworks and systems are in place and functioning effectively. The Board encourages the taking of controlled risks, exploring new opportunities and the use of innovative approaches to further strengthen the internal control framework.

The Board's control over business activities

The Board's mandate is to oversee the conduct of the Bank's affairs by working with and through Management.

The Board determines particularly:

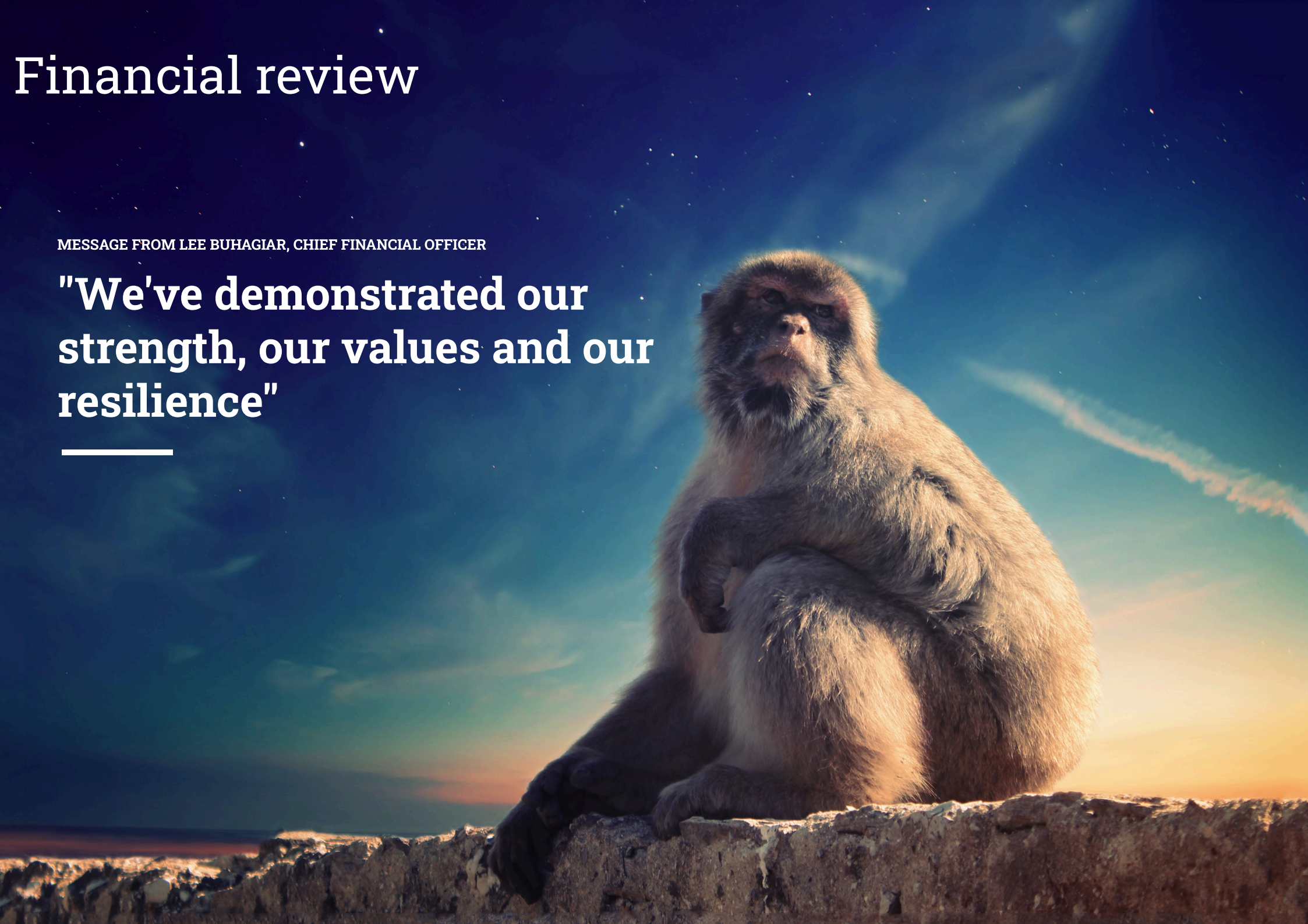
- the appetite and management of risk;
- the management of the loan portfolio;
- the processes for determining the adequacy of provisions for credit exposures;
- the Bank's asset/liability management;

Assurance of the control environment

The Board receives reports and reviews from internal and external audit about the adequacy of internal control practices and ensures that identified discrepancies are remedied. Independent audit's assessment of the adequacy of internal controls involves a process of understanding, documenting, evaluating and testing the internal control systems in place at all levels of the organisational structure.



Financial review



MESSAGE FROM LEE BUHAGIAR, CHIEF FINANCIAL OFFICER

"We've demonstrated our strength, our values and our resilience"

Financial review

In 2020, TNB helped support the local community in its battle against Covid-19, demonstrating our strengths, by keeping to our values, and by showing our resilience.

Our financial strength enabled us to focus our efforts in safeguarding the health of those close to us and for those we are responsible, to ensure that we all emerge stronger and better equipped to deal with the future.

Despite these pressures, and the highly uncertain operating environment, we believe that our strong balance sheet and superb credit quality should stand us in good stead to hit the ground running in this new environment. The development in business areas remains promising, and we are confident in our underlying value and future prospects of our evolving business model.

Balance sheet

Since becoming TNB in April 2020, there has been strong business emphasis in growing the Bank's loan portfolio. Total customer lending in 2020 was up 9% in the year to £175m. During the year, the Bank made changes to its credit policies, becoming more attractive and competitive to the Bank's customers. Even during the unknowns of the overall economic situation, the Bank ensured not to compromise its financial strength or the quality of the loan book.

Due to the zero-interest rate environment, the Bank expected a reduction in customer deposits as deposits would not yield any return. Total customer deposits were down 3% to £442m.

Profit and loss account

The Bank's results have been significantly affected by the impact of the Covid-19 crisis. The Bank has seen an impact on income with assets repricing immediately following the two base rate cuts this year from the BOE and also from the significant drop in the interest rates from the FED. Net profit before tax was therefore down by 69% on full year 2019 at £1.097m.

Operating costs increased by 10% (£1,088k) within which £200k was a donation to the Gibraltar Disease Prevention Fund, and £482k pertained to property rental costs that did not feature in the prior year.

Robust capital, liquidity and funding position

Importantly though, TNB's balance sheet remains robust with a significant CET1 buffer in excess of its Capital Requirements Directive IV (CRDIV) of 28.4% (2019: 33.4%). TNB also maintains a strong liquidity position with an LCR of 261% and a loan-to-deposit ratio of 40%.

Assets Under Management (AUM)

Despite market volatility throughout 2020, TNB's assets under management grew to £838 million from £823 million as at the end of 2019, and has laid firm foundations for a further increase in 2021.



Financial review

Summary income statement

	2020 GBP	2019 GBP
Interest receivable	6,189,350	8,752,949
Interest payable	-687,123	-2,306,786
Net interest income	5,502,227	6,446,163
Fees and commissions receivable	6,059,587	6,593,887
Fees and commissions payable	-648,678	-755,472
Dealing profits	2,262,556	2,223,704
	7,673,465	8,062,119
Total operating income	13,175,692	14,508,282
Administrative expenses	-6,122,073	-6,098,803
Depreciation and amortisation	-65,029	-121,062
Other operating charges	-5,863,059	-5,782,393
Adjustments to provisions	-28,667	798,565
Bad debts recovered	0	213,264
	-12,078,828	-10,990,429
Profit on ordinary activities before tax	1,096,864	3,517,853
Tax on profit on ordinary activities	-102,289	-321,837
Profit for the financial year	994,575	3,196,016

Summary balance sheet

	2020 GBP	2019 GBP
ASSETS		
Cash and balances at central banks	5,589,123	4,630,794
Loans and advances to credit institutions due within one year	233,593,962	300,734,217
Loans and advances to customers	175,497,657	159,975,932
Investments in debt instruments	111,223,790	65,051,348
Investments in equity instruments	2,161,797	1,963,685
Tangible fixed assets	282,791	12,248,325
Derivative financial instruments	1,077,156	275,102
Other assets	423,606	378,496
Assets held temporarily	244,851	244,851
Prepayments and accrued income	889,908	750,647
Total assets	530,984,641	546,253,397
LIABILITIES AND EQUITY		
Amounts owed to credit institutions	8,109,548	8,213,575
Amounts owed to customers due within one year	441,540,674	456,839,275
Other liabilities	1,562,278	2,163,208
Corporation tax payable	140,453	321,837
Derivative financial instruments	380,559	243,939
Accruals and deferred income	29,610	244,619
	451,763,122	468,026,453
Called up share capital	26,500,000	26,500,000
Revaluation reserve	0	2,001,284
Profit and loss account	52,721,519	49,725,660
Total liabilities and equity	530,984,641	546,253,397