TRUSTED NOVUS BANK

Annual Report 2021



Proud to be
out of the ordinary

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 via a selection of channels, including branch, telephony and digital.

We offer full banking services to both corporate and individual 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 mission is to build sustainable stakeholder value by balancing the following four areas:

For our employees
Being the best working place in Gibraltar.

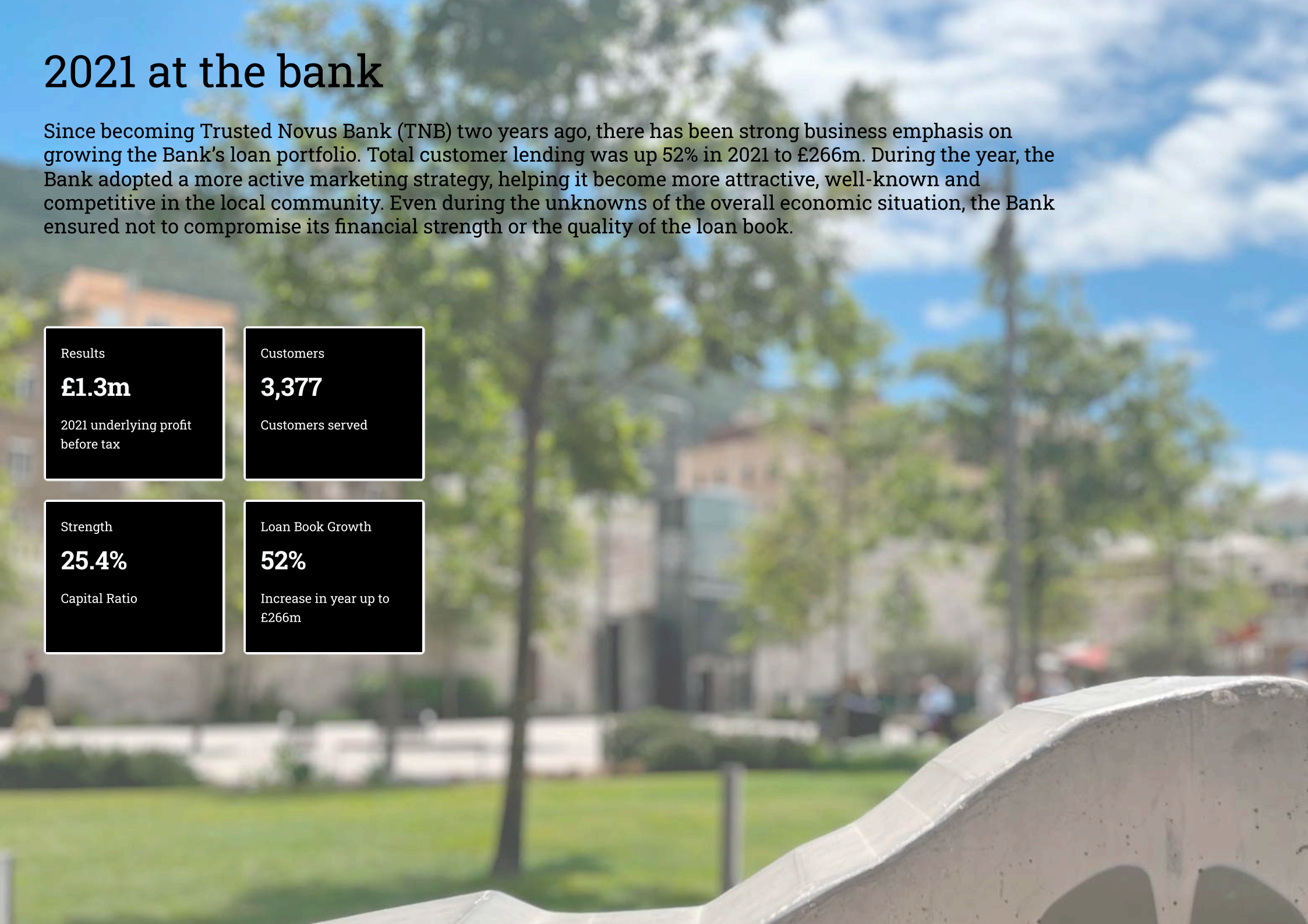
For our customers
Providing an easy, personal, and out of the ordinary experience.

For our shareholder
Generating a sustainable shareholder return.

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

2021 at the bank

Since becoming Trusted Novus Bank (TNB) two years ago, there has been strong business emphasis on growing the Bank's loan portfolio. Total customer lending was up 52% in 2021 to £266m. During the year, the Bank adopted a more active marketing strategy, helping it become more attractive, well-known and competitive in the local community. 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.



Results

£1.3m

2021 underlying profit before tax

Customers

3,377

Customers served

Strength

25.4%

Capital Ratio

Loan Book Growth

52%

Increase in year up to £266m



MESSAGE FROM CHRISTIAN BJØRLØW, CHIEF EXECUTIVE OFFICER

“Running a bank these years has been a balancing act”

CEO'S letter

2021 became another challenging year but with some light at the end of the tunnel

I had hoped that 2021 would have been the year we finally could say “goodbye” to the Covid-19 pandemic and the impact it has had on us all, but unfortunately Covid-19 continued primarily in the beginning of the year and created uncertainty and challenges for everyone.
Thankfully, the burden of the pandemic faded during the year, and we all came back to normality or whatever we can call normal nowadays.

TNB has been deeply rooted into the local community for more than 165 years. We have always believed that we are a truly local bank and our aim for 2021 was to ensure that we continued to connect with our customers and our community in a positive and engaging manner.

Therefore, I was very delighted we could announce in July that Midtown Park (now known as Campion Park) has been entirely funded by the Board and shareholders of TNB. This is just one of the ways we aim to show that we are a truly local bank by giving something back to the community in which we are deeply rooted.

We believe it is important to have nature in our close surroundings. As Gibraltar’s urban areas continue to develop and prosper, TNB is committed to contributing towards a healthier environment for our community to enjoy.

Strong financial numbers

Our balance sheet continued to strengthen in 2021, which has shown a significant increase in our loan book and assets under management. The record low interest environment combined with the Bank of England base rate being 0.1% during most of 2021, continued to put pressure on our net interest income. We saw inflation rocketing in 2021 which led to the Bank of England to announce its first hike in base rate in nearly 21 months. Overall, due to our robust balance sheet where we have ensured not to compromise its financial strength, the net profit for the financial year was up by 33% compared to the previous year.

New technology

From a long-term perspective, a wide range of issues and risks were reviewed to ensure organisational resilience and the responsiveness of the Bank. With the evolving environment, particularly in relation to technology, we started a fundamental project which entails the changing of our core IT platform; this project is called “Project Bloom”. I expect we will be operating on the new platform by the beginning of 2023. We aim for more streamlined processes, which will not only benefit our employees but of course our clients. Ultimately, our goal is to deliver a personal and out of the ordinary customer experience.

Although we have a new name 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.

Looking Forward

As 2021 is now behind us, we will continue to deliver value in different forms for all our stakeholder groups: customers, employees, society, and shareholders. Enhancing our services and products to customers as well as supporting innovation in society will continue to be part of the agenda together with focusing on ensuring and continuing employee engagement, which has been second to none in the organisation.

In 2021 we have significantly increased our marketing efforts, to ensure that Gibraltar, as a community, is aware of the services we can deliver, and I am confident that the people of Gibraltar will soon consider TNB to be *The Bank of Choice*.

CHRISTIAN BJØRLØW
Chief Executive Officer

Operating environment

Resilience and growth

2021 was another year of change for Gibraltar as we continue to emerge from the pandemic.

In the face of the economic challenges 2021 brought to our economy, we witnessed both resilience and growth in different sectors of the economy.

The residential property market experienced record growth with high demand for larger properties and with new wealth entering Gibraltar pushing up property prices. TNB supported this in a record year for residential lending, expanding our product offering and lending criteria to help meet the needs of the local market.

Our Corporate clients have adjusted to difficult trading conditions with resilience as Gibraltar slowly opened again to tourism. We continue to support the working capital requirements of our clients, expansion and investment, and we also support selected construction projects, a key economic driver in a relatively small marketplace.

TNB is committed to supporting our local economy in all our customer segments. Our lending remains underpinned by strong affordability criteria. This is more important than ever in a rising inflation and rising interest rate environment when the cost of living is rising, and we are all noticing the difference.

We see the increased presence of Distributed Ledger Technology in Gibraltar, which can provide challenges for banking in areas such as cryptocurrency. Digitalisation in banking presents challenges and opportunities for the sector.

The outcome of the Schengen agreement could have a positive or negative short-term impact and the long-term impact of Brexit is still unknown. As we move into 2022 and feel the impact of rising rates, rising inflation and the economic impact of the war in Ukraine, change remains the constant. Gibraltar knows how to respond, emerging strong and building for the future. Gibraltar is resilient and as the jurisdiction adapts, TNB will be there for our clients.

JOHN O'HARA
Chief Operating Officer



Operating environment

Political and regulatory change

The banking industry is operating in a Brexit environment which still brings its challenges both at client level and at legal level.

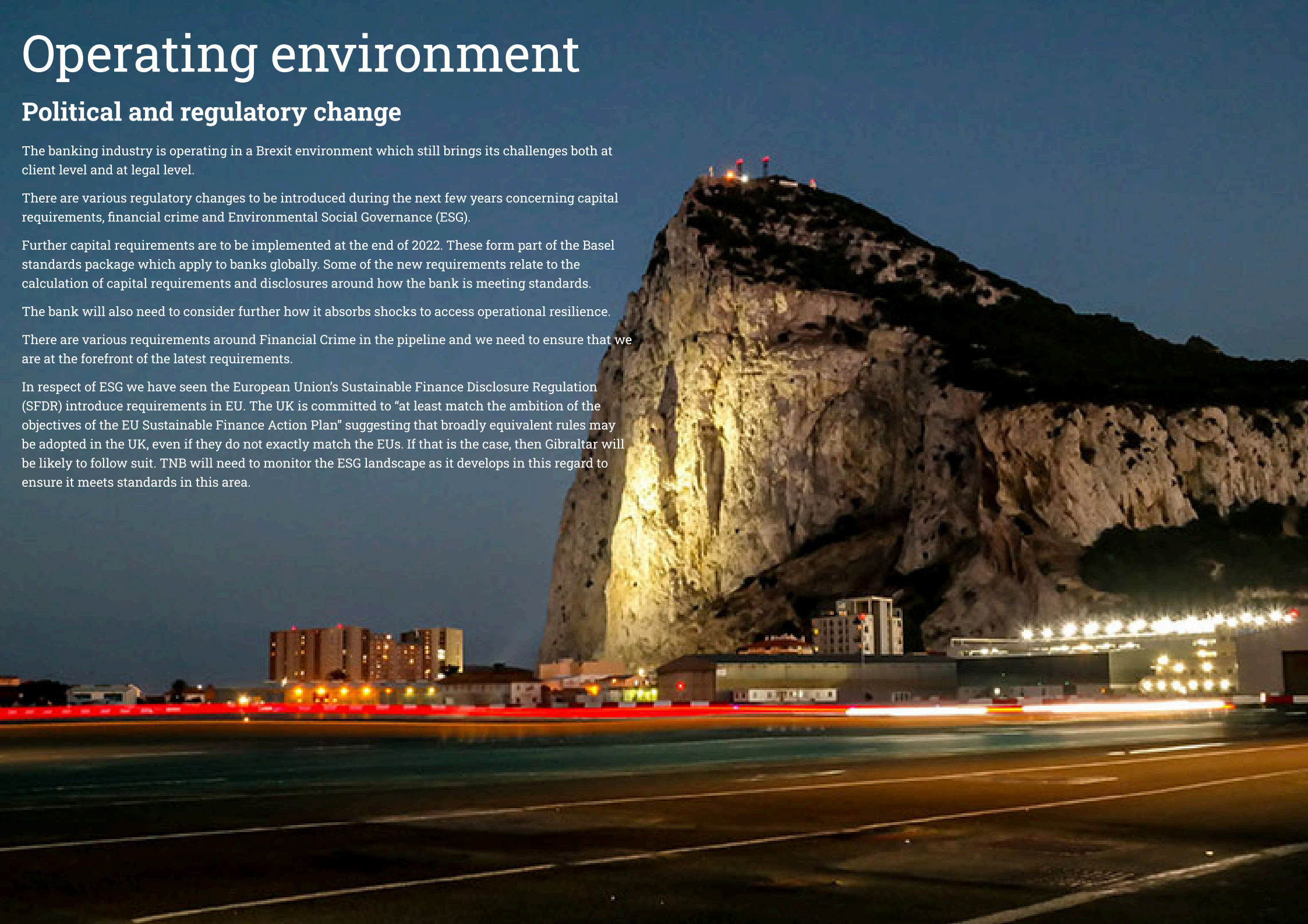
There are various regulatory changes to be introduced during the next few years concerning capital requirements, financial crime and Environmental Social Governance (ESG).

Further capital requirements are to be implemented at the end of 2022. These form part of the Basel standards package which apply to banks globally. Some of the new requirements relate to the calculation of capital requirements and disclosures around how the bank is meeting standards.

The bank will also need to consider further how it absorbs shocks to access operational resilience.

There are various requirements around Financial Crime in the pipeline and we need to ensure that we are at the forefront of the latest requirements.

In respect of ESG we have seen the European Union's Sustainable Finance Disclosure Regulation (SFDR) introduce requirements in EU. The UK is committed to "at least match the ambition of the objectives of the EU Sustainable Finance Action Plan" suggesting that broadly equivalent rules may be adopted in the UK, even if they do not exactly match the EUs. If that is the case, then Gibraltar will be likely to follow suit. TNB will need to monitor the ESG landscape as it develops in this regard to ensure it meets standards in this area.



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 mission is to be the **Bank of Choice in Gibraltar**.

Our four fundamentals

We are a community bank whose mission is to become the Bank of Choice in Gibraltar by balancing the needs and creating value for our main stakeholders:

1

For our employees

Our values are core to who we are. We are a community bank that supports and develops our colleagues, some of whom have worked here for 40 years. Our mission is to be the best working place in Gibraltar.

2

For our customers

Personalised service that listens to and meets the needs of our diverse client base is what sets us apart and is the foundation our business is built upon.

3

For our shareholder

We aim to create attractive and sustainable shareholder returns, underpinned by a strong balance sheet and a diversified business.

4

For our community

We look to support our community as a good corporate citizen, as a community bank which traces its history back to 1855 when it was established by the Galliano family.



Our employees

MESSAGE FROM YVETTE MCELWEE, MANAGER OF HUMAN RESOURCES

“The speed at which the world is changing presents us with challenges that in return, offer us continuous opportunities.
As an organisation we focus on the importance of resilience and well-being, to support our employees throughout the journey.”

Our employees

Supporting our workforce - Resilience & Well-Being is key

TNB continues to invest in our employees in order to strengthen the competences within our business and protect our corporate culture.

Our employees have the responsibility today to create objectives aligned to our business goals, thus applying a growth mindset and in return ensuring each one of us knows how we contribute to our successes.

The pandemic has encouraged us to provide even more flexibility to our working practices and with this, we offer our employees greater autonomy to work closely together with their teams and leaders, ensuring we meet our business and lifestyle needs.

Workforce and Business Growth

Our workforce has increased significantly in the past 18 months - helping us support our business needs.

In TNB we continue to encourage our employees to work within their strengths. We offer opportunities to further develop our knowledge, competencies and talent so as employees we have the ability to shape our careers within the organisation.

With the transformation of a new IT platform due to be implemented within the next 12 months, our aim focuses on building a workforce fit for purpose, supporting not only our existing client needs, but also those of our future potential customers.

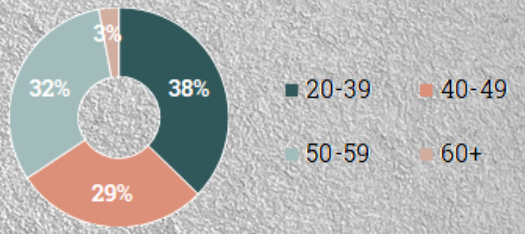
Employee statistics

Employee Retention April 2021 – March 2022

99%

66% of employees feel supported in their career advancement

Age of employees in %



Employee engagement survey results

83% "My team works towards a common goal....."

98% "I can approach my leader for my support....."

89% "I believe in our Core Values....."

Our business model

TNB is a locally based full-service bank supporting the banking needs of Personal, Corporate and Private banking through personalised service. 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. We support home ownership in Gibraltar through our residential lending, property investment for long term investors, corporate lending for all types of business needs and Lombard Lending for clients who want to leverage against their investments for further investment or simply for personal cashflow needs. We are truly a Bank that seeks to serve the whole community.

CORPORATE

DESCRIPTION

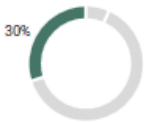
- Offered to local companies;
- Some of the largest businesses in Gibraltar use TNB as their main bank;
- Many Gibraltarian businesses are family owned making business owners potential clients for Private Banking.

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

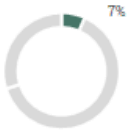
- Banking for local private clients;
- Considered “premier banking” with focus on high-earning individuals who are willing to pay for exceptional service;
- Personalised services with direct access to a Relationship Manager.

EXAMPLE OF SERVICES

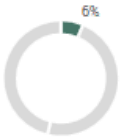
- Residential mortgage loans (Gibraltar only – inc. Buy to let)
- Consumer loans
- VISA payment cards
- Current/savings accounts
- Investments – Mutual funds

RELATIVE PERFORMANCE SPLITS

Total Assets



Total Income



PRIVATE BANKING

DESCRIPTION

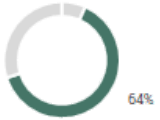
- Wealth management for private banking clients;
- Multi-language service;

EXAMPLE OF SERVICES

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

RELATIVE PERFORMANCE SPLITS

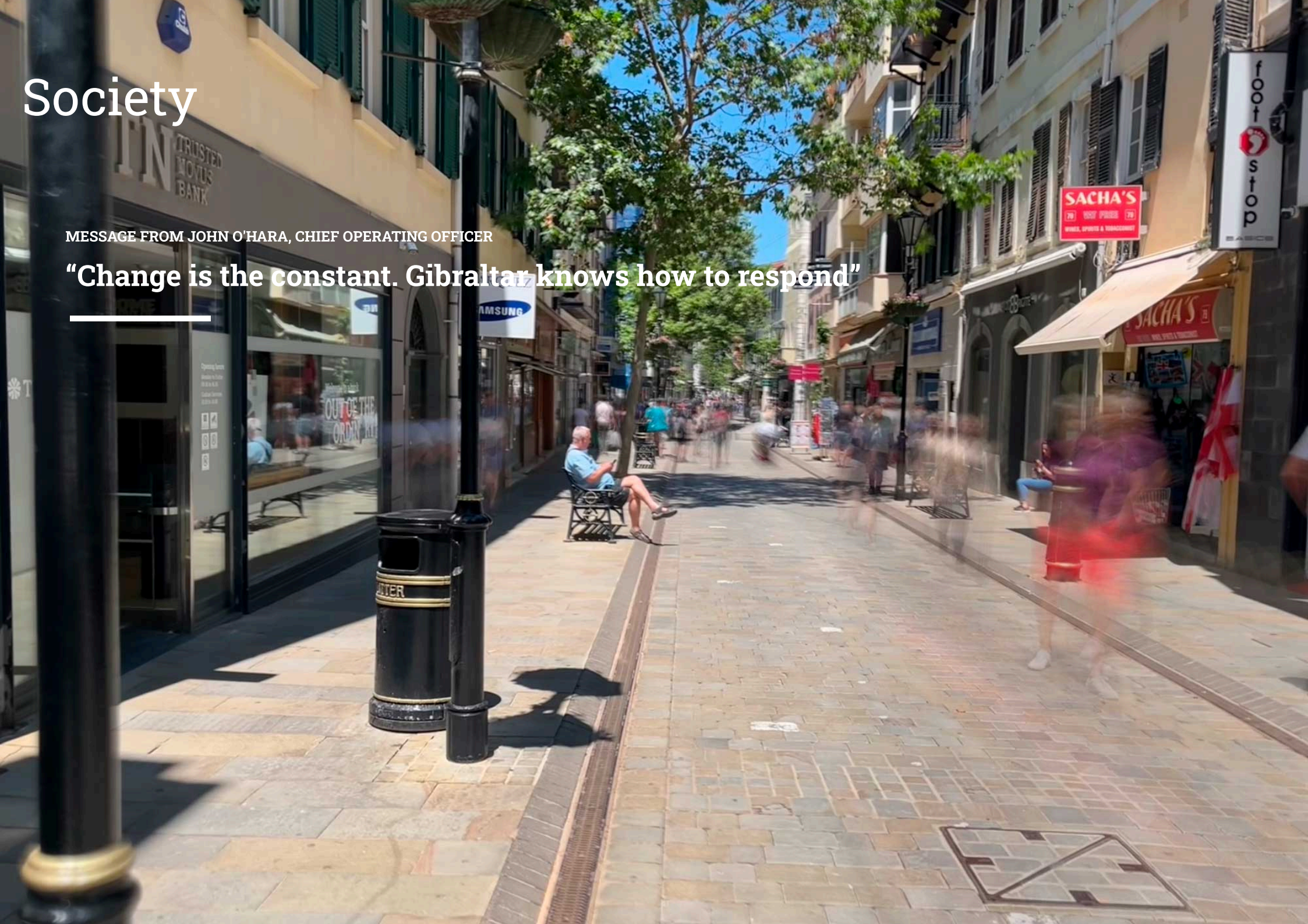
Total Assets



Total Income



Society



MESSAGE FROM JOHN O'HARA, CHIEF OPERATING OFFICER

“Change is the constant. Gibraltar knows how to respond”

Society

Our Corporate Social Responsibility (CSR)

At TNB we aim to support 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.

Gibraltar Rugby Youth: sponsorship in Gibraltar's Rugby is a first for TNB where we will be supporting sports at grass roots level. Youth Rugby Championship (YRC) focus is on small sided teams where every child feels included, is involved with the game and has a greater chance of touches on the ball. It provides structured meaningful competition, not a win at all costs mentality, but the grounding for what it takes to win and lose. This environment offers the opportunity of goal setting, personal player development opportunities, the sense of achievement and with their experienced coaches, a fun and safe environment. Gibraltar Rugby core values are very much aligned to those of TNB.

Gibraltar College of Further Education Annual Awards: Every year the Gibraltar College of Further Education holds an annual awards ceremony to celebrate the students' success. TNB is proud to be sponsoring the awards ceremony as well as providing administration interviews and workshops to those students who are about to leave full time education and begin their working 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.

Campion Park donated by TNB

Campion Park has been entirely funded by the Board and shareholders of TNB. This is just one of the ways that the Bank aims to show that it is a truly local Bank by giving something back to the community in which it is itself, deeply rooted.

We believe in the importance of having nature in our close surroundings. As Gibraltar's urban areas continue to develop and prosper, Trusted Novus Bank is keen to show commitment to contributing towards a healthier environment for our community to enjoy.

With Campion Park we are supporting an investment in Gibraltar's urban renewal and green space in the very centre of our city.

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.

YOUNG enterprise
A Member of JA Worldwide

GIBRALTAR RUGBY

CYE-CYL
CHANGE YOUR ENERGY, CHANGE YOUR LIFE

Clean Up the World

Governance and risk

Board of Directors

TNB'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 carries responsibility for running the Bank's operations.

Oversight of strategy and risk

The Board is 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, in particularly in matters concerning:

- financial performance
- 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

More detailed operational policy statements and standard operating procedures are developed by Management.

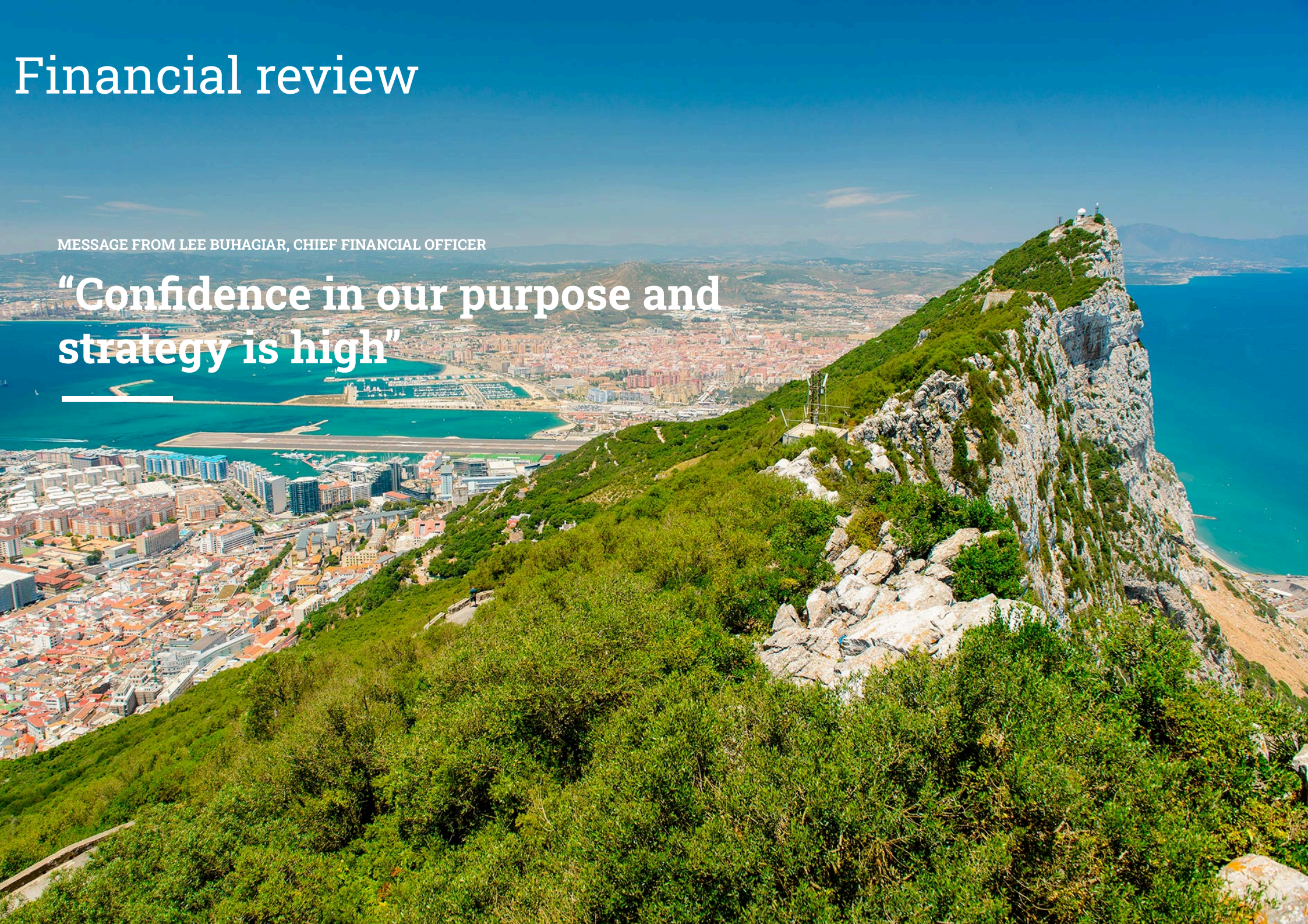
Assurance of the control environment

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 audits 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

“Confidence in our purpose and strategy is high”

Financial review

TNB has been deeply rooted in the local community for more than 165 years. First as Galliano Bank, then as Jyske Bank and now as Trusted Novus Bank. We have always believed that we are a truly local bank and our aim for 2021 was to ensure that we continued to engage with our customers and our community in a positive and enriching manner.

Being there for our customers is as important today as it has always been, especially with the development we have seen across the world over the past few years. Overall, we believe the recovery following the COVID-19 pandemic is going to plan. TNB has adapted well, but the directors do recognise the need to remain sensitive towards our clients, many of whom are only beginning to recover from the impact on the front line within an economy hinged on tourism and hospitality.

TNB continues to transform but our strategy continues to be the same. We will continue to focus our efforts on having a strong presence in Gibraltar, 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. We are looking to increase our Corporate Social Responsibility (CSR) initiatives in the coming years to make sure we are constantly giving back to the community in a meaningful manner.

In respect to our business, it's evident that the world of Banking has significantly changed and is reinventing itself. There has been a of lot of uncertainty in the financial markets in the last year and we expect this for the foreseeable future.

Low interest environments meant we had to change the way we worked, and this is true for all banks. Saying this, in 2021 we stripped ourselves bear to internally assess ourselves, and we realised that we needed to modernise the way we work. During Q3 we commenced work on revolutionising our core banking platform, which once complete, will be the enabler to our future success.

During the year, the Board and its' Committees conducted regular reviews to assess the Bank's response to the challenges posed to TNB and evaluating its impact on our business and loan portfolio. From a longer-term perspective, a wide range of issues and risks were reviewed to ensure organisational resilience and the responsiveness of the Bank to the evolving environment, particularly with relation to technology. The Board is focused on critical aspects like cyber security and data privacy, and the scalability and resilience of the Bank's technology architecture.

Balance sheet

Since becoming Trusted Novus Bank (TNB) two years ago, there has been strong business emphasis on growing the Bank's loan portfolio. Total customer lending was up 52% in 2021 to £266m.

During the year, the Bank adopted a more active marketing strategy, helping it become more attractive, well-known and competitive in the local community. 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.

Profit and loss account

Net profit for the financial year was up 33% compared to the previous year. Net interest income was broadly flat. However, a strong performance in our capital markets activities has delivered positive results.

Other operating charges increased by 4% (£241k), most of which can be attributed to our continued efforts to enhancing our scalable operating model which is built around the principle of customer service, automation and a centralised support model.

Robust capital, liquidity and funding position

The Bank is highly liquid and well capitalised with a Common Equity Tier 1 (CET1) ratio of 25.4 per cent. TNB's Liquidity Coverage Ratio (LCR) remains relatively high and well in excess of the minimum required ratio at 350% (2020: 261%).

Financial review

Summary income statement

	2021 GBP	2020 GBP
Interest receivable	5,560,903	6,189,350
Interest payable	-250,784	-687,123
Net interest income	5,310,119	5,502,227
Fees and commissions receivable	6,603,500	6,059,587
Fees and commissions payable	-979,009	-648,678
Dealing profits	2,951,106	2,262,556
	8,575,597	7,673,465
Net operating income	13,885,716	13,175,692
Administrative expenses	-6,183,572	-6,122,073
Depreciation	-210,446	-65,029
Other operating charges	-6,104,286	-5,863,059
Adjustments to provisions	59,432	-28,667
	-12,438,872	-12,078,828
Profit on ordinary activities before tax	1,446,844	1,096,864
Tax on profit on ordinary activities	-122,805	-102,289
Profit for the financial year	1,324,039	994,575

Summary balance sheet

	2021 GBP	2020 GBP
ASSETS		
Cash and balances at central banks	3,892,919	5,589,123
Loans and advances to credit institutions due within one year	139,426,242	233,593,962
Loans and advances to customers	266,423,921	175,497,657
Investments in debt instruments at fair value	41,134,740	40,812,879
Investments in debt instruments at amortised cost	121,058,826	70,410,911
Investments in equity instruments	2,178,913	2,161,797
Intangible fixed assets	817,397	-
Tangible fixed assets	496,383	282,791
Derivative financial instruments	794,899	1,077,156
Other assets	575,467	423,606
Assets held temporarily	244,754	244,851
Prepayments and accrued income	1,853,867	889,908
Total assets	578,898,328	530,984,641
LIABILITIES		
Amounts owed to credit institutions	4,698,440	8,109,548
Amounts owed to customers due within one year	490,944,971	441,540,674
Other liabilities	2,171,996	1,562,278
Corporation tax payable	122,805	140,453
Derivative financial instruments	409,890	380,559
Accruals and deferred income	4,668	29,610
	498,352,770	451,763,122
Called up share capital	26,500,000	26,500,000
Revaluation reserve	-	-
Profit and loss account	54,045,558	52,721,519
Total liabilities	578,898,328	530,984,641