

# BNF Bank p.l.c.

## Presentation to Subordinated Bond Investors

May 2022



Throughout this presentation, BNF Bank p.l.c. is referred to as 'BNF Bank', 'BNF', 'the Bank', or 'the Issuer'. BNF Bank p.l.c. is a credit institution licensed by the Malta Financial Services Authority to undertake the business of banking in terms of the Malta Banking Act 1994.

# Contents

---

- » Introduction to BNF Bank
  - » History
  - » Shareholders
  - » Board of Directors
  - » Organisational and Corporate Governance Structure
- » Strategy and Vision
  - » Objectives
  - » Environmental, Social and Governance Factors
  - » Lines of Business
  - » Our Future
- » Financial Performance
- » The Bond Issue
- » Annexes



# Introducing BNF Bank

---

- History
- Shareholders
- Board of Directors
- Organisational Structure



# Introducing BNF Bank in Figures

Return on Equity\*

9.4%

Total Assets

€1,004bn

Capital Adequacy Ratio

>17%

Liquidity Coverage Ratio

129%

A Maltese credit institution, licensed in 2007 and is classified as a "Core" bank.

Al Faisal Group of Qatar acquired a majority stake in BNF Bank in 2016;

Since 2016, the Bank's total equity position has increased from €25.8m to €97.7m, and total assets have increased by over 92%;

BNF Bank is on a growth trajectory having €253m (25% of Total Assets) of undrawn credit commitments, with healthy capital and liquidity ratios.

\*Return on Equity is based on pre-tax Dec 2021 figures.

# Inception and First Years



2008 – 2015

## Foundation Years

Incorporated as Banif Bank (Malta) p.l.c., a subsidiary of Banif SGPS SA. Licensed to operate as a Credit Institution in terms of the Banking Act 1994 to provide full range of commercial banking services covering Malta and Gozo. Investment in systems, people and technology which focused on market penetration saw a constant growth in customer base. The Bank managed to establish itself within the local banking industry, contributing to the Maltese economy and the social well-being of the local community.

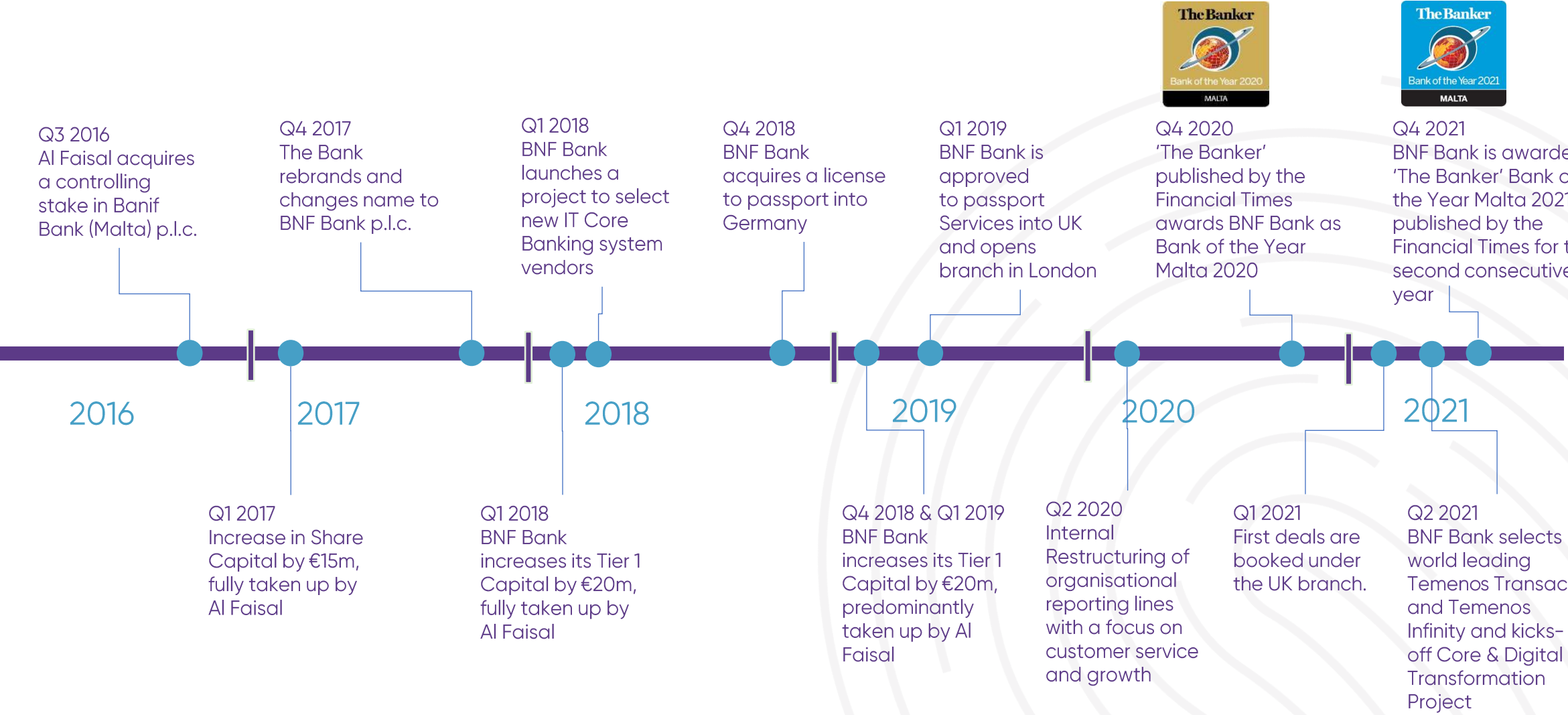
2016

## New Shareholding

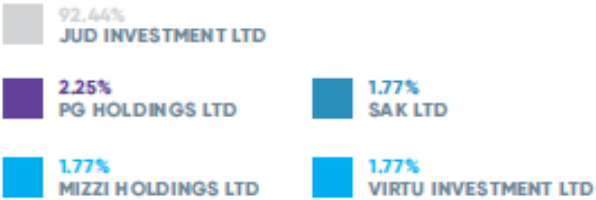
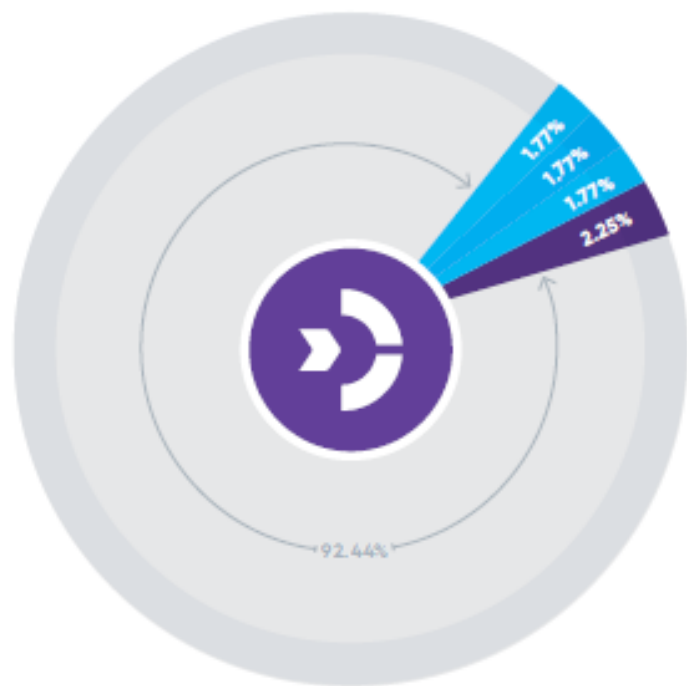
Sale of 78.46% shareholding to Al Faisal International for Investment a fully owned subsidiary of Al Faisal Group. Al Faisal Holding is one of Qatar's leading diversified private holding companies. A family business established in 1964 with a diversified business model operating across eight "clusters" which comprise over 50 companies in the Property, Hospitality, and Trading, Education, Culture, Leisure, Services and Manufacturing sectors. As well as being recognized as a leading Qatari business, Al Faisal Holding is also regarded as a leading player in promoting Qatar's heritage and international understanding of the country.



# Key Milestones Since Acquisition By Al Faisal



# Shareholding Structure



JUD Investment Group Ltd, a subsidiary of Al Faisal International for Investments Company Q.P.S.C., one of Qatar’s largest private diversified groups, is BNF Bank’s majority shareholder having 92.4% stake in the Bank.

The remaining 7.6% of shares are held by four Maltese shareholders:

PG Holdings Ltd (2.25%),  
Mizzi Organisation Limited (1.77%),  
SAK Ltd (1.77%), and  
Virtu Investments Ltd (1.77%).

The Ultimate Beneficial Owner (UBO) of BNF Bank p.l.c. is Sheikh Feisal Qassim F. TH Al-Thani, Chairman of Al Faisal Holding.





# Board of Directors



Dr Michael Frendo  
Independent Non-  
Executive Chairman



Sheikh Mohammed  
Faisal Q.F. Al-Thani  
Non-Executive  
Deputy Chairman



Sheikh Turki Faisal  
Q.F. Al-Thani  
Non-Executive  
Director



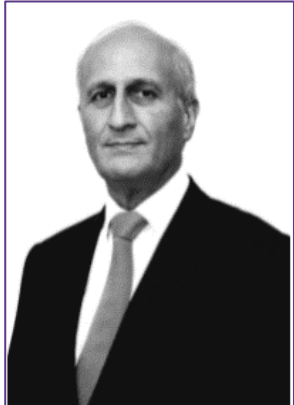
Michael Collis  
Chief Executive Officer  
and Managing Director



Juanita Bencini  
Independent Non-  
Executive Director  
& Chairperson of  
Risk Committee



Charles Borg  
Non-Executive Director  
& Chairperson of the  
Credit Approval  
Committee



Mario P. Galea  
Independent Non-  
Executive Director  
& Chairperson of  
Audit Committee



Paul Johnson  
Independent Non-Executive  
Director & Chairperson of  
Compensation and  
Nomination Committee



Kenneth Mizzi  
Non-Executive Director



Maurice Mizzi  
Non-Executive Director



Mark Portelli  
Non-Executive Director

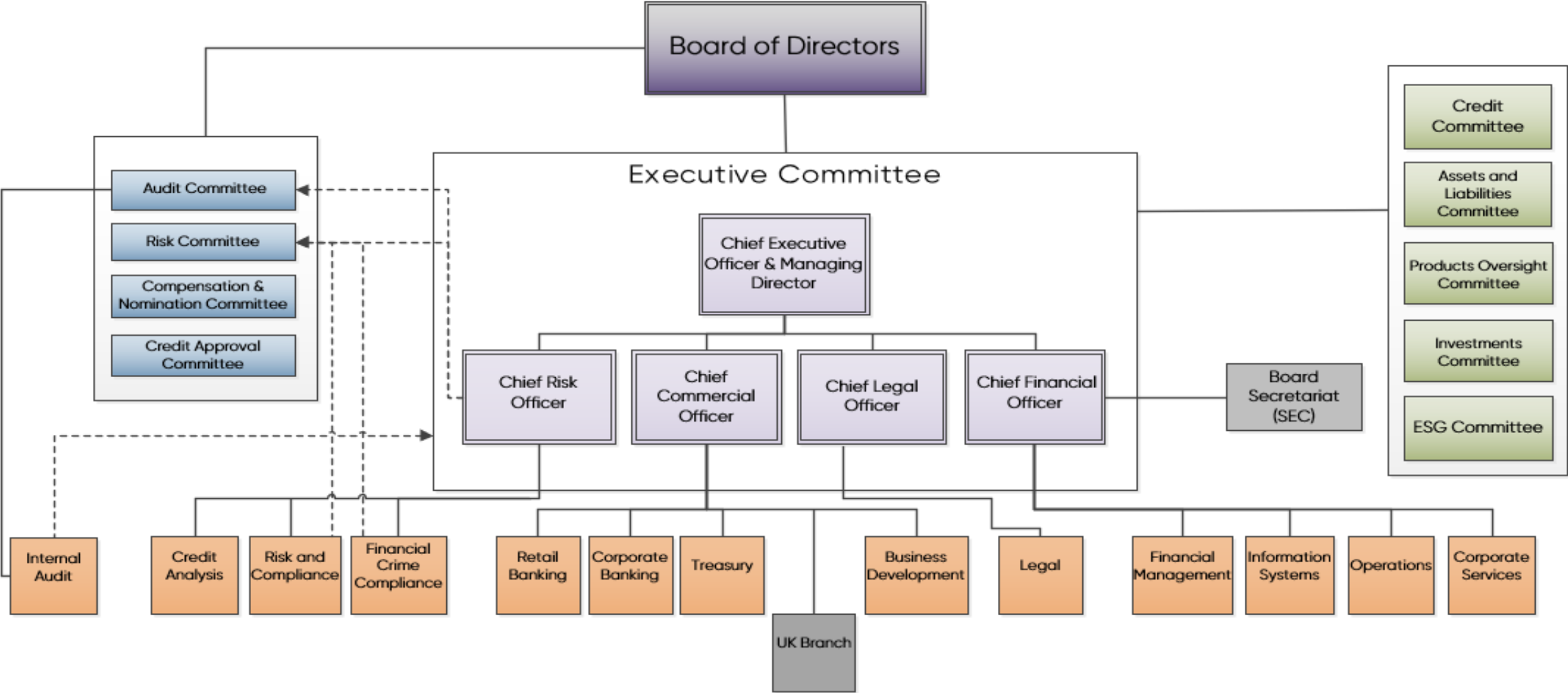


Dr Jean Noel Cutajar  
Company Secretary





# Organisational and Corporate Governance Structure



## Legends

Reporting Lines

Duty to Report

Board Committees

Management Committees

Departments



# Strategy and Vision

---

- Core Values
- Environmental, Social, Governance Factors
- Products and Services Suite



# Core Values

---

The values that guide our daily behavior are at the basis of everything we do.



## Ambition

We embrace change and face challenges, while continually looking for solutions. Ambition to us represents a strong desire to do and achieve.



## Responsibility

We take personal responsibility for growth and development, keeping in mind the community in which we operate. We want to share our knowledge and experience with our customers, who know they can count and depend on us.



## Empathy

We are empathic because we have the ability to understand and share the feelings of others. We understand our customers' needs to deliver a high-quality service.



# How We Achieve Our Ambition

---



- We place our customers at the centre of what we do. We design products and services with customers in mind, creating long-lasting relationships through every stage of life.
- We engage in meaningful conversations with top corporates and family businesses in Malta.
- We aim to have a sustainable return on equity and increase our lending portfolio locally together with international diversification driven primarily by our branch in London.
- We leverage on technology and other investments to provide an exceptional customer experience.
- We hold very high ethical standards and focus on being fully compliant with regulatory capital and liquidity requirements.
- We embed the Bank within the community in which we serve with corporate social responsibility high on our agenda.







Since inception, we have focused our commitment to contribute to key areas within which we function, which allowed the continual implementation of our CSR strategy built on 5 main pillars:

- Education
- Health and Well-being
- Environment
- Philanthropy
- Culture and Heritage



# International Recognition

As we endeavour to be clear and candid in our promise to customers, we strive to add value by continuously deepening our knowledge of the industry and the financial community in order to stay at the pinnacle of modern financial market trends. Through the contribution of our employees and the trust of our customers, our efforts have been recognised by organisations and publications of international repute. Some of our recent accolades include:

2021

Bank of the Year Malta – [The Banker, Financial Times](#)

Best Commercial Bank Malta – [International Banker](#)

Best Innovation in Retail Banking Malta – [International Banker](#)

Quality Achievement Award – [The European Society for Quality Research](#)

2020

Bank of the Year Malta – [The Banker, Financial Times](#)

2019

Best SME Partner Bank – [The European Global Business & Finance Awards](#)

Quality Achievement Award – [The European Society for Quality Research](#)





# Products and Services Suite

---

We build our competitive advantage through a personalised service, by being connected with our customer segments, being the Bank which provides products and services that take customers through life journeys and business phases. Our products and service delivery are clear and simple to understand.

We have a fully operational Treasury Department with Correspondent Banking relationship in major currencies like US Dollar and British Pound.

## Retail Portfolio

- Deposit
  - Basic Payment
  - Current
  - Savings
  - Term
  - Flexi-Term
  - Monthly Savings Scheme
  - New Generations
  - Students
- Credit and Loans
  - Overdraft
  - Personal Loan
  - Home Loan Solutions

## Digital and eChannels

- Contactless Debit Cards
- Contactless Classic Credit Cards
- Contactless Gold Credit Cards
- Mobile App
- Internet Banking
- BECS – BNF eCustomer Service Agent
- Customer Care Centre
- ATM network
- Express Deposit Machines

## Business and Corporate Suite

- Micro Business Account for Start-ups and Small Businesses
- BNF Business Accelerate guaranteed by European Investment Fund (EIF)
- BNF MDB Covid-19 Guarantee Scheme
- Business Loans
- Business Current Account
- Business Overdraft
- Trade Finance
- Call Account





We will continue to work relentlessly towards our long-term and sustainable objectives:

- Growth
- Internationalisation
- Technology Transformation

We will keep our customers at the centre of everything we do, while providing a competitive suite of products and service delivered through an omnichannel approach.



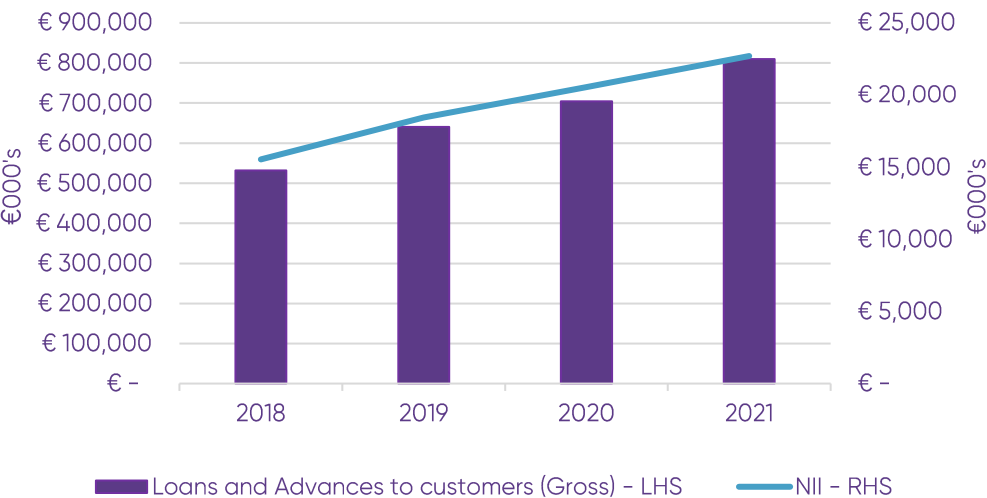
# Financial Performance

---

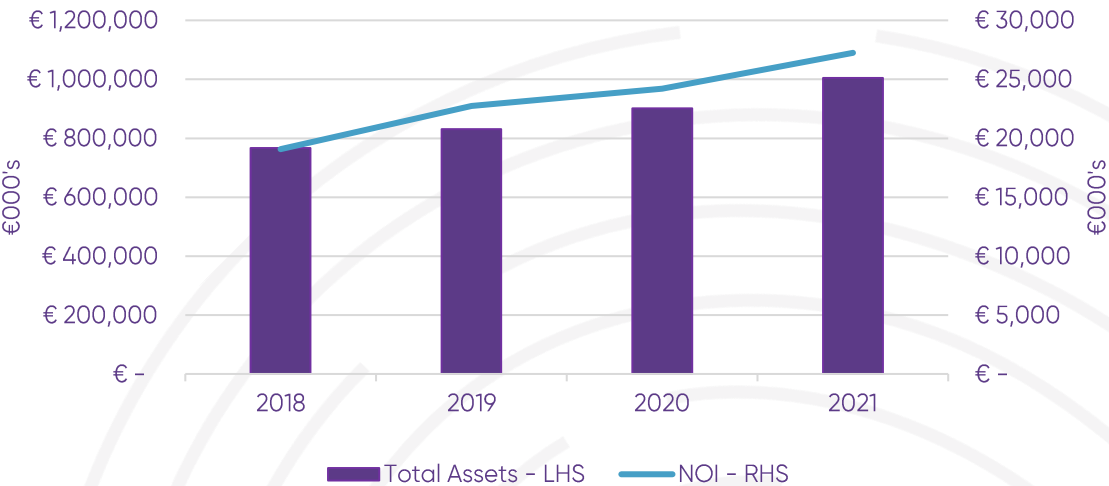


# Profitability

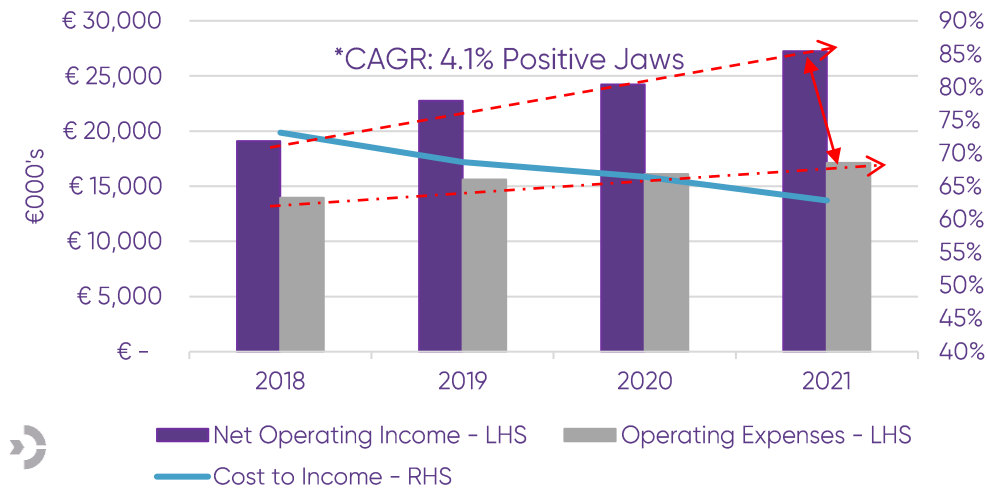
### Net Interest Income vs Loan Book



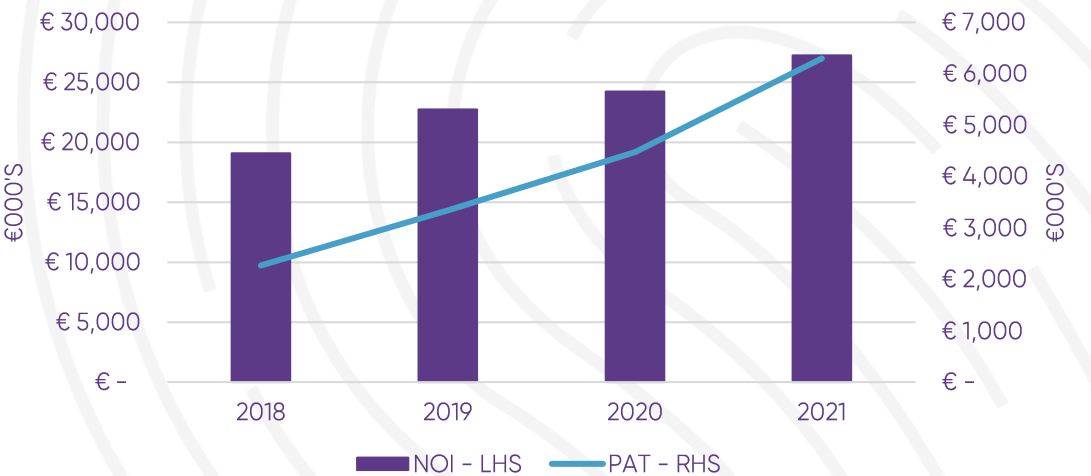
### Net Operating Income vs Total Assets



### Operating Efficiency



### Net Operating Income vs Profit after Tax



\*CAGR: The Compound Annual Growth Rate

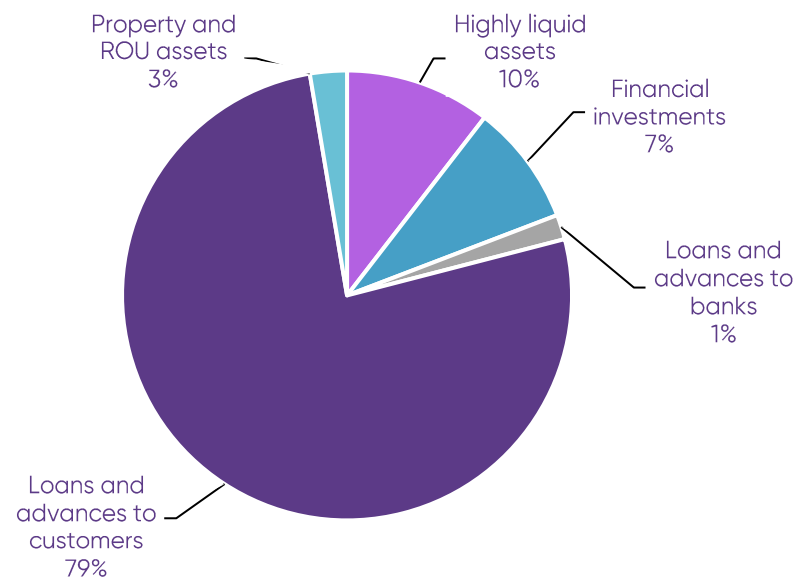
## Four Year Summarised Income Statement

	2018 €000's	2019 €000's	2020 €000's	2021 €000's
Net Interest Income	15,533	18,448	20,541	22,698
Other Operating Income	3,545	4,287	3,681	4,543
Operating Expenses	(13,947)	(15,605)	(16,096)	(17,123)
Net Operating Profit	5,131	7,130	8,126	10,118
Credit Impairment Losses (Provisions)	(1,572)	(1,749)	(2,815)	(1,067)
Profit after Tax	2,270	3,342	4,475*	6,301

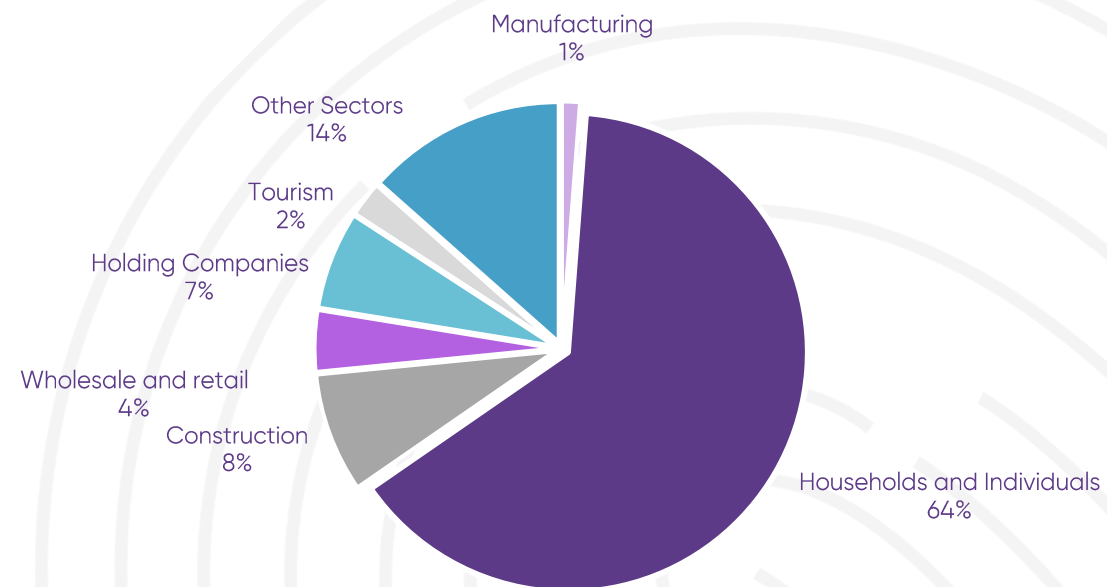
\*Effective tax rate in 2020 was exceptionally lower than normal because of a favourable tax ruling.



## Split of Total Assets



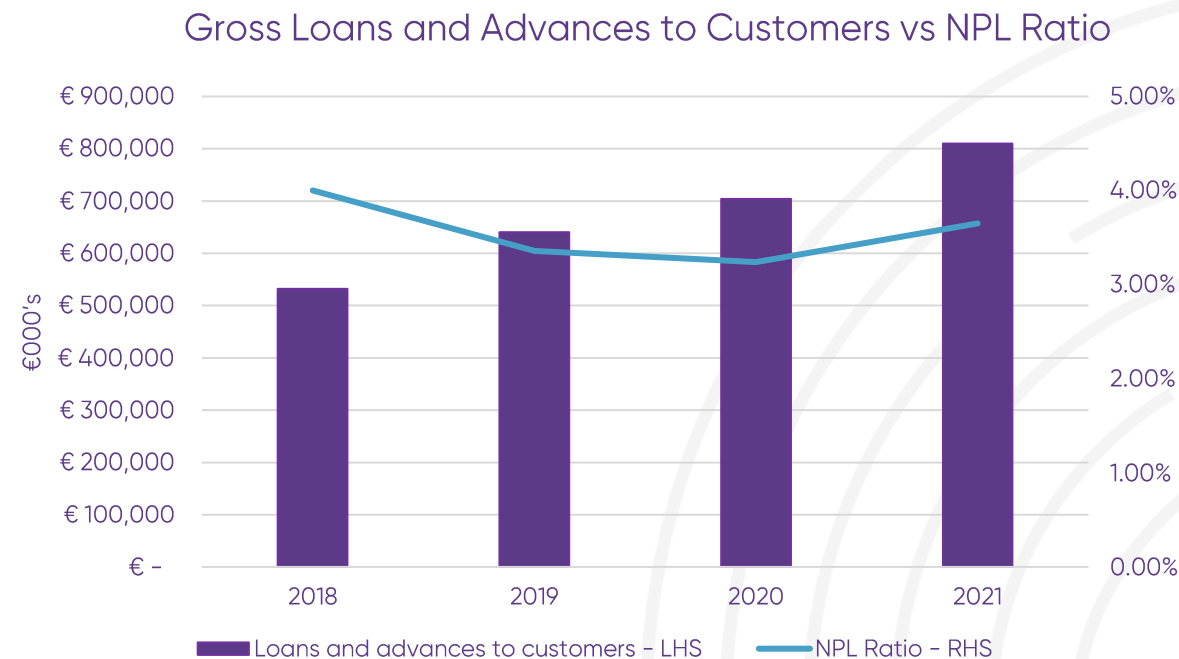
## Loan Portfolio Sector Concentration



ROU: Rights of use assets as defined by IFRS 16



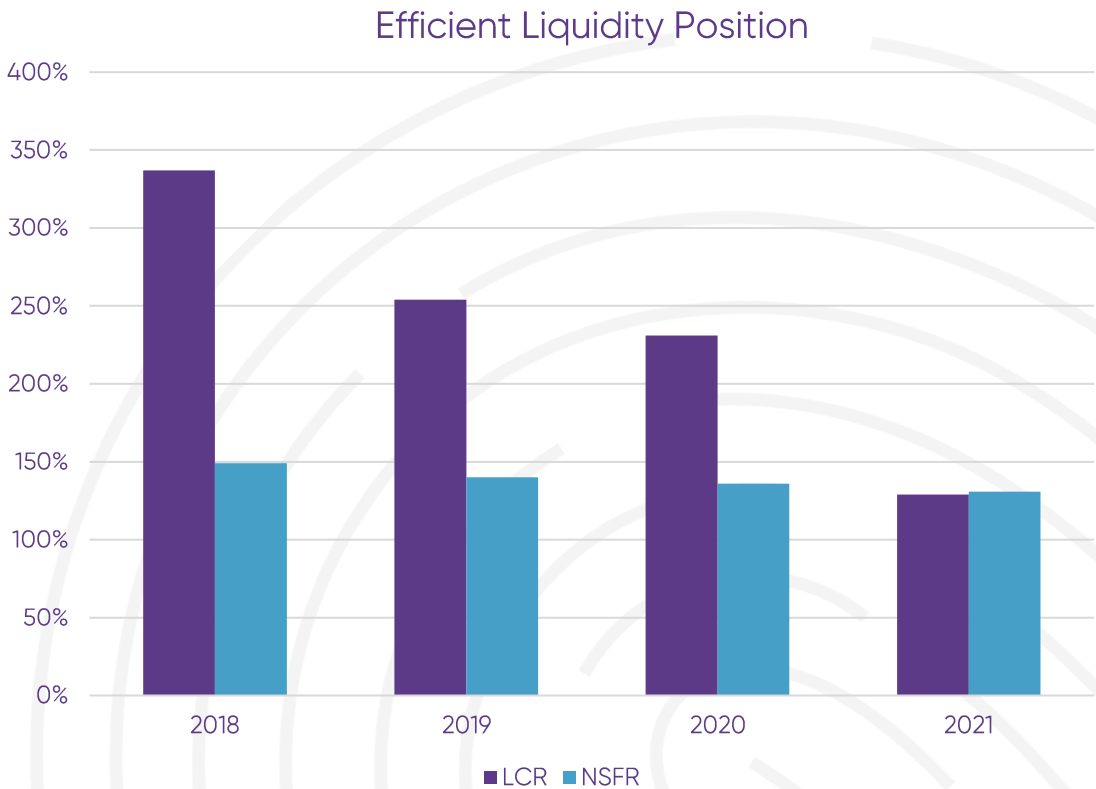
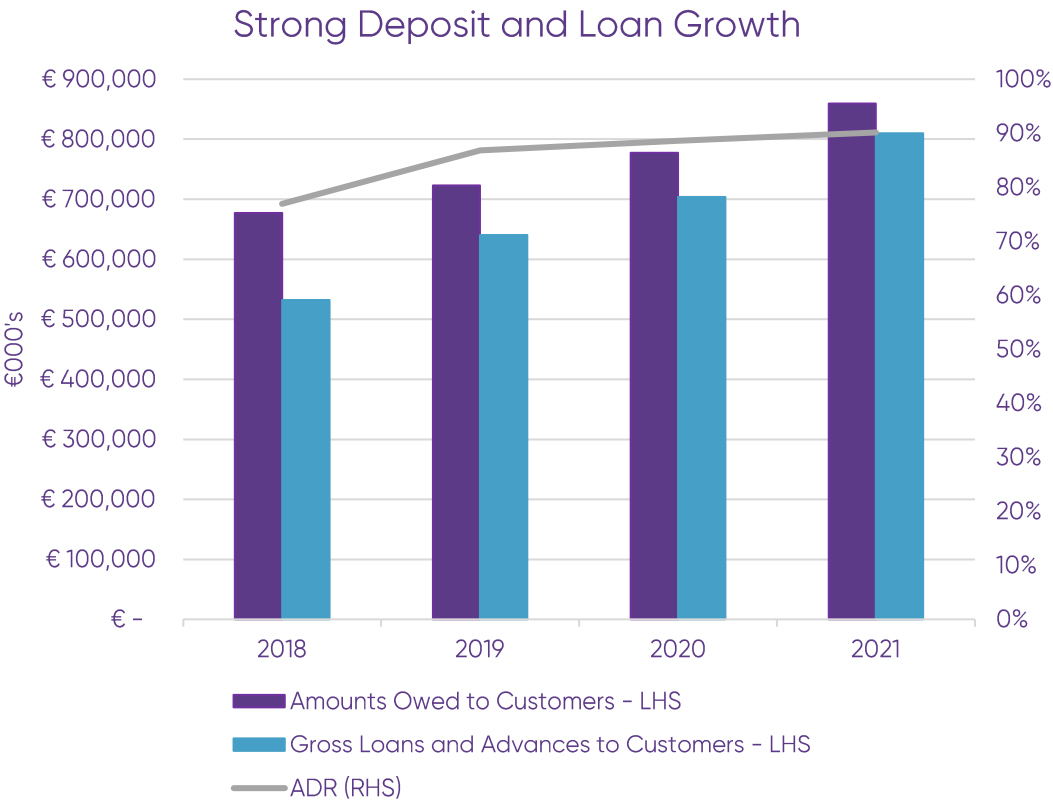
# Loan Book, Credit Quality & Coverage Ratios



Coverage Ratios	Stage 1	Stage 2	Stage 3
2021 – BNF Bank p.l.c.	0.30%	5.00%	36.50%
Market Comparison	0.40%	3.60%	32.70%



# Funding and Liquidity

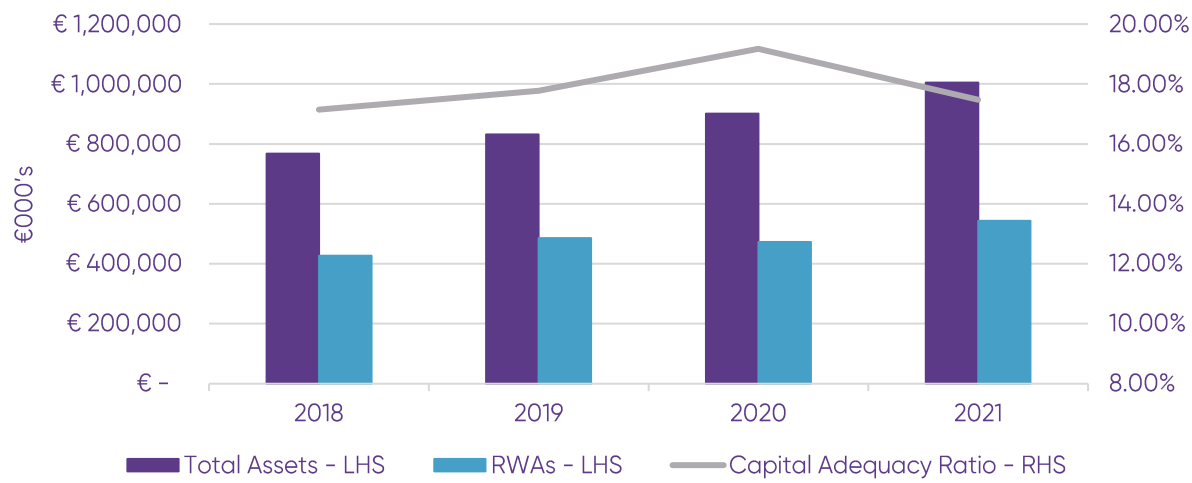


Despite an increasing Advances to Deposits Ratio, the Bank holds strong liquidity buffers, well above the minimum regulatory requirement. During 2021, the Bank strategically managed to reduce levels of excess liquidity resulting in a more efficient LCR



# Capital Position

Capital Adequacy

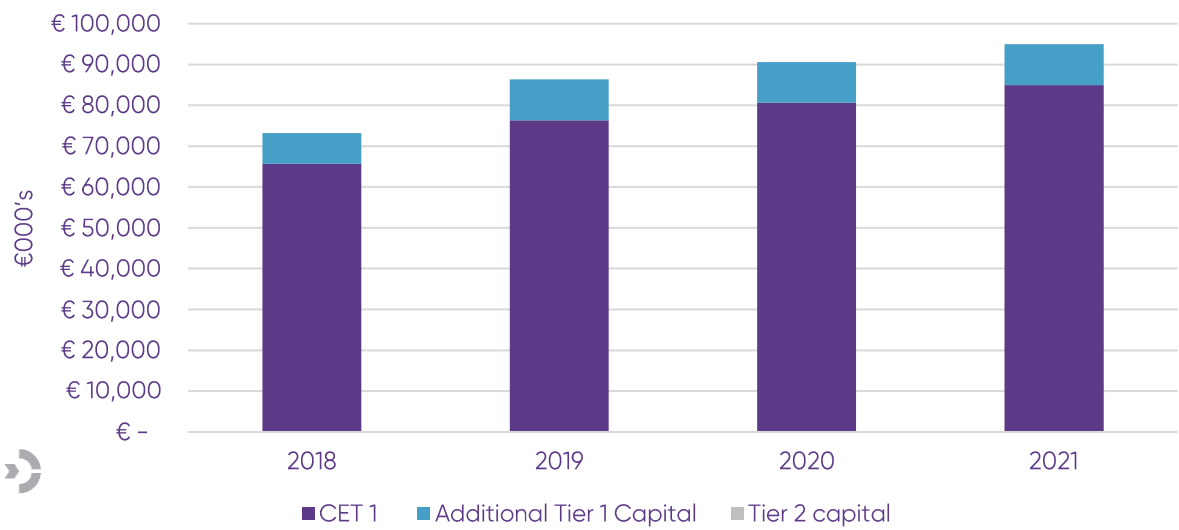


Control of the Bank’s risk-weighted assets despite an increase in total assets;

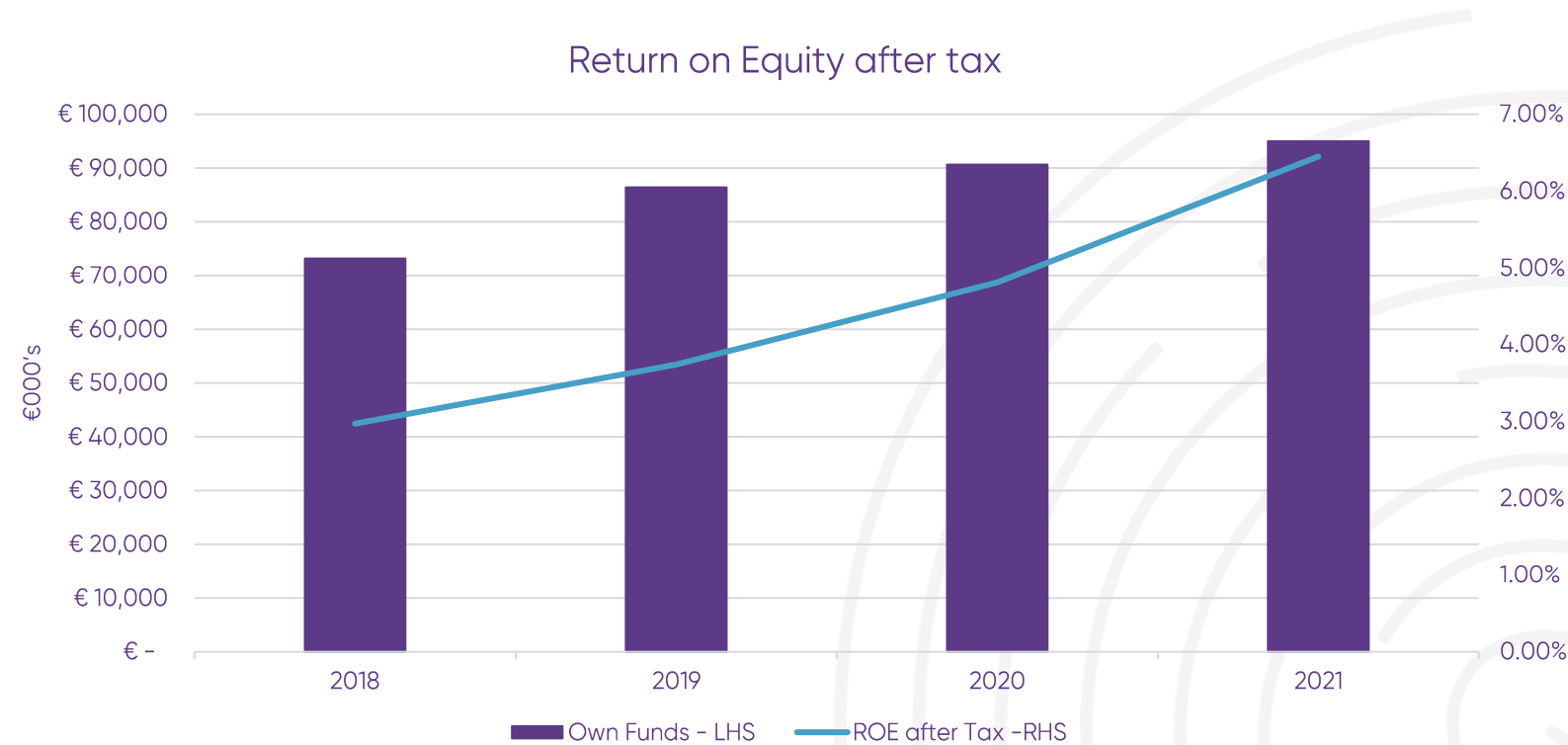
Stable capital ratios despite growing asset base due to capital injections by existing shareholders, as well organic capital growth through retained earnings;

Minimum regulatory capital is currently 14.16%.

Own Funds



# Return on Equity after tax



Increase in the Bank’s capital accompanied by a steady increase in ROE.



# Subordinated Bond Issue

---



# Subordinated Bond Issue

---

- BNF Bank plans to issue Unsecured Subordinated Bonds that qualify as Tier 2 Capital as per CRR definition. The issuance is in line with the Bank's capital plan and proceeds will be used to sustain the growth strategy of the Issuer.
- Following more than €50million of injected capital in the form of CET1 and AT1 during the past five years predominantly from Al Faisal Group, the Bank is now looking to issue its first Tier 2 instrument that will enable the Bank's next phase of growth, maintaining an efficient capital structure.
- The Bond Issue for a nominal amount of €15million with an over-allotment option of €5million, will mature in 2032, callable at the discretion of the Issuer on the fifth anniversary or on every subsequent anniversary until maturity. The issue will be priced at 4.50%, with the coupon being paid annually.





# Subordinated Bond Issue

---

- The Instrument is classified as a complex instrument under MIFID II – that can be sold to qualified investors, subject to suitability test.
- The Bank has appointed a selected number of Authorised Intermediaries that will take subscription on behalf of their clients or also invest for their proprietary portfolios.
- Following MFSA Listing Authority Approval, the Bond will be admitted to the Official List of the Malta Stock Exchange and tradeable in minimum subscription amount of €10,000 and increments of €100.

Sponsor and Manager



Legal Counsel



Registrar



# Annexes

---



# Key Performance Indicators

---

	2018	2019	2020	2021
Common Equity Tier 1 (CET1)	15.4%	15.7%	17.1%	15.6%
Capital Adequacy Ratio (CAR)	17.2%	17.8%	19.2%	17.5%
Liquidity Coverage Ratio (LCR)	337%	254%	231%	129%
Net Stable Funding Ratio (NSFR)	149%	140%	136%	131%
Cost-to-Income	73.1%	68.6%	66.5%	62.9%



# Financials – Income Statement – Five Year Summary

	2017 €000's	2018 €000's	2019 €000's	2020 €000's	2021 €000's
Interest receivable and similar income					
On loans and advances, balances with the Central Bank of Malta	15,318	19,077	23,075	24,405	26,312
On debt and other fixed income instruments	264	100	312	358	286
Interest payable and similar expense	(4,680)	(3,644)	(4,939)	(4,222)	(3,900)
<b>Net interest income</b>	<b>10,902</b>	<b>15,533</b>	<b>18,448</b>	<b>20,541</b>	<b>22,698</b>
Fees and commission receivable	2,333	2,717	2,479	2,623	2,639
Other operating income	1,423	828	1,808	1,058	1,904
<b>Net operating income</b>	<b>14,658</b>	<b>19,078</b>	<b>22,735</b>	<b>24,222</b>	<b>27,241</b>
Employee compensation and benefits	(6,864)	(7,364)	(7,854)	(8,485)	(9,030)
Other administrative expenses	(4,749)	(5,788)	(6,609)	(6,321)	(6,835)
Depreciation of property and equipment and right-of-use assets	(569)	(447)	(821)	(925)	(925)
Amortisation of intangible assets	(350)	(348)	(321)	(365)	(333)
Credit impairment losses	(517)	(1,572)	(1,749)	(2,815)	(1,067)
<b>Profit before tax</b>	<b>1,609</b>	<b>3,559</b>	<b>5,381</b>	<b>5,311</b>	<b>9,051</b>
Income tax expense	(411)	(1,289)	(2,039)	(836)	(2,750)
<b>Profit for the year</b>	<b>1,198</b>	<b>2,270</b>	<b>3,342</b>	<b>4,475</b>	<b>6,301</b>

 \*Effective tax rate in 2020 was exceptionally lower than normal because of a favourable tax ruling.

# Financials – Balance Sheet – Five Year Summary

	2017 €000's	2018 €000's	2019 €000's	2020 €000's	2021 €000's
Balances with Central Bank of Malta and cash	26,777	99,853	39,718	93,262	102,410
Financial investments	67,663	68,263	77,637	78,517	72,135
Loans and advances to banks	69,911	57,516	60,319	16,061	11,713
Loans and advances to customers	382,314	520,745	627,607	688,334	793,093
Property and equipment, intangible assets and right-of-use assets	8,032	7,039	9,693	9,021	8,334
Other assets	12,868	14,056	16,606	16,016	17,013
<b>Total assets</b>	<b>567,565</b>	<b>767,472</b>	<b>831,580</b>	<b>901,211</b>	<b>1,004,698</b>
Amounts owed to banks and other institutions	290	90	203	13,535	29,436
Amounts owed to customers	513,851	677,272	722,920	776,986	859,152
Other liabilities	4,349	10,226	14,496	12,420	13,571
Accruals and deferred income	3,196	3,421	4,575	5,321	4,828
Equity	45,879	76,463	89,386	92,949	97,711
<b>Total liabilities and equity</b>	<b>567,565</b>	<b>767,472</b>	<b>831,580</b>	<b>901,211</b>	<b>1,004,698</b>



# Disclaimer

---

This presentation contains information about the business of BNF Bank p.l.c., and the bonds which may be offered by the Bank. The information contained herein is subject to change at BNF Bank p.l.c.'s sole discretion. It is unlawful for any person, to copy, alter any of the contents of this document, or reproduce, or distribute any of the information contained herein without BNF Bank p.l.c.'s explicit consent and its advisors.

The issue of bonds by BNF Bank p.l.c. is the subject of an application with the Listing Authority and the Malta Stock Exchange and the bonds nor any document associated therewith, shall be issued on a non-confidential basis, without the prior approval of the Listing Authority.

By accessing this presentation, you are deemed to have knowledge of the information contained herewith and any forward looking statements, including those relating to matters which are not historical facts and which involve assumptions of future circumstances, are subject to a number of risks, uncertainties, assumptions and important factors that could cause actual results to differ materially from the expectations of the Issuer's directors. Accordingly, no assurance is given that the future results or expectations will be achieved.

BNF Bank p.l.c. is a credit institution licensed by the Malta Financial Services Authority to undertake the business of banking under the Banking Act 1994.







Building a new future.

