

## Credit Rating Announcement

GCR affirms Globus Bank Limited's national scale long and short-term issuer ratings of BBB-(NG) and A3(NG) respectively; Outlook Stable.

### Rating Action

Lagos, 23 September 2022 - GCR Ratings ("GCR") has affirmed Globus Bank Limited's national scale long and short-term issuer ratings of BBB-(NG) and A3(NG) respectively; with a Stable Outlook.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Globus Bank Limited	Long Term issuer	National	BBB-(NG)	Stable Outlook
	Short Term issuer	National	A3(NG)	

### Rating Rationale

The affirmation of the ratings of Globus Bank Limited ("Globus", "the bank") balances its sound risk position and good funding and liquidity profile, against a modest competitive position. GCR takes cognisance of the material decline in the capital level at June 2022, due to a significant growth in risk assets.

Globus's market share in terms of total assets and deposits is estimated at around 0.4% and 0.5% of the industry respectively, placing it at the lower end of the mid-sized banks in Nigeria. Globus is a commercial bank with recent authorization for a national license, which may provide an impetus for further geographical diversification across the country. Globus delivers core banking services to over 60,000 clients comprising corporate, institutional, and retail customers through a network of 16 branches, agency partnerships, as well as increased digitalisation of platforms, enabling greater customer reach and market penetration. The bank's revenue is driven by stable sources, with interest income from loans to total interest income registering above 70% in June 2022 (December 2021: 57.2%; December 2020: 26.1%). The competitive position is constrained by a short track record, concentration risk in terms of the twenty largest obligors as of December 2021, and limited geographical diversification.

Capitalisation remains a positive ratings factor. Globus's capital adequacy ratio ("CAR") has been consistently maintained above the regulatory minimum of 10%, registering at 18.8% at June 2022 (December 2021: 39.5%; December 2020: 43.6%), albeit volatile due to significant risk-weighted asset ("RWA") growth. Similarly, GCR's total capital ratio declined to 20.9% at June 2022 (December 2021: 39.5%; December 2020: 43.6%), driven by the bank's aggressive RWA growth to N182bn at June 2022 from N87bn at December 2021. We also took cognisance of an additional N3bn in deposit for shares, awaiting Central Bank's approval as capital. We expect GCR's core capital to remain within 20-23% over the next 12-18 months as the bank continues to grow its risk assets, amidst a possible equity injection.

Funding and liquidity assessment is sound. The bank's core deposits as a percentage of the funding base displayed continuous improvement from 65.7% at December 2020 to 76.7% at December 2021 and 77.6% at June 2022. However, funding is largely comprised of wholesale deposits from corporate and financial institutions. GCR's long-term and stable funding ratio registered at 93.0% and 79.7% at December 2021 (December 2020: 88.5% and 91.2%) respectively. Liquidity remains good, with the regulatory liquidity (minimum of 30%) ratio registering at 38% at December 2021

(December 2020: 88%), albeit declined due to large loan disbursements. GCR liquid assets coverage of customer deposits and wholesale funding measured at 30.9% and 14.8x at December 2021.

The bank's risk profile is a neutral ratings factor. Globus's credit risk metrics were maintained at sound levels over the review period (December 2020 - June 2022), with no non-performing loans ("NPLs") since inception. Per management, the bank focuses its lending towards good-credit quality corporate entities and financial institutions, with a strong appetite for loan book growth (June 2022: 48%; December 2021: 49%; December 2020: 100%). Credit losses moderated to -0.4% at December 2021 from 2.6% at December 2020, which compares very well to peers in the industry. GCR takes cognisance of the gradual and sustained reduction in the loan book concentration, in line with management's strategy of diversifying the loan book. The top twenty obligors' contribution to gross loans and advances moderated to 57.9% at December 2021 (December 2020: 77.1%). However, sectorial concentration increased year-over-year, with exposures to the manufacturing, financial institutions, and agriculture sectors aggregating 76.0% at December 2021 from 63.8% at December 2020. Similarly, foreign currency loans to gross loans and advances increased slightly to 25.5% at December 2021 from 20.5% at December 2020, albeit remain below the industry average of about 30%.

## Outlook Statement

The Stable Outlook reflects GCR's expectations that Globus will pursue its expansion and market deepening strategy while averting further weakening of its capitalisation and maintaining sound asset quality, funding and liquidity metrics.

## Rating Triggers

An upward rating movement could be considered if the GCR core capital ratio improves significantly above 30% level while sustaining a nil NPL ratio, accompanied by a diversification of the loan book. Conversely, the ratings would be pressured downwards should capitalisation register below 20% over the next 12-18 months and/ or material deterioration in the asset quality metrics.

## Analytical Contacts

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## Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022  
Criteria for Rating Financial Institutions, May 2019  
GCR Ratings Scale, Symbols & Definitions, May 2022  
GCR Country Risk Scores, August 2022  
GCR Financial Institutions Sector Risk Score, June 2022

## Ratings History

Globus Bank Limited					
Rating class	Review	Rating scale	Rating class	Outlook	Date
Long Term Issuer			BBB-(NG)		
Short Term Issuer	Initial/last	National	A3(NG)	Stable	July 2021

## Risk Score Summary

Rating Components & Factors	Risk scores
<b>Operating environment</b>	<b>7.25</b>
Country risk score	3.75
Sector risk score	3.50
<b>Business profile</b>	<b>(2.75)</b>
Competitive position	(2.75)
Management and governance	0.00
<b>Financial profile</b>	<b>1.50</b>
Capital and leverage	1.50
Risk	0.00
Funding and Liquidity	0.00
<b>Comparative profile</b>	<b>0.00</b>
Group support	0.00
Government support	0.00
Peer analysis	0.00
<b>Total Score</b>	<b>6.00</b>

## Glossary

Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks.
Income	Money received, especially on a regular basis, for work or through investments.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.

Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

### Salient Points of Accorded Ratings

GCR affirms that a.) no part of the ratings were influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit rating has been disclosed to Globus Bank Limited. The rating above was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the rating.

Globus Bank Limited participated in the rating process via video conference management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Globus Bank Limited and other reliable third parties to accord the credit ratings included:

- Audited financial results as at 31 December 2021
- Management account as at 30 June 2022
- Other related documents

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