Globus Bank Limited

2022 Final Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

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Globus Bank Limited

Rating Assigned:
Bbb+

A financial institution of satisfactory financial condition and strong capacity to meet its obligations as and when they fall due.

ESG Score
3

Outlook: Stable
Issue Date: 04 Nov 2022
Expiry Date: 30 June 2023
Previous Rating: Bbb-

Industry: Banking

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RATING RATIONALE

Agusto & Co. hereby upgrade the rating of Globus Bank Limited ('Globus Bank' or 'the Bank') to **"Bbb+"** on the back of its strong shareholders' support as reflected in the successful capital raising exercise which culminated in the upgrade to a national bank. The shareholders who have experience in the banking industry also supported the Bank in customer acquisition, particularly large corporates in different sectors of the economy. The good deposit mix, improved capitalisation, and the nil impaired credit and experienced management team were also considered in assigning the rating. Offsetting these positive rating factors are concentration in the loan book as well as the prevailing macroeconomic and regulatory headwinds. We have also assigned an ESG score of **"3"** as we believe social and governance issues, and to a lesser extent environmental issues, have a material contribution to the Bank's credit rating.

Globus Bank commenced operations as a regional commercial bank in November 2019 and was upgraded to a national bank in November 2021 following a capital raise of ₦15.1 billion (through a rights issue exercise) and the Central Bank of Nigeria's approval. The success of the rights issue exercise propelled a 12.1% growth in the shareholders' funds to ₦34.8 billion as at FYE 2021. This stood significantly higher than the ₦25 billion regulatory minimum for national banks. Given the expansion of the loan book, the capital adequacy ratio plummeted to 39.5% (FYE 2020: 43.6%). However, it was considerably above the 10% regulatory minimum and remained one of the highest in the banking industry. The Bank is implementing a ₦15 billion capital raising programme to support its growth plans. The exercise is expected to increase the capital base to ₦45 billion as at 31 December 2022.

The Bank recorded significant growth during the year under review as the total assets and contingents expanded by 61.5% to ₦327.2 billion as at 31 December 2021. Although gross loans and advances also grew by 96.7% to ₦105.6 billion, sectorial and obligor concentration remained. The top four sectors accounted for 82.1% (FYE 2020: 81%) of the loan book. As at FYE 2021, the 20 largest obligors also represented 73.6% (FYE 2020: 74.5%) of the loan book. While this is consistent with a financial institution in its formative years, it makes Globus Bank vulnerable to the financial performance of these top obligors. As at 31 December 2021, all the loans were adjudged to be low risk and assigned to the stage 1 category. While we note positively the low-risk classification, we believe the Bank's loan book is yet to season.

Maintaining a good deposit mix is at the heart of Globus Bank's operating strategy. During the year under review, the Bank's customer deposits expanded by 82.7% to ₦162 billion as at FYE 2021 with the growth most prominent in the low-cost deposit base. As a result, low-cost deposits accounted for 71.6% (FYE 2020: 54.1%) of total deposits as at FYE 2021. Thus, the weighted average cost of funds remained stagnant at 4.9% despite the rising interest rates. We anticipate an improvement in the deposit mix in the near term although we believe that the rising interest rate environment will threaten the funding cost for FY 2022.

Globus Bank's net earnings declined by 7.1% year-on-year to ₦9 billion in FY 2021 on the back of the sterilisation of a significant proportion of its capital by the Central Bank of Nigeria and the aggressive cash reserve policy. The Bank cost-to-income ratio increased to 51.1% (FY 2020: 45.5%) due to the lower net earnings. Overall, the pre-tax return on average assets and pre-tax-return on average equity declined to 1.7% (FY 2020: 4.5%) and 13.4% (FY 2020: 25.6%) respectively. In the first eight months of 2022, the Bank's profitability improved with the annualised ROA and ROE at 1.9% and 21.3% respectively. We anticipate further improvement in profitability in FY 2022 on the back of an expanded loan portfolio.

We have assigned a stable outlook to the Bank based on our expectation of improve profitability, reduced concentration in the loan book, better liquidity and nil impaired credit.

Strengths

- Strong shareholders' support
- Good deposit mix
- Good capitalisation
- Nil impaired loan portfolio

Weaknesses

- Sector and obligor concentration in the loan book
- Low market share

Challenges

- Unfavorable regulatory policies
- Growing the loan book while maintaining asset quality in a period of macroeconomic downturn
- Improving profitability while expanding the business in an inflationary environment
- Growing market share in an industry dorminated by a few banks

Table 1: Background Information

	31 Dec 2019	31 Dec 2020	31 Dec 2021
Total assets & contingents	₦30.3 billion	₦202.6 billion	₦327.2 billion
Net earnings	₦1.0 billion	₦9.7 billion	₦9.0 billion
Pre-tax return on average assets & contingents (ROA)	0.6%	4.5%	1.7%
Pre-tax return on average equity (ROE)	1.8%	25.6%	13.4%

PROFILE

Globus Bank Limited ("Globus Bank" or "the Bank") was incorporated in March 2019, as a private limited liability company. In July 2019, the Bank was granted a regional commercial banking license by the Central Bank of Nigeria (CBN) with the authorisation to operate in the South-West and South-South regions of Nigeria. Globus Bank commenced full banking operations in November 2019. Subsequently, the Bank was upgraded to a national bank with the approval to operate across the country in November 2021.

Globus Bank offers various commercial banking services including granting of loans and advances, corporate finance, money market services, among others to individuals and corporates. The Bank's lending strategy targets the top-tier players in the manufacturing, personal care, financial, public, information technology and health sectors. Other sectors are also selectively targeted albeit with rigorous scrutiny and stringent lending conditions.

Globus Bank adopts a "*phygital*" strategy that seeks to adopt the right combination of physical branches and digital channels. Thus, the Bank leverages opportunities provided by digital channels while harnessing the advantages of physical branches. Partnerships with FinTechs, large corporates, international banks and reputable consultants are also critical to the Bank. As of 31 December 2021, Globus Bank operates from its head office at 6 Adeyemo Alakija Street, Victoria Island, Lagos and has 17 branches spread across the country. Five additional branches are expected to be added before 31 December 2022 to support the Bank's ongoing business expansion.

Information Technology

Globus Bank Limited adopts various hardware and software applications as a business enabler and to protect its operations from cyber attacks. The hardware comprises the servers (used by both the data centres and the disaster recovery sites) and end-user devices used by staff to facilitate business operations. Routers and links (radio and fibre) are used for seamless communications between the branches, the head office and the data centres.

Finnacle produced by InfoSys India is the core banking application of Globus Bank. The software is also used for core treasury activities. Sophos EDR solution is used for endpoint protection while a two-factor authentication method helps to maintain the integrity of transactions. The Bank has a team of application developers internally to support the digital strategy while ensuring that the cyber protection mechanism is sufficient.

Correspondent Bank

Globus Bank maintained correspondent banking relationships with Access Bank Plc domestically. The Bank also has relationships with the following international banks; Access Bank UK, UBA New York, Bank of Beirut London, Rand Merchant Bank South Africa, Zenith Bank UK, CitiBank NY, and FirstRand South Africa.

DIRECTORS		SHAREHOLDING (DIRECT AND INDIRECT)
Peter Amangbo	*Chairman*	*25.5%*
Elias Igbinakenzua	*Managing Director/Chief Executive Officer*	*27.5%*
Nixon Iwedi	*Executive Director*	*0.1%*
Sunday Ilegar*	*Executive Director*	*Nil*
Augustine Okere	*Non-Executive Director*	*5.5%*
Isioma Ezi-Ashi	*Non-Executive Director*	*19.2%*
Gabriel Ogbechie	*Non-Executive Director*	*7%*
Samuel Onyishi	*Non-Executive Director*	*13.8%*
Vincent Okeke	*Independent Non-Executive Director*	*Nil*
Olayide Abel	*Independent Non-Executive Director*	*Nil*

**Appointed July 2021*

MANAGEMENT TEAM

Mr Elias Igbinakenzua is the pioneer Managing Director and Chief Executive Officer (CEO) of Globus Bank Limited. He served as the Managing Director of First Aluminium Nigeria Plc before joining the Bank. Mr Igbinakenzua worked at Access Bank Plc and Zenith Bank Plc for circa 25 years traversing various senior and executive management roles. He started his career at PricewaterhouseCoopers after observing the mandatory youth service at Guinness Nigeria Plc.

Mr Igbinakenzua is an accounting graduate from the University of Benin, Edo State and holds an MBA from the Enugu State University of Technology. He is also an alumnus of the University of Liverpool, United Kingdom. Mr Igbinakenzua is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), the Chartered Institute of Taxation of Nigeria (CITN) and the Chartered Institute of Credit Administration of Nigeria (FICA). He is also a member of the Chartered Institute of Bankers (CIBN) and the Institute of Directors (IoD).

Other members of the senior management team include:

- Nixon Iwedi — Executive Director
- Sunday Ilegar — Executive Director
- Bola Omole — Chief Information officer
- Olaitan Lasore — Chief Compliance Officer
- Titus Ebare — Chief Risk Officer
- Rita Chiemenem — Head, Treasury

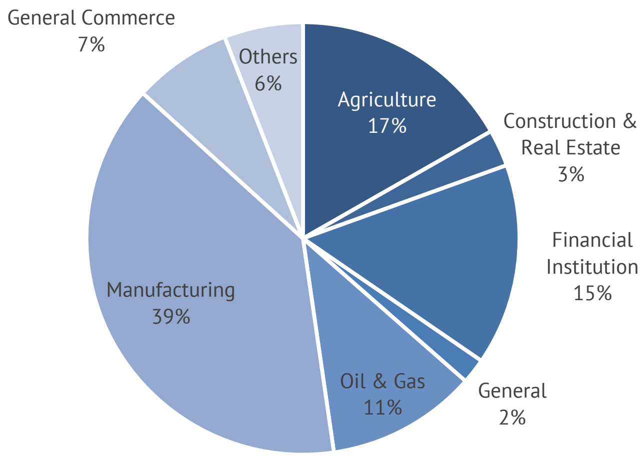
ANALYSTS' COMMENTS

ASSET QUALITY

As at 31 December 2021, Globus Bank's total assets and contingents stood at ₦327.2 billion, reflecting a 61.5% year-on-year growth propelled by a larger deposit base, borrowings and shareholders' funds. The Bank's risk asset creation strategy focuses on supporting reputable companies that have successfully navigated multiple business cycles in the Nigerian economy. Sectors with positive risk-adjusted returns such as retail, manufacturing, healthcare, trade and telecommunications are prioritised while a cautious approach is adopted in relatively risky sectors such as construction, real estate, tobacco and textile. During the year under review, gross loans and advances grew by 96.7% to ₦105.6 billion as at FYE 2021. While the loan growth seems high relative to the 3.4% GDP growth, we believe it was overemphasised by the relatively small loan book size.

Globus Bank's loan book is concentrated by sector. As at 31 December 2021, credit exposures to financial institutions and obligors in the oil and gas, manufacturing and agriculture sectors together accounted for 82.1% (FYE 2020: 67.1%) of gross loans and advances. Exposures to financial institutions such as finance houses and microfinance banks are cash-collaterised loans extended to the customers of these institutions. Oil and gas loans are mainly short-term overdraft facilities extended to downstream players to support the procurement of premium motor spirit (PMS) from the state-owned oil company - NNPC. The cash flows from these transactions are ring-fenced and closely monitored to avoid diversion. The Bank also finances the backward integration plan of companies and agriculture commodities aggregators, leveraging the CBN's on-lending facilities.

Figure 1: Breakdown of gross loan as at 31 December 2021



Given that the Nigerian economy is largely import-dependent, Globus Bank supports the importation of inputs by manufacturing companies. However, the prevailing illiquidity in the foreign exchange market and the declining consumer purchasing power have adversely impacted most manufacturing companies' performance.

Although the Bank does not fund primary agriculture, it is still exposed to vagaries in the sector including insecurity, unpredictable climate, flooding, among others through exposure to aggregators and agribusinesses.

Globus Bank's loan book is also concentrated by obligors. As at 31 December 2021, the top 20 obligors accounted for 73.6% of gross loans and advances, marginally lower than the 74.5% recorded in the prior year. While we note that this is typical for a bank in its formative years, it makes the Bank vulnerable to the performance of these counterparties. To moderate the default risk, 65.3% of the top 20 loans are short-term (maturing within a year) and 47.6% are secured by cash.

As at 31 December 2021, 25.2% of the loan book is denominated in foreign currencies. These are facilities used to support the importation of goods by corporates. In view of the challenges in the Nigerian foreign exchange market, these transactions are secured by forward contracts issued by the CBN. Some of the facilities are also backed by cash collateral representing the naira equivalent of the obligation using the parallel market rate.

In line with IFRS 9 accounting standard, all of the Bank's loans were adjudged to have low default risk and thus included in the stage 1 category as at 31 December 2021, the same as the prior year. One of the select peers, Titan Trust Bank Limited (TTB), also had its entire loan portfolio in the stage 1 category as at the same date. However, Providus Bank Limited (Providus Bank) only had 95.1% (FYE 2020: 93.5%) of its loan book in the stage 1 category. While we note positively the classification of the Bank's loans as low risk, we believe the loan book is yet to season and the resilience of its credit risk framework is yet to be fully tested based on its relatively short operating history. Notwithstanding the good classification of the loan book, Globus Bank makes provision to moderate the impact of probable credit losses on capital. As at FYE 2021, the cumulative loan loss provisions stood at ₦239.9 million, representing 0.2% of gross loans and 0.7% of the shareholders' funds.

We consider the asset quality of Globus Bank Limited to be adequate. While we note positively, the categorisation of all the loans as stage 1 exposure, the obligor concentration remains a rating concern, notwithstanding the profile of the largest obligors and the liquid collaterals used to secure the facilities. The Bank intends to further grow the loan book by 115.4% to ₦227.5 billion by FYE 2022. We believe the projection is feasible given that the loan book stood at ₦208.2 billion as at 31 August 2022 in addition to the volume of pipeline transactions. However, in view of the prevailing headwinds, we believe a more intensified approach to loan monitoring may be needed.

RISK MANAGEMENT

Globus Bank Limited operates a centralised risk management framework under the guidance of the Board of Directors which is ultimately responsible for its risk profile. The Board approves all risk policies while the Board Committees provide oversight. The implementation of the risk management framework and the risk policies are under the purview of the risk management division headed by the Chief Risk Officer.

Credit Risk Management

Globus Bank's credit risk emanates largely from its loan portfolio and to a lesser extent its investment securities portfolio. The Bank uses an internal rating model in addition to the ratings assigned by external credit rating agencies in measuring and assessing the credit risk of obligors. As at 31 December 2021, 95.8% of the loans were assigned investment-grade credit ratings based on the internal rating model. Collaterals such as properties, debt securities, inventories, equities and cash are also used to moderate potential losses from the loan portfolio. As at FYE 2021, 92% of the loan portfolio were secured by these assets. During the year under review, cash collateral was prioritised in view of the prevailing economic downturn. A dedicated portfolio review department was also established to support the portfolio management team.

Market Risk Management

Similar to most financial institutions, Globus Bank is exposed to changes in interest and foreign exchange rates which impact the fair value of future cash flows from the Bank's trading and non-trading portfolios. Mark to Market, Mark to Model, Value at Risk (VaR), Backtesting, Stress testing, Gap Analysis, Earnings at risk, Economic Value of Equity, among other tools are used to measure and moderate the impact of market risk. As at 31 December 2021, a 100 basis points increase in the prevailing interest rate would have resulted in ₦50.3 million additional income, representing 0.15% of shareholders' funds. As at the same date, a 20% devaluation of the domestic currency would have resulted in an additional income of ₦165 million (0.47% of shareholders' funds). We consider the Bank's market risk exposure to be low.

Operational Risk Management

Globus Bank's operational risk exposure is managed through a framework that establishes a background for identifying, analysing and controlling potential losses from operations. The Bank uses the Basic Indicator Approach as its measurement methodology for operational risks. Globus Bank did not record any infraction penalty during the year under review, better than last year when a ₦2 million fine was paid.

Overall, we consider Globus Bank's risk management framework to be good for current business risks. However, we believe that additional personnel will be needed in risk management to adequately manage the growing loan book.

EARNINGS

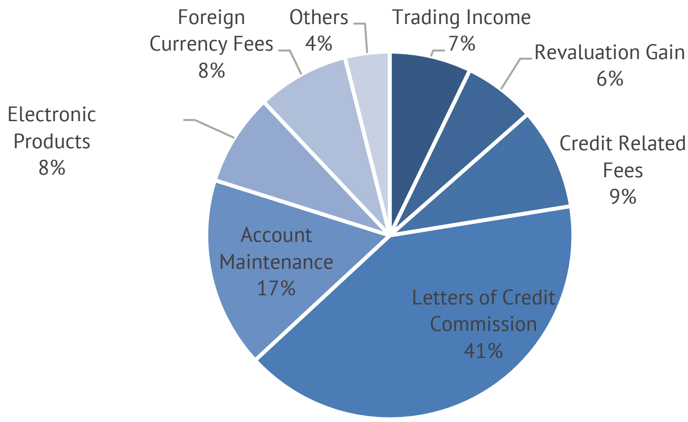
In the financial year ended 31 December 2021, Globus Bank Limited's performance reflects its profile as a financial institution in its formative years. The accretive cash reserve requirement, which spiked by 73.3% and accounted for 13.8% (FYE 2020: 12.8%) of the asset base, in addition to the sterilisation of circa ₦15 billion of the Bank's capital by the CBN as part of processes for the upgrade to a national bank also shaped its earnings during the year under review. As a result, Globus Bank's net earnings declined by 7.1% to ₦9 billion in FY 2021. Fund-based income improved to 76.1% (FY 2020: 47.6%) of net earnings while non-interest income contributed a lower 23.9% (FY 2020: 52.4%).

Globus Bank's interest income spiked 2.1 times to ₦16 billion in FY 2021, buoyed by the 96.7% loan growth and 10.9% expansion of the investment securities portfolio. As a result, loans to customers became the highest contributor to interest income at 57.2% (FY 2020: 26.1%) while investment securities accounted for a lower 40.9% (FY 2020: 69.3%). We anticipate a further increase in the contribution of loans to customers as more resources are allocated to the loan book and we believe the contractionary stance of the monetary authority will increase the interest rate on loans.

The expansion in Globus Bank's activities coupled with the sterilisation of a significant proportion of the Bank's capital by the CBN was also reflected in the 4.1 times spike in interest expense. We believe that increased access to relatively high-cost interbank takings to augment liquidity shortfall emanating from the aggressive implementation of the CRR policy also accounted for the spike in interest expense. Overall, the net interest spread (NIS) declined to 41.2% from 69.8% in the prior year. While the NIS was at par with Providus Bank, it was lower than TTB's 57.7%. Subsequent to the year-end, the NIS improved to 60.1% in the first eight months of 2022 as the sterilised capital was released, the deposit mix improved and loans were repriced upwards. We do not expect the NIS for FY 2022 to exceed this level given the contractionary monetary policies of the CBN and the associated increase in funding costs. However, the increase in the margins on the CBN intervention loans and loans funded through the differentiated cash reserve (D-CRR) window in addition to anticipated further loan repricing will provide some respite.

In FY 2021, Globus Bank recorded a writeback of ₦287.9 million, higher than the ₦688 million impairment charge recorded in the prior year based on recoveries the priority accorded to cash collateral. As a result, the loss-given default estimates in the impairment charge model declined. However, we expect an impairment charge in the near term in view of the expansion in the loan book in a period characterised by deteriorating macroeconomic fundamentals.

Figure 2: Breakdown of Non-Interest Income in FY 2021



The Bank's non-interest income plummeted during the year under review by 57.7% to ₦2.2 billion as the trading income declined significantly by 96.1%. The sterilised capital adversely impacted the available funds for trading activities. As a result, the non-interest income to total assets ratio dipped to 0.8% (FY 2020: 4.4%), lower than Providus Bank's 1.7% and TTB's 1.9%. In our view, some non-interest income sources, which improved during the year under review, such as credit-related fees and digital banking fees are expected to maintain an upward trajectory; however, the rising yield environment will moderate revaluation gains and trading income.

Globus Bank's operating expenses amounted to ₦4.6 billion in FY 2021, a meagre 4.4% year-on-year increase despite the business growth, persistent naira devaluation and inflationary pressures. In addition to the cost optimisation measures adopted by the Bank, the absence of some start-up costs moderated the impact of the increase in staff cost, deposit insurance premium, among others during the year under review. Notwithstanding, the decline in net earnings resulted in an increase in the cost-to-income ratio (CIR) to 51.1% (FY 2020: 45.5%), albeit lower than 63.9% and 51.7% recorded by Providus Bank and TTB respectively. Subsequent to the year-end, the CIR increased by 510 basis points to 56.9% on account of the business expansion and raging inflationary pressures. While we expect higher operating expenses, we believe the anticipated increase in net earnings will moderate the rise in the CIR for FY 2022.

Overall, Globus Bank's profit before tax dipped by 16.6% to ₦4.4 billion largely due to the decline in trading income. Similarly, the profitability ratios declined with the pre-tax return on average assets and pre-tax return on average on equity at 1.7% (FY 2020: 4.5%) and 13.4% (FY 2020: 25.6%) respectively. Globus Bank's ROA compares better to Providus Bank's 1.3% although the peer's ROE (24.5%) was higher. Conversely, TTB recorded a better ROA of 2% while the Bank's ROE compared better than the peer's 12.8%.

We consider Globus Bank's profitability to be satisfactory for a financial institution in its formative years. Subsequent to the year-end, the Bank's annualised ROA and ROE improved to 1.9% and 21.3% respectively in the first eight months of 2022. We do not anticipate a significant change in the trajectory of these profitability indices in the near term as we believe the prevailing headwinds will moderate the impact of the anticipated loan expansion.

CAPITAL ADEQUACY

As at 31 December 2021, Globus Bank Limited had shareholders' funds of ₦34.8 billion which funded 10.6% (FYE 2020: 15.3%) of total assets and contingents. The shareholders' funds grew by 12.1% year-on-year on the back of the capital raising exercise implemented to support the transition to a national bank and projected business growth. The full retention of profit generated during the year also contributed to the higher capital base. At this level, the shareholders' funds stood above the ₦25 billion regulatory minimum for commercial banks with national authorisation operating in Nigeria.

The expansion of the risk asset portfolio during the year under review resulted in a decline in the capital adequacy ratio (CAR) to 39.5% (FYE 2020: 43.6%). Nonetheless, the CAR remained significantly higher than the 10% regulatory minimum as well as the 14.3% and 34.7% recorded by Providus Bank and TTB respectively. Given the projected growth plans, a rights issue exercise commenced subsequent to the year end. It is expected that an additional ₦15 billion will be added to the capital base before December 2022. Given the strong shareholders' support enjoyed by the Bank, we believe the capital raising exercise will be successful.

LIQUIDITY AND LIABILITY GENERATION

Globus Bank Limited leverages partnerships with FinTechs and agency banking companies in addition to its expanding branch network in generating deposits. The appetite for cash collateral transactions has also supported liability generation. As a result, customer deposits grew by 82.7% to ₦162 billion as at FYE 2021. Growth was most prominent in the local currency low-cost (demand and savings) deposits which spiked by 121% and represented 71.6% (FYE 2020: 54.1%) of total local currency deposits. The funding mix was better than Providus Bank's 61.8% and TTB's 54.1% as at FYE 2021. Subsequent to the year-end, the funding mix further improved to 77.2% as at 31 August 2022, reflecting Globus Bank's emphasis on growing low-cost deposits.

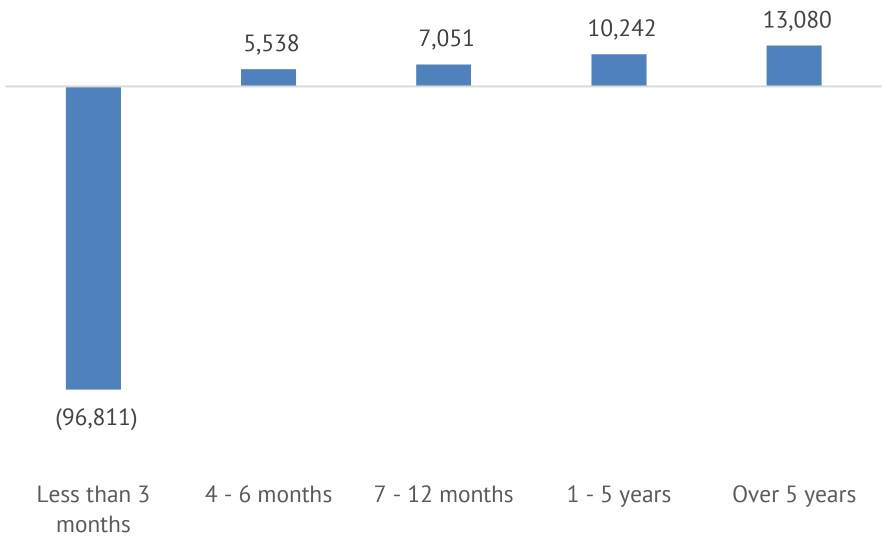
During the year under review, the Bank's foreign currency (FCY) deposits spiked 3.1 times to ₦29.1 billion as at FYE 2021 and sufficiently funded the FCY loans by 101.4%. Subsequent to the year-end, the FCY deposits improved by 19.3% to ₦34.7 billion. However, the growth in the FCY deposits has been moderated by Globus Bank's limited operating history and the associated challenge in deepening correspondent banking relationships.

In addition to customer deposits and shareholders' funds, Globus Bank's activities are funded by borrowings sourced from other financial institutions and the intervention fund window of the CBN (the Commercial Agriculture Credit Scheme (CACS) and the differentiated cash reserve requirement (D-CRR) programme). As at 31 December 2021, total borrowings stood at ₦24.3 billion, a 44% year-on-year growth to support the business expansion. The additional funding needs emanating from the sterilisation of a portion of the Bank's capital and the aggressive implementation of the CRR policy also accounted for the increased borrowings during the year under review. In the near term, we anticipate further expansion in borrowings to support the planned growth in the asset base.

Notwithstanding the spike in customer deposits and borrowings, Globus Bank's weighted average cost of funds (WACF) remained stagnant at 4.9% reflecting the improved funding mix. The relatively low-interest rate on the CACS intervention funds also accounted for the muted growth in the WACF. Subsequent to the year-end, the funding costs declined to 4% in the first eight months of 2022 on the back of a better deposit mix. We believe that the tight monetary stance of the CBN could erode the gains recorded in the funding costs. However, we do not expect the WACF to exceed 5% in FY 2022.

A review of the maturity profile of Globus Bank's loans and funding (customer deposits and borrowings) reflects some mismatches. As at 31 December 2021, only loans maturing within 90 days were adequately funded by customer deposits and borrowings in the corresponding maturity buckets. This exposes the Bank to adverse movement in interest rates. However, we note positively that the large pool of investment securities can be liquidated to support any funding need.

Figure 3: Loan-Funding (Deposits and Borrowings) Mismatches as at 31 December 2021 (₦'million)



As at 31 December 2021, Globus Bank's liquid assets amounted to ₦85.3 billion, a 16.9% growth from the prior year. As at the same date, liquid assets represented 38% (FYE 2020: 88%) of LCY deposits, higher than the 30% regulatory minimum. As the CBN continues with its contractionary monetary stance, we anticipate intense pressure on the liquidity ratio. However, we do not expect the liquidity ratio to decline below the 30% regulatory threshold. We believe that the gradual increase in the yields will renew the appetite for treasury instruments which will support the liquidity ratio of the Bank.

In our view, Globus Bank's liability generation strategy is effective while its liquidity position and refinancing ability are adequate. As the Bank builds on its operating history, we expect additional borrowings from domestic development financial institutions, international multilateral financial institutions and international banks.

OWNERSHIP, MANAGEMENT & STAFF

Globus Bank Limited is a closely held financial institution, owned by seven shareholders who control its 41,607,384,000 paid-up shares as at 31 December 2021. Globus Bank has six significant shareholders and there were some changes in the holding of these investors as at FYE 2021 based on the capital raising exercise implemented during the year under review.

Table 2: Significant Shareholders of Globus Bank Limited

Name	Shareholding as at FYE 2020	Shareholding as at FYE 2021
Elias Iginakenzua	26.8%	27.5%
Apeaches Capital Limited	24.9%	25.5%
Isioma Ezi-Ashi	18.7%	19.2%
Samuel Moduka Onyishi Foundation	13.5%	13.8%
Norswhorthy Investment Limited	6.8%	7%
Austin Okere	6.7%	5.5%
Total	97.4%	98.5%

Globus Bank is governed by a 10-member Board of Directors largely representing the shareholders. As at 31 December 2021, Mr Peter Amangbo chairs the Board which comprises three Executive Directors and seven Non-Executive Directors (two of whom are Independent Non-Executive Directors). The Board has three standing committees; the Board Risk and Credit Committee; the Board Governance, Nominations and Remuneration Committee; and the Board Audit Finance and Compliance Committee. Mr Sunday Ilegar joined the Board on 7 July 2021 as the Executive Director with the purview over upcountry branch operations.

Mr Ilegar has over three decades of experience in the banking industry garnered from All States Trust Bank Limited and Zenith Bank Plc. He served in different senior management roles in various geo-political zones of Nigeria. Mr Ilegar is an accounting graduate from the Yaba College of Technology, Lagos. He also holds an MBA from the Ambrose Alli University, Ekpoma, Edo State. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (HCIB) and an Associate member of the Chartered Institute of Taxation of Nigeria (ACIT).

During the 2021 financial year, Globus Bank employed an average of 287 persons, up from 164 persons employed in the previous year to support business growth. Consequently, staff costs grew by 80.2% to ₦1.2 billion. Given that most of the new employees are in the lower cadre, the average cost per staff remained stagnant at ₦5.2 million and covered the net earnings per staff 6 times (FY 2020: 11.7 times). Although the decline in net earnings moderated the coverage ratio, it remained better than Providus Bank's 4.2 times, albeit lower than TTB's 7 times.

Overall, we believe staff productivity, measured by the net earnings per staff coverage of average staff cost, is good and Globus Bank is led by an experienced management team.

Environmental, Social and Governance

Globus Bank Limited considers environmental impact as part of its risk assessment for potential obligors and counterparties with environmentally friendly operations are prioritised. The Bank also monitors its environmental footprint as part of its sustainable banking operations. Given the epileptic power supply, solar panels are used as the primary alternative power source while diesel-powered generators are only used as the last resort.

As at 31 December 2021, the Bank had only one female director out of the ten-member Board of Directors. As at the same date, there was no female in the top management cadre (Assistant General Managers and above). We believe gender diversity could be further improved upon.

While we consider the Bank's exposure to environmental risk to be low, we believe governance and social issues to have a material contribution to the credit rating assigned to Globus Bank Limited.

MARKET SHARE

Globus Bank Limited is one of the newly licensed commercial banks in Nigeria. While the Bank has recorded significant growth since operations commenced in November 2019, it controls a low share of the banking industry's resources as at 31 December 2021. Globus Bank intends to be a mid-tier bank in the next five years, leveraging its growing customer base and the network of its shareholders. The ongoing capital raising exercise is also expected to support the mid-term growth plans of the Bank.

Table 2: Market Share Indicator

	Globus Bank 2020	Globus Bank 2021	Providus Bank 2021	Titan Trust Bank 2021
LCY Deposits	0.36%	0.42%	1.0%	0.54%
Total Assets and Contingents	0.40%	0.48%	1.01%	0.40%
Total Loans & Advances (Net)	0.31%	0.48%	0.75%	0.29%
Net Earnings	0.36%	0.30%	0.68%	0.30%
Pre-tax Profit	0.68%	0.41%	0.69%	0.41C%

OUTLOOK

Globus Bank plans to consolidate the successes recorded since operations started in November 2019. Following the upgrade to a national bank, further branch expansion is scheduled before December 2022 to grow the Bank's footprints across the country. To support the medium-term growth plans, Globus Bank is currently implementing a ₦15 billion capital raising exercise. The exercise is also expected to increase the Bank's single obligor limit and increase its ability to support its expanding customer base.

Globus Bank plans a 115.4% loan growth in FY 2022 with a focus on its target customers in resilient sectors. While we believe that the projection is feasible based on the performance as at 31 August 2022, we believe a more intensified approach to loan monitoring is needed given the prevailing macroeconomic headwinds. The Bank intends to deepen its retail business as part of measures to improve the deposit mix and keep the funding costs low. The cost management initiatives will continue as part of measures to optimise operating expenses while growing the business in an inflationary environment.

Overall, we expect improved profitability in the near term while we believe asset quality will remain acceptable. We have therefore assigned a **stable** outlook to the rating of Globus Bank Limited.

Financial Summary

GLOBUS BANK LIMITED

	STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-21 N'000		31-Dec-20 N'000		31-Dec-19 N'000	
	ASSETS						
1	Cash & equivalents	4,665,412	1.4%	1,225,899	0.6%	2,571,033	8.5%
2	Government securities	80,633,291	24.6%	71,712,794	35.4%	23,419,733	77.5%
3	Money Market Placements						
4	Quoted investments						
5	Placements with discount houses						
6	LIQUID ASSETS	85,298,703	26.1%	72,938,693	36.0%	25,990,766	86.0%
7	BALANCES WITH NIGERIAN BANKS	1,006,774	0.3%	6,155,528	3.0%	19,381	0.1%
8	BALANCES WITH BANKS OUTSIDE NIGERIA	13,760,280	4.2%	10,157,660	5.0%		
9	Direct loans and advances - Gross	105,625,431	32.3%	53,704,688	26.5%	222,645	0.7%
10	Less: Cumulative loan loss provision	(239,881)	-0.1%	(503,012)	-0.2%	(624)	0.0%
11	Direct loans & advances - net	105,385,550	32.2%	53,201,676	26.3%	222,021	0.7%
12	Advances under finance leases - net						
13	TOTAL LOANS & LEASES - NET	105,385,550	32.2%	53,201,676	26.3%	222,021	0.7%
14	INTEREST RECEIVABLE						
15	OTHER ASSETS	2,377,257	0.7%	1,198,461	0.6%	1,824,715	6.0%
15	OTHER ASSETS						
16	RESTRICTED FUNDS	45,063,587	13.8%	25,999,790	12.8%	471,834	1.6%
17	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES						
18	OTHER LONG-TERM INVESTMENTS						
19	FIXED ASSETS & INTANGIBLES	7,243,998	2.2%	5,191,720	2.6%	1,700,004	5.6%
20	**TOTAL ASSETS**	**260,136,149**	**79.5%**	**174,843,528**	**86.3%**	**30,228,721**	**100.0%**
21	TOTAL CONTINGENT ASSETS	67,041,684	20.5%	27,771,617	13.7%		
22	**TOTAL ASSETS & CONTINGENTS**	**327,177,833**	**100%**	**202,615,145**	**100%**	**30,228,721**	**100%**
	CAPITAL & LIABILITIES						
23	TIER 1 CAPITAL (CORE CAPITAL)	34,832,906	10.6%	31,090,682	15.3%	10,176,612	33.7%
24	TIER 2 CAPITAL			(21,817)	0.0%	(13,983)	0.0%
25	Medium to Long Term Borrowings						
26	Demand deposits	85,224,138	26.0%	40,359,036	19.9%	2,309,933	7.6%
27	Savings deposits	9,846,245	3.0%	2,582,260	1.3%	132,629	0.4%
28	Time deposits	37,763,295	11.5%	36,413,420	18.0%	2,057,780	6.8%
29	Inter-bank takings	19,957,108	6.1%	15,565,253	7.7%		
30	TOTAL DEPOSIT LIABILITIES - LCY	152,790,786	46.7%	94,919,969	46.8%	4,500,342	14.9%
31	Customers' foreign currency balances	29,128,078	8.9%	9,272,193	4.6%		
32	TOTAL DEPOSIT LIABILITIES	181,918,864	55.6%	104,192,162	51.4%	4,500,342	14.9%
33	INTEREST PAYABLE						
34	OTHER LIABILITIES	43,384,379	13.3%	39,582,501	19.5%	15,565,750	51.5%
35	**TOTAL CAPITAL & LIABILITIES**	**260,136,149**	**79.5%**	**174,843,528**	**86.3%**	**30,228,721**	**100.0%**
36	TOTAL CONTINGENT LIABILITIES	67,041,684	20.5%	27,771,617	13.7%		
37	**TOTAL CAPITAL, LIABILITIES & CONTINGENTS**	**327,177,833**	**100%**	**202,615,145**	**100%**	**30,228,721**	**100%**
	BREAKDOWN OF CONTINGENTS						
38	Acceptances & direct credit substitutes	44,588,447	13.6%	25,694,693	12.7%		
39	Guarantees, bonds etc..	22,453,237	6.9%	2,076,924	1.0%		
40	Short-term self liquidating contingencies						

GLOBUS BANK LIMITED

	INCOME STATEMENT FOR THE YEAR ENDED	**31-Dec-21** N'000		**31-Dec-20** N'000		**31-Dec-19** N'000	
41	Interest income	15,960,457	88.1%	7,605,944	59.9%	1,045,412	98.5%
42	Interest expense	(9,381,225)	-51.8%	(2,297,482)	-18.1%	(28,466)	-2.7%
43	Loan loss expense	287,857	1.6%	(687,968)	-5.4%	(1,555)	-0.1%
44	NET REVENUE FROM FUNDS	6,867,089	37.9%	4,620,494	36.4%	1,015,391	95.6%
45	ALL OTHER INCOME	2,151,827	11.9%	5,084,112	40.1%	16,314	1.5%
46	**NET EARNINGS**	**9,018,916**	**49.8%**	**9,704,606**	**76.5%**	**1,031,705**	**97.2%**
47	Staff costs	(1,492,354)	-8.2%	(828,190)	-6.5%	(318,270)	-30.0%
48	Depreciation expense	(1,408,088)	-7.8%	(591,994)	-4.7%	(125,147)	-11.8%
49	Other operating expenses	(1,707,456)	-9.4%	(2,993,388)	-23.6%	(409,892)	-38.6%
50	TOTAL OPERATING EXPENSES	(4,607,898)	-25.4%	(4,413,572)	-34.8%	(853,309)	-80.4%
51	PROFIT (LOSS) BEFORE TAXATION	4,411,018	24.4%	5,291,034	41.7%	178,396	16.8%
52	TAX (EXPENSE) BENEFIT	(9,545)	-0.1%	(83,264)	-0.7%	(1,784)	-0.2%
53	**PROFIT (LOSS) AFTER TAXATION**	**4,401,473**	**24.3%**	**5,207,770**	**41.0%**	**176,612**	**16.6%**
54	NON-OPERATING INCOME (EXPENSE) - NET						
55	DIVIDEND						
56	**GROSS EARNINGS**	**18,112,284**	**100%**	**12,690,056**	**100%**	**1,061,726**	**100%**
57	AUDITORS	PWC		PWC		PWC	
58	OPINION	CLEAN		CLEAN		CLEAN	

	KEY RATIOS	**31-Dec-21**	**31-Dec-20**	**31-Dec-19**
	EARNINGS			
59	Net interest margin	41.2%	69.8%	97.3%
60	Loan loss expense/Interest income	0.0%	9.0%	0.1%
61	Return on average assets (Pre - tax)	1.7%	4.5%	0.6%
62	Return on average equity (Pre - tax)	13.4%	25.6%	1.8%
63	Operating Expenses/Net earnings	51.1%	45.5%	82.7%
64	Gross earnings/Total assets & contingents	6.8%	10.9%	3.5%
	EARNINGS MIX			
65	Net revenue from funds	76.1%	47.6%	98.4%
66	All other income	23.9%	52.4%	1.6%
	LIQUIDITY			
67	Total loans & leases - net/Total lcy deposits	48.1%	27.4%	-183.1%
68	Liquid assets/Total lcy deposits	49.9%	80.1%	578.0%
69	Demand deposits/Total lcy deposits	55.8%	42.5%	51.3%
70	Savings deposits/Total lcy deposits	6.4%	2.7%	2.9%
71	Time deposits/Total lcy deposits	24.7%	38.4%	45.7%
72	Inter-bank borrowings/Total lcy deposits	13.1%	16.4%	0.0%
73	Interest expense - banks/Interest expense	29.9%	17.8%	30.8%
74	**NET FOREIGN CURRENCY ASSETS (LIABILITIES)**	(15,367,798)	885,467	

GLOBUS BANK LIMITED

	KEY RATIOS CONT'D	**31-Dec-21**	**31-Dec-20**	**31-Dec-19**
	ASSET QUALITY			
75	Performing loans (N'000)	105,625,431	53,704,688	222,645
76	Non-performing loans (N'000)			
77	Non-performing loans/Total loans - Gross			
78	Loan loss provision/Total loans - Gross	0.2%	0.9%	0.3%
79	Loan loss provision/Non-performing loans			
80	Risk-weighted assets/Total assets & contingents	53.3%	46.5%	10.9%
	CAPITAL ADEQUACY			
81	Adjusted capital/risk weighted assets	20%	33%	293.4%
82	Tier 1 capital/Adjusted capital	100%	100%	100%
83	Adjusted capital/Total loans - net	33%	58%	4371%
84	Capital unimpaired by losses (N'000)	34,832,906	31,090,682	10,176,612
	STAFF INFORMATION			
85	Net earnings per staff (N'000)	31,425	59,174	17,487
86	Staff cost per employee (N'000)	5,200	5,050	5,394
87	Staff costs/Operating expenses	32.4%	18.8%	37.3%
88	Average number of employees	287	164	59
89	Average staff per branch	16	14	59
	OTHER KEY INFORMATION			
90	Legal lending limit(N'000)	6,966,581	6,218,136	2,035,322
91	Number of branches	18	12	1
92	Age (in years)	3	2	1
93	Government stake in equity (Indirect)	NIL	NIL	NIL
		Estimate	**Actual**	**Actual**
	MARKET SHARE OF INDUSTRY TOTAL	2021	2020	2019
94	Lcy deposits (excluding interbank takings)	0.4%	0.4%	0.0%
95	Total assets & contingents	0.5%	0.4%	0.1%
96	Total loans & leases - net	0.5%	0.3%	0.0%
97	Profit before tax	0.4%	0.7%	0.0%
98	Core capital	0.6%	0.7%	0.2%

RATING DEFINITIONS

Aaa	A financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due.
Aa	A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due.
A	A financial institution of good financial condition and strong capacity to meet its obligations.
Bbb	A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due.
Bb	Financial condition is satisfactory and the ability to meet obligations as and when they fall due to exist.
B	Financial condition is weak but obligations are still being met as and when they fall due.
C	Financial condition is very weak. Net worth is likely to be negative and obligations may already be in default.
D	In default.

A "+" (plus) or "-" (minus) sign may be assigned to ratings from Aa to C to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign

ESG Credit Rating Contribution Score Guide

1	Environmental, Social and Governance issues do not contribute to credit risk
2	Environmental, Social and Governance issues have minimal contribution to credit risk
3	Environmental, Social and Governance issues have a material contribution to credit risk
4	Environmental, Social and Governance issues contribute significantly to credit risk
5	Environmental, Social and Governance issues are major contributors to credit risk

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