



## Credit Rating Announcement

GCR Assigns Globus Bank Limited Issuer National Scale Ratings of BBB<sub>(NG)</sub> and A3<sub>(NG)</sub> in Long and Short Term Respectively; Outlook Stable

### Rating Action

Lagos, 12 July 2021 - GCR Ratings ("GCR") has assigned Globus Bank Limited national scale long and short-term issuer ratings of BBB<sub>(NG)</sub> and A3<sub>(NG)</sub> respectively; with a Stable Outlook.

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

### Rating Rationale

The ratings of Globus Bank Limited ("Globus", "the bank") are underpinned by its strong capitalisation, low risk level, highly liquid balance sheet, as well as its a limited track record.

Globus is a new entrant in the Nigerian commercial banking space, with track record of less than two years. The bank ranks among the tier 3 banks in Nigeria and controls an estimated market share of 0.4% and 0.3% in assets and deposits respectively at FY20. Globus' competitive position is constrained by its evolving brand franchise, short track record, and limited local geographical diversification, being a regional licenced bank. As a new entrant, Globus' customer base is concentrated, as such, risk position was high in terms of the twenty largest obligors and depositors at FY20.

Capitalisation is considered strong and a ratings strength. Given Globus' new operations and its moderate risk asset level, capitalisation metrics was at a satisfactory level at FY20, as GCR core capital ratio closed at a high level of 43.6%. Looking ahead, we expect the bank's capitalisation metrics to remain within moderate range over the next 12 to 18 months despite risk asset growth and expanded operation weighing down the capitalisation assessment. GCR is also cognisant of the bank's significant exposures to market risk in view of the substantial (43%) market sensitive income realised in FY20.

Risk position is sound and well contained, evidenced by the nil non-performing loan ("NPL") at FY20. This position rides on the back of the bank's short track, with the most part of the loan book yet to reach maturity. Credit losses is also minimal at 1.9% at FY20 and compares favourably with the industry average of about 3%. Expectedly, concentration by obligor is considered high, with the twenty largest exposures accounting for about 70% of the loan book at FY20. We anticipate a more diversified loan book over the short to medium term as the bank continues to expand its lending activities. In addition, foreign currency ("FCY") risk is considered minimal, with FCY loans constituting 5% of the loan portfolio at FY20, well below the industry average 35%. Related party exposure constituted less than 10% of the loan book at FY20.

The funding and liquidity position is assessed at an intermediate level. Globus is predominantly funded through customer deposits (c.65.7% of the funding base at FY20). The deposit book, which grew to N88.6bn at FY20 from N4.5bn in the prior year, reflected a good blend of term deposits (41%) and the low-cost saving and current accounts (47%), having the average cost of fund end the year at a moderate 3.9%. Liquidity is good, evidenced by the highly liquid nature of the balance sheet at FY20, as GCR liquid assets covered total wholesale funding moderately (23.7x), while the GCR calculated liquid asset to total customer deposits ratio stood at 23%. Although the matching of assets and

liabilities reflects a liquidity gap of N27.7bn in the 'less than one-month' band, the behavioural pattern seen in the industry overtime indicates that a sizeable portion are usually rolled over at maturity.

## Outlook Statement

---

The Stable Outlook reflects GCR's expectations that Globus' capitalisation metrics would remain strong despite its increasing risk assets. Asset quality metrics are anticipated to be maintained at sound level, with a reduction in concentration by obligor. We also believe that funding and liquidity will remain stable and adequate.

## Rating Triggers

---

An upward rating movement could be considered if the capital metrics are sustained at high level, and NPL maintained at nil. We may lower the ratings if asset quality materially deteriorates and/or if the GCR core capital declines below the 30% level over the rating horizon.

## Analytical Contacts

---

<b>Primary analyst</b> Lagos, NG	Adeyinka Olowofela Yinka@GCRratings.com	Senior Analyst, Financial Institutions +234 1 904 9462
<b>Committee chair</b> Johannesburg, ZA	Matthew Pirnie MatthewP@GCRratings.com	Group Head of Ratings +27 11 784 1771

## Related Criteria and Research

---

Criteria for the GCR Ratings Framework, May 2019  
Criteria for Rating Financial Institutions, May 2019  
GCR Ratings Scale, Symbols & Definitions, May 2019  
GCR Country Risk Scores, February 2021  
GCR Financial Institutions Sector Risk Score, February 2021

## Ratings History

---

### Globus Bank Limited

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

---

## 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>-3.00</b>
Competitive position	-3.00
Management and governance	0.00
<b>Financial profile</b>	<b>2.00</b>
Capital and leverage	2.00
Earnings vs. Risk	0.00
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>6.25</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 2020
- Management account as at 31 March 2021
- Other related documents.

ALL GCR CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS, TERMS OF USE OF SUCH RATINGS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS, TERMS OF USE AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://GCRRATINGS.COM](http://GCRRATINGS.COM). IN ADDITION, RATING SCALES AND DEFINITIONS ARE AVAILABLE ON GCR'S PUBLIC WEB SITE AT [WWW.GCRRATINGS.COM/RATING\\_INFORMATION](http://WWW.GCRRATINGS.COM/RATING_INFORMATION). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THIS SITE.

CREDIT RATINGS ISSUED AND RESEARCH PUBLICATIONS PUBLISHED BY GCR, ARE GCR'S OPINIONS, AS AT THE DATE OF ISSUE OR PUBLICATION THEREOF, OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. GCR DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL AND/OR FINANCIAL OBLIGATIONS AS THEY BECOME DUE. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: FRAUD, MARKET LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND GCR'S OPINIONS INCLUDED IN GCR'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND GCR'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND GCR'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL OR HOLD PARTICULAR SECURITIES. NEITHER GCR'S CREDIT RATINGS, NOR ITS PUBLICATIONS, COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. GCR ISSUES ITS CREDIT RATINGS AND PUBLISHES GCR'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING OR SALE.

Copyright © 2021 GCR INFORMATION PUBLISHED BY GCR MAY NOT BE COPIED OR OTHERWISE REPRODUCED OR DISCLOSED, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT GCR'S PRIOR WRITTEN CONSENT. Credit ratings are solicited by, or on behalf of, the issuer of the instrument in respect of which the rating is issued, and GCR is compensated for the provision of these ratings. Information sources used to prepare the ratings are set out in each credit rating report and/or rating notification and include the following: parties involved in the ratings and public information. All information used to prepare the ratings is obtained by GCR from sources reasonably believed by it to be accurate and reliable. Although GCR will at all times use its best efforts and practices to ensure that the information it relies on is accurate at the time, GCR does not provide any warranty in respect of, nor is it otherwise responsible for, the accurateness of such information. GCR adopts all reasonable measures to ensure that the information it uses in assigning a credit rating is of sufficient quality and that such information is obtained from sources that GCR, acting reasonably, considers to be reliable, including, when appropriate, independent third-party sources. However, GCR cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall GCR have any liability to any person or entity for (a) any loss or damage suffered by such person or entity caused by, resulting from, or relating to, any error made by GCR, whether negligently (including gross negligence) or otherwise, or other circumstance or contingency outside the control of GCR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits) suffered by such person or entity, as a result of the use of or inability to use any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained in each credit rating report and/or rating notification are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained in each credit rating report and/or rating notification must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY GCR IN ANY FORM OR MANNER WHATSOEVER.