Rating action: Update of a long-term credit rating according to the national scale Date of rating action: 11.11.2022 Date of publication: 11.11.2022 **The issuer:** JSC “CB “GLOBUS” USREOU code of the issuer: 35591059 Web-site of the issuer: http://www.globusbank.com.ua	RATING AGENCY EXPERT RATING **www.expert-rating.com**

Ratings of JSC “CB “GLOBUS” are updated

November 11, 2022 the rating committee of RA “Expert-Rating” has decided to update the credit rating of JSC “CB “GLOBUS” (35591059) at the level **uaAAA** according to the national scale. As well, the Bank’s deposit rating has been updated at the level **ua2+** according to the Agency’s scale. The borrower with rating uaAAA is characterized by the highest solvency compared to other Ukrainian borrowers. Making decision to update the rating according to the national scale, RA “Expert-Rating” was guided by the key results of the Bank’s activity for the nine months of 2022 year, particular and regular information of the Bank as an issuer of securities, and by specific forms of the Bank’s statistic statements for the 2021 year and January-October, 2022.

Equity and capital adequacy

Throughout the 2021 year and January-October, 2022 the regulatory capital of JSC “CB “GLOBUS” (N1) has fluctuated in the range from UAH 449,480 mln. to 669,467 mln. Since the beginning of 2022 year the Bank’s regulatory capital (N1) has decreased by 9,16% and as of 01.11.2022 its volume has amounted to UAH 529,908 mln that in 2,65 times has exceeded the limit value, set by NBU for this normative, at the level UAH 200 mln.

The regulatory capital adequacy normative of JSC “CB “GLOBUS” (N2) in the period from 04.01.2021 to 01.11.2022 has fluctuated in the ranges from 11,85% to 19,13%. Throughout the analyzed period the Bank’s N2 ratio with a reserve has exceeded the limit value, set by NBU. As of 01.11.2022 the Bank’s N2 ratio has amounted to 16,19% that by 6,19 p.p. has exceeded the limit level, set by the regulator.

The fixed capital adequacy of JSC “CB “GLOBUS” (N3) during the 2021 year and January-October of 2022 has fluctuated in the ranges 10,31%-14,77% and with a noticeable reserve has exceeded the limit value, set by NBU. As of 01.11.2022 the Bank’s N3 ratio has amounted to 13,42% that by 6,42 p.p. has exceeded the limit value of 7%, set by NBU.

Therefore, as at the beginning of November, 2022 JSC “CB “GLOBUS” was well provided with the regulatory and fixed capital. The Bank’s regulatory and fixed capital adequacy ratios (N2 and N3) have noticeably exceeded the limit values, set by NBU.

Fig. 1. Dynamics of the regulatory capital (N1) of JSC "CB "GLOBUS" compared to a total value of N1 ratio on the banking system

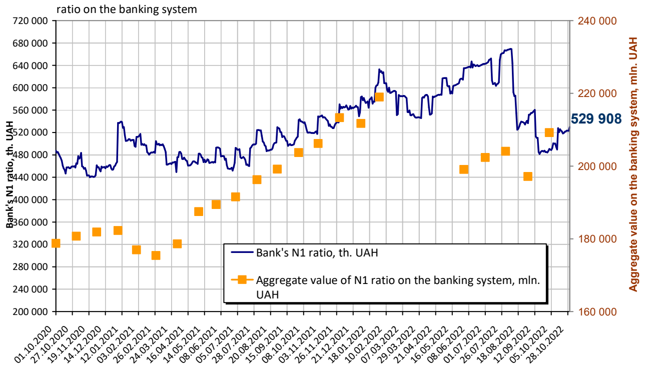


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of JSC "CB "GLOBUS" compared to the average of N2 ratio on the banking system

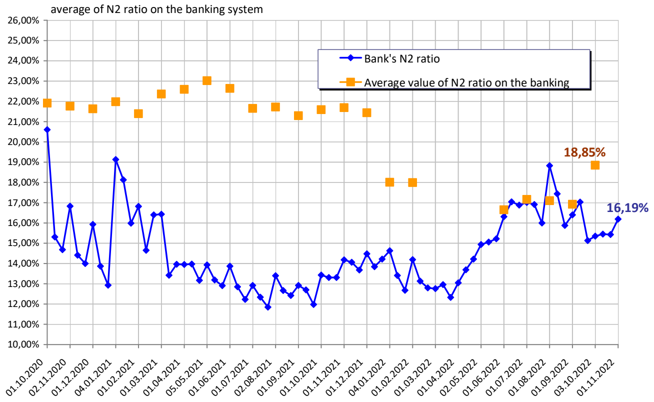
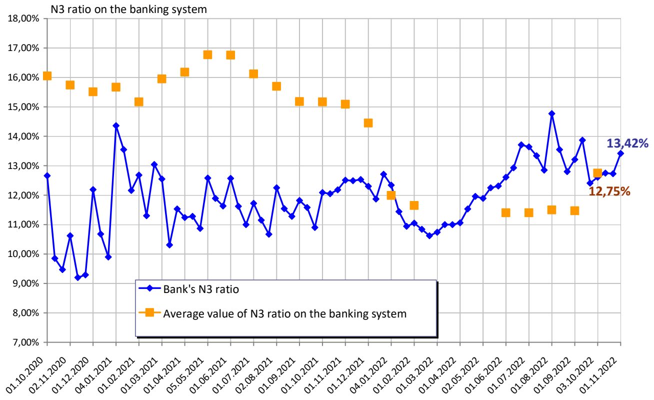


Fig. 3. Dynamics of the fixed capital adequacy (N3) of JSC "CB "GLOBUS" compared to the average of N3 ratio on the banking system



Asset structure and quality

As of 01.10.2022 compared to 01.01.2022 the assets of JSC "CB "GLOBUS" have decreased by 39,62% and have amounted to UAH 5,343 bn., the Bank's loan portfolio has decreased by 18,44% down to UAH 2,165 bn, while its proportion in assets of JSC "CB "GLOBUS" has grown by 10,52 p.p. (from 30,00% up to 40,52%). In the analyzed period cash and cash equivalents have grown by 34,92% up to UAH 730,534 mln as of 01.10.2022, while its proportion in assets of JSC "CB "GLOBUS" has grown by 7,55 p.p. (from 6,12% up to 13,67%).

As well, the Agency notes that for the period from 01.01.2022 to 01.10.2022 the Bank's securities portfolio has decreased by 62,02% and has amounted to UAH 1,996 bn that has amounted to 37,36% of the Bank's assets. The securities portfolio of JSC "CB "GLOBUS" fully consisted of ISLBs and NBU deposit certificates, i.e. instruments with a low credit risk.

Throughout the period from 01.01.2021 to 01.10.2022 the proportion of non-performing loans (NPL) in the loan portfolio of JSC "CB "GLOBUS", which is calculated by the Agency as a sum of the fifth class (for loans to individuals) and the tenth class (for loans to legal entities), has fluctuated in the ranges from 5,68% to 21,05%. As of 01.10.2022 the NPL share in loans of JSC "CB "GLOBUS" has amounted to 21,05%, while the average of the NPL share on the Ukrainian banking system has amounted to 35,42%. Thus, as at the beginning of October, 2022 year the Bank's NPL indicator has been in 1,68 times lower than the average market value.

Fig. 4. Key categories of assets of JSC "GLOBUS", th. UAH

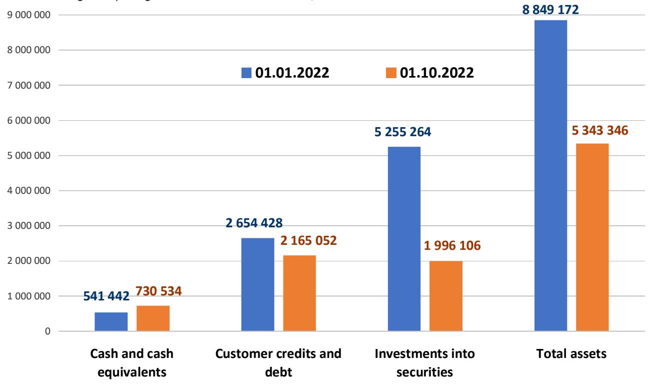
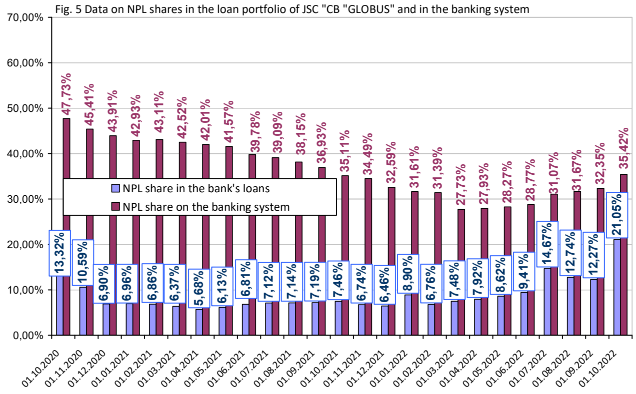


Fig. 5 Data on NPL shares in the loan portfolio of JSC "CB "GLOBUS" and in the banking system



Liquidity

Net Stable Financing Ratio (NSFR) of JSC "CB "GLOBUS" throughout the period from 01.04.2021 to 01.11.2022 has fluctuated in the range from 90,16% to 170,16%. As of 01.11.2022 the Bank's NSFR has amounted to 154,63% that by 64,63 p.p. has exceeded the limit value, set by NBU, for this normative, which should amount to not less 90%.

Liquidity coverage ratio on all currencies (LCRac) of JSC "CB "GLOBUS" in the period from 01.01.2021 to 01.11.2022 has fluctuated in the ranges 108,06%-515,88% and advantageously has significantly exceeded the limit value, set by NBU. As of 01.11.2022 the Bank's LCRac has amounted to 323,35%, that in 3,23 times has exceeded the normative value, set by the regulator.

Liquidity coverage ratio in foreign currency (LCRfc) of JSC "CB "GLOBUS" throughout the period from 01.01.2021 to 01.11.2022 has fluctuated in the range from 105,24% to 231,30%, advantageously with a noticeable reserve exceeding the limit value, set by NBU. As of 01.11.2022 the Bank's LCRfc has amounted to 156,89%, that by 56,89 p.p. has exceeded the normative level, set by the regulator.

Therefore, as at the beginning of November, 2022 JSC "CB "GLOBUS" was well provided with liquidity, as indicated, in particular, by the norms NSFR, LCRac and LCRfc, which with a reserve have exceeded the limit values, set by the regulator.

Fig. 6. Dynamics of Net Stable Financing Ratio (NSFR) of JSC "CB "GLOBUS"

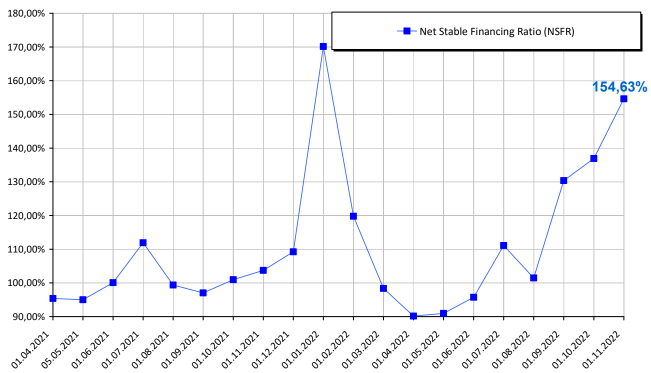
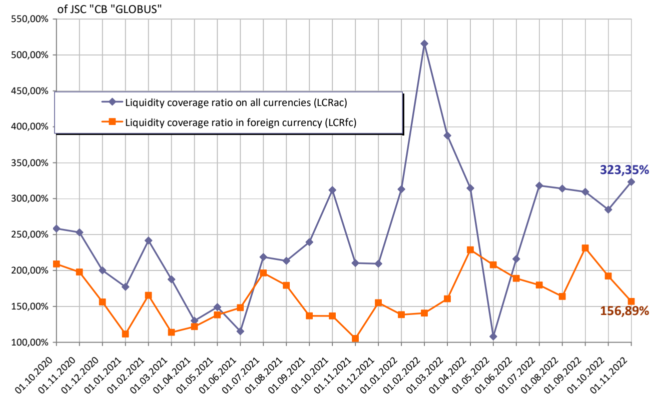


Fig. 7. Dynamics of Liquidity Coverage Ratios on all currencies (LCRac) and in foreign currency (LCRfc) of JSC "CB "GLOBUS"



Profitability of operations

According to the results of the nine months of 2022 year JSC "CB "GLOBUS" has received loss of UAH 65,845 mln, while for the same period of 2021 year the Bank has received profit of UAH 58,545 mln. The Agency notes that the decrease in financial results of JSC "CB "GLOBUS" according to the results of the first three quarters of 2022 year compared to the same period of 2021 year is related to the increase of the loss from the impairment of customer loans and debt and funds in other banks (in 2,44 times up to UAH 164,899 mln) and is related with the decrease of key items of the Bank's revenues.

According to the results of the nine months of 2022 year compared to the same period of 2021 year net interest income of JSC "CB "GLOBUS" has decreased by 21,05% and has amounted to UAH 264,574 mln, and the Bank's net commission income has decreased by 14,01% down to UAH 108,029 mln. The decrease in the Bank's net interest income is caused by the greater growth rates interest expenses compared to interest income in the analyzed period: interest income has increased by 9,46%, and interest expenses – by 48,26%. A significant factor of the increase in interest expenses of JSC "CB "GLOBUS" became an increase of expenses on servicing the refinancing loans from NBU due to the growth of the NBU discount rate in June, 2022 in 2,5 times up to 25%. At the same time, the Agency notes that in August, 2022 JSC "CB "GLOBUS" fully repaid all refinancing loans it received from the National Bank of Ukraine. The Bank made the decision to settle early with NBU loan funds, taking into account the high liquidity provision and the improvement of all key performance indicators. The total amount of repaid refinancing loans amounted to UAH 1,56 bn.

Fig. 8. Net interest income, net commission income and profit of JSC "CB "GLOBUS"

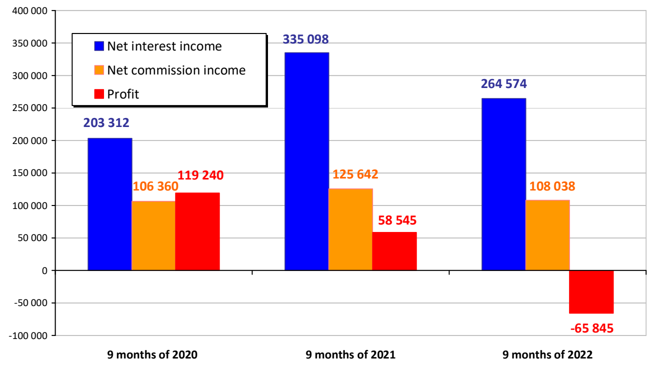
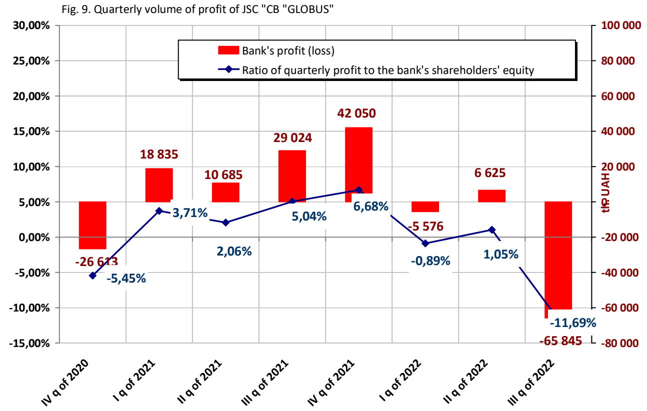


Fig. 9. Quarterly volume of profit of JSC "CB "GLOBUS"



Other factors

JSC "CB "GLOBUS" wasn't referred by NBU to the category of problem banks, complied with key ratios, set by NBU, and performed commitments to lenders and depositors within the current legislation, rules and procedures of the Bank.

Summary

Therefore, as at the beginning of November, 2022 JSC "CB "GLOBUS" was well provided with the regulatory and fixed capital. The Bank's N2 and N3 ratios have noticeably exceeded the limit values, set by NBU. As of 01.11.2022 JSC "CB "GLOBUS" was well provided with liquidity, as indicated, in particular, by the norms NSFR, LCRac and LCRfc, which considerably have exceeded the limit values, set by the regulator. As of 01.10.2022 the NPL share in the loan portfolio of JSC "CB "GLOBUS" has been in 1,68 times lower than the average NPL indicator on the Ukrainian banking system. According to the results of the nine months of 2022 year JSC "CB "GLOBUS" received loss of UAH 65,845 mln. The Agency notes that the impact on the Bank's profit was caused by a significant increase (in 2,44 times) of loss from the impairment of financial assets in January-September of 2022 year compared to the same period of 2021 year, as well as by a considerable increase of interest expenses on servicing the refinancing loans from NBU. At the same time, in August, 2022 JSC "CB "GLOBUS" fully repaid all refinancing loans it received from the National Bank of Ukraine.

The agency notes that the current rating level determines the probability of default in the case of bank operations under normal circumstances and does not take into account force majeure circumstances, as well as the effect of other force majeure circumstances.