

Rating action: Update of a long-term credit rating according to the national scale

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The issuer: PJSC "CB "GLOBUS"

USREOU code of the issuer: 35591059

Web-site of the issuer: <http://www.globusbank.com.ua>



www.expert-rating.com

Ratings of JSC "CB "GLOBUS" are updated

August 28, 2019 the rating committee of RA "Expert-Rating" has decided to update the credit rating of JSC "CB "GLOBUS" (35591059) at the level **uaAA** according to the national scale. As well, the Bank's deposit rating is updated at the level **ua2+** according to the Agency's scale. The borrower with rating uaAA is characterized by a very high 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 first half of 2019, particular and regular information of the Bank as an issuer of securities, and by specific forms of the Bank's statistic statements for January-July, 2019.

Equity and capital adequacy

The regulatory capital of JSC "CB "GLOBUS" (N1) in the period from 02.01.2018 to 01.08.2019 has fluctuated in the range UAH 227,652-390,789 mln. As of 01.08.2019 the Bank's N1 ratio has amounted to UAH 315,491 mln that by UAH 115,491 mln. exceeds the limit value of UAH 200 mln, set by NBU.

Throughout the 2018 year and January-July, 2019 the regulatory capital adequacy normative of JSC "CB "GLOBUS" (N2) has fluctuated in the range from 10% to 15,84%. As of 01.08.2019 the Bank's N2 ratio has amounted to 12,94% that is by 2,94 p.p. more than the limit value, set by NBU. During the given analysis period the Bank accurately adhered to the NBU requirements of the regulatory capital adequacy normative, but the level of the Bank's N2 ratio was advantageously lower than the average market indicators.

Therefore, during the period from 02.01.2018 to 01.08.2019 the dynamics of the Bank's equity ratios has been multidirectional. In the Agency's opinion, JSC "CB "GLOBUS" created and maintained a certain reserve of equity norms, that indicates a sufficient level of the Bank's provision with regulatory capital.

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

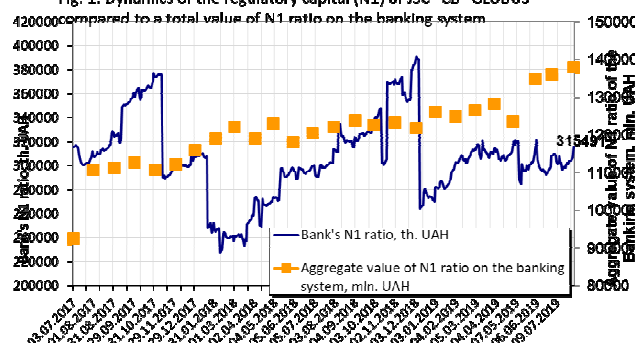
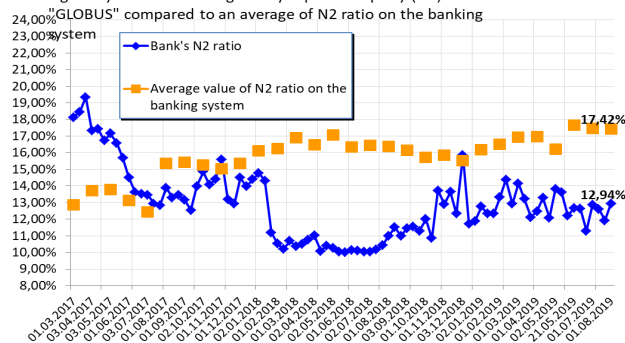


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of JSC "CB "GLOBUS" compared to an average of N2 ratio on the banking system

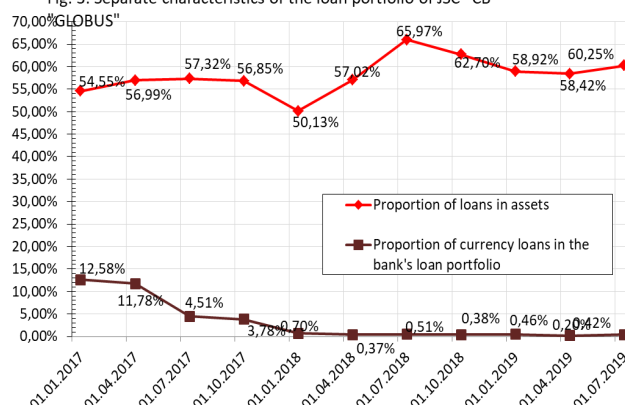


Asset structure and quality

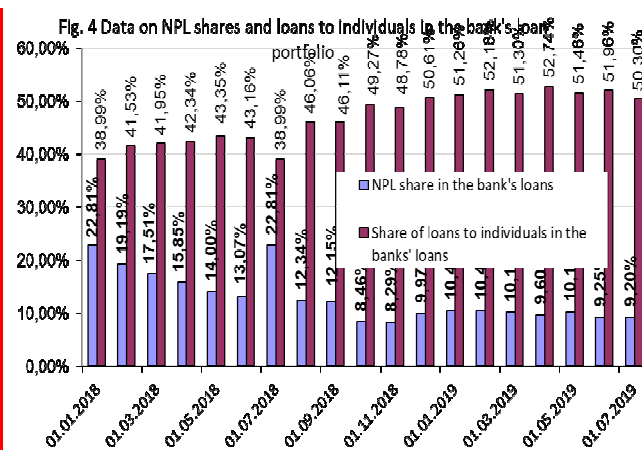
As of 01.07.2019 the proportion of loans in assets of JSC "CB "GLOBUS" has amounted to 60,25% that is by 1,33 p.p. more, than as of 01.01.2019. Throughout the 2018 year and January-July, 2019 this normative has fluctuated in the range 50,13-65,97%. In the period from 01.01.2017 to 01.07.2019 the proportion of loans in the Bank's assets has grown by 5,7 p.p. that has positively affected the indicators of the Bank's profitability. The proportion of currency loans in the Bank's loan portfolio for the last 10 quarters has decreased from 12,58% down to 0,42% that indicates a very low level of currency risk.

For the period from 01.01.2018 to 01.07.2019 the

Fig. 3. Separate characteristics of the loan portfolio of JSC "CB "GLOBUS"

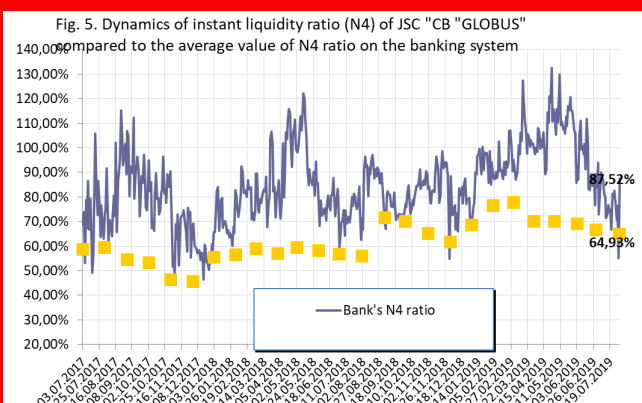


proportion of loans to individuals in the Bank's loans has grown from 38,99% to 50,30%. In the same period the proportion of non-performing loans (NPL) in the loan portfolio of JSC "CB "GLOBUS", which is calculated by the Agency as a sum of the fifth class (for loans to individuals) and the tenth class (for loans to legal entities), has decreased from 22,81% down to 9,20%. At the same time, as of 01.07.2019 the average indicator of the NPL share on the Ukrainian banking system has amounted to 52,31%. Therefore, the Bank's NPL indicator was in 5,7 times lower than the average market value that indicates a high quality of the loan portfolio of JSC "CB "GLOBUS".

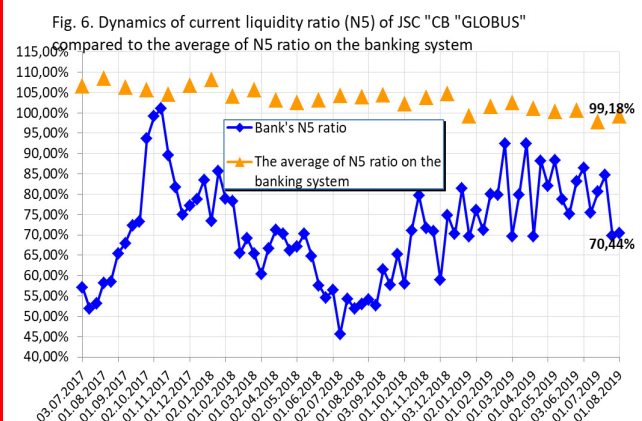


Liquidity

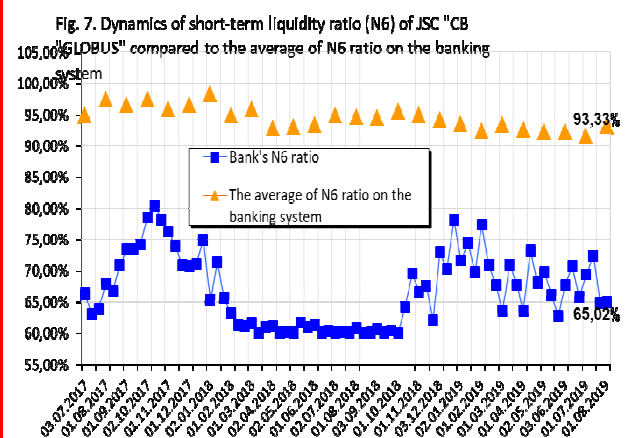
Instant liquidity ratio of JSC "CB "GLOBUS" (N4) throughout the 2018 year and January-July, 2019 has fluctuated in the range 54,90-132,66%. During the specified period the Bank's N4 ratio with a great reserve has exceeded the minimal values, set by NBU, and almost on a constant basis has exceeded the average indicators of this normative on the Ukrainian banking system. As of 01.08.2019 the Bank's instant liquidity ratio (N4) has amounted to 87,52% that is by 67,52 p.p. higher than the limit value, set by NBU.



Current liquidity ratio of JSC "CB "GLOBUS" (N5) during the period from 02.01.2018 to 01.08.2019 has fluctuated in the range from 45,57% to 92,45%. The Bank's N5 ratio with a noticeable reserve has exceeded the minimal level, set by NBU, but has been lower than the averages of this normative on the Ukrainian banking system. As of 01.08.2019 current liquidity ratio of JSC "CB "GLOBUS" (N5) has amounted to 70,44% that is by 30,44 p.p. more than the limit value for this normative, set by NBU.



Short-term liquidity ratio of JSC "CB "GLOBUS" (N6) throughout the 2018 year and January-July, 2019 has fluctuated in the range from 60,02% to 78,21%. During the specified analysis period the Bank didn't violate the N6 ratio, but the Bank's N6 ratio has been lower than the averages on the banking system of Ukraine. As of 01.08.2019 the short-term liquidity ratio of JSC "CB "GLOBUS" (N6) has amounted to 65,02% that is by 5,02 p.p. more than the limit value, set by NBU.



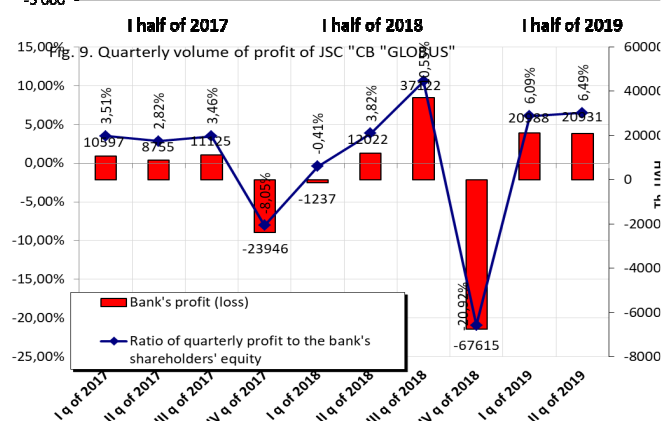
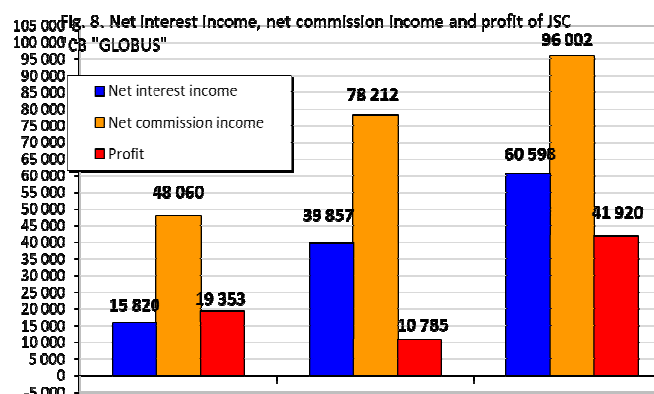
Therefore, during the period from 02.01.2018 to 01.08.2019 JSC "CB "GLOBUS" in full met the requirements of liquidity ratios. The values of the Bank's instant (N4) and current (N5) liquidity ratios with a great reserve have exceeded the limit values, set by the National bank for these norms, while the Bank's N4 ratio advantageously has been higher than the average market indicators for this normative. In the Agency's opinion, the Bank has maintained an optimal reserve of liquidity.

Profitability of operations

According to the results of the first half of 2019 JSC “CB “GLOBUS” has received profit of UAH 41,920 mln., that in 3,89 times higher than the Bank’s profit for the first half of 2018.

The Bank reached such a high growth rate of profit due to high growth rates of key items of its revenues. Besides, according to the results of the first half of 2019 compared to the same period of 2018 the Bank’s net interest income has grown in 1,52 times up to UAH 60,598 mln, and net commission income has increased by 22,75% up to UAH 96,002 mln.

The Agency reminds that the Bank finished the first and fourth quarters of 2018 with a loss. In the Agency’s opinion, the increase of administrative and other operating expenses made a noticeable pressure on the Bank’s financial result in the first and fourth quarters of 2018. At the same time, the second and third quarters of 2018 were profitable for the Bank. As well, the Agency positively estimates a noticeable volume of profit of JSC “CB “GLOBUS” for the first and second quarters of 2019, which was facilitated by the successful asset management policy of the Bank.



Other factors

Verification on public databases of the State Fiscal Service showed that at the moment of rating update JSC “CB “GLOBUS” was registered in authorities of the SFS and didn’t have any tax debt.

The Bank wasn’t referred by NBU to the category of problem ones, complied with key ratios, set by NBU, and performed commitments to lenders and depositors within the current legislation, rules and procedures of the Bank.

Generalization

Therefore, as at the beginning of August, 2019 the N1 and N2 ratios of JSC “CB “GLOBUS” with a noticeable reserve exceeded the limits, set by NBU. During the 2018 and January-July, 2019 the Bank formed and maintained the regulatory capital indicators at a sufficient level, and the reserve of the Bank’s liquidity was optimal. The Bank’s NPL proportion was in 5,7 times lower than the average market indicator on the Ukrainian banking system that indicates a high quality of the loan portfolio of JSC “CB “GLOBUS”. According to the results of the first half of 2019 compared to the same period of 2018 the Bank’s profit grew in 3,89 times that became possible due to a considerable increase of net interest and net commission income.

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