

**Brief Rating Rationale
Bank One Limited**

CRAF reaffirms ‘CARE MAU A+’ rating with change in outlook from Negative to Stable for the Tier II Bond issue and Issuer Rating of Bank One Limited

Ratings

Facility/ Instrument	Amount	Rating	Rating Action
Issuer Rating	Not Applicable	CARE MAU A+ (Is); Stable [Single A Plus (Issuer); Outlook: Stable]	Rating reaffirmed with change in outlook from Negative to Stable
Tier II Bond Issue	Mur 600 million	CARE MAU A+; Stable [Single A Plus; Outlook: Stable]	

RATING RATIONALE

The issuer rating and Tier II Bond rating assigned to Bank One Limited (“Bank One”) was reaffirmed at CARE MAU A+ with revision in outlook from Negative to Stable due to stable & profitable performance of the Bank in 9MFY21. With opening of the international borders on October 01, 2021, Bank One is expected to have stability in the operations with minimum NPL’s.

The rating assigned to Bank One continues to derive strength from the experienced and resourceful promoter groups (CIEL and I&M Groups), professional and highly qualified management team, comfortable Capital Adequacy Ratio (“CAR”) well above the regulatory norm, stable business performance, stable deposit base, comfortable liquidity & asset-liability maturity profile, majority of investment in Govt. Securities, diversified advances portfolio with stringent Non-Performing Assets (“NPA”) recognition norms and satisfactory asset quality.

The rating outlook is however constrained by the fact that Bank One is a medium-sized bank in an increasingly competitive Mauritian banking sector. As other banks in Mauritius, Bank One is exposed to customer concentration risk both in the domestic & international markets, regulatory risks, and interest rate volatility risk.

Rating Sensitivities:

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Improvement in asset quality, profitability & maintain Capital adequacy well above Regulatory level

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Deterioration in asset quality i.e., Net NPA to net advances over 5% & Net NPA to Networth over 20%
- Weakening of profitability and capital adequacy levels i.e., CAR close to Regulatory requirement
- Moderation in liquidity profile.
- Increase in advances portfolio and deposits portfolio.
- Negative cumulative mismatch in asset-liability maturity profile between 3 months to 5 years.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

BACKGROUND

Bank One, a Mauritius based mid-sized private sector bank, provides retail, corporate, and private banking products and services both in Mauritius and offshore. Headquartered in Port Louis, the bank provides a wide range of banking products and services to its clients through a network of 10 branches and a well-distributed ATM network. The bank has a client base of over 50,000 clients. As at September 30, 2021, Bank One reported total deposits and advances of Mur 37 billion and Mur 21 billion respectively.

Bank One offers current, savings and term deposit accounts, personal finance, trade finance, corporate finance, treasury services and an array of other banking products to its customers.

Bank One is governed by a 9-member Board of Directors comprising of experienced bankers and professionals.

As at December 2020, Bank One Capital Adequacy Ratio (CAR) stood comfortable at 19.81% (against a regulatory requirement of 11.875%), and Common Equity Tier I (CET I) was 12.45% (against regulatory requirement of 6.5%). As at September 30, 2021, the Bank One`s CAR stood comfortable at 21.12% (against a regulatory requirement of 11.875%), and Common Equity Tier I (CET I) CAR was 14.23% (against regulatory requirement of 6.5%).

The Bank maintains a very healthy liquidity coverage ratio well above the regulatory requirement.

Bank One has a stable deposit base and the term deposits has witnessed good rollover rate (75-80%) in last 2-3 years. Total deposits which remain the Bank`s core source of funding was at the same level in FY20 with CASA proportion at 77% as on December 31, 2020.

International customers (both corporate and individuals) have been the major foreign currency deposit raising source for the bank (*contributing around 65% of the total Bank deposits*). Retail Banking (domestic) remains one of the core local deposit raising arm of the Bank contributing around 24% of the total Bank deposits. Furthermore, around 50% of the term deposits are more than Mur 100 million and 5% is less than Mur 5 million.

As on September 30, 2021, Bank One does not have a cumulative negative mismatch. However, the bank has adequate options available to fund any gaps such as:

- Disposal of its investment in securities held with BOM
- Sale of investments in International Treasuries
- Drawdown on repurchase agreements with BOM and other local banks
- Utilize the credit lines available with local and international banks
- Sale of listed bonds of International Banks, if required.

Bank One`s investment in GOM and BOM securities amounted to Mur 4,926 million, which forms 22% (FY19: 32%) of the aggregate investments as on Dec 31, 2020.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

During FY20, bank's advances declined by 31% due to the management's decision to exit exposures to corporates engaged in tourism sector in Mauritius (including Sun Limited) and financial sector outside Mauritius. However, bank's exposure to retail customers in Mauritius has increased by 12%.

Due to the tough competition, instability in economic conditions, revision of the repo rates by the Government and the pressure on margins, Bank One's total interest income decreased by 12% in FY20. The Bank reported a loss of MUR 492 million in FY20 (FY19: PAT – MUR 630 million). This was due to provisions in FY20 of MUR 1,074 million and expected losses due to COVID-19 pandemic.

The promoters infused MUR 300 million equity in FY20 to boost the capital. The Bank also raised MUR 600 million of Tier II Bonds to strengthen its capital.

In 9MFY21, interest income declined by 28% over 9MFY20 due to decline in loans book from MUR 22 billion in 9MFY20 to MUR 20.5 billion in 9MFY21. In these uncertain times, the strategy of the bank has been to be very prudent and selective in offshore lending which resulted in a contraction of the loans portfolio in 9MFY21. Non-interest income remains stable as 9MFY21. Bank One closed 9MFY21, with profit after tax of Mur 337 million against a loss of Mur 419 million in 9MFY20. The bank deposit book experienced a drop during in 9MFY21. As part of its strategy, the total deposits were consciously brought down from Mur 48 billion as at December 31, 2020 to Mur 37 billion as at September 30, 2021.

Prospects

Bank's prospects depend upon its ability to shore up its capital, continue the momentum to raise low cost deposit, expand its presence in the retail sector and maintain its profitability, asset quality & CAR at satisfactory levels. Equity infusion by the promoters to support growth is a key rating sensitivity.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating. CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

Annexure I

Rating Symbols Long /Medium-term Instruments

Symbols	Rating Definition
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {'+' (plus) / '-'(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category.

Rating Outlook

The rating outlook can be 'Positive', 'Stable' or 'Negative'.

A 'Positive' outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A 'Negative' outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A 'Stable' outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

Short term Instruments

Symbols	Rating Definition
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {'+' (plus) / '-'(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com