Bank One Limited
20 July 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Long Term Bond Issue (Tier II)	**600**	**CARE MAU A+; Stable [Single A Plus; Outlook: Stable]**	**Reaffirmed**

Ratings Rationale

The rating assigned to the bond issue of Bank One Limited continues to derive strength from the stable performance of the Bank with improved profitability margins & returns on capital, maintenance of comfortable capital buffer above regulatory limit, growth in the loans portfolio while ensuring that risks remain within acceptable parameters, diversification of loan assets with limited exposure to vulnerable economic sectors and marked improvement in quality of assets with gross and net NPA at comfortable levels. The rating is also supported by the healthy investment portfolio of the Bank with significant holdings of liquid assets, robust liquidity coverage, stable and low-cost deposit base and strong parentage from CIEL Finance Limited, which in turn is a wholly owned subsidiary of CIEL Limited, which is one of the largest business groups in Mauritius.

The rating is however constrained by Bank One being a mid-sized bank with less than 3% of total assets of the banking industry in Mauritius, negative asset-liability maturity mismatch in several buckets, decline in non-fund based operations and exposure to entities operating in high-risk countries, despite same being under close monitoring.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- More than 30% growth in deposit base and loans & advances book, leading to increased market share
- Strengthening regulatory ratios
- Expansion of non-fund based activities resulting in additional & diversified revenue stream and greater resilience

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Significant dip in the regulatory ratios
- Contraction of loan book and decline in deposit base
- Deterioration in asset quality

BACKGROUND

Bank One Limited ("Bank One") is a Mauritian based mid-sized private sector bank which provides retail, corporate, and private banking products and services in Mauritius and internationally (primarily in Africa). Headquartered in Port Louis, the bank provides a wide range of banking products and services to its clients through a network of 7 branches and a well-distributed ATM network. The bank has over 50,000 clients with a deposit and advances base of MUR 37,995 million and MUR 25,640 million respectively, as on 31 March 2023. Bank One was incorporated in March 2002 as Del Subs Company Limited and renamed as First City Bank Ltd. In February 2008, First City Bank Ltd. was acquired by a joint venture between CIEL Finance Limited [rated CARE MAU A; Stable and 100% subsidiary of CIEL Limited (rated CARE MAU

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

AA-; Stable/CARE MAU A1+)] and I&M Group PLC from Kenya, with both entities owning sizeable banking operations in Madagascar, Kenya, Tanzania and Rwanda. In August 2008, First City Bank Ltd. was rechristened as Bank One Limited. The ownership of Bank One is shared equally through a joint venture agreement between CIEL Finance Limited ("CFL") and I&M Group Plc ("IMH"), as illustrated below:

Operational Performance

After renewing with profitability in FY21, Bank One maintained the momentum in FY22. Total income for the year was supported by higher interest income, boosted by the central banks hikes in interest rates. This increase was however offset by an almost 40% drop in non-interest income, on the back of discontinuation of e-commerce facilities. The Bank had been more effective in monitoring its costs as shown by the ratio of operational expenses to total income dropping from 58% in FY21 to 51% for FY22. With most of the borrowers of Bank One having their financial conditions improved, they were in a better ability to meet their repayments and accordingly the Bank registered a reversal of provision of MUR 33 million in FY22. The returns generated by the Bank proved to be on an improving trend as shown by the ROTA and RONW which increased from 0.81% and 12.35% respectively in FY21 to 1.06% and 14.42% respectively for FY22.

Bank One was also more efficient in deploying capital with a higher credit to deposit ratio of 0.72x in FY22.

During Q1FY23, total income for the Bank was 58% higher compared with the same period last year, on the back of an 82% increase in net interest income which was supported by improved interest margins and assets growth. With the continued improvement in the quality of loans, the bank recognized a net reversal of provision of MUR 8 million. Overall, PAT for Q1FY23 increased by 80% compared to the same period for the previous year.

The Bank's CAR stood at 17.41% as at March 2023 against a regulatory limit of 12.50% and reported a consolidated LCR of 236% at end of the quarter. Bank One remains comfortable with its high levels of capital and liquidity amidst the high interest environment and uncertain business climate both locally and on the international front.

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Annexure I

1. Details of Rated Instrument

Instrument	Amount (MUR Million)	Repayment	Interest Rate
Long Term Bond Issue (Tier II)	600	Bullet repayment in June 2030	Fixed - 5.00% per annum

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.

Contact us

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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF’s Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.