Brief Rating Rationale
CRAF reaffirms 'CARE MAU A+ (Is); Stable' Issuer Rating assigned to Bank One Limited

Ratings

Facility/Instrument	Amt. (MUR Million)	Rating	Rating Action
Issuer Rating	Not Applicable	**CARE MAU A+ (Is); Stable [Single A Plus (Issuer); Outlook: Stable]**	**Reaffirmed**

Rating Rationale

The issuer rating assigned to Bank One Limited ("Bank One") derives strength from the experienced and resourceful promoter groups (CIEL and I&M Groups), satisfactory track record of the bank, professional and highly qualified management team, comfortable Capital Adequacy Ratio ("CAR") well above the regulatory norm, stable business performance with contribution from non-interest income, consistent growth in low cost deposits over the last three years, comfortable asset-liability maturity profile, stable advances portfolio with stringent Non-Performing Assets ("NPA") recognition norms and satisfactory asset quality.

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

Ability of Bank One to maintain asset quality & profitability while growing its business, maintaining comfortable liquidity and proposed equity infusion by the promoters as informed to CRAF to maintain capitalisation levels well above regulatory norms and reduce gearing from current levels are the key rating sensitivities.

BACKGROUND

Bank One, a Mauritius based medium-sized private sector bank, serves the Retail, Corporate, and Private banking segments both in Mauritius and offshore (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 13 branches and a well-distributed ATM network in Mauritius. The bank has over 50,000 clients and manages a deposit and net advance of Mur 33.4 billion and Mur. 23.6 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 was incorporated in March 2002 as Del Subs Company Limited. It was renamed as First City Bank Ltd in May 2002. In February 2008, First City Bank was acquired by a joint venture of CIEL Finance Limited [75.1% subsidiary of CIEL Limited (rated 'CARE MAU AA; Stable', 'CARE MAU A1+')] and I&M Holdings Limited of Kenya with both entities owning sizeable banking operations in Madagascar, Kenya, Tanzania and Rwanda. In August 2008, First City Bank was rechristened as Bank One Limited.

Bank One is licensed by the Financial Services Commission to act as an insurance agent, distributor of financial products, investment advisor and custodian. Bank One also has a representative office in South Africa. The bank also offers treasury services.

Bank One has a stable deposit base and the term deposits has witnessed good rollover rate (75-80%) in recent years. Total deposits which remains the Bank`s core source of funding grew by 18% in FY18 with CASA proportion at 69% as on 31 December 2018.

International banking (Retail & Corporate) has been the major deposit raising source for the bank, contributing above 57% of the total Bank deposits with a growth of 27% in 2018. Retail Banking (domestic) remains one of the core local deposit raising arm of the Bank contributing above 25% of the total Bank deposits. 50% of the term deposits are more than Mur 100 million and 12% is less than Mur 5 million.

Bank One has cumulative negative mismatch in 1-month time bucket, primarily considering withdrawal of entire low-cost CASA deposits (demand deposits & savings deposit) within 1 month. However, it may be noted that the bank has witnessed around 20% annual growth in CASA deposit for last 3 years. This apart more than 75% rollover of term deposits during last 2 years also provides comfort.

In case of stressed liquidity issues, the bank can dispose of its investment in securities with BOM and make use of other funding options to meet any shortfall.

During FY18, the Bank's net advances witnessed a growth of 10% (39.3% during FY17) which was a result of increase in exposures to domestic and international corporate. Bank One is exposed to corporate customer concentration risk, since its top 20 domestic corporate customers account for 60% of domestic exposure and top 20 International Corporate customers accounts for 80% of international exposure.

In FY18 (January 1 – December 31) the bank reported an interest income of Mur 1,395 million and total income of Mur 2,147 million. Net interest income went up by 29% in FY18, over FY17. PAT was Mur 393 million an increase of 5% over FY17.

The Bank delivered a reasonable Return on Networth of 16.37% and Return on Assets of 1.10% despite the challenging business environment both locally and on the international front.

Bank' assets book witnessed a growth of 26% in FY18 contributed by both local and offshore business. Gross loans book went up by 10% during the year under review reaching Mur 23.6 bn as at December 2018 as compared to Mur 21.4 bn in December 2017.

Gross NPA declined to Mur 1.16 million as on Dec 31, 2018, from Mur 1.34 million as on Dec 31, 2017. Impairment ratio improved from 6.06% to 4.74% as at December 2018. Recovery actions started in prior years paid off well with assets recovered during the year.

As at December 2018, Bank One`s CAR stood comfortable at 12.99% (against a regulatory requirement of 11.25%), and Common Equity Tier I (CET I) ratio was 9.09% (against regulatory norm of 6.5%).

In FY18, Bank has also raised Mur 200 million for a period of 10 years. CAR as on March 31, 2019 was 13.58%.

Annexure I

Rating Symbols

Long /Medium-term Issuer Rating

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

CRAF's Issuer Rating (CIR) reflects the overall credit risk of the issuer. The rating scale has been aligned with the long-term instrument rating scale ranging from AAA(Is) (Highest Safety) to D(Is) (Default). 'Is' suffix indicates 'Issuer Rating'

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.