Brief Rating Rationale
Bank One Limited

CRAF assigns 'CARE MAU A+; Negative' rating to the proposed Tier II Bond issue of Bank One and reaffirms 'CARE MAU A+ (Is)' rating with change in Outlook to Negative for the Issuer Rating assigned to Bank One Limited

Ratings

Facility/ Instrument	Amount	Rating	Rating Action
Issuer Rating	Not Applicable	**CARE MAU A+ (Is); Negative [Single A Plus (Issuer); Outlook: Negative]**	**Reaffirmed with change in outlook from stable to negative**
Tier II Bond Issue	Mur 800 Million	**CARE MAU A+; Negative [Single A Plus; Outlook: Negative]**	**Assigned**

RATING RATIONALE

The issuer rating assigned to Bank One Limited ("Bank One") was reaffirmed with change in outlook from **Stable to Negative** in view of the negative impact of lockdown, due to COVID-19 pandemic, in the different economies and businesses where Bank One has lending exposures leading to increased credit risk.

CRAF expects the projected contraction *(around 7.5%-15% by BOM)* in GDP growth of Mauritius in CY20, due to prolonged impact of the lockdown in various businesses, to have an impact on the future provisioning requirements and NPAs of banks in Mauritius.

CRAF has also assigned **CARE MAU A+; with outlook Negative** to the proposed Tier II Bond issue of up to Mur 800 million for a period of 10 years of Bank One. CRAF, based on interaction with management of Bank One, understands that the proceeds from the Bond issue will be utilised to improve further the capitalisation level of the Bank *(which are comfortably above regulatory levels)* as well as support the planned growth.

The rating assigned to Bank One continues to derive 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") above the regulatory norm, stable business performance with satisfactory 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 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.

Key rating sensitivities remain the ability of Bank One to maintain its asset quality & profitability while growing its business, as well as maintaining comfortable liquidity, delivering on the proposed equity infusion by the promoters, ability to raise Tier II bonds to maintain capitalisation levels well above regulatory norms and reduce gearing from current levels.

The rating has been reaffirmed based on the confirmation from the management, that there will be an equity infusion of Mur 300 million by the promoters by June 30, 2020 and the Bank is also in discussion with investors to raise Tier II Bond issue of up to Mur 800 million by June 30, 2020 to support planned assets growth. CRAF will continue to monitor this situation and delay in equity infusion may trigger a review of the assigned rating.

BANK BACKGROUND

Bank One, a Mauritius *(Mauritius Sovereign Rating - Moody's Baa1 Outlook: Negative, Outlook)* 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 March 2020 Bank One reported total deposits and advances of Mur 52 billion and Mur 30 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 licensed by the Financial Services Commission to act as an insurance agent, distributor of financial products, investment advisor and custodian.

Bank One is governed by a 9-member Board of Directors comprising of experienced bankers and professionals. In March 2020, the Board of Bank One appointed Mr. Mark Watkinson as the Chief Executive Officer and director of the company in replacement to Mr. Ravneet Chowdhury.

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 44% in FY19. Low cost deposits represented 71% as on 31 December 2019.

International customers (both corporate and individuals) have been the major foreign currency deposit raising source for the bank (contributing above 64% of the total Bank deposits) with a growth of 60% in 2019. Retail Banking (domestic) remains one of the core local deposit raising arm of the Bank contributing above 17% of the total Bank deposits. Corporate Banking also achieved a robust performance, with the deposits book growing by 17% in 2019. Furthermore, 46% of the term deposits are more than Mur 100 million and 8% is less than Mur 5 million.

As on March 31, 2020, in the scenario that 100% withdrawal of low-cost deposits happens within one month, Bank One will have cumulative negative mismatch in the 1-month time bucket. However, the bank has adequate options available to fund such gaps.

The Bank maintains a very healthy liquidity coverage ratio well above the 100% regulatory requirement.

During FY19, the Bank's gross advances witnessed a growth of 18% (10% during FY18) which was a result of increase in exposures to domestic and international corporate. Gross loan book went up from Mur 23.6 billion as at December 2018 to Mur 29.9 billion as at December 2019.

In FY19 (January 1 – December 31) the bank reported an interest income of Mur 1,685 million and total income of Mur 2,501 million. Net interest income went up by 14% in FY19, over FY18. PAT was Mur 630 million with a significant increase of 60% over FY18.

The Bank delivered a reasonable Return on Networth of 21.74% and Return on Assets of 1.32% despite the challenging business environment both locally and on the international front.

Gross NPA increased to Mur 1.22 million as on Dec 31, 2019, from Mur 1.16 million as on Dec 31, 2018. Impairment ratio improved from 4.74% to 4.23% as at December 2019. Recovery actions started in prior years paid off well with assets recovered during the year.

As at December 2019, Bank One Capital Adequacy Ratio stood comfortable at 14.71% (against a regulatory requirement of 11.875%), and Common Equity Tier I (CET I) CAR was 10.97% (against regulatory requirement of 6.5%). CAR as on March 31, 2020 was 13.53% (Regulatory requirement of 11.875%).

In Q1FY20, Net interest income went up by 9% over Q1FY19 due to higher disbursements in half year ending FY19. Non-interest income went up by 21% over Q1FY19.Total deposits grew by 9% amounting to Mur 52 billion during the quarter compared to Mur 48 billion in FY2019, contributed by both local and international business.

Bank One reported profits before provisions for impairment of Mur 200 million in Q1FY20. However, the bank PAT was impacted by COVID-19 and UAE related provisions as well as other additional impairment provisions resulting into a loss of Rs152m in Q1FY20.

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.

Annexure II

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.