**Rating Rationale**
**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 is governed by a 9-member Board of Directors comprising of experienced bankers and professionals. The strategic affairs of the Bank are looked after by Mr. Ravneet Chowdhury (CEO), who has a rich banking background, having worked in a number of international banks throughout the African continent. He is assisted by a team of professionals looking after various functions. Mr. Chowdhury reports to the Board of Directors.

## CREDIT RISK ASSESSMENT

### *Satisfactory track record with experienced promoters group*

Bank One has a successful operational track record of more than 15 years. For last 10 years, the Bank's shareholders are CIEL Group (market capitalization of USD 334 million as on December 2018) and I&M Holdings (market capitalization of USD 475 million as on December 2018). Bank One's ownership is shared equally between CIEL Finance Limited ("CFL") and I&M Holdings Limited ("IMH").

CFL is the specialised Banking & Financial Services cluster of the CIEL Group. CIEL Ltd. is a leading diversified investment company in Mauritius, with activities organized under five distinct business segments, namely Agro Industry & Property, Banking & Financial Services, Healthcare, Hotel & Resorts, and Textile.

IMH is part of the I&M Group (Kenya) with interest in Banking, Insurance, Manufacturing and Real Estate. It is one of the oldest companies to be listed on the Nairobi Securities Exchange (August 1950), shortly after its incorporation. IMH operates in four countries: Kenya, Tanzania, Rwanda and Mauritius with an aggregate of 79 branches and 1,764 employees. Minard Holdings Limited ("MHL") holds 21.37% stake in IMH. MHL is a family holding company controlled by Mr. S.B.R Shah.

Bank One's exposure to related party (Ciel group & I&M group) as on December 31, 2018 was 4.3% of net advances and 42.4% of Tier I Capital (60% as per Bank of Mauritius ("BOM") Guideline).

### *Professional and highly qualified management team*

Bank One has a highly qualified and experienced employee pool of above 350 staff having large experience in their related field. The Executive team comprises of 10 seasoned bankers with different banking backgrounds.

### *Comfortable Capital Adequacy Ratio*

As per Basel III guidelines, Banks in Mauritius are required to maintain a minimum Capital Adequacy Ratio of 10.625% in FY17, 11.25% in FY18, 11.875% in FY19 and 12.5% in FY20 and thereafter. 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 FY16 & FY17, Bank One has raised subordinated debt/liabilities from a well-known International Financial Institution for a period of 10 years. In FY18, Bank has also raised Mur 200 million for a period of 10 years. The interest for all the subordinated debts are in the range of 7.56% to 7.90%. CAR as on March 31, 2019 was 13.58%.

### *Stable business performance*

Bank One operates under 4 main segments: Retail, Corporate, Private and International banking.

Retail Banking ("RB") has witnessed growth of 18% in its total assets, despite a challenging domestic economic climate. The principal contributors for this growth have been the Consumer and the housing segments. As part of its long-term strategy, the Bank has plans to launch new segments, review its distribution channels and products in 2019 and 2020 with focus on digitalisation of the banking services.

Corporate Banking Division ("CBD") deals with the local business community consisting of major top corporates as well as medium-sized companies, parastatal and other government regulated bodies. The bank's product offering ranges from short-term working capital and trade finance related products to medium and long-term project financing. In FY18, assets and liabilities of CBD segment grew by 22% and 16% respectively.

International Banking Division ("IBD") grew its assets by 3% in FY18 over FY17 and contributed 44% of the bank's operating income in 2018. The 55% year on year revenue growth enabled the division to deliver solid progress towards the strategic vision. Despite the tightening liquidity conditions experienced across the offshore market throughout the first quarter of 2018, deposits grew by 15% through a focused effort on liabilities mobilization from low-cost deposits.

Treasury has been able to maintain a prudent approach into managing its foreign currency position and thus contributing 31% to the bank's non-interest income.

| For the period ended (MUR Million) | FY16 | FY17 | FY18 |
|---|---|---|---|
| **Interest income** | | | |
| Income from Investment in securities | 89 | 141 | 172 |
| Loans and advances to customers | 790 | 831 | 1,078 |
| Loans and advances to banks | 26 | 34 | 77 |
| Int. from Inter Bank Lending | 118 | 75 | 68 |
| ***Total Interest Income*** | **1023** | **1081** | **1,396** |
| Fees and commission Income | 412 | 271 | 500 |
| Profit/(loss) on Sale of Investment (Treasury profit) | 0.4 | 15 | 148 |
| Profit/(loss) on Exchg. Trans. | 84 | 83 | 103 |
| ***Non-Interest income*** | **496** | **369** | **751** |
| **TOTAL INCOME** | **1519** | **1450** | **2,147** |

FY 18 has been a great year for the e-Business division of the Bank. In the mid-2018 the Bank partnered with Union Pay International (UPI), a major card brand headquartered in China to gain access to the Chinese ecommerce market. For 2019, this segment is considering collaborating with other payment institutions worldwide to enter the untapped markets. Also there has been a substantial expansion in the growth rate of credit card issuance in 2018.

### *Consistent growth in Deposits*

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.

| Deposits | FY16 | | FY17 | | FY18 | |
|---|---|---|---|---|---|---|
| | *MUR Million* | % | *MUR Million* | % | *MUR Million* | % |
| Deposits-Demand | 8,751 | 39% | 11,407 | 40% | 15,673 | 47% |
| Deposits-Savings | 6,847 | 31% | 7,526 | 27% | 7,379 | 22% |
| Deposits-Term | 6,589 | 30% | 9,365 | 33% | 10,379 | 31% |
| **Total Deposits** | **22,187** | | **28,299** | | **33,432** | |
| **CASA** | **15,598** | | **18,933** | | **23,053** | |
| **CASA proportion** | **70%** | | **67%** | | **69%** | |
| **CASA Y-o-Y growth** | **20%** | | **21%** | | **22%** | |
| **Cost of deposit** | **2.42%** | | **2.11%** | | **2.13%** | |
| **Credit to Deposit Ratio** | **0.73** | | **0.79** | | **0.83** | |

The Bank offers 2.10% in saving deposit and around 3-4% in term deposits, depending on tenure of maturity. The bank continues its efforts towards improving its cost of funds both in local as well as foreign currencies whilst at the same time maintaining the right balance between short and long-term liabilities for efficient liquidity management. Banks' credit to deposit ratio has also remained stable over the past years.

| | FY16 | FY17 | FY18 |
|---|---|---|---|
| **Deposits from customers** | | *MUR Million* | |
| Retail customers (Domestic) | 7,218 | 8,176 | 8,478 |
| Corporate customers (Domestic) | 3,477 | 4,790 | 5,568 |
| International customers | 11,125 | 15,172 | 19,268 |
| Government | 367 | 162 | 118 |
| **Total** | **22,187** | **28,299** | **33,432** |
| *Maturing within one year* | *20,479* | *26,073* | 31,320 |
| *Maturing in more than one year* | *1,708* | *2,226* | 2,112 |

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. Corporate Banking also achieved a robust performance, with the deposits book growing by 16% in 2018. 50% of the term deposits are more than Mur 100 million and 12% is less than Mur 5 million.

### *Comfortable liquidity profile*

Bank One manages its liquidity on a prudent basis and ensures that the statutory minimum cash reserve requirements are maintained throughout the year. No statutory limits have been breached during last 5 years. The ALCO meets monthly, or on ad hoc basis if required to review the economic outlook as well as the market risks affecting the bank balance sheet including the liquidity position. Daily liquidity management is done at Treasury level and a daily report is circulated to Management. The Bank's funding comprises mainly of customer deposits and borrowings, both short as well as long term. Short-term interbank deposits are taken on a limited basis and the Bank is generally a net lender to interbank market.

***Asset-Liability Maturity Profile as on 31 December 2018***

| | **<1 month** | **1-3 months** | **3-6 months** | **6-12 months** | **1-3 years** | **>3 years** | **Non-maturity Items** |
|---|---|---|---|---|---|---|---|
| **Assets** | **MUR Million** | | | | | | |
| Total assets | 14,444.5 | 6,697.9 | 4,887.0 | 3,893.8 | 9,569.1 | 8,042.7 | 2,552.9 |
| Total Liabilities | 25,441.1 | 3.596.6 | 2,165.6 | 1,916.9 | 1,954.9 | 2,602.4 | 350.7 |
| **Net liquidity gap** | **(10,996.5)** | **3,101.3** | **2,721.5** | **1,976.9** | **7,614.1** | **5,440.2** | **2,202.2** |
| **Cumulative gap** | **(10,996.6)** | **(7,895.2)** | **(5,173.8)** | **(3,196.9)** | **4,417.2** | **9,857.4** | **12,059.6** |

Bank One has cumulative negative mismatch in 1-month time bucket (based on a static scenario), primarily considering withdrawal of entire low-cost CASA deposits (demand deposits & savings deposit) within 1 month, which is very unlikely. However, it may be noted that the bank has witnessed 15- 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.

In October 2017, BOM has introduced a revised Guidelines on Liquidity Coverage Ratio ("LCR"). The objective of the LCR is to ensure that a bank maintains an adequate stock of unencumbered High-Quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30-calendar day time period under a severe liquidity stress scenario. The liquidity coverage as per LCR for Dec 2018, March 2019 and May 2019 submitted by Bank One to BOM are as under:

| | **Dec 2018** | **March 2019** | **May 2019** |
|---|---|---|---|
| LCR* # | 287% | 236% | 225% |

*#minimum LCR is 100%*

### *Stable advances portfolio with customer concentration risk*

Bank One's focus is to cater to Corporate customers and banks in International market. 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.

| | Dec-16 | Dec-17 | Dec-18 |
|---|---|---|---|
| **Loans & Advances to** | ***MUR Million*** | | |
| Retail customers (credit card, mortgages and other retail loans) | 3,082 | 2,997 | 3,467 |
| Corporate customers (Domestic) | 6,269 | 8,004 | 9,504 |
| Corporate customers (International) | 4,024 | 6,346 | 7,098 |
| SME | 375 | 400 | 600 |
| Banks in and outside Mauritius | 1,650 | 3,707 | 2,944 |
| **Total** | **15,400** | **21,454** | **23,613** |

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. The Bank manages concentration risk in a dynamic way and has set internal deposit limits for both individuals and groups. In domestic market the bank`s strategy has been to acquire the top corporates locally. In the international market, the bank`s strategy has been to lend to renowned Corporates, Investment grade rated Sovereigns, Sovereign guaranteed exposure, participate in syndicated transaction but with a cap in terms of maximum exposure.

In the corporate credit segment, maximum exposure has shifted from the vulnerable construction sector in FY16 to that of the Financial & Business Services. Further 60% of the exposures in the construction sector relate to retail mortgages. The bank's fund-based exposure to major industries is as under:

| Sector | FY 16 | FY 17 | FY 18 |
|---|---|---|---|
| Financial services | 7% | 19% | 22% |
| Construction | 24% | 19% | 16% |
| Trade | 22% | 16% | 15% |
| Tourism | 7% | 11% | 10% |
| Manufacturing | 6% | 7% | 4% |
| Agriculture & fishing | 6% | 6% | 6% |
| **Total** | **72%** | **78%** | **73%** |

In FY18, Eastern Africa accounted for 31% of the Country Risk exposure. The concentration risk to Eastern Africa has reduced substantially from 63% in FY16. The Bank has diversified its country risk with greater exposures towards North America, Asia Pacific and Southern Africa.

| | FY 16 | FY17 | FY18 |
|---|---|---|---|
| Eastern Africa | 63% | 36% | 31% |
| North America | 2% | 12% | 0.3% |
| Europe | 12% | 12% | 20% |
| Asia Pacific | 8% | 15% | 25% |
| Middle East | 5% | 8% | 9% |
| Southern Africa | 0.3% | 6% | 11% |
| Western Africa | 9% | 6% | 4% |

### *Satisfactory Asset Quality*

Effective January 1, 2018, the Bank has adopted IFRS 9, where impairment charge/provision has been calculated based on a new model. Adoption of IFRS 9 and classification of a few large non-performing assets resulted in net impairment charge of MUR 340 million in FY18 under review compared to Mur 11 million for 2017. Efforts towards recovery of impaired accounts continue to bring substantial positive results and further significant recoveries are expected in 2019. Provision coverage ratio was 63% during FY18 indicating reasonable provisioning in the existing NPA assets. In compliance with the `Macro-prudential policy measures for the Banking Sector` issued by the Bank of Mauritius in October 2013, the Bank maintained additional portfolio provisions on certain specific sectors booked as General Reserve as an appropriation of Retained Earnings.

Bank One follows a prudent impairment policy, whereby all loans and advances past due above 90 days are classified as impaired.

| Particulars | FY 16 | FY 17 | FY 18 |
|---|---|---|---|
| Gross NPAs at beginning of the year | 1,184 | 1,226 | 1,345 |
| Additions during the year | 483 | 425 | 51 |
| Reduction during the year (asset upgradation, cash recovery and technical write -off | 441 | 306 | 227 |
| **Gross NPAs at the closing of the year** | **1,226** | **1,345** | **1,169** |
| | | | |
| Gross Advances | 16,106.3 | 22,185.4 | 24,657.4 |
| Net Advances | 15,400.4 | 21,453.6 | 23,612.9 |
| Networth | 2,010.3 | 2,326.4 | 2,480.3 |
| Gross NPA/Advances (%) | 7.61% | 6.06% | 4.74% |
| Net NPA /Advances (%) | 4.51% | 3.82% | 1.79% |
| Net NPA/Networth (%) | 34.56 | 35.19 | 17.09 |
| Provision Coverage (%) | 43.32 | 39.13 | 63.75 |

Gross NPA of the bank as on December 31, 2018 was Mur. 1,169 million. Majority of the NPA are from legacy accounts pertaining to lending prior to FY08.

During FY18, Bank One's Gross NPA ratio improved to 4.74% as against 6.06% during FY17. Furthermore, Net NPA stood at 1.79% as against 3.82% during FY17. Out of total gross NPA of Mur 1,169 million as on 31 December 2018, 77% corresponds to top 14 customers against which the entity has already created a provision of more than Mur 660 million.

### *Stable financial performance*

Net interest income went up by 29% in FY18, over FY17 due to growth in advances book. The Bank will therefore benefit fully from the related income in FY19. The Bank achieved a PAT of Mur 393 million an increase of 5% over FY17.

The Bank delivered a reasonable Return on Networth of 16.37% and Return on Average 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. Total deposits grew by 18% during the year contributed by both local and international business. Gross loan 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.

***Industry Risk***

Mauritius banking industry is characterized by excess liquidity (Mur 30.8 billion in June 6, 2019), low Non-performing loan ratio (6.5% in June 2018), large exposure to international assets (Mur 309 billion in Sept 2018) and domestic assets (Mur 365 billion in Sept 2018) with domestic asset quality being under stress due to underperformance of construction & tourism sector, credit to deposit ratio of 0.74x and 12% plus return on networth.

The economy of Mauritius is among the most dynamic in the Sub-Saharan region in spite of its relatively low level of growth. The economy grew at 3.9% in 2018 compared to 3.9% growth in 2017 according to Statistics Mauritius. Although the services industry is the major contributor to the country's GDP, Mauritius possesses a diversified economy in several sectors including offshore financial activities, the textile industry and the production of sugarcane. In addition, other developing sectors such as medical tourism, outsourcing, new technologies and the luxury industries also contributed to the economic growth of the country. Medical tourism, outsourcing, new technologies and the luxury industry are among the growing sectors.

The financial and insurance sector growth is expected to gather momentum, in line with the implementation of major public infrastructure projects and expected uptick in private sector investment. This is expected to provide support to credit offtake in FY19 and FY20. In parallel, planned initiatives by the Bank of Mauritius to absorb excess liquidity should help uphold margins. The Bank is well positioned to benefit from the external environment and increase its market share in the domestic market. At the same time, the Bank expects to continue to develop its international business and expand its e-commerce-based activities and exploit cross selling opportunities within the Group.

**Regulatory Guidelines:** FY17 saw amendments made to several Banking guidelines. The Guideline on Credit Impairment Measurement and Income Recognition was revised, with definitions for 'large credit' changed and new sections brought about in relation to the classification and assessment of credit impairment, application of prudential norms in credit classification and provision for credit losses, and restructured loans. The Central Bank established new operational frameworks for primary dealers and foreign exchange market makers. The aim is to develop the secondary market in Government papers and improve liquidity levels, while creating well-functioning money and foreign exchange markets. Four banks were appointed as Primary Dealers and Market Makers. Guidelines on liquidity risk, after factoring in the Basel Framework for Liquidity Coverage Ratio was also introduced.

***Prospects***

The 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 of Mur 300 million by the promoters in FY19 and Mur 400 million in FY20 to support growth is a key rating sensitivity.

**Financial Performance**

**Mur Million**

| As on | 31/12/2016 | 31/12/2017 | 31/12/2018 | Q1FY19 | Q1FY18 |
|---|---|---|---|---|---|
| | 12m | 12 m | 12m | 3m | 3m |
| | Audited | | | Unaudited | |
| Interest Income | 1,023 | 1,081 | 1,395 | 411 | 311 |
| Non Interest Income | 496 | 369 | 751 | 194 | 95 |
| **Total Income** | **1,519** | **1,450** | **2,147** | **605** | **407** |
| Interest Expenses | 323 | 367 | 442 | 142 | 95 |
| **Net Interest Income** | **699** | **714** | **954** | **270** | **216** |
| Operating Expenses (Incl. Depreciation) | 812 | 638 | 1,206 | | |
| Provisions (excl tax) | 154 | 11 | 340 | 8 | 48 |
| **PBT** | **349** | **401** | **449** | | |
| **PAT** | **312** | **374** | **393** | **194** | **80** |
| Deposits | 22,187 | 28,299 | 33,432 | 35,144 | 27,253 |
| Borrowings | 713 | 636 | 3,390 | | |
| Tangible Net worth | 2,010 | 2,326 | 2,480 | 2,761 | 2,429 |
| Advances | 15,400 | 21,454 | 23,613 | 22,554 | 22,229 |
| Investments | 3,791 | 4,218 | 6,732 | 6,147 | 3,740 |
| Cash & cash equivalents | 4,585 | 4,222 | 7,685 | | |
| Total Assets | 25,185 | 31,582 | 39,758 | | |
| **Key Ratios (%)** | | | | | |
| Interest Income/Avg. Interest Earning Assets (a) | 5.29 | 4.65 | 5.10 | | |
| Interest Expenses / Avg. Interest Bearing Liabilities (b) | 2.57 | 2.32 | 2.28 | | |
| **Interest Spread (a-b)** | **2.73** | **2.33** | **2.82** | | |
| **Net Interest Margin (NIM)** | **3.08** | **2.51** | **2.67** | | |
| Operational Expenses / Avg. Total Assets | 3.58 | 2.25 | 3.38 | | |
| Cost / Income | 61% | 54% | 65% | | |
| Operational Expenses / Total Income | 0.40 | 0.36 | 0.43 | | |
| Treasury Income/PBT | 0.11% | 3.74% | 32.95% | | |
| Yield on advances (Int on Adv/Avg Adv) | 5.34 | 4.42 | 4.63 | | |
| Cost of Deposits (Interest on deposits/ Av. Deposits) | 2.42 | 2.11 | 2.13 | | |
| **Core Spread** | **2.92** | **2.31** | **2.50** | | |
| **Credit Cost [Prov. & Write-off / Avg. Total Assets] (%)** | **1.36%** | **0.27%** | **1.68%** | | |
| **ROTA** | **1.37** | **1.32** | **1.10** | | |
| **RONW** | **16.80** | **17.26** | **16.37** | | |
| Overall Gearing (times) | 11.39 | 12.44 | 14.85 | | |
| **Capital Adequacy Ratio (BASEL III)** | 12.93 | 12.93 | 12.99 | 13.58 | 12.57 |
| Tier I Capital Adequacy Ratio | 9.24 | 9.40 | 9.09 | | |
| Credit/Deposit ratio (times) | 0.76 | 0.79 | 0.83 | | |
| CASA Proportion (%) | 70.30 | 66.90 | 68.95 | | |
| Gross NPA to Gross Advances (%) | 7.61 | 6.06 | 4.74 | | |
| Net NPA to Net Advances (%) | 4.51 | 3.82 | 1.79 | | |
| Net NPA to Tangible Net worth (%) | 34.56 | 35.19 | 17.09 | | |
| Restructured assets to total net advances (%) | 7.58 | 1.46 | 1.49 | | |
| Restructured assets to net worth (%) | 58.05 | 13.50 | 14.23 | | |
| Gross Stressed Assets as a % of Gross Advances | 15.54% | 7.23% | 6.45% | | |
| Net Stressed Assets as a % of networth | 92.61% | 44.04% | 31.31% | | |

**Adjustments**

1. Tangible networth is calculated by netting off intangible assets and revaluation reserve from total equity.
2. Overall Gearing ratio is calculated as total debt (subordinated debt + Total Deposits + Total borrowings)/Tangible Networth.
3. Total asset is calculated by netting off intangible assets, revaluation reserve and deferred tax liability.

**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.

## Annexure – B - 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.