

Bank One Limited
06 July 2018

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Issuer Rating	Not Applicable	CARE MAU A+ (Is); Stable [Single A Plus (Issuer); Outlook: Stable]	Assigned

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 capitalisation levels well above regulatory norms act as 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 28.2 billion and Mur. 21.5 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 (90%) grew by 28% in FY17 with CASA proportion at 67% as on 31 December 2017.

Retail Banking (domestic & international) remains one of the core local deposit raising arm of the Bank contributing above 38% of the total Bank deposits with a growth of 48% in 2017. Corporate Banking also achieved a robust performance, with

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

the deposits book growing by 39% in 2017. 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 (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.

During FY17, the Bank's net advances witnessed a growth of 39.3% (19.7% during FY16) 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 80% of domestic exposure and top 20 International Corporate customers accounts for 90% of international exposure.

In FY17 (January 1 – December 31) the bank reported an interest income of Mur 1,081 million and total income of Mur 1,450 million. Net interest income went up by 2% in FY17, over FY16 as the increase in assets happened primarily during H2FY17. PAT was Mur 374 million an increase of 20% over FY16.

The Bank delivered a reasonable Return on Networth of 17.26% and Return on Assets of 1.32% despite the challenging business environment both locally and on the international front.

Bank's assets book witnessed a growth of 25% in FY17 contributed by both local and offshore business.

Gross loans book went up by 38% during the year under review reaching Mur 22.2 bn as at December 2017 as compared to Mur 16.1 bn in December 2016.

Despite an increase of 10% in the impairment level from Mur 1.2bn as at December 2016 to Mur 1.3bn for the same period in 2017, the impairment ratio improved significantly from 7.61% to 6.06% as at December 2017. Recovery actions started in prior years paid off well with substantial assets recovered during the year.

As at December 2017, Bank One's CAR stood comfortable at 12.93% (against a regulatory requirement of 10.625%), and Common Equity Tier I (CET I) ratio was 9.40% (against regulatory norm of 6.5%).

In FY16, Bank One has raised subordinated debt/liabilities from a well-known International Financial Institution for a period of 10 years. CAR as on March 31, 2018 was 12.57%.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security or to invest in or withdraw funds from deposits. CRAF has based its ratings/outlook 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/deposit programme.

In case of partnership/proprietary concerns, the rating/outlook assigned by CRAF is 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.

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.

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