Bank One Limited

26 July 2021

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Issuer Rating	**Not Applicable**	**CARE MAU A+ (Is); Negative [Single A Plus (Issuer); Outlook: Negative]**	Reaffirmed
Tier II Bond Issue	**Mur 600 million***	**CARE MAU A+; Negative [Single A Plus; Outlook: Negative]**	Reaffirmed

**In June 2020, CRAF assigned a rating of CARE MAU A+; Negative to the proposed Tier II Bond issue of MUR 800 million of Bank One. However, the Bank raised only MUR 600 million for 10 years.*

Rating Rationale

The issuer rating and Tier II Bond rating assigned to Bank One Limited ("Bank One") was reaffirmed at CARE MAU A+; Negative.

The rating assigned to Bank One continues to derive strength from the experienced and resourceful promoter groups (CIEL and I&M Groups), professional and highly qualified management team, comfortable Capital Adequacy Ratio ("CAR") well above the regulatory norm, stable business performance, stable deposit base, comfortable liquidity & asset-liability maturity profile, majority of investment in Govt. Securities, diversified 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.

Rating Sensitivities:

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Improvement in asset quality, profitability and maintaining Capital adequacy well above Regulatory levels.

Negative Factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Deterioration in asset quality i.e., Net NPA to net advances over 5% & Net NPA to Networth over 20%
- Weakening of profitability and capital adequacy levels i.e., CAR close to Regulatory requirement
- Moderation in liquidity profile.
- Increase in advances portfolio and deposits portfolio.
- Negative cumulative mismatch in asset-liability maturity profile between 3 months to 5 years.

BACKGROUND

Bank One, a Mauritius 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 2021, Bank One reported total deposits and advances of Mur 46 billion and Mur 20 billion respectively.

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

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

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.

As at December 2020, Bank One Capital Adequacy Ratio (CAR) stood comfortable at 19.81% (against a regulatory requirement of 11.875%), and Common Equity Tier I (CET I) was 12.45% (against regulatory requirement of 6.5%). As at March 2021, the Bank One`s CAR stood comfortable at 18.84% (against a regulatory requirement of 11.875%), and Common Equity Tier I (CET I) CAR was 12.01% (against regulatory requirement of 6.5%).

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

Bank One has a stable deposit base and the term deposits has witnessed good rollover rate (75-80%) in last 2-3 years. Total deposits which remain the Bank`s core source of funding was at the same level in FY20 with CASA proportion at 77% as on December 31, 2020.

International customers (both corporate and individuals) have been the major foreign currency deposit raising source for the bank (*contributing around 65% of the total Bank deposits*). Retail Banking (domestic) remains one of the core local deposit raising arm of the Bank contributing around 24% of the total Bank deposits. Furthermore, around 50% of the term deposits are more than Mur 100 million and 5% is less than Mur 5 million.

As on March 31, 2021, Bank One has cumulative negative mismatch in 1-month time bucket, primarily considering withdrawal of entire low-cost CASA deposits within 1 month. However, the bank has adequate options available to fund such gaps such as:

- Disposal of its investment in securities held with BOM
- Sale of investments in International Treasuries
- Drawdown on repurchase agreements with BOM and other local banks
- Utilize the credit lines available with local and international banks
- Sale of listed bonds of International Banks, if required.

Bank One's investment in GOM and BOM securities amounted to Mur 4,926 million, which forms 22% (FY19: 32%) of the aggregate investments as on Dec 31, 2020.

During FY20, bank's advances declined by 31% due to the management's decision to exit exposures to corporates engaged in tourism sector in Mauritius (including Sun Limited) and financial sector outside Mauritius. However, bank's exposure to retail customers in Mauritius has increased by 12%.

Due to the tough competition, instability in economic conditions, revision of the repo rates by the Government and the pressure on margins, Bank One's total interest income decreased by 12% in FY20. The Bank reported a loss of MUR 492 million in FY20 (FY19: PAT – MUR 630 million). This was due to provisions in FY20 of MUR 1,074 million and expected losses due to COVID-19 pandemic.

The promoters infused MUR 300 million equity in FY20 to boost the capital. The Bank also raised MUR 600 million of Tier II Bonds to strengthen its capital.

Despite the challenging business and economic environment in FY20, the Bank has been successful in increasing its asset base by a modest 3%, from MUR 55 billion in FY19 to MUR 57 billion in FY20.

In Q1FY21, Net interest income declined by 43% over Q1FY20 due to decline in loans book from MUR 31 billion in Q1FY20 to MUR 20 billion in Q1FY21. In these uncertain times, the strategy of the bank has been to be very prudent and selective in offshore lending which resulted in a further contraction of the loans portfolio in the first quarter of 2021. Non-interest income remains stable as Q1FY21. Bank One closed the quarter with profit after tax of Mur 62 million against a loss of Mur 152 million in March 2020

Prospects

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 by the promoters to support growth is a key rating sensitivity.

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

Chief Executive Officer
Name : Mr. Saurav Chatterjee
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical Contact:
Chief Rating Officer
Name : Mr. Vidhyasagar Lingesan
Phone : +230 5273 1406
E-mail : Vidhya.sagar@careratingsafrica.com

Group Head
Name : Ms. Pooja Appadoo
Phone : +230 5955 3060
E-mail : pooja.appadoo@careratingsafrica.com

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.