CareEdge RATINGS AFRICA
A subsidiary of CARE Ratings Limited, India

Bank One Limited

22 July 2024

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Long Term Bond Issue (Tier II)	**600**	**CARE MAU A+; Stable**	Reaffirmed

Rating Rationale

The rating assigned to the bond issue of Bank One Limited continues to derive strength from the stable performance of the Bank with satisfactory profitability margins & returns on capital, maintenance of a capital buffer comfortably above the regulatory limit, a secured and diversified in terms of both sector-wise and geography, loan portfolio and a healthy liquidity position. The rating is further supported by the growth in the deposit base providing scope to expand lending operations, the ability of the bank to secure low-cost funding through CASA deposits, and the strong parentage from CIEL Finance Limited (rated CARE MAU A; Stable), which in turn is a wholly owned subsidiary of CIEL Limited (rated CARE MAU AA; Stable/CARE MAU A1+), which is one of the largest business groups in Mauritius and I&M Group PLC, a leading financial banking group with an established track record on the African continent.

The rating is however constrained by marginal deterioration in asset quality though non-performing exposures being covered by either insurance or collaterals, stagnant non-fund-based operations and the limited market share held by Bank One with less than 3% of total assets of the banking industry in Mauritius.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- More than 30% growth in deposit base and loans & advances book, leading to increased market share
- Strengthening of the CAR at or above 20%
- Improvement in asset quality with the GNPA being brought down to below 2%

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Weakening of the CAR to below 14%
- Deterioration in asset quality with the GNPA increasing beyond 5%
- Significant contraction in the loan book and decline in deposit base

BACKGROUND

Bank One Limited ("Bank One") is a Mauritian based mid-sized private sector bank which provides retail, corporate, and private banking products and services in Mauritius and internationally (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 7 branches and a well-distributed ATM network. The bank has over 50,000 clients with a deposit base and a loan book of MUR 47,473 million and MUR 27,672 million respectively as on 31 March 2024. Bank One was incorporated in March 2002 as Del Subs Company Limited and later renamed as First City Bank Ltd. In February 2008, First City Bank Ltd. was acquired by a joint venture between CIEL Finance Limited [rated CARE MAU A; Stable and 100% subsidiary of CIEL Limited (rated CARE MAU AA; Stable/CARE MAU A1+)] and I&M Group PLC from Kenya, with both entities owning sizeable banking operations in Madagascar, Kenya, Tanzania and Rwanda. In August 2008, First City Bank Ltd. was rechristened as Bank One Limited.

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

Bank One is a professionally managed bank, governed by a 10-member Board of Directors comprising of experienced bankers and professionals. The board is chaired by Ms. Roselyne Renel while the day-to-day running of the Bank is entrusted to the CEO, Mr. Mark Watkinson. Mr. Watkinson has been a career banker with the HSBC Group for 33 years, during which time he held senior leadership roles in 10 countries in North America, Europe, Asia and the Middle East. He is a Barrister at Law (United Kingdom), an Associate of the Chartered Institute of Bankers and a qualified Chartered Director from the Institute of Directors, United Kingdom.

Summary of financial performance for Bank One Limited

The elevated interest rate environment which has prevailed over FY23 has benefited largely to Bank One which led to a 28% increase in net interest income for the year, while non-fund-based income, which include fees & commission and forex trading, increased by 3%. The increase in total income coupled with higher reversal in provisions have contributed to the PAT growing by 53% to reach MUR 756 million in FY23 from MUR 494 million in FY22. While NIM has increased slightly from 2.51% to 2.56% in FY23, interest spread earn was down from 1.69% to 1.15% largely due to the higher cost of raising deposits which have compressed margins. The lower spread is also explained by the lower conversion rate of deposits into advances which stood at 0.79x at end of FY23 compared to 0.89x earlier. A lower credit-to-deposit implies that a lower portion of the funding raised is being immediately redeployed into higher yielding assets which results in lower net spreads. However, the Bank's strategy is to loan out funds on a prudent basis and only after a thorough assessment of the potential credit risks which may be involved. Despite a deterioration in the quality of its assets during the year as shown by the GNPA which was up from 2.23% to 4.20% as on 31 December 2023, the expectation of default rates in the portfolio of Bank One is lower and quality of the book is healthier, which explains the larger reversal of provisioning of MUR 132 million in FY23.

During Q1FY24, the Bank registered a growth of 16% in total assets compared to same period last year to close at MUR 54,675 million. Loans & advances grew by 8%, largely contributed by the offshore segment, closing at MUR 27,672 million as on 31 March 2024. After booking net additional impairment provisions of MUR 39 million, the Bank closed the first quarter of FY24 with a PAT of MUR 121 million, lower than MUR 141 million for the corresponding previous quarter. The Bank's CAR remains stable at 16.64% as on March 2024 against a regulatory limit of 12.50%, and the LCR stood at 229% against a regulatory requirement of 100%.

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.

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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.