

## FINANCIAL HIGHLIGHTS

As a result of COVID-19 the global financial markets have experienced a time of extreme turbulence. Despite this Bank One has been able to grow its asset base by 13% in the first half (from Rs55.6bn to Rs62.8bn) and its liabilities by 14% (from Rs48.1bn to Rs54.8bn).

On the asset side, however, the business mix has changed as there has been a focus on building the Bank's liquidity position in a time of significant global and regional challenge. As a consequence, as term lending (particularly in the Segment B space) has rolled off, it has been reinvested in short dated US Treasury Bills. US T-Bills now account for 22% of the Bank's asset book.

The Bank reported profits before impairment of Rs193.7m for the quarter under review. The revenues of all the key business lines have held up well and costs have been closely managed. However, a large impairment charge of Rs470.1m was taken in the same period. The significant majority of the charge related to a one-off provision on a Segment B exposure. COVID-19 related provisions accounted for 6% of the total provisions taken. The loss for the second quarter after tax was Rs275.3m as compared to profits of Rs82.7m for the same period in 2019.

In June, the Bank took the opportunity in the existing very low interest environment to raise Rs600m of Tier 2 capital through a domestic bond issue. At the time of the bond issue, CARE Ratings (Africa) confirmed Bank One's credit rating as A+. In conjunction with the Tier 2 capital raise, Bank One's shareholders increased the Bank's Tier 1 capital by a further Rs300m. As a consequence, the Bank's capital ratios have strengthened materially over the period. Tier 1 now stands at 10.85% against a regulatory requirement of 8.0% and the Bank's total Capital Adequacy Ratio (CAR) is now 17.09% against a regulatory requirement of 11.875%.

With respect to liquidity, due to the actions noted above and the significant investment in short dated US T-Bills, the Bank's quarterly average Liquidity Coverage Ratio was above 200% against a regulatory requirement of 100%.

The COVID-19 challenges of the first half are likely to spread into the second half of the year. However, Bank One remains highly capitalised and very liquid. The business is well-positioned to take advantage of opportunities as they arise later in the year and in early 2021.

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Unaudited 30 June 2020 Rs 000	Audited 31 December 2019 Rs 000
<b>ASSETS</b>		
Cash and cash equivalents	10,750,544	7,945,661
Derivative assets held for risk management	91,069	3,770
Loans and advances to banks	4,460,646	4,912,421
Securities purchased under agreement to resell	2,226,977	2,034,570
Loans and advances to customers	21,506,558	22,928,271
Investment securities at Fair value through other comprehensive income	12,553,383	2,568,506
Investment securities at amortised cost	9,074,833	13,066,886
Right-Of-Use asset	54,483	55,096
Property and equipment	358,972	371,821
Intangible assets	113,884	138,466
Deferred tax assets	74,201	51,277
Other assets	1,567,505	1,546,750
<b>Total Assets</b>	<b>62,833,055</b>	<b>55,623,495</b>
<b>LIABILITIES</b>		
Deposits from customers	54,803,057	48,138,611
Derivative liabilities held for risk management	10,325	33,348
Other borrowed funds	2,699,244	2,449,494
Subordinated liabilities	1,358,560	713,831
Current tax liabilities	8,728	20,734
Other liabilities	436,352	658,247
Leased liabilities	58,645	57,723
<b>Total Liabilities</b>	<b>59,374,911</b>	<b>52,071,988</b>
<b>EQUITY</b>		
Stated capital	1,156,456	1,156,456
Capital contribution	300,000	-
Retained earnings	1,444,238	1,875,669
Other reserves	557,450	519,382
<b>Total Equity</b>	<b>3,458,144</b>	<b>3,551,507</b>
<b>Total Equity and Liabilities</b>	<b>62,833,055</b>	<b>55,623,495</b>

## CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited Six months ended 30 June 2020 Rs 000	Unaudited Six months ended 30 June 2019 Rs 000
Cash and cash equivalents at beginning of period	7,945,661	6,648,888
Net cash generated from operating activities	7,475,962	3,649,680
Net cash used in investing activities	(5,861,718)	(2,556,586)
Net cash from/(used in) financing activities	1,190,639	(224,220)
Net increase in cash and cash equivalents	2,804,883	868,874
Cash and cash equivalents at end of period	10,750,544	7,517,762

## Liquidity Coverage Ratio - Quarter ending June 2020

(Consolidated in MUR'000s)

### HIGH-QUALITY LIQUID ASSETS

Total high-quality liquid assets (HQLA)	12,923,458	12,923,458
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### CASH OUTFLOWS

Retail deposits and deposits from small business customers, of which:

Less stable deposits	17,393,159	1,739,316
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Unsecured wholesale funding, of which:

Non-operational deposits (all counterparties)	22,796,819	9,118,728
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Unsecured debt	3,385,166	3,385,166
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Additional requirements, of which:

Credit and liquidity facilities	539,497	253,996
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Other contractual funding obligations	1,045,879	1,045,879
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Other contingent funding obligations	837,695	41,885
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<b>TOTAL CASH OUTFLOWS</b>	<b>45,998,215</b>	<b>15,584,970</b>
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### CASH INFLOWS

Secured funding	8,773,143	8,773,143
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Inflows from fully performing exposures	1,697,817	848,908
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Other cash inflows	523,481	523,481
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<b>TOTAL CASH INFLOWS</b>	<b>10,994,440</b>	<b>10,145,532</b>
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<b>TOTAL HQLA</b>		<b>12,923,458</b>
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<b>TOTAL NET CASH OUTFLOWS</b>		<b>5,439,438</b>
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<b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>238%</b>
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<b>QUARTERLY AVERAGE OF DAILY HQLA</b>		<b>10,524,257</b>
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Notes: The reported values for 'quarterly average of monthly observations' are based on April, May and June 2020 month end figures.

The reported values for 'quarterly average of daily HQLA' are based on business days figures over the 1st April 2020 to 30th June 2020's period.

### COMMENTS

Bank One's quarterly average LCR stood at 238% as at 30th June 2020, indicating a healthy liquidity position significantly above 100%.

This is driven by an excess of MUR 7Bn of High Quality Liquid Assets (HQLA) over Net Cash Outflows(NCO).

The bank's HQLA has constantly increased through the quarter and consisted of cash, unrestricted balances with Central Bank, Central Bank and sovereign securities.

On a quarter to quarter basis, the LCR went down from 267% in March 2020 to 238% in June 2020 on account of a drop-off in investment in eligible securities qualified as HQLA.

The bank is proactively managing the ratio by an ongoing monitoring of the stock of HQLA in order to meet liquidity and regulatory needs.

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2020

	Unaudited Three months ended 30 June 2020 Rs 000	Unaudited Six months ended 30 June 2020 Rs 000	Unaudited Three months ended 30 June 2019 Rs 000	Unaudited Six months ended 30 June 2019 Rs 000
Interest income	381,391	874,316	401,264	812,711
Interest expense	(139,838)	(339,267)	(148,906)	(290,793)
<b>Net interest income</b>	<b>241,553</b>	<b>535,049</b>	<b>252,358</b>	<b>521,918</b>
Fee and commission income	171,165	325,378	166,669	330,490
Fee and commission expense	(116,957)	(224,389)	(100,627)	(188,273)
<b>Net fee and commission income</b>	<b>54,208</b>	<b>100,989</b>	<b>66,042</b>	<b>142,217</b>
Net gain on dealing in foreign currencies and derivatives	39,164	80,741	30,388	60,125
Net gain from derecognition of financial assets measured at fair value through other comprehensive income (FVOCI)	82	38,377	957	1,587
Other operating (loss)/income	(221)	(320)	-	139
<b>Operating income</b>	<b>334,786</b>	<b>754,836</b>	<b>349,745</b>	<b>725,986</b>
Personnel expenses	(113,387)	(231,915)	(111,519)	(215,200)
Depreciation and amortisation	(19,837)	(39,080)	(18,727)	(38,934)
Other expenses	(7,862)	(94,009)	(66,871)	(109,688)
<b>Profit before impairment</b>	<b>193,700</b>	<b>389,832</b>	<b>152,628</b>	<b>362,164</b>
Net impairment loss on financial assets	(470,184)	(822,544)	(69,978)	(78,364)
<b>(Loss)/profit before income tax</b>	<b>(276,484)</b>	<b>(432,712)</b>	<b>82,650</b>	<b>283,800</b>
Income tax credit/ (expense)	1,177	5,693	108	(7,244)
<b>(Loss)/profit for the period</b>	<b>(275,307)</b>	<b>(427,019)</b>	<b>82,758</b>	<b>276,556</b>
<b>Other Comprehensive income :</b>				
<i>Items that will not be classified subsequently to profit or loss:</i>				
Remeasurement of defined pension obligation, net of tax	(21,407)	(21,407)	-	-
Fair value gain on investments in equity instruments designated at FVOCI	64	1,580	-	-
<i>Items that may be classified subsequently to profit or loss:</i>				
Reclassification of (gain)/loss during the period	(18,109)	(23,814)	1,295	1,477
Loss allowance relating to debt instruments held at FVTOCI	(985)	68	-	-
Net fair value gains on FVOCI investment securities net of tax	59,609	77,229	6,286	20,140
<b>Other Comprehensive income for the period</b>	<b>19,172</b>	<b>33,656</b>	<b>7,581</b>	<b>21,617</b>
<b>Total Comprehensive (loss)/income for the period</b>	<b>(256,135)</b>	<b>(393,363)</b>	<b>90,339</b>	<b>298,173</b>

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Stated capital Rs 000	Capital Contri- bution Rs 000	Revaluation surplus Rs 000	Statutory reserve Rs 000	General Banking reserve Rs 000	Fair value reserve Rs 000	Retirement Benefit Plan Reserve Rs 000	Retained earnings Rs 000	Total equity Rs 000
<b>Balance as at 1 January 2019</b>	856,456	-	97,313	306,969	37,030	(4,471)	(47,752)	1,488,632	2,734,177
Profit for the period	-	-	-	-	-	-	-	276,556	276,556
Other comprehensive income	-	-	-	-	-	21,617	-	-	21,617
Total comprehensive income	-	-	-	-	-	21,617	-	276,556	298,173
Transfer to general banking reserve	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	(138,000)	(138,000)
<b>Balance as at 30 June 2019</b>	<b>856,456</b>	<b>-</b>	<b>97,313</b>	<b>306,969</b>	<b>37,030</b>	<b>17,146</b>	<b>(47,752)</b>	<b>1,627,188</b>	<b>2,894,350</b>
<b>Balance as at 1 January 2020</b>	1,156,456	-	97,313	401,538	47,882	42,534	(69,885)	1,875,669	3,551,507
Loss for the period	-	-	-	-	-	-	-	(427,019)	(427,019)
Other comprehensive income	-	-	-	-	-	55,063	(21,407)	-	33,656
Total comprehensive loss	-	-	-	-	-	55,063	(21,407)	(427,019)	(393,363)
Transfer to general banking reserve	-	-	-	-	4,412	-	-	(4,412)	-
Capital contribution	-	300,000	-	-	-	-	-	-	300,000
<b>Balance as at 30 June 2020</b>	<b>1,156,456</b>	<b>300,000</b>	<b>97,313</b>	<b>401,538</b>	<b>52,294</b>	<b>97,597</b>	<b>(91,292)</b>	<b>1,444,238</b>	<b>3,458,144</b>

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