Rating Rationale
CIEL Finance Limited

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	500	CARE MAU A+; Stable [Single A Plus; Outlook: Stable]	Reaffirmed

Rating Rationale

The rating assigned to the bond issue of MUR 500 million of CIEL Finance Limited ("CFL") has been reaffirmed at CARE MAU A+ Stable. The rating continues to derive strength from a strong parentage of CIEL and Amethis groups, experienced and resourceful promoters, professional and experienced management team, satisfactory performance of various affiliates in banking & financial sector of Mauritius and Madagascar, strong operational and financial parameters of major dividend (80-90%) paying company - BNI Madagascar, turnaround in performance of Bank One in 9MFY21 after posting a loss in FY20, successful performance of KIBO Funds with the last investment in KIBO I, successfully exited and profitable exits of KIBO II investments, and satisfactory gearing & debt service coverage indicators of CFL. The rating is however constrained by high dependency on dividend income from affiliates – which is primarily contingent on the performance of BNI Madagascar, high level of competition in Mauritian and Madagascar banking segment, low penetration rate of banking operations in Madagascar, dependency of the operations of BNI Madagascar to the political and economic environment of the country and its exposure to foreign currency fluctuation risk and interest rate risks.

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

- Further improvement in operational & financial performance of the dividend paying companies
- Timely and profitable exit from the investments in KIBO Fund II
- BNI Madagascar and Bank One – Maintain asset quality, profitability, capital adequacy with comfortable liquidity and asset liability maturity profile.

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

- Dip in performance in Bank One and BNI Madagascar
- Loss making exits from the investments in KIBO Fund II
- BNI Madagascar and Bank One – decline in asset quality, profitability, capital adequacy and asset liability maturity profile.

BACKGROUND

CIEL Finance Limited ("CFL"), incorporated in February 2013, is the investment holding company for the Finance cluster of CIEL group. CFL is engaged in banking, fiduciary services, private equity investment and asset management services.

At the time of inception, CFL was wholly owned, controlled and managed by CIEL Limited. CIEL group is one of the largest industrial and investment groups based in Mauritius with operations across African and Asian countries. In 2015, Amethis Africa Finance Limited acquired 24.9% stake of CFL. Amethis is one of the leading investment fund managers dedicated to the African continent, with an investment capacity exceeding €725 Million and is led by a team of experienced investors and bankers.

In 1992, CIEL group ventured into the financial sector by setting up Investment Professionals Limited (IPRO), which is engaged in providing discretionary portfolio management (pension funds and private clients) and fund management services (Mauritius and India). Mauritius International Trust Company Limited (MITCO) is another subsidiary of CFL which is one of the Tier 2 players in the offshore sector of Mauritius.

In 2008, CIEL made an entry into the banking sector through the acquisition of First City Bank Limited (subsequently renamed as Bank One) in a joint venture with I&M Holdings of Kenya. Bank One (rated CARE MAU A+; Stable) is medium tier bank in Mauritius.

In 2014, CIEL acquired a controlling stake in BNI Madagascar, the oldest and second largest commercial bank of Madagascar. In 2015, CIEL transferred the stake in BNI Madagascar to CFL.

CFL also holds 8.3% stake in KIBO Fund II LLC (KIBO II) and a 50% stake in KIBO Capital Partners Limited which manages the two private equity funds. CFL also holds a 63.28% stake in MITCO Group and 95.5% in Investment Professionals Ltd. It holds 23% in a stockbroker, LCF Securities Ltd. (along with the IBL group) and 100% in CIEL Finance Data Services Ltd.

CFL is a professionally managed company. It is currently governed by a Board of 9 Directors, comprising of 1 Executive Director, 7 Non-executive directors and 1 Independent Non-Executive Director. The day-to-day operations of the company are looked after by Mr. Lakshmana Bheenick, who replaced Mr. Marc Emmanuel Vives in March 2021. He is being assisted by a team of experienced professionals. Mr. Bheenick is graduated with a BA Economics from University of Manchester and had more than 25 years of banking experience.

CREDIT RISK ASSESSMENT

Experienced and resourceful promoters with strong parentage of CIEL and Amethis group

CFL’s promoters, Dalais family of CIEL group, have been engaged in providing financial services in Mauritius since 1992. CIEL is one of the largest industrial and investment groups based in Mauritius with operations in African and Asian countries. Apart from Mauritius, the CIEL group clusters are present in Tanzania and Kenya through the agricultural industry, Uganda and Nigeria through the healthcare sector, Kenya, Seychelles, Madagascar & Botswana through the finance industry and Madagascar, India and Bangladesh through the textile industry. CIEL Limited is rated CARE MAU A+; Stable /CARE MAU A1, and six of CIEL group companies are also rated, namely City and Beach Hotels (Mauritius) Limited [CARE MAU BBB+; Negative], Bank One [CARE MAU A+; Stable], C-Care (Mauritius) Limited (CARE MAU

A+; Stable/ CARE MAU A1+), Alteo Limited (CARE MAU A; Positive), Aquarelle International Limited (CARE MAU A; Stable) and Aquarelle India Private Limited (CARE BBB; Positive).

Amethis Africa Finance Limited, is engaged in various businesses through their committed investment and ambitious development strategies. Amethis is a partnership between its founders, Luc Rigouzzo and Laurent Demey, and Edmond de Rothschild Private Equity, a subsidiary of the Edmond de Rothschild Group.

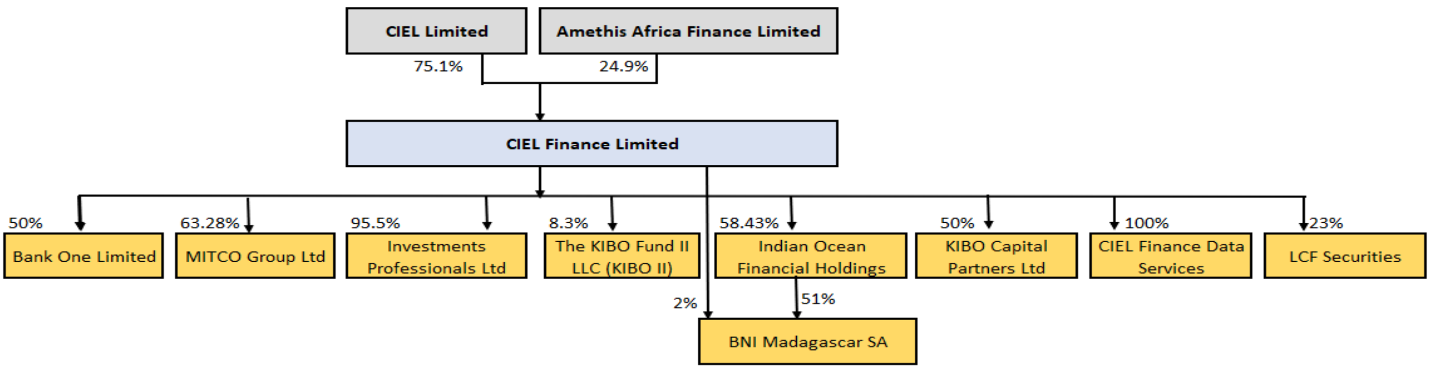
During FY20 and FY21, total dividend received by CFL was MUR 199 million and MUR 232 million respectively. As on June 30, 2021, CFL had a total investment of MUR 3,985 million (MUR 3,853 million as on June 30, 2020) in its various business verticals.

Professional and qualified management team

CIEL Finance Limited has a qualified and experienced employee pool having vast experience in their related field. CFL Group's improvement in operational efficiency over the years can be attributed to its sound management team. Each affiliate is then managed by a CEO and team of professionals.

Established group with strong presence in banking and financial sector

CFL operates in different countries with its major operations being in Mauritius and Madagascar. It holds participations in 2 banks, 1 fiduciary business, 1 private equity business with 2 funds, 1 asset management business and a minority stake in a stockbroking company. The summarised group structure and activities of the major group companies are as under:



Particulars (Amt. in MUR Million)	Period of reporting	Business	Stake (%)	Revenue**		PAT		Dividend Pay-out		Debt	
				CY	PY	CY	PY	CY	PY	CY	PY
BNI Madagascar (BNI)	Dec 20	Banking	2***	3,282	3,013	691	753	571	444	2,331*	1,423*
Bank One Limited	Dec 20	Banking	50.0	2,375	2,501	(492)	630	-	138	5,154	3,163
Indian Ocean Financial Holdings Ltd. (IOFHL)	Dec 20	Investment holding company of BNI	58.4	339	252	335	245	333	245	0.0	0.0
MITCO Group Ltd	June 21	Management Services	63.28	210	225	58	34	78	20	0.0	0.0
IPRO	June 21	Investment advisor	95.5	35	14	3	5	0.0	3	0.0	0.5
The KIBO Fund LLC II	Dec 20	Investment entity	8.3	(9)	192	(58)	145	0.0	0.0	0.0	0.0

**BNI has availed of short-term loans as part of its funding mix.*
*** Revenue includes- Interest income, Fees & Commission income, Foreign exchange gain/ (loss) and other income.*
****CFL directly holds 2% stake in BNI Madagascar.*

Consistent flow of dividends from various group companies

CFL's revenue for last 4 years is primarily generated in the form of the dividends from various group companies.

Dividend Income from Companies	Dividend received (MUR Million)			
	FY18	FY19	FY20	FY21
Indian Ocean Financial Holdings Limited (Holding company of BNI Madagascar)	114	132	170	164
BNI Madagascar	13	14	15	18
Bank One Limited	40	69	0	0
MITCO Group	28	23	12	50
Investments Professionals Limited	2	0	2	0
Total	**197**	**238**	**199**	**232**

Over last few years, CFL has received majority of the dividend (80-90%) from IOFHL (controlling holding company of BNI Madagascar), BNI Madagascar and Bank One. MITCO is also a stable dividend paying company. Going forward as from FY22, 80-85% of the dividend will be paid by IOFHL, BNI and Bank One.

Indian Ocean Financial Holdings Limited - holding company of BNI Madagascar

Indian Ocean Financial Holdings Limited (IOFHL) was incorporated in Mauritius in December 2011. The shareholders of IOFHL are CIEL Finance (58.4%) and Axian Financial Services Limited (previously First Immo), a part of Axian Group (41.6%). In June 2014, CIEL Limited and the Hiridjee Group (now Axian) acquired 51% of BNI Madagascar shares held by Crédit Agricole SA, through IOFHL. As on date, the principal activity of IOFHL is investment holding company, holding the stake in BNI Madagascar. Its major source of revenue is dividend from BNI Madagascar. IOFHL is a debt free company. In FY21, (January 1-December 31), IOFHL has posted a revenue of MUR 339 million and PAT of MUR 335 million (FY20: PAT of MUR 245 million against a revenue of MUR 252 million).

Strong financial and operational parameters of BNI Madagascar

BNI Madagascar (BNI) is one of the two largest commercial banks in Madagascar (out of 11 commercial banks) and occupies around 25% of the Malagasy banking market with a deposit base of MUR 27 billion and advances of MUR 18 billion as on December 31, 2020. It is the largest bank in the corporate banking segment of Madagascar with over 900 employees, 100 branches and a network of more than 100 ATMs. It was formed in 1919 as the result of the merger between two local banks, Crédit Foncier and Caisse de Crédit Agricole. BNI offers all the services of a universal bank (retail, corporate, SME banking, etc.). It serves a client base of some 120,000 companies, SMEs, professionals and private customers (to which should be added around 366,000 customers of nano-loans and nano-deposits subscribed exclusively through mobile phones). In June 2014, IOFHL, a subsidiary of CFL and First Immo, acquired a majority stake in BNI. As on June 30, 2021, shareholding of BNI is as under:

Name of the Company	*Stake in BNI*
Indian Ocean Financial Holding Limited	51.00%
State Government of Madagascar	32.58%
Axian Financial Services Limited	10.00%
Individual Personnel and former staff of BNI Madagascar	4.42%
CIEL Finance	2.00%

Axian Financial Services Limited is part of the Axian group of Madagascar, owned by the Hiridjee family. The Hiridjee family has been present in Madagascar for 5 generations and Axian has a leading presence in the telecommunications sector, energy and petroleum products distribution, and real estate, among others.

As at December 31, 2020, BNI`s CAR was satisfactory at 9.64% (regulatory requirement of 8.00%), and Common Equity Tier I (CET I) ratio was 9.31%. CAR as on June 30, 2021 was 10.05%.

BNI has a stable deposit base and the term deposits have witnessed good rollover rate (75%) in recent years. Total deposits, which remain the Bank`s core source of funding, grew by 13% in FY20 (19% in FY19) with CASA proportion at 87% as on December 31, 2020. As at June 30, 2021, BNI offered interest in the range of 1% - 3%, depending on tenure of maturity. Banks' credit to deposit ratio has increased to 0.69x in FY20. Net interest income went up by 9% in FY20 over FY19 due to growth in advances booked (15%). The Bank will therefore benefit fully from the related income in FY21. The Bank achieved a PAT of MUR 691 million in FY20. The financial performance of BNI is as under:

Particulars	**FY18 (MUR Million)**	**FY19 (MUR Million)**	**FY20 (MUR Million)**
Total Income	2,502	3,013	3,282
Interest Expenses	497	607	726
Net Interest Income	1,098	1,249	1,359
PAT	549	753	691
Dividend	369	444	571
Deposits	19,839	23,273	26,457
Borrowings	442	1,423	2,331
Tangible Net worth	2,007	2,322	2,433
Advances	12,562	15,798	18,160
Investments	3,878	4,427	4,338
Cash & cash equivalents	3,121	3,277	5,382
Total Assets	24,539	29,378	33,509
Gross NPAs	1,255	1,273	1,568
Key Ratios (%)			
Net Interest Margin (NIM)	4.76	4.66	4.32
ROTA	2.38	2.81	2.20
RONW	29.01	34.99	29.07
Overall Gearing (times)	10.10	10.64	11.83
Capital Adequacy Ratio (BASEL II)	10.5%	9.5%	9.64%
Gross NPA to Gross Advances (%)	9.11	8.06	8.64%
Net NPA to Net Advances (%)	1.89	2.21	2.99
Net NPA to Tangible Net worth (%)	11.85	15.04	22.33

Asset-Liability Maturity Profile as on June 30, 2021

	<1 month	**1-3 months**	**3-12 months**	**1-5 years**	**>5years**
	MUR Million				
Total assets	23,249	1,918	1,810	7,745	3,164
Total Liabilities	21,594	1,825	3,340	4,505	6,620
Net liquidity gap	1,654	93	(1,530)	3,240	(3,456)
Cumulative gap	1,654	1,747	217	3,456	(0)

BNI has a favourable asset-liability maturity profile. This apart, BNI has a deposit of MUR 8.6 billion with Central Bank of Madagascar or invested in Treasury Bonds or G-Sec of Madagascar Government.

Satisfactory financial and operational parameters of BANK ONE [CARE MAU A+; Stable]

Bank One, one of the growing banks in Mauritius, provides a wide range of banking products and services to its clients through a network of 10 branches and a well-distributed ATM network. It has over 50,000 clients and as at September 30, 2021 manages deposits and net advance of MUR 37 billion and MUR 21 billion respectively.

As at December 31, 2020, Bank One`s CAR stood comfortable at 19.81% (against a regulatory requirement of 11.875%), and Common Equity Tier I (CET I) CAR was 12.45% (against regulatory requirement of 8%). CAR as on September 30, 2021 was 21.12% (against a regulatory requirement of 11.875%) and Common Equity Tier I (CET I) stood at 14.23% (against the regulatory requirement of 8.0%).

Bank One's deposit base declined from MUR 48 billion as on Dec 31, 2020 to MUR 37 billion in as on Sept 30, 2021, primarily because of the conscious decision of the Bank's senior management to redeem all doubtful deposits from global companies (GBC deposits) in line with the country's effort to clean up all suspicious monetary transaction and adhere to the stringent AML/FATF guidelines of European Commission to exit Mauritius' inclusion from the grey list of E.U. This has led to the decline in the international deposits from MUR 31 billion as on Dec 31, 2020, to MUR 17 billion as on Sept 30, 2021. The Bank offers 0.25-0.30% in saving deposit and around 0.55% - 1.5% in term deposits, depending on maturity. The Bank's credit to deposit ratio has also remained stable over the past years.

Retail Banking (domestic) remains one of the core local deposit raising arm of the Bank contributing around 37% in 9MFY21 (FY20: 24%) of the total Bank deposits. As on September 30, 2021, top 5 depositors accounts for around 16% of the total deposits (around Mur 1 billion each). Top 20 depositor's accounts for 33% of the total deposits (around Mur 300 million).

In 9MFY21, interest income declined by 28% over 9MFY20 due to decline in loan book from MUR 22 billion in 9MFY20 to MUR 20.5 billion in 9MFY21. In these uncertain times, the strategy of the bank has been to be very prudent and selective in offshore lending which resulted in a contraction of the loans portfolio in 9MFY21. Non-interest income remains stable as 9MFY21. Bank One closed 9MFY21, with profit after tax of Mur 337 million against a loss of Mur 419 million in 9MFY20. The bank deposit book experienced a drop during 9MFY21. As part of its strategy, the total deposits were consciously brought down from Mur 48 billion as at December 31, 2020 to Mur 37 billion as at September 30, 2021. The financials of Bank One:

As on	31/12/2018	31/12/2019	31/12/2020	30/09/2021
Total Income	2,147	2,501	2,375	1,319
Interest Expenses	442	597	560	256
Net Interest Income	954	1,087	927	604
PAT	393	630	(492)	337
Deposits	33,432	48,139	48,050	36,769
Borrowings (exc. Deposits)	3,390	3,163	5,154	3,592
Tangible Net worth	2,480	3,316	3,210	3,634
Advances	23,613	29,879	20,640	20,585
Investments	6,732	16,900	22,263	12,627
Cash & cash equivalents	7,685	6,648	12,177	9,439
Total Assets	39,758	55,388	55,388	44,612
Net Interest Margin (NIM)	2.67	2.29	1.65	-
Cost of Deposits (Interest on deposits/ Av. Deposits)	2.13	2.36	1.68	-
Core Spread	2.50	1.23	3.03	-
ROTA	1.10	1.32	(0.88)	0.76
RONW	16.37	21.74	(15.07)	9.27
Overall Gearing (times)	14.85	15.47	16.58	11.11
Capital Adequacy Ratio	12.99	14.71	19.81	21.12

As on	31/12/2018	31/12/2019	31/12/2020	30/09/2021
Tier I Capital Adequacy Ratio	9.09	10.97	12.45	14.23
Gross NPA to Gross Advances (%)	4.74	4.23	8.67	3.87%
Net NPA to Net Advances (%)	1.79	1.05	2.05	-

Asset-Liability Maturity Profile as on September 30, 2021

	<1 month	1-3 months	3-6 months	6-12 months	1-3 years	>3 years	Non-maturity items	Total
	MUR Million							
Total assets	24,290	4,579	3,405	2,043	1,755	6,518	2,022	44,612
Total Liabilities	**23,912**	**3,542**	**3,265**	**1,926**	**1,105**	**5,110**	**5,751**	**44,612**
Net liquidity gap	**378**	**1,037**	**140**	**117**	**649**	**1,408**	**(3,729)**	**0**
Cumulative gap	**378**	**1,416**	**1,556**	**1,672**	**2,322**	**3,729**	**0**	**0**

As on September 30, 2021, Bank One has cumulative negative mismatch in 1-month time bucket, in a situation where withdrawal of entire low-cost deposits *(demand deposits & savings deposit)* happens 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.

In October 2017, BOM introduced Guidelines on Liquidity Risk (which was further revised in March 2019) covering the 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 2019, December 2020 and September 2021 submitted by Bank One to BOM are comfortably above the 100% regulatory requirement as shown in table below:

	December 2019	December 2020	September 2021
LCR#	295%	394%	358%

#Minimum LCR is 100%

In H1FY20, Bank One posted a loss of Mur 427 Million, mainly due to the provisioning of Mur 823 Million due to default by 2 Dubai based clients and general provisioning for COVID-19. This was expected to impact the CAR of the company. In order to mitigate the same, Bank One's shareholders infused equity of MUR 300 million (CFL infused MUR 150 million out of the dividend received from BNI Madagascar) and the Bank raised Mur 600 Million of Tier 2 capital through a local bond issue. Accordingly, the Bank's capital ratios have strengthened over the period.

<u>MITCO Group Ltd – steady dividend paying & debt free subsidiary of CIEL Finance</u>

Operating since 1993, MITCO Group Ltd. is an investment holding company of other entities providing advisory, structuring, set-up, administering, company secretarial, compliance, professional outsourcing and back office services. CIEL Finance holds 63.28% stake in MITCO. The majority of the balance stake (36.21%) is held by K-Force Ltd.

Prior to FY 2017, CFL held direct investments in the 4 operating entities of MITCO Group Ltd. As a part of the Group restructuring in 2017, MITCO Group was introduced as an intermediary holding company above the 4 subsidiaries and CFL transferred all its investment in the 4 subsidiaries to MITCO Group. MITCO Fund Services Ltd. (29.42% stake of CFL) has completed its winding up process and awaiting for a final clearance from the authorities.

In FY21, MITCO Group Ltd. has posted a PAT of Mur 58 million (Mur 34 million for FY20) on a revenue of MUR 210 million (Mur 225 million in FY20). It is a debt free company.

Investment Professionals Limited

Investment Professionals Limited (IPRO), was incorporated in August 1992. The company has been licensed under the Financial Reporting Act 2007 and Securities Act 2005 to act as Investment Advisor (Unrestricted) and to engage in distribution of financial products. The company was granted a Foreign Institutional Investor License by the Securities and Exchange Board of India in October 2008 to invest in Indian stocks. CIEL Finance holds 95.5% stake in the subsidiary. The company covers both Mauritian and global market with approximately Mur 4 Billion worth of assets under management on behalf of private clients and pension funds. In FY21, IPRO has posted a PAT of Mur 3 million (Mur 5 million in FY20) on a total income of MUR 35 million (Mur 37 million in FY20). It is a debt free company.

Investment in KIBO funds

KIBO FUND I

In FY07, Kibo Fund LLC (KIBO I) was incorporated in Mauritius as a private company limited by shares and designated as a Limited Life Fund with a life of 10 years. The principal activity of KIBO I was to make private equity and equity-related investments in companies located in Sub-Saharan Africa and in the islands of the Indian Ocean. Till date, KIBO has exited most of its investments and has received around Euro 28 million, which had been utilized for repayment of capital received from its shareholders including CFL and this has been used by CFL to repay part of the capital received from CIEL and Amethis. KIBO has written off completely the investment in 2 companies but expects to receive part amount by end of FY2022. The Fund is being liquidated under Section 290 of the Companies Act.

THE KIBO FUND II LLC

The KIBO FUND II LLC (KIBO II) was incorporated in the Republic of Mauritius in June 2014 as a private company limited by shares and designated as a Limited Life Fund with a life of 10 years. The principal activity of KIBO II is to make private equity and equity-related investments in companies located in Sub-Saharan Africa and in the islands of the Indian Ocean. The Fund is a multi-country, multi-sector and multi-strategy investment vehicle. Investors include leading global development FIs - like International Finance

Corporation (IFC from the World Bank Group)-18.4%, the African Development Bank-20%, DEG (a member of KfW Bankengruppe – KfW banking group of Germany)- 20%, CIEL Finance 8.3% and others. The total size of the fund is USD 65 Million, which is currently invested in 9 companies. During FY21 fund has exited its exposure in 2 investments yielding an IRR of 4-6%. As on June 30, 2021, valuation of the investments was higher than the cost.

Satisfactory Financial performance

In FY21 (July 1-June 30), CFL (standalone) posted a profit after tax of Mur 121 million (Mur 103 million in FY20) and revenue of Mur 253 million (MUR 203 million in FY20). Dividend from various group companies is the major source of income of CFL. Revenue has increased by 16% in FY21 (FY20: decrease of 14%) with the increase of dividend income from BNI Madagascar. EBIDTA level & margin has improved by 12% in FY21 (decrease of 5% in FY 20). With the increase in revenue, PAT & GCA also witnessed an increase of around 18% compared to FY20. CFL has paid a dividend of Mur 79 million in FY21 (FY20: 22 million). In FY14, CFL invested in KIBO Fund II for 10 years, and the latter invests in various countries and industries in Africa. The fund is projected to mature in FY24 and FY25, and the proceeds will be utilized for refund of the capital received from its shareholders, including CFL. KIBO Fund II is already profitable and CFL has track record of exiting from the majority of KIBO Fund I assets at a profit.

Industry

Banking Industry in Mauritius

As on June 30, 2021, 19 banks were licensed by the Bank of Mauritius, of which 8 were local banks, 8 were subsidiaries of foreign banks, 3 were the branches of foreign bank and 1 bank is currently under conservatorship. Mauritius banking sector is dominated by 2 large banks Mauritius Commercial Bank (MCB) and State Bank of Mauritius (SBM).

The banking industry has remained characterised by an excess liquidity situation (MUR 70 billion in September 2021), while banking operators have continued to display low non-performing loan ratio (5.0 % in March 2021) in the face of the challenging context.

Like most economies worldwide, the Mauritian economy was impacted by the ramifications of the COVID-19 pandemic since early 2020. Almost all industries witnessed a downturn, with the most impacted being the high-contact intensive sectors such as hospitality, arts, entertainment and recreation and cosmetics. The uncertainty associated with the pandemic has, in turn, affected the banking sector.

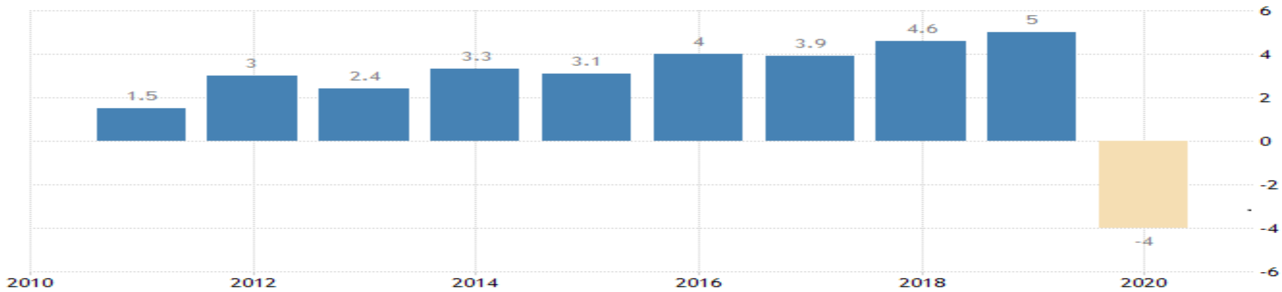
Post re-opening of international borders from October 1, 2021, tourist's arrival in Mauritius was more than 80,000, which is expected to boost the earnings of the Tourism sector going forward.

Banking Industry in Madagascar

There are 11 commercial banks in Madagascar, including three microfinance institutions (MFIs) with a banking license. The banking sector is, however, highly concentrated around four banks (including BNI Madagascar), which owns around 90% of total banking sector assets, 85% of total deposits, 86% of the loans and share between them around 90% of profit. The banking penetration rate i.e. access to a bank account, among Madagascar's population stood around 8% in 2019. The microfinance sector is developing, with a 17% penetration rate among households. Despite a difficult context and protracted crisis situation, Madagascar's financial sector remains dynamic and resilient to the crisis. With the launch of new services and facilities like, Mobile Money, the banking sector is trying to improve the bank penetration rate and offering opportunities to increase financial inclusion. Percentage of adults with an account at a financial institution or mobile money service in Madagascar has doubled over the past three years.

Madagascar's economy has been performing well with the GDP annual growth rate of -4% in 2020 as compared to 5.2% in 2019. Since 2015, the most important driver of growth has been the services sector, which is characterized by a small but dynamic private sector. One component of the services sector that is performing particularly well is trade, which increased significantly in 2019. Madagascar has enjoyed sustained economic growth over the last eight years as depicted below:

GDP GROWTH RATE 2010 TO 2020



GDP Annual Growth Rate in Madagascar is expected to reach 3% by the end of 2021, according to Trading Economics global macro models and analyst's expectations. In the long-term, the Madagascar GDP Annual Growth Rate is projected to trend around 5.60% in 2022 and 5.30% in 2023, according to econometric models. GDP in Madagascar was USD 13.72 billion in 2020, representing 0.01% of the world economy. Madagascar's economy depends mainly on agriculture (shrimps, spices, coffee, cacao, cotton, tobacco are the most important products), ecotourism and mining (graphite, chromie). Approximately 80% of the population is engaged in agricultural activities. Madagascar exports are essentially agricultural and mineral. Main exports are graphite, chromite, shrimp, coffee, vanilla and sugar. The production of goods for export and offshore services such as telecommunications undertaken in export processing zones continues to realize steady growth.

Prospects

The prospects of CFL depends on operational & financial performance of major dividend paying bank – BNI Madagascar, turnaround in the performance of Bank One and successful exit from the KIBO fund II in a timely manner.

Financial Performance (Standalone) (*Mur Million)*

For the year ended as on June 30	2018	2019	2020	2021
	Audited			
Total Income	201	242	203	253
EBITDA	96	146	132	148
Interest	17	16	21	25
PAT	83	130	103	121
Gross Cash Accruals (GCA)	83	131	105	123
Dividend paid/proposed	83	95	22	79
Equity share capital	2,093	2,033	2,033	2,033
Tangible net worth	3,466	3,591	2,162	2,063
Total debt	262	181	542	548
Cash & Bank balances	19	15	6	135
Key Ratios				
EBITDA/Total income (%)	47.92	60.40	65.03	58.39
PAT/Total income (%)	41.24	53.84	50.83	47.82
ROCE- operating (%)	2.66	3.90	5.25	5.48
RONW (%)	2.45	3.70	4.86	5.73
Long term debt equity ratio	0.06	0.05	0.24	0.25
Overall gearing ratio	0.08	0.05	0.25	0.27
Interest coverage (EBIDTA/Interest)	5.74	9.26	6.17	5.97
Total Debt/ EBITDA	2.72	1.23	4.11	3.71

Financial Performance (Consolidated) (*MUR Million)*

For the year ended as on	Jun-18	Jun-19	Jun-20	Jun-21
	Audited			
Total Income	2,611	2,853	3,462	3,782
EBITDA	767	938	1,289	1,266
Depreciation	166	159	204	246
Interest	17	15	30	33
PAT	742	630	501	608
Gross Cash Accruals (GCA)	908	789	704	855
Tangible net worth	3,224	3,343	3,613	3,796
Total debt	445	393	762	515
Key Ratios				
EBITDA/Total income (%)	29.4	32.9	37.2	33.5
PAT/Total income (%)	28.4	22.1	14.5	16.1
Overall gearing ratio	0.15	0.12	0.77	0.84
Interest coverage (EBIDTA/Interest)	44.0	62	43	38
Total Debt/ EBITDA	0.62	0.42	0.59	0.41

Adjustments

1. Tangible net worth is calculated by netting off intangible assets from total equity.
2. GCA is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long and short-term debt)/Tangible Net worth.
4. Total Income is the sum of Interest income, Fees & Commission income, Foreign exchange gain/ (loss) and other income.

Utilisation of the Bond proceeds:

As in September 2019, CFL issued a Bond of MUR 500 million and utilised the proceeds for repayment of existing high-cost borrowings (5.75%) of MUR 175 million (was due in September 2022) with Mauritius Commercial Bank, capital contribution of MUR 150 million in Bank One Limited and refinancing / investing in KIBO Fund II LLC for an amount of MUR 175 million.

Details of Instrument

1. Details of proposed Bond Issue

Instrument	Repayment Amount (MUR Million)	Repayment Terms
Long term Bond of Mur 500 Million	Tranche I- 150	5 years from disbursement (September 2024)
	Tranche II- 175	6 years from disbursement (September 2025)
	Tranche III- 175	7 years from disbursement (September 2026)

The repayment terms are as follows: *(MUR Million)*

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Principal	0.0	0.0	0.0	0.0	0.0	150	175	175