

## **CAPITAL**

The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Bank of Mauritius.

The adequacy of the Bank's capital is monitored using, among other measures, the requirements specified in the Banking Act 2004 and related guidelines which are aligned to Basel II and Basel III. The Bank uses the Basel II Standardised Approach to manage its credit and market risk exposures, with the Basic Indicator Approach for operational risk.

As for determination of its capital, the Bank adheres to the Bank of Mauritius Guideline on Scope of Application of Basel III and Eligible Capital, which is effective as from July 2014.

The Bank has complied in full with its externally imposed capital requirements over the reporting period.

### **Capital management**

The Bank follows the principles below with regard to capital management:

- **Adequate capital and sustainable development**

Maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business.

- **Allocation optimisation and benefit augmentation**

Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, to steadily improve the efficiency and return of capital, achieving the reciprocal matchup and dynamic equilibrium among risks, assets and returns.

- **Refined management and capital level improvement.**

Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; Incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

## Regulatory capital

The Bank's capital (USD 50m) is nearly 10 times the requirement specified in the Banking Act 2004. The table below summarises the Bank's capital position as at 31 December 2016 based on Common Equity Tier 1 capital and Total capital ratio.

	2016 USD
<b>Common equity tier 1 (CET1) capital</b>	
Share capital	50,000,000
Current year's loss	(1,011,721)
Regulatory deduction for:	
Deferred tax	(195,935)
<b>Net CET1 capital</b>	<b>48,792,344</b>
<b>Total capital base</b>	<b>48,792,344</b>
<b>Risk-weighted assets</b>	
Total on-balance sheet risk-weighted credit exposures	24,294,228
Risk weighted assets for operational risk	6,212,629
Aggregated net open foreign exchange position	45,833
<b>Total risk-weighted assets</b>	<b>30,552,690</b>
<b>Capital adequacy ratio</b>	<b>159.7%</b>
<b>CET 1 capital</b>	<b>159.7%</b>
<b>Tier 1 capital ratio</b>	<b>159.7%</b>

The Bank's exposures as per the standardised approach for 2016 were as follows:

	Amount (USD)	Risk-weights %	Risk Weighted Assets
<b>Credit Risk</b>			
Claims on banks	48,330,895	20-50%	23,260,472
Fixed assets	937,028	100%	937,028
Other assets	96,728	100%	96,728
<b>Total Credit Risks</b>	<b>49,364,651</b>		<b>24,294,228</b>
Risk weighted assets for operational risk			6,212,629
Aggregate net open foreign exchange position			45,833
<b>Total risk weighted assets</b>			<b>30,552,690</b>