

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

38 CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Group and the Bank. During the past year, the Group and the Bank have complied fully with all its externally imposed capital requirements.

Capital management

The primary objectives of the Group's and the Bank's capital management are to ensure that the Group and the Bank comply with externally imposed capital requirements and that the Group and the Bank maintain strong credit ratings and healthy capital ratios in order to support the business and to maximise shareholders' value.

The Group and the Bank manage their capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group and the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new capital securities.

ELIGIBLE RISK-WEIGHTED CAPITAL

	THE GROUP			THE BANK		
	Basel III 2020	Basel III 2019	Basel III 2018	Basel III 2020	Basel III 2019	Basel III 2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Tier 1 capital	7,996,924	7,240,680	6,199,854	7,986,957	7,257,255	6,279,995
Tier 2 capital	399,896	463,159	427,205	399,896	463,159	389,292
Total capital	8,396,820	7,703,839	6,627,059	8,386,853	7,720,414	6,669,287
Risk-weighted assets	55,437,946	50,286,707	47,000,533	55,363,146	48,714,294	45,345,385
	%	%	%	%	%	%
Capital adequacy ratio	15.15	15.32	14.10	15.15%	15.85	14.71

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings, foreign currency translation and other reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Mauritius. The other component of regulatory capital is Tier 2 capital, which includes stage 1 and stage 2 provisions and country risk reserves.