Glossary

Basis point is a unit equal to one hundredth of a percentage point.

Capital Adequacy Ratio is a measure of the amount of a bank's capital expressed as a percentage of its risk weighted credit exposures. Banking regulators require a minimum capital adequacy ratio so as to provide banks with a cushion to absorb losses before they become insolvent. This improves stability in financial markets and protects deposit-holders.

Capital conservation buffers are aimed at ensuring the build-up of capital buffers outside periods of financial stress.

Coverage ratio measures a bank's ability to absorb losses from its non-performing loans.

Credit to GDP gap is the percentage deviation between the credit to GDP ratio and an estimate of its trend.

Dealt exchange rate is the weighted average rupee selling rate derived from transactions of US$30,000 and above, or equivalent.

Fiscal consolidation is a policy aimed at reducing government deficits and debt accumulation.

GBC1s are resident corporations which conduct business outside Mauritius. The law has recently been amended to allow them to transact with residents provided that their activities in Mauritius are ancillary to their core business with non-residents.

Leverage ratio is used to calculate the financial leverage of a company to get an idea of the company's methods of financing or to measure its ability to meet financial obligations. It is meant to evaluate the company's debt levels.

Loan loss provisioning is undertaken by banks to make allowance for defaulted loans or credits. The loan loss provisioning represents an amount set aside in the event that the loan defaults.

Loan-to-value ratio is a lending risk assessment ratio that financial institutions and others lenders examine before approving a mortgage. It is calculated as the ratio of the loan amount to the value of the collateral used for the loan.

MERI2 is the Mauritius Exchange Rate Index, a nominal effective exchange rate introduced in July 2008, based on the currency distribution of merchandise trade and tourist earnings.

ROA is the annualised pre-tax return on assets and is measured by the ratio of pre-tax profit to average assets.

ROE is the annualised pre-tax return on equity and is measured by the ratio of pre-tax profit to average equity.

Segment B activity is essentially directed to the provision of international financial services that give rise to foreign source income.

Segment A activity relates to all banking business other than Segment B activity.

SEMDEX is an index of prices of all listed shares on the Stock Exchange of Mauritius and each stock is weighted according to its share in the total market capitalisation.

Solvency ratio is a measure of a company's ability to pay its long term and short term debts. It is calculated by dividing the sum of net after-tax profit by the sum of short term and long term liabilities.

Tier 1 capital is a term used to qualify eligible capital of a bank and constitutes the component having the highest loss-absorbing capacity.

Tier 2 capital is the second part of the two-tier risk based standard commonly used by regulators to assess a financial institution's capital adequacy. It is supplementary bank capital that includes revaluation reserves, general provisions, and subordinated debt. Tier 2 capital comes as second rank and is less reliable than Tier 1 capital.

Y-o-y change compares the value of a variable at one period in time compared with the same period the previous year.