A27. Capital Adequacy

(a) The capital adequacy ratios of the Bank below are disclosed pursuant to the requirements of Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II) - Disclosure Requirements (Pillar 3):

	30 September 2016	31 December 2015
Common Equity Tier I ("CET I") capital ratio	**11.017%**	10.771%
Tier I capital ratio	**11.017%**	10.771%
Total capital ratio	**13.606%**	13.481%

	30 September 2016 RM'000	31 December 2015 RM'000
Components of CET I, Tier I and Tier II capital:		
CET I capital / Tier I capital		
Paid-up share capital	**219,217**	207,217
Share premium	**2,213,500**	1,925,500
Other reserves	**264,482**	241,685
Retained profits	**607,116**	462,736
Less: Deferred tax assets, net	**(2,916)**	-
Less: Defined benefit pension fund assets	**(1,940)**	(2,157)
Less: Investment in an associated company deducted from CET I capital	**(12,000)**	(8,000)
Total CET I capital / Tier I capital	**3,287,459**	2,826,981
Tier II capital		
Collective assessment allowance and regulatory reserves #	**281,468**	224,109
Subordinated Sukuk Murabahah	**499,309**	499,117
Less: Investment in an associated company deducted from Tier II capital	**(8,000)**	(12,000)
Total Tier II capital	**772,777**	711,226
Total capital	**4,060,236**	3,538,207

Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM143,611,000 (2015 : RM160,525,000). Includes the qualifying regulatory reserves for non-impaired financing of RM100,329,000 (2015 : RM68,739,000).

A27. Capital Adequacy (continued)

The total risk-weighted assets of the Bank are computed based on the following approaches:
(i) Standardised Approach for Credit Risk;
(ii) Standardised Approach for Market Risk; and
(iii) Basic Indicator Approach for Operational Risk.

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) reissued on 13 October 2015 which became effective from 1 January 2016. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank has exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

A27. Capital Adequacy (continued)

(b) The breakdown of risk-weighted assets by each major risk category is as follows:

	30 September 2016 RM'000	31 December 2015 RM'000
Credit risk	**28,221,206**	24,611,954
Market risk	**30,338**	85,600
Operational risk	**1,589,565**	1,549,041
	29,841,109	26,246,595