A28. Capital Adequacy

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

	30 September 2020	31 December 2019
Before deducting interim dividend *		
Common Equity Tier I ("CET I") capital ratio	**11.927%**	12.362%
Tier I capital ratio	**11.927%**	12.362%
Total capital ratio	**15.549%**	16.192%
After deducting interim dividend *		
CET I capital ratio	**11.927%**	12.362%
Tier I capital ratio	**11.927%**	12.362%
Total capital ratio	**15.549%**	16.192%

* Refer to interim dividend declared subsequent to the financial period / year end.

	30 September 2020 RM'000	31 December 2019 RM'000
Components of CET I, Tier I and Tier II capital:		
CET I capital / Tier I capital		
Share capital	**2,732,717**	2,732,717
Other reserves	**100,842**	41,234
Retained profits	**2,117,117**	1,944,889
Less: Deferred tax assets, net	**(989)**	-
Less: Defined benefit pension fund assets	**-**	(413)
Less: Investment in an associated company deducted from CET I capital	**(45,000)**	(45,000)
Total CET I capital / Tier I capital	**4,904,687**	4,673,427
Tier II capital		
Stage 1 and Stage 2 expected credit loss allowances	**307,590**	228,011
Qualifying regulatory reserves	**181,976**	219,862
Subordinated Sukuk Murabahah	**1,000,000**	1,000,000
Total Tier II capital	**1,489,566**	1,447,873
Total capital	**6,394,253**	6,121,300

A28. Capital Adequacy (continued)

(a) The capital adequacy ratios of the Bank (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 of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB") 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 CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. 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 Bank has applied CCyB on its private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Bank's CCyB, unless specified otherwise by BNM.

The Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of its private sector credit exposures outside Malaysia are insignificant due to its immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 25 March 2020, the Bank is allowed to drawdown the CCB of 2.5% to manage the impact of the Covid-19 outbreak. However, BNM expects the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at reporting date, the Bank continued to maintain CCB of 2.5%.

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

	30 September 2020 RM'000	**31 December 2019 RM'000**
Credit risk	**39,165,240**	35,829,825
Market risk	**140**	7,951
Operational risk	**1,957,792**	1,966,233
	41,123,172	37,804,009