



Circular No.: BCS 27835
Date: 10 November 2011

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **Enhancements to the ICAAP Document at end of 2011**

This refers to the ICAAP document issued by the Agency on 22 September 2008 which documents the ICAAP Process and provides guidance to the Banks on the form and contents of the ICAAP Report to be submitted to SAMA.

In the past years, the ICAAP submissions by the Banks have continued to improve both in terms of contents and form and as a result they have become an increasingly important supervisory tool for meaningful discussions related to Banks' risk profiles, their business plans and their projected levels of capital adequacy.

The Agency would like the 2011 ICAAP document to be further strengthened in the following areas:

1. **Provisions**: The Bank should enhance the section on this topic by providing the following end of year information, for the past five years (including the current year).
 - Specific, general and total provisions
 - Provision expense charged to the income statement (net of recoveries)
 - Default rates by major portfolios (Retail, Credit Card, Corporate, SME's, etc.)
 - Total Non-performing Loans
 - Coverage Ratio
2. **Concentration Risk**: The Banks should under the section on concentration risk include the following information for the past 3 years (including the current year).
 - On and Off Balance Sheet Credit exposure to top ten customers as a percentage of total on and off balance sheet credit.
 - On and Off Balance Sheet Credit exposure to top ten customers as a percentage of Bank's regulatory capital.



- Number of loans extended to connected parties and the total value of such loans as a percentage of total credit.
 - Total value of loans to connected parties as a percentage of total regulatory capital.
 - The banks could add comments on the concentration risk and how it affects their assessment of additional capital requirements, if any.
3. Liquidity Risk: The Banks should provide the following information as at the end of year 2011.

- Liquidity Coverage Ratio
- Net Stable Funding Ratio

In addition, the following information should be provided for the past three years (as at end of the year):

- Deposits from top (10) ten customer as a percentage of total customer deposits.
 - Deposits from Wholesale markets (interbank, others) as a percentage of total liabilities.
4. Off Balance Sheet Activities: The following year-end information on Derivatives Activity should be provided for past 3 years with breakdown in Saudi Riyal, USD and other currencies.
- Interest rate Derivatives
 - FX Derivatives
 - Total

5. Capital Leverage Ratio: Banks should include information on the following:
- Basle Capital Leverage Ratio (current year)
 - Legal Leverage Ratio under the Banking Control Law (for past 3 years)

The Agency will continue to enhance the ICAAP process to make it more comprehensive and meaningful. If you have any comments, you may call Mr. Tariq Javed at telephone number (01) 466-2305, or Mr. Abbas Hassan at telephone number (01) 466-2526.

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