

**Q18 - Prudential return on (MSME) Micro, Small and Medium Enterprises**

Data as at

	Micro Enterprises				Small Enterprises				Medium Enterprises				Total			
	Value in SAR million		Number of customers		Value in SAR million		Number of customers		Value in SAR million		Number of customers		Value in SAR million		Number of customers	
	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter
<b>1 Funding</b>																
1.1 Demand deposits																
1.2 Saving deposits																
1.3 Time deposits																
1.4 Others																
1.5 Type of consumer																
1.5.1 Sole proprietor																
1.5.2 Partnership																
1.5.3 Joint Stock Company																
<b>2 Assets</b>																
2.1 Credit Facilities (outstanding)																
2.1.1 Bills discounted																
2.1.2 Overdrafts																
2.1.3 Loans and advances																
2.2 Off balance sheet items																
2.2.1 Letter of credit																
2.2.2 Guarantees																
2.2.3 Commitments																
2.2.4 Others																
2.3 Credit Facilities by Sectors																
Agriculture and Fishing																
Manufacturing and Processing																
Mining and Quarrying																
Electric, Water, Gas, Health Services																
Building and Construction																
Commerce																
Transport and Communication																
Finance																
Services																
Miscellaneous (Retail)																
2.4 Provision for Losses (outstanding balance)																
2.5 Non performing credits																
<b>3 Guarantee Fund Program (Kafalah)</b>																
3.1 Outstanding loans and advances																
3.2 Loan defaults (during the period)																
3.3 Losses taken by the Bank (During the period)																
3.3 Losses taken by Kafalah (During the period)																
3.4 Loans restructured during the period																
3.5 Loans written off during the period																

## Frequently Asked Questions and Answers

Log Ref #		
1	For Annual Budget Allocated to SME Unit, will this be in terms of Assets, Costs or Revenues?	This should be total budgeted cost allocated to SME unit for the year.
2	How do you define Total Man days of Training provided to SME Employees?	The hours should be converted into days i.e. 8 hours = 1 day
3	Please confirm the correctness of our assumption that Column E of Annexure I refers to "December 2016" (previous quarter) instead of "March 2017" as indicated whilst Column F refers to "March 2017" instead of "February 2017."	This is correct, as this template/KPI should be populated on a quarterly basis. When the first reporting will start, banks should use the recent quarter.
4	<p>There is another point which requires clarification regarding item number 7 from Annexure III – Guidance Notes which reads:</p> <p>The amounts or values or number of customers reported should be as of and outstanding at the Quarter end. For period end numbers, these should be accumulated on a year-to-date basis. (For example, in case of a 30 June reporting period, the balance as of 30 June should be reported. The period-end numbers should be year-to-date for the six months).</p> <p>The first sentence is very clear. Our initial understanding is that data to be reported in terms of number of customers and amounts shall be AS OF period which would include existing plus new customers and their outstanding balances as at end of quarter</p>	This interpretation regarding reporting on the values and number of customers at the quarter end as elaborated is correct.
5	There is a clarification needed on the following statement that says "For period numbers, these should be <b>accumulated on a year-to-date basis</b> " - which may also be interpreted as customers that were acquired only during the year. We then would like to seek clarification on the foregoing to ensure that we provide the information as prescribed.	Only the interpretation as per 4 above should be applicable. The variance between the two reporting periods should show us the movement during the year.

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6	<p>Based on the proposed definition of SMEs developed by the SME Authority, together with Annexure I and II and their supporting notes, the bank has reviewed their current customer data to determine their ability to report using the proposed criteria of turnover revenue and FTE. They only hold this data on less than 50% of their current SME relationships, largely because the majority of the portfolio is non-borrowing or because of inactive relationships. To resolve this we have considered obtaining the data from Thiqah but have been told that Thiqah's data is neither complete nor fully up to date so we are now contacting Bayan to see if they have the required data based on CR numbers. Should both Thiqah and Bayan be unable to provide the necessary data, could we suggest the last 12 months credit turnover on a customer's account be used as a viable alternative criteria. We would also suggest that inactive accounts are excluded, as an inactive account status would indicate that the particular SME is not commercially active, at least with that bank.</p>	<p>SAMA agrees on suggestion regarding the last 12 months credit turnover on a customer's account be used as a viable alternative criteria. However, we do not agree on exclusion of inactive accounts.</p>
7	<p>SME can be categorized into two groups; borrowing relationship, where SME entities have facility with the bank, and the other one (labeled as non-borrowing) have mainly current accounts, &amp; other products/services such as Cash Management (PoS, Payroll etc.) with no credit exposure. Some of them have Trade product outstanding with 100% cash margin.</p> <p>We understand from the meetings we attended with SAMA, the purpose of such report is to report &amp; monitor the progress of banks financing supports to SME. Hence we recommend reporting only borrowing SME &amp; customers with 100% cash margin covering trade finance.</p>	<p>Both borrowing and non-borrowing customer data should be reported.</p>

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	We can include the non-borrowing SME relationships, but there will be some challenges regarding sub-segments as sales/number of employees might not be available or accurate	
8	Some of SMEs are part of bigger group, although they meet the SME segmentation criteria (Sales/number of employee), but they have different characteristics such as management sophistication and needed support. We deal with them as part of main group in all credit process such as level of approval & reporting of the exposure of the whole group, hence to meet the purpose of the report we recommend excluding these entities from the report.	These SMEs should not be excluded from the report.
9	The main classification criterion is annual sales turnover. Is this the sales figure as per the latest audited financial account of the MSME or we can use other sources as well e.g. in house financials or estimate from bank statements?	You should use the latest audited financial statements. If these are not available, then use other alternative sources.
10	Annexure III item 8.4: Not sure what formal rejection rate means? Does it mean only where a credit proposal has been prepared and it gets declined by the Credit Committee or will it include other declines also e.g. we decline financing requests from customers that do not meet our basic eligibility criteria like sales greater than SR 30 million or not satisfactory credit history before the Credit Proposal is made	This should capture the information where a credit proposal has been prepared formally and it is declined.
11	Number of staff in MSME Unit/department: MSMEs are domiciled in different business units. There are a large number of non borrowing MSMEs domiciled and serviced from the retail branches. The number of staff in the MSME unit/ department only reflects the staff servicing MSMEs domiciled in CBD, which are mainly those with formal credit facilities.	It should capture both retail and corporate MSME dedicated staffs.
12	Annual Budget Allocated to MSME unit: What type of budget does this refer to? Is it revenue / net profit or some cost budget?	It should be cost budget.

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13	For non-credit (depository) and transactional (e.g. fully secured small value exposures) customers, information availability continues to be a challenge and, when provided by customers, is difficult to validate. In such circumstances, the Bank will continue to prepare reports on the basis of available information until industry initiatives to gather and validate data (e.g. bureau for business entity demographic information) mature to improve data quality.	SAMA agrees with your suggestion.
14	Is the Funding data in "Annexure II" to be provided only for Borrowing Customers?	Yes, this is correct.
15	Are Total MSME loans in "Annexure I" to be provided by Limits or Outstanding?	This should be based on outstanding amount.
16	Due to unavailability of Sales Turnover and Number of Employees data for most of Non-Borrowing SME customers, we find it difficult to trigger and classify Non-Borrowing SME customers in order to sub-segment them into (Micro, Small, and Medium).	SAMA recognizes this challenge but banks should find alternative sources to gather this information.
17	For March quarter, should we follow the old format for reporting?	That is correct. Please follow old format for Q1 2017 reporting.
18	What is the frequency of filing Dash Board with SAMA?	Quarterly
19	In Annexure 1 , data comparison should be with last quarter in case the return filing frequency is quarterly	This is correct as it should be quarterly
20	In case of listed companies (Main index and Nomu), can a market capitalization threshold be defined for including the listed companies in the definition of MSME's (irrespective of sales volumes and number of staff). We are not considering these in the definition.	This is currently not in consideration but may be considered in future.
21	In case of small set ups like foreign banks, MSME portfolio's is generally handled within Corporate or Retail unit and same is not separately identifiable with number of staff and other requirements as per Dash Board	As long as they are easily identifiable, please report them.

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22	In case of NPL customers, financial statements are not available for recent periods. Should the last available financial statements be consulted for defining as MSME or any other criteria to follow?	For the time being, this is ok but this process should be improved in future.
23	The dashboard should have specific section about the types of collateral provided by SMEs for financing in order to differentiate between collateralized lending and clean lending.	This is noted and we will reflect in the template
24	SAMA and SMEA should coordinate with MOCI in order to get some statistics (through Quawaem) about the financial figures and ratios of SMEs. The objective is (for SAMA and Financial Institutions) to be able to assess and mitigate the credit risk of SMEs. We recommend adding annual prudential return in order to capture the financial figures and ratios of SMEs that determine their credit risk.	This is noted and may be considered in future.