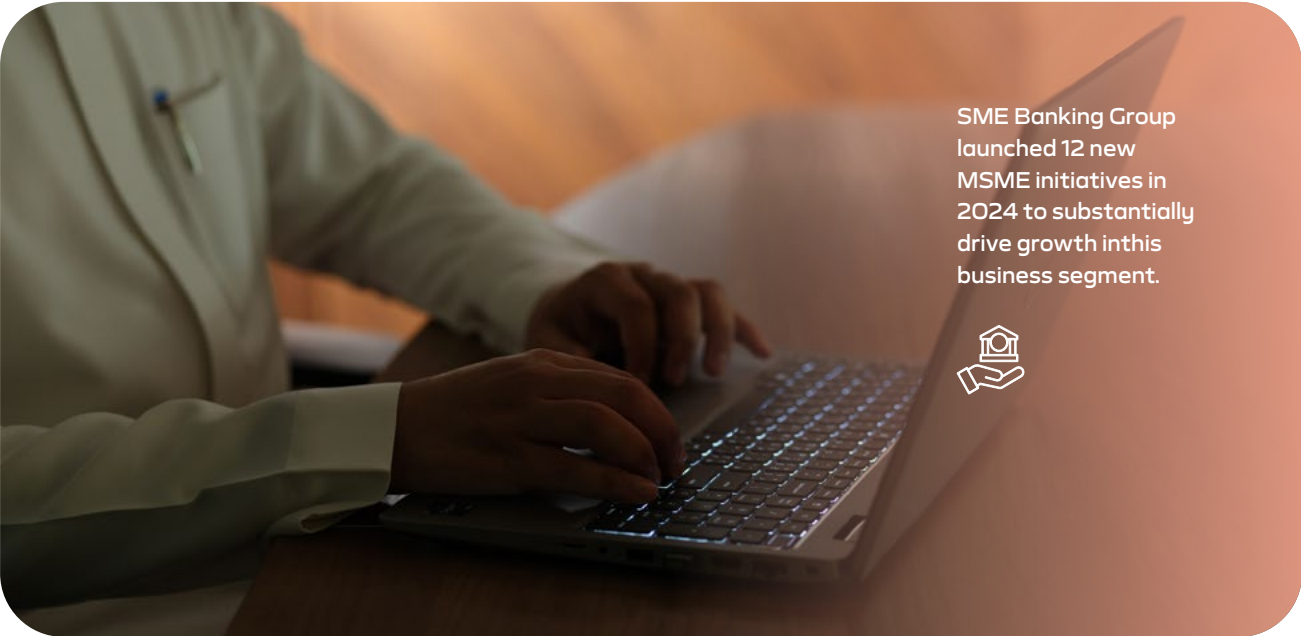


Operating Review  
SME Banking Division



SME Banking Group launched 12 new MSME initiatives in 2024 to substantially drive growth in this business segment.



Saudi Arabia's small and medium enterprises have benefited enormously from innovative financing products launched by alinma. alinma's SME Banking division Group has played a pivotal role in broadening access to funding for SMEs, more than doubling its assets in this segment from **ﷲ 4 billion in 2020 to ﷲ 11.3 billion by the end of 2024.**

Expanding access to finance for small Saudi businesses

The number of SMEs in Saudi Arabia increased substantially – more than 180% – to more than 1.3 million businesses from 2016 to 2023. This vibrant and thriving sector, which accounts for almost half of the Kingdom's employment, and nearly 30% of its GDP, is, importantly, contributing at least one third of Saudi Arabia's non-oil GDP.

Capitalizing on this growing market opportunity, alinma's SME Banking division Group's impressive performance over the past four years reflects the significant investment made in establishing enduring relationships with entrepreneurs and small business owners. Over the same period, the number of clients served by the division has increased fourfold from 521 in 2020 to 2,132 by the end of 2024. alinma has entrenched its position as the leading financial institution in Saudi Arabia that is providing innovative financing solutions to this economically vital sector.

Integral to SME Banking division Group's success in the SME sector is its participation in the Kafalah Program, a Saudi Arabian Government initiative aimed at facilitating SME access to finance. Vision 2030, the nation's blueprint for transformation, has identified the SME sector as a vital component for the diversification of the economy, aiming to increase its contribution to the overall GDP to 35% by 2030. alinma's SME Banking division Group has grown the number of its Kafalah clients by a factor of four, from 253 in 2020 to 1,050 in 2024. This is a strong testimony to the Bank's support of Vision 2030 and its innovation in funding products for SMEs that previously faced challenges in securing financing.

In line with this expanding client base, the SME Banking division Group's performance had a larger impact on alinma's overall financial results in 2024 compared to the previous year. It contributed 6% of the Corporate

Banking Group's assets, 3.2% of non-interest-bearing financing (NIBs) and 1.7% of off-balance sheet items.

A new structure for greater impact

In 2024, SME Banking division Group rolled out several strategic improvements to enhance its service offerings and operational efficiency. The division unveiled a new organizational structure for micro, small and medium enterprises (MSMEs) in the third quarter of the year to streamline processes, optimize resource allocation and ultimately boost the Bank's performance in the SME sector.

The new structure comprises three pillars: MSME Classic/Regular Lending; MSME Program-based Lending; and MSME Product Management.

MSME Classic Lending focuses on traditional lending models, catering to businesses that have been in business for a minimum of three years, and which can provide audited financial statements. The team in this pillar applies rigorous financial analysis to evaluate the stability and creditworthiness of potential borrowers.

The second pillar, MSME Program-based Lending, offers pre-approved products that do not require audited financials. Rather, it relies on specific criteria such as point-of-sale proceeds, average current account deposits and e-commerce transactions, enabling greater flexibility and faster processing times for eligible firms.

Number of Kafalah clients

1,050

Number of clients served by SME

2132

In line with this expanding client base, the SME Banking division Group's performance had a larger impact on alinma's overall financial results in 2024 compared to the previous year. It contributed 6% of the Corporate Banking Group's assets, 3.2% of non-interest-bearing financing (NIBs) and 1.7% of off-balance sheet items.



Operating Review  
SME Banking Division continued

The final pillar, which supports the first two, is MSME Product Management, which is responsible for product development, portfolio management and establishing agreements with public and private sector entities.

The new structure's integrated approach ensures that alinma offers a comprehensive suite of services tailored to the evolving needs of Saudi Arabia's SME landscape.

Alongside the organizational restructuring, SME Banking division Group launched 12 new MSME initiatives in 2024 to substantially drive growth in this business segment.

These initiatives cover a wide range of improvements, from developing proactive lead generation mechanisms to automating credit limit estimations and standardizing financing pricing. The Bank is also enhancing its digital capabilities, including improving online application forms and integrating customer-facing application tracking functionality.

12 new MSME initiatives

1. Transitioned towards the target coverage model
2. Developed and deployed proactive outbound and inbound lead generation mechanisms
3. Enhanced online application e-form on alinma's website
4. Centralized Client and Kafalah activities maintenance under the Corporate Excellence team to enhance efficiency and RM focus
5. Enhanced archiving process and deployed digital signatures
6. Redefine working model with documentation team
7. Automate the estimation of credit limits and standardize financing pricing / tenure
8. Developed customer facing application tracking functionality and integrated it into the new Credit Limit Origination System (eCLO)
9. Improved the overall customer feedback gathering and tracking mechanism
10. Conducted market analysis to prioritize sectors and sub-sectors based on risk appetite and market size
11. Enhanced product features with tiered eligibility criteria and availed expanded limits across products
12. Rolled out targeted marketing campaigns to attract new customers

Launching new partnerships and technologies

alinma's commitment to supporting SMEs extends beyond traditional banking services. In 2024, the Bank entered strategic partnerships with key institutions to further its support for the SME sector. It signed an agreement with the Cultural Development Fund to finance SMEs in the cultural sector, promoting innovation and creativity in this growing sector of Saudi Arabia's economy. Additionally, a new partnership with Monsha'at, backed by a ﷲ 800 million portfolio, was created to provide crucial financial support to MSMEs to drive economic growth and job creation.

As a member of the Public Investment Fund (PIF) portfolio, alinma contributed to the PIF Private Sector Hub platform to expand development of SMEs across the Kingdom. This initiative aligns with the Bank's broader mission to be a catalyst for economic development and empower SMEs to reach their full potential.

A significant technological advancement in 2024 was the full transition to the new Credit Limit Origination System (eCLO) for both classic and program-based lending. This automation has dramatically reduced processing times and improved overall efficiency in evaluating financing applications, enabling faster decision-making and fund disbursement.

Awards and recognition

alinma's efforts in the SME sector in 2024 did not go unnoticed. It was recognized as the Best SME Banking division/SME Platform in the KSA by Global Finance. It was also named, by Monsha'at, as the Highest Growing Bank for Funding Micro, Small and Medium Enterprises in 2023, in recognition of its effective strategies in empowering startups and supporting sustainable growth.

SME Banking Division Group in 2025

Looking ahead to 2025, alinma's SME Banking division Group is poised to build on its successes and further enhance its offerings. Implementation of the 12 initiatives launched in 2024 will continue, with a focus on modernizing operations, improving customer experience and leveraging digital technologies to streamline processes.

These efforts are expected to cement alinma's position as a leader in SME Banking division in Saudi Arabia, contributing to the nation's economic diversification and growth, in line with Vision 2030.