



OG/339/2023
5th October 2023

Chief Executive Officer
All Retail Banks
Manama
Kingdom of Bahrain

Dear Sir/ Madam,

Financing to Small and Medium Sized Enterprises (SMEs)

With reference to the Financial Services Sector Development Strategy (2022-2026) and the CBB's consultation (EDBS/KH/C/9/2021) dated 7th March 2021 "Proposed Requirements on Financing to Small and Medium Sized Enterprises (SMEs)", the CBB is hereby requiring the licensees to whom this circular is addressed to implement the following measures:

1. Review the SME financing targets and scale them up keeping in view the Financial Services Sector Development Strategy KPI of 20% share of financing allocated to SMEs from the domestic financing portfolio by the end of 2025. The KPI measure should be calculated as the proportion of the licensee's SME financing portfolio over its total domestic business financing facilities. The CBB expects banks that provide financing services to SMEs to reach the following minimum percentages:
 - a. 5% by 31st December 2023,
 - b. 10% by 31st December 2024, and
 - c. 20% by 31st December 2025.
2. Create a separate department or unit within the credit department dedicated to SME financing.
3. Develop specific policies and products to cater to financing needs of SMEs and for growing the SME financing portfolio.

The CBB will follow up with each bank that provides SME financing for achieving the above-mentioned target. Licensees are requested to share any concerns or enquiries with their Supervisory Point of Contact at the CBB.

Yours faithfully,

Rasheed M. Al-Maraj
Governor

cc: Bahrain Association of Banks