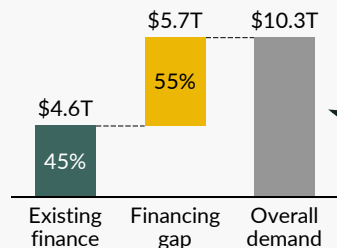


The business case Banks can access the untapped SME opportunity by adapting their business models to meet the unique needs of SMEs

Business case

SMEs are a growth engine for banks providing significant opportunity in terms of scale and profitability



Commercial banks can capture the \$5.7T SME finance opportunity by providing the financial and non-financial services SMEs need to grow

Though most banks have not tapped into the opportunity due to their lack of understanding of the SME markets nuanced needs



Lack of segmentation of SMEs

Banks develop portfolios that do not reflect SMEs financial and NFS needs due to a lack of segmentation



Inability to appropriately price risk

Inadequate credit scoring and risk tools which drives overpricing or exclusion of viable SMEs



Lack of investment in SME strategy and business model The inability to size the opportunity drives underinvestment in developing the right value proposition to target SMEs

When banks develop SME value propositions aligned to market needs the return on investment is significant



A diagnostic of the bank uncovered KCB was already serving a large MSME customer base, yet <10% of their ~1 million account holders had a loan, exposing a significant growth opportunity.

The bank then focused on optimizing its business model to better serve SMEs and WSMEs by:

1. Improving CRM and data to better understand clients
2. Implementing a cash-flow-based credit assessment
3. Developing a relationship-based banking model
4. Segmenting WSMEs to understand their nuanced needs
5. Expanding the non-financial services offering

Results



Scale

Portfolio of \$900M growing ~147% YoY 2017-23



Repayment behavior

NPLs of 1.5% vs 15% national average



Profitability

SMEs are KCB's 2nd most profitable segment



Customer satisfaction

NPS increase to 47 on par with other segments