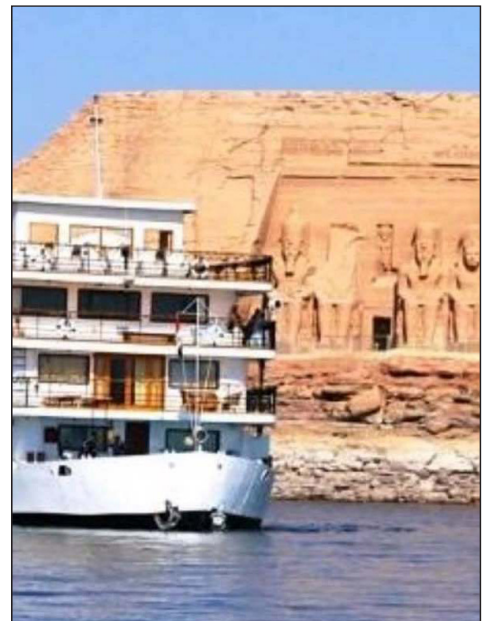




البنك المركزي المصري
CENTRAL BANK OF EGYPT

Central Bank of Egypt's Measures to Offset the Impact of COVID-19



December 2020



01 | Cutting Interest Rates

In view of the recent global developments following the COVID-19 outbreak, and with the aim of sustaining the achievements of the economic reform program, the Monetary Policy Committee decided to cut the Central Bank of Egypt's overnight deposit rate, overnight lending rate, and the rate of the main operation by 300 basis points to 9.25%, 10.25%, and 9.75%, respectively. The discount rate was also cut by 300 basis points to 9.75%. This proactive decision was introduced to support the national economic activities with all its sectors disrupted by the outbreak.

In September 2020, the Central Bank of Egypt's overnight deposit rate, overnight lending rate, and the rate of the main operation were cut by another 50 basis points to 8.75%, 9.75%, and 9.25% respectively and the discount rate to 9.25%.

Another cut by an additional 50 basis points took place in November 2020, whereby the overnight deposit rate, overnight lending rate, and the rate of the main operation reached 8.25%, 9.25%, and 8.75% respectively and the discount rate is currently 8.75%.

02 | Deferring all Customers' Credit Dues (Corporates, Individuals and SMEs)

Deferring all credit dues for all customers whether corporates, SMEs and individuals (including retail loans, and mortgage loans for personal housing) for a period of 6 months; as well as exempting them from any late interest fees or additional fines for late payments. Moreover, the interest calculated on the delayed amount will be capitalized over the period of the loan, the client has to be clearly informed about this process in details.

Due to the fact that the period of deferring all customers' credit dues came to an end during September 2020 with no extension, and with the aim of supporting clients whose cash flows were negatively affected due to the current pandemic, banks have been directed to the following:

- Setting the appropriate procedures to deal with all clients based on their ability to repay their debts and their cash flows.
- Restructuring clients' debts to reach a structure that matches their current ability for repayment through availing several alternatives. Giving special attention to clients whose activities were negatively affected during the previous period.
- After restructuring the debt, if the client started to repay regularly without having financial difficulties, this debt restructuring shouldn't be considered as a significant increase in the client's credit risk.
- Study and analyze the overall risks associated with the current crisis, conduct stress tests to determine the impact of the crisis on the credit portfolio, and develop plans to deal with any potential losses.

03 | Setting Measures to Limit Cash Transactions and Facilitate the Usage of Electronic Payment Methods

Cancellation of fees and commissions applied to the following services: Points of Sale (POS), cash withdrawal from ATMs and E-wallets, for a period of 6 months starting March 2020; which came to an end in September 2020. However, the Cancellation of fees and commissions applied to cash withdrawal from ATMs has been extended till the end of the current year 2020.

Exempting local transfers in EGP from all commissions and expenses for 3 months till June 2020, that was extended till the end of December 2020, to limit the use of cash transactions. Also, CBE has directed banks to develop their infrastructure and to enhance their transfers departments to avoid delays and execute local transfers in EGP in the same day.

A number of exceptions were issued to facilitate the use of electronic payments, as follows:

- Adjusting the maximum limit of mobile wallet accounts and prepaid cards.
- Allowing the current bank clients to register on the internet banking using their existing information at the bank
- Issuing electronic wallets free of charge for a period of 6 months, extended till the end of December 2020, this also was extended to creating virtual cards (VCNs) from the wallet.
- Canceling fees and commissions applied to transfers between Mobile wallets till the end of December 2020.
- Issuing prepaid cards free of charge for a period of 6 months, extended till the end of December 2020, these cards will be contactless as soon as the bank starts issuing this type of cards.

Setting a daily cash withdrawal/deposit limit at EGP50 thousand from branches for individuals, and EGP20 thousand from ATMs, for a limited temporary period.

04 | Availing the Necessary Credit Limits to Finance the Imports of Strategic Commodities and Support the Sectors Strongly Affected by COVID-19

Banks should immediately provide the necessary credit limits to finance the imports of strategic commodities with special focus on food commodities to cater for the market needs.

Studying and following-up on the most affected sectors by COVID-19 outbreak and developing plans to support the companies operating in those sectors.

Availing the necessary credit limits to finance working capital especially payment of salaries for companies' employees.

05 | Adjusting Interest Rates for CBE's Initiatives

In light of the CBE's Monetary Policy Committee decision to cut basic interest rates by 3 percent, the interest rate for the following initiatives has been reduced to 8 percent (decreasing) instead of 10 percent:

- Mortgage finance initiative for middle-income class.
- Industrial, agricultural, and construction private sectors initiative
- Tourism sector initiative to support financing the replacement and renovation of hotels, floating hotels and touristic transport fleets, and financing working capital and salaries.

06 | Tourism Sector Initiatives

First: Initiative to Support Replacement and Renovation of Hotels, Floating Hotels and Touristic Transport Fleets

Raising the amount allocated to the initiative to reach EGP50 billion (previously EGP5 billion) at an interest rate (decreasing) of 8 percent over a period of 15 years.

The purpose of financing:

- Carrying out the necessary replacement and renovations for hotels, floating hotels and touristic transport fleets.
- Allowing banks under this initiative to finance salaries and dues to suppliers, as well as maintenance expenses through
- granting credit facilities for a maximum period of 2 years, with a grace period till the end of December 2021 (whereby the first installment shall be repaid in January 2022 regardless of the date of granting the loan), and capitalizing the interest rate over this period.
- Non-performing clients are eligible to benefit from this initiative if they settle their NPLs within the framework of the CBE initiatives issued for non-performing companies.

Second: Initiative for Financing Six Months' Payroll of Tourism Sector Workers, and Maintenance and Operating Expenses, Guaranteed by the Ministry of Finance

Allocating EGP3 billion tranche under the initiative to support replacement and renovation of hotels, floating hotels and touristic transport fleets with a 5 percent interest rate (decreasing) to finance payroll & wages of tourism sector workers; as well as basic maintenance and operating expenses for a period of six months starting from the facility granting date, according to the following conditions:

- Issuing a pledge in the amount of EGP3 billion in favor of CGC (guaranteed by the Ministry of Finance), to cover 100% of the loans granted by banks under this tranche.

- Allocating at least 40% of the loans granted to finance workers' payroll, and the rest of the percentage to finance basic maintenance and operating expenses.

Third: Initiative for Non-Performing Companies Operating in the Tourism Sector

This initiative applies to the non-performing companies operating in the tourism sector with outstanding debts of EGP10 million or more (without marginal interests) and whether legal procedures are taken against them or not.

If the client pays 50 percent or more of his outstanding debt during the period of the initiative and until 31 December 2020 whether in cash or in-kind (subject to the bank's approval), the following actions will be taken:

- Removal from the non-performing loans list (as soon as an agreement is reached on the terms of settlement).
- Waiving of all current and exchanged legal cases.
- Releasing of all guarantees that were held to secure the debt.

Non-performing companies (credit scoring 9, 10) operating in the tourism sector with outstanding debts less than EGP10 million (excluding the marginal interests); can benefit from the previously mentioned privileges, if they agree with their banks on the terms of payments.

Fourth: Initiative for Postponing Dues on Companies Operating in the Tourism Sector

Extending the duration of the initiative to support tourism sector for an additional year until the end of December 2021, whereby banks are allowed to postpone dues (long term and short-term facilities) for a maximum period of 3 years. This is in addition to capitalizing the interest rate on the principal without charging any delay interest rates on the deferred installments for a maximum period of 3 years.

Extending the duration of the initiative for individuals working in the tourism sector for a period of one year until the end of December 2021, whereby banks are allowed to postpone the retail loans dues and mortgage loans dues for an additional 6 months from the due date of payment. This also applies on performing clients - as of 30 September 2020 - without charging any delay interest rates over this period.

Banks are allowed to postpone the dues of tourism sector workers, who previously benefited from the initiative since it's issuance on 7 December 2015.

07 Initiative for Non-Performing Companies for all Sectors

The initiative applies on the non-performing companies, with bad and doubtful debts with credit scoring (9, 10) and outstanding debt balance less than EGP10 million (without marginal interest), whether legal procedures are taken against them or not.

If clients pay in cash or in-kind (subject to the bank's approval) a percentage of their outstanding debt according to the agreed upon conditions with the bank and their cash flows, the following actions should be taken:

- Removal from the non-performing loans list.
- Waiving of all current and exchanged legal cases.
- Releasing of all guarantees that were held to secure the debt.

08 Initiative for Non-Performing Individuals

This initiative applies on non-performing individuals with a total outstanding debt (without marginal interest) in all banks of less than EGP1 million (excluding credit cards' dues).

Under this initiative, the following actions should be taken:

- Waiving of all current and exchanged legal cases.
- Lifting the ban on dealing with these clients and releasing the guarantees securing those debts when the client pays 50 percent of the net outstanding debt balance without the marginal interest during the period until 31 March 2021.
- In addition, customers who paid their debt before 30 September 2019 can benefit from the terms of this initiative.

09 Industrial, Agricultural, and Construction Private Sector Initiative

Under this initiative, EGP 100 billion has been allocated through banks at 8 percent interest rate (decreasing) to finance industrial private sector corporates, and companies operating in the agricultural field, in addition to agricultural production and manufacturing, including export and packaging stations for agricultural commodities, refrigerators as well as fisheries, poultry, livestock, whose annual turnover is EGP50 million or more, taking into consideration the total consolidated annual turnover of the client and its related parties.

The initiative is with the purpose of granting credit facilities to finance the purchase of raw materials, production supplies, machinery and equipment, or production lines (capital expenditures), in addition to workers' salaries and other utilities expenses

Also, the construction sector companies whose annual turnover is EGP50 million or more have been added to benefit from this initiative.

Non-performing clients are eligible to benefit from this initiative if they settle their NPLs within the framework of the CBE initiative issued for non-performing companies, according to the credit study prepared by banks for each client.

It should be noted that the CBE initiative to finance small enterprises whose annual turnover ranges from EGP1 million up to less than EGP50 million still applies with 5 percent interest rate.

CBE issued a pledge of EGP7 billion for the Credit Guarantee Company to cover a percentage of the risks associated with financing large companies whose annual turnover/revenues amount to EGP200 million or more granted under the initiative.

Allowing the following companies to benefit from the initiative, as they were not benefiting from any of the existing initiatives:

- Startup businesses classified as «medium enterprises» according to their paid-up capital until they issue their financial statements and thus classified according to their turnover; according to CBE's definition for MSMEs.
- «Small enterprises» affiliated with large size entities and institutions or owned by high net worth clients.

10 | Mortgage Finance Initiative for Middle-income Class

Under this initiative, an amount of EGP50 billion has been allocated through banks at an 8 percent interest rate (decreasing) for a maximum period of 20 years with certain conditions directed to middle-income class (maximum income for individuals is EGP40 thousand and for families is EGP50 thousand).

11 | Participation in Bank's Board Meetings via Video or Teleconference till the end of 2021

With the aim to facilitate meetings for the banks' Board of directors during the crisis, banks were allowed to hold these meetings virtually with certain exceptions till the end of 2021, whereby allowing the participation of board members in board meetings via video or teleconference with no maximum number of times of attendance and without binding the majority of the board members to attend physically.

12 | Amending Some of the Credit Registry Rules:

- Canceling the black list for enterprises, and the negative list for individuals.
- Decreasing the disclosure period of historical data (after repayment) on the non-performing clients.
- Lifting the ban on dealing with non-performing clients (within specific categories).
- Removing the data on non-performing individuals below a certain threshold (EGP 1000)

13 | Exempting Banks from Calculating Additional Capital Requirement for Concentration Risk of the Top 50 Borrowers

Banks were exempted for one year from calculating additional risk weights on the amount of total credit loans granted to the top 50 borrowers & their related parties when exceeds 50% of the bank's total credit portfolio; a regulation imposed by CBE in 2016 to limit concentration risk.

14 | Implementation of IFRS9 in Light of the COVID-19

Allowing Banks to issue short /simplified quarterly financial statements in accordance with the Egyptian Accounting Standard number (30). Banks are committed to prepare complete annual financial statements at the end of December 2020 for banks whose fiscal year ends in December, and at the end of June 2021 for banks whose fiscal year ends in June.

Reference to the circular issued allowing customers' credit dues to be deferred for 6 months, it should be noted that this deferral period should be excluded from the counting of days past due and will not be considered a significant increase in credit risk. Banks are still responsible for evaluating their credit portfolios and maintaining their quality along with assessing the customers' ability to pay.

15 | Initiative for Electronic Payments

The Central Bank launched the "electronic acceptance initiative" to increase the number of electronic points of acceptance available in all governorates. This initiative benefits companies and merchants who currently do not have POSs or QR codes.

The Central Bank has set standard specifications for the POSs that will be distributed in order to support the contactless transactions, suit the working conditions of the remote areas, and also ensure quick and secure execution of transactions, as it is intended to distribute 100,000 POSs financed by the Central Bank of Egypt in order to motivate banks to distribute POSs across governorates which don't have a sufficient number of POSs.

As for the QR codes, the Central Bank of Egypt aims to reach a number of 200,000 QR codes at companies and merchants and put incentive programs for banks. Issuer banks will also provide incentives for customers to use their electronic payment instruments in purchases.

16 Initiative for Providing 6500 ATMs

In light of the Central Bank's monitoring of some of the difficulties faced by citizens in cash deposit and withdrawal operations in Egypt and the need for increasing the number of ATMs, and insuring their proper geographical distribution across governorates to reduce the burdens placed on citizens and branches of banks operating in Egypt, The Central Bank of Egypt launched an initiative to distribute about 6500 ATMs (as an initial stage) divided over a number of banks according to each bank's number of clients to insure that they provide proper services to them, resulting in a total number of ATMs to reach about 20,000 machines distributed across all governorates.

17 Enhancing the role of the Credit Risk Guarantee Company in initiatives to Support the Sectors of Tourism, Industry, Agriculture, and Construction

Extending the scope of the credit guarantee company to include guaranteeing large companies in addition to guaranteeing the micro, small and medium companies.

CBE has issued pledges to the CGC, to cover the guarantees issued by the company to banks to cover percentage of the inherent risks in financing facilities under the following initiatives:

- EGP7 billion for the industrial, agricultural and contracting sector initiative.
- EGP3 billion for the tourism sector initiative for payroll and basic maintenance and operational expenses, guaranteed by the Ministry of Finance.

18 Amendments on the financial inclusion simplified KYC regulations

In October 2020, CBE issued the below amendments on the simplified KYC regulations previously issued in 2019 to provide more support to clients & facilitate including more individuals & companies in the financial sector:

- CBE permitted banks to apply the simplified KYC procedures issued by the AML/CFT unit in March 2020 on all banks' accounts for low risk customers without prior approval of CBE or AML/CFT unit.
- Amending & increasing the maximum limits of the accounts balances & transactions for individuals & micro enterprises to give customers more flexibility in dealing on these accounts.
- Facilitating the treatment of certain categories of clients who lack having certain official documents, through allowing banks to open accounts for these clients with the National ID under new categorization.