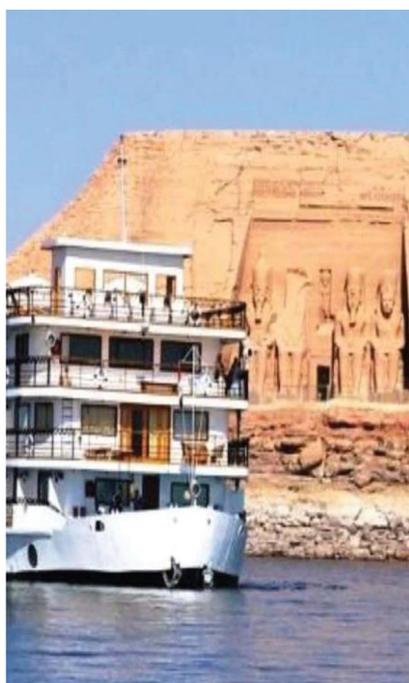




البنك المركزي المصري
CENTRAL BANK OF EGYPT

CBE's Instructions and Measures to Contain the Fallout of COVID-19 Pandemic



June 2020

01 | Cutting interest rates by 3% to stimulate economic growth

Amid the global dramatic developments and conditions, and moving swiftly to preserve the gains achieved by the Egyptian economy since the launch of the home-grown economic reform program, the CBE's Monetary Policy Committee has decided to cut the key policy rates by 300 bps, bringing down the overnight deposit and lending rates, and main operation rate to 9.25%, 10.25% and 9.75%, respectively. The latest cuts are an exceptional action meant to bolster economic activity across all sectors.

02 | Postponement of all bank loan payments for corporate and retail clients

A six-month postponement of all credit installments/dues payable by corporate and retail clients (including consumer loans and mortgage loans for personal housing), and SMEs. No additional interest or fines will be charged on late payments. The client should be notified of the additional cost of deferment.

03 | Measures to reduce cash transactions and facilitate the use of e-payments

Fees and commissions on points of sale transactions and withdrawals from ATMs and electronic wallets have been waived for six months.

Local transfers in Egyptian pound have been exempted from all relevant commissions and charges in a bit to limit cash transactions which are likely to pose risks on public health.

To make it easier for citizens using electronic means and tools of payment, some exceptions were introduced, mainly:

- Adjusting the maximum limits for mobile phone accounts and prepaid cards.
- Exempting local transfers effected in Egyptian pound from all relevant commissions and charges for three months, in a bit to minimize cash transactions. The period was extended to September 15, 2020. Additionally,

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banks were instructed to strengthen their infrastructure and upgrade the departments in charge of transfers to avoid delays in carrying out this type of transfers, and to ensure same-day execution of customers' orders.

- Applying electronic KYC procedures for new customers.
- Issuing e-wallets and prepaid cards free of charge for six months.
- Imposing a temporary cap on daily cash withdrawals and deposits by individuals from banks and ATM of EGP 50.000 and EGP 20.000, in order.

04 | Providing funding necessary for importing strategic goods and supporting sectors and companies most affected by the pandemic

Giving instructions to banks to promptly provide the credit limits for financing import operations of basic and strategic goods, particularly foodstuffs, to meet market needs.

Studying and monitoring the sectors most affected by the spread of the pandemic, and developing plans for supporting the companies working in these sectors.

Providing credit limits needed for financing companies' working capital, especially financing their payroll.

05 | Adjusting the interest rate for CBE initiatives

In light of the MPC's decisions to cut CBE key policy rates, the interest rate on the following financing initiatives have been reduced from 10% to 8% (calculated on a declining balance basis):

- The mortgage initiative for middle-income homebuyers.
- The initiative for the private manufacturing sector, and the agriculture and construction sectors.
- The tourism-support initiative for financing replacement and renovation operations of hotels, floating hotels, and tourism transport fleets, and financing working capital and salaries.

06 | Tourism Support Initiatives

First: Initiative for renovating hotels, floating hotels, and tourism fleets:

Raising the amount earmarked for the initiative from EGP 5 billion to EGP 50 billion at an interest rate of 8% (calculated on a declining balance basis) and a maximum tenor of 15 years.

Purpose of financing:

- Carrying out replacement and renovation operations for hotels, floating hotels and tourism transport fleets.
- Providing credit facilities, with a tenor of two years and a six-month grace period (commencing from the date of the loan, during which, interest will be capitalized), for paying wages and any outstanding obligations to suppliers, and to cover maintenance works for tourism activities.
- Clients in default can be eligible to benefit from the initiative if they make settlement under CBE initiatives pertaining to clients in arrears.

Second: Initiative for delinquent corporate clients in the tourism sector:

The initiative applies to companies operating in the tourism industry, with an indebtedness of EGP 10 million or more (excluding marginal interest), irrespective of whether or not legal proceedings have been initiated against them.

If a client pays 50% or more, either in cash or in kind, of their debt balance, during the term of the initiative up to 31 December 2020, the following procedures will be taken:

- Removing the client's name from the blacklist (immediately after agreement is reached on the terms of payment).
- Dropping all lawsuits, if any, lodged by the two parties (the creditor bank and the client).
- Taking all guarantees related to the client's indebtedness.

Tourism companies in default (with a corporate credit rating of 9 and 10) and with a debt balance less than EGP 10 million (excluding marginal interest) will be entitled to the benefits outlined in the above item, once agreement is reached with the creditor bank on the terms of payment.

Third: Initiative for postponing bank loan payments for companies working in the tourism industry:

The validity of the Tourism Support Initiative was extended to 31 December 2020. Under the Initiative, any payment deferral requests will be accepted for a maximum period of 3 years. Accordingly, all outstanding payments (for long-term facilities, short term facilities, and/or debit accounts) will be deferred up to 3 years, in addition to capitalizing the interest of credit facilities on the principal debt. No default interest shall be charged on deferred installments during said period.

The validity of the Retail Loans Initiative for workers of the tourism sector will be extended to one year, to end on 31 December 2020. Under this initiative, banks may defer collection of loan payments from clients of consumer loans and mortgage loans for personal housing for additional six months commencing from the due date. Only non-default clients - as reflected in the position on September 30 2019, working in the tourism sector will be eligible to benefit from the initiative. No default interest will be charged on late payments for this period.

Fourth: Initiative for financing wages of the tourism sector workers for three months, and financing basic maintenance and operating expenses, guaranteed by the Ministry of Finance:

A portion of EGP 3 billion, earmarked from the initiative of renovating hotels, floating hotels and tourism transport fleets, at an interest rate of 5% (calculated on a declining balance basis) will be allocated for financing the salaries and wages of the tourism sector workers for three months, and for financing, as well, basic maintenance and operating expenses:

- Issuing a pledge of EGP 3 billion (guaranteed by the Ministry of Finance) to the benefit of the Credit Guarantee Company (CGC) to cover 100% of the loans provided by banks within the said portion.
- 85% of the loans will be directed to pay the salaries and wages of workers, and the remaining 15% will be allocated to fund basic maintenance and operating expenses.

07 | Initiative for corporate clients in default in all economic sectors

The initiative applies to companies in default (whether sued or not), with doubtful and bad debts (credit grade of 9 and 10) whose debt balance is less than EGP 10 million

(excluding marginal interest).

If a client pays a percentage of their debt balance, in cash or in-kind (in case the bank accepts in-kind payment), according to the client's cash flows, the following procedures will be taken:

- Removing the client's name from the blacklist.
- Dropping all lawsuits, if any, lodged by the two parties.
- Taking all guarantees related to the client's indebtedness.

08 Initiative for natural persons (individuals) in default

The initiative applies to retail clients who have been in default up to 30 September 2019, and whose total indebtedness (excluding marginal interest) to all banks combined is less than EGP one million (credit cards are not counted).

Under this initiative:

- All lawsuits lodged by the two parties (the creditor bank and the client) will be dropped, immediately after reaching an agreement on the terms of payment.
- The dealing ban will be lifted, and adequate guarantees and collateral will be taken in connection with these debts, when the client pays 50% of the net debt balance, excluding marginal interest during the term of the initiative up to 31 March 2021.
- Clients who have made payments before 30 September 2019 will benefit from the initiative on the same conditions.

09 Initiative for the private manufacturing sector, and the agriculture and construction sectors

A sum of EGP 100 billion will be made accessible through banks at an interest rate of 8% per annum (calculated on a declining balance basis) to finance private manufacturing companies; companies engaged in agricultural activity, and agricultural production and industrialization, including plants of exportation and packaging of

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agricultural goods, refrigerators, and other items. The initiative also covers companies engaged in fish, poultry and animal production activities, on a regular basis. To qualify for the initiative, the annual turnover/revenues of companies must not be less than EGP 50 million. The annual turnover/revenues of the client and related parties will be counted on a consolidated basis.

The initiative provides credit facilities to finance production raw materials and requirements, and machinery, equipment or production lines (capital finance), along with payroll and other expenses.

The initiative has been extended to include companies working in the construction sector, with an annual turnover of EGP 50 million or more.

Clients defaulting on their loans can be entitled to the finance if they make settlement under “the clients in default initiatives” launched by the CBE. The settlement will be made according to the credit study of each client conducted by banks on a case-by-case basis.

This initiative will apply side by side with the CBE's finance initiative for small enterprises with annual turnover/revenues ranging from EGP one million to less than EGP 50 million, at an interest rate of 5%.

A pledge of EGP 7 billion will be issued in connection with this initiative, to the benefit of the Credit Guarantee Company (CGC) to cover a percentage of the associated risks of financing major corporations with annual turnover/revenues of EGP 200 million or more.

The following companies which have never benefited from any of the existing initiatives, will be eligible for this initiative:

- Startups, classified as “medium-sized enterprises”, based on their paid-up capital, pending the release of their financial statements, on the basis of which, classification will be based on their annual turnover; and
- Companies and establishments classified as “small enterprises” subsidiary to major entities and institutions, or to clients with high solvency.

10 | Mortgage finance initiative for middle-income homebuyers

An amount of EGP 50 billion has been allocated to mortgage finance middle-income

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clients (where the maximum income earned by the individual is EGP 40.000, and by the family is EGP 50.000), at an interest rate of 8% (calculated on a declining balance basis) for a maximum tenor of 20 years, to be granted on specific conditions.

11 | Participation in bank BOD meetings via video conferences or mobile phone in 2020

In order to enable banks to perform their duties as best as possible amid the exceptional circumstances the world is facing today, some exceptions have been permitted, and will remain in effect up to the end of the current year, mainly:

The maximum number of participation via video conference or mobile phone by one member of the board will not be adhered to; and

The actual presence of the majority of board members in the meeting will not be mandatory for a valid quorum.

For a bank to enjoy these exemptions, a prior consent of the CBE Banking Supervision Sector is required.

12 | Instructions amending credit registry rules at CBE

Corporate clients will be removed from the blacklist, while consumer loan clients will be removed from the negative lists.

Disclosure terms for customers' historical information will be reduced after repayment of their debts.

Banks will be entirely free to deal with clients (of certain credit rating), lifting the dealing ban imposed on them.

Delinquent clients databases will be filtered, and clients with debt balance less than EGP one thousand will be removed from the database. Such removal, however, will be made on an exceptional and one-off basis.

13 | The regulatory capital increase mandatory for banks to cover credit concentration risks of top 50 clients, is to be waived for one year

Banks have been given a one-year relief from additional risk-weights when calculating capital adequacy ratio for their top 50 corporates and related parties with exposure exceeding 50% of the bank's credit portfolio.

14 | Application of IFRS9 amid the current crisis

Banks have been permitted to issue quarterly interim financial statements, in accordance with the Egyptian Accounting Standard (NO. 30), as amended in 2015 (periodic financial statements). However, annual consolidated financial statements must be prepared at end of December 2020, for banks that prepare their annual financial statements at end of December every year; and at end of June 2021, for those banks that prepare their financial statements at end of June every year.

With respect to the six-month deferment period for clients' loan payments, as prescribed in the CBE Circular of March 15, 2020, and the subsequent circulars, this period shall be disregarded when calculating the period of default, and shall not be considered as an indicator of a significant increase in credit risk. This shall not prejudice the bank's responsibility for assessing its credit portfolio to preserve the quality of the portfolio and evaluating the solvency of its clients.

15 | CBE E-Payment Initiative

The CBE has launched the "E-Payment Initiative" to increase electronic acceptance methods across all Egyptian governorates. The initiative will benefit companies and merchants that do not currently have electronic points of sale or QR Code.

The CBE has set standards for the electronic POS which will be rolled out nationwide to enhance contactless transactions. The e-POS will be suitable for work conditions in remote areas, and will ensure a fast, yet secure method of payment. To this end, 100.000 new electronic POS devices will be rolled out throughout the country. The CBE will bear the costs of the new devices, to encourage banks to spread POS at wider scale, especially in the underserved governorates.

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For QR Code, the CBE aims to distribute 200.000 codes among merchants and companies. To promote QR Codes, the CBE offers incentives to banks. Banks, in their turn, will give incentives to their customers to use electronic payment tools in their purchases.

16 | CBE initiative for 6500 new ATMs

Mindful of the difficulties citizens are having when making cash withdrawals or deposits in Egypt, and recognizing the need for increasing the number of ATMs and the importance of their adequate distribution across all Egyptian governorates, in order to facilitate transactions carried out through these devices, and alleviate the burdens on both Egyptian citizens and branches of banks, the CBE has launched an initiative to add, as an initial phase, 6500 new ATMs into the Egyptian market. The new ATMs will be distributed to a number of banks, based on the number of customers each bank has, in order to ensure that appropriate services are provided by banks to their customers. The 6500 new machines will increase the number of ATMs in operation to roughly 20.000, distributed among all governorates.

17 | CBE enhances CGC's role in the initiatives supporting tourism, manufacturing, agriculture and construction sectors

The scope of activity of CGC has been expanded to cover major companies, along with micro, small and medium enterprises (MSMEs).

The CBE has issued the following pledges to the benefit of the CGC, in exchange for the CGC's guarantees to banks to cover part of the associated credit risks in connection with the two initiatives:

- A pledge of EGP 7 billion in connection with the initiative for supporting the manufacturing, agriculture and construction sectors.
- A pledge of EGP 3 billion in connection with the tourism-support initiative, guaranteed by the Ministry of Finance.