

Additional measures announced by the Government on 28 May 2020 for the support of businesses and households impacted by COVID-19

Subsidy of interest rate on new business and housing loans

1. Subsidy of interest rate of new Business Loans

- Subsidy of interest rate for new loans to self employed and businesses that were not “problematic”¹ as at 31 December 2019 and were negatively impacted by COVID-19
- **Subsidised new loans for working capital needs and investments only** (not be used to repay existing ones)
- Subsidy of interest rate for **4 years** as follows:
 - up to 3.5% in the first two years
 - 2% for SMEs and 1.5% for large corporates in years 3-4
- Restriction so that staff reduction shall not exceed 2% of total employees as at the date of the Plan announcement (28 May 2020)
- Total aid per business must not exceed €800,000
- No ceiling on the loan amount
- Loan amount for which interest rate is subsidized cannot exceed:
 - The double of the annual wage bill of the business or
 - 25% of the total turnover of the business in 2019

- Applicable to new business loans granted between 1 March 2020 and 31 December 2020
- Scheme **subject to approval by European Commission**

2. Subsidy of interest rate of new Housing Loans

- Government subsidy of interest **for 4 years up to 1.5%**
- Loan amount for which interest rate is subsidized cannot exceed €300,000
- Applicable to new housing loans granted between 1 March 2020 and 31 December 2020
- **New housing loans cannot be used to repay existing ones**

¹) As defined in Article 2 (18) of the Commission Regulation (EU) No 651/2014; Please refer to <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651>

Additional governmental measures to enhance liquidity

3. Pan-European Guarantee Fund

- Liquidity support to businesses that employ up to 3,000 employees, through the Pan-European Guarantee Fund of EIB Group for an amount up to €300 mn- €400 mn¹
- Fund guarantee to the banks of up to 80%¹
- The Fund will become operational once the Member States of EU accounting for at least 60% of the total EIB capital (€25 bn) have signed their contribution agreements

4. Financing of SMEs through CYPEF²

- Liquidity support of up to €800 mn to SMEs via 50%-50% risk sharing between the Government and the participating banks
- Eligible businesses are SMEs with up to 250 employees
- Loan amount should not exceed €1.5 mn and duration of loan should not exceed 12 years
- Low Interest rates will vary subject to the risk profile of client:
 - 2.55%-3.85% for low risk clients
 - 3.375%-4.5% for high risk clients

5. Government Guarantee to EIB

- Plan already in place since 2014
- Injection for an additional funding of €500 mn
- Businesses with up to 3,000 employees, registered and operating in Cyprus are eligible
- Reduction of interest rates by at least 0.5% due to EIB participation
- Additional 0.5% reduction in interest rate for businesses in compliance with “jobs for youth” criteria
- Loan duration of up to 12 years

1) In accordance with the press release of Ministry of Finance dated 28 May 2020

2) The Cyprus Enterprise Fund