



PRESS RELEASE

EXPIRY OF EMERGENCY MEASURES ON RESTRUCTURING OF LOANS FOR BANK BORROWERS

On March 18 and 24, 2020, the Central Bank of Kenya (CBK) announced emergency measures to mitigate the adverse economic effects on bank borrowers from the coronavirus (COVID-19) pandemic. Among these measures was [restructuring by banks](#), for a period of up to one year of loans that were performing as at March 2, 2020, and the provision of [regulatory flexibility](#) to banks by CBK. The measures expired on March 2, 2021.

CBK assesses that these measures were highly effective. Borrowers were provided with various restructuring options including extension of repayment period, moratorium on principal or interest and waivers on interest or fees. The measures have provided space to borrowers to ride through the pandemic, mitigate job losses and pivot their business models to the *new normal*. For banks, the measures provided time to build additional capital and liquidity buffers to take them through the pandemic period and beyond.

Cumulatively, since March 2020, loans amounting to Ksh.1.7 trillion were restructured by end February 2021 accounting for 57 percent of the banking sector's gross loans. Following the resumption of repayments and some pay-offs, the outstanding restructured loans as at end February amounted to Ksh.569.3 billion, or 19 percent of the total gross loans. Over 95 percent of the outstanding restructured loans are being repaid in accordance with the restructured terms.

The one-year period for the emergency measures on extension and restructuring of loans ended on March 2, 2021, following which the standard procedures for loan classification and provisioning would apply. Specifically, banks will from March 3, 2021, assess the performance of all restructured loans that were performing before March 2, 2020. The period for determining the performance of all the restructured loans will begin on March 3, 2021. These includes the restructured loans that were performing as at March 2, 2020 but went into arrears after that date. Consequently, in accordance with standard procedures, borrowers whose loans were performing before March 2, 2020 but were restructured and subsequently went into arrears, will have three months (up to June 3, 2021) to regularize their loans.

CBK will continue to closely monitor the unwinding of the outstanding restructured loans to ensure the continued stability of the banking sector.

CENTRAL BANK OF KENYA

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