

Sarajevo, 03.04.2020

Subject: Public announcement

Federation of B&H Banking Agency: Moratorium for all citizens with reduced or unpaid personal income

For purpose of informing the public and in order to further clarify the adopted measures, the FB&H Banking Agency hereby issues a public announcement regarding implementation of the moratorium on loans of private individuals and legal entities.

The FB&H Banking Agency would like to notify the public and citizens that a moratorium or some other relief measure over loan repayment will be introduced to all citizens with reduced credit worthiness resulting from negative effects of the declared state of disaster in the Federation B&H.

Officials, employees of state institutions, employees of public sector companies, budget users, as well as others receiving regular personal income shall not be encompassed by the temporary measure of moratorium over loan repayment. In exceptional cases, the said persons may also file relevant request if their household member has significantly reduced credit worthiness due to negative effects of the state of emergency and where their loan approval process included a credit worthiness assessment of such household members.

We understand considerable concerns by our citizens and demands by certain segment of our public to introduce a moratorium for all citizens. However, this decision is not possible since the same status would then be assigned to both, a person who lost his/her job and an employee of a state-owned company having regular personal income.

The same logic stands for legal entities since state institutions and legal entities with stable operations or even with increased turnover cannot be entitled to this moratorium. This right is defined for legal entities with significant difficulties in operations as a result of negative effects of the declared state of disaster in the Federation B&H.

All those in capacity to pay their financial obligations should do so at this time, especially the public sector entities, since this is the only way we can help the affected parties and contribute to overcoming this crisis.

On the other hand, all citizens and legal entities affected, either directly or indirectly, by negative effects of the corona virus are entitled to ask from their banks for a moratorium of up to 90 days. This is a period during which no repayments are made and no default interest is calculated. This may also entail arranging other measures with banks. Most of banks have already prepared procedures for a simple and safe communication with customers in this

respect. Banks will also, on their own, initiate these activities upon having determined that customers' repayment capacity is impaired or if they cannot establish contact with particular customer.

The FB&H Banking Agency has ensured legal and regulatory basis for the moratorium measure to ensure a standstill in regulatory requirements of financial institutions (e.g. additional provisioning, reclassification), as well as for the moratorium not to cause customer rating downgrades (worsened classification).

Besides the moratorium over loan obligations, banks have regulatory relaxations in relation also to approving loans for liquidity needs of legal entities aimed at ensuring liquidity of the overall economy, as well as at saving jobs.

The FB&H Banking Agency would like to underline that, in these emergency circumstances, we need to ease pressure over citizens and legal entities where the pandemic has caused them to have impaired payment capacity, while at the same time protecting stability of the financial system and depositors.

The Agency has approached the matter very seriously, bearing in mind that hurried actions and errors may cause enormous damage to the financial system. This may in the end additionally worsen the already difficult situation.

In times like these, it is our responsibility not to allow such scenarios to materialize and to protect the citizens, the economy and the financial system.

FEDERATION OF BOSNIA AND HERZEGOVINA BANKING AGENCY