



ASSOCIATION OF
LITHUANIAN BANKS

Temporary moratoria for private obligors

The 17th of April 2020

Context of the preparation of the moratorium

On the 2nd of April 2020, the European Banking Authority published guidelines on loan repayment in the context of the COVID-19 crisis (the "**Guidelines**")¹. Following these Guidelines, the Association of Lithuanian Banks (lit. *Lietuvos bankų asociacija*) has formed a working group to harmonise the criteria for a moratorium in the sector of private credit institutions. This private moratorium (the "**Moratorium**") is based on the Guidelines No EBA/GL/2020/02 of the European Banking Authority ("**EBA**").

The Association of Lithuanian Banks has informed the Bank of Lithuania and the Supervision Service of the Bank of Lithuania about this process and, in turn, the Supervision Service coordinated the preparation of the Moratorium with the Competition Council. When discussing the criteria for Moratorium, the working group has not exchanged information, which could be classified as a Bank secrecy or commercial secret or which could be considered as sensitive and privileged information. The discussions were based on the Guidelines and took into account the full range of measures taken by the State and the economic impact of COVID-19 on different economic sectors.

In the opinion of the signatory credit institutions and the Bank of Lithuania, this Moratorium is objectively necessary to reduce the negative impact of COVID-19 pandemic on Lithuanian households, and it does not exceed what is strictly necessary in order to achieve its objectives and to address the above issues.

The Competition Council confirmed that the preparation and the coordination of this Moratorium does not conflict with competition laws, provided that sensitive information is not exchanged during the discussions. The members of the working group were acquainted with the comment of the Competition Council and undertook to comply with the specified requirements and recommendations.

The credit institutions announcing the Moratorium

"Danske Bank A/S" Lithuanian branch, LKU group, "Luminor Bank AS" Lithuanian branch, UAB Medicinos bankas, AB SEB bankas, "Swedbank" AB, AB "Šiaulių bankas" announce this Moratorium.

The Bank of Lithuania fully supports this Moratorium.

Under the existing conditions, this Moratorium is open to all participants of the Lithuanian credit market, which provide loans related to real estate, consumer loans, and leasing services to natural persons.

Validity of the Moratorium

This Moratorium is issued for a limited period of time. The Moratorium shall enter into force on the day of its publication and shall remain in force until the 1st of July 2020.

General principles

- The credit institutions which have joined this Moratorium undertake to change the schedules of payments of real estate related credits, consumer credits and leasing (hereinafter collectively referred to as loans) issued to their clients – natural persons in accordance with

¹ <https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-legislative-and-non-legislative-moratoria-loan-repayments-applied-light-covid-19-crisis>

the terms of this Moratorium, by changing the loan repayments for the period of time, covered by the Moratorium.

- When changing the loan repayments under the conditions of this Moratorium, any other conditions of the loan agreement shall not be changed. This Moratorium changes (postpones) the repayments of the principal of the loan for a specific period of time, with the client continuing to pay interest and / or other periodic fees. The Moratorium does not affect other conditions of the loan agreement unless an interest rate adjustment can be applied in accordance with the Point 24 of the Preamble of the EBA Guidelines No EBA/GL/2020/02.
- The Moratorium shall not apply if the credit institution concludes that the application of the Moratorium is not economically justified, i.e., if the client's financial difficulties existed before the 16th of March 2020 and are insurmountable (the likelihood that the client will be able to meet its financial obligations is low).
- This Moratorium shall also apply to loan repayment provisions applied by the credit institution to its clients by individual decisions after the 15th of March 2020 until the entry into force of this Moratorium, provided that the applied loan repayment provisions comply with the terms of this Moratorium.
- The institutions that declared the Moratorium undertake to provide the Supervision Authority with the information detailed in Point 17 of the EBA Guidelines No EBA/GL/2020/02 in the agreed form and time limits.

The conditions for natural persons

Main criteria

- The Moratorium is announced in connection with the COVID-19 pandemic and is intended to address the resulting deterioration in the client's financial condition.
- The obligor becomes a subject to the grace period under this Moratorium if the certain criteria are met. The obligor shall:
 - (i) not have had significant (more than 30 days) delays in the fulfilment of obligations for the past 12 months prior to the announcement of the COVID-19 quarantine by the Government of the Republic of Lithuania;
 - (ii) not be declared insolvent, shall not have been declared bankrupt;
 - (iii) indicate the COVID-19 pandemic related cause for the deterioration of the financial situation (loss of a job, loss of income, or other).
- During the Moratorium, the obligor pays the interests and/or other periodic fees indicated in the loan agreement.

Terms of postponed loan repayments under this Moratorium:

Mortgage loans:

- The proposed period of grace of loan repayments is up to 12 months (by agreement of the parties, the loan repayment term may be extended for a postponed loan repayment period).

Consumer credits:

- The proposed period of grace of loan repayments is up to 6 months (by agreement of the parties, the loan repayment term may be extended for a postponed loan repayment period).

Private leasing:

- The proposed grace of leasing value repayments is up to 6 months (by agreement of the parties, the leasing repayment term may be extended for a postponed leasing value repayment period).