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Reg. No.: 348/020/20-8/MD

Zagreb, 3 June 2020

## TO ALL CREDIT INSTITUTIONS

**Subject: Implementation of EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02)**

Dear Sir/Madam,

Further to the circulars sent to credit institutions by the Croatian National Bank (hereinafter: the CNB) since the start of the coronavirus pandemic in relation to:

- the classification of exposures (*Adjustments of certain supervisory activities, extension of deadlines for the implementation of supervisory measures and supervisory expectations regarding the classification of exposures in response to coronavirus pandemic* – Reg. No. 180-020/19-03-20/BV, hereinafter: the March circular) and
- the re-classification of exposures (*Addendum to the Circular of the Croatian National Bank (Reg. No. 180-020/19-03-20/BV) dated 19 March 2020 on the COVID-19 pandemic in the context of the subsequently published documents of the European Banking Authority and the European Securities and Markets Authority* – Reg. No. 348/020/20-7/BV, hereinafter: the May circular),

we would hereby like to inform you of the final manner in which credit institutions are expected to implement the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02) (hereinafter: EBA Guidelines), issued by the European Banking Authority (EBA) on 2 April 2020, in their business operations. We would like to emphasise that the CNB recognised the importance of taking prompt action in response to the coronavirus pandemic and therefore sent the March circular to all credit institutions on 19 March 2020, before EBA Guidelines were issued, which directly affected the interpretation of the implementation of EBA Guidelines, considering that supervisory expectations were sent at the level of supervisory authority to all credit institutions in the Republic of Croatia prior to the issue of EBA Guidelines. The May circular therefore specified in more detail the interrelation between the March circular and EBA Guidelines further to the interpretation of the manner of classification and reporting of non-performing and forborne exposures and the treatment of moratoria set out in EBA regulations.

The May circular and the published responses to queries related to the COVID-19 circular Reg. No.: 180-020/19-03-20/BV further defined the CNB's supervisory expectations that are to be met by all credit institutions in the Republic of Croatia.

The requirements defined by EBA Guidelines and the exceptions in their application in credit institutions in the Republic of Croatia are specified below.

## REQUIREMENTS SET OUT IN EBA GUIDELINES

In accordance with Article 4, paragraph (1), item (3) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019 and 47/2020), the Croatian National Bank is obliged to make every effort to comply with the guidelines and recommendations issued by the EBA in accordance with Article 16 of Regulation (EU) No 1093/2010 (OJ L 24.11.2010).

EBA Guidelines have been issued in the light of the outbreak of the COVID-19 pandemic and the measures that have been adopted in many countries across the globe and in the European Union (EU), including various forms of population confinement, which have significant economic consequences. In these circumstances, in order to minimise the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic, Member States have implemented a broad range of support measures. These measures include, in many instances, some forms of moratorium on payments of credit obligations, with the aim of supporting the short-term operational and liquidity challenges faced by borrowers. As these moratoria in practice are adopted in various forms across jurisdictions, EBA Guidelines strive to clarify the application of the definition of default in line with Article 178 of Regulation (EU) No 575/2013 (hereinafter: the Regulation) and the classification of forbearance in accordance with Article 47b of the Regulation in the context of these various measures.

EBA Guidelines clarify that payment moratoria that meet the prescribed requirements should not, in and of themselves, lead to a reclassification of exposure under the definition of forbearance in accordance with Article 47b of the Regulation or change whether they are treated as distressed restructuring in accordance with Article 178(3)(d) of that Regulation unless an exposure has already been classified as forborne at the moment of the application of the moratorium. In that context, the aforementioned classification is not triggered by moratoria based on the applicable national law or on an industry- or sector-wide private initiative agreed and applied broadly by relevant credit institutions and applied to a large group of obligors predefined on the basis of broad criteria, where any criteria for determining the scope of application of the moratorium should allow an obligor to take advantage of the moratorium without the assessment of its creditworthiness.

Furthermore, EBA Guidelines remind that credit institutions must continue to adequately identify those situations where loan users may face long-term financial difficulties and classify exposures

according to applicable regulations. Requirements for the identification of forborne and defaulted exposures are still applicable. EBA Guidelines apply to moratoria concluded by 30 June 2020, but EBA may extend the deadline.

## EXCEPTIONS PROVIDED FOR BY THE CNB

The CNB expects credit institutions granting moratoria on loan repayments to fully implement these EBA Guidelines, with the exception relating to the deadline for moratoria granted since the outbreak of the coronavirus pandemic, which is not limited only to moratoria granted by 30 June 2020, but also includes the moratoria granted on a later date.

## CONCLUSION

**EBA Guidelines, CNB circulars and responses to queries of credit institutions are available at the following links:**

1. Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02)  
[https://eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Guidelines/2020/Guidelines%20on%20legislative%20and%20non-legislative%20moratoria%20on%20loan%20repayments%20applied%20in%20the%20light%20of%20the%20COVID-19%20crisis/882537/EBA-GL-2020-02%20Guidelines%20on%20payment%20moratoria.pdf](https://eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/Guidelines%20on%20legislative%20and%20non-legislative%20moratoria%20on%20loan%20repayments%20applied%20in%20the%20light%20of%20the%20COVID-19%20crisis/882537/EBA-GL-2020-02%20Guidelines%20on%20payment%20moratoria.pdf)
2. March circular – *Adjustments of certain supervisory activities, extension of deadlines for the implementation of supervisory measures and supervisory expectations regarding the classification of exposures in response to coronavirus pandemic*
3. <https://www.hnb.hr/-/smjernice-o-zakonodavnim-i-nezakonodavnim-moratorijima-na-otplatu-kredita-koji-se-primjenjuju-u-kontekstu-krize-uzrokovane-covid-om-19-eba-gl-2020-02>
4. May circular – *Addendum to the Circular of the Croatian National Bank (Reg. No. 180-020/19-03-20/BV) dated 19 March 2020 on the COVID-19 pandemic in the context of the subsequently published documents of the European Banking Authority and the European Securities and Markets Authority*
5. <https://www.hnb.hr/-/smjernice-o-zakonodavnim-i-nezakonodavnim-moratorijima-na-otplatu-kredita-koji-se-primjenjuju-u-kontekstu-krize-uzrokovane-covid-om-19-eba-gl-2020-02>
6. Responses to queries related to CNB COVID-19 circulars (*Croatian only*)  
<https://www.hnb.hr/documents/20182/636841/h-odgovori-na-upite-COVID-19.pdf/5842ec6a-77da-5a80-40ff-3726c7dd5390?t=1585917284356>

Kind regards,

**Martina Drvar**  
Vicegovernor