

## Result of first round of talks between banks and the CNB on forbearance measures applied to clients as a result of pandemic: extension of scope of measures to include entrepreneurs being discussed

**Prague, 17 March 2020 – Last Thursday, the Executive Board of the CBA advised banks to consider a possibility of treating clients from among consumers and entrepreneurs in a helpful manner in justified reasons and to enable deferred repayments for a period of three months. Today, at the first of the announced consultations, bankers discussed their vision of extending the measures outlined to include also small and medium-sized enterprises with representatives of the CNB.**

On March 12, 2020, the Executive Board, the supreme body of the CBA, which associates most banks on the Czech market, noted that banks were ready to help clients who have been or will be affected by the economic consequences of the current SARS-CoV-2 coronavirus pandemic. Based on the assumption that the pandemic and related measures will have the most severe impact on clients from among employees and self-employed, the CBA Executive Board agreed that an appropriate instrument in this situation would be to provide these clients with an opportunity of a three months' deferral of repayments of mortgage and other consumer loans in substantiated cases.

Although the measure of the Executive Board of the CBA was of a voluntary nature, it has broad support from many Member Banks of the Association, according to information available to the CBA.

The laying down of the specific conditions is purely up to individual banks, not the CBA, but the whole matter has also a regulatory dimension, while banking supervision is the responsibility of the CNB. The CNB acknowledged the steps outlined by banks in relation to coronavirus (the CNB Bank Board stated on Monday, March 16, at its press conference, that *"Where a client's loss of income is only temporary due to the coronavirus infection or the related preventive measures, the postponement of instalments is an appropriate way to ensure the repayment of the entire receivable in the future. Such a postponement may not lead to reclassifying a bank's liability as a classified, or non-performing, receivable under the applicable rules. The Bank Board considers the use of such supervisory flexibility as desirable..."*).

Representatives of the CBA and certain Member Banks opened talks with the CNB on a specific solution today. They have agreed on the following:

- The possibility for banks to proceed as described above applies to all types of consumer credit and also to, for example, leasing loans;
- As legal entities - small and medium-sized businesses - will be an essential part of the clients affected, the measure for temporary relief from loan repayments will also be targeted at them.

Individual banks are now working on a system for approaching individual applications, and we expect details to be communicated to clients by banks in a short time.

### About the Czech Banking Association

The Czech Banking Association was established in 1990 and is a voluntary association of legal entities operating in the financial sector. It currently associates 39 members. The main role of the Association is to represent and promote the common interests of its members, to present the role and interests of banking towards the public, to participate in the standardization of banking practices and to develop professional practices, to support harmonization of banking legislation with European Union legislation and to develop activities in the areas of providing information and training. The CBA is a member of the European Banking Federation and EMMI.

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