

“Approved”
The Central Bank
of the Republic of Azerbaijan
Resolution № 16/1-1

24 April 2020

**Procedure
for temporary regulation of activities of credit institutions on the backdrop of
coronavirus (COVID – 19) pandemic**

1. General provisions

1.1. This procedure has been developed to mitigate possible negative impact of the coronavirus (COVID-19) pandemic on the banking sector of the Republic of Azerbaijan according to Item 3, Section III of the ‘Actions Plan on the implementation of Item 10.2 of Decree # 1950 of the President of the Republic of Azerbaijan dated 19 March 2020 on ‘A number of measures to mitigate the negative impact of coronavirus (COVID-19) pandemic and consequent sharp fluctuations in global energy and stock markets on the economy of the Republic of Azerbaijan, macroeconomic stability, employment and businesses’ approved by Decree# 135s of the Cabinet of Ministers of the Republic of Azerbaijan dated 4 April 2020 (the Actions Plan) and determines the order for classification of credits and risk weights, the capital adequacy ratio and its calculation in the banks and local branches of foreign banks operating in the Republic of Azerbaijan (hereinafter – banks).

1.2. This procedure applies to mortgage loans issued to legal entitles, affected, or likely to be affected by the coronavirus (COVID-19) pandemic, operating in economic activity areas determined under the criteria specified in sub-item 3.1.1 of Decree# 1950 of the President of the Republic of Azerbaijan dated 19 March 2020 and individuals involved in entrepreneurship without establishing a legal entity and individuals not involved in entrepreneurial activity out of the funds of the bodies created by the state. Preferential loans issued out of the funds of the bodies established by the state are only subject to Item 2.3 herein.

1.3. The definitions used herein bear the meanings specified in the ‘Regulations on asset classification and loan loss provisioning’, the ‘Regulations on calculation of bank capital and its adequacy’ and other regulations of the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank).

1.4. The requirements of part 2 herein also apply to non-bank credit institutions.

2. Classification of loans

2.1. According to Action 8, Item A, Part I of the Actions Plan, approved by Decree#135s of the Cabinet of Ministers of the Republic of Azerbaijan dated 4 April 2020, the classification category of the loans issued to legal entities and individuals involved in entrepreneurship without establishing a legal entity, whose credit interest rates are subsidized is not deteriorated from the date of subsidy payment until *1 April 2021* irrespective financial standing of a borrower.

2.2. When loans issued to legal entities and individuals involved in entrepreneurship without creating a legal entity, classified as satisfactory as of 1 March 2020, interest rates of which are subsidized according to Action 8, Item A, Part I of the Actions Plan approved by Resolution # 135s of the Cabinet of Ministers of the Republic of Azerbaijan, are restructured, their classification category prior to restructuring is not deteriorated until *1 April 2021*.

2.3. When preferential loans classified as satisfactory as of 1 March 2020 and issued out of funds of bodies established by the state funds are restructured, the classification category of the loan prior to restructuring is not deteriorated *until 1 April 2021*.

3. Risk weights of loans

3.1. National currency denominated business loans issued to producers of medical supplies and equipment, whose use for intended purpose is confirmed with relevant documents *until 1 April 2021* are included to the 20 (twenty) percent (0.2 ratio) risk weight.

3.2. Sub-items 9.3.8.2, 9.3.8.3, 9.3.9.1, 9.3.9.2, 9.3.10.1 and Item 9.4 of the 'Regulations on calculation of bank capital and its adequacy' do not apply to risk weights on consumer loans until *1 January 2021*.

4. Capital adequacy ratio and its calculation

4.1. The total regulatory capital adequacy ratio for systemically important banks may not fall below 11 (eleven) percent until *1 July 2021*.

4.2. The total regulatory capital adequacy ratio for other banks, excluding systemically important banks may not fall below 9 (nine) percent until *1 July 2021*.

4.3. Counter-cyclic capital buffer is set 0 (zero) percent until *1 January 2022*.

4.4. When calculating Tier I and total regulatory capital adequacy ratios market and operational risks will not be considered from the date this Procedure takes effect until *1 July 2021*.

5. Dividend payment

To safeguard banks' capital position and financial resilience, payment of dividends on results of previous years should be deferred until *1 October 2021*.

6. Final provisions

6.1. This Procedure is effective until *1 January 2021*.

6.2. Information on borrowers on whom concessions are provided under this Procedure is delivered to the Central Bank in the form established by the Central Bank together with prudential reports.

6.3. As long as this Procedure is in force the 'Regulations on assets classification and loan loss provisioning', the 'Regulations on calculation of bank capital and its adequacy' and other regulations of the Central Bank are applied to the extent not contradicting this Procedure.