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# Resolution of the issues on problem loans of individuals

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It should be noted that due to the latest sharp drop in oil prices globally, the Azerbaijani manat (“AZN”) was devalued twice in 2015: on February 21 the decision of the Central Bank resulted in the local currency rate dropping to 1.05 from 0.78 against the dollar; on December 21, another decision by the Central Bank resulted in the rate dropping to 1.55 per dollar. Now the rate of AZN against USD is 1.70. Devaluation of the country’s national currency has negatively affected borrowers’ solvency. In most cases, they were not able to repay their loan obligations since they borrowed money funds from banks in USD. To be more clear, before the first devaluation in 2015 they used to pay AZN 0,78 per USD, now they have to pay AZN 1,70 per USD.

On February 28, 2019, President of the Republic of Azerbaijan issued a decree on additional measures in connection with the resolution of the issues on problem loans of individuals in the country. The Decree aims at compensating financial losses of individuals on debts in foreign currencies incurred as a result of AZN’s devaluation as well as providing state support to resolve problem loans.

The decree applies to individuals who suffered from the increase of expenses as a result of the devaluation of AZN in February and December 2015. These individuals will be able to receive compensation (USD 0.15 and 0.35 per each USD respectively) from the government.

The Decree also applies to all loans with a delay of more than 360 days, taken after January 1<sup>st</sup>, 2012 in the amount of up to \$10,000 or AZN 17,000. This part of the decree will cover loans both in USD and AZN.

The Decree applies to both loans taken from banks and non-bank credit organizations. Credit unions are not covered by this Decree. If there are legal proceedings against borrowers or even judgments directed to enforcement, all of them will be withdrawn.

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