

Pursuant to the first paragraph of Article 31 of the Banka Slovenije Act (Official Gazette of the Republic of Slovenia, Nos. 72/06 [official consolidated version], 59/11, 55/17 and 5/18), and Articles 4, 17 and 19 of the Macroprudential Supervision of the Financial System Act (Official Gazette of the Republic of Slovenia, No. 100/13), the Governing Board of Banka Slovenije hereby issues the following

REGULATION **on macroprudential restrictions on consumer lending**

1. GENERAL PROVISIONS

Article 1 **(content and purpose of regulation)**

(1) Banka Slovenije is introducing macroprudential restrictions on consumer lending with the aim of mitigating and preventing excessive credit growth and excessive leverage.

(2) This regulation defines four macroprudential instruments:

- (a) a maximum allowed repayment/maturity period, and a level of allowed deviations (exemptions) from the maximum allowed repayment/maturity period in credit agreements for consumer purposes when credit agreements are concluded;
- (b) a cap on the ratio of the annual total debt servicing costs to the consumer's annual income when the credit agreement is concluded, and a level of allowed deviations (exemptions) from the cap;
- (c) a cap on the ratio of the bridging loan amount secured by financial instruments to the value of financial instruments used as collateral for the loan, when the credit agreement is concluded;
- (d) a recommended cap on the ratio of the amount of a credit agreement for residential real estate to the value of the real estate pledged as collateral when the credit agreement is concluded.

(3) The provisions of this regulation shall apply to banks, savings banks, branches of Member State banks and branches of third-country banks in the Republic of Slovenia (hereinafter: banks).

(4) The regulation does not encroach on the rules regarding the responsibilities of banks in taking up and managing risks. Banks shall continue to determine their own internal policy for taking up and managing risks, in accordance with the regulation governing internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks, which Banka Slovenije issues on the basis of the act governing banking.

(5) Whenever this regulation makes reference to the provisions of other regulations, these provisions shall apply in their valid wording at the time in question.

Article 2 **(definition of terms)**

The following definitions shall apply for the purposes of this regulation:

- (a) **'consumer'** is a natural person who is acting for purposes outside his/her profession or gainful activity;
- (b) **'credit agreement' ("loan")** is an agreement whereby a creditor grants or promises to grant to a consumer credit in the form of a deferred payment, loan or other similar financial arrangement;
- (c) **'residential real estate'** is immovable property intended or designed for residential use;

- (d) **‘credit agreement for residential real estate’ (“housing loan”)** is a credit agreement:
- a) where the claim is secured by a lien on residential real estate in accordance with the law governing property law relations (“credit agreement secured by residential real estate”), or
 - b) whose purpose is acquiring or retaining title to existing or planned residential real estate (including renovation);
- (e) **‘credit agreement for consumer purposes’ (“consumer loan”)** is any credit agreement that is not a credit agreement for residential real estate;
- (f) **‘primary real estate’** is residential real estate where the consumer will have permanent residence after its purchase, construction or renovation;
- (g) **‘residential real estate value’** is the value of residential real estate estimated in accordance with the law governing consumer credit in conjunction with the regulation governing the management of credit risks at banks and savings banks, which Bank Slovenije issues on the basis of the act governing banking and the European Banking Authority’s Guidelines on loan origination and monitoring (EBA/GL/2020/06, 29 May 2020), and taking into account the specific features set out in Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation;
- (h) **‘LTV or loan-to-value’** is the ratio of the amount of a credit agreement for residential real estate to the value of the real estate pledged as collateral when the credit agreement is concluded;
- (i) **‘loan amount’** includes the total amount of the loan approved when the credit agreement is concluded. For loans paid out in tranches (e.g. a loan for real estate under construction), the total amount of the approved loan is taken into account, irrespective of when the payout is made;
- (j) **‘consumer’s total debt’** refers to the consumer’s total debt when the credit agreement is concluded, as calculated in accordance with **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation;
- (k) **‘loan servicing costs’** comprise a loan repayment amount over a one-year period after the date of concluding a credit agreement, which includes interest and repayment of principal, and is calculated in accordance with Article 6 of this regulation;
- (l) **‘total debt servicing costs’** are the sum of the servicing costs of all the loans included in the borrower’s total debt, as calculated in accordance with Article 6 of this regulation;
- (m) **‘consumer’s income’** is the consumer’s income over a period of one year before the conclusion of a new credit agreement, as calculated in accordance with Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation;
- (n) **‘DSTI or debt-service-to-income’** is the ratio of the annual total debt servicing costs to the consumer’s income when the credit agreement is concluded;
- (o) **‘bridging loan’** is:
- a) a credit agreement for residential real estate that is not concluded for a fixed period or where the loan needs to be repaid in 12 months and that serves the consumer as a temporary solution with regard to financing credit for real estate before another financial agreement is concluded for the real estate;
 - b) a credit agreement that is concluded for a maximum period up to the date until which a fixed-term deposit at the creditor bank is fixed and where the liabilities can be settled in full from the funds of the fixed-term deposit by no later than the expiry of the credit agreement;
- (p) **‘bridging loan secured by financial instruments’** is a credit agreement for which a consumer pledges financial instruments as collateral for the full term of the credit agreement and fulfils all the terms and conditions set out in Article 8 of this regulation;
- (q) **‘loan repayment or initial maturity’** is the period between the date of the (first) drawdown of the loan and the maturity date of the final loan instalment. If the period between the date of the credit agreement approval and the date of the (first) drawdown is longer than 30 calendar days for credit agreements for consumer purposes or 90 calendar days for credit agreements for residential real estate, the period from the date of the credit agreement approval to the date of the maturity of the last loan instalment is deemed as the loan repayment or initial maturity of the loan, regardless of the first sentence of this definition;

- (r) **‘main index’** is:
- a) an index specified in Annex I of Commission Implementing Regulation (EU) 2016/1646 of 13 September 2016 laying down implementing technical standards with regard to main indices and recognised exchanges in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (OJ L 245 of 14 September 2016, p. 5);
 - b) an index in a Member State or third country that is not specified under point (a) and that the competent authority in a relevant Member State or the relevant public authority in a third country has defined as a major stock index;
 - c) an index that is not specified under points (a) or (b) and is composed of shares of leading companies in the relevant jurisdiction.
- (s) **‘LTC or loan-to-collateral’** is the ratio of the bridging loan amount secured by financial instruments to the value of financial instruments used as collateral for the loan, when the credit agreement is concluded;
- (t) **‘Annuity-style loan repayment’** is a method of repayment under which the consumer repays the loan in a single amount, first covering interest for the period between two payments, with the remaining amount comprising the repayment for which the principal is reduced.

Article 3 **(exemptions from application of regulation)**

This regulation shall not apply to:

- (1) finance leasing agreements (lease, rent);
- (2) contracts regarding which forbearance measures as defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176 of 27 June 2013, p. 1), last amended by Commission Implementing Regulation (EU) 2021/1043 of 24 June 2021 on the extension of the transitional provisions under Regulation (EU) 575/2013 of the European Parliament and of the Council related to own funds requirements for exposures to central counterparties (OJ L 225 of 25 June 2021, p. 52) (hereinafter: Regulation (EU) 575/2013);
- (3) credit agreements for residential real estate, fully secured by a Slovenian government guarantee, which in order to calculate capital requirements for credit risk in accordance with Article 235 of Regulation (EU) 575/2013 are treated as exposures to the Republic of Slovenia that are assigned a risk weight of 0% in accordance with the fourth paragraph of Article 114 of Regulation (EU) 575/2013.

Article 4 **(residential real estate value in special cases)**

- (1) In the case of residential real estate under construction or renovation, the projected value of the real estate after construction or renovation is used as the residential real estate value.
- (2) When a residential real estate is already encumbered by mortgages, the entire debt already secured by a mortgage on that real estate is deducted from the real estate value. When mortgages are of the same seniority, the real estate value is allocated across the debts secured by mortgages on that real estate on a pro rata basis.

(3) For the purpose of this regulation, the residential real estate value does not take into account the internal adjustments or the methods for calculating the real estate value used for risk management purposes. Haircuts are not applied to the real estate value.

Article 5
(method of calculating a consumer's total debt)

(1) A consumer's total debt includes the loan amount that is the subject of the loan agreement in question, and the amounts of all the other outstanding credit agreements, with the exception of debts related to credit cards and overdrafts.

(2) The loans that are subject to repayment with the funds of the credit agreement in question are not included in a consumer's total's debt.

(3) Whenever a credit agreement includes multiple consumers, the loan amount is allocated among consumers according to the proportion of the loan servicing cost paid by a particular consumer.

(4) Any consumer guarantees for existing credit agreements shall not be taken into account in a consumer's total debt.

Article 6
(method of calculating loan servicing cost and total debt servicing cost)

(1) Irrespective of the actual loan repayment method, as defined in the repayment schedule, the annuity-style loan repayment assumption shall be taken into account for all loans when calculating the loan servicing cost.

(2) For loans for which interest rates vary over their lifetime (e.g. promotional interest rate in the first few months of loan repayment), the loan servicing costs shall be calculated on the basis of the average contractual interest rate, calculated taking into account the entire lifetime of the loan.

(3) For loans with a variable interest rate, the calculation of the average contractual interest rate assumes that the reference interest rate remains unchanged during the entire lifetime of the loan.

(4) Notwithstanding point (1) of Article 2 of this regulation, bridging loans, bridging loans secured by financial instruments and loans with an approved moratorium, unless the length of the moratorium is shorter than the maturity of a newly approved credit agreement, shall not be included in the calculation of the total debt servicing cost.

Article 7
(calculation of a consumer's annual income)

(1) When calculating a consumer's annual income a bank shall take into account earnings from all income sources, as defined by the Personal Income Tax Act (employment income, income derived from business activity, pensions, earnings from the letting of real estate, financial investments and other sources).

(2) Notwithstanding the previous paragraph, a bank shall disregard the following when calculating a consumer's annual income:

- (a) one-time or occasional earnings (e.g. jubilee benefits, extraordinary bonuses), except for personal income tax refunds; and

(b) earnings that are exempt from enforcement in accordance with the act governing enforcement and securing of claims.

(3) The calculation of a consumer's annual income includes income less taxes and contributions (e.g. contributions for health insurance, pension insurance and social security), but before the deduction of the costs of living (e.g. cost of meals, accommodation, heating etc.).

(4) Notwithstanding point (m) **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation, a bank may, as an exception, include income over the past three months converted to an annual basis, if the borrower had not been employed before that or in the event of switching jobs or promotion, including income that is characteristic for specific quarters (Christmas bonus, end-of-year bonus - thirteenth salary, annual leave allowance, etc.) only once.

(5) Whenever the amount of a credit agreement for consumer purposes does not exceed EUR 5,000, a consumer's income may be calculated by converting three of the lowest monthly employment earnings or pension over the last 12 months to an annual basis.

(6) Notwithstanding the first paragraph of this article, the calculation of income generated from business activity for sole traders, for whom normalised expenses are used to determine their tax base, may also take into account as income generated from business activity the difference between actual income and expenses of the sole trader, as derived from financial statements, less taxes and contributions, as provided in the third paragraph.

Article 8

(terms and conditions of bridging loan secured by financial instruments)

(1) A credit agreement that meets the following conditions shall be deemed a bridging loan secured by financial instruments:

- (a) it is secured by eligible financial instruments that fulfil the terms and conditions referred to in the second paragraph of this article;
- (b) the repayment period of the credit agreement does not exceed the maturity of any of the financial instruments pledged as collateral;
- (c) the repayment period of the credit agreement does not exceed 36 months upon its conclusion.

(2) The following are deemed eligible financial instruments:

- (a) transferable securities;
- (b) money market instruments,
- (c) units of collective investment undertakings,

as set out in detail in the act governing the financial instruments market and if they meet the requirements under the third paragraph of this article.

(3) The financial instruments pledged as collateral must meet the following requirements:

- (a) are pledged as collateral exclusively for the repayment of liabilities under the credit agreement in question and have no other prior encumbrances;
- (b) the borrower is their holder and owner;
- (c) are liquid and listed for trading on a regulated market, as defined in point 13 of Regulation (EU) 600/2014;
- (d) meet specific requirements for individual types of financial instruments, as defined in the fourth, fifth and sixth paragraphs of this article.

(4) Equities must be listed on the main index.

(5) The issuer of a debt security or the debt security must have a credit rating issued by one of the credit rating agencies registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, that is the equivalent of investment grade.

(6) Units of collective investment undertakings shall have prices that are published daily.

(7) When approving a bringing loan secured by financial instruments, banks shall take into account the terms and conditions set out by the act governing consumer loans, and the regulation governing the application of the Guidelines on loan origination and monitoring.

2. MAXIMUM ALLOWED MATURITY FOR NEW CREDIT AGREEMENTS

Article 9 (maturity cap)

(1) When a new credit agreement for consumer purposes is concluded, its maturity may not exceed 84 months.

(2) There are no limits on the maturity of a credit agreement for residential real estate.

(3) The maturity of bridging loans secured by financial instruments may not exceed 36 months.

Article 10 (allowed deviations)

(1) The longest maturity under the first paragraph of the previous article may exceed 84 months, but no more than 120 months, for a maximum of 15% of new credit agreements for consumer purposes.

(2) The allowed deviations shall be determined at the quarterly level, and shall be calculated with regard to the total amount of new credit agreements for consumer purposes, approved in the previous quarter, that comply with Articles **Napaka! Vira sklicevanja ni bilo mogoče najti.** and **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation.

(3) Credit agreements that exceed the maturity cap under Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation may not be approved with a DSTI ratio that exceeds the DSTI cap determined in Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation.

3. DSTI CAP

Article 11 (DSTI cap)

- (1) When a new credit agreement is concluded, the DSTI may not exceed:
- (a) for consumers whose monthly income is no more than twice the minimum gross wage as set out by the law defining the minimum wage: 50%; and

- (b) for consumers whose monthly income is higher than the income level defined in point (a): 50% for the portion of income up to and including the income level defined in point a), and 67% for the portion of income that exceeds the income level defined in point (a).

(2) Notwithstanding the income level, no less than the amount of 76% of the minimum gross wage as set out by the law defining the minimum wage may remain for the consumer each month after the payment of all instalments under credit agreements. If the consumer is supporting a family member or another person that he/she is required to support by law, the amount of income stipulated for the person that he/she is supporting according to the criteria for allocating cash social assistance set out by the law governing social security benefits shall also remain for the consumer (hereinafter: amount for dependents).

(3) When a credit agreement has been concluded by several consumers, the provisions of the first and second paragraphs of this article shall apply to each consumer separately.

(4) This article shall not apply to bridging loans or bridging loans secured by financial instruments.

(5) When the minimum wage amount or the amount for dependents changes, a bank may use the previous values in the calculation of the DSTI cap for applications received until the end of the calendar month in which the change occurred. If these values change less than ten business days before the end of the calendar month, a bank may use the previous values also for applications that it receives in the following calendar month.

Article 12 **(allowed deviations)**

(1) The first and second paragraphs of Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** notwithstanding, the DSTI cap may be exceeded by a maximum of 10% of new credit agreements for residential real estate and a maximum of 10% of credit agreements for consumer purposes, provided that the DSTI ratio under the credit agreements does not exceed 67%. Credit agreements for consumer purposes where the DSTI cap prescribed in Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation is exceeded shall be required to comply with Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation.

(2) The allowed deviations for credit agreements for consumer purposes shall be determined at the quarterly level, and shall be calculated with regard to the total amount of new credit agreements for consumer purposes (excluding bridging loans and bridging loans secured by financial instruments), approved in the previous quarter, that comply with Articles **Napaka! Vira sklicevanja ni bilo mogoče najti.** and **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation.

(3) The allowed deviations for credit agreements for residential real estate shall be determined at the quarterly level, and shall be calculated with regard to the total amount of new credit agreements for residential real estate (excluding bridging loans and bridging loans secured by financial instruments), approved in the previous quarter, that comply with Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation.

(4) When calculating the allowed deviations, banks are recommended to only include as the total amount of new credit agreements for residential real estate the amounts of credit agreements referred to in the previous paragraph that comply with the recommendation under Article **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation, if they are secured by residential real estate.

(5) When a credit agreement has been concluded by several consumers, one of whom fails to meet the cap set out in **Napaka! Vira sklicevanja ni bilo mogoče najti.** of this regulation, the total amount of the credit agreement shall count towards the proportion of allowed deviations.

4. LTC CAP FOR BRIDGING LOANS SECURED BY FINANCIAL INSTRUMENTS

Article 13 (LTC cap)

(1) When concluding a bridging loan secured by financial instruments, the LTC ratio may not exceed 70%.

(2) Notwithstanding the previous paragraph, banks are recommended, while taking into account factors such as the quality, type, volatility, liquidity and currency of a financial instrument, to apply a stricter LTC cap as required.

5. RECOMMENDED LTV CAP FOR NEW CREDIT AGREEMENTS SECURED BY RESIDENTIAL REAL ESTATE

Article 14 (LTV cap)

(1) When a new credit agreement secured by residential real estate is concluded, it is recommended that the LTV not exceed 70%.

(2) Notwithstanding the provision of the previous paragraph, a LTV ratio that does not exceed 80% is recommended for a credit agreement for a primary real estate. If a credit agreement for residential real estate is concluded by multiple consumers, it shall be deemed that these consumers are purchasing, renovating or constructing the primary real estate if that real estate will be the primary real estate for at least half the consumers that conclude the credit agreement.

(3) A bank must record and explain the deviations from the recommendations referred to in the first and second paragraphs of this article.

6. TRANSITIONAL AND FINAL PROVISIONS

Article 15 (cessation of validity of Regulation)

(1) Upon the entry into force of this regulation, the Regulation on macroprudential restrictions on household lending (Official Gazette of the Republic of Slovenia, Nos. 64/19 and 75/20; hereinafter: Regulation) shall cease to be in force.

(2) In the first quarter after the introduction of the Regulation, when calculating the allowed exemptions defined by Articles **Napaka! Vira sklicevanja ni bilo mogoče najti.** and **Napaka! Vira sklicevanja ni bilo mogoče najti.**, banks may take into account the credit agreements that were approved in the previous or current quarter as the total sum of newly concluded credit agreements.

(3) A bank may apply the provisions of Article 9a of the Regulation to credit agreements concluded by 1 September 2022.

Article 16 (validity of regulation)

The macroprudential measures set out by this regulation shall apply until cancelled.

Article 17
(entry into force)

This regulation shall enter into force on 1 July 2022.

Ljubljana, 29 April 2022

Boštjan Vasle
President,
Governing Board of Banka
Slovenije