



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

Pursuant to Article 47 paragraph 1 item 6 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21) and Article 16 paragraph 1 item 6 and Article 17 paragraph 3 of the Law on Financial Stability (Official Gazette of the Republic of North Macedonia No. 173/22), the National Bank of the Republic of North Macedonia Council has adopted the following

DECISION **on borrower-based macroprudential instruments** **(Official Gazette of the Republic of North Macedonia No. 2/23)**

I. GENERAL PROVISIONS

1. This decision sets forth the main borrower-based ratios as macroprudential instruments provided for in the Law on Financial Stability and the method of their determination by banks.

2. The terms used in this decision shall denote the following:

2.1. DSTI (debt service-to-income) ratio shall imply borrower's total monthly liabilities based on credit exposures of all banks and savings houses to such borrower and borrower's total monthly liabilities to other financial institutions -to- borrower's total monthly income, determined under Chapter II of this decision.

2.2. LTV (loan-to-value) ratio shall imply credit exposure to borrower -to- value of real estate pledged as collateral for such credit exposure, determined under Chapter III of this decision.

2.3. TDTI (total debt-to-income) ratio shall imply borrower's total liabilities based on credit exposures of all banks and savings houses to such borrower and total borrower's liabilities to other financial institutions -to- borrower's total annual income, determined under Chapter IV of this decision.

2.4. Borrower-based ratio shall encompass the following macroprudential instruments: DSTI ratio, LTV ratio and TDTI ratio.

2.5. Approval of credit exposure shall imply establishment of a new credit exposure and change in the credit standards of an existing credit exposure if additional amount of loan is approved. Any approval of overdraft and renewal of payment card validity shall not be considered approval of credit exposure, unless the credit exposure on that payment card is increased.

2.6. A borrower shall denote a customer natural person to whom credit exposure has been approved, including a co-borrower.

2.7. Housing loan shall denote credit exposure to borrower intended for purchase, construction and/or renovation of residential property.

2.8. Real estate shall denote one or more residential properties, commercial properties and/or construction land on the territory of the Republic of North Macedonia.

2.9. Credit exposures approved with exceptions shall denote credit exposures approved in accordance with item 4 of this decision.

2.10. Total maturity shall denote contractual loan maturity plus extensions.

3. Issues not defined in this decision shall take the meaning of the terminology defined in the Banking Law and the bylaws derived from this law.

4. The bank shall, in its internal acts, determine an acceptable level of borrower-based ratios, allowed exceptions and acceptable total maturity, as determined in the provisions of this decision.

II. DSTI ratio

5. The DSTI ratio is expressed as a percentage and calculated as follows:

$$DSTI = \frac{mVO}{mVP} \times 100, \text{ where:}$$

mVO denotes borrower's total monthly liabilities based on credit exposures of a bank and other banks, savings houses and to financial institutions, as defined in items 6 and 8 of this decision;

mVP denotes borrower's total monthly income as defined in items 7 and 8 of this decision.

6. When calculating the borrower's total monthly liabilities based on credit exposure of the bank, the bank shall:

- include repayment of liabilities on credit exposure agreed to be made on a monthly basis;
- determine monthly repayment of liabilities based on credit exposure not agreed to be made on a monthly basis (for example, quarterly annuities, annuities with different amounts/frequencies, etc.);
- determine average monthly repayment of liabilities based on credit exposure which includes different types and/or levels of interest rates over the contract validity, applying the highest interest rate known on the calculation date;
- determine monthly overdraft liabilities taking into account the monthly interest liability based on this credit product, calculated on the amount of total overdraft, using the applicable interest rate on this credit product on the calculation date;

- determine monthly liability on credit cards and other similar revolving loans, in the amount of 3% of total bank's credit exposure to a borrower based on these products;
- take into account any monthly liabilities after the expiration of a grace period;
- not take into account the part of credit exposure of another bank/savings house/other financial institution to the borrower, for the settlement of which the bank approves credit exposure to that borrower.

The bank shall determine borrower's total monthly liabilities based on credit exposures of other banks and savings houses to such borrower and borrower's total liabilities to financial institutions based on internal and/or external data sources (for example: Credit Registry of the National Bank of the Republic of North Macedonia, credit bureaus, etc.).

The bank shall, in its internal acts, define the method of calculating borrower's total monthly liabilities based on credit exposures of other banks and savings houses to such borrower and borrower's total liabilities to other financial institutions.

7. When determining the total monthly income, the bank shall take into account the borrower's wage/pension as well as other income earned or to be earned on a regular basis, reduced by contributions, taxes and other similar charges and calculate the amount on a monthly basis.

The bank shall provide evidence of income under paragraph 1 of this item by obtaining:

- document confirming the borrower's employment/right to pension and the average monthly net wage/pension paid at least for the last six months, while taking into account the wage/pension inflows on the borrower's transaction account with the bank, at least for the last six months;
- document confirming the borrower's other income earned (for example, from dividends, copyright and related rights, leasing property, etc.).

The bank shall, in its internal acts, determine other income earned referred to in paragraph 2 indent 2 of this item that will include in the calculations of the total monthly income, cases when such income is taken into account and the manner of calculating the amount of this income, taking account of its regularity and sustainability. The amount of other income earned that is included in the calculation of the borrower's total monthly income may not exceed 80% of the other income earned.

8. When determining the DSTI ratio, the bank shall also take into account:
- Co-borrower's total monthly liabilities and total monthly income;
 - Total monthly liabilities of a borrower that is co-borrower on other credit exposure in the bank or in other banks and savings houses.

The bank shall, in its internal acts, prescribe the method of including the total monthly liabilities and the total monthly income from paragraph 1 of this item when determining the DSTI ratio.

9. The DSTI ratio shall be determined for each borrower at the approval of credit exposure.

III. LTV RATIO

10. The LTV ratio is expressed as a percentage and calculated as follows:

$$LTV = \frac{oKI}{pVO} \times 100, \text{ where,}$$

oKI is the amount of approved credit exposure to a borrower, secured by property pledge;

pVO is the value of pledged property.

The LTV ratio from paragraph 1 of this item is calculated for:

- housing loan; and
- other credit exposure to a borrower that is secured by a property pledge, and which is not a housing loan.

When determining the amount of approved credit exposure from paragraph 1 of this item, the bank shall not take into account the part of the credit exposure that is secured by a first-class security instrument in accordance with the regulation of the National Bank of the Republic of North Macedonia on the credit risk management methodology.

11. The value of real estate included in the calculation of the LTV ratio shall be determined on the basis of the real estate market price estimated according to law.

12. The LTV ratio shall be determined at the approval of the credit exposure to a borrower, and in cases when pledged property is replaced with the new property.

IV. TDTI RATIO

13. The TDTI ratio is expressed in number of times and determined as follows:

$$TDTI = \frac{VO}{gVP}, \text{ where:}$$

VO is total credit exposure of all banks and savings houses to a borrower and the borrower's total liabilities to other financial institutions

gVP is the amount of borrower's total annual income earned or to be earned.

The bank shall include any credit exposure where the borrower is also a co-borrower in the calculation of total credit exposure.

When determining the borrower's total income, items 7 and 8 of this decision shall apply accordingly.

14. The TDTI ratio shall be determined for each borrower at the approval of credit exposure.

V. TRANSITIONAL AND CLOSING PROVISIONS

15. The provisions of this decision that refer to banks shall apply to savings houses accordingly.

Foreign bank branches shall apply the provisions of this decision, taking into account the provisions of the Banking Law and bylaws derived from this law that regulate the operation of foreign bank branches in the Republic of North Macedonia.

16. This Decision shall enter into force on the eighth day from the date of its publication in the Official Gazette of the Republic of North Macedonia, and shall apply from 1 July 2023.

By way of derogation from paragraph 1 of this item, the bank shall determine the acceptable level of TDTI as specified in item 4 of this decision, no later than 1 January 2024.

17. The provisions of this decision also apply to credit exposures to borrowers approved after the start of its implementation.

**D No. 02-15/XXII-1/2022
28 December 2022
Skopje**

**Anita Angelovska Bezhoska
Governor and Chairperson
of the Council of the National Bank
of the Republic of North Macedonia**