ESRB
European Systemic Risk Board
European System of Financial Supervision

EUROPEAN CENTRAL BANK
EUROSYSTEM

Notification template for borrower-based measures

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the European Central Bank (ECB);
- notifications@esrb.europa.eu when notifying the European Systemic Risk Board (ESRB).

This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[1].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority	Hrvatska narodna banka.
1.2	Country of the notifying authority	Croatia.
1.3	Type of borrower-based measure	Please select one of the measures listed below: ☒ Debt-service-to-income (DSTI) ☐ Loan-to-income (LTI) ☒ Loan-to-value (LTV) ☐ Debt-to-income (DTI) ☒ Loan maturity ☐ Other (please provide a short, name-like description here and provide more details in Section 2)
1.4	Type of notification	What do you intend to notify? ☒ Activation of a new measure ☐ Change to an existing measure ☐ Extension of an existing measure ☐ Termination of an existing measure

[1] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure		
2.1	Description of the measure	The Croatian National Bank (HNB) is introducing a set of borrower-based measures for household lending, including LTV, DSTI and maturity limits. Exemptions are allowed up to a certain proportion of new lending. The limits and exemptions are differentiated by the type of loan. **DSTI** limit: - 45% for housing loans, with up to 20% of new loans allowed to exceed this limit. Of these exemptions, at least 75% must be granted to the consumers purchasing their primary residence - 40% for non-housing loans, with up to 10% of new loans allowed to exceed this limit **LTV** limit: 90%, with up to 20% of new loans allowed to exceed this limit. Of these exemptions, at least 75% of loans must be granted to consumers purchasing their primary residence. **Maturity limit**: - 30 years for housing loans and non-housing loans secured by real estate collateral - 10 years for other non-housing loans **Exclusions:** The measures do not apply: - to overdrafts and loans granted due to the cancellation of an authorized overdraft; - credit card loans and instalment payments made via debit or charge cards; - loans fully secured by deposits, securities or other financial instruments - when implementing measures to facilitate the repayment of a loan for consumers with possible difficulties in payment in accordance with the Act on Consumer Housing Loans and Consumer Credit Act; - renegotiated agreements concluded for credit agreements entered into force before July 1, 2025,

		provided that they do not result in an increase in the remaining principal amount of the loan.
2.2	Definition of the measure	**LTV (Loan-to-Value):** the ratio of the approved loan amount to the value of the property on which a mortgage or transfer of ownership rights is provided. **Value of the property**: the value determined based on an assessment by a certified appraiser or the value defined in the purchase agreement if the credit agreement finances the acquisition of that real estate. If both values are available, the lower value is taken. In the case of real estate under construction or renovation, the value may be determined as the estimated expected value of the property after construction or renovation. **DSTI (Debt-Service-to-Income):** the ratio of consumer's monthly total debt service cost to the consumer's monthly income. **Total Debt Service Cost**: the sum of principal and interest payments on the total debt, calculated at a monthly level. For overdrafts and credit card loans, monthly repayment cost is defined as 3% of the average daily utilized overdraft amount over the three months or 3% of the utilized credit card loan amount at the end of the month preceding the creditworthiness assessment. Monthly repayments for bullet loans, loans with a deferred repayment and loans disbursed in tranches, are determined assuming annuity repayment method. If the remaining maturity of a loan included in the total debt is unknown, a repayment period of 36 months is assumed. Total debt comprises all outstanding financial obligations of the consumer and his co-debtor **including** the amount of the new loan that is being granted, but **excluding** 1) the loan that is being repaid by the funds of the new loan and 2) outstanding obligations on charge cards (cards with deferred payment function), except installments.

		Income: the sum of all regular income of the consumer and co-debtor, after tax and contributions, including: income from employment, self-employment, capital (including only paid interest, dividends, and profit shares based on capital), property and property rights, as well as other regular income, in accordance with the provisions of the law regulating income tax. Income is expressed at a monthly level as the average over a minimum period of three months.
2.3	Legal basis and process of implementation of the measure	**Legal basis** for the borrower-based measures is provided by the Credit Institutions Act, Article 144a, and Act on the Croatian National Bank, Article 43. **Process of implementation**: The measures will be implemented as the Governor's decision and will be published in the Official Gazette after the closure of the public consultation process. The measures will be legally binding.
2.4	Coverage	The Decision on sustainable consumer lending standards will apply to: - Credit institutions with headquarters in the Republic of Croatia, established in accordance with the Credit Institutions Act. - Branches of credit institutions from EU member states established in the Republic of Croatia in accordance with the Credit Institutions Act. - Branches of credit institutions from third countries that have obtained authorization from the Croatian National Bank to establish a branch in the Republic of Croatia in accordance with the Credit Institutions Act.
		a. Which types of borrowers will be covered by the measure? Natural persons – consumers, as defined in Article 300 of the Credit Institutions Act.

		b. Which types of lending will be covered by the measure? All loans to consumers, except loans stated in 2.1.
2.5	Calibration	The measures aim to ensure sustainable lending standards in lending to consumers. The limits are calibrated based on the data on new lending to consumers, collected monthly from the credit institutions. The targeted calibration aims to prevent the riskier segments of lending with relatively loose lending standards. The simulations based on the granular data on lending standards for newly granted loans in the period from August 2023 to July 2024 show that the if the measures were implemented in that period, the annual growth rate of housing loans (non-housing loans) would be by 0.6pp to 0.7pp (3.2pp to 3.9pp) lower; number of housing (non-housing) loans granted would be lower by 3% (14%) and the total amount of newly granted housing (non-housing) loans would be lower by 4% (9%).
3. Timing for the measure		
3.1	Timing for the decision	17/03/2025
3.2	Timing for publication	What is the date of publication of the notified measure? 19/03/2025
3.3	Disclosure	Provide information about the strategy for communicating the notified measure to the market. The measures were announced on January 22 through a press release detailing their content and the rationale behind them. Simultaneously, public consultations on the draft decision were open for 30 days. A presentation for all credit institutions was held during this consultation period. After the consultations closed, the HNB reviewed

		and evaluated all received comments and questions, incorporated amendments to the decision, and published the responses on its website. The final decision was published in the Official Gazette and on the HNB's website.
3.4	Timing for the application	What is the intended date for application of the measure? What is the intended timeline for phase-in of the measure, if relevant? Following comments raised during consultations period, the initial application date was deferred by three months to facilitate the necessary adjustments to banks' internal systems. 01/07/2025
3.5	End date (if applicable)	Until when is it presumed that the measure will be in place? If applicable, please give an end date. Borrower-based measures are regarded as structural tools intended for application throughout all phases of the financial cycle. However, the initial calibration of limits and exemptions may be adjusted following an evaluation of the measures' effectiveness in mitigating systemic risks associated with consumer lending.
4. Reason for activation of the measure		
4.1	Description of the macroprudential risk	Household lending has been strong since early 2023, driven primarily by the acceleration of non-purpose cash loans with the annual growth rate rising from 3.6% in 2022 to 16% in 2024, alongside a steady growth of housing loans averaging about 10% annually over the past four years. A portion of household loans is granted at relatively loose lending standards. In the general non-purpose loan segment, the share of loans with DSTI-O>40% is ranging from 25% to 30%. Their repayment performance deteriorated relatively early and rapidly. For example, the share of Stage 3 loans for those granted in 2021 stood at approximately 4% by the end of 2023. There are signs of increasing risk also in the housing loan segment. Specifically, the sharp rise in housing prices, combined with higher interest rates, has driven consumers to take on larger loans, resulting in higher

		debt repayment burdens and longer loan maturities. The share of new housing loans with DSTI-O above 45% started to increase in the second half of 2023. The average DSTI-O has increased from 38% at the end of 2022 to 41% at the end of 2024, while the average loan maturity has extended from approximately 22.5 years to almost 24 years over the same period. On the other hand, due to the termination of the government subsidy program, during which loans with higher LTV's were disbursed, the share new housing loans with LTV>90% slightly decreased to approximately 30%. The relative indebtedness of households (measured by the household debt-to-GDP ratio) reached an 18 year low in 2023 (31,9%, down from 44.1% in 2010). This trend could potentially reverse in the coming years if current lending trends persist, given that projections indicate a slowdown in nominal income growth. All these factors point to increasing household vulnerability to potential adverse macroeconomic and financial shocks.
4.2	Indicators used for activation of the measure	Indicators used for assessment of systemic risks related to lending to households comprise: - household indebtedness indicators - credit growth - credit quality of housing and non-housing loan portfolios - data on lending standards obtained from monthly reporting on all new loans to consumers: DSTI, LTV, maturity, distribution of DSTI and LTV ratios by buckets - housing prices Please see attached Excel document.

4.3	Effects of the measure	The objective of the measures is to ensure sound lending practices and increase the resilience of both credit institutions and consumers, to prevent further increase in household vulnerability, encourage responsible borrowing, and support sound banking practices. The measures, set to take effect on July 1, 2025, are expected to moderately slow down household borrowing, particularly in the non-housing loan segment, and reduce the share of loans granted at relatively loose lending standards, thereby mitigating the risk associated with new lending.
5.	**Sufficiency, consistency and non-overlap of the policy response**	
5.1	Sufficiency of the policy response	Setting the legally binding DSTI, LTV and maturity limits is expected to be sufficient to ensure sustainable lending standards and mitigate risks related to households lending. HNB will monitor the effectiveness of the measures in achieving these goals in relation to the overall costs and benefits of the measures, and recalibrate them if deemed necessary.
5.2	Consistency of application of the policy response	Introduction of borrower based is considered consistent with the objective of mitigating credit related systemic risks to financial stability stemming from the households lending activity.

5.3	Non-overlap of the policy response	There are no other policy instruments used to address the same systemic risk.
6. Cross-border and cross-sector impact of the measure		
6.1	Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2[2])	Given the composition of the domestic lending market and the calibration of the measures, the measures are not expected to have a material cross-border impact.
6.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	The measures apply only to credit institutions. However, given that Croatian financial system is very bank centric, and credit institutions are major credit provider for households, regulatory arbitrage is at this juncture not considered a potential risk. HNB will monitor potential circumventions of the measures.
6.3	Request for reciprocation	Do you intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure? No

[2] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

6.4	Justification for the request for reciprocation	n.a.
7. Miscellaneous		
7.1	Contact person(s)/mailbox at notifying authority	Maja Bukovšak, head of Macroprudential Policy and Financial Stability Department, maja.bukovsak@hnb.hr Lana Ivičić, chief advisor in Macroprudential Policy and Financial Stability Department, lana.ivicic@hnb.hr.
7.2	Any other relevant information	Decision, announcement and other information is available on the HNB's web site: https://www.hnb.hr/en/core-functions/financial-stability/cnb-s-macroprudential-policy/consumer-lending-criteria
7.3	Date of the notification	Please provide the date on which this notification was uploaded/sent. 20/03/2025