Retail Banking Markets Monitoring Report

2018

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Lisbon, 2019 • www.bportugal.pt

Retail Banking Markets Monitoring Report | 2018 • **Banco de Portugal** Av. Almirante Reis, 71 | 1150-012 Lisboa • www.bportugal.pt • **Edition** Banking Conduct Supervision Report • **Design** Communication and Museum Department | Design Unit • **Number of copies** 25 issues • **ISSN (print)** 2184-6391 • **ISSN (online)** 2183-5969 • **Legal Deposit No.** 464049/19

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Abbreviations

APR	Annual percentage rate of charge
Euribor	Euro Interbank Offered Rate
KID	Key information document
SIS	Standardised Information Sheet

Executive summary

The Retail Banking Markets Monitoring Report of 2018 presents developments in the markets of deposits (simple and structured), housing and mortgage credit and consumer credit subject to the market conduct supervision of Banco de Portugal, analysing the characteristics of products marketed and agreements concluded.

Chapter I focuses on the **simple time deposit market**, which includes deposits for the general public and deposits with special conditions. This chapter also compares the characteristics of simple time deposits provided in traditional channels (e.g., at the institution's branch) and those provided exclusively in digital channels (i.e. credit institution's homebanking or mobile applications). The information on simple time deposits presented in this report has been collected from the standardised information sheets (SIS) made available by 20 credit institutions on their websites in relation to deposits with more representative maturities (one, three and six months and one, two, three, four and five years).

Chapter II focuses on the **structured deposit market**, deposits in which remuneration depends on the evolution of economic and financial instruments or variables (e.g. shares, share indices, exchange rates, commodity prices). This chapter looks at the characteristics of structured deposits and the remuneration paid on matured deposits. The analysis is based on information gathered from key information documents submitted to Banco de Portugal and on the reporting of information made by institutions on this type of deposits.

Chapter III concentrates on the **mortgage credit market**, which includes home loans and other mortgage loans. Home loan agreements are those whose purpose is the acquisition and construction of residential real estate and land or other buildings, whether backed by mortgage on real estate or not. Other mortgage loans cover all mortgage-backed agreements that do not have one of the purposes described above. The analysis in this chapter is based on the information that credit institutions report annually to Banco de Portugal for the purposes of supervision and monitoring of the home loan and mortgage credit market.

Chapter IV addresses the **consumer credit market** and covers three types of credit: personal loans, car loans and revolving credit. Personal loans are intended for the purchase of goods and services, such as household appliances or health and education services, and may also be granted for no specific purpose. Car loans are intended to finance the purchase of new and used cars and other vehicles. Revolving credit includes credit cards, credit lines, bank credit accounts and overdraft facilities. The analysis of this chapter is based on information reported monthly by credit institutions to Banco de Portugal for the purpose of complying with the maximum interest rate regime currently in force in Portugal.

Simple time deposits

Most of the deposits on the market at the end of 2018 (66.1%) were for the general public and; of these, 11.3% were destined to new customers or new amounts applied in the credit institution. Shorter maturities continued to be the most frequent, with about half (52.7%) of simple time deposits for the general public having maturities of six months or one year.

In 2018, the remuneration rates simple time deposits fell once again, in keeping with the trend observed since 2012.

In 2018, all deposits made available were remunerated at a fixed rate. Average deposit **remuneration rates** continued the downward trend verified since 2012 in most maturities, although at a slower pace than in previous years. The most significant reductions were in the six-month and one-year maturities (0.06 percentage points less), while three-year deposits were the only ones in which the average gross annual nominal rate increased (0.02 percentage points more than in 2017). The number of deposits in which a zero remuneration rate was practised did not change from the previous year.

The average remuneration rate also decreased in deposits for new customers and new amounts, in most maturities. However, on average these deposits continued to earn higher rates than the rest of the offer.

Most deposits had low minimum constitution amounts and almost all allowed early withdrawals.

Most simple time deposits for the general public (60.5%) had **minimum constitution amounts** of less than EUR 500 and most (91.1%) posed no liquidity risk to customers as it allowed early **withdrawal** of the funds applied. In the case of early withdrawal, about half of the deposits had a total **penalty** of accrued and unpaid interest and about a quarter had a total or partial penalty, depending on the time passed since the deposit was made. The vast majority of deposits being marketed at the end of 2018 (81.2%) paid interest on maturity. This characteristic was more frequent in deposits with maturities of up to one year. More than half of the deposits (56.2%) allowed for **renewal** and 21.7% allowed **reinforcement** of the amounts initially invested. The possibility of renewal was more frequent in deposits with shorter maturities (one year or less), while deposits with longer maturities allowed the reinforcement of the amounts invested more often.

In 2018, average interest rates of deposits marketed in traditional channels continued to be higher than those in digital channels, but in most maturities the difference was less pronounced than in the previous year.

At the end of 2018, about one-fifth of simple time deposits were marketed exclusively in **digital channels**. The average interest rate of deposits marketed in traditional channels was higher than in deposits marketed exclusively in digital channels, although the difference between these two rates was narrower than in the previous year in most maturities. Deposits marketed in digital channels had shorter maturities (up to one year) and less demanding minimum constitution amounts (up to EUR 500) than those marketed in traditional channels. The possibility of early withdrawal or renewal of the deposit and the payment of interest at maturity were also more frequent in digital channels.

Of the simple time deposits on the market at the end of 2018, about one third (33.9%) had **special conditions**, i.e. they were intended for certain target audiences, specific purposes or were associated with the sale of other products in the institution. Of these deposits, 28.8% were destined to young people and 18.3% were destined to customers who had other financial products and services in the institution, or who met certain binding conditions (optional associated sales). There were also deposits for emigrants (14.4%), retirees (13.5%) and seniors (7.7%).

Structured deposits

In 2018, the number of structured deposits marketed, the amounts applied and the number of depositors dropped in relation to 2017.

In 2018, 81 structured deposits were **marketed** (40.9% less than in 2017). This reduction is more pronounced than in the previous year (23.5% less) and is partly due to the decrease in the number of institutions operating in this market (less three institutions).

Demand for this type of deposit also declined in 2018, but to a lesser extent than in 2017. EUR 1731.3 million was invested in structured deposits (13.3% less than in 2017) by 75,249 depositors (27.1% less than in 2017). On average, in the structured deposits constituted in 2018, each depositor applied EUR 23,008, above the EUR 19,346 applied in 2017.

At the end of 2018, the **total amount** applied in this type of deposit was EUR 5468.5 million, 26.4% less than in 2017. The proportion of structured deposits in the total amount invested by private bank customers in time deposits dropped from 8.1% in 2017 to 6.1% in 2018.

Most structured deposits constituted in 2018 were denominated in euros (90.1%) and were indexed to the equity market (91.3%). Of the equity-linked deposits, the majority (94.5%) were linked to a basket of shares. In 2018 no structured deposits were marketed with remuneration linked to the evolution of the foreign exchange market, unlike in previous years.

Structured deposits marketed in 2018 were concentrated in the one-and-a-half and two-year maturities.

In 2018, the supply of structured deposits had a shorter range of **maturities** than in previous years. More than half of structured deposits (55.5%) had a two-year maturity and about one third (34.6%) had a maturity of one and a half years. The remaining supply (9.9%) had a one-year maturity. In 2018, no structured deposits with maturities of more than two years were marketed, as a result of the guidelines issued by Banco de Portugal in mid-2016 and the cessation of the marketing of dual deposits at the end of 2017.

Most structured deposits maturing in 2018 paid the minimum gross annual nominal rate foreseen in the respective pre-contractual information document.

In 2018, 161 structured deposits **matured**. Of these deposits, the majority (65.8%) received the minimum remuneration rate foreseen in the respective pre-contractual information document; in 14.3% of cases the gross annual nominal rate was zero. In contrast, 16.1% of deposits paid the maximum gross annual nominal rate foreseen, which ranged from 0.789% to 3.5%.

Of the structured deposits maturing in that year, about one third (33.5%) paid a remuneration rate higher than the gross annual nominal rate of the simple time deposit marketed by the same institution for the same term.

Home loans and mortgage credit

In 2018, home loans continued the growth trend observed since 2014, but less sharply than in previous years.

In 2018, an average of EUR 794.2 **million** of home loans were granted per month, 23.4% more than in 2017. This growth is lower than in the previous year (40% in 2017, compared to 2016).

The **number of agreements** had a similar development. On average, 7326 home loans were entered into per month, 13.4% more than in 2017, also below the growth of the previous year (32.3%).

These developments resulted in an increase in the average amount per agreement from EUR 99,670 in 2017 to EUR 108,419 in 2018.

In the second half of 2018, the pace of growth in home loan agreements slowed down.

The growth in the amount of home loans granted and in the number of agreements signed slowed down in the second half of 2018. In the last quarter of the year, the amount of credit granted and the number of agreements entered into grew only 10.4% and 2, 8%, respectively, year on year, which compares with growth of 38.7% and 25.8%, respectively, in the second quarter of 2018. This slowdown comes in the context of the entry into force in July of Banco de Portugal's macro-prudential measure concerning the criteria used by credit institutions to assess creditworthiness when granting new loans to households.

The home loan portfolio continued to decrease.

At 31 December 2018, around 1.47 million agreements were **outstanding**, corresponding to an outstanding balance of EUR 86.7 billion. Despite the increase in the number of agreements signed in 2018, the number of home loan agreements outstanding and the respective balance outstanding in the home loan portfolio declined further (1.1% and 3.8%, respectively, compared to 2017). This reduction results from the sale of portfolios by some credit institutions, from early repayments and from the fact that agreements had reached their maturity.

The maturity of home loan agreements entered into decreased in the second half of 2018.

Home loan agreements entered into in 2018 had an average initial **maturity** of 33.4 years (one month more than in 2017). However, the average initial term of new agreements declined over the year from 33.7 years in agreements concluded in the first half of 2018 to 32.8 years in agreements concluded in the last three months of the year.

In 2018 the importance of variable rate agreements went up.

The importance of variable rate home loan agreements increased from 81.3% in 2017 to 85.9% in 2018. In contrast, the weight of mixed-rate agreements decreased (from 16.9% in 2017 to 12.3% in 2018), while the weight of fixed rate agreements remained unchanged (1.8%).

Of the **floating-rate agreements** entered into, most (93.8%) were indexed to 12-month Euribor, with the importance of this index increasing in relation to 2017 (92.5%). The prevalence of 12-month Euribor occurs in a context in which, despite slight increases, Euribor interest rates at 3, 6 and 12 months remained negative throughout 2018.

The average spread decreased again in 2018, maintaining the downward trend observed since 2015.

In 2018, the average **spread** of variable interest rate agreements indexed to 3, 6 and 12-month Euribor was 1.51 percentage points, 23 basis points below the average spread in 2017. The average annual nominal rate applicable to these agreements was 1.33%, compared to 1.55% in 2017.

In **mixed-rate agreements** entered into in 2018, the initial interest-rate fixing period averaged seven years, about six months more than agreements concluded in 2017. The annual nominal rate applicable to the initial fixed-rate period was 2.14%, higher than in 2017 (2.07%).

In **fixed-rate agreements**, the average annual nominal rate was 3.1%, higher than the annual nominal rate in 2017 (2.5%).

In 2018, the number of early repayments and the average amount repaid increased.

Customers made a total of 73,654 **early repayments** (1.6% more than in 2017), corresponding to a repaid amount of EUR 4.2 billion (8.3% more than in 2017). There were also 26,490 partial early repayments (0.9% more than in 2017), corresponding to a repaid amount of EUR 444 million (17.2% more than in 2017).

In 2018, the number of renegotiations decreased, but the average amount per renegotiation increased.

A total of 23,580 renegotiations were made in 2018 (16.9% less than 2017), involving a total of around EUR 2021 million of credit amount (7.1% less than 2017). However, the average renegotiated amount went up from EUR 76,681 in 2017 to EUR 85,691 in 2018.

In most renegotiated agreements (83.5%), there was no default. The number of renegotiations in which the borrower was in default (in the renegotiated agreement or in other agreements entered into with the same institution) decreased by 5.9% compared to 2017. This development is consistent with the information gathered under the supervision of the general arrears regime. of default, which indicates a decrease in the number of processes initiated in 2018 relating to mortgage credit agreements, compared to the previous year.

Non-housing mortgage-backed agreements represented 14.3% of agreements concluded in 2018.

Other mortgage loans include all non-housing credit agreements that are secured by a mortgage. In 2018, 14,648 agreements associated with other mortgage loans were entered into, corresponding to a credit amount of EUR 775 million. Other mortgage loans accounted for 14.3% of home loan and mortgage credit agreements entered into in 2018 and 7.5% of the amount of credit granted.

Other mortgage loans entered into in 2018 had an average **maturity** of 27 years and an average **amount** per agreement of EUR 52,896, well below that of home loans.

Most (87.4%) other mortgage loans entered into in 2018 had a variable **interest rate** and, of these, almost all (95.6%) were indexed to 12-month Euribor, similar to home loans. However, the average **spread** on other mortgage loans concluded in 2018 with a variable interest rate and indexed to Euribor at 3, 6 and 12 months was 2.37 percentage points, above the average spread on home loan agreements (1.51 percentage points).

At 31 December 2018, the portfolio of other mortgage loans consisted of 542,623 agreements, which corresponded to a balance outstanding of EUR 12.9 billion. These agreements accounted for 26.9% of the total home loan and mortgage credit agreements outstanding and 13% of the balance outstanding.

Throughout 2018, bank customers made 36,320 total and partial **early repayments** on agreements relating to other mortgage loans, in which EUR 784 million of capital was repaid in advance. A total of 5625 **renegotiations** were made in agreements related to other mortgage loans, totalling EUR 217 million. On average, each renegotiation involved a credit amount of EUR 38,490.

Consumer credit

In 2018, consumer credit maintained its growth trend since 2013, but at a slower pace than in previous years.

On average, EUR 612.9 **million** of consumer credit was granted per month. Compared to 2017, in 2018 the amount of credit granted increased 10.1%, below the growth recorded in 2017, in comparison to 2016 (12% more). The evolution in the **number of agreements** was similar. In 2018, an average of 128,645 consumer credit agreements were signed per month, 2.4% more than the previous year, down from the 5.1% growth seen in 2017.

In the second half of 2018, there was a slowdown in the growth of the contracting of consumer credit.

In all quarters of 2018, the amount of consumer credit granted was higher year on year. However, the pace of growth slowed down in the second half of the year following the entry into force of the Banco de Portugal's macro-prudential measure. The third and fourth quarters of 2018 showed year-on-year growth of 6.2% and 0.5%, respectively, well below the year-on-year growth in the first and second quarters (15.7% and 20.1%, respectively). With regard to the number of agreements entered into, the number in the third and fourth quarters of 2018 decreased by 3.5% and 0.3%, respectively, compared to the same period of 2017.

The cost of credit declined further in 2018, but less sharply.

The increase in the amount of credit granted in 2018 was accompanied by a decrease in the **cost of credit**. In the fourth quarter of 2018, the average annual percentage rate of charge (APR) was 10.4%, 0.3 percentage points less than the average APR recorded in the last quarter of 2017. Nevertheless, this reduction is less intense than in 2017 (0.6 percentage points less). In the last quarter of 2018, the average APR decreased in all credit segments, with revolving credit showing the sharpest decrease (0.8 percentage points less year on year).

In 2018, personal loans and car loans grew at the same pace.

In personal loans and in car loans, the **amount of credit** granted increased by 12% compared to 2017. In contrast, the amount of revolving credit granted in 2018 remained relatively stable compared to the previous year (0.4% more). In terms of the **number of agreements** entered into, personal loans and car loans grew by 10.1% and 9.9%, respectively, while the number of revolving credit agreements decreased by 3% in comparison to 2017.

In each car loan agreement, an average of EUR 14,300 was granted (EUR 300 more than in 2017). In personal loans and in revolving credit, the increase in the average amount was less pronounced. On average, EUR 6600 were granted per personal loan agreement and EUR 1300 per revolving credit agreement (in both cases EUR 100 more than in 2017).

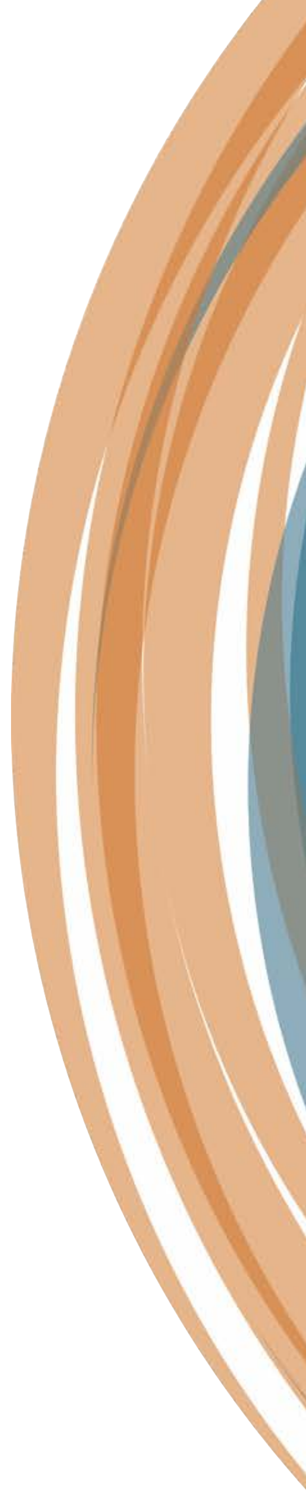
In car loans, the average **maturity** per agreement was seven years in 2018, up from 6.7 years in 2017. In personal loans, the average maturity per agreement remained at 4.4 years.

Most consumer credit continued to be granted through institutions with specialised activity.

In 2018, more than half of the amount of consumer credit (57.2%) was granted through **institutions with specialised activity**, with their importance increasing in relation to 2017 (55.1%). The weight of these institutions increased in the three consumer credit segments, although the growth in personal loans was more pronounced (from 28.3% of the credit granted in 2017 to 31.7% in 2018). In car loans, the majority (89.8%) continued to be granted by specialised credit institutions (compared to 89.4% in 2017).

In 2018, almost half of the amount of credit was granted by credit intermediaries in an ancillary capacity.

In 2018, almost half of the amount of consumer credit (45.9%) was granted through **credit intermediaries in an ancillary capacity**, with the importance of this channel remaining unchanged in comparison to 2017 (45.4%). This relative stabilisation is due to the developments in the consumer credit segments in 2018. On the one hand, the importance of car loans, granted mainly through credit intermediaries in an ancillary capacity, went up. On the other hand, the weight of personal loans, mostly granted directly at the credit institution, increased.



I Simple time deposits

1 Market developments

At the end of 2018, the 20 credit institutions analysed had 307 simple time deposits available in the most representative maturities[1]. At the end of the previous year, 21 institutions marketed 323 deposits. The reduction in the number of deposits compared to the end of 2017 is due to the exit of a credit institution from the market[2].

In 2018, simple time deposits continued to be marketed at a fixed rate.

All deposits available in 2018 had a fixed interest rate which meant that the remuneration was known to the customer when the deposit was opened. In general, this interest rate was constant for the entire term of the deposit, although 14 deposits with increasing fixed rates over the term of the deposit were marketed at the time[3].

At the end of 2018, approximately EUR 90 billion were invested in time deposits by individual customers, a figure lower than at the end of 2017 (EUR 92 billion). Most of the amounts (65.2%) were invested in deposits with a maturity of up to one year, a higher proportion than in 2017 (57.2%). In contrast, the proportion of amounts invested in deposits with maturities of more than two years dropped from 29.2% in 2017 to 24.2% in 2018[4].

Throughout 2018, EUR 60.5 billion were invested in new time deposits by individual customers, slightly less than in 2017 (EUR 61.1 billion). Deposits with a maturity of up to one year accounted for the majority of the amounts invested (77%), and their importance increased compared to 2017 (74.1%).

The proportion of amounts invested in maturities of up to one year (77%) was lower than the supply of deposits in these maturities (86%) at the end of 2018.

By the end of 2018, most of the deposits were for the general public and about one third had special conditions.

Of the 307 simple time deposits on the market at the end of 2018, the majority (66.1%) were for the general public, of which 11.3% were for new customers or new amounts invested with the credit institution. The remaining deposits on the market at the end of 2018 (33.9%) were deposits with special conditions, focused on certain target groups, for specific purposes associated with the sale of other products. Deposits with special conditions include deposits for young people, deposits related to optional associated sales and deposits for emigrants, which in 2018 had a relative importance of 28.8%, 18.3% and 14.4%, respectively. Deposits for retirees and seniors represented 13.5% and 7.7%, respectively, at the end of 2018.

1. The most representative maturities are one month, three months, six months and one, two, three, four and five years. There were deposits with other maturities that were not considered in the analysis because they are less representative (e.g., two, four, nine and eighteen months and eight years).

2. Credit institutions considered in this analysis differ slightly from those analysed in previous editions of the Retail Banking Markets Monitoring Report. In 2016 and 2017, the analysis considers deposits marketed by 21 institutions. In 2018, as a result of the acquisition of an institution and a merger with another institution already present in the retail banking markets, the number of institutions analysed decreased to 20.

3. In some of these deposits, the rate of increase over time results from a stay bonus.

4. Source – BPStat (March 2018).

One fifth of the deposits were marketed exclusively on digital channels.

Deposits can be marketed through traditional channels (e.g. at the institution's branch), or through digital channels (via the institution's homebanking or via mobile applications). In 2018, 80.1% of simple time deposits were marketed in traditional channels and 19.9% exclusively in digital channels[5], similar to 2017. Of the 61 deposits marketed exclusively in digital channels in 2018, four deposits were marketed exclusively through mobile applications provided by the institution.

At the end of 2018, about half of simple deposits were marketed on traditional channels to the general public (47.5%) and 18.6% were provided via digital channels. Simple deposits with special access conditions marketed on traditional channels accounted for about one third of deposits on the market (32.6%). The proportion of deposits with special conditions marketed exclusively in digital channels continued to be reduced (1.3% in December 2018, in line with the end of the previous year).

Table I.1.1 • Simple time deposits[(a)] | December 2017 and December 2018

		Dec. 2017		Dec. 2018	
		Number	Distribution	Number	Distribution
General public	Traditional channels	156	48.3%	146	47.5%
	Digital channels	62	19.2%	57	18.6%
Special conditions	Traditional channels	101	31.3%	100	32.6%
	Digital channels	4	1.2%	4	1.3%
	Total	323	100.0%	307	100.0%

Source: Banco de Portugal. | Note: (a) Information on deposits marketed by 21 credit institutions in 2017 and 20 institutions in 2018 obtained from standardised information sheets collected from their websites.

5. Deposits that are offered in both the traditional channel and in digital channels are not considered deposits marketed exclusively on digital channels.

2 Simple time deposits for the general public

At the end of 2018, 203 simple time deposits for the general public were being marketed by the 20 institutions analysed, 146 of which were provided in traditional channels and 57 exclusively in digital channels. Of the deposits for the general public on the market at the end of the year, 23 were for new customers and/or new amounts.

2.1 Maturity of deposits

At the end of 2018, the distribution of the **maturity** of deposits marketed by the institutions analysed was similar to that of previous years.

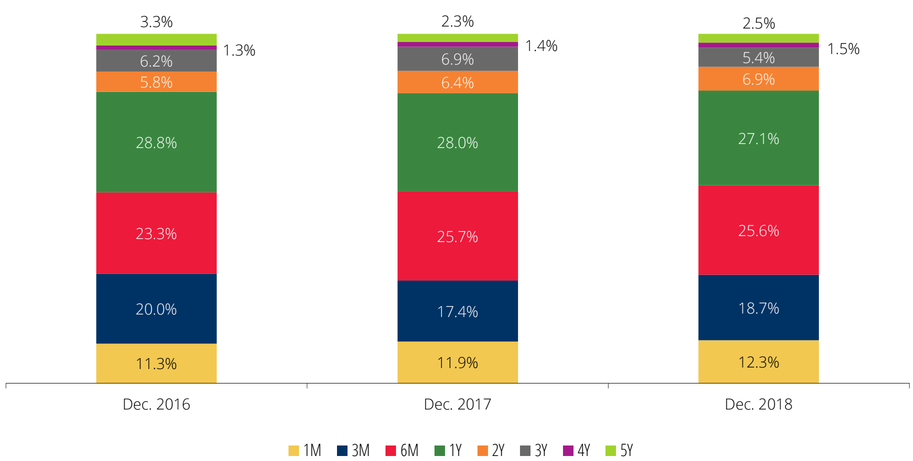
> More than half of simple time deposits had maturities of six months or one year.

Most simple time deposits for the general public (83.7%) continued to have a one-year maturity. Deposits with maturities of six months and one year remained the most common, accounting for more than half of the supply (52.7%) at the end of 2018.

The relative importance of deposits with maturities of more than three years continued to be residual. As in the previous year, in 2018, three four-year deposits (1.5% of supply) and five five-year deposits (2.5%) were marketed.

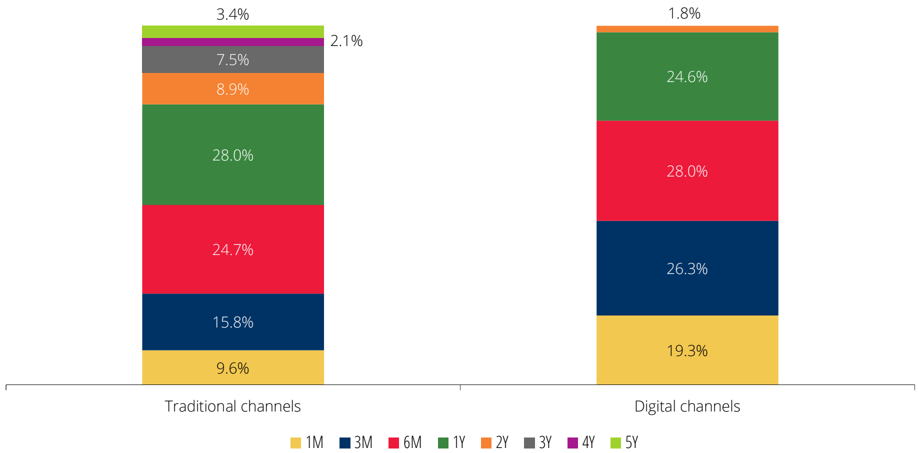
Shorter maturities were more frequent in digital channels than in traditional channels. As in the previous year, almost all deposits marketed in digital channels had a maturity of one year or less (98.2%), compared with 78.1% in traditional channels. In 2018, only one deposit marketed exclusively in digital channels for the general public had a maturity of more than one year.

Graph I.2.1 • Evolution of simple time deposits for the general public, by maturity | December 2016 to December 2018



Source: Banco de Portugal.

Graph I.2.2 • Simple time deposits for the general public, by maturity and by sales channel | December 2018



Source: Banco de Portugal.

2.2 Remuneration rates[6]

When comparing the interest rates applied by credit institutions on time deposits, it must be taken into account that, in addition to different maturities, these rates have different characteristics, in particular in terms of minimum amounts, how frequently interest is paid, conditions for early withdrawal, the possibility of capitalisation of interest, renewal or further additions to the initial amount deposited and also different marketing channels (traditional or digital). These rates may also be intended exclusively for new customers or new amounts invested with the credit institution.

Remuneration rates fell again in most maturities.

In 2018, **the average remuneration rates** of deposits continued to decline since 2012. Compared to 2017, average remuneration rates decreased in most maturities, especially in the six-month and one-year maturities (0.06 percentage points less in both cases). However, in general terms, the average rate reductions between 2017 and 2018 were less pronounced than in previous years. Deposits with a maturity of three years were the only ones to show an increase in the average gross annual nominal rate (0.02 percentage points more)[7].

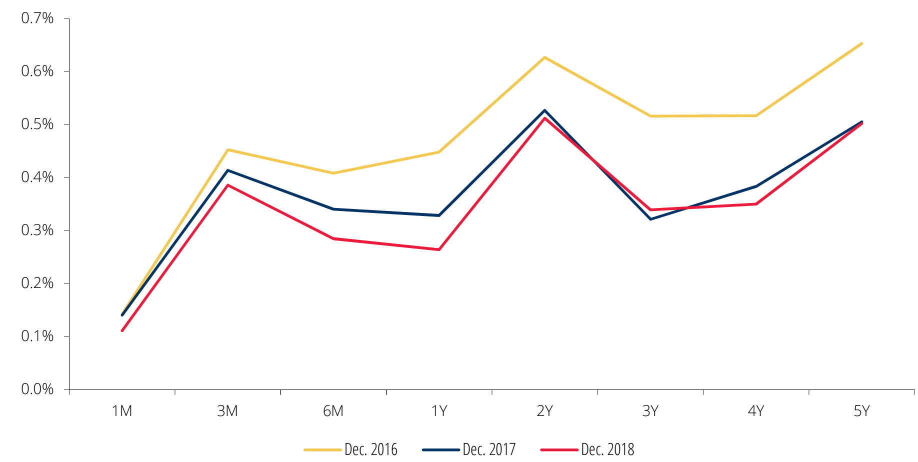
The average remuneration rates of deposits have declined in a context in which the **official interest rates on the interbank market** increased slightly. Compared to the end of 2017, these official rates went up in all maturities, notably the 12-month Euribor rate increase (plus 0.06 percentage points between December 2017 and December 2018). However, by the end of 2018, official interbank market rates remained negative in all maturities, except for the four-year and five-year maturities.

6. When comparing remuneration rates, the gross annual nominal rate, or the average gross annual nominal rate in the case of deposits with more than one gross annual nominal rate, shall be used. The average gross annual nominal rate corresponds to the average of the different gross annual nominal rates applicable over the term of the deposit, weighted by their respective maturities. In the auction offer, where the rate may assume a value within a given range, the highest rate was considered.

7. This slight increase is mainly due to the cessation of the sale of three deposits in this maturity, which had relatively lower rates.

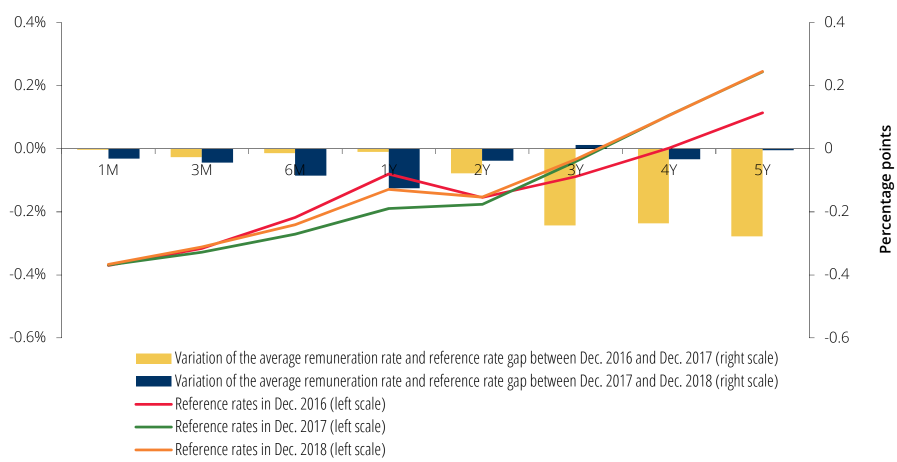
Average interest rates continued to be higher than the interbank reference rates in all maturities[8]. However, at the end of 2018, there was a reduction in the **difference** between the average interest rate and the reference rate in all maturities except the three-year maturity, compared to the end of 2017. The largest reduction occurred in the one-year maturity (0.13 percentage points less).

Graph I.2.3 • Evolution of average remuneration rates of simple time deposits for the general public, by maturity | December 2016 to December 2018



Source: Banco de Portugal.

Graph I.2.4 • Evolution of the difference between the average remuneration rates of simple time deposits for the general public and reference rates | December 2016 to December 2018



Source: Banco de Portugal.

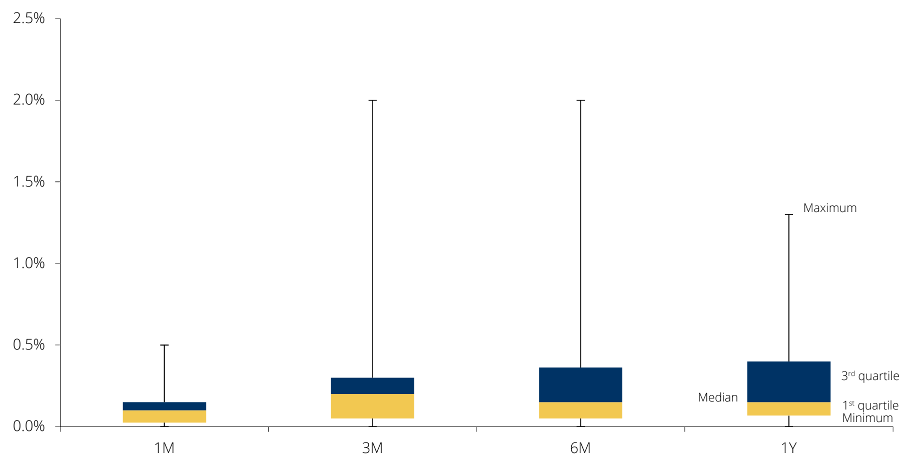
8. It is recalled that pursuant to Article 3 of Banco de Portugal Notice 6/2009, the remuneration rate on deposits cannot be negative.

At the end of 2018, the **median remuneration rate** was 0.2% in the three-month maturity, 0.15% in the six-month and one-year maturities and 0.10% in the one-month maturity. Median remuneration rates decreased in all maturities (0.05 percentage points less), except in the three-month maturity in which the value remained unchanged.

The three-month and six-month maturities were the ones with widest range of rates, with a minimum rate of zero and maximum rate of 2%. In contrast, as in the previous year, in maturities of up to one year, the one-month maturity had the shortest range, with rates varying between 0% and 0.5%.

The highest remuneration rates of 2% were applied in five deposits from different institutions, all intended for new customers or new amounts. Remuneration rates of zero were applied in 8.9% of deposits on the market at the end of 2018. In all institutions analysed in 2018, the number of deposits with a gross annual nominal rate of zero remained unchanged in comparison with the previous year.

Graph I.2.5 • Distribution of the remuneration rates of simple time deposits for the general public, by maturity (up to one year) | December 2018



Source: Banco de Portugal.

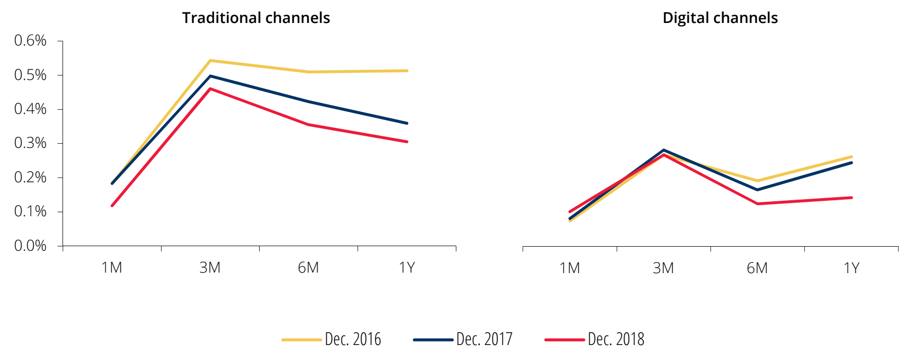
Average interest rates in traditional channels were higher than in digital channels, but the gap narrowed in most maturities.

The **average interest rate** of deposits marketed in traditional channels was higher than that of deposits available exclusively in digital channels, in all maturities. In 2018, this differential ranged from 0.02 percentage points in the one-month maturity to 0.23 percentage points in the six-month maturity. These differentials were less pronounced than in 2017, except in the one-year maturity.

The **median remuneration rates** ranged from 0.13% to 0.23% in traditional channels and from 0.05% to 0.1% in digital channels. In traditional channels, the three- and six-month maturities showed a greater dispersion of rates, with a minimum interest rate of zero and a maximum rate of 2%. In the digital channel, the greatest dispersion of rates occurred in the three-month maturity, also with a minimum interest rate of zero and a maximum rate of 2%.

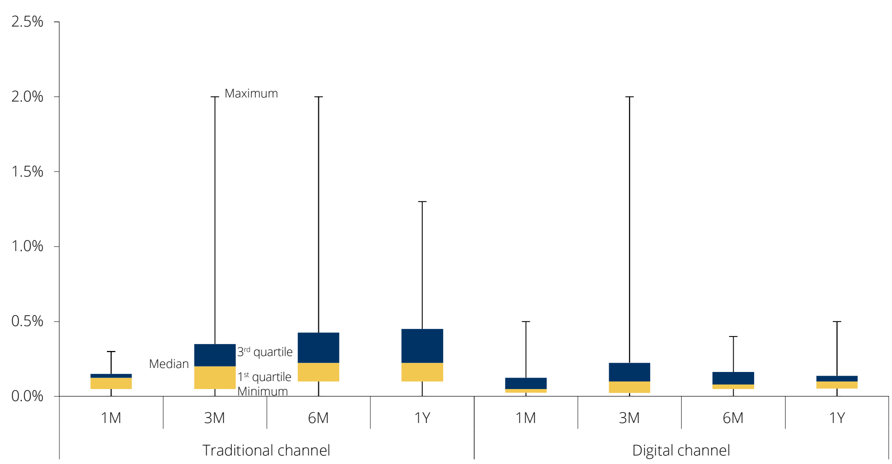
The median gross annual nominal rates were higher in traditional channels than in digital channels in all maturities. However, maximum gross annual nominal rates were only higher in traditional channels in the six-month and one-year maturities compared to digital channels. The minimum interest rates were zero in both marketing channels in maturities up to one-year. Deposits with gross annual nominal rates of zero continued to be more common in digital channels (14%), compared to traditional channels (6.8%).

Graph I.2.6 • Evolution of average remuneration rates, by maturity (up to one year) and by channel | December 2016 to December 2018



Source: Banco de Portugal

Graph I.2.7 • Distribution of the remuneration rates of simple time deposits for the general public, by maturity (up to one year), by channel | December 2018



Source: Banco de Portugal.

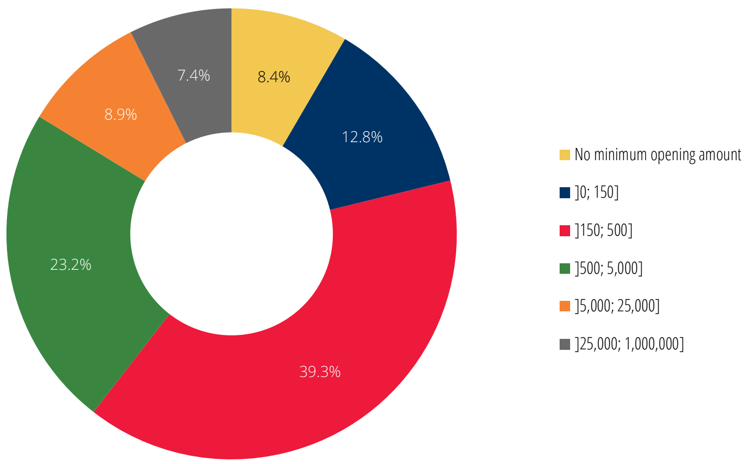
2.3 Other characteristics

In addition to different maturities and remuneration rates, simple time deposits for the general public are distinguished by other features, including minimum opening amounts, conditions for early withdrawal, frequency of interest payment, further additions to the initial amount deposited and renewal. In deposits marketed in 2018, these characteristics were similar to those of the previous year.

About one fifth of the deposits had minimum opening amounts of up to EUR 150.

At the end of 2018, **minimum opening amounts** of EUR 500 or less continued to be the most frequent, representing 60.5% of deposits on the market. About one fifth of the deposits had minimum amounts of EUR 150 or less, of which 17 deposits did not impose any minimum amount. These deposits were distributed over all terms under analysis.

Graph I.2.8 • Minimum opening amounts of simple time deposits for the general public | December 2018



Source: Banco de Portugal.

Most deposits did not pose any liquidity risk to the customer.

Most time deposits on the market at the end of 2018 (91.1%) allowed the **early withdrawal** of funds, presenting no liquidity risks to the customer. Total or partial early withdrawal of amounts was permitted in 78.8% of deposits, while 12.3% of deposits allowed only total early withdrawal.

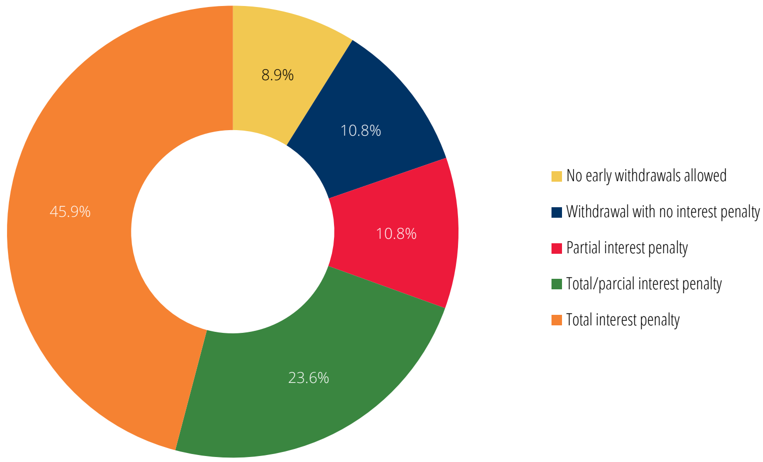
Of the 18 deposits that did not allow early withdrawal, five had early interest payments and reduced maturities (three and six months). The average interest rate on deposits that did not allow early withdrawal was higher than the average of other deposits for the general public (plus 0.21 percentage points).

Almost half of the deposits marketed at the end of 2018 had a total interest penalty in case of early withdrawal. About a quarter of the deposits had a total or partial penalty[9] depending on the time elapsed between the opening of the deposit and early withdrawal.

9. Deposits with total/ partial penalty penalize interest in full or in part, depending on the time elapsed between the opening of the deposit/payment of interest and early withdrawal, while deposits with total penalty penalize interest in full, regardless of the time elapsing between the opening of the deposit/payment of interest and withdrawal.

Deposits that penalized interest only partially in the event of early withdrawal represented 10.8% of deposits for the general public. In 2018, deposits that are withdrawable on demand without an interest penalty were still being marketed (10.8% of the supply), including 18 where the remuneration rate was zero.

Graph I.2.9 • Conditions for early withdrawal of simple time deposits for the general public | December 2018



Source: Banco de Portugal.

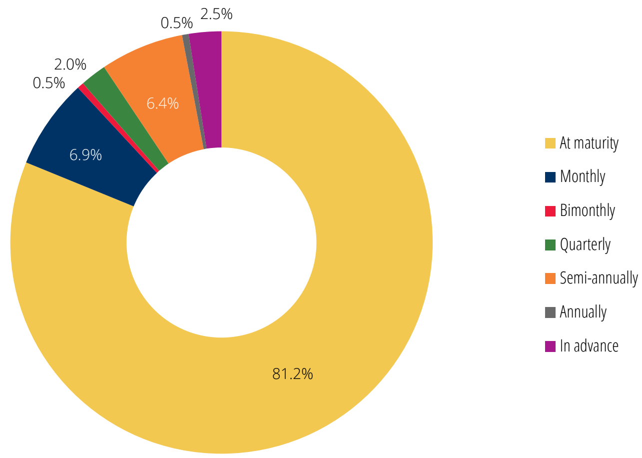
Most deposits paid interest at maturity.

The **payment of interest** only at maturity remained predominant, representing 81.2% of deposits. This type of interest payment was more frequent in deposits with maturities of up to one year (84.7% of the supply in these maturities) than in deposits with maturities of more than one year (63.6%).

Deposits with interim interest payments represented 16.3% of deposits on the market at the end of 2018. Monthly and semi-annual interest payments continued to stand out, accounting for 13.3% of total deposits for the general public. Deposits with monthly interest payments were mainly concentrated in six-month and one-year maturities, while semi-annual deposits were associated with longer maturities (one year, two years, three years and five years).

At the end of 2018, there were five deposits on the market that paid interest in advance (2.5% of supply). These deposits had short terms (four were marketed with a three-month maturity and one with a six-month maturity). Deposits that paid interest in advance paid, on average, a higher interest rate than the remaining simple time deposits for the general public (0.68 percentage points more). However, these deposits have a higher liquidity risk for customers, since early withdrawal of the amounts applied is not allowed.

Graph I.2.10 • Interest payment frequency | December 2018

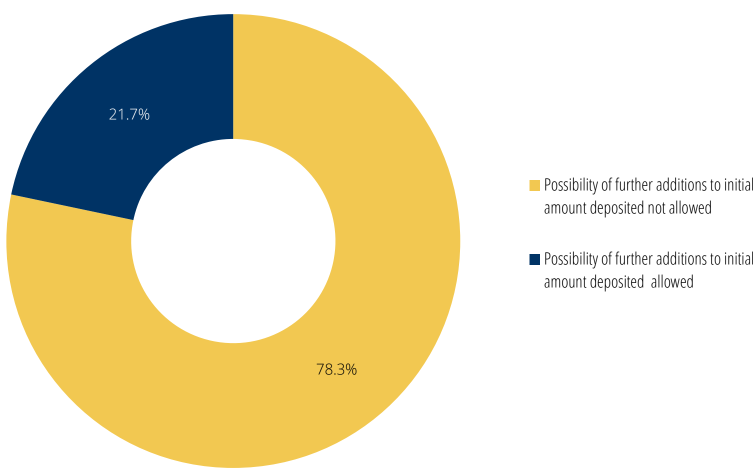


Source: Banco de Portugal.

The possibility of further additions to the initial amount deposited was more frequent in longer-term deposits.

In 2018, 21.7% of simple time deposits allowed **further additions to the initial amounts** applied, with this possibility being more frequent in deposits with a maturity of more than one year. In that year, 30.3% of deposits with a longer maturity allowed for this possibility, compared with 20% for deposits with maturities of up to one year. Of the deposits that allowed additions to the initial amounts applied, 36.4% did not require a minimum amount, a percentage similar to that of 2017. All deposits that allowed additions to the initial amount deposited made it possible to withdraw funds in advance.

Graph I.2.11 • Possibility of further additions to the initial amount deposited of simple time deposits for the general public | December 2018



Source: Banco de Portugal.

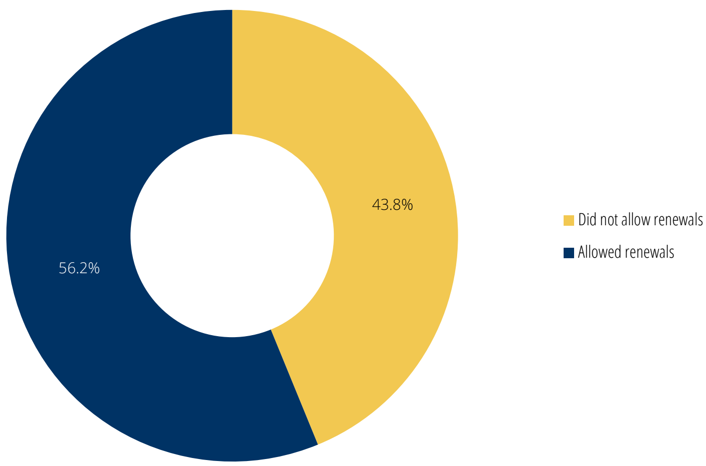
The possibility of renewal was more frequent in deposits with shorter terms.

At the end of 2018, most simple time deposits (56.2%) allowed for **renewal**[10]. This possibility was more frequent for deposits with shorter maturities: almost 60% of deposits with a maturity of up to one year allowed for renewal, while for deposits with maturities of more than one year this proportion was 45.5%.

Of the 114 deposits that at the end of 2018 allowed for renewal, the majority (95.6%) renewed for a period equal to their initial term. In contrast, four deposits with a maturity of one year or more renewed for a shorter period than their initial maturity (three for six months and one for one month) and a three-month deposit renewed for a period longer than its initial term (for one year).

At the end of 2018, almost all simple deposits for the general public that allowed for renewal could be withdrawn in advance (96.5%). Of these deposits, almost half (49%) imposed a total interest penalty in case of early withdrawal.

Graph I.2.12 • Possibility of renewal of simple time deposits for the general public | December 2018



Source: Banco de Portugal.

Deposits marketed on digital channels were more flexible in terms of minimum opening amounts, possibility of early withdrawal and renewal.

Deposits for the general public marketed in digital channels were more flexible than those in traditional channels with regards to minimum opening amounts, early withdrawal and possibility of renewal. In contrast, deposits marketed in traditional channels paid interim interest and made it possible to increase the initial amounts deposited more often.

10. Renewal may be automatic or require the express will of the customer. At the end of 2018, there were still a minority of deposits that imposed time limits on renewals, i.e. deposits that renewed for a limited period of time, after which the deposit was terminated.

At the end of 2018, deposits marketed in digital channels had lower **minimum deposit amounts** than deposits marketed in traditional channels. The proportion of deposits with lower minimum constitution amounts (EUR 500 or less) was 73.7% in digital channels, compared with 55.5% in traditional channels. However, deposits with no minimum opening amount were more frequent in traditional channels than in digital channels (11%, compared with 1.8%).

Total or partial early **withdrawal** was more frequent in deposits marketed in digital channels (96.5%) than in deposits marketed in traditional channels (89%). Withdrawable deposits with no interest penalty were also more frequent in digital channels (17.5%) than in traditional channels (8.2%). In contrast, about 66.7% of deposits marketed in digital channels had a total interest penalty, in comparison to 37.6% in traditional channels.

Interest payments at maturity were more frequent in deposits marketed exclusively in digital channels than in deposits marketed in traditional channels (92.9% in digital channels, compared with 76.8% in traditional channels). Of the deposits that paid interest in advance in 2018, only one was marketed exclusively in digital channels.

At the end of 2018, the possibility of **further additions to the initial amounts** deposited was more frequent in traditional channels (23.3% of deposits marketed in these channels) than in digital channels (17.5% of deposits). All deposits marketed in digital channels that allowed increases to the initial amounts deposited required a minimum amount for this possibility, whereas in traditional channels deposits with this requirement represented 52.9% of the deposits that allowed further additions to the initial amount deposited.

Finally, the possibility of deposit **renewal** was more frequent in digital channels (68.4%) than in traditional channels (51.4%). All deposits that could be renewed being marketed in digital channels at the end of 2018 allowed the early withdrawal of the amounts applied, ten of which without penalty of accrued interest (eight of them with zero interest-rates). In contrast, of the deposits with the possibility of renewal being marketed in traditional channels, four did not allow the early withdrawal of the amounts invested.

Table I.2.1 • Comparison of the main characteristics of simple time deposits marketed in digital channels and in traditional channels

	Traditional channels			Digital channels		
	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2016	Dec. 2017	Dec. 2018
Minimum opening amount equal to or less than EUR 500	53.7%	57.6%	55.5%	66.7%	74.2%	73.7%
Possibility of early withdrawal	91.0%	91.0%	89.0%	96.8%	95.2%	96.5%
Payment of interest only at maturity	73.4%	71.8%	76.8%	95.2%	92.0%	92.9%
Possibility of further additions to initial amount deposited	26.0%	23.1%	23.3%	12.7%	14.5%	17.5%
Possibility of renewal	50.8%	53.2%	51.4%	54.0%	53.2%	68.4%

Source: Banco de Portugal.

2.4 Simple time deposits for new customers and new amounts

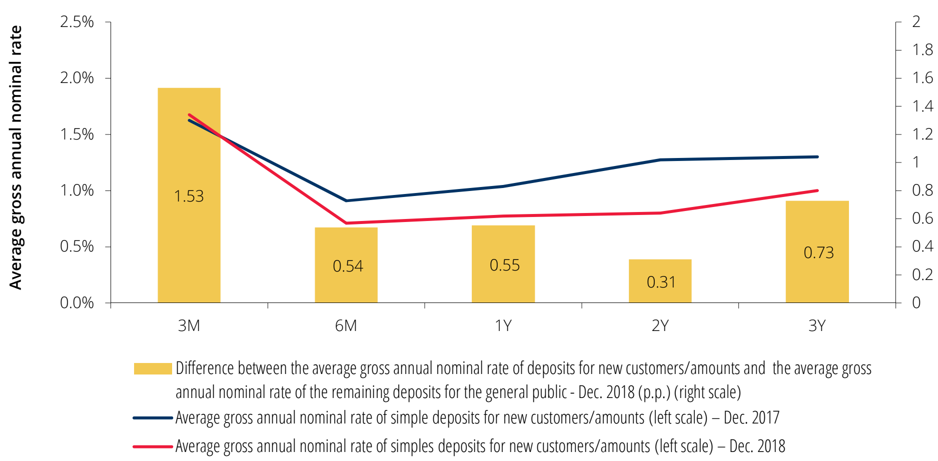
Simple time deposits for new customers and new amounts are deposits that are designed to attract customers and funds by credit institutions. Therefore, they generally have a higher interest rate than the remaining supply[11].

At the end of 2018, ten institutions marketed 23 deposits for new customers and new amounts, one deposit less than at the end of 2017. Reduced **maturities** were the most frequent, corresponding to 91.3% of supply (six deposits with a three-month maturity, eleven deposits with a six-month maturity and four deposits with a one-year maturity). Two deposits with a maturity of more than one year were also marketed (one with a two-year maturity and one with a three-year maturity).

> In 2018, remuneration rates of deposits for new customers remained higher than for the remaining supply, but the difference narrowed in relation to 2017.

The **average remuneration rates** of these deposits decreased from the previous year in all maturities, except for the three-month maturity. However, deposits focused on new customers or new amounts continued to have higher average remuneration rates than the remaining supply within the maturities analysed. At the end of 2018, this difference ranged from 1.53 percentage points in the three-month maturity to 0.31 percentage points in the two-year maturity. The difference in 2018 was less pronounced than in 2017 in all maturities except in the three-month maturity.

Graph I.2.13 • Evolution of the average remuneration rates of deposits exclusively targeted at new customers and new amounts and of the difference with respect to the rest of the supply of simple time deposits for the general public, by maturity | December 2017 and December 2018



Source: Banco de Portugal.

11. Some of these deposits also foresee the contracting of other products from the institution (associated sales).

Of the 23 deposits directed at new customers or new amounts on the market at the end of 2018, 20 allowed the early **withdrawal** of funds and of these more than half (55%) anticipated a total interest penalty in case of withdrawal (11 deposits).

Most deposits for new customers or new amounts **paid interest** only at maturity (87%, compared with 79.2% in 2017). There were also three deposits with the payment of interest in advance, which corresponded to the deposits that did not allow early withdrawal.

None of these deposits allowed **renewals**, as they were intended for a specific period of time to attract new customers or to strengthen the banking relationship. None of these deposits allowed customers to **increase the amounts applied**, as in previous years.

Deposits for new customers or new amounts often have relatively demanding **minimum opening amounts**. At the end of 2018, all deposits had minimum opening amounts of EUR 500 or more, as in previous years, and nine had minimum opening amounts of EUR 10,000 or more. In contrast, all deposits for new customers or new amounts also had **maximum opening amounts**. Of the 23 deposits marketed in 2018, the lowest maximum opening amount was EUR 10,000 and four deposits had a maximum amount of EUR 500,000.

Of the deposits for new customers or new amounts, three were marketed **exclusively in digital channels**, two of them by the same institution. These three deposits had a maturity of six months or less and minimum amounts of between EUR 1,000 and EUR 10,000. All also had maximum opening amounts between EUR 10,000 and EUR 100,000. Of these deposits, two paid interest at maturity and one paid interest in advance. The average gross annual nominal rate of deposits for new customers/amounts marketed exclusively in digital channels was similar to that for the remaining deposits for new customers/amounts.

3 Simple time deposits with special conditions

Simple time deposits with special conditions are for groups of customers with certain characteristics or for a particular purpose. Access conditions may relate to criteria such as age, residence (emigrants), gender, possession of other banking products, compliance with binding conditions (i.e. optional associated sales) or specific purposes (e.g. retirement, housing, condos).

Some of these deposits fall under specific legal regimes, such as housing savings, retirement savings or condominium savings. Other deposits fall under the credit institution's commercial policy[12].

12. There are deposits with more than one special condition. For the purposes of this analysis, only one of the possible categories was considered for each deposit.

Table I.3.1 • Types of time deposits with special conditions

Young people	For young customers who, depending on the institution's commercial policy, may be up to the age of 30.
Emigrants	For customers of Portuguese nationality residing abroad.
Associated sales	For customers who have other financial products or services at the same credit institution, who meet other binding conditions (for example, salary/pension paid into the current account, digital statement, debit card, credit card, securities portfolio) or who are under protocols.
Retirees (specific regime)	Addressed to natural persons in retirement and whose monthly pension amount does not exceed, at the time the deposit is made, the amount equivalent to three times the national minimum wage. These deposits are covered by a special interest tax exemption scheme of an invested amount that does not exceed an amount defined annually in the State Budget (Decree-Law No. 138/86 of 14 June).
Seniors (commercial policy)	Addressed to customers over the age of 55, made available under the credit institution's commercial policy (i.e. not covered by a specific legal regime).
Housing	Aimed at building up savings for the acquisition, construction, renovation, improvement or extension of a building or apartments for permanent owner-occupied housing or residential leased property, as well as extraordinary loan repayments. The use of funds from these accounts leads to reductions in the costs of notarial acts and land registration relating to the acquisition of permanent owner-occupied housing (Decree-Law No. 27/2001 of 3 February).
Condos	Intended exclusively for setting up a reserve fund for ordinary conservation, extraordinary conservation and improvement works, in the common parts of buildings under horizontal ownership. These deposits can only be handled by the condominium administrators or by the joint owners authorised at a meeting for this purpose (Decree-Law No. 269/94 of 25 October).
Other categories	For specific groups (for example, women or deposits that can only be subscribed on the customer's birthday).

Source: Banco de Portugal.

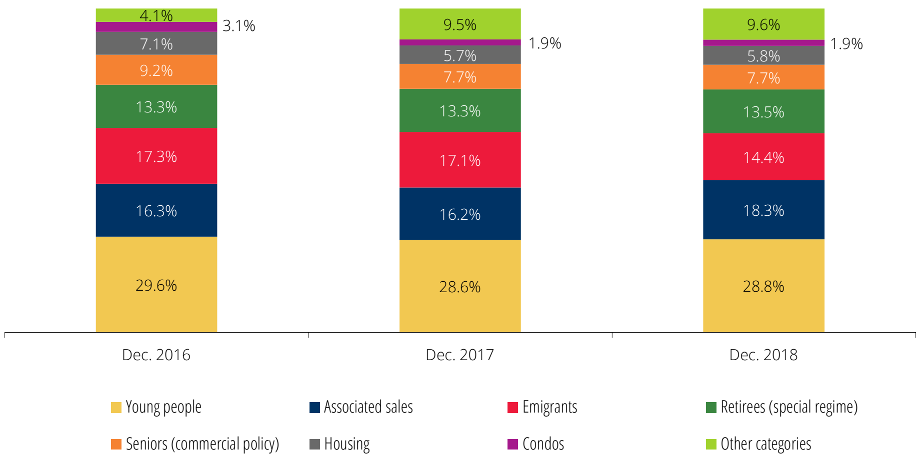
At the end of 2018, 104 time deposits with special conditions were being marketed by 13 credit institutions, representing 33.9% of total simple time deposits. Compared to the end of 2017, the number of deposits on the market remained constant in all categories, with the exception of deposits for emigrants (three deposits less) and deposits with optional associated sales (two more deposits).

Deposits for young people were the category with the highest relative weight, accounting for 28.8% of deposits with special conditions. Deposits intended for customers who had other financial products or services at the same credit institution or met other binding conditions (optional associated sales) accounted for 18.3% of deposits with special terms. These were followed by deposits for emigrants (14.4%) and deposits for retirees and seniors who accounted for 13.5% and 7.7%, respectively, of the supply of deposits with special conditions. Deposits for housing purposes (5.8%) or condominiums (1.9%) were less representative. Deposits intended for other categories represented 9.6% of deposits with special conditions for sale at the end of 2018.

At the end of 2018, there were fourteen deposits for retirees and eight deposits for the senior public on the market. Compared to deposits for the general public, deposits for retirees and seniors had shorter maturities and enabled early withdrawal, further additions to the initial amount deposited and renewal more often. In deposits for retirees, the minimum opening amounts were less demanding than in deposits for the general public, but in deposits for senior customers these minimum amounts were higher.

Of the deposits with special conditions, four were provided exclusively in the digital channels of four institutions, similar to 2017. One deposit was directed at young people and the remaining three were associated with the contracting of other products with the institution or with the fulfilment of other binding conditions (optional associated sales).

Graph I.3.1 • Evolution of simple time deposits with special conditions | December 2016 to December 2018



Source: Banco de Portugal.

3.1 Deposits for young people

Deposits for young people are aimed at young people up to the age of 30 or university students. At the end of 2018, 30 deposits for young people were being marketed by nine credit institutions, corresponding to 28.8% of deposits with special conditions. Compared to 2017, in 2018 the number of simple time deposits for young people remained unchanged.

At the end of 2018, most deposits directed at young people (83.3%) had **maturities** of one year or less and a **minimum opening amount** of EUR 500 or less, in line with the previous year.

In 2018, deposits for young people became more flexible in terms of early withdrawal and the possibility of capital renewal and reinforcement.

All deposits for young people marketed in 2018 allowed **early withdrawal** of funds, compared with 90% in 2017. Almost all deposits (93.3%) had total or total/partial penalties for accrued interest in case of early withdrawal. Most of these deposits **paid interest** at maturity, although this frequency of interest payment diminished (73.3% in 2018, compared with 80% in 2017). Compared to 2017, in 2018 deposits for young people became more flexible with regard to the possibility of **renewal** and **further additions to the initial amounts invested**. Almost all of them provided the possibility of further additions to the initial amounts applied (96.7%, compared with 83.3% in 2017) and had the option of deposit renewal (96.7%, compared to 86.7% in the previous year).

In relation to deposits for the general public, deposits for young people marketed at the end of 2018 had lower minimum opening amounts, since these deposits are intended to promote savings of younger customers. These deposits also had more flexibility in terms of further additions to the initial amount, renewal and early withdrawal than deposits for the general public. Interim interest payments were also more frequent in deposits for young people compared to deposits for the general public.

At the end of 2018, about 77% of deposits for young people had a lower **remuneration rate** than the average gross annual nominal rate of deposits for the general public, for the same maturity, proportion which is identical to the one of the previous year. However, only one deposit had a gross annual nominal rate of zero (compared to 8.9% in the general public).

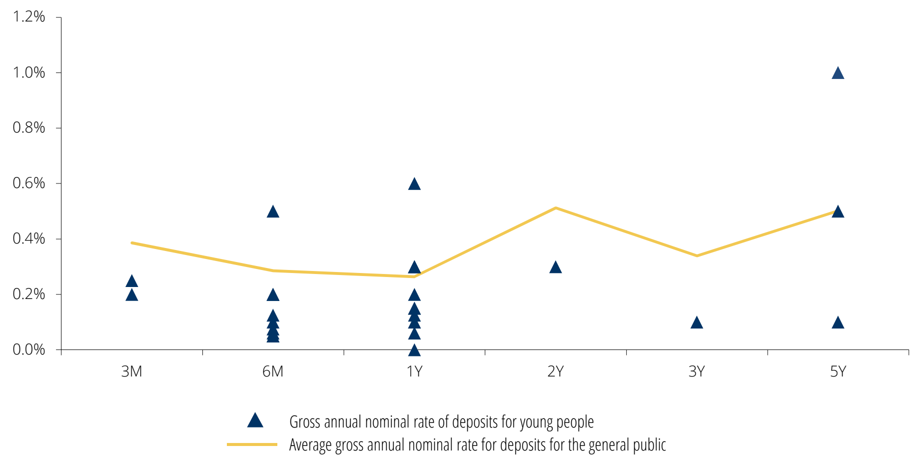
As in 2017, only one deposit for young people was marketed exclusively in digital channels. This deposit had a reduced maturity (three months), a low minimum amount (EUR 250) and enabled early withdrawal, the possibility of further additions to the initial amounts applied and renewal. The gross annual nominal rate of this deposit was 0.25%.

Table I.3.2 • Comparison of the main characteristics of deposits for young people and of deposits for the general public | December 2018

	Deposits for young people		Deposits for the general public
	Dec. 2017	Dec. 2018	Dec. 2018
Maturity of one year or less	90.0%	83.3%	83.7%
Minimum opening amount of EUR 500 or less	86.7%	83.3%	60.5%
Possibility of early withdrawal	90.0%	100.0%	91.1%
Payment of interest only at maturity	80.0%	73.3%	81.2%
Possibility of further additions to the initial amount deposited	83.3%	96.7%	21.7%
Possibility of renewal	86.7%	96.7%	56.2%

Source: Banco de Portugal.

Graph I.3.2 • Comparison of remuneration rates of deposits for young people and of deposits for the general public, by maturity | December 2018



Source: Banco de Portugal.

3.2 Deposits with optional associated sales

Time deposits with special conditions related to optional associated sales are intended for customers who hold other financial products and services marketed by the credit institution or fulfil certain binding conditions, such as the payment of salary or pension into the current account, digital statement, insurance, mortgage, debit card or credit card. At the end of 2018, nineteen deposits with optional associated sales were being marketed by nine credit institutions (two more deposits than in 2017), corresponding to 18.3% of total deposits with special conditions.

The **maturities** of these deposits are relatively short. At the end of 2018, 89.5% of deposits with optional associated sales had maturities of one year or less, compared with 88.2% in 2017. As in the previous year, only two deposits with longer maturities were marketed (one with a two-year maturity and another with a three-year maturity).

> In 2018, lower minimum opening amounts became more frequent in deposits with optional associated sales.

Deposits related to optional associated sales on the market at the end of 2018 had less demanding **minimum opening amounts** than in 2017. More than half of the deposits related to optional associated sales (52.6%) had minimum constitutions amounts of EUR 500 or less at the end of 2018, compared with 41.2% in 2017. All deposits allowed the **early withdrawal** of the amounts invested, as in the previous year.

The proportion of these deposits that **pay interest** only at maturity also increased at the end of 2018 to 78.9% (76.5% in 2017). In contrast, the proportion of deposits with optional associated sales that enabled **further additions to the initial amount** deposited dropped (from 41.2% in 2017 to 36.8% in 2018) as well as the proportion allowing **renewal** (from 64.7% in 2017 to 57.9% in 2018).

Compared with deposits for the general public, deposits related to optional associated sales had shorter maturities and more stringent minimum opening amounts. These deposits were also more flexible than deposits for the general public as regards the possibility of additions to the initial amount deposited and renewals, and offered the payment of interim interest more frequently.

At the end of 2018, 42.1% of deposits with optional associated sales had a **gross annual nominal rate** higher than the average remuneration rate of deposits for the general public for the same term (41.2% at the end of 2017).

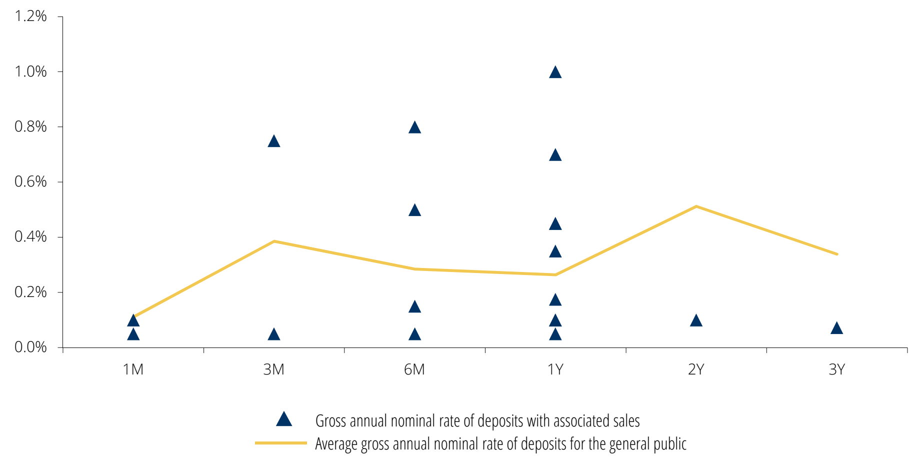
As in 2017, of the deposits with optional associated sales on the market at the end of 2018, three were marketed exclusively in digital channels, two with a reduced maturity (three months or less) and one with a two-year maturity. Of these deposits, all required a minimum opening amount of between EUR 25 and EUR 5,000 and only one allowed additions to the initial amount deposited. All deposits with optional associated sales marketed exclusively in digital channels paid interest at maturity and earned a rate of 0.75% or less.

Table I.3.3 • Comparison of the main characteristics of deposits with associated sales and of deposits for the general public | December 2018

	Deposits with associated sales		Deposits for the general public
	Dec. 2017	Dec. 2018	Dec. 2018
Maturity of one year or less	88.2%	89.5%	83.7%
Minimum opening amount of EUR 500 or less	41.2%	52.6%	60.5%
Possibility of early withdrawal	100.0%	100.0%	91.1%
Payment of interest only at maturity	76.5%	78.9%	81.2%
Possibility of further additions to the initial amount deposited	41.2%	36.8%	21.7%
Possibility of renewal	64.7%	57.9%	56.2%

Source: Banco de Portugal.

Graph I.3.3 • Comparison of the remuneration rates of deposits with associated sales and of deposits for the general public, by maturity | December 2018



Source: Banco de Portugal.

3.3 Deposits for emigrants

Deposits for emigrants are exclusively for Portuguese citizens residing abroad. At the end of 2018, fifteen deposits for emigrants were being marketed by four credit institutions (three deposits less than at the end of 2017). Deposits marketed exclusively to emigrants represented 14.4% of total deposits with special conditions at the end of 2018.

In 2018, deposits for emigrants had shorter maturities and lower minimum opening amounts.

At the end of 2018, almost all deposits for emigrants had short **maturities** (one year or less), and the importance of these maturities increased compared to 2017 (from 77.8% to 86.7%). Of the fifteen deposits intended for emigrants, only two had a maturity of more than one year (one with a three-year maturity and one with a five-year maturity).

At the end of 2018, deposits intended for emigrants had less demanding **minimum opening amounts** compared to 2017. Most of these deposits (93.3%) had a minimum constitution amount of EUR 500 or less (compared to 77.8% in 2017).

Most deposits for emigrants marketed at the end of 2018 (86.7%) allowed **early withdrawal** of the amounts, slightly less than the previous year (88.9%). However, two deposits with maturities of three years and five years, with a semi-annual payment of interest and remuneration rates above the average of the remaining deposits for emigrants and which did not allow the early withdrawal of funds, continued to be marketed.

The **payment of interest** at maturity continued to prevail in deposits for emigrants (60%) and this type of interest payment gained importance over the previous year (55.6%). All deposits intended for emigrants allowed renewals, but only three allowed **further additions to the initial amount deposited**, in line with what happened in 2017.

Compared with deposits for the general public, deposits intended for emigrants had shorter maturities and less demanding minimum amounts. The possibility of renewal and the payment of interim interest were also more frequent in deposits for emigrants than in deposits for the general public. In contrast, the possibility of early withdrawal was less frequent in this category of deposits.

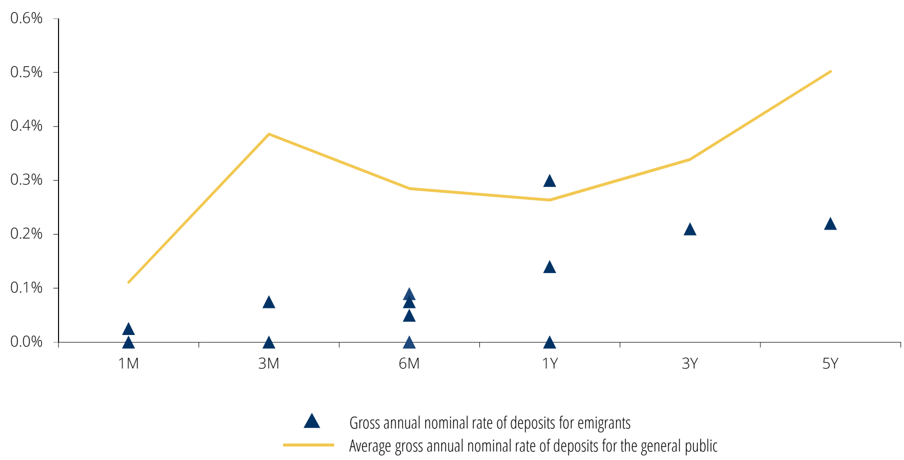
As in previous years, only one deposit for emigrants had a gross **annual nominal rate** higher than the average remuneration rate for the general public, for the same maturity.

Table I.3.4 • Comparison of the main characteristics of deposits for emigrants and of deposits for the general public | December 2018

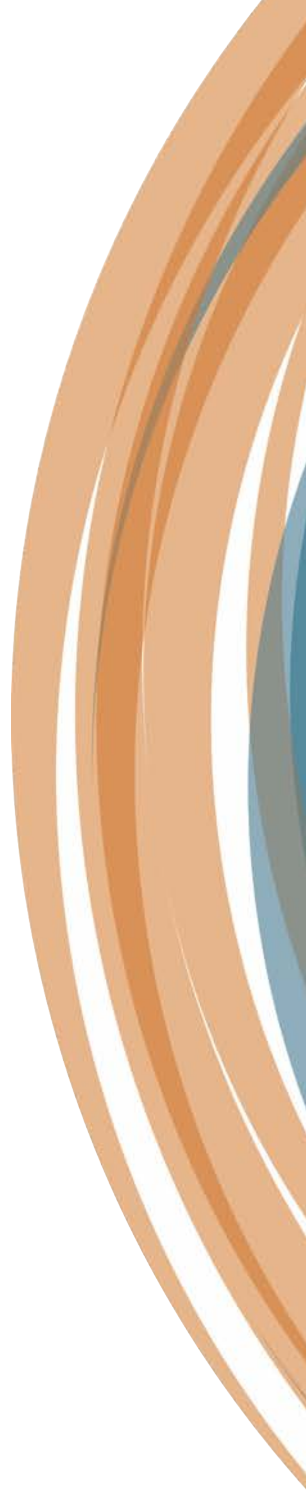
	Deposits for emigrants		Deposits for the general public
	Dec. 2017	Dec. 2018	Dec. 2018
Maturity of one year or less	77.8%	86.7%	83.7%
Minimum opening amount of EUR 500 or less	77.8%	93.3%	60.5%
Possibility of early withdrawal	88.9%	86.7%	91.1%
Payment of interest only at maturity	55.6%	60.0%	81.2%
Possibility of further additions to the initial amount deposited	22.2%	20.0%	21.7%
Possibility of renewal	100.0%	100.0%	56.2%

Source: Banco de Portugal.

Graph I.3.4 • Comparison of the remuneration rates of deposits for emigrants and of deposits for the general public, by maturity | December 2018



Source: Banco de Portugal.



II Structured deposits

1 Market developments

2 Structured deposits marketed

3 Remuneration of matured structured deposits

1 Market developments

Structured deposits[1] are time deposits whose remuneration depends wholly or partially on the evolution of financial instruments or relevant economic or financial variables (for example, shares, share indices, exchange rates, commodity prices).

In 2018, the number of structured deposits marketed and the demand for these deposits decreased.

The number of structured deposits marketed in 2018 declined sharply in comparison to the previous year, reinforcing the reduction in supply since 2016. A total of 81 structured deposits[2] were marketed in credit institutions, which corresponds to a 40.9% reduction year on year.

In 2018, EUR 1,731.3 million were applied in structured deposits by 75,249 depositors, corresponding to decreases of 13.3% and 27.1%, respectively, compared to 2017.

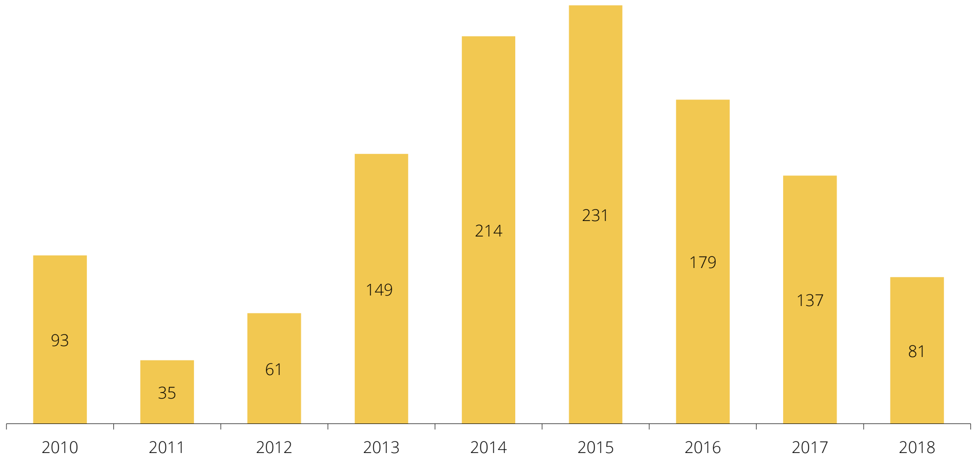
In 2018, 161 structured deposits matured, repaying EUR 3,693.5 million. Most of the matured structured deposits (65.8%) earned the expected minimum rate of return and 14.3% paid a zero rate. In 16.1% of matured structured deposits, the maximum remuneration rate foreseen in the prospectus was paid.

At the end of 2018, the total amount applied in this type of deposits was EUR 5,468.5 million, down from EUR 7,432.3 million at the end of 2017 (26.4% less). The proportion of structured deposits in the total amount applied by private bank customers in time deposits also decreased from 8.1% in 2017 to 6.1% in 2018.

1. In 2018, changes were made to the regulatory framework applicable to these deposits, which implied replacing the former designation of "indexed deposits" with "structured deposits" and the previous pre-contractual information document, the "information prospectus", with the key information document. With the entry into force of these amendments, dual deposits are no longer considered.

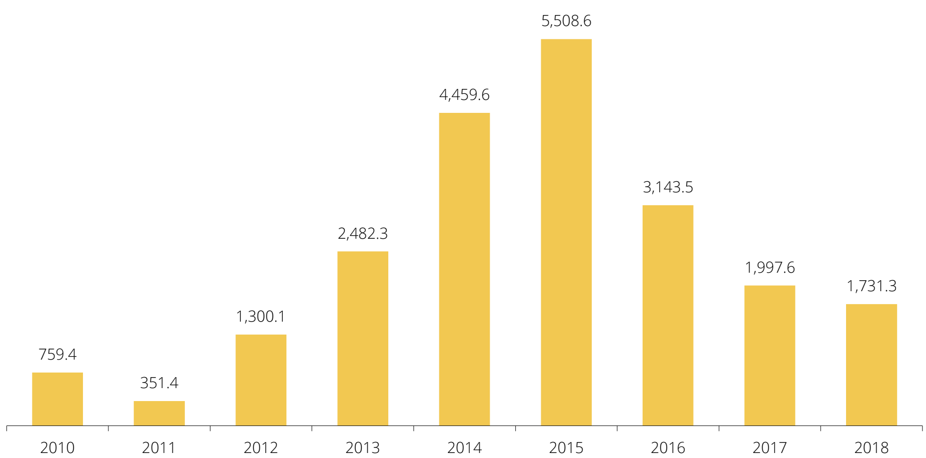
2. The supervisory role of Banco de Portugal in 2018 in relation to structured deposits is presented in the 2018 Banking Conduct Supervision Report, section II.2.2. In 2018, 91 key information documents were inspected by Banco de Portugal, a number different from the number of deposits considered in this analysis. This difference is explained by the fact that there are deposits whose key information documents are submitted to Banco de Portugal for supervisory purposes, but which are not later marketed by credit institutions, also because there are deposits marketed in 2018 whose key information documents were submitted in 2017, and because there are key information documents that were submitted in 2018 that relate to deposits to be marketed only in 2019.

Graph II.1.1 • Number of structured deposits | 2010–2018



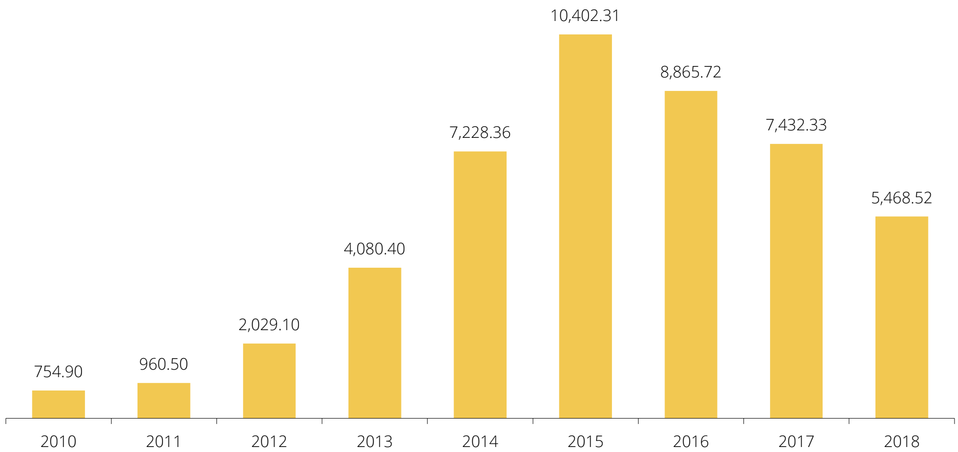
Source: Banco de Portugal.

Graph II.1.2 • Amounts applied in structured deposits | EUR million | 2010–2018



Source: Banco de Portugal.

Graph II.1.3 • Amounts applied in structured deposits at the end of the period | EUR million | 2010–2018



Source: Banco de Portugal.

2 Structured deposits marketed

The reduction in the number of structured deposits marketed in 2018 was more significant than in the previous year.

In 2018, 81 structured deposits were **marketed**. Compared to 2017, the number of structured deposits marketed decreased by 40.9%, a more significant reduction than in the previous year (23.5% less between 2016 and 2017). The decrease in the number of institutions in this market (from 11 institutions in 2017 to 8 institutions in 2018) contributed to the sharp drop in the number of structured deposits being marketed.

The number of depositors and the amount applied in structured deposits decreased in 2018.

In comparison to 2017, **demand** for structured deposits decreased in terms of number of depositors and of the amount invested in these deposits. In 2018, 75,249 depositors invested EUR 1,731.3 million in these deposits (compared with 103,256 depositors and EUR 1,997.6 million in 2017).

In 2018, the total amount applied in structured deposits decreased less significantly than the number of depositors, and the average amount applied per depositor. This amount increased from EUR 19,346 in 2017 to EUR 23,008 in 2018.

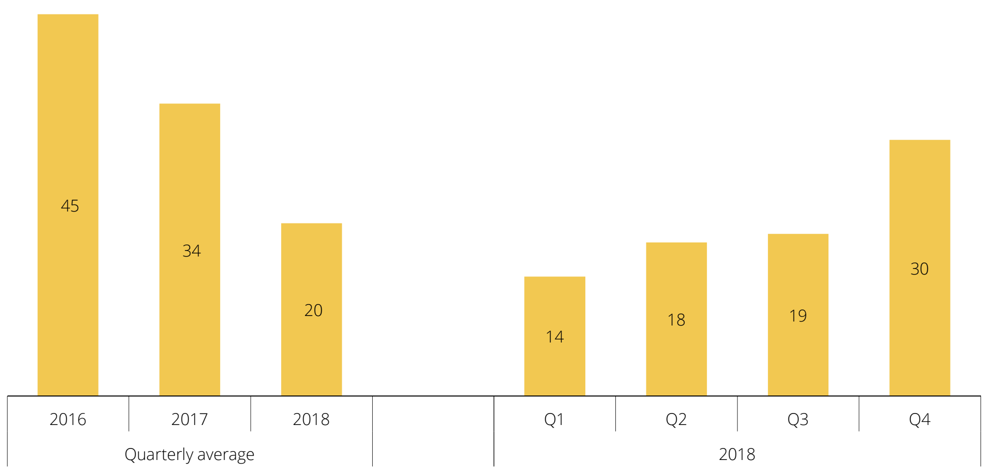
Table II.2.1 • Evolution of marketed structured deposits[(a)] | 2016–2018

	2016	2017	2018	2016–2015	2017–2016	2018–2017
Number of deposits	179	137	81	-22.5%	-23.5%	-40.9%
Amount deposited (EUR million)[(b)]	3,143.5	1,997.6	1,731.3	-42.9%	-36.5%	-13.3%
Number of depositors[(c)]	183,291	103,256	75,249	-42.5%	-43.7%	-27.1%
Average amount per depositor (euros)	17,150	19,346	23,008	-0.7%	12.8%	18.9%

Source: Banco de Portugal. | Notes: (a) Information gathered from information prospectuses and key information documents of structured deposits and from periodic reports submitted by credit institutions on amounts deposited, types of depositors and remuneration paid, in accordance with Circular Letter 21/2010/DSB, of 5 August. (b) For deposits denominated in a currency other than euro, the amounts deposited were converted into euros at the exchange rates published by the ECB at the respective dates of incorporation. (c) The number of depositors corresponds to the number of structured deposit subscriptions, where the same customer may subscribe different deposits.

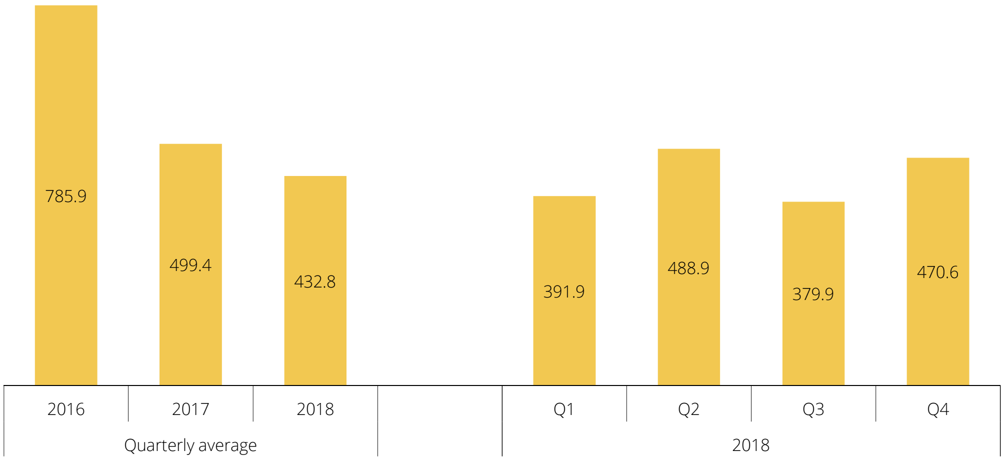
In intra-annual terms, the increase in the offer of structured deposits from the third to the fourth quarter of 2018 is highlighted (from 19 deposits to 30 deposits). The growth in demand was not similar to that of supply, with the amount applied in structured deposits reaching its highest value in the second quarter of the year (EUR 488.9 million).

Graph II.2.1 • Number of marketed structured deposits | 2016–2018



Source: Banco de Portugal.

Graph II.2.2 • Amounts deposited in structured deposits | EUR million | 2016–2018



Source: Banco de Portugal.

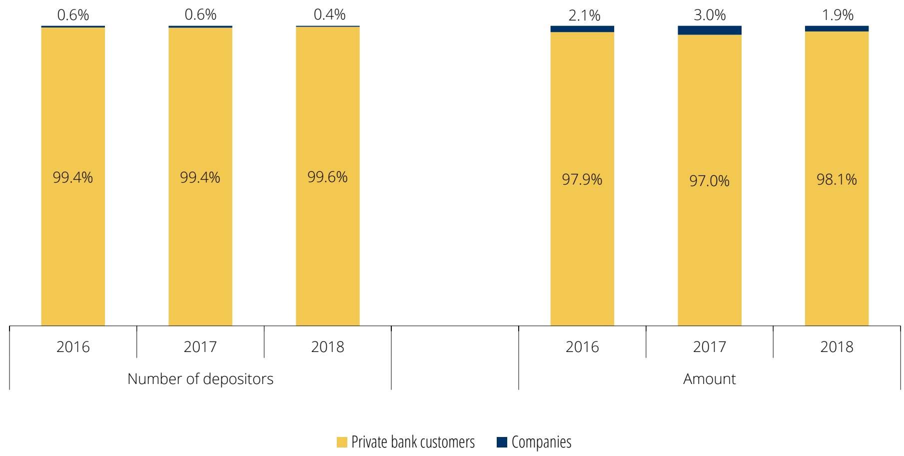
2.1 Types of depositors

Structured deposits continued to be subscribed mainly by private bank customers.

Structured deposits continued to be subscribed mainly by **private bank customers**. In 2018, only 0.4% of depositors were companies, a slightly lower proportion than that of the previous year (0.6%). In the same vein, the proportion of amounts deposited by companies decreased from 3% in 2017 to 1.9% in 2018.

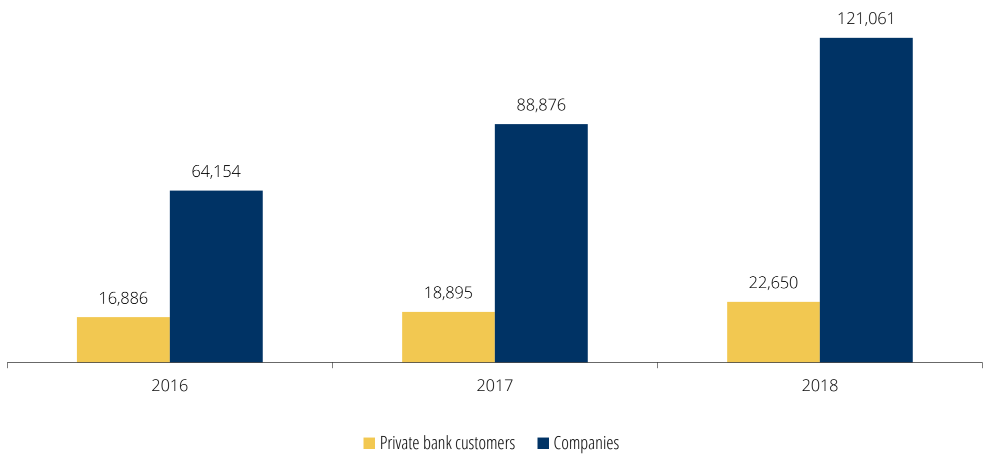
The average amount deposited increased for private bank customers and companies, but it is more marked in companies. In 2018, companies deposited an average of EUR 121,061 per structured deposit, EUR 32,185 more than in 2017. In private bank customers, the average amount deposited was EUR 22,650 in 2018, EUR 3,755 more than in 2017. Reinforcing the trend observed in recent years, in 2018 the differential between the average amount invested by companies and private bank customers increased.

Graph II.2.3 • Distribution of the number of depositors and of the amount deposited, by type of depositor | 2016–2018



Source: Banco de Portugal.

Graph II.2.4 • Average amount deposited in structured deposits, by type of depositor | Euros | 2016–2018



Source: Banco de Portugal.

2.2 Currency of denomination

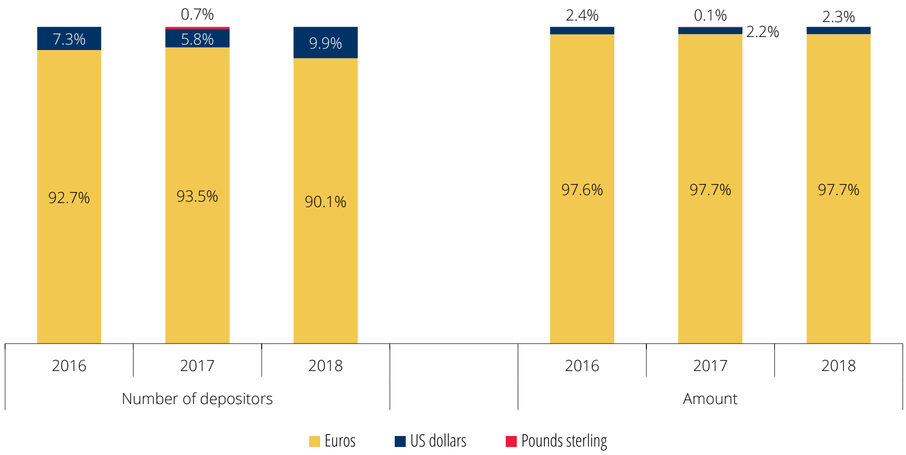
Structured deposits continued to be mainly denominated in euro.

In 2018, most of the structured deposits marketed continued to be denominated in **euro** (90.1%), although this currency lost importance in comparison to 2017 (93.5%). Of the amounts applied in structured deposits, 97.7% corresponded to deposits denominated in euro, a proportion similar to the previous year.

In 2018, eight structured deposits were traded in US dollars, corresponding to 9.9% of the number of structured deposits and 2.3% of the amounts deposited (5.8% and 2.2%, respectively, in 2017). Contrary to the previous year, there were no structured deposits in pounds sterling.

The average amount per depositor in euro structured deposits was EUR 22,696, which is less than the average amount of EUR 53,828 in deposits denominated in US dollars.

Graph II.2.5 • Distribution of the number of structured deposits and of the amount deposited, by currency of denomination | 2016–2018



Source: Banco de Portugal.

2.3 Reference rate markets

The remuneration of structured deposits was dependent on the evolution of economic and financial variables or instruments of the equity, money and foreign exchange markets.

> The remuneration of structured deposits continued to be predominantly associated with equity market performance.

In 2018, equity-linked deposits continued to be the most frequent structured deposits (91.3% of total) and their weight increased slightly compared to the previous year (90.5%). In these 74 deposits, EUR 1,575.3 million were applied, corresponding to 91% of the total amounts deposited in structured deposits (88.4% in 2017).

Equity-linked deposits may be linked to a single share, to a basket of shares, to an equity index or to a basket of indices.

> Most equity-indexed deposits refer to a basket of shares.

In 2018, institutions traded 70 equity-indexed deposits linked to a basket of shares, corresponding to 94.5% of deposits indexed exclusively to this market, a higher proportion than in the previous year (86.3%). In line with the increase in supply, the relative importance of these deposits in terms of demand also increased. EUR 1552.5 million were applied in these deposits, corresponding to 98.5% of the amounts applied in deposits indexed exclusively to the equity market (86.7% in 2017).

Deposits indexed to equity indices saw their relative weight drop from 7.3% of total equity-indexed deposits in 2017 to 2.7% in 2018. Only two deposits with this type of index were marketed, which corresponded to 0,9% of the amounts applied in 2018, a sharp decrease compared to 2017 (7,4% of the amounts deposited that year).

During 2018, one institution traded a deposit indexed to a basket of equity indices and another traded a deposit indexed to a single share. Together, these two deposits accounted for 2.8% of deposits indexed to the equity market and 0.6% of the amounts applied in this market. Contrary to the previous year, no deposits indexed to a basket of exchange traded funds (ETF) were traded.

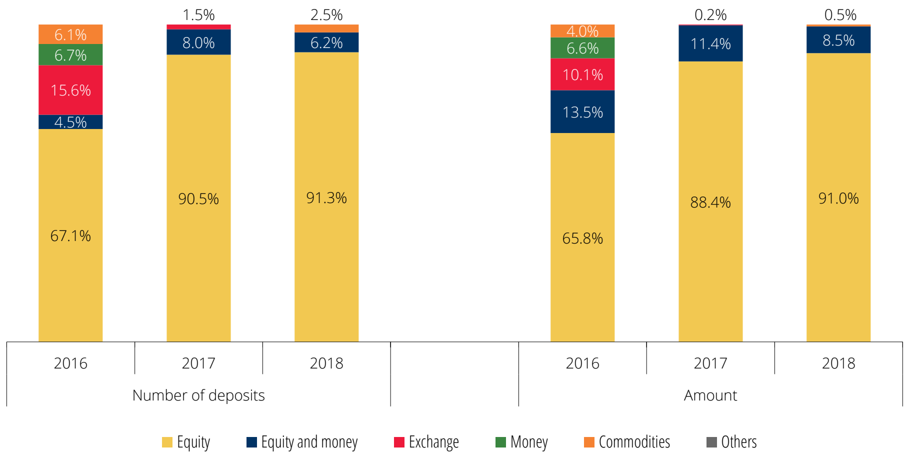
In 2018, there were also deposits indexed to both the equity and money markets and deposits indexed to the commodities market.

In 2018, five structured deposits indexed to both the equity and the money market were traded, corresponding to an applied amount of EUR 146.5 million, representing 6.2% of supply and 8.5% of the deposited amounts (8% and 11.4%, respectively, in 2017). These deposits were indexed to the evolution of Euribor and of a basket of shares.

There were also two structured deposits indexed to the commodities market, in which EUR 9.5 million were applied (2.5% of supply and 0.5% of the amounts deposited).

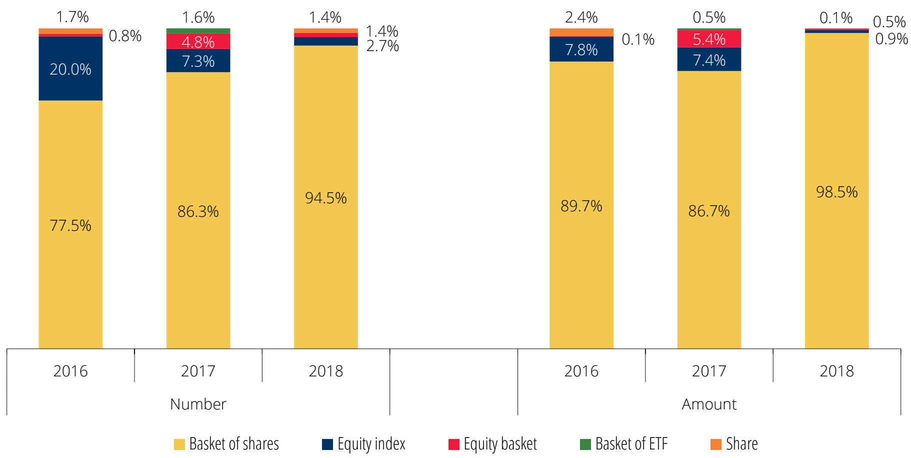
Contrary to 2017, there were no deposits indexed to the foreign exchange market.

Graph II.2.6 • Distribution of the number of deposits and of the amount deposited, by reference rate market | 2016–2018



Source: Banco de Portugal.

Graph II.2.7 • Distribution of equity-linked deposits, by type of reference rate | 2016–2018



Source: Banco de Portugal.

2.4 Maturities

Most structured deposits had maturities of one and a half or two years.

In 2018, more than half of structured deposits had a two-year maturity (55.5%), followed by deposits with a one and a half year maturity (34.6%). There were also eight deposits (9.9%) with a one-year maturity. Compared to previous years, this year there was a **shorter range of maturities** in the deposits sold.

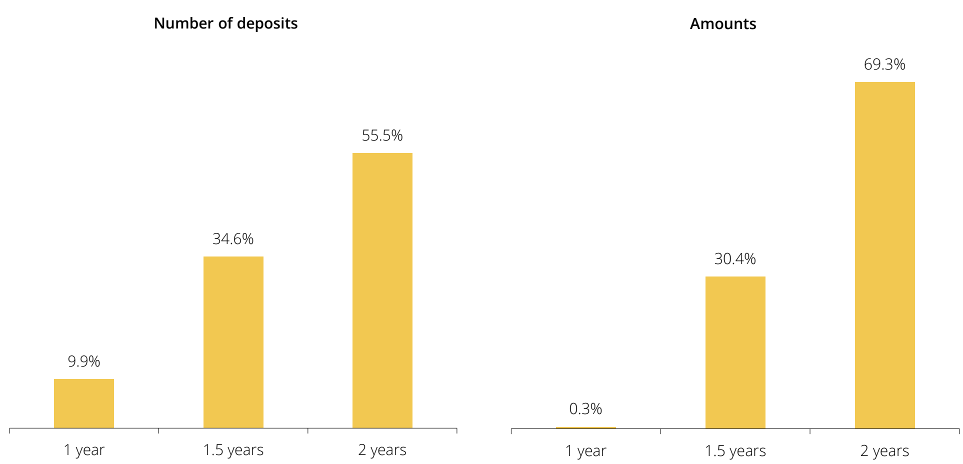
In 2018, no deposits with a maturity of more than two years were traded, unlike in 2017, when these deposits represented about 20% of the total. This development is due to guidelines issued by Banco de Portugal to credit institutions in 2016 and to changes in the regulatory framework in early 2018 that led to the end of the marketing of dual deposits. In the context of historically low interest rates, Banco de Portugal indicated that it considers it inappropriate to market structured deposits with maturities of more than two years, given that these deposits do not allow early withdrawals and prevent depositors from recovering their applied amounts over an extended period of time. Deposits traded in 2017 that still had maturities of more than two years corresponded to dual deposits, consisting of a simple component with the possibility of early withdrawal and an indexed component with a maturity of two years.

This year, deposits with shorter maturities (up to six months) were no longer marketed, as institutions that practiced these maturities in previous years did not do so in 2018.

Most of the amounts were applied in structured deposits with a two-year maturity.

In 2018, EUR 1,200 million were applied in deposits with a two-year maturity (69.3% of the amount deposited in structured deposits) and around EUR 526 million in deposits with one-and-a-half-year maturity (30.4%). On the other hand, deposits with a one-year maturity were those in which the discrepancy between demand and supply was most pronounced, with a residual proportion of the amounts (0.3%) being invested in deposits with this maturity (which corresponded to 9.9% of supply).

Graph II.2.8 • Distribution of the number of deposits and of the amount deposited, by maturity | 2018



Source: Banco de Portugal.

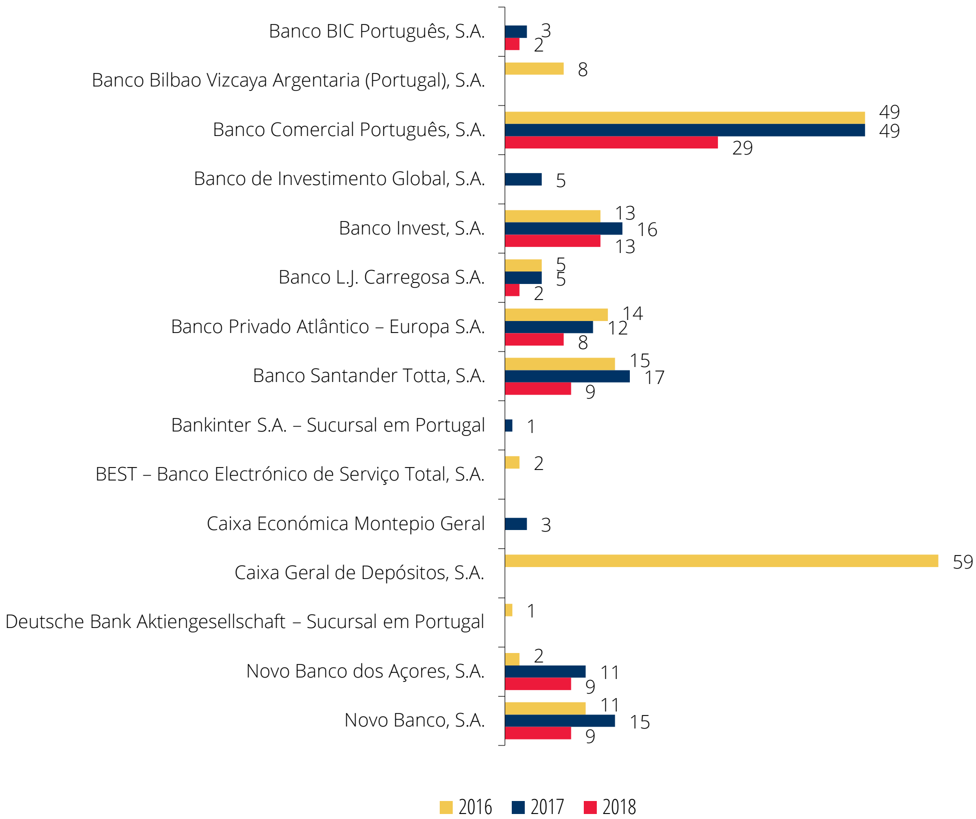
2.5 Depository institutions

Eight institutions marketed structured deposits, three less than in 2017.

In 2018, structured deposits were marketed by eight credit institutions, three less than in 2017. In 2018, Banco de Investimento Global, Bankinter – Sucursal em Portugal and Caixa Económica Montepio Geral did not market structured deposits, in contrast to the previous year.

Banco Comercial Português was still the credit institution marketing the highest number of structured deposits in 2018 (29 deposits), followed by Banco Invest (13 deposits), Banco Santander Totta, Novo Banco and Novo Banco Açores (with nine deposits each).

Graph II.2.9 • Number of structured deposits, by institution | 2016–2018



Source: Banco de Portugal.

3 Remuneration of matured structured deposits

In 2018, 161 structured deposits reached their maturity. These deposits repaid EUR 3,693.5 million to 203,374 depositors and paid an overall gross remuneration of EUR 43.9 million.

Structured deposits maturing in 2018 had maturities ranging from one year (inclusive) to four years and their remuneration rate (gross annual nominal rate) ranged from zero to 3.5%. The median rate was 0.2%.

Table II.3.1 • Evolution of matured structured deposits[(a)] | 2016–2018

	Matured deposits		
	2016	2017	2018
Number of matured deposits	197	155	161
Amount repaid (EUR million)[(b)]	4,665.8	3,418.3	3,693.5
Gross remuneration (EUR million)	107.5	82.1	43.9
Number of depositors[(c)]	295,252	205,710	203,374

Source: Banco de Portugal. | Notes: (a) Information from the periodic reporting by credit institutions on structured deposits, made in accordance with Circular Letter 21/2010/DSB, of 5 August. (b) Amounts repaid shall not include amounts that have been mobilised in advance. (c) The number of depositors corresponds to the number of structured deposit subscriptions, where the same customer may subscribe different deposits.

In 2018, four simple components of dual deposits made in 2017 reached maturity. These components all had short maturities (one month) and allowed for early mobilisation of the amounts up to the maturity date. The four simple components that matured in 2018 had a remuneration of 0.15%.

3.1 Type of depositors, currency and maturities

In 2018, the 161 matured structured deposits were mostly subscribed by **private bank customers** (99.4%).

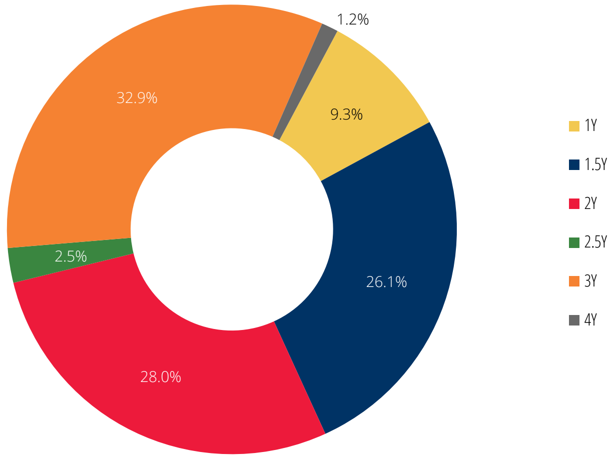
Of the 161 matured structured deposits, 91.9% were denominated in **euro** and 8.1% in US dollars. Deposits denominated in euro corresponded to almost all amounts repaid (97.4%) and remunerations (92.6%).

About one third of the structured deposits maturing in 2018 had a three-year maturity.

The most frequent **term** of matured structured deposits was three years (32.9%)[3]. This was followed by deposits with a two-year maturity (28%) and one-and-a-half-year maturity (26.1%).

3. In 2018, 36.6% of matured deposits had terms of more than two years. These deposits were made prior to the guidelines on the maturity of structured deposits issued by Banco de Portugal in 2016.

Graph II.3.1 • Distribution of the number of matured structured deposits, by term | 2018



Source: Banco de Portugal.

3.2 Reference rate market

Most structured deposits matured in 2018 were indexed to the equity market.

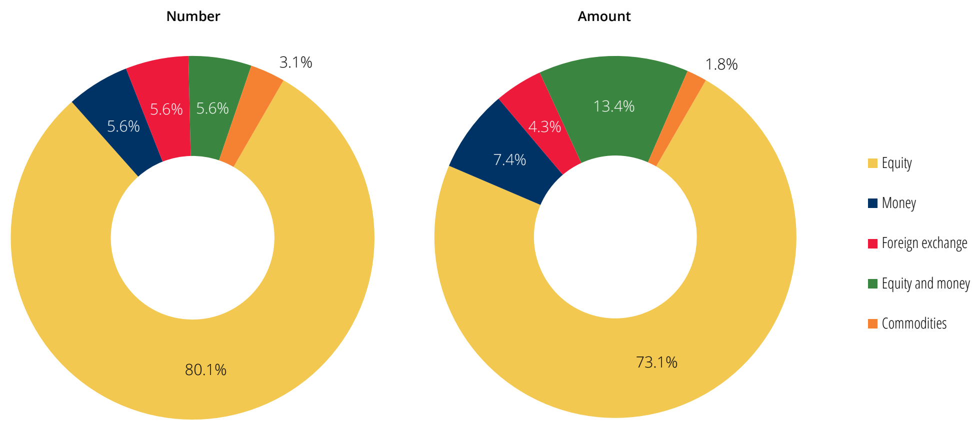
Of the 161 structured deposits maturing in 2018, 129 deposits (80.1%) were indexed to **equity market** performance, corresponding to 73.1% of the amounts applied in structured deposits maturing in that year. Of the remaining structured deposits maturing in 2018, nine were indexed to the **foreign exchange market**, nine to the **money market** and nine were indexed to both the **equity and money markets** (each corresponding to 5.6% of deposits maturing in that year). Of these, the deposits indexed to both the equity and money markets represented the largest proportion of amounts (13.4%), followed by the money market (7.4%) and the foreign exchange market (4.3%). Another five deposits indexed to the **commodities market** also matured (corresponding to 3.1% of deposits and 1.8% of amounts).

Most structured deposits (65.8%) earned the minimum expected rate of return and 14.3% paid a gross annual nominal rate of zero. In contrast, 16.1% of deposits paid the foreseen maximum gross annual nominal rate, which ranged from 0.789% to 3.5%.

Of the 161 structured deposits maturing in 2018, about one third (33.5%) paid a rate higher than the gross annual nominal rate of a simple time deposit marketed by the same institution for the same term and the majority (89.4%) presented a rate of return higher than the reference rate of the interbank market, observed on the date of deposit[4].

4. The gross annual nominal rate of deposits cannot be negative. However, at the different dates in which structured deposits matured in 2018, interbank market reference rates were negative in some maturities. Thus, even in zero-yielding deposits, the rate of return can be higher than the interbank market reference rate.

Graph II.3.2 • Distribution of the number of deposits and of the amount deposited of matured structured deposits, by reference rate market | 2018



Source: Banco de Portugal.

Table II.3.2 • Remuneration rates of matured structured deposits | 2018

Reference rate market	Total deposits	Gross annual nominal rate paid					
		Minimum foreseen in the prospectus		of which: zero		Maximum foreseen in the prospectus	
		Number of deposits	Proportion	Number of deposits	Proportion	Number of deposits	Proportion
Equity	129	86	66.7%	20	15.5%	23	17.8%
Foreign exchange	9	8	88.9%	3	33.3%	1	11.1%
Money	9	5	55.6%	–	–	–	–
Equity and money	9	4	44.4%	–	–	–	–
Commodities	5	3	60.0%	–	–	2	40.0%
Total	161	106	65.8%	23	14.3%	26	16.1%

Reference rate market	Total deposits	Gross annual nominal rate paid			
		Higher than that of a simple time deposit		Higher than the reference rate of the interbank market	
		Number of deposits	Proportion	Number of deposits	Proportion
Equity	129	41	31.8%	118	91.5%
Foreign exchange	9	1	11.1%	6	66.7%
Money	9	7	77.8%	9	100.0%
Equity and money	9	3	33.3%	6	66.7%
Commodities	5	2	40.0%	5	100.0%
Total	161	54	33.5%	144	89.4%

Source: Banco de Portugal.

3.2.1 Structured deposits indexed to the equity market

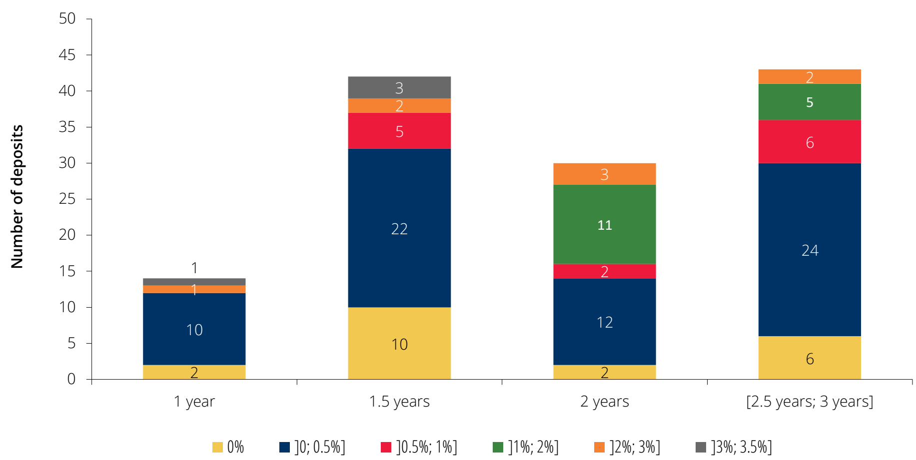
Of the 129 equity market-linked deposits maturing in 2018, the two-and-a-half-year to three-year maturitities were the most common (43 deposits), followed by the one-and-a-half-year maturity (42 deposits). Another 30 deposits with a two-year maturity and 14 deposits with a one-year maturity also became due.

About two thirds of matured deposits indexed to the equity market had remuneration rates of 0.5% or less.

Of the equity market-linked deposits due in 2018, the majority (68.2%) paid a gross annual nominal rate of 0.5% or less and 15.5% had zero remuneration. In contrast, only 9.3% of deposits paid a gross annual nominal rate of more than 2%, with the highest gross annual nominal rate of 3.5% being paid on only one deposit.

In deposits indexed to this market, remuneration rates above 1% were more frequent in longer terms. Three quarters of deposits with a gross annual nominal rate of more than 1% had terms of two years or more. Nevertheless, the four deposits with the highest rates (over 3%) had terms of one year and one and a half years.

Graph II.3.3 • Gross annual nominal rate of matured deposits indexed to the equity market, by term | 2018



Source: Banco de Portugal.

Of the 129 deposits whose remuneration was linked to equity market developments, the majority (66.7%) received the minimum remuneration foreseen in the information prospectus and 15.5% paid a zero gross annual nominal rate. In contrast, 17.8% of deposits paid the maximum remuneration rate foreseen in the information prospectus (between 0.789% and 3.5%).

In 2018, 31.8% of these deposits earned a higher gross annual nominal rate than a simple deposit marketed by the same intuition for the same term, and the majority (91.5%) paid a remuneration rate higher than the reference rate of the interbank market, observed on the deposit date.

Table II.3.3 • Remuneration rates of matured deposits indexed to the equity market | 2018

Reference rate market	Total deposits	Gross annual nominal rate paid: Minimum foreseen in the prospectus		of which: zero		Maximum foreseen in the prospectus	
		Number of deposits	Proportion	Number of deposits	Proportion	Number of deposits	Proportion
1 year	14	9	64.3%	2	14.3%	2	14.3%
1.5 years	42	31	73.8%	10	23.8%	7	16.7%
2 years	30	13	43.3%	2	6.7%	13	43.3%
[2.5 years; 3 years]	43	33	76.7%	6	14.0%	1	2.3%
Total	129	86	66.7%	20	15.5%	23	17.8%

Reference rate market	Total deposits	Gross annual nominal rate paid: Higher than that of a simple time deposit		Higher than the reference rate of the interbank market	
		Number of deposits	Proportion	Number of deposits	Proportion
1 year	14	4	28.6%	14	100.0%
1.5 years	42	7	16.7%	42	100.0%
2 years	30	17	56.7%	30	100.0%
[2.5 years; 3 years]	43	13	30.2%	32	74.4%
Total	129	41	31.8%	118	91.5%

Source: Banco de Portugal.

3.2.2 Structured deposits indexed to the foreign exchange market

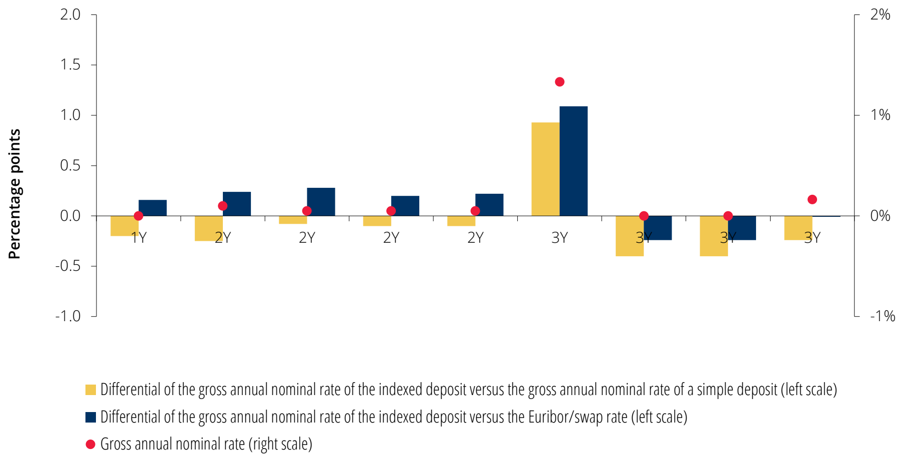
In 2018, of the nine matured deposits indexed to the foreign exchange market, seven were indexed to the **euro exchange rate against the US dollar**. Two deposits had other foreign exchange market indexes: one deposit was indexed to the euro exchange rate against the pound sterling, and in another deposit, the gross annual nominal rate depended on the euro exchange rate against three other currencies (Indonesian rupiah, Malaysian ringgit and Singapore dollar). Of the deposits indexed to the foreign exchange market maturing in 2018, one had a one-year maturity, four had a two-year maturity and four had a three-year maturity.

One third of the structured deposits indexed to the foreign exchange market paid a remuneration rate of zero.

In 2018, eight of the nine deposits indexed to the foreign exchange market paid the minimum gross annual nominal rate foreseen in the prospectus. These remuneration rates were all equal to or less than 0.164% and in three deposits the gross annual nominal rate was zero. A three-year deposit linked to the euro/US dollar exchange rate paid a gross annual nominal rate of 1.333%, the maximum yield foreseen for in the respective prospectus.

Of the deposits indexed to the foreign exchange market maturing in 2018, only one presented a gross annual nominal rate higher than the remuneration rate of a simple time deposit marketed by the same institution, for the same term.

Graph II.3.4 • Gross annual nominal rate of matured deposits indexed to the foreign exchange market, by term | 2018



Source: Banco de Portugal.

3.2.3 Structured deposits indexed to the money market

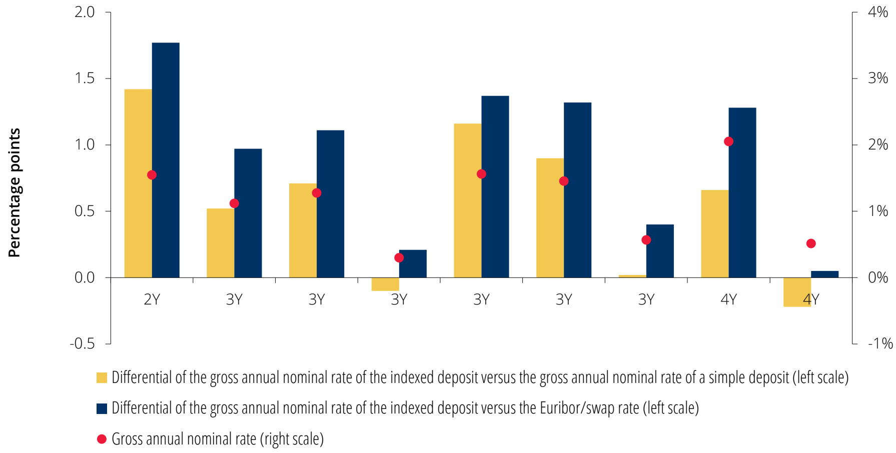
In 2018, six deposits that were indexed to the evolution of the Euribor rate, with three- and four-year terms, and three deposits indexed to the Libor USD rate, with two- and three-year terms, matured.

Two-thirds of the structured deposits indexed to the money market paid a remuneration rate of more than 1%.

Most deposits indexed to the money market (six deposits) had a remuneration of more than 1%. None of the eight deposits indicating a maximum gross annual nominal rate in their prospectus paid this rate. In contrast, five deposits paid the minimum gross annual nominal rate foreseen in the prospectus, which ranged from 0.3% to 2.05%, the latter being the highest gross annual nominal rate paid in 2018 on deposits indexed to this market.

Of the nine deposits indexed to this market, seven had a gross annual nominal rate higher than the rate of a simple deposit marketed by the same institution, for the same term, and all had a gross annual nominal rate higher than the benchmark interbank market rate.

Graph II.3.5 • Gross annual nominal rate of matured deposits indexed to the money market, by maturity | 2018



Source: Banco de Portugal.

3.2.4 Structured deposits indexed both to the equity and money markets

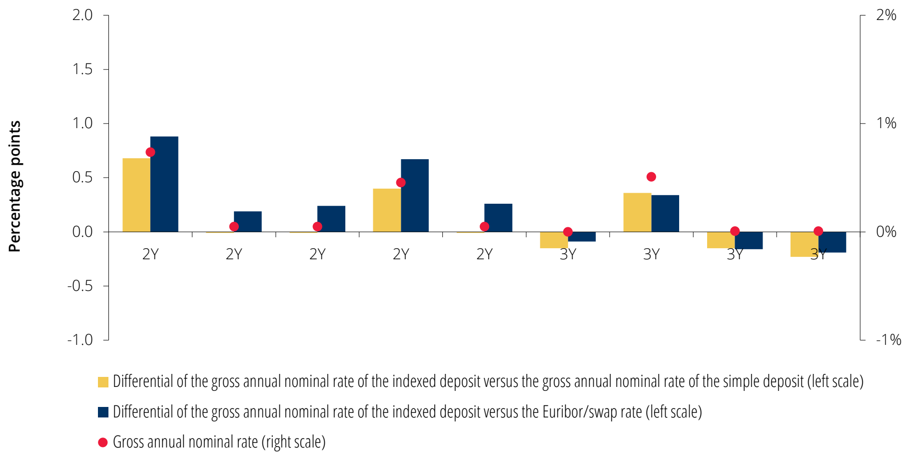
In 2018, nine deposits matured that were linked to both a basket of shares and the Euribor rate, all from the same institution. Of these deposits, five had a two-year term and four had a three-year term.

Two thirds of the structured deposits indexed both to the equity and money markets had a remuneration rate of less than 0.05%.

Most of the deposits indexed to the equity and money markets (six deposits) had a gross annual nominal rate of less than 0.05%. Four deposits paid the minimum gross annual nominal rate foreseen in the prospectus. None of these deposits provided for a maximum gross annual nominal rate, but the highest remuneration was 0.736%.

Of the nine deposits indexed to this market, only three had a remuneration higher than the rate of simple deposits marketed by the same institution, for the same maturity, and six had a gross annual nominal rate higher than the benchmark interbank market rate.

Graph II.3.6 • Gross annual nominal rate of matured deposits indexed to the equity and money markets, by maturity | 2018



Source: Banco de Portugal.

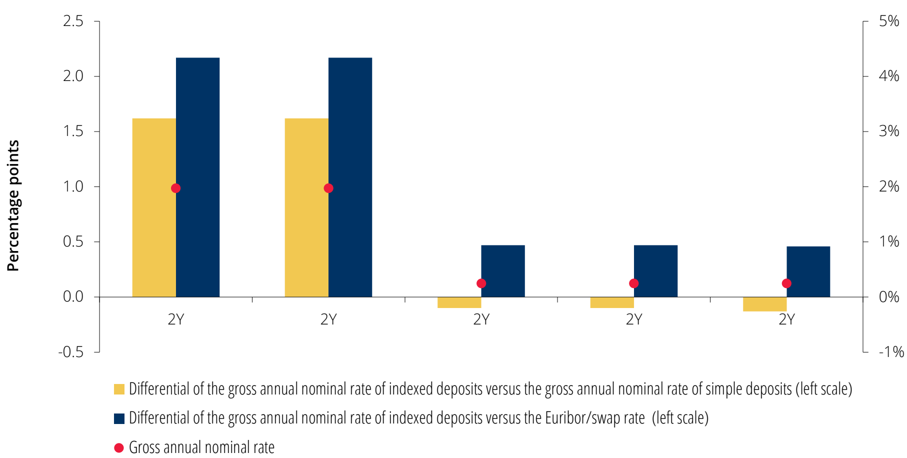
3.2.5 Structured deposits indexed to the commodities market

Of the five deposits indexed to the commodities market maturing in 2018, three were dependent on oil price developments and two paid a remuneration that depended on gold market developments. These five deposits had two-year terms.

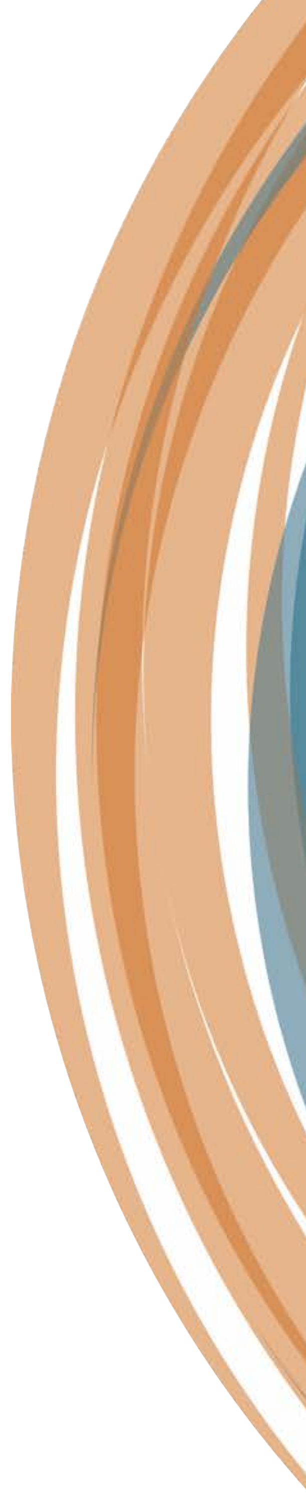
The three deposits maturing in 2018 that depended on oil price developments paid a remuneration rate of between 0% and 0.5%, corresponding to the minimum gross annual nominal rate foreseen in the prospectus, although none paid a zero rate. In contrast, the two deposits indexed to developments in the gold market paid a gross annual nominal rate of between 1% and 2%, the maximum gross annual nominal rate foreseen in the respective prospectus.

In two deposits, the remuneration rate paid was higher than the rate of simple deposits marketed by the same institution, for the same term, and all matured deposits had a gross annual nominal rate higher than the benchmark rate of the interbank market, for the same date of incorporation.

Graph II.3.7 • Gross annual nominal rate of deposits indexed to the commodities market | 2018



Source: Banco de Portugal.



III Home loans and mortgage credit

1 Market developments

2 Home loans

3 Other mortgage loans

1 Market developments[1]

The home loan market grew again in 2018, but less significantly than in the last three years. 87,906 new home loan agreements were signed (13.4% more than in 2017) and a loan amount of around EUR 9.5 billion (23.4% more than in 2017) was granted. The new home loan agreements had characteristics very similar to those in the previous year, with regard to the initial term, the type of interest rate and the variable rate index, as well as the repayment arrangement.

Despite the increase in home loans, at 31 December 2018 the home loan portfolio declined further from the end of the previous year. At the end of 2018, there were 1.47 million home loan agreements outstanding, with an outstanding balance of EUR 86.7 billion.

In 2018, the proportion of the number of variable rate agreements increased to 85.9% (81.3% in 2017), corresponding to 87.8% of the amount of credit granted (83.2% in 2017). In 2018, the average spread in new home loans with a variable rate indexed to Euribor at 3, 6 and 12 months continued to decline, standing at 1.51 percentage points. These developments took place in a context in which Euribor rates remained negative throughout the year.

The amount of early repayments on home loans increased in 2018 from the previous year (9.1% more), although the number of total and partial early repayments grew only slightly (1.5% more).

In 2018, the number of home loan agreements that were renegotiated (16.9% less than in 2017) and the renegotiated loan amount (7.1%) dropped. In most of the renegotiated agreements in 2018 (83.5%), borrowers did not default.

In 2018, under other mortgage loans, 14,648 credit agreements were concluded with a total credit amount of EUR 775 million. The majority of these agreements had a variable rate (87.4%), and the average spread of agreements that were indexed to Euribor at 3, 6 and 12 months was 2.37 percentage points.

In agreements related to other mortgage credits, 36,320 total and partial early repayments were made, corresponding to a total repayment amount of EUR 784 million. In this type of agreements there were also 5,625 renegotiations that involved a credit amount of EUR 217 million.

At the end of 2018, the portfolio of other mortgage loans consisted of around 543,000 agreements with an outstanding balance of EUR 12.9 billion.

1. The regulatory framework applicable to the mortgage loan market was amended in early 2018, with the entry into force of Decree-Law No. 74-A/2017, of 23 June. A detailed analysis of the changes made is presented in the Banking Conduct Supervision Report 2018, section I.5. The scope of the agreements covered by the new regulatory framework did not change significantly, but the categorisation of these agreements has changed significantly, notably because the so-called related credit agreements are no longer typified. Therefore, some information in this chapter is not directly comparable to that presented in previous *Retail Banking Monitoring Reports*.

Table III.1.1 • Main indicators of the home loan and other mortgage credit market

In 2018	Home loans	Other mortgage loans[a]
Number of agreements concluded	87,906 (+13.4% versus 2017)	14,648 –
Amount of credit granted	Eur 9.5 billion (+23,4% versus 2017)	Eur 775 million –
Average amount per agreement	Eur 108,419 (+8.8% versus 2017)	Eur 52,896 –
Average term per agreement	33.4 years (+1 month versus 2017)	27.0 years –
Average APR	2.7%	3.8%
Most common interest rate type	85.9% variable rate (81.3% in 2017)	87.4% variable rate
Most common variable rate index	93,8% 12-months Euribor (92.5% in 2017)	95.6% 12-months Euribor –
Average spread of agreements indexed to 3, 6 and 12-months Euribor	151 b.p. (174 b.p. in 2017)	237 b.p. –
Most common repayment arrangement	92,.% classic arrangement (92.4% in 2017)	98.9% classic arrangement –
Number of early repayments	Total: 73,654 (+1.6% versus 2017) Parcial: 26,490 (+0,9% versus 2017)	Total: 30,653 Partial: 5,667
Number of renegotiations	23,580	5,625
Total amount renegotiated	Eur 2.0 billion	Eur 217 million
Average amount renegotiated	Eur 85,691	Eur 38,490
Percentage of agreements renegotiated with no default associated	83.5%	71.3%
Position at 31-12-2018	**Home loans**	**Other mortgage loans[a]**
Number de agreements	1.47 million (-3,8% face a 2017)	543 thousand –
Balance outstanding	86.7 mil Eur million (-1.1% face a 2017)	Eur 12.9 billion –
Average maturity per agreement	32.7 years (32.2 years in 2017)	31.7 years –
Most common type of interest rate	95.2% variable rate (95.4% in 2017)	97.5% variable rate –
Most common variable rate index	45.7% 6-months Euribor (48.6% in 2017)	45% 3-months Euribor –
Average spread of agreements indexed to 3, 6 and 12-months Euribor	128 b.p. (127 b.p. in 2017)	166 b.p. –
Most common repayment arrangement	80.7% classic arrangement (82.6% in 2017)	88.1% classic arrangement –

Source: Banco de Portugal. | Note: (a) In view of the changes in the mortgage credit regulatory framework in 2018, there is no comparable information for 2017, which is why the developments of this type of credit are not presented in relation to that year.

2 Home loans

Home loan agreements are those whose purpose is the acquisition and construction of residential real estate and land or other buildings, backed or not by a mortgage on real estate. This category includes agreements in the form of financial leasing of residential real estate.

2.1 Developments in the contracting of home loans

The contracting of home loans continued to grow, but at a slower pace than in previous years.

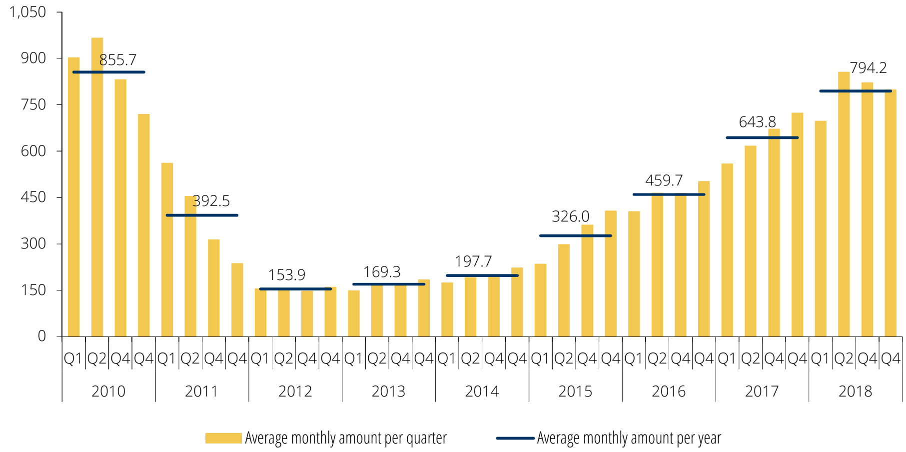
In 2018, an average of EUR 794.2 million per month was granted in the form of home loans, 23.4% more than in 2017, thus maintaining the growth trend observed since 2014, following a significant contraction in this market. The amount of home loans granted in 2018 was four times higher than in 2014. Nonetheless, growth in 2018 was less pronounced than in 2017 (40% more).

Throughout 2018, the amount of home loans granted was higher in all quarters than in the same period of 2017, in particular the second quarter of the year (up 38.7% over the second quarter of 2017). However, in the second half of the year, the pace of growth slowed, with the third and fourth quarters of the year registering annual growth of only 22.3% and 10.4%, respectively, compared to 2017. This slowdown comes in the context of the entry into force, in July, of the macroprudential measure of Banco de Portugal regarding the criteria used by credit institutions to assess creditworthiness when granting new loans to households.

The evolution of the number of new home loan agreements was similar to that observed in the amount of credit granted. In 2018, an average of 7,326 home loan agreements were concluded per month, which corresponds to a growth of 13.4%, below the 32.3% increase in 2017. Of note is the year-on-year growth in the second quarter of the year (up 25.8% from 2017), followed by less significant increases in the second half of the year (13.7% more in the third quarter and 2.8% more in the fourth quarter).

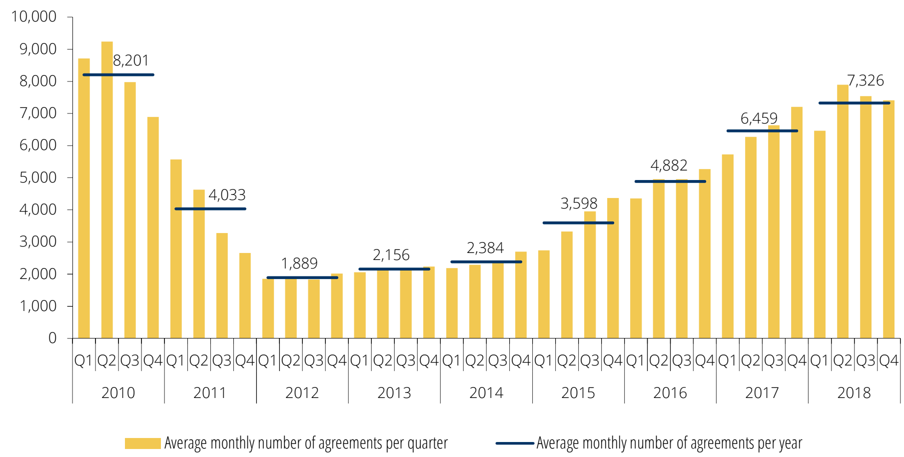
The **average amount of new agreements** increased to EUR 108,419 in 2018, 8.8% more than in 2017.

Graph III.2.1 • Home loans | Average monthly amount of credit granted | Eur million | 2010–2018



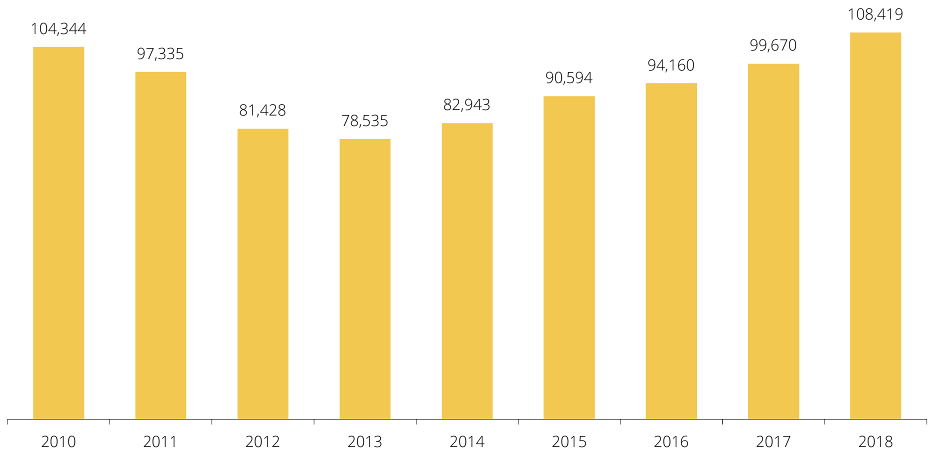
Source: Banco de Portugal.

Graph III.2.2 • Home loans | Average monthly number of agreements concluded | 2010–2018



Source: Banco de Portugal.

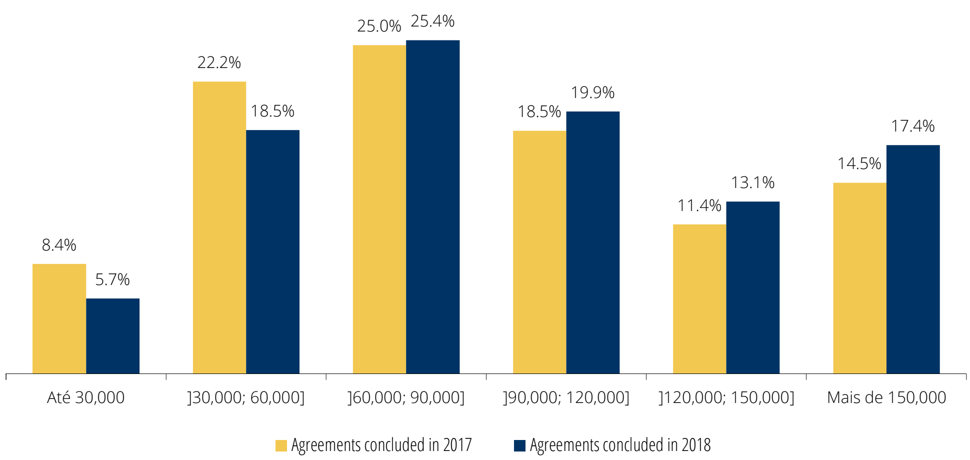
Graph III.2.3 • Home loans | Average amount of agreements concluded | 2010–2018



Source: Banco de Portugal.

In 2018, the proportion of new agreements with amounts of more than EUR 90 thousand increased to 50.4% (44.4% in 2017). This development was mainly due to agreements with amounts above EUR 150 thousand, the proportion of which increased to 17.4% (14.5% in 2017). In contrast, new agreements with amounts below EUR 60 thousand were less frequent (30.6% in 2017 and 24.2% in 2018).

Graph III.2.4 • Home loans | Distribution of the number of new agreements by amount of credit granted | Agreements concluded in 2017 and in 2018



Source: Banco de Portugal.

Most home loans concluded in 2018 were backed by a mortgage (99.3% of the number of loans and of the amount of credit granted). In this year, 549 mortgage-free home loan agreements were also concluded, with a loan amount of EUR 59 million, and 24 home loans in the form of leasing, with an amount of around EUR 4 million.

In 2018, the average amounts of mortgage and mortgage-free loans were similar (around EUR 108,000). In real estate finance leases, the average amount per agreement was significantly higher (EUR 181,727).

Table III.2.1 • Home loans | Amount of credit granted, number of agreements concluded and average amount per agreement, by type of loan | Agreements concluded in 2018

			Number	Distribution
Amount of credit granted (Eur million)	Mortgage-backed home loan		9,467	99.3%
	Mortgage-free home loan		59	0.6%
	Real estate finance lease		4	0.05%
		Total	**9,531**	**100.0%**
Number of agreements	Mortgage-backed home loan		87,333	99.3%
	Mortgage-free home loan		549	0.6%
	Real estate finance lease		24	0.03%
		Total	**87,906**	**100.0%**
Average amount per agreement (euros)	Mortgage-backed home loan		108,400	–
	Mortgage-free home loan		108,177	–
	Real estate finance lease		181,727	–
		Total	**108,419**	–

Source: Banco de Portugal.

2.2 Portfolio developments

The value of the home loan portfolio continued to decline.

At 31 December 2018, credit institutions had in their portfolio around 1.47 million home loan agreements (3.8% less than at the end of 2017), which had an outstanding balance of EUR 86.7 billion (1.1% less).

Despite the increase in the number of agreements in 2018, the home loan portfolio in credit institutions decreased as a result of the sale of portfolios by some credit institutions[2], of early repayments and of some loans being written off due to the fact that they had reached their due date in the ordinary course of their term.

The average balance of home loans outstanding at the end of 2018 was EUR 58,878, higher than at the end of 2017 (EUR 57,269).

2. Credit institutions may assign part or all of their credit portfolios to third parties, irrespective of whether the agreements are in default. When these third parties are not credit institutions, agreements are no longer covered by reporting obligations to Banco de Portugal and are therefore not included in the analysis of this chapter.

Table III.2.2 • Home loans | Number, balance outstanding and average balance of agreements outstanding | Position from 31-12-2016 to 31-12-2018

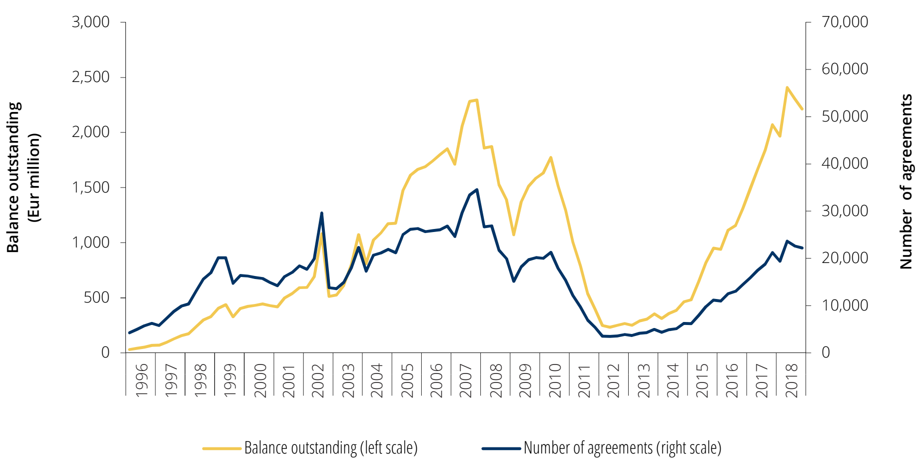
	31-12-2016	31-12-2017	31-12-2018	2017–2016	2018–2017
Balance outstanding (Eur million)	89,166	87,664	86,721	-1.7%	-1.1%
Number de agreements	1,557,952	1,530,739	1,472,895	-1.7%	-3.8%
Average balance outstanding per agreement (Eur)	57,233	57,269	58,878	0.1%	2.8%

Source: Banco de Portugal.

In the home loan portfolio, the weight of the most recent agreements increased.

In the loan portfolio outstanding at the end of 2018, the weight of the most recent agreements (concluded in the last five years) went up. These agreements accounted for 18.2% of the number and 28.7% of the balance owed on home loans outstanding at the end of 2018, compared with 14.2% and 21.8%, respectively, at the end of 2017. Agreements concluded between 2004 and 2010 continued to have a significant weight in the portfolio of institutions in the end of 2018. These agreements accounted for 44.1% of the number of agreements and 50.6% of the balance outstanding, even lower than those recorded in the portfolio at the end of 2017 (46.3% and 55.8%, respectively).

Graph III.2.5 • Home loans | Number and balance owed of agreements outstanding, by date on which the agreement was concluded | Position at 31-12-2018



Source: Banco de Portugal.

Most of the loans in the home loan portfolio were backed by a mortgage.

At the end of 2018, almost all home loans outstanding had a mortgage guarantee. These agreements corresponded to an outstanding balance of EUR 86,364 million (on average EUR 58,967 per agreement).

There were also 7,255 mortgage-free home loan agreements and 1,020 real estate finance leasing agreements, corresponding to outstanding amounts of EUR 256 and 101 million, respectively. Real estate finance leasing was the type of credit with the highest outstanding balance per agreement (on average, EUR 99,029), while mortgage-free home loan agreements had the lowest outstanding balance (on average EUR 35,277 per agreement).

Table III.2.3 • Home loans | Number, balance outstanding and average balance per type of loan | Position at 31-12-2018

			Number	Distribution
Balance outstanding (Eur million)	Mortgage-backed home loans		86,364	99.6%
	Mortgage-free home loans		256	0.3%
	Real estate finance lease		101	0.12%
		Total	86,721	100.0%
Number of agreements	Mortgage-backed home loans		1,464,620	99.4%
	Mortgage-free home loans		7,255	0.5%
	Real estate finance lease		1,020	0.07%
		Total	1,472,895	100.0%
Average balance per agreement (euros)	Mortgage-backed home loans		58,967	–
	Mortgage-free home loans		35,277	–
	Real estate finance lease		99,029	–
		Total	58,878	–

Source: Banco de Portugal.

2.3 Maturities of home loans

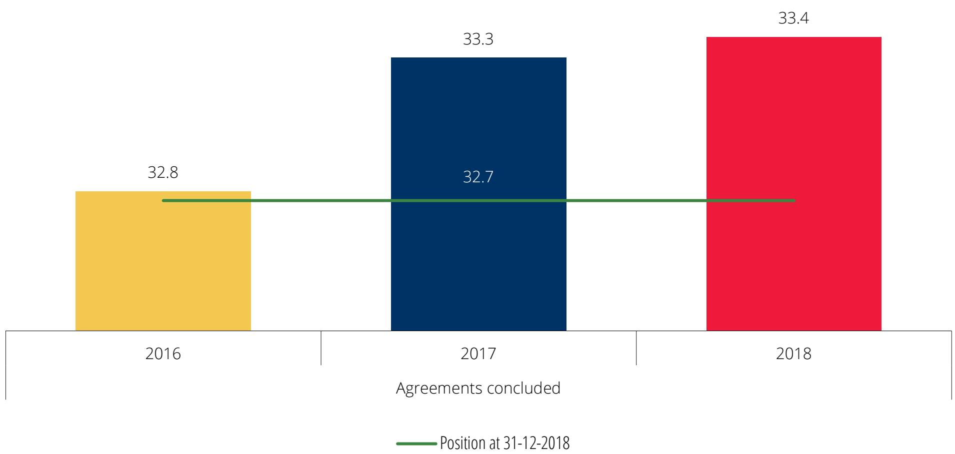
The average maturity of new home loans stabilised compared to the previous year.

The average initial maturity of **home loan agreements concluded in 2018** was 33.4 years, a similar maturity to the agreements concluded in 2017 (33.3 years). This slight growth (approximately one month) represents a slowdown compared to the growth seen in the previous year (six months more, between 2016 and 2017). Throughout 2018, the average initial maturity of home loans decreased. Agreements signed in the first and second quarters of 2018 had an average initial maturity of 33.7 years, higher than those in the second half of the year (33.3 years and 32.8 years, respectively, in the third and fourth quarters of 2018).

Mortgage-free home loan agreements had an average initial maturity of 24.8 years and finance lease agreements of 22.7 years, considerably lower than mortgage-backed home loan agreements (33.4 years).

The average initial maturity of the **outstanding agreements in the home loan portfolio** at 31 December 2018 was 32.7 years (32.2 years at the end of 2017), which is lower than the average maturity of the agreements concluded in 2018, but identical to those concluded in the last quarter of the year.

Graph III.2.6 • Home loans | Evolution of the average loan maturity | Position at 31-12-2018, agreements concluded between 2016 and 2018



Source: Banco de Portugal.

The proportion of new home loans with initial maturities of more than 40 years decreased in 2018.

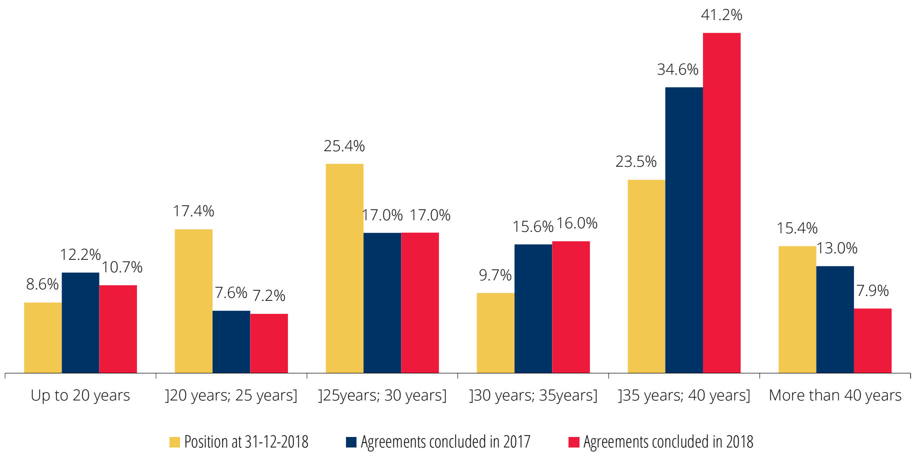
In the agreements concluded in 2018, initial maturities of between 35 and 40 years continued to be the most frequent, increasing in importance from 34.6% in 2017 to 41.2% in 2018. In contrast, the importance of agreements with longer initial maturities (more than 40 years), which accounted for 7.9% of home loans concluded in 2018 (compared to 13% in 2017) diminished. This decrease is mainly due to the proportion of new agreements with these maturities dropping from 12.5% in the first quarter of 2018 to 0.3% in the fourth quarter.

Around one quarter of agreements outstanding in the home loan portfolio had maturities of between 25 and 30 years.

In the **agreements outstanding in the home loan portfolio** at the end of 2018, initial maturities of between 25 and 30 years were still the most frequent (25.4%), although their importance decreased slightly year on year. At the end of 2018, maturities of less than 25 years corresponded to 26% of agreements, which is also a decrease in their importance compared to the end of 2017. In contrast, the relative importance of agreements with initial maturities of between 30 and 40 years (33.2% of agreements at the end of 2018) increased. Agreements with higher initial maturities (of more than 40 years) represented 15.4% of agreements outstanding in the home loan portfolio at the end of 2018, in line with the previous year.

The remaining maturity of agreements outstanding in the home loan portfolio was 20.8 years, slightly higher than in the portfolio at the end of 2017 (20.5 years).

Graph III.2.7 • Home loans | Distribution of the maturity of agreements | Number of agreements | Position a 31-12-2018, agreements concluded in 2017 and 2018



Source: Banco de Portugal.

2.4 Type of interest rate[3]

In 2018, the importance of variable rate in concluded agreements went up.

In Portugal, the home loan market is predominantly comprised of variable rate agreements, and the importance of this rate in 2018 was reinforced.

Variable rate home loan agreements accounted for 85.9% of the agreements concluded in 2018 and 87.8% of the amount of credit granted, higher than in 2017 (81.3% and 83.2%, respectively). This development reflects a growth in 2018 of 19.8% in the number of agreements with this type of rate and 30% in the corresponding amount of credit granted.

In contrast, the proportion of **mixed-rate home loan agreements** (which have an initial fixed-rate period followed by a variable rate period) went down, both in number of agreements (from 16.9% in 2017 to 12.3% in 2018) and in the amount of credit granted (from 15.6% in 2017 to 11% in 2018). Compared to 2017, the number of mixed-rate agreements dropped 17.5% and the corresponding amount of credit decreased by 12.9%.

The importance of **fixed-rate home loan agreements** was identical to that of the previous year (1.8% of agreements concluded and 1.2% of the amount of credit granted). The number of fixed-rate home loans agreements grew 16% compared to 2017, below the growth in the amount of credit granted (32.8% more).

3. Credit agreements may be concluded with three types of interest rate: variable rate, fixed rate and mixed rate. In variable rate agreements, the interest rate is calculated as the sum of the value of a reference rate (Euribor) and a spread practiced by the credit institution. In agreements with an initial fixed-rate period, the interest rate remains unchanged for the maturity of the agreement. Mixed rates are generally associated with agreements with an initial fixed-rate period, followed by a variable rate for the remainder of the loan term.

In home loan agreements concluded in 2018, the average APR was 2.7%. In new variable rate agreements, the average rate was 2.7%, which is lower than in mixed-rate agreements (3.2% on average) and fixed-rate agreements (3.6% on average).

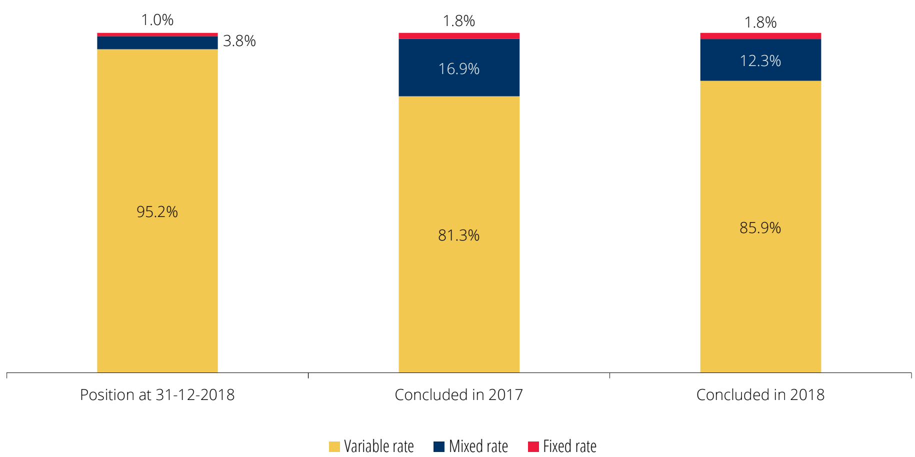
In the home loan portfolio, variable rate agreements predominate.

The **home loan portfolio** was almost entirely comprised of **variable rate agreements**. At the end of 2018, variable rate agreements accounted for 95.2% of the number of agreements and 94.4% of the balance outstanding, slightly below that at the end of 2017 (95.4% and 94.7%, respectively).

In contrast, the proportion of outstanding mixed-rate agreements in the portfolio rose to 3.8% and 5%, respectively, of the number of agreements and balance outstanding (3.4% and 4.4%, respectively, in 2017). Both the increase in mixed-rate loans over the last few years and the sharp drop in the number of variable rate agreements outstanding in the portfolio contributed to this development.

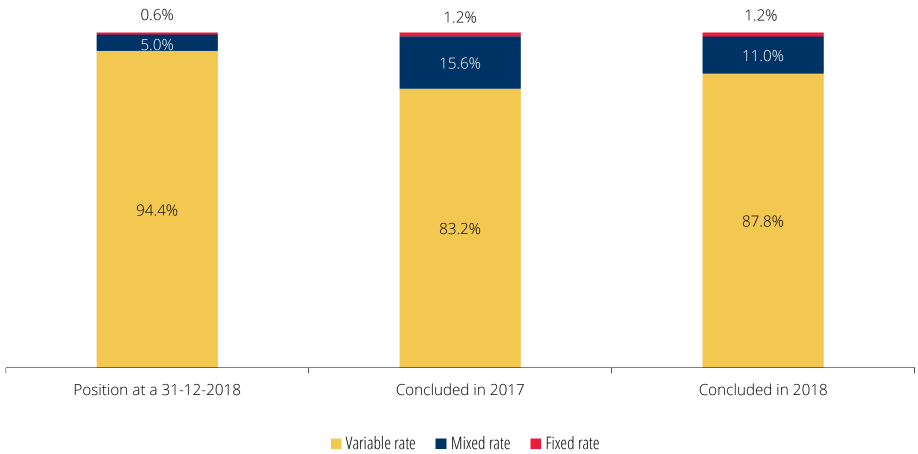
Fixed-rate agreements continued to have a residual weight, accounting for 1% of the number of agreements outstanding in the portfolio at the end of 2018 and 0.6% of the balance outstanding.

Graph III.2.8 • Home loans | Distribution of the number of agreements by type of interest rate | Position at 31-12-2018, agreements concluded in 2017 and 2018



Source: Banco de Portugal.

Graph III.2.9 • Home loans | Distribution of the amount of credit by type of interest rate | Position at 31-12-2018, agreements concluded in 2017 and 2018



Source: Banco de Portugal.

2.4.1 Variable rate

Most variable rate agreements concluded in 2018 were indexed to 12-month Euribor.

As in the previous year, in 2018, almost **all new variable rate home loans** were indexed to 12-month Euribor (93.8% of agreements concluded and 94.4% of the amount of credit granted). The importance of this reference rate increased compared to 2017 (92.5% of the number of agreements concluded and 92.8% of the amount of credit granted).

The 6-month Euribor interest rate was used as a reference rate in only 5.5% of new variable rate home loan agreements, corresponding to 5.1% of the amount of credit granted. The 3-month Euribor interest rate had a residual expression (0.2% and 0.1%, respectively, of the number of agreements and of the amount granted).

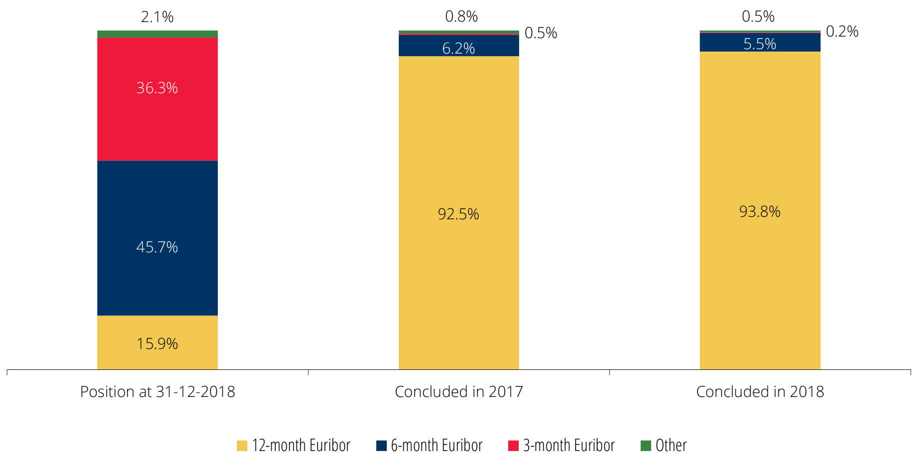
The prevalence of 12-month Euribor observed in recent years occurs in a context where 3, 6 and 12-month Euribor interest rates remained negative throughout 2018, despite the slight increases observed that year. However, 12-month Euribor recorded the least negative figures.

Around half of the variable rate agreements in the portfolio were indexed to 6-month Euribor.

In variable rate home loan agreements at 31 December 2018, the most frequent reference rates were 6-month Euribor in terms of number of agreements and 3-month Euribor in terms of balance outstanding. The 6-month Euribor was the reference rate of 45.7% of agreements and 36.1% of the balance outstanding, while 3-month Euribor was the reference rate of 36.3% of agreements and 39.1% of the balance outstanding.

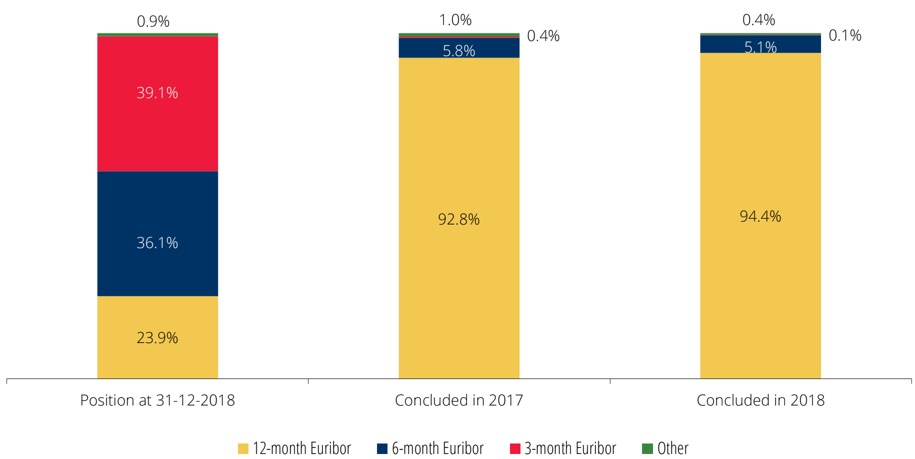
Despite being the most frequently used reference rate for new loans, at the end of 2018, 12-month Euribor represented only 15.9% of the number of variable rate agreements in the portfolio and 23.9% of the balance outstanding.

Graph III.2.10 • Home loans | Distribution of the number of agreements by reference rate of the variable interest rate | Position at 31-12-2018, agreements concluded in 2017 and 2018



Source: Banco de Portugal.

Graph III.2.11 • Home loans | Distribution of the amount of credit by reference rate of the variable interest rate | Position at 31-12-2018, agreements concluded in 2017 and 2018



Source: Banco de Portugal.

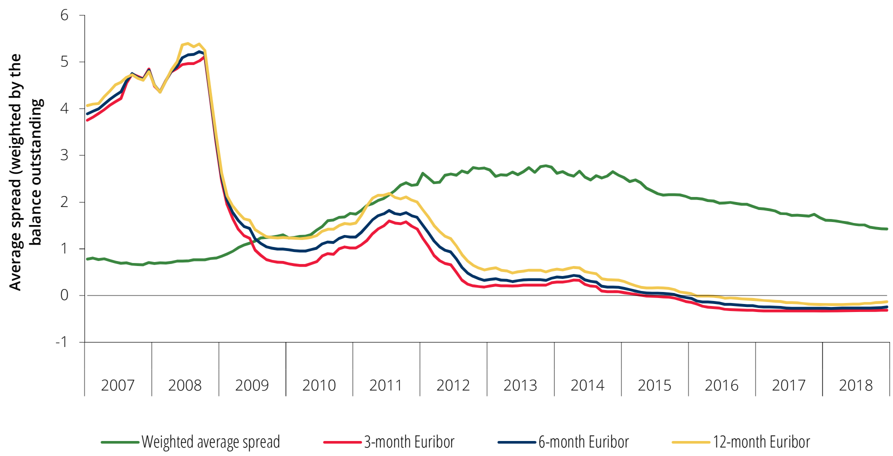
The average spread of new agreements decreased once again in 2018, settling at 1.51 percentage points.

In 2018, the **average spread** of variable rate home loans agreements decreased, maintaining the downward trend observed since 2015. However, the average spread of agreements concluded in 2018 was still higher than the average spreads of agreements outstanding in the portfolio and concluded between 2007 and 2010.

The average spread on new home loan agreements indexed to Euribor at 3, 6 and 12 months was 1.51 percentage points, 23 basis points lower than in 2017. Comparing the distribution of the spreads of agreements concluded in 2018 with the distribution of the previous year, there is an increase in the proportion of agreements with spreads of between one and 1.5 percentage points, which now account for about half of the variable rate agreements (compared with 26% of agreements concluded in 2017). In contrast, we highlight the reduction in the proportion of agreements with spreads of between 1.5 and 2 percentage points, from 46% in 2017 to 36% in 2018.

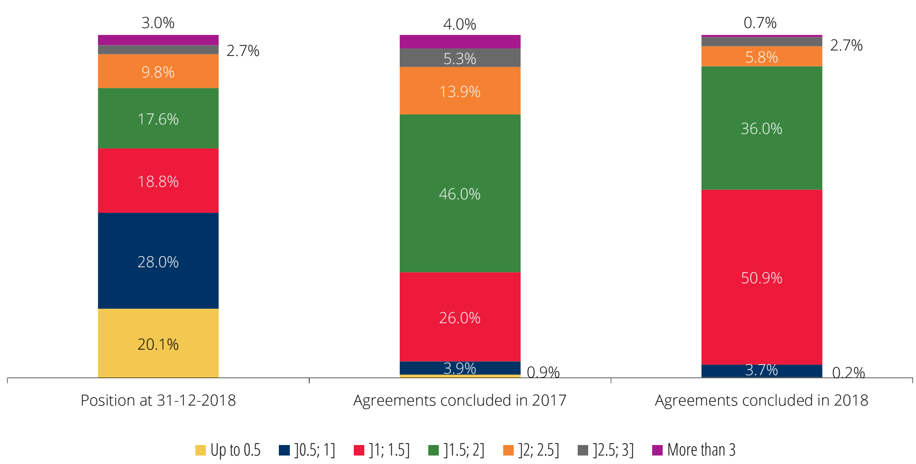
Notwithstanding these developments, the average spreads on new agreements continued to be higher than those in the portfolio at the end of 2017, resulting in a slight increase in the average portfolio spread at the end of 2018 to 1.28 percentage points (1.27 percentage points at the end of 2017).

Graph III.2.12 • Home loans | Developments in average spreads of variable rate agreements and of 3, 6, and 12-month Euribor | Position at 31-12-2018



Source: Banco de Portugal.

Graph III.2.13 • Home loans | Distribution of the spreads of variable rate agreements | Position at 31-12-2018, agreements concluded in 2017 and 2018



Source: Banco de Portugal.

2.4.2 Mixed rate

In mixed-rate agreements, the initial period of interest rate fixation increased.

In **new mixed-rate home loans agreements**, the initial fixed-rate period averaged seven years. This period was about six months longer than agreements concluded in the previous year and about 11 months longer than mixed-rate agreements in the portfolio at 31 December 2018.

The nominal annual rate applicable in the initial period to new fixed-rate home loans averaged 2.14% (2.07% in 2017), which, as usual, is higher than variable rate agreements indexed to 3, 6 and 12-month Euribor (1.33%).

In the portfolio, the average spread of mixed-rate agreements which, at 31 December 2018, were in the variable rate period and in which the reference rate was 3, 6 and 12-month Euribor was 1.27 percentage points, much in line with similar variable rate agreements (1.28 percentage points).

2.4.3 Fixed rate

Fixed interest rate agreements concluded in 2018 continued to have shorter maturities than other home loan agreements.

In 2018, **new fixed-rate home loan agreements** not related to the settlement of arrears[4] had an average initial maturity of 22.6 years, slightly higher than 2017 (22 years). However, the maturity of these agreements remains considerably below the average initial maturity of the remaining home loan agreements concluded in 2018 (33.6 years).

The nominal annual rate on home loan agreements that were not intended to settle arrears averaged 3.1% (compared with 2.5% in 2017). Fixed-rate home loan agreements had higher nominal annual rates than variable interest rate agreements.

4. In 2018, around 12.9% of new fixed-rate home loans had a duration of less than five years and small amounts and were mainly intended to settle defaults on agreements previously concluded with the institutions.

2.5 Repayment arrangements

Classic repayment agreements remained the most frequent.

The classic repayment arrangement[5] continued to be the most frequent in **home loan agreements concluded in 2018**. This type of arrangement was adopted in 92.2% of agreements, a proportion similar to the previous year's (92.4%).

Agreements with grace periods accounted for 7.5% of new home loans (7.1% in 2017) and of these, the majority (81%) had grace periods of more than one year. This is common in housing construction agreements, which provide for an initial phase of capital use during which the customer only pays interest.

The proportion of agreements where payment of part of the capital is deferred to the last instalment remained residual (0.3%, compared with 0.5% in 2017). These include agreements in the form of real estate finance leasing, where the exercise of the option to purchase the property at the end of the agreement presupposes the payment of the residual value (which corresponds to a capital deferral).

In 2018, there were only nine agreements concluded with a grace period and a deferral of part of the capital to the last instalment.

At the end of the year, the majority of **home loans outstanding** (80.7%) had a classic repayment arrangement. About 15% of the loans outstanding in the portfolio had a grace period. Of these loan agreements, more than half (58.1%) had grace periods of more than one year and 16.1% had grace periods of between six and twelve months. The deferral of part of the capital was present in 3.1% of the agreements.

Table III.2.4 • Home loans | Repayment arrangements | Position at 31-12-2017 and at 31-12-2018, agreements concluded in 2017 and 2018

	Agreements concluded		Portfolio position	
	2017	2018	31-12-2017	31-12-2018
Classic repayment arrangement (with no grace period or capital deferral)	92.4%	92.2%	82.6%	80.7%
Grace period for capital	7.1%	7.5%	13.2%	15.0%
Capital deferred to the last instalment	0.5%	0.3%	3.0%	3.1%
Grace period and capital deferred to the last instalment	0.0%	0.0%	1.2%	1.2%
Total	100%	100%	100%	100%

Source: Banco de Portugal.

5. This type of repayment does not provide for grace periods or deferral of capital and the amount is typically repaid through constant capital and interest payments.

2.6 Early repayment

The number of early repayments and the amount of credit repaid increased

Throughout 2018, bank customers made 100,144 total or partial early repayments on home loan agreements, which amounted to an amortised capital of EUR 4.6 billion, approximately 5.4% of the loan portfolio outstanding at 31 December 2018. These figures correspond to increases of 1.5% in the number of repayments and 9.1% in the amount of credit repaid, year on year. The average amount repaid increased from EUR 43,167 in 2017 to EUR 46,416 in 2018.

In 2018, a total of 73,654 **early repayments** were made on home loan agreements (1.6% more than in 2017), corresponding to a repayment amount of EUR 4.2 billion (8.3% more than in 2017). This led to an increase in the average amount repaid, from EUR 53,573 in 2017 to EUR 57,077 in 2018. In 2018, around 30% of total early repayments were equal to EUR 25 thousand or less and 53,4% of cases did not exceed EUR 50 thousand. Total repayments involving amounts of more than EUR 100 thousand represented 15.7% of cases.

Total early repayments on home loan agreements had an average initial maturity of 32.1 years and, at the time of early repayment, the average remaining maturity was 20 years. In 25% of cases, the remaining time did not exceed 9.8 years and in half of the cases did not exceed 19.8 years. In 75% of repayments, the remaining term was less than 30.6 years.

In 2018, 26,490 **partial early repayments** on home loan agreements were made, a slight increase in relation to 2017 (0.9% more). The amount of credit repaid grew more significantly to EUR 444 million (17.2% more than in 2017). This resulted in an increase in the average amount repaid from EUR 14,440 in 2017 to EUR 16,773 in 2018. In 46% of partial early repayments, the amount delivered did not exceed EUR 5,000. In contrast, in 25% of cases, however, the amount repaid was over EUR 17,500.

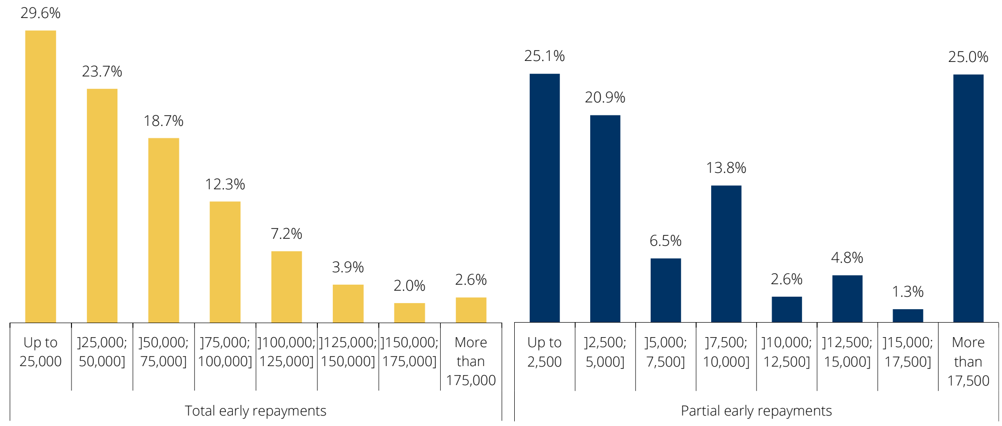
In 2018, in home loans, the frequency in the number of partial early repayments was similar to that of previous years. Most credit agreements (84.7%) were reimbursed only once, with each repayment corresponding to an average amount of EUR 22,005 (up from EUR 18,273 in 2017). Only a small proportion of agreements were reimbursed twice (9.9%), three times (2.7%), four times (1.1%) or five or more times (1.6%).

Table III.2.5 • Home loans | Early repayments | 2017–2018

	Number of repayments			Amount repaid (Eur million)			Average amount per repayment (euros)		
	2017	2018	2018–2017	2017	2018	2018–2017	2017	2018	2018–2017
Total repayment	72,463	73,654	1.6%	3,882	4,204	8.%	53,573	57,077	6.5%
Partial repayment	26,248	26,490	0.9%	379	444	17.2%	14,440	16,773	16.2%
Total	98,711	100,144	1.5%	4,261	4,648	9.1%	43,167	46,416	7.5%

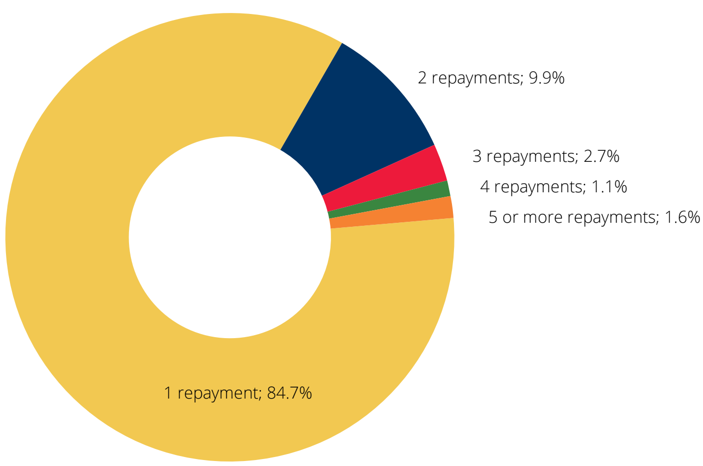
Source: Banco de Portugal.

Graph III.2.14 • Home loans | Distribution of the amount repaid in advance | 2018



Source: Banco de Portugal.

Graph III.2.15 • Home loans | Distribution of the number of partial early repayments | 2018



Source: Banco de Portugal.

2.7 Renegotiation of agreements

The number of renegotiations and the amount of credit renegotiated decreased once again.

In 2018, 23,580[6] renegotiations were made (16.9% less than the previous year), which involved 22,899 credit agreements (16.5% less than in 2017). Renegotiations totalled around EUR 2,021 million in credit, a decrease of 7.1% year on year. The average renegotiated amount increased from EUR 76,681 in 2017 to EUR 85,691 in 2018 (11.7% more).

Table III.2.6 • Home loans | Renegotiations | 2017–2018

	2017	2018	2018–2017
Number of renegotiations	28,360	23,580	-16.9%
Number of agreements renegotiated	27,432	22,899	-16.5%
Average amount renegotiated (euros)	76,681	85,691	11.7%
Amount of credit renegotiated (Eur million)	2,175	2,021	-7.1%

Source: Banco de Portugal.

As in previous years, in 2018, there were no signs of default on most renegotiated agreements (83.5%).

The number of renegotiated home loan agreements in which borrowers were in arrears (in that agreement or in other credit agreements held with the same institution) decreased by 5.9% compared to 2017. This development is consistent with information gathered as part of the monitoring of the general arrears regime, which indicates a decrease in the number of processes initiated in 2018 relating to mortgage credit agreements compared with the previous year[7].

6. This number of renegotiations is mandatorily higher than the number of renegotiations carried out under the out-of-court arrears settlement procedure, since, in addition to these, it also includes renegotiations made before the integration of agreements into the out-of-court arrears settlement procedure or after the procedure has come to an end. It is recalled that defaulting agreements need only be integrated into the out-of-court arrears settlement procedure between the 31st and 60th day after the start of the default and that the duration of this procedure is, as a general rule, 90 days, after which the renegotiation processes continue their course, but outside the out-of-court arrears settlement procedure.

7. In its *Banking Conduct Supervision Report 2018*, Banco de Portugal disclosed detailed information on the credit agreements included in the out-of-court arrears settlement procedure under the general arrears regime. In 2018, the number of processes in this procedure initiated by credit institutions related to mortgage credit agreements dropped 11.6% compared to 2017.

Table III.2.7 • Home loans | Distribution of the number of agreements subject to renegotiation, by credit situation | 2017–2018

	Value			Distribution	
	2017	2018	2018–2017	2017	2018
Default on the home loan or on other loans from the same institution	4,017	3,781	-5.9%	14.6%	16.5%
No default in the institution where the home loan is held	23,415	19,118	-18.4%	85.4%	83.5%
Total	27,432	22,899	-16.5%	100%	100%

Source: Banco de Portugal.

Of the renegotiations carried out in 2018, 16.4% were aimed solely at changing the maturity of the agreement. This type of renegotiation was slightly more frequent in defaulting agreements in that or in other loans with the same institution (in which they accounted for 21.1% of renegotiations) than in non-defaulting agreements (18.2% of renegotiations). On average, in renegotiations involving non-defaulting agreements, the maturity increased by 15 months and in renegotiations involving defaulting agreements it went up by 48 months.

Simultaneous renegotiation of the spread and of other conditions with financial effect was the option in 13.6% of home loan renegotiations. This type of renegotiation was more frequent in non-default agreements (18.4% of renegotiations) than in defaulting agreements in that or other loans held with the same institution (2.8% of renegotiations). In 12% of renegotiations, the term and spread of the agreement were changed simultaneously and in 12.4% of renegotiations, more than two financial conditions were changed.

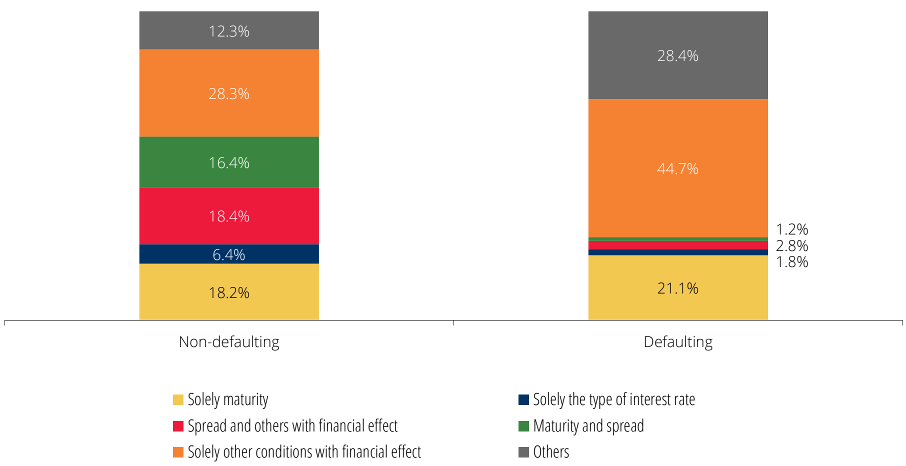
In addition to these, 27.4% of the renegotiations that took place in home loan agreements were solely intended to modify other conditions of the agreement with a financial effect (other than the spread, maturity, grace periods or type of interest rate), which may include, for example, changing the reference rate or setting a lower instalment for a limited period of time. These renegotiations were more frequent in agreements associated with defaults in that or in other loans with the same institution (where they accounted for 44.7% of renegotiations) than in non-defaulting agreements (28.3% of renegotiations).

Table III.2.8 • Home loans | Characterisation of renegotiations | 2018

	Distribution of the number of renegotiations	Average balance renegotiated (euros)
Solely other conditions with financial effect	27.4%	78,148
Solely maturity	16.4%	63,734
Spread and other conditions with financial effect	13.6%	84,118
More than two conditions renegotiated	12.4%	75,183
Maturity and spread	12.0%	103,059
Solely the type of interest rate	4.9%	46,600
Solely the grace period for capital	3.4%	90,798
Maturity and other conditions with financial effect	3.2%	63,659
Maturity and grace period	3.0%	73,768
Type of interest rate and spread	2.2%	100,659
Others	1.5%	72,133
Total	100%	77,892

Source: Banco de Portugal.

Graph III.2.16 • Home loans | Distribution of the main conditions renegotiated, by credit situation | 2018



Source: Banco de Portugal.

3 Other mortgage loans

"Other mortgage loans"[8] are non-housing credit agreements that are secured by a mortgage on property. This type of credit may have specific purposes, such as the consolidation of credits previously held by the bank customer, or may be granted without identifying the purpose of the loan.

3.1 New loans and portfolio

New non-housing mortgages accounted for a small proportion of the total mortgage and home loan market.

In 2018, 14,648 **new non-housing mortgage loan agreements** were concluded, corresponding to a loan amount of EUR 775 million. These figures represented 14.3% of the number of agreements and 7.5% of the amount of credit granted of the total mortgage and home loan market.

Most other mortgage loans concluded during 2018 concerned the other purpose sub-segment[9]. In 2018, 427 mortgage-backed agreements were concluded with the purpose of consolidating loans previously held by the customer, which represented a loan amount of EUR 15 million.

The average amount of other mortgage loans concluded in 2018 was EUR 52,896, less than half of the value of home loan agreements (EUR 108,419). Mortgage loan agreements for credit consolidation averaged an initial amount of EUR 35,335, lower than agreements for other purposes (EUR 53,423).

As at 31 December 2018, the portfolio of other mortgage loans consisted of 542,623 agreements, which corresponded to an outstanding balance of EUR 12.9 billion. Other mortgage loans represented 26.9% of the total number of agreements outstanding in the mortgage and home loan portfolio and 13% of the balance outstanding.

As in 2018, most **other mortgage loans outstanding** corresponded to the other purpose sub-segment, which accounted for 98.5% of agreements and 98.4% of the balance outstanding. Agreements for other purposes outstanding at the end of 2018 had an average balance outstanding of EUR 23,756 per agreement. Consolidated credit agreements represented 1.5% of the number of other mortgage loans outstanding and 1.6% of the corresponding balance outstanding. The average balance outstanding per agreement was higher in consolidated credit agreements (EUR 25,756) than in agreements for other purposes (EUR 23,756).

8. Under the new legal framework, the former credit-related agreements fall under the category of other mortgage loans. However, this category includes other types of credit, which is why the information presented in this chapter is not directly comparable with the information published in previous *Retail Banking Monitoring Reports*.

9. This sub-segment includes credit agreements with an identified specific purpose, in particular agreements whose purpose is to acquire cars or other vehicles, as well as agreements with no identified specific purpose, including revolving credit agreements. Mortgage loan agreements to finance the purchase of vehicles and mortgage-backed revolving credit agreements have a residual expression in the total of other mortgage loans.

Table III.3.1 • Other mortgage loans | Amount of credit granted, number of agreements concluded and average amount per agreement | Position at 31-12-2018 and agreements concluded in 2018

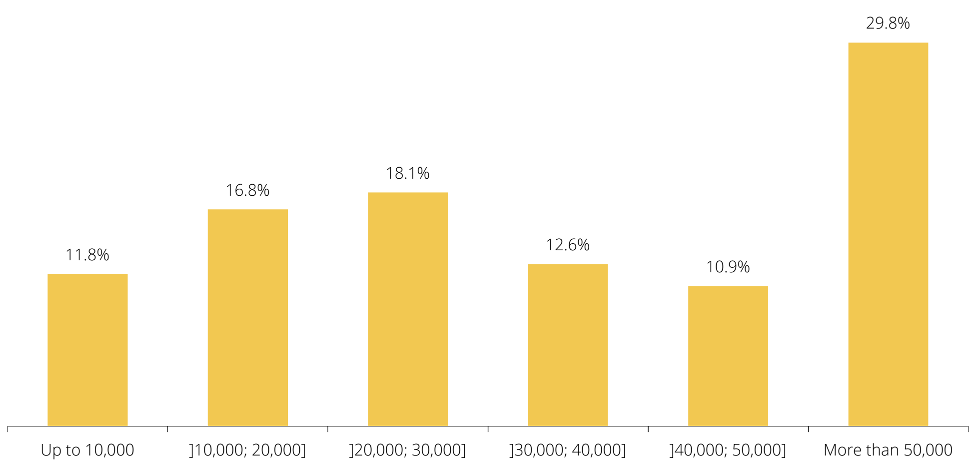
		Agreements concluded in 2018		Position at 31-12-2018	
		Value	Distribution	Value	Distribution
Amount of credit granted (Eur million)	Consolidated credit	15	1.9%	213	1.6%
	Other purposes	760	98.1%	12,694	98.4%
	Total	**775**	**100.0%**	**12,907**	**100.0%**
Number of agreements	Consolidated credit	427	2.9%	8,261	1.5%
	Other purposes	14,221	97.1%	534,362	98.5%
	Total	**14,648**	**100.0%**	**542,623**	**100.0%**
Average amount per agreement (euros)	Consolidated credit	35,335	–	25,756	–
	Other purposes	53,423	–	23,756	–
	Total	**52,896**	–	**23,786**	–

Source: Banco de Portugal.

In 28.6% of other mortgage loans concluded in 2018, the amount of credit granted did not exceed EUR 20,000.

In 28.6% of new non-housing mortgage agreements, the amount of credit granted was less than or equal to EUR 20 thousand. In contrast, in 29.8% of these agreements the amount of credit exceeded EUR 50 thousand. The remaining agreements (41.6%) totalled between EUR 20 thousand and 50 thousand.

Graph III.3.1 • Other mortgage loans | Distribution of the number of agreements by amount of credit granted | Agreements concluded in 2018



Source: Banco de Portugal.

3.2 Maturities of mortgage loans

Other mortgage loans concluded in 2018 had, on average, shorter maturities than home loan agreements.

Other mortgage loans in 2018 had an average initial maturity of 27 years, which was lower than home loans (33.4 years).

Other mortgage loans outstanding at 31 December 2018 had an average maturity of 31.7 years. The average maturity of the portfolio is explained chiefly by the agreements concluded between 2004 and 2010, which correspond to an average maturity of 33.6 years.

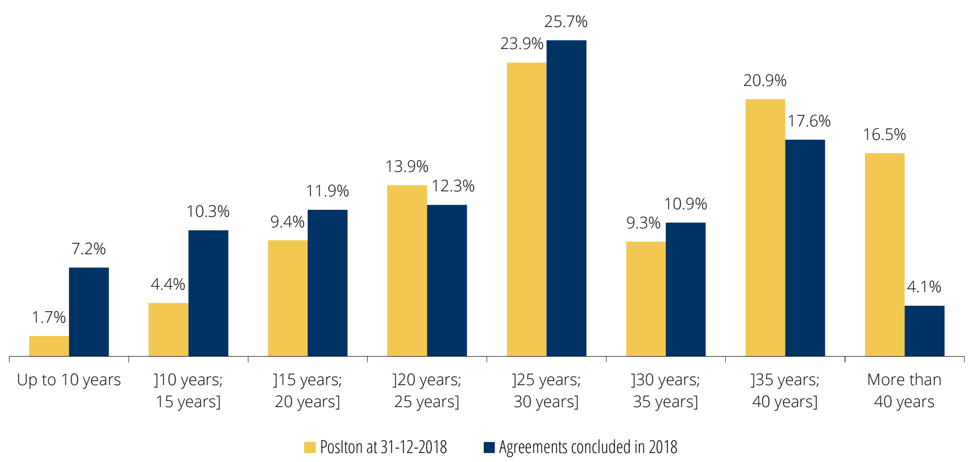
About a quarter of other mortgage loans had maturities of between 25 and 30 years.

The distribution of agreements by initial maturity shows that in both the new agreements and in the portfolio, about a quarter of the agreements had maturities of between 25 and 30 years (25.7% of new agreements and 23.9% of agreements outstanding in the portfolio).

In agreements concluded in 2018, 29.4% had maturities of up to 20 years, while in the portfolio these maturities represented only 15.5% of the agreements. In contrast, agreements with initial maturities of more than 40 years represented only 4.1% of the agreements concluded in 2018 (compared with 16.5% of the portfolio outstanding in December 2018). The importance of longer-term agreements declined over 2018 from 5.8% of new agreements in the first quarter of the year to 0.3% in the last quarter.

In the portfolio as at 31 December 2018, other mortgage loans had an average remaining maturity of 20 years (similar to home loans).

Graph III.3.2 • Other mortgage loans | Distribution of the maturity of mortgage loans | Number of agreements | Position at 31-12-2018 and agreements concluded in 2018



Source: Banco de Portugal.

3.3 Type of interest rate

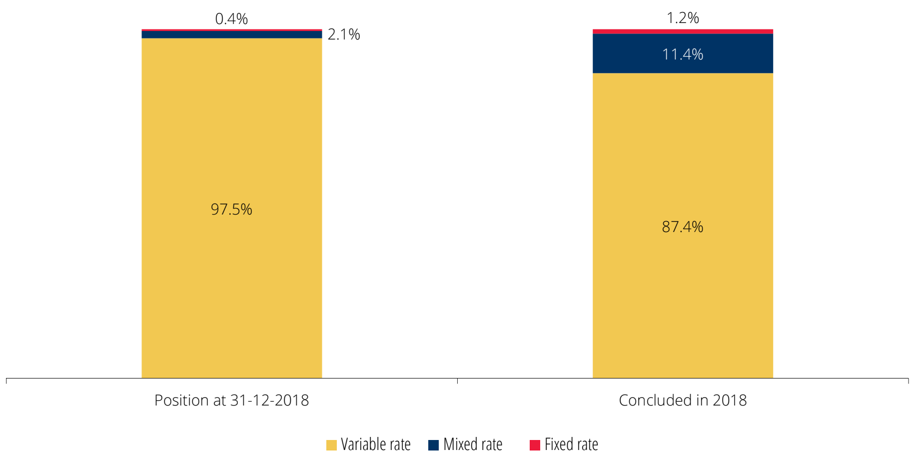
Most other mortgage loans were concluded with a variable rate.

The **variable** rate is the predominant type of interest rate on other mortgage loans, having been used in 87.4% of the agreements concluded in 2018 and in 87.5% of the amount of credit granted.

The **mixed rate** was the type of rate chosen in 11.4% of new agreements (corresponding to 11.6% of the amount of credit granted), while the **fixed rate** was residual (1.2% of new agreements and 0.9% of the amount of credit granted).

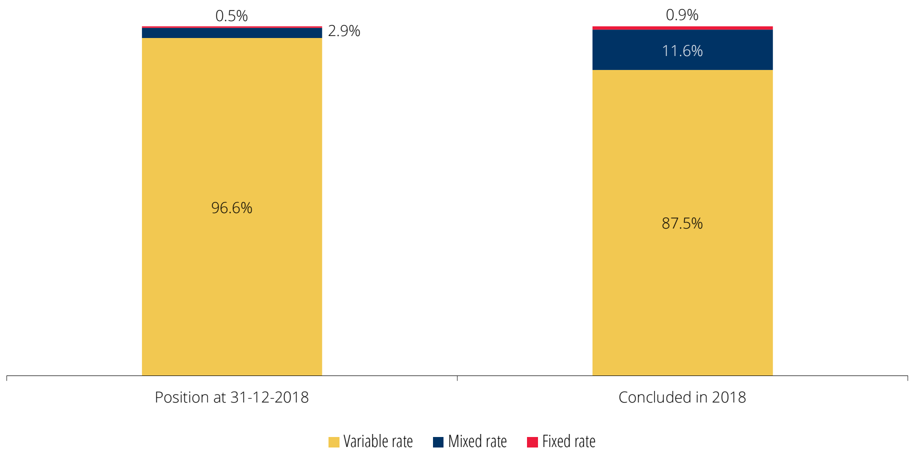
In the **portfolio** at 31 December 2018, variable rate agreements represented 97.5% and 96.6%, respectively, of the number of agreements outstanding and of the balance outstanding in other mortgage loans. The mixed rate represented 2.1% of agreements and 2.9% of the balance outstanding. The fixed rate also had a residual expression in agreements outstanding in the portfolio, representing 0.4% of agreements and 0.5% of the balance outstanding.

Graph III.3.3 • Other mortgage loans | Distribution of the number of agreements by type of interest rate | Position at 31-12-2018 and agreements concluded in 2018



Source: Banco de Portugal.

Graph III.3.4 • Other mortgage loans | Distribution of the amount of credit by type of interest rate | Position at 31-12-2018 and agreements concluded in 2018



Source: Banco de Portugal.

In other mortgage loan agreements concluded in 2018, the average APR was 3.8%. In new variable rate loans, the average APR was 3.8%, a similar figure to mixed-rate agreements (on average 3.9%). Fixed-rate agreements had an average APR of 5.3%, significantly higher than other types of interest rate. In other mortgage loans, average APRs are higher than for home loans.

3.3.1 Variable rate

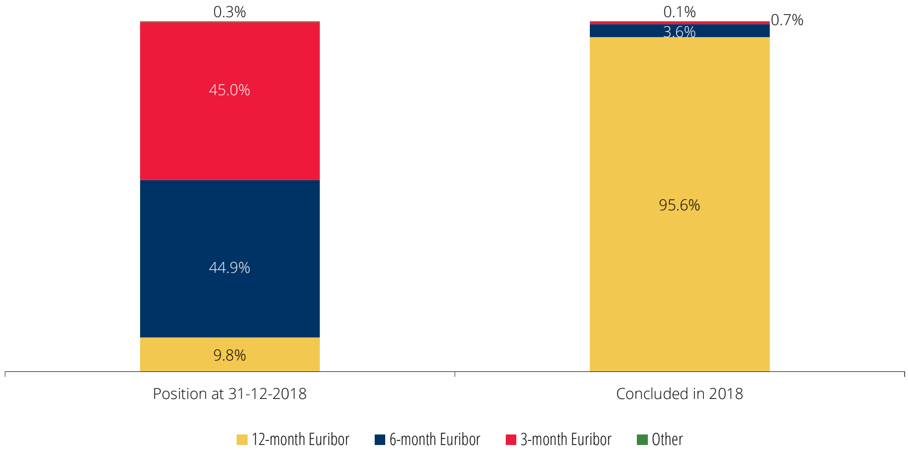
Agreements entered into in 2018 were mostly indexed to 12-month Euribor.

In 2018, the index of new agreements related to other mortgage loans was, in almost all cases, 12-month Euribor (accounting for 95.6% of new agreements and 95.1% of the amount of credit granted). The 6-month Euribor was the index of 3.6% of new agreements and 3-month Euribor was the index of 0.7% of agreements (4.3% and 0.5% of the amount of credit granted, respectively).

The agreements outstanding in the portfolio were mostly indexed to 3-month Euribor or to 6-month Euribor.

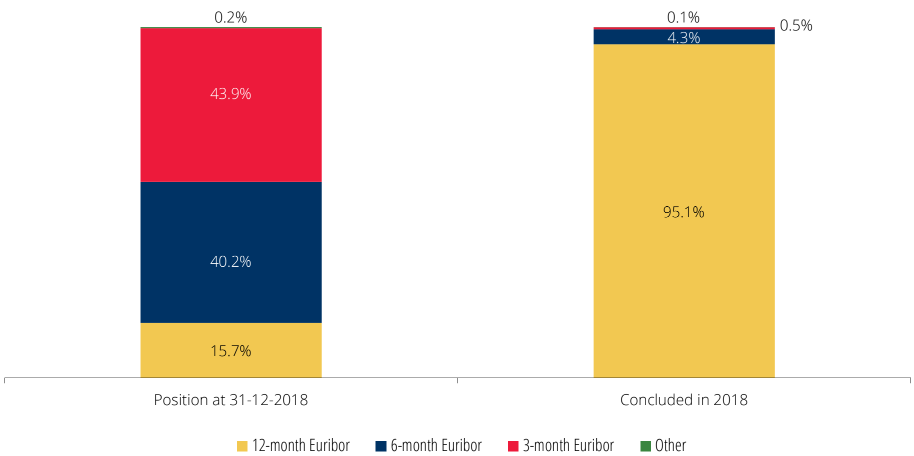
In the portfolio at 31 December 2018, the most frequent reference rates were 3-month Euribor and 6-month Euribor. The 3-month Euribor represented 45% of other mortgage loans and 43.9% of the balance outstanding, while the 6-month Euribor was the reference rate of 44.9% of agreements outstanding and 40.2% of the balance outstanding. The 12-month Euribor accounted for only 9.8% of agreements in the portfolio (15.7% of the balance outstanding), and the majority (59.7%) of the agreements with this reference rate was concluded in the last three years.

Graph III.3.5 • Other mortgage loans | Distribution of the number of agreement by reference rate of the variable rate | Position at 31-12-2018 and agreements concluded in 2018



Source: Banco de Portugal.

Graph III.3.6 • Other mortgage loans | Distribution of the credit amount by reference rate of the variable rate | Position at 31-12-2018 and agreements concluded in 2018



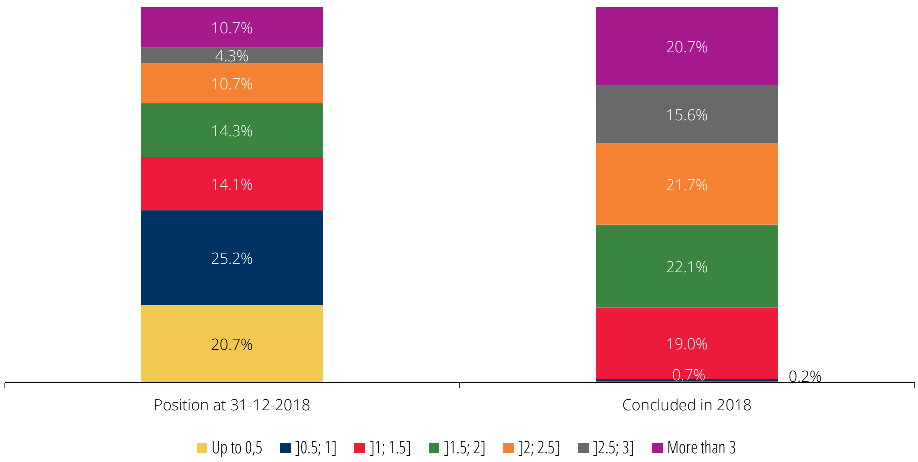
Source: Banco de Portugal.

The average spread of other mortgage loans concluded in 2018 was 2.37 percentage points.

The **average spread** of **other mortgage loans concluded** in 2018 with the variable rate and indexed to Euribor at 3, 6 and 12 months was 2.37 percentage points. This is lower than the agreements concluded in 2017 that were still outstanding at 31 December 2018 (2.67 percentage points), but identical to the average spread of agreements concluded in the second half of 2010. In most new agreements (58%), spreads are higher than 2 percentage points.

The average spread of agreements with a variable rate and indexed to 3, 6 and 12-month Euribor outstanding at the end of 2018 was 1.66 percentage points, considerably lower than that observed in new agreements. In the portfolio, most agreements (60%) had spreads below 1.5 percentage points.

Graph III.3.7 • Other mortgage loans | Distribution of the spreads of variable rate agreements | Position at 31-12-2018 and agreements concluded in 2018



Source: Banco de Portugal.

3.3.2 Mixed rate

Other mortgage loans concluded in 2018 with a mixed rate averaged an initial fixed rate period of 6.5 years, higher than the agreements outstanding at the end of the year (6.2 years).

The nominal annual rate applicable to **new credit agreements** that were still in the fixed-rate period averaged 2.9%, higher than the average rate applicable to new variable rate agreements (2.19%).

In the **portfolio** at the end of 2018, the average spread of mixed-rate agreements that were in the variable rate period and where the index was 3, 6 and 12-month Euribor was 1.28 percentage points. This value was lower than the variable rate agreements (1.66 percentage points).

3.3.3 Fixed rate

In fixed-rate agreements that were not intended to settle arrears[10], the average initial maturity was 13.2 years, a significantly shorter maturity than that of agreements outstanding in the portfolio (19.4 years).

New fixed-rate agreements averaged a nominal annual rate of 3.3%, which is lower than the agreements outstanding in the portfolio at the end of 2018 (3.8%).

10. In 2018, about 12.8% of new fixed-rate non-housing mortgage loans had a maturity of less than five years and small amounts and were mainly intended to settle arrears in agreements previously concluded with the institutions.

3.4 Repayment arrangements

The classic repayment arrangement is the most frequent in other mortgage loans.

Almost all **agreements concluded in 2018** had a classic repayment arrangement (no grace periods for capital or deferrals to the last instalment).

The classic arrangement was the option in 98.9% of new agreements and only a residual proportion of agreements had either a grace period for capital (0.9%) or a deferral of part of the capital to the last instalment (0.2%).

Agreements with classic repayment arrangements accounted for 88.1% of agreements **outstanding at 31 December 2018**. Agreements with grace periods for capital or capital deferral were more frequent in the portfolio than in new agreements (representing 7% and 3.7%, respectively, of agreements outstanding in the portfolio). At the end of the year, there was still a small proportion of agreements (1.2%) that simultaneously provided for a grace period for capital and deferral of part of the capital to the last instalment.

Table III.3.2 • Other mortgage loans | Repayment arrangements | Position at 31-12-2018 and agreements concluded in 2018

	Agreements concluded in 2018	Position at 31-12-2018
Classic repayment arrangement (no grace period or capital deferral)	98.9%	88.1%
Grace period for capital	0.9%	7.0%
Capital deferred to the last instalment	0.2%	3.7%
Grace period and capital deferral to the last instalment	0.0%	1.2%
Total	100.0%	100.0%

Source: Banco de Portugal.

3.5 Early repayments

In 2018, bank customers made 36,320 total and partial early repayments on other mortgage loan agreements, in which EUR 784 million of capital was repaid in advance.

Of the repayments made in 2018, 30,653 were total repayments and 5,667 were partial repayments, corresponding to credit amounts of EUR 718 and EUR 66 million, respectively. Customers repaid an average of EUR 23,415 in total repayments refunds and EUR 11,728 in partial repayments.

Table III.3.3 • Other mortgage loans | Early repayments | 2018

	Number of repayments	Amount repaid (Eur million)	Average amount per repayment (euros)
Total repayment	30,653	718	23,415
Partial repayment	5,667	66	11,728
Total	**36,320**	**784**	**35,143**

Source: Banco de Portugal.

3.6 Renegotiation of agreements

Throughout 2018, credit institutions and bank customers agreed to carry out 5,625 renegotiations on 5,507 agreements relating to other mortgage loans, totalling EUR 217 million. The average renegotiated amount was EUR 38,490.

Table III.3.4 • Other mortgage loans | Renegotiations | 2018

	2018
Number of renegotiations	5,625
Number de agreements renegotiated	5,507
Average amount renegotiated (euros)	38,490
Amount of credit renegotiated (Eur million)	217

Source: Banco de Portugal.

In most agreements renegotiated in 2018, there was no default by borrowers.

In 71.3% of other mortgage loans renegotiated during 2018, there was no default (neither in the renegotiated agreement nor in other credit agreements held with the same institution). In 28.7% of cases, the renegotiated agreement was in default or the customer was in arrears on other loans with the institution.

Table III.3.5 • Other mortgage loans | Distribution of the number of agreements subject to renegotiation, by credit situation | 2018

	Value	Distribution
Default on the other mortgage loan or on other loans from the same institution	1,582	28.7%
No default in the institution where the other mortgage loan is held	3,926	71.3%
Total	**5,507**	**100%**

Source: Banco de Portugal.

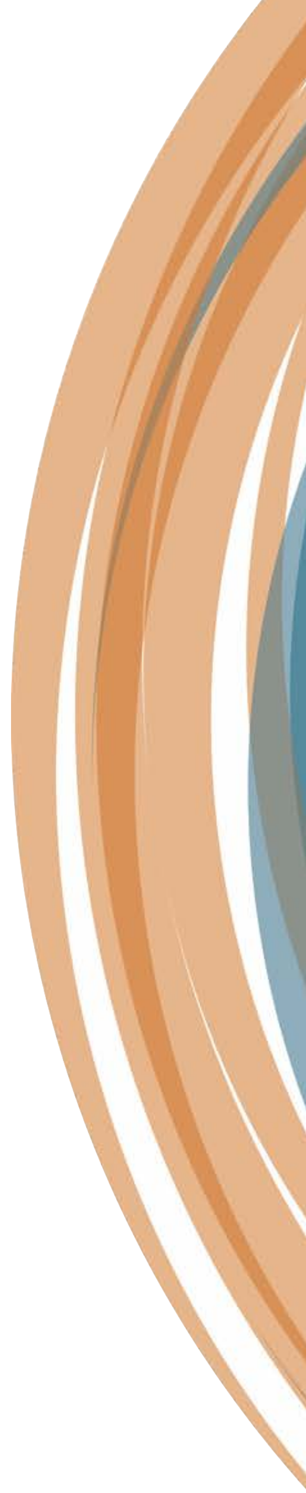
In 19.4% of the renegotiations made in 2018, the maturity of the agreement was the only condition renegotiated by the parties. Joint renegotiation of the spread and other conditions with financial effect was the option in 11.7% of renegotiations. In 8.9% of the renegotiations, the initial maturity of the agreement was changed and the grace period for capital was introduced or changed.

In 2018, 34.7% of renegotiations in other mortgage loans were solely intended to change other conditions of the agreement with financial effect (other than the spread, maturity, grace periods for capital or type of interest rate), including, for example, changing the reference rate or setting a lower instalment for a limited period of time.

Table III.3.6 • Other mortgage loans | Characterisation of renegotiations | 2018

	Distribution of the number of renegotiations	Average balance renegotiated (euros)
Solely other conditions with financial effect	34.7%	46,722
Solely maturity	19.4%	28,845
Spread and other conditions with financial effect fi	11.7%	35,376
Maturity and grace period for capital	8.9%	27,565
More than two conditions renegotiated	8.5%	31,790
Maturity and other conditions with financial effect	5.6%	35,511
Maturity and spread	4.4%	38,497
Solely the grade period for capital	3.3%	89,780
Others	3.5%	24,749
Total	100.0%	38,603

Source: Banco de Portugal.



IV Consumer credit

1 Market developments

In 2018, consumer credit continued to grow, but less sharply than in previous years.

Consumer credit continued its growth trend since 2013. In 2018, however, the increase was lower than in previous years.

In 2018, the amount of consumer credit granted increased by 10.1% compared to 2017, below the 12% growth observed that year. The number of concluded agreements increased by 2.4% in 2018 in comparison to the previous year, a growth lower than in 2017 compared to 2016 (5.1% more).

In 2018, EUR 7.4 billion was granted through approximately 1.5 million consumer credit agreements.

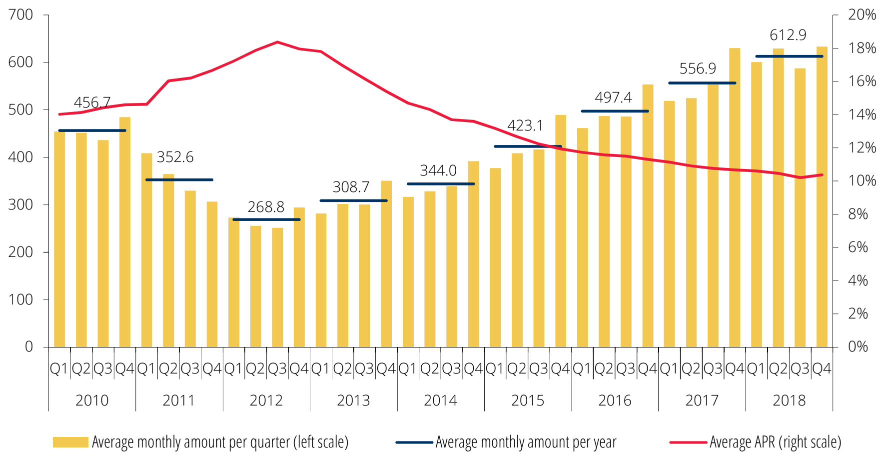
On average, EUR 612.9 **million** in consumer credit was granted per month, compared with EUR 556.9 million in 2017. In that year, an average of EUR 156 million more per month was granted than in 2010, the year preceding the contraction of the consumer credit market. In all quarters of 2018, the amount of credit granted was higher than in the same period of the previous year, with the first half of the year standing out, with growth of 15.7% and 20.1%, respectively, in the first and second quarters of 2018. In contrast, there was a slowdown in growth in the second half of the year, with the amount of credit granted increasing by 6.2% in the third quarter and 0.5% in the fourth quarter of 2018, year on year.

Growth was less pronounced in the **number of agreements** concluded. In 2018, an average of 128,645 consumer credit agreements were signed per month, compared with an average of 125,590 agreements in 2017. The growth in the number of agreements concluded in 2018 versus 2017 was exclusively due to developments in the first half of the year, as in the third and fourth quarters of 2018 the number of concluded agreements decreased by 3,5% and 0,3% respectively, year on year.

The slowdown in the consumer credit market in the second half of 2018 coincides with the entry into force, in July, of Banco de Portugal's macro-prudential measure concerning the criteria used by credit institutions to assess creditworthiness, when granting new loans to households.

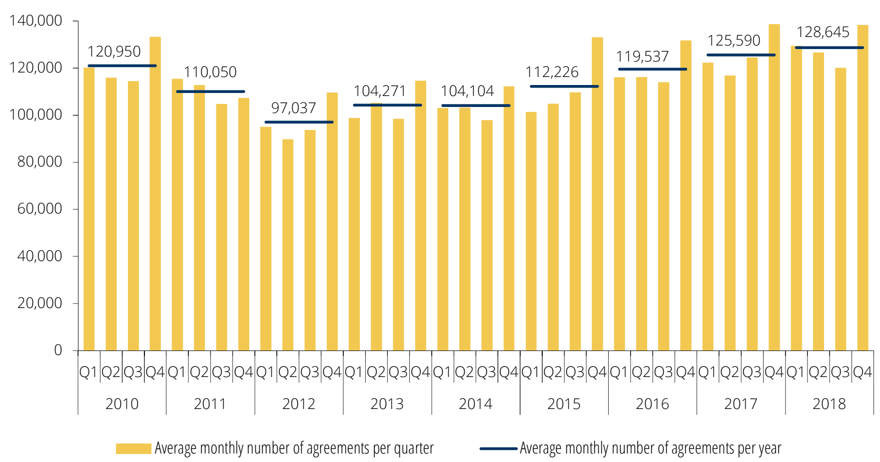
The **cost of consumer credit** maintained its downward trend in 2018, although the decrease observed in that year was less pronounced than in previous years. The market average annual effective rate of charge (APR) was 10.4% in the fourth quarter of 2018, which corresponds to a decrease of 0.3 percentage points compared to the fourth quarter of 2017. This decrease is lower than in the last quarter of 2017 (0.6 percentage points less). The decrease in the cost of credit was widespread across the three credit segments, with revolving credit recording the sharpest decrease.

Graph IV.1.1 • Consumer credit | Average monthly credit amount and average APR | Eur million | 2010–2018



Source: Banco de Portugal. | Note: Overdraft facilities with a repayment obligation within one month are excluded. The reporting of these operations is required as from July 2013, with the entry into force of Banco de Portugal's Instruction No. 14/2013, which repealed Instruction No. 12/2009. In the analysis made in this chapter, information concerning credit facility agreements only takes into account that relating to credit agreements in the form of an overdraft facility with a repayment term of more than one month.

Graph IV.1.2 • Consumer credit | Average monthly number of agreements | 2010–2018



Source: Banco de Portugal.

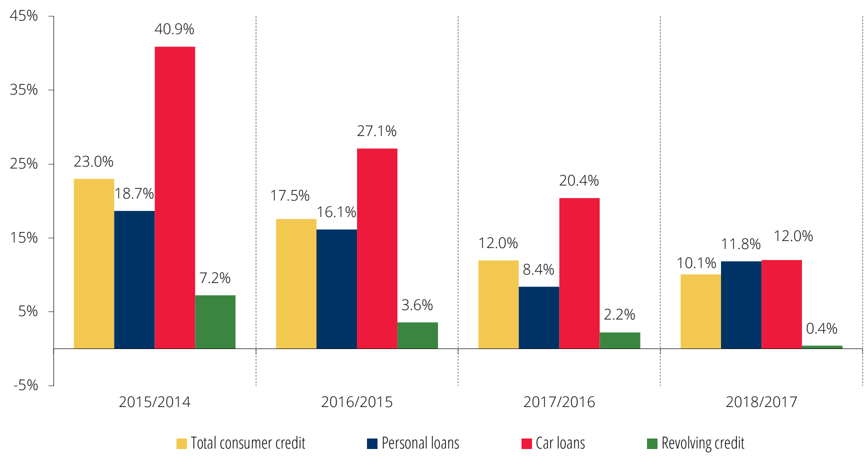
1.1 Type of credit

The increase in the amount of credit granted was mainly due to the rise in car loans and personal loans.

In 2018, the amount of credit granted grew at a similar rate in **personal loans** and **car loans** (around 12% over 2017). In personal loans this increase was higher than in 2017 (8.4% more than in 2016), while in car loans this increase was lower than in 2017 compared to 2016 (20.4% more). In **revolving credit**, the amount of credit granted remained relatively stable in 2018, increasing by only 0.4% compared to 2017, lower than in 2017, compared to 2016 (2.2% more).

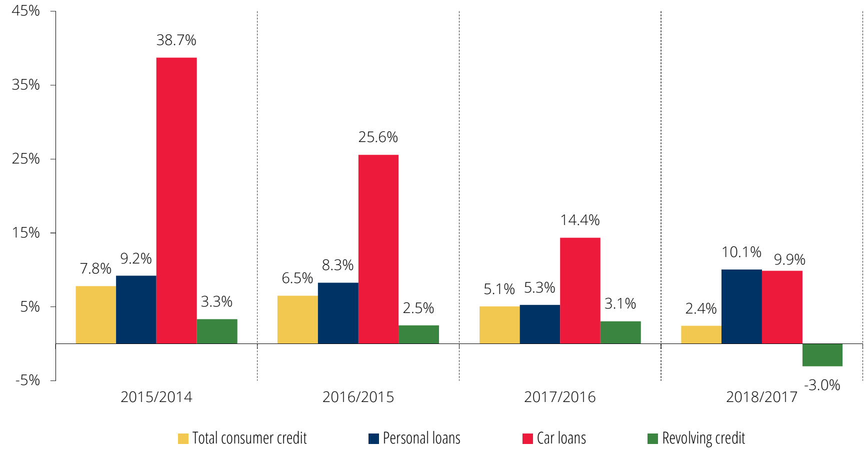
The number of agreements concluded grew by 10% compared to 2017 in both **car loans** and **personal loans**. In personal loans, this increase was higher than in 2017 (5.3% more than in 2016), while in car loans this growth was less pronounced than in 2017 (14.4% more). **Revolving credit** was the only segment in which the number of concluded agreements decreased (3% less than in 2017), against the 3.1% growth in 2017 compared to 2016.

Graph IV.1.3 • Consumer credit | Amount of credit granted | Rate of change | 2015–2018



Source: Banco de Portugal.

Graph IV.1.4 • Consumer credit | Number of agreements | Rate of change | 2015–2018



Source: Banco de Portugal.

The relative weight of revolving credit decreased in total consumer credit.

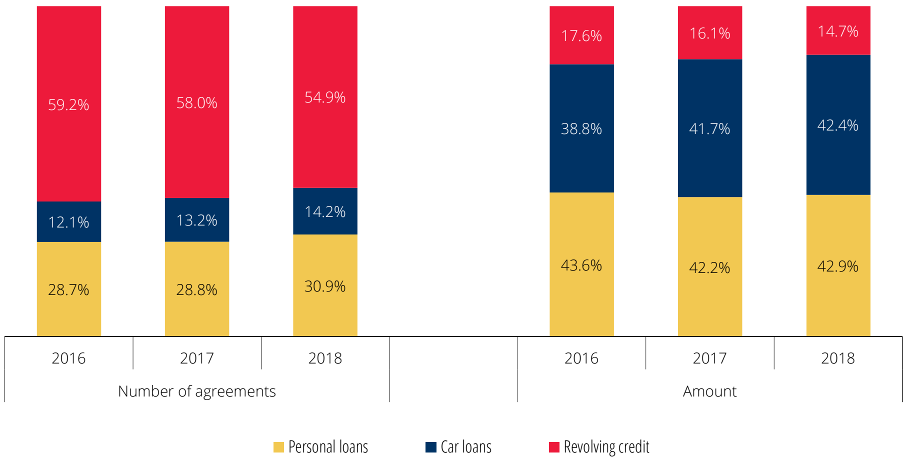
Developments in 2018 in the different consumer credit segments were reflected in the structure of the amount of credit granted, resulting in an increase in the relative importance of personal loans and car loans. In contrast, the relative weight of revolving credit decreased significantly in accordance with reductions in previous years.

The weight of **personal loans** in the amount of credit granted increased from 42.2% in 2017 to 42.9% in 2018. In the number of concluded agreements, the relative importance of personal loans also increased (from 28.8%, in 2017 to 30.9% in 2018).

In 2018, **car loans** accounted for 42.4% of the total amount of credit granted, compared to 41.7% in 2017. The evolution of the number of concluded agreements was similar, with the relative weight of car loans increasing from 13.2% in 2017 to 14.2% in 2018.

The relative importance of **revolving credit** decreased once again in 2018. This type of credit now represents 14.7% of the total amount of credit granted, while in 2017 it represented 16.1%. In terms of number of agreements, the drop was even more pronounced, with the relative weight of revolving credit decreasing from 58% in 2017 to 54.9% in 2018. However, in 2018 revolving credit continued to represent the majority of new consumer credit agreements.

Graph IV.1.5 • Consumer credit | Distribution of the number of agreements and of the credit amount granted | 2016–2018



Source: Banco de Portugal.

1.2 Type of credit institution

In the consumer credit market there are credit institutions with **universal activity** and **institutions specialised** in this type of financing[1].

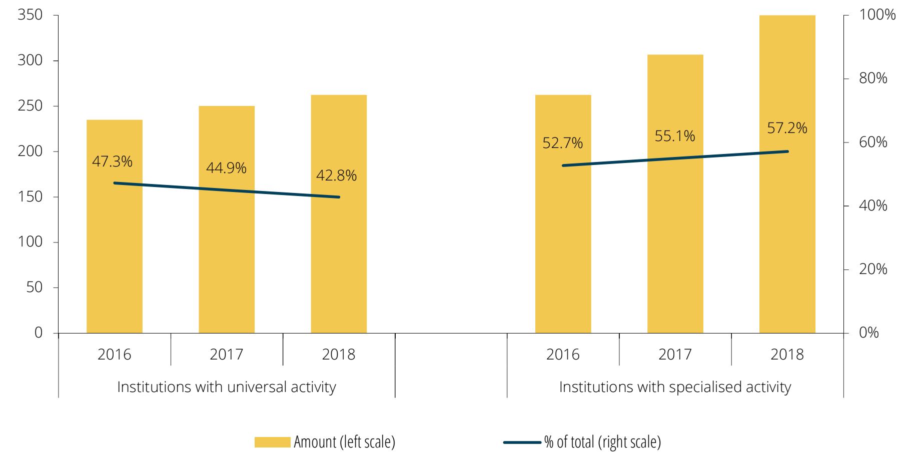
The importance of specialised institutions increased once again.

In 2018, more than half of the amount of consumer credit was granted by institutions with specialised activity (57.2%), and the importance of this type of institution increased compared to 2017 (55.1%).

The amount of credit granted increased in both types of institutions in comparison to 2017, but in institutions with specialised activity this increase (14.3%) was more pronounced than in institutions with universal activity (4.9%). The higher increase in the amount of credit granted by institutions with specialised activity, compared to institutions with universal activity, was common to the three types of loans (personal, car and revolving).

1. Universal activity includes the regular receipt of deposits. Although some institutions with specialised activity are entitled to receive deposits, they do not perform this activity regularly.

Graph IV.1.6 • Consumer credit | Average monthly amount of credit granted, by type of institution | Eur million | 2016–2018



Source: Banco de Portugal.

1.3 Marketing channel

More than half of consumer credit was granted directly at the credit institution.

In 2018, 54.1% of the amount of consumer credit was granted **directly at the credit institution** and the remaining 45.9% was granted through the commercial establishment where the asset was purchased (**credit intermediaries in an ancillary capacity**). These ratios are similar to those of 2017 (54.6% directly at the credit institution and 45.4% through credit intermediaries in an ancillary capacity).

This stabilisation is related, on the one hand, to the increase in the weight of car loans, mainly granted through credit intermediaries in an ancillary capacity, and, on the other hand, to the increase in the weight of personal loans, mainly granted directly at the credit institution.

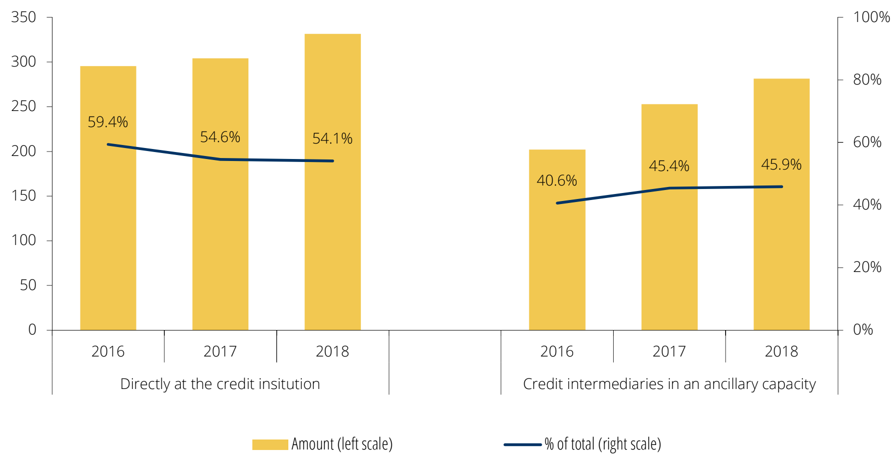
In 2018, institutions with specialised activity granted less credit through credit intermediaries in an ancillary capacity.

In institutions with specialised activity, most of the credit amount (76.7%) continued to be granted through credit intermediaries in an ancillary capacity. However, credit granted by these intermediaries lost importance compared to 2017 (2 percentage points less). In institutions with specialised activity, which do not have branches, the conclusion of direct contracts can be done through other institutions that act as credit intermediaries or through remote means of communication (e.g. telephone, online channel, mobile applications).

Institutions with universal activity provided 4.8% of the credit amount through credit intermediaries in an ancillary capacity, a percentage that is still residual but higher than in 2017 (4.7%).

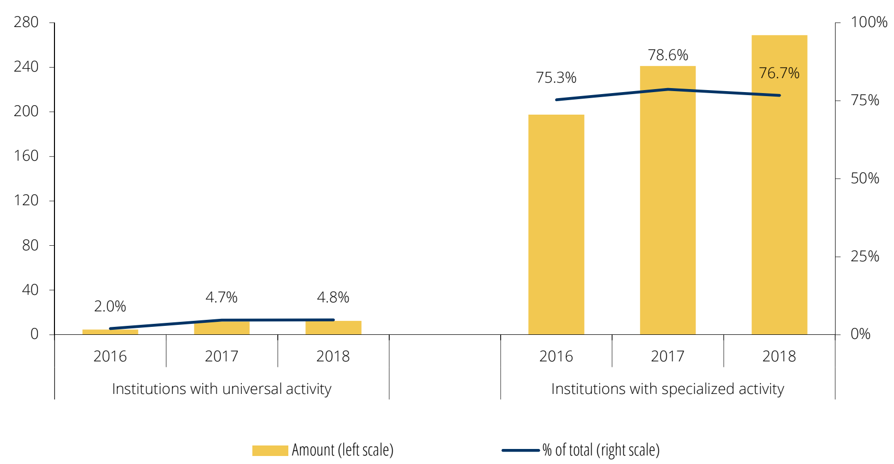
In 2018, consumer credit granted by credit intermediaries in an ancillary capacity gained importance in car loans and personal loans, but lost importance in the revolving credit segment.

Graph IV.1.7 • Consumer credit | Average monthly amount of credit granted, by channel | Eur million | 2016–2018



Source: Banco de Portugal.

Graph IV.1.8 • Consumer credit | Average monthly amount of credit placed through credit intermediaries in an ancillary capacity, by type of institution | Eur million | 2016–2018



Source: Banco de Portugal.

2 Personal loans

In 2018, the **amount** of personal loans granted and the **number of agreements** signed increased compared to 2017, reinforcing the growth trend in this type of credit observed since 2013. The amount of loans granted increased by 11.8% and the number of agreements concluded increased by 10.1%, above the growth rates of 2017 (8.4% and 5.3%, respectively).

"Other personal loans" continued to represent most personal loans granted.

The evolution of this type of credit was mainly due to the sub-segment **"other personal loans"**[2], which represented almost the entire amount of personal loans granted (97%). This sub-segment increased by 11.2% in the amount of credit granted (8.1% in 2017) and by 8.6% in the number of agreements concluded (4.8% in 2017).

The sub-segment **"for education, health, renewable energies and financial leasing of equipment"** continued to represent a very small proportion of personal loans (around 3%), but increased significantly in 2018. The amount of credit granted increased by 39.5% and the number of concluded agreements increased by 62.4% compared to 2017, well above the respective growth of 21.6% and 27.1% in that year. In this sub-segment, health credit was the most frequent in 2018 and the one with the highest growth compared to the previous year.

Table IV.2.1 • Personal loans | Amount and average monthly number of agreement concluded | 2016–2018

		Value			Percentage change		
		2016	2017	2018	2016–2015	2017–2016	2018–2017
Amount (Eur thousand)	Education, health, renewable energies and financial leasing of equipment	4,259	5,177	7,222	56.7%	21.6%	39.5%
	Other personal loans	212,750	230,034	255,821	15.5%	8.1%	11.2%
	Total	217,009	235,211	263,043	16.1%	8.4%	11.8%
Number of agreements	Education, health, renewable energies and financial leasing of equipment	770	979	1,590	136.3%	27.1%	62.4%
	Other personal loans	33,544	35,148	38,169	7.0%	4.8%	8.6%
	Total	34,314	36,126	39,759	8.3%	5.3%	10.1%

Source: Banco de Portugal.

In 2018, the number of new personal loan agreements exceeded for the first time the number of agreements concluded in 2010.

2. Personal loans are intended for the purchase of goods and services, and the sub-segment "other personal loans" includes the following purposes: "non-specific", "for the home", "consolidated credit", "other purposes" and "credit for construction/renovation".

In 2018, an average of EUR 263 million in personal loans was granted per month, corresponding to a monthly average of 39,759 agreements concluded, higher than in 2017 (on average, around EUR 235.2 million per month, corresponding to 36,126 agreements). In 2018, the average number of new personal loan agreements exceeded for the first time the value recorded in 2010 (38,122 agreements), the year preceding the contraction of the consumer credit market. The average monthly amount of personal loans granted in 2018 exceeded the value of 2010 by EUR 78 million.

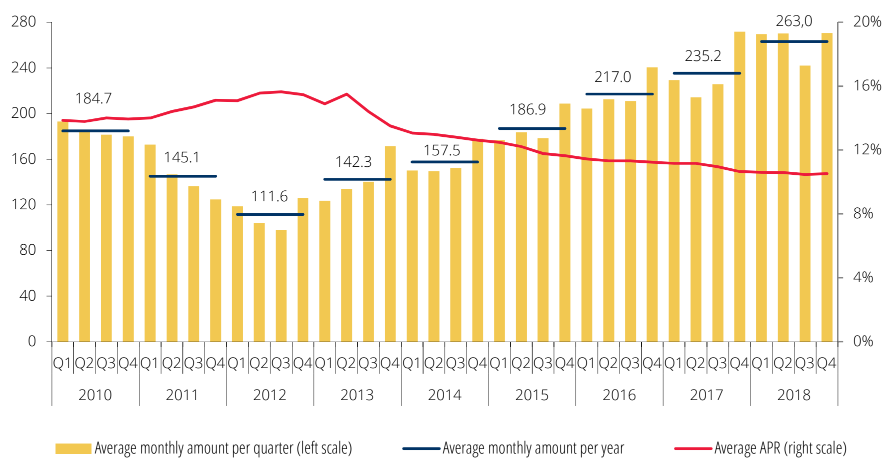
In personal loans, the **amount granted** slowed down in the second half of 2018. In comparison to 2017, the amount of personal loans granted showed considerable year-on-year growth (17.6% and 26.1%, respectively, in the first and second quarters of 2018). However, in the third quarter of 2018 there was a slowdown in growth (7.2% more than in the same period of 2017), followed by a relative stabilisation in the last quarter of the year (0.5% less).

In all quarters of 2018, the **number of concluded agreements** was higher year on year, especially in the first and second quarters (around 17% in both cases).

> In 2018, the average APR of personal loans decreased once again, but less sharply than in previous years.

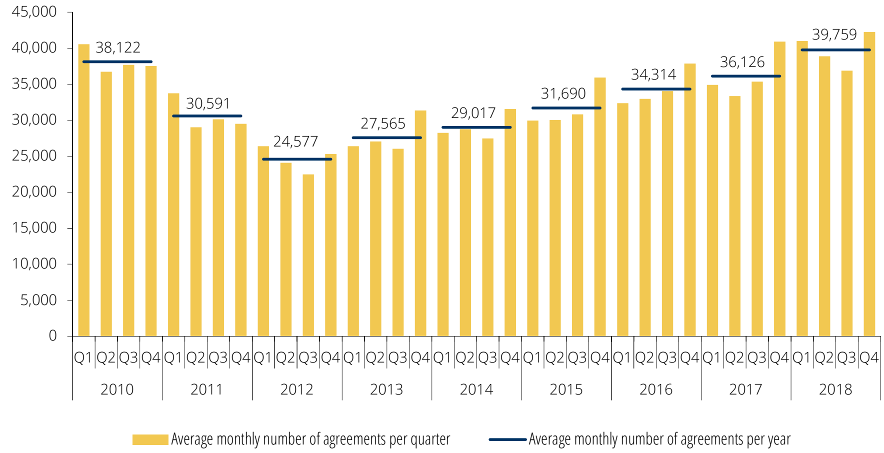
The increase in the amount of personal loans in 2018 was accompanied by a reduction in the cost of credit. In the last quarter of 2018, the average APR of personal loans decreased by 0.1 percentage point compared to the average APR of the same period of 2017, a less pronounced decrease than in the last quarter of 2017 (down by 0.6 percentage points).

Graph IV.2.1 • Personal loans | Average monthly amount of credit granted and average APR | Eur million | 2010–2018



Source: Banco de Portugal.

Graph IV.2.2 • Personal loans | Average monthly number of agreements concluded | 2010–2018



Source: Banco de Portugal.

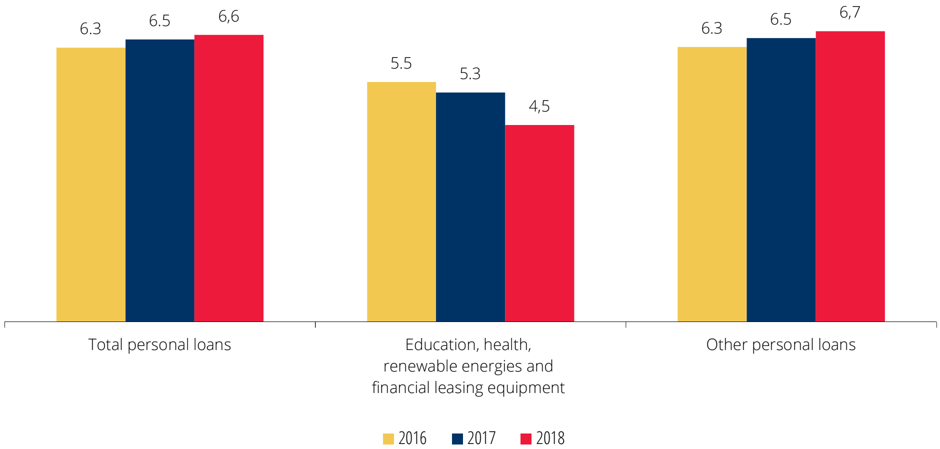
2.1 Amounts of agreements

In 2018, the average amount of personal loan agreements increased in comparison to 2017.

In personal loans, the average amount per agreement was EUR 6,600 in 2018[3], EUR 100 more than in 2017. This increase was exclusively due to developments in the "other personal loans" sub-segment, which had an average amount per agreement of EUR 6,700, 2.4% more than in 2017. In contrast, the average amount per agreement in the personal loans sub-segment "for education, health, renewable energies and financial leasing equipment" dropped by 14.1% over 2017, standing at EUR 4,500 in 2018.

3. With the entry into force of Decree-Law No. 74-A/2017, on 1 January 2018, non-mortgage-backed credit agreements for construction/renovation works are now covered by Decree-Law No. 133/2009 and consequently subject to the reporting obligation under Instruction 14/2013, regardless of the amount of credit granted. Thus, the average amount per personal loan agreement includes two non-mortgage-backed credit agreements with the purpose of construction/renovation works with amounts exceeding EUR 75 thousand.

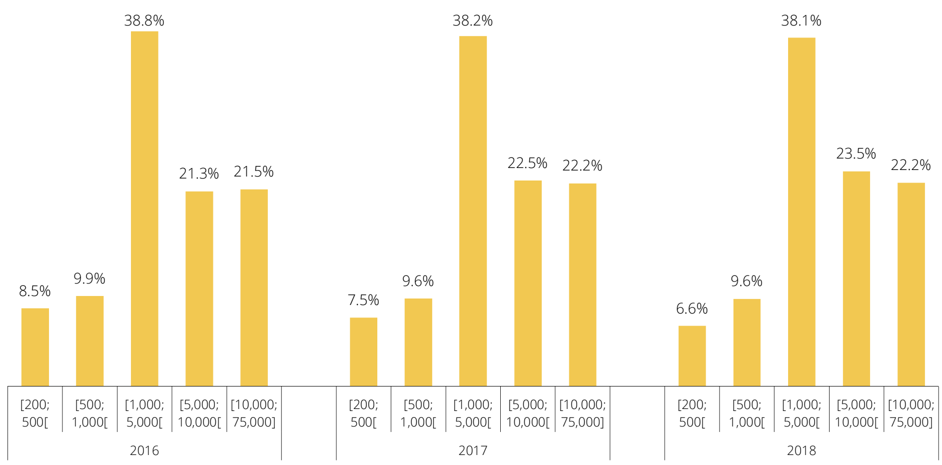
Graph IV.2.3 • Personal loans | Average amount of agreements per loan sub-segment | Eur thousand | 2016–2018



Source: Banco de Portugal.

In 2018, agreements with amounts between EUR 1,000 and EUR 5,000 continued to be the most frequent in personal loans (38.1%, compared with 38.2% in 2017). In comparison to 2017, the proportion of agreements with amounts below EUR 500 decreased (from 7.5% in 2017 to 6.6% in 2018), while the importance of agreements with amounts between EUR 5,000 and EUR 10,000 increased from 22.5% in 2017 to 23.5% in 2018.

Graph IV.2.4 • Personal loans | Distribution of the number of agreements, per amount (in euros) | 2016–2018



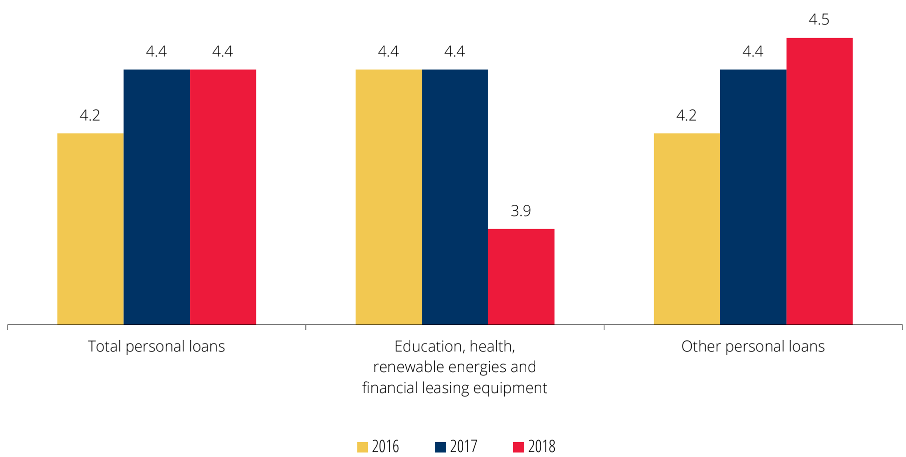
Source: Banco de Portugal.

2.2 Maturities of agreements

The average maturities of personal loan agreements remained stable.

The average maturity of the personal loan agreements concluded in 2018 remained unchanged at 4.4 years. In the "other personal loans" sub-segment, the average term of agreements was 4.5 years, about one month more than in 2017. In personal loans "for education, health, renewable energies and financial leasing equipment" the average maturity of agreements in 2018 was 3.9 years, a reduction of around six months compared to 2017.

Graph IV.2.5 • Personal loans | Average maturities of agreements, per loan sub-segment (in years) | 2016–2018

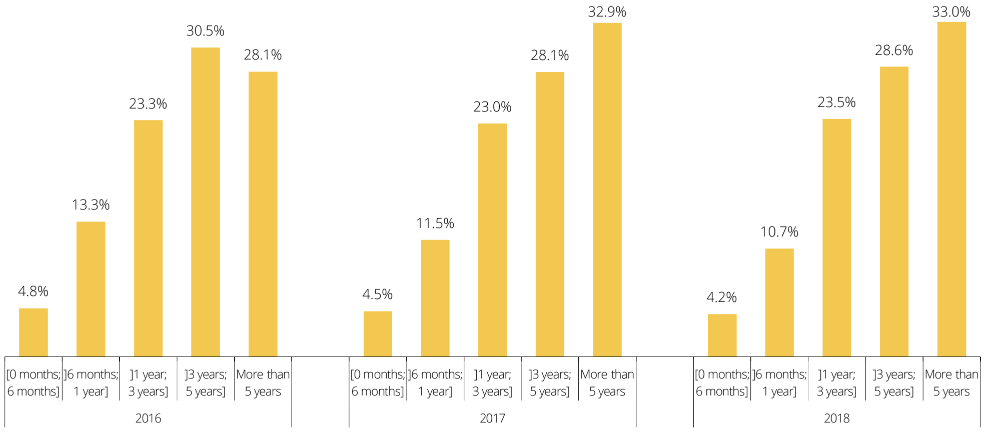


Source: Banco de Portugal.

About a third of personal loan agreements had maturities of more than five years.

In personal loans, agreements with longer maturities (more than five years) were the most frequent in 2018 and accounted for about 33% of the total, in line with the previous year. The importance of agreements with maturities between one and five years increased slightly from 51.1% in 2017 to 52.1% in 2018. In contrast, agreements with maturities of less than one year continued to lose importance, representing 14.9% of the agreements signed (1.1 percentage points less than in 2017).

Graph IV.2.6 • Personal loans | Distribution of the number of agreements, by maturity | 2016–2018



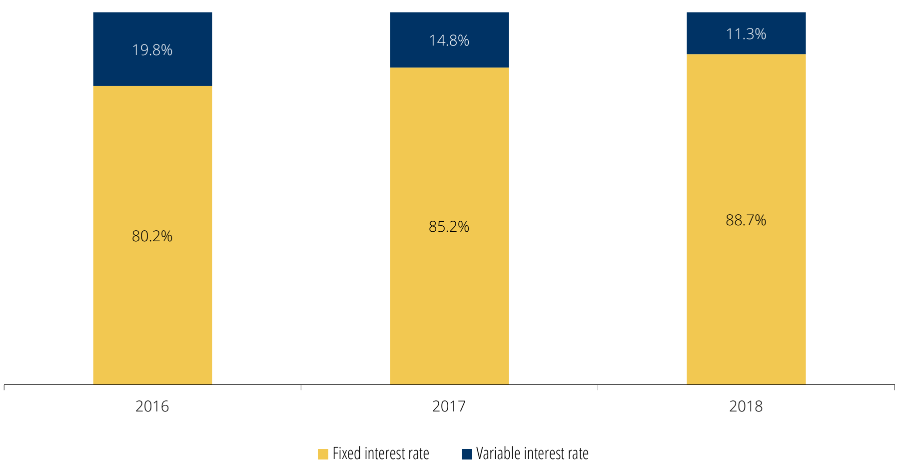
Source: Banco de Portugal.

2.3 Type of interest rate

Most personal loans agreements had a fixed interest rate.

In 2018, the majority of personal loan agreements had a **fixed interest rate** (88.7%), with the weight of this type of rate increasing compared to 2017 (85.2%). In contrast, the relative importance of **variable interest rate** agreements continued to decline.

Graph IV.2.7 • Personal loans | Type of interest rate as a percentage of the amount granted | 2016–2018



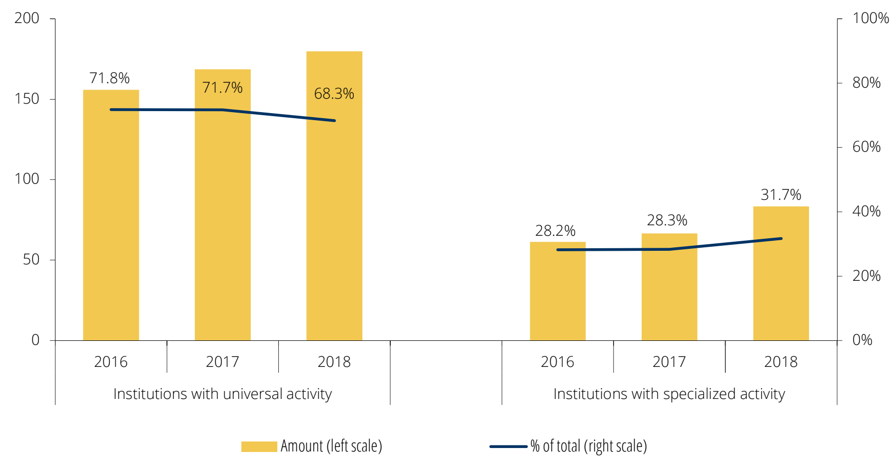
Source: Banco de Portugal.

2.4 Type of credit institution

In personal loans, the weight of institutions with specialised activity increased in relation to 2017.

In 2018 most of the amount of personal loans continued to be granted by **institutions with universal activity** (68.3%), although these institutions lost importance in the total credit granted, compared to 2017 (71.7%). In contrast, the importance of institutions with **specialised activity** in total personal loans granted increased from 28.3% in 2017 to 31.7% in 2018. This increase was due to the significant increase in the amount of credit granted by institutions with specialised activity (25.2% more), when compared with institutions with universal activity (6.6% more).

Graph IV.2.8 • Personal loans | Average monthly amount of credit granted, by type of institution | Eur million | 2016–2018

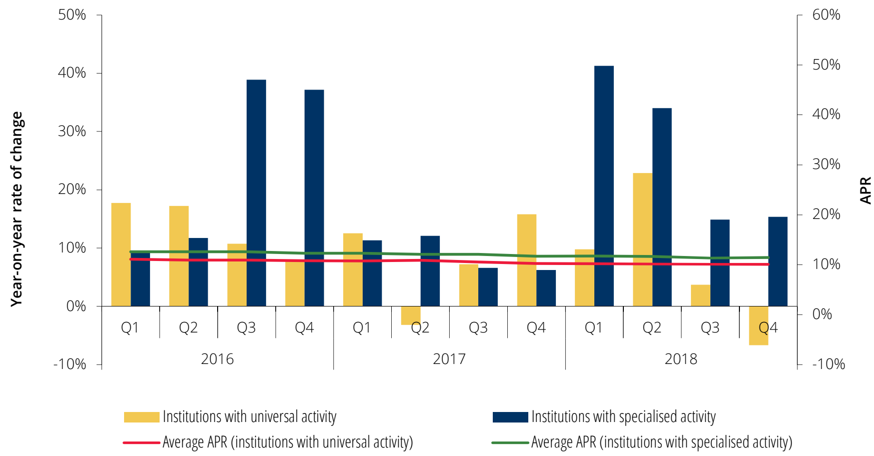


Source: Banco de Portugal.

In personal loans, the amount granted by **institutions with specialised activity** showed year-on-year growth in all quarters of 2018, compared to 2017, highlighting the growth in the first and second quarters of the year (41.2% more and 34% more, respectively). In the case of **institutions with universal activity**, the year-on-year growth in the first three quarters was less significant and, in the last quarter of the year, there was even a decrease in the amount of credit granted (down 6.6% over the same period of 2017).

In all quarters of 2018, the **average APR** practiced by institutions with specialised activity in personal loans was higher than the average APR practiced by institutions with universal activity. These differences ranged from 1.2 to 1.6 percentage points, as in 2017.

Graph IV.2.9 • Personal loans | Year-on-year rate of change of the amount of credit granted and average APR, by type of institution | 2016–2018



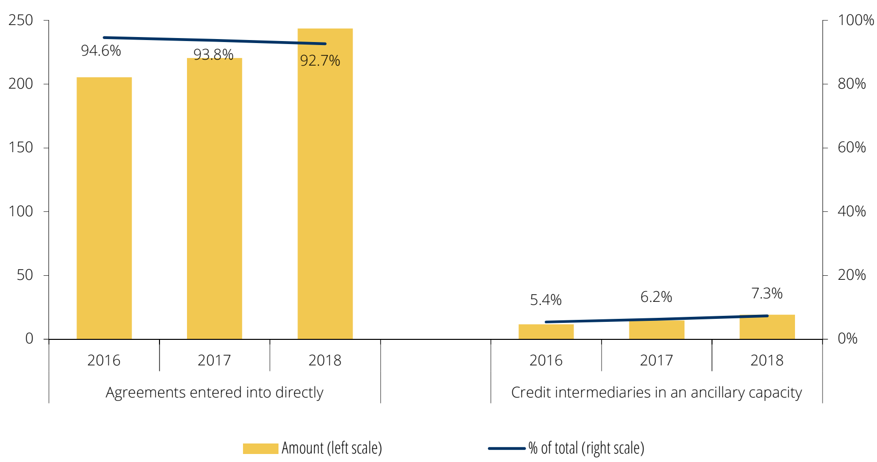
Source: Banco de Portugal.

2.5 Marketing channel

In 2018, the weight of personal loan agreements concluded through credit intermediaries in an ancillary capacity went up.

In personal loans, agreements concluded **directly at the credit institution** continued to be the most frequent marketing channel (92.7% of the amount granted). However, in 2018, the weight of agreements concluded through **credit intermediaries in an ancillary capacity** went up, representing 7.3% of the amount of credit granted in 2018 (1.1 percentage points more than in 2017).

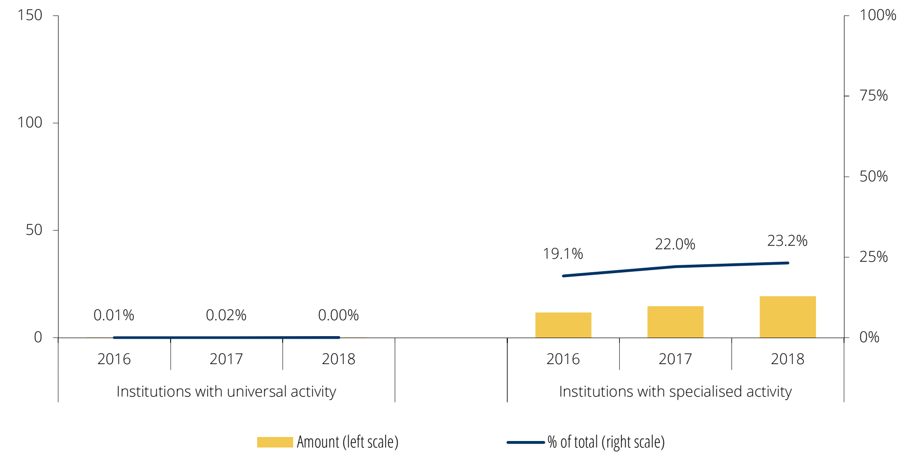
Graph IV.2.10 • Personal loans | Average monthly amount of credit granted, by marketing channel | Eur million | 2016–2018



Source: Banco de Portugal.

The amount of personal loans granted by institutions with universal activity through credit intermediaries in an ancillary capacity remained residual. In institutions with specialised activity, the amount granted through this channel went up from 22% of the total in 2017 to 23.2% in 2018.

Graph IV.2.11 • Personal loans | Average monthly amount of credit placed through credit intermediaries in an ancillary capacity, by type of institution | Eur million | 2016–2018



Source: Banco de Portugal.

3 Car loans

Car loans continued to increase in 2018, although there was a significant slowdown in growth compared to previous years. The **amount** of credit granted increased by 12% compared to 2017, below the 20.4% growth recorded in that year compared to 2016. The **number of concluded agreements** increased by 9.9% compared to 2017, a lower growth than between 2017 and 2016 (14.4%).

In 2018 the increase in car loans "subject to the retention of the ownership and others: used" stands out.

Contrary to what happened in 2017, in which all car loan sub-segments showed significant growth, in 2018 car loans "subject to the retention of the ownership and others" sub-segments revealed higher growth. In the sub-segment for the acquisition of used cars, there was an increase of 16% in the amount of credit granted and of 11.9% in the number of concluded agreements, compared with 24.6% and 16.5%, respectively, in 2017, compared to 2016. In the sub-segment for the acquisition of new cars, in 2018 the amount of credit granted grew by 11% (15.5% in 2017) and the number of concluded agreements grew by 10% (12.7% in 2017).

In 2018, the "financial leasing or long-term rental: new" sub-segment decreased by 1.5% in the amount of credit granted compared to 2017, counterbalancing the growth of 11.1% in that year, and a reduction of 7.1% in the number of agreements concluded, after relative stabilisation in the previous year (0.6% more).

In the sub-segment for “financial leasing or long-term rental: used” the amount of credit granted grew by 3.4%, significantly lower than in 2017 (25.6%), while the number of concluded agreements decreased by 1.2%, contrary to the increase observed in the previous year (16.6% more).

Table IV.3.1 • Car loans | Average monthly amount and number of agreements concluded | 2016–2018

		Value			Percentage change		
		2016	2017	2018	2016–2015	2017–2016	2018–2017
Amount (Eur thousand)	Financial leasing or long-term rental: new	28,175	31,313	30,834	-0.2%	11.1%	-1.5%
	Financial leasing or long-term rental: used	6,666	8,372	8,653	20.1%	25.6%	3.4%
	Subject to the retention of the ownership and others: new	47,363	54,685	60,700	36.7%	15.5%	11.0%
	Subject to the retention of the ownership and others: used	110,586	137,747	159,796	32.8%	24.6%	16.0%
	Total	**192,790**	**232,117**	**259,984**	**27.1%**	**20.4%**	**12.0%**
Number of agreements	Financial leasing or long-term rental: new	1,131	1,138	1,058	-7.4%	0.6%	-7.1%
	Financial leasing or long-term rental: used	319	372	368	7.2%	16.6%	-1.2%
	Subject to the retention of the ownership and others: new	3,434	3,870	4,257	29.9%	12.7%	10.0%
	Subject to the retention of the ownership and others: used	9,613	11,198	12,532	30.2%	16.5%	11.9%
	Total	**14,498**	**16,578**	**18,215**	**25.6%**	**14.4%**	**9.9%**

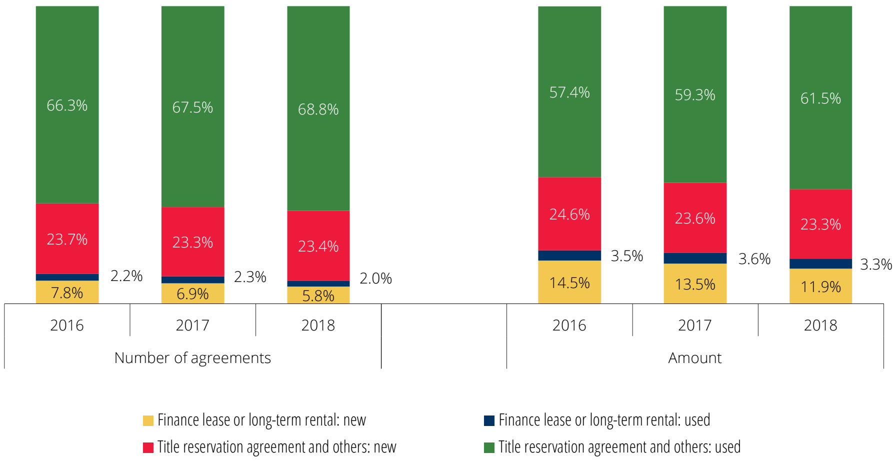
Source: Banco de Portugal.

In 2018, the relative importance of the amount granted on car loans “subject to the retention of the ownership and others: used” increased, in detriment of the remaining sub-segments.

In 2018, this sub-segment represented 61.5% of the amount of car loans granted, above the proportion observed in 2017 (59.3%). In contrast, emphasis is placed on the “financial leasing and long-term rental: new” sub-segment, which fell by 1.6 percentage points over the previous year.

The sub-segment “subject to the retention of the ownership and others” for the purchase of used cars also represented most car loan agreements concluded in 2018 (68.8%) and also there was an increase of its relative importance compared to 2017 (1.3 percentage points more).

Graph IV.3.1 • Car loans | Distribution of the number of agreements and amount of credit granted | 2016–2018



Source: Banco de Portugal.

The amount of car loans granted showed irregular developments throughout 2018.

In 2018, an average of EUR 260 million in car loans per month was granted per month, corresponding to 18,215 agreements, higher than in 2017 (on average, EUR 232.1 million per month, corresponding to 16,578 agreements). The average monthly amount of car loans in 2018 exceeded the amount in 2010 by EUR 84 million.

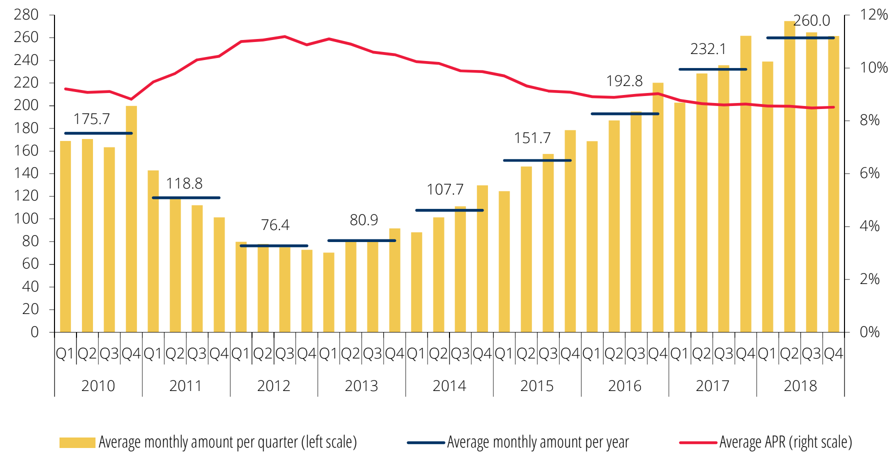
However, the **amount** of car loans granted showed irregular developments over the course of 2018. In contrast to previous years, the average monthly loan amounts did not increase throughout 2018. Despite significant year-on-year growth in the first half of the year (18% in the first quarter and 20.2% in the second quarter, compared to the same period of 2017), there was a deceleration in the second half of the year, with special emphasis on the last quarter of 2018, in which the amount of car loans granted was identical to that recorded in the last quarter of 2017 (0.1% less).

The **number of concluded agreements** evolved in a similar fashion to the amount of credit granted, revealing more significant year-on-year growth in the first part of the year (15% in the first quarter and 18% in the second quarter, compared to 2017). In contrast, in the last quarter of 2018, the number of concluded agreements decreased by 2% compared to the last quarter of 2017.

In 2018, the average APR of car loans dropped slightly.

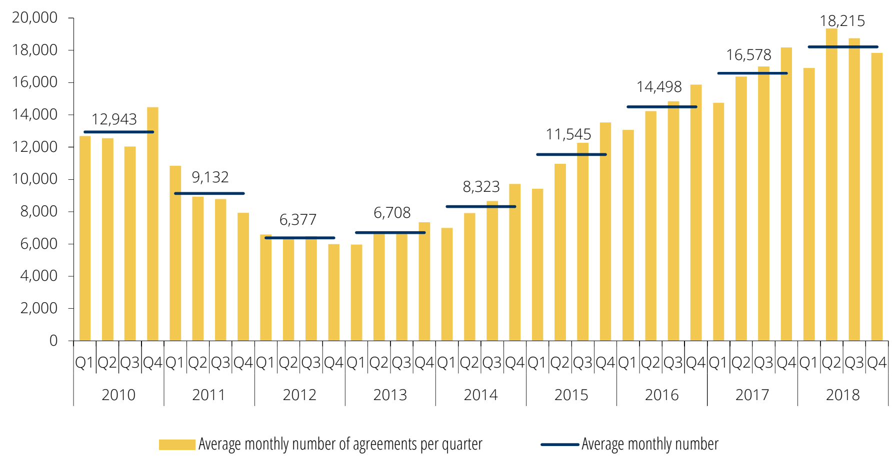
The increase in the amount of car loans granted in 2018 was accompanied by a decrease in the **cost of credit**. The average APR dropped by 0.1 percentage point between the end of 2017 and the end of 2018, a less pronounced decrease than in the same period of 2017 compared to 2016 (0.4 percentage points less).

Graph IV.3.2 • Car loans | Average monthly amount of credit granted and average APR | Eur million | 2010–2018



Source: Banco de Portugal.

Graph IV.3.3 • Car loans | Average monthly number of agreements concluded | 2010–2018



Source: Banco de Portugal.

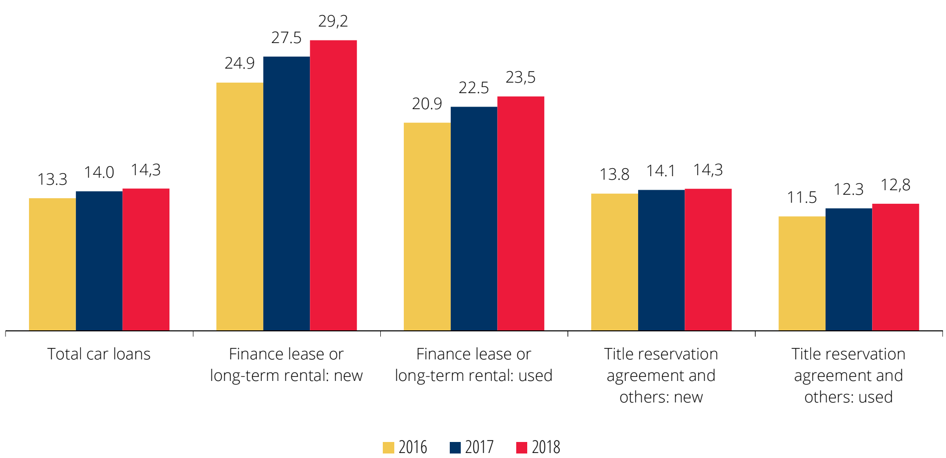
3.1 Amounts of agreements

The average amount per agreement increased in all car loan sub-segments.

The average amount per agreement in car loans increased once again in 2018 to EUR 14,300, about EUR 300 above the amount in 2017 (1.9% more). All car loan sub-segments showed growth in the average amount per agreement compared to 2017, with particular emphasis on the increase of the “financial leasing or long-term rental” sub-segments.

As in previous years, the "financial leasing or long-term rental" sub-segment for the purchase of new cars continued to show the highest average amount per agreement. In this sub-segment, an average of EUR 29,200 was granted per agreement, which represents a growth of around EUR 1,700 compared to the previous year (6% more). This is followed by the 4.7% increase in the "financial leasing or long-term rental" sub-segment for the acquisition of used cars, which averaged EUR 23,500 in 2018 (EUR 1,000 more than in 2017). In the sub-segment "subject to the retention of the ownership and others" for the purchase of used cars, the average amount per agreement was EUR 12,800, approximately EUR 500 higher than the amount of 2017 (3.7% more). In the "financial leasing or long-term rental" sub-segment for the purchase of new cars, the average amount per agreement increased by around EUR 200 (from EUR 14,100 in 2017 to EUR 14,300 in 2018).

Graph IV.3.4 • Car loans | Average amount of agreements, by loan sub-segment | Eur thousand | 2016–2018



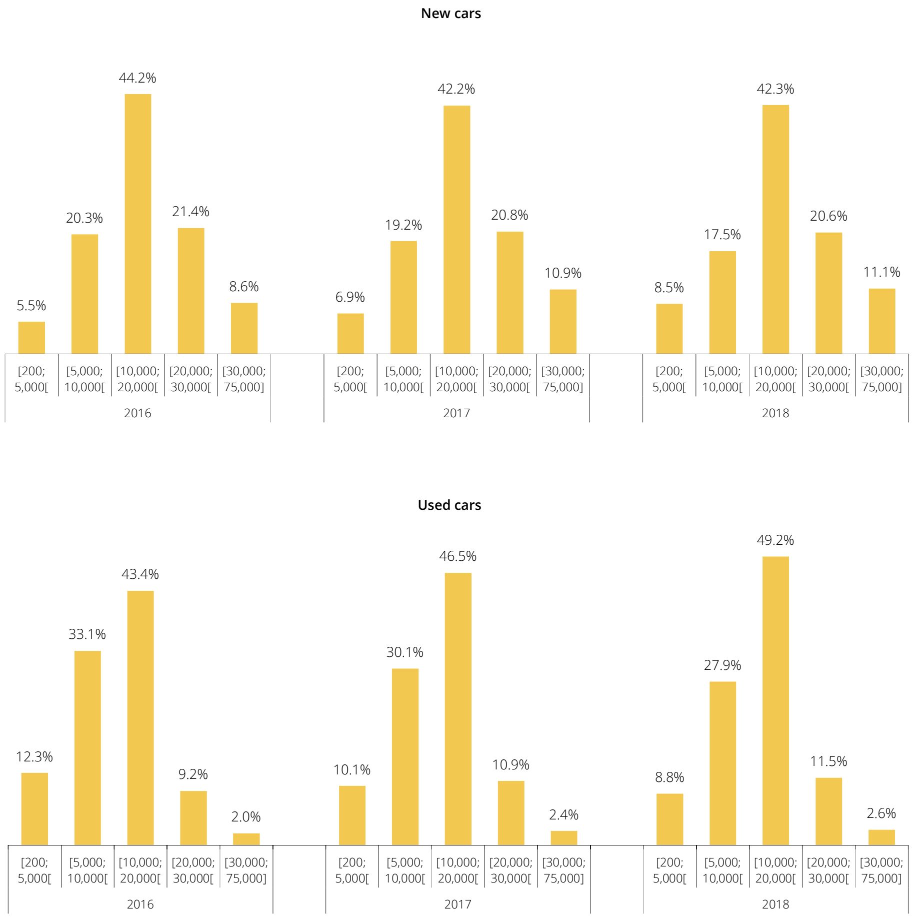
Source: Banco de Portugal.

Most car loan agreements had amounts between EUR 10,000 and EUR 20,000.

In loans for the acquisition of **new cars**, the distribution of the agreement amounts remained virtually unchanged from the previous year. Agreements with amounts between EUR 10,000 and EUR 20,000 continued to be the most frequent, with a weight of 42,3% in total (0.1 percentage point compared to 2017), followed by agreements with amounts over EUR 20,000, with a weight of 31.7% in 2018 (identical to 2017).

In car loans for the purchase of **used vehicles**, the relative importance of agreements with amounts between EUR 10,000 and EUR 20,000 increased (from 46.5% in 2017 to 49.2% in 2018), whereas agreements with smaller amounts, below EUR 10,000, dropped from 40,2% in 2017 to 36,7% in 2018. The importance of agreements with amounts above EUR 20,000 went up from 13.3% in 2017 to 14.1% in 2018.

Graph IV.3.5 • Car loans | Distribution of the number of agreements, by amount | 2016–2018



Source: Banco de Portugal.

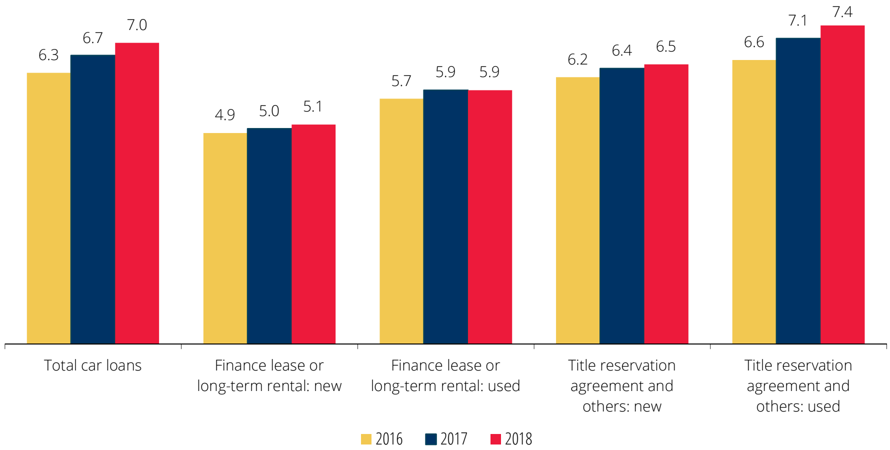
3.2 Maturities of agreements

In 2018, the average maturity of agreements went up in most sub-segments of car loans.

In car loans, the average maturity of agreements increased from 6.7 in 2017 to 7 years in 2018. In that year, all sub-segments showed an increase in the average maturity, except for the "financial leasing or long-term rental: used" agreements whose average maturity remained unchanged at 5.9 years.

Car loans "subject to the retention of the ownership and others: used" sub-segment had the most significant growth in the average maturity of agreements between 2017 and 2018 (increasing from 7.1 years to 7.4 years). In 2018, this continued to be the sub-segment with the highest average maturity. In the new car loan sub-segments, the average maturity went up by about one month between 2017 and 2018.

Graph IV.3.6 • Car loans | Average maturities of agreements, by loan sub-segment (in years) | 2016–2018



Source: Banco de Portugal.

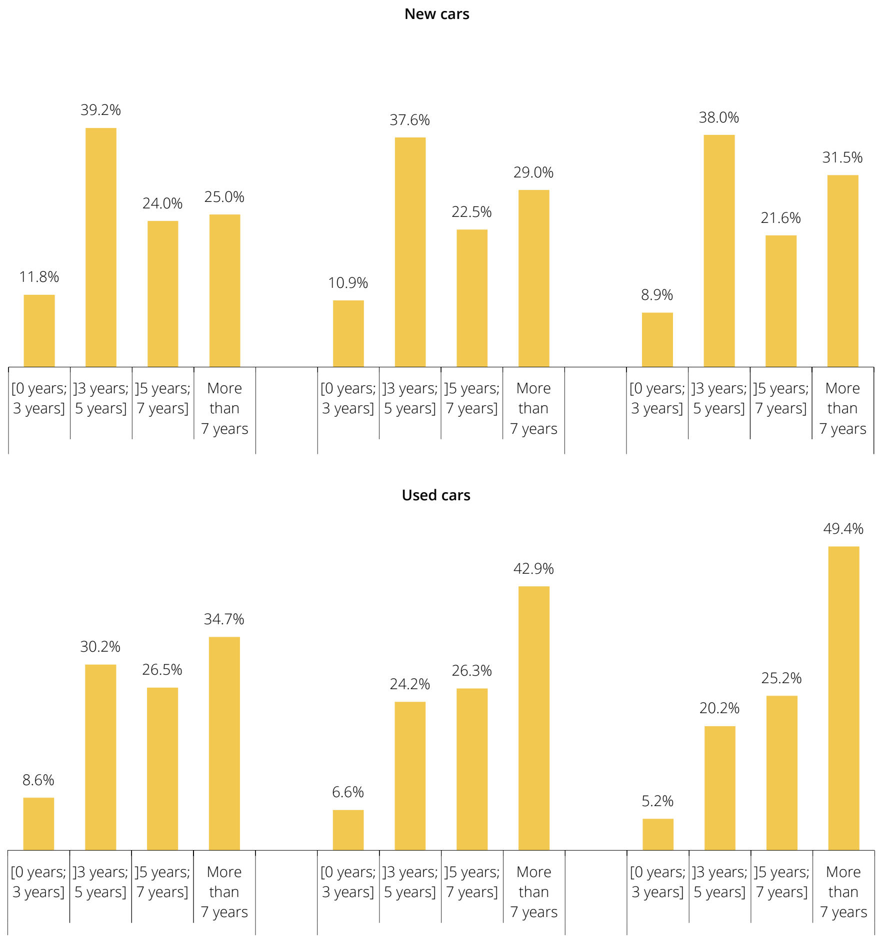
In 2018, around half of agreements for the acquisition of used cars had maturities of more than seven years.

In car loans, in 2018, the increase in the importance of longer-term agreements (over seven years), both in new car loans and used car loans is emphasised.

In regard to **new cars**, agreements with maturities of more than seven years now represented 31.5%, while in 2017 they represented 29%. However, in the case of new cars, the most frequent agreements continued to have maturities ranging from three to five years, and their weight increased from 37.6% in 2017 to 38% in 2018. In contrast, the weight of the remaining maturities declined, especially the importance of agreements with maturities of less than three years (from 10.9% in 2017 to 8.9% in 2018).

In regard to **used cars**, about half of the credit agreements signed in 2018 (49.4%) had a maturity of more than seven years, which represents an increase in the weight of these agreements compared to 2017 (42.9%). In contrast, the relative importance of the remaining maturities declined, in particular the weight of agreements with maturities between three and five years (down 4 percentage points versus 2017).

Graph IV.3.7 • Car loans | Distribution of the number of agreements, by maturity | 2016–2018



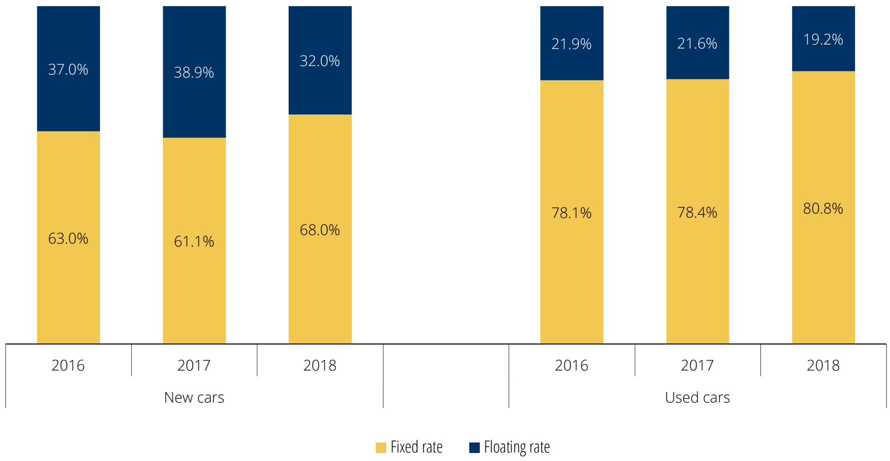
Source: Banco de Portugal.

3.3 Type of interest rate

In car loans, the importance of agreements concluded with a fixed rate went up in relation to 2017.

In car loans, most of the credit amount continued to be granted in **fixed interest rate** agreements, with the importance of this type of interest rate increasing compared to 2017 in both new and used cars. In **new cars**, fixed-rate agreements represented 68% of the total in 2018, while in 2017 they represented 61.1%. In **used cars**, agreements with this type of interest rate represented 80.8% of the amount granted, while in 2017 they represented 78.4%.

Graph IV.3.8 • Car loans | Type of interest rate as a percentage of the amount granted | 2016–2018



Source: Banco de Portugal.

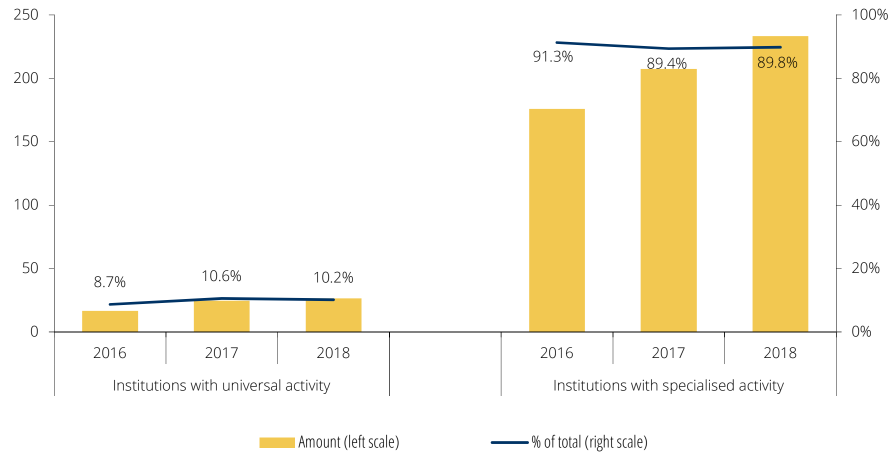
3.4 Type of credit institution

In 2018, car loans continued to be granted mostly by institutions with specialised activity.

In 2018, car loans continued to be granted mainly by institutions with **specialised activity**, and the relative importance of these institutions went up slightly from 89.4% of the amount of car loans granted in 2017 to 89.8% in 2018.

The year on year increase in the amount of car loans granted was common to both types of institutions. However, in institutions with **universal activity** this increase was 7.7%, below the 12.5% growth in institutions with **specialised activity**.

Graph IV.3.9 • Car loans | Average monthly amount of credit granted, by type of institution | Eur million | 2016–2018

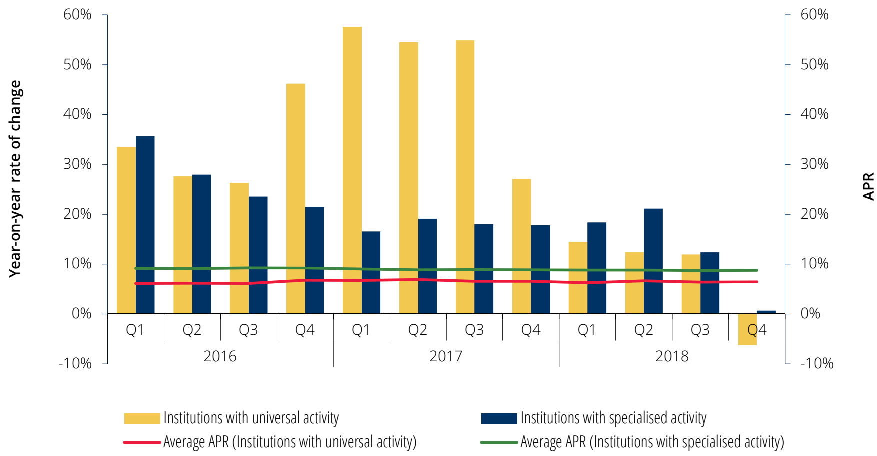


Source: Banco de Portugal.

In all quarters of 2018, the year-on-year growth of the credit amount granted by institutions with specialised activity was higher than that of institutions with universal activity. The amount granted by **institutions with specialised activity** showed significant year-on-year growth in the first and second quarters of the year (18.4% more and 21.2% more, respectively, compared to the same period of 2017). However, in the third quarter of 2018 there was a slowdown in growth (12.4% more) and in the fourth quarter of the year the amount of credit granted by these institutions stabilised, compared to the same period of 2017 (0.6% more). In regard to **institutions with universal activity**, the amount of credit granted grew year-on-year between 11.9% and 14.5% in the first three quarters of 2018, but declined 6.2% in the last quarter of the year, compared to the same quarter of 2017.

In all quarters of 2018, the **average APR** practiced by institutions with specialised activity was higher than the average APR practiced by institutions with universal activity. This differential could be related to the fact that most of the credit granted by these institutions is for the purchase of used cars, agreements that tend to have higher APR values than their counterparts for the purchase of new cars, given the lower value of the good that is guaranteed by the agreement. In that year, the differences ranged from 2.1 to 2.5 percentage points, higher than in 2017, where the differences in the average APR practiced ranged from 1.9 to 2.3 percentage points.

Graph IV.3.10 • Car loans | Year-on-year rate of change of the amount of credit granted and average APR, by type of institution | 2016–2018



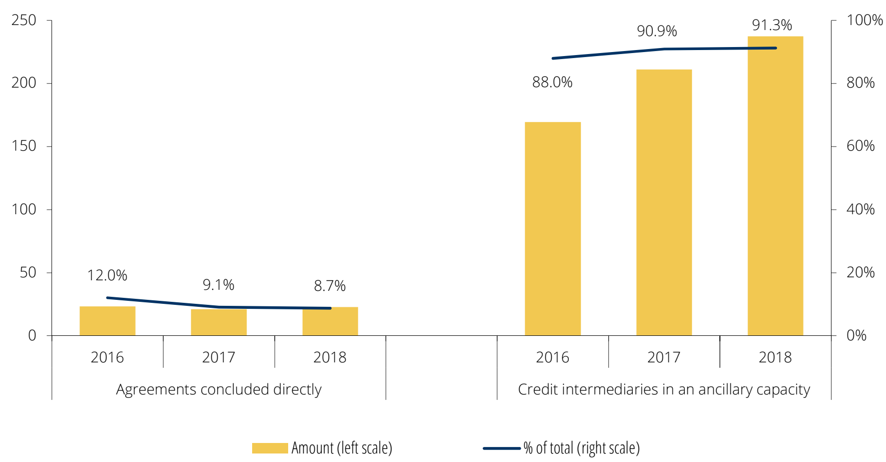
Source: Banco de Portugal.

3.5 Marketing channel

In 2018, car loans continued to be granted mostly through credit intermediaries in an ancillary capacity.

In car loans, most of the amount of credit continued to be granted through **credit intermediaries in an ancillary capacity** (91.3%), with the relative importance of this channel having gone up from the previous year (90.9%). In contrast, the importance of **entering into agreements directly at the credit institution** decreased.

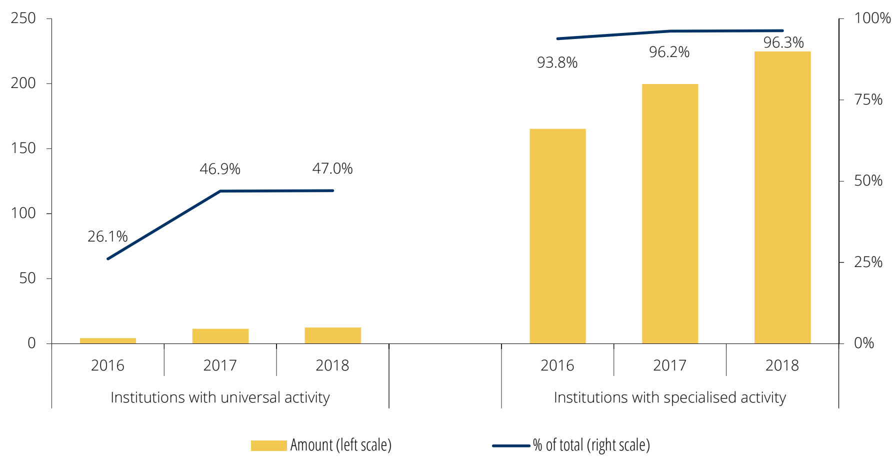
Graph IV.3.11 • Car loans | Average monthly amount of credit granted, by marketing channel | Eur million | 2016–2018



Source: Banco de Portugal.

In 2018, the weight of car loan agreements concluded through credit intermediaries in an ancillary capacity remained relatively stable, both in institutions with specialised activity and in institutions with universal activity. Institutions with specialised activity granted car loans mainly through credit intermediaries in an ancillary capacity (96.3% of the amount granted), while in institutions with universal activity, the amount of agreements e concluded through these intermediaries continued to represent less than half of the amount granted (47% of the amount granted in 2018).

Graph IV.3.12 • Car loans | Average monthly amount of credit placed through credit intermediaries in an ancillary capacity, by type of institution | Eur million | 2016–2018



Source: Banco de Portugal.

4 Revolving credit[4]

In 2018, revolving credit was the only consumer credit segment that did not show a significant increase in the **number of concluded agreements** and in the amount of credit granted[5], compared to 2017. The **amount** of revolving credit granted evidenced a relative stabilisation (0.4% more than in 2017), following the 2.2% growth observed between 2016 and 2017. The number of concluded agreements declined (3% less than the previous year), contrary to the 3.1% increase in 2017, versus 2016.

Credit cards represented 88% of the amount of revolving credit granted.

4. For revolving credit, analyses by maturity and type of interest rate are not presented, as the agreements integrated in this credit segment are almost all of indefinite duration and have fixed interest rates. Credit card agreements and lines of credit were all concluded at a fixed rate, and only current bank accounts and overdraft facilities were charged at variable rates.

5. In the case of revolving credit, the credit amount corresponds to the maximum ceiling provided to customers.

In this segment, credit cards continued to represent most of the amount of credit granted (88%), in line with 2017 (87%).

Table IV.4.1 • Revolving credit | Average monthly amount and number of agreements concluded | 2016–2018

	Value			Percentage change		
	2016	2017	2018	2016–2015	2017–2016	2018–2017
Amount (Eur thousand)	87,580	89,548	89,922	3.6%	2.2%	0.4%
Number of agreements	70,725	72,885	70,671	2.5%	3.1%	-3.0%

Source: Banco de Portugal. | Note: Overdraft facility agreements included in revolving credit are only those with a repayment term of more than one month.

In revolving credit, the amount granted in 2018 continued to fall short of that recorded in 2010.

In 2018, an average of EUR 89.9 million in revolving credit per month was granted, slightly above than the amount recorded in 2017 (EUR 89.5 million). This amount corresponded to an average of 70,671 agreements per month, which is lower than in 2017 (72,885 agreements per month). Although the revolving credit granted has shown slight chain growth in recent years, in 2018 it remained the only consumer credit segment in which the amount of credit granted fell short of the amount recorded in 2010 (on average EUR 96.3 million per month), the year preceding the contraction of the consumer credit market.

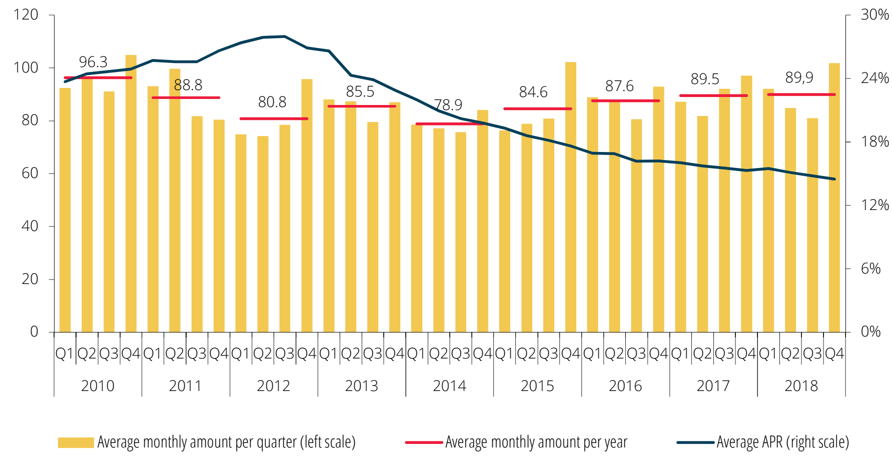
The evolution of the **amount of credit granted** was irregular throughout 2018. In the third quarter of the year, the revolving credit granted decreased by 12% year on year. However, this reduction was offset by slight year-on-year growth (between 3.7% and 5.6%) in the first, second and fourth quarters of the year.

In 2018, the **number of revolving credit agreements** concluded into was lower than in the same period of 2017, in almost every quarter of the year, with emphasis on the 11% decrease in the third quarter. Only the second quarter showed a year-on-year growth of 2% compared to the second quarter of 2017.

Revolving credit was the segment in which the average APR decreased the most, between 2017 and 2018.

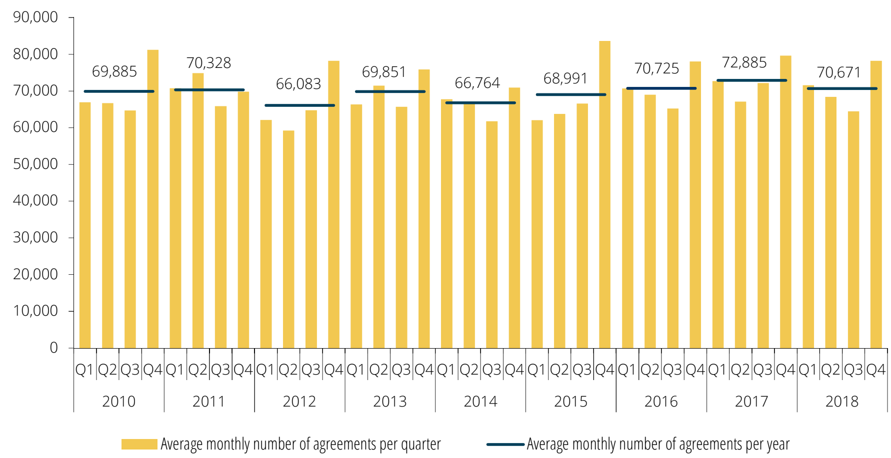
As in previous years, revolving credit was the segment that recorded the sharpest drop in the **average APR** (0.8 percentage points less than in the last quarter of 2018, compared to the last quarter of 2017). This reduction was, nonetheless, less pronounced than the reduction in the same period of 2017 (0.9 percentage points less).

Graph IV.4.1 • Revolving credit | Average monthly amount of credit granted and average APR | Eur million | 2010–2018



Source: Banco de Portugal. | Note: In revolving credit agreements, the amount of credit granted in each credit agreement corresponds to the maximum credit limit available to the customer (ceiling) and not to the amount actually used.

Graph IV.4.2 • Revolving credit | Average monthly number of agreements concluded | 2010–2018



Source: Banco de Portugal.

4.1 Amounts of agreements

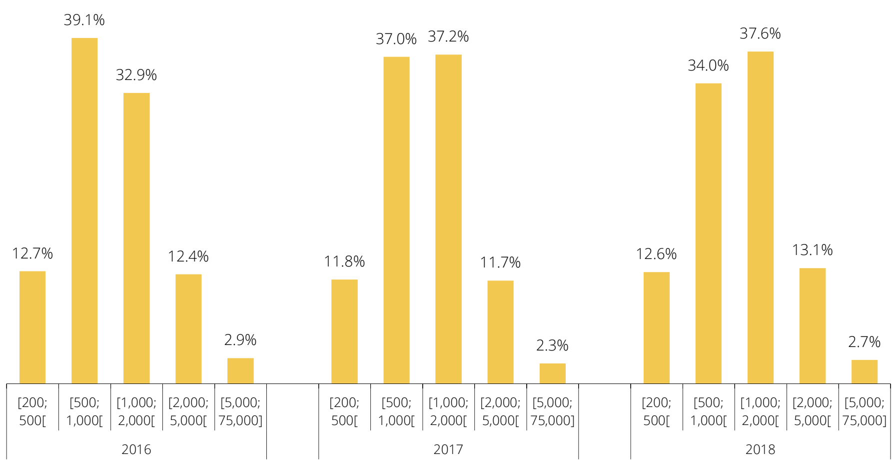
The average amount per revolving credit agreement was EUR1300, higher than in the previous year (EUR 1,200).

In 2018, most revolving credit agreements had amounts between EUR 1,000 and EUR 2,000.

In 2018, agreements between EUR 1,000 and EUR 2,000 were the most frequent (37.6%). Compared to the previous year, there continued to be a reduction in the importance of agreements with amounts between EUR 500 and EUR 1,000, which represented 34% of the total in 2018, while in 2017 they corresponded to 37%.

In contrast, the proportion of agreements with lower amounts, below EUR 500 increased (from 11.8% in 2017 to 12.6% in 2018), as did the proportion of agreements with higher amounts, above EUR 2,000 (from 14% in 2017 to 15.8% in 2018).

Graph IV.4.3 • Revolving credit | Distribution of the number of agreements, by amount | 2016–2018



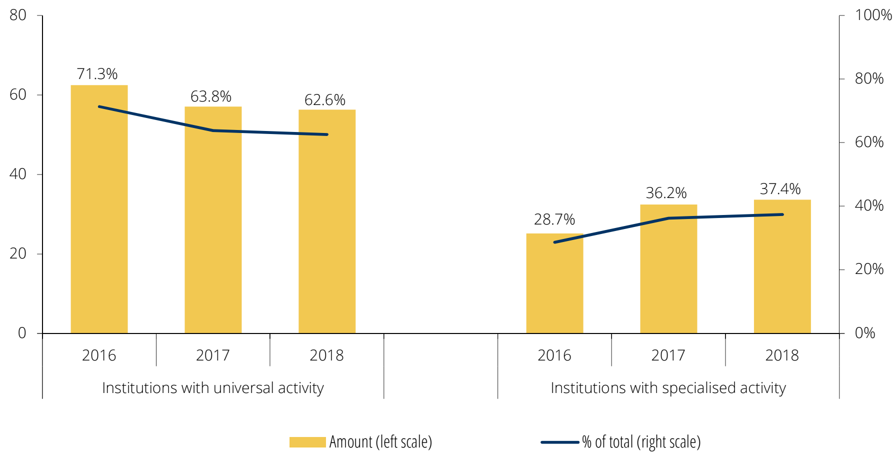
Source: Banco de Portugal.

4.2 Type of credit institution

In 2018, revolving credit continued to be mostly granted by institutions with universal activity.

In revolving credit, as in previous years, most of the credit amount (62.6%) continued to be granted by **institutions with universal activity**, although their relative weight declined in comparison to 2017 (63.8%). This development is due to the 1.4% reduction in the amount of credit granted by the institutions with universal activity, on the one hand, and the increase in the amount of credit granted by institutions with specialised activity, on the other hand (3.6% more than in 2017).

Graph IV.4.4 • Revolving credit | Average monthly amount of credit granted, by type of institution | Eur million | 2016–2018

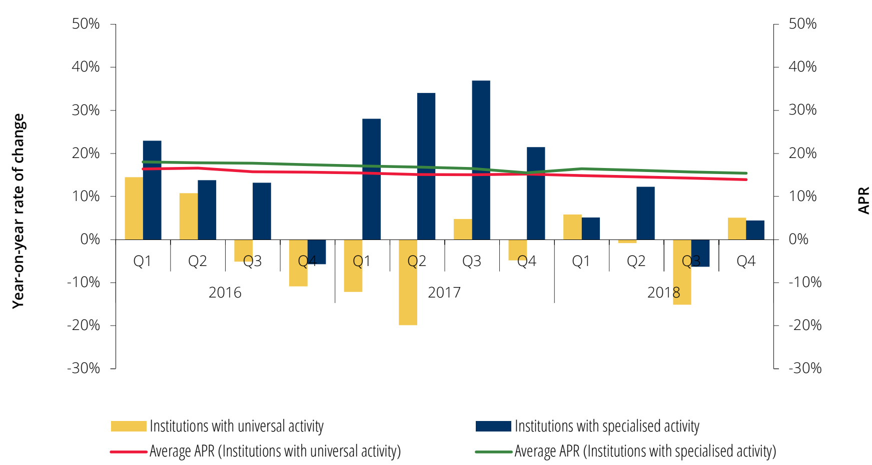


Source: Banco de Portugal.

In 2018, **institutions with specialised activity** showed growth in the amount of revolving credit granted in most quarters of 2018, compared to the same period of 2017, with emphasis on the year-on-year growth of 12.3% in the second quarter of the year. Conversely, in the third quarter of 2018, there was a reduction of 6.3% in the amount of credit granted year on year. The amount of credit granted by **institutions with universal activity** showed irregular developments in 2018, showing insignificant growth in the first and fourth quarters (5.8% more and 5.1% more, respectively, over the same period of 2017) and reductions in the second and third quarters of the year (0.9% less and 15.1% less, respectively).

In this segment, the **average APR** practiced by institutions with specialised activity was higher than the average practiced by institutions with universal activity, with differences of between 1.6 and 1.5 percentage points, higher than in 2017, where the differences in the average APR ranged from 0.3 to 1.7 percentage points.

Graph IV.4.5 • Revolving credit | Year-on-year rate of change of the amount of credit granted and average APR, by type of institution | 2016–2018



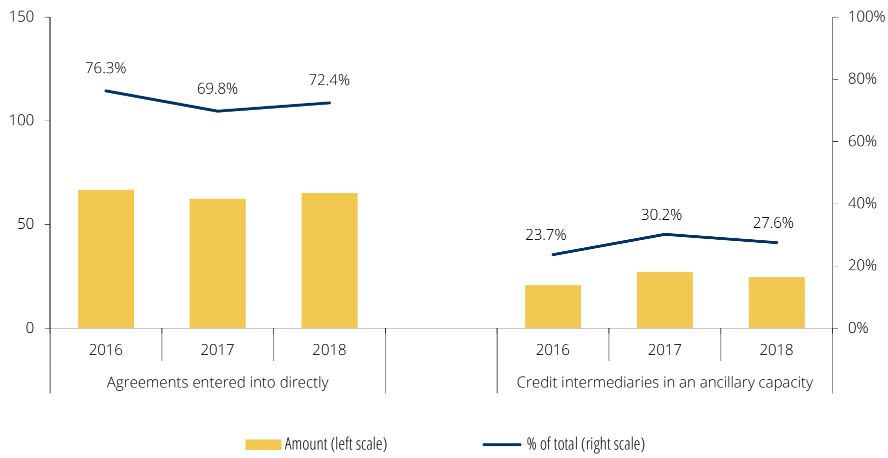
Source: Banco de Portugal.

4.3 Marketing channel

In 2018, the importance of revolving credit granted through credit intermediaries in an ancillary capacity decreased.

Revolving credit was the only segment that showed a decrease in the amount of credit granted through **credit intermediaries in an ancillary capacity**, from 30.2% in 2017 to 27.6% in 2018.

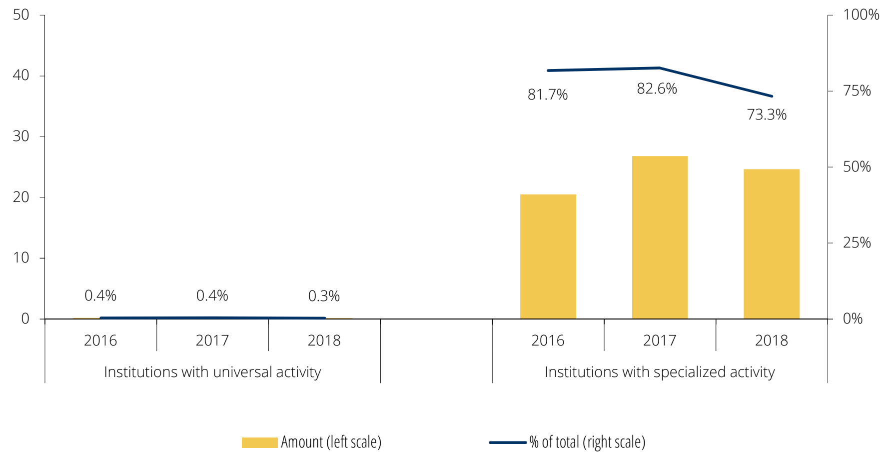
Graph IV.4.6 • Revolving credit | Average monthly amount of credit granted, by marketing channel | Eur million | 2016–2018



Source: Banco de Portugal.

Institutions with specialised activity continued to rely mostly on agreements concluded through credit intermediaries in an ancillary capacity (73.3% of the revolving credit granted in 2018), although this channel lost importance compared to 2017 (82.6%). This development is related to the higher number of agreements being concluded remotely and through credit intermediaries that are not suppliers of the financed assets. In institutions with universal activity, agreements concluded through credit intermediaries in an ancillary capacity remained residual.

Graph IV.4.7 • Revolving credit | Average monthly amount of credit placed through credit intermediaries in an ancillary capacity, by type of institution | Eur million | 2016–2018



Source: Banco de Portugal.

5 Maximum rates

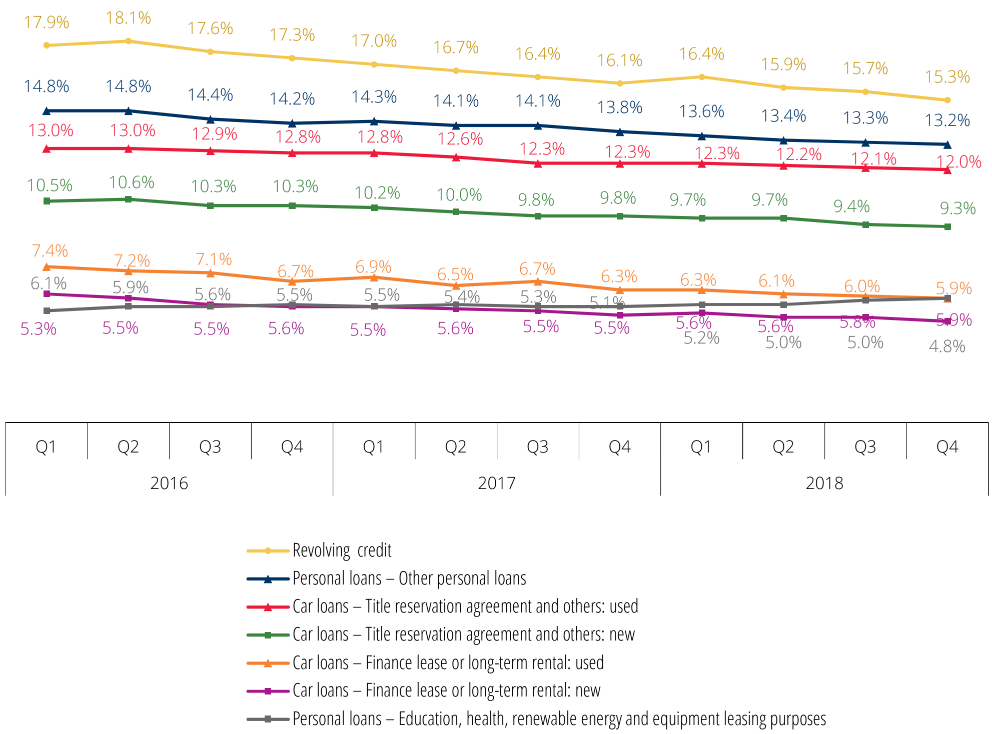
In 2018, maximum APRs declined in most consumer credit segments and sub-segments, albeit to a lesser extent than in the previous year. In the fourth quarter of 2018, maximum APRs ranged from 5.9% in personal loans "for education, health, renewable energies and financial leasing equipment" to 15.3% in revolving credit.

Table IV.5.1 • Consumer credit | Maximum rates | 4th quarter of 2017 – 4th quarter of 2018

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Personal loans					
Education, Health, Renewable Energy and Equipment Leasing purposes	5.5%	5.6%	5.6%	5.8%	5.9%
Other personal loans	13.8%	13.6%	13.4%	13.3%	13.2%
Car loans					
Finance lease or long-term rental: new	5.1%	5.2%	5.0%	5.0%	4.8%
Finance lease or long-term rental: used	6.3%	6.3%	6.1%	6.0%	5.9%
Title reservation agreement and others: new	9.8%	9.7%	9.7%	9.4%	9.3%
Title reservation agreement and others: used	12.3%	12.3%	12.2%	12.1%	12.0%
Credit Cards, Lines of credit, Current Bank Accounts and Overdraft Facilities	16.1%	16.4%	15.9%	15.7%	15.3%

Source: Banco de Portugal.

Graph IV.5.1 • Maximum rates in consumer credit | 2016–2018



Source: Banco de Portugal.

In 2018, maximum rates declined in most loan segments and sub-segments.

Revolving credit was the segment with the most significant reduction in the maximum rate throughout the year. In the last quarter of 2018, the maximum rate of this segment stood at 15.3%, below the maximum rate of 16.1% in the last quarter of 2017 (0.8 percentage points less). Throughout the previous year this decrease had been more significant (1.2 percentage points less). The evolution of the maximum rate of revolving credit reflects not only the less pronounced decrease in the average APR of this segment, but also the less marked decrease in the average APR of the market, since in this type of credit the restriction of the market average has been active[6].

This is followed by the reduction in the **personal loans** sub-segment "other personal loans", with the respective maximum rate decreasing by 0.6 percentage points between the fourth quarter of 2017 and the fourth quarter of 2018. This reduction is more pronounced than in 2017, compared to 2016 (0.4 percentage points less).

6. The maximum rates correspond to the average APR practiced by credit institutions on each type of credit during the previous quarter, plus one quarter. In addition, the maximum rate of any type of credit cannot exceed the market average by more than 50%, a restriction that has only been active in the revolving credit segment.

In **car loans**, the reductions throughout 2018 were similar to those throughout 2017. The biggest reduction was in the sub-segment "subject to the retention of the ownership and others: new", where the maximum rate decreased by 0.5 percentage points, between the last quarter of 2017 and the same period in 2018. This is followed by the "financial leasing and long-term rental: used" sub-segment, with a maximum rate of 5.9%, in the last quarter of 2018 (0.4 percentage points less year on year). The less significant decreases in car loans occurred in the "financial leasing or long-term rental: new" and "subject to the retention of the ownership and others: used", with the respective maximum rate decreasing by 0.3 percentage points between the last quarter of 2017 and the last quarter of 2018 (in both sub-segments).

The maximum rate for personal loans "for education, health, renewable energy and equipment leasing" was the only one that increased between the end of 2017 and the end of 2018 (0.4 percentage points more), contrary to the reduction in the previous year (0.1 percentage point less).

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