

RETAIL BANKING MARKETS MONITORING REPORT



2019



BANCO DE
PORTUGAL
EUROSYSTEM

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Abbreviations

ALD	Aluguer de longa duração
DIF	Documento de informação fundamental
Euribor	<i>Euro Interbank Offered Rate</i> (taxa interbancária de oferta do euro)
FIN	Ficha de informação normalizada
PCB	Portal do Cliente Bancário
PERSI	Procedimento extrajudicial de regularização de situações de incumprimento
RGICSF	Regime Geral das Instituições de Crédito e Sociedades Financeiras
TAEG	Taxa anual de encargos efetiva global
TAN	Taxa anual nominal
TANB	Taxa anual nominal bruta

Executive summary

The *Retail Banking Markets Monitoring Report* 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 in 2019.

Chapter I looks at **simple time deposits** with more representative maturities (one, three and six months and one, two, three, four and five years) marketed by 19 institutions. This chapter analyses deposits for the general public, comparing the characteristics of deposits made available in traditional channels (e.g., at the counter) and exclusively in digital channels (i.e., homebanking or mobile applications). The characteristics of deposits with special conditions and of deposits that are intended to capture new customers and new amounts are also analysed.

Chapter II focuses on the **structured deposits** market, deposits in which remuneration depends on the performance of economic and financial instruments or variables (e.g. shares, share indices, exchange rates, commodity prices). This chapter looks at the characteristics of the marketed structured deposits and at the remuneration paid on matured deposits.

Chapter III concentrates on the **mortgage credit** market, which includes home loans and other mortgage loans. This chapter presents the evolution of contracting levels and of agreements in the portfolio at the end of the year, analysing the different characteristics of the agreements, such as amounts, maturities, type of interest rate or spreads. It also shows developments in early repayment and renegotiations that occurred in home loan and mortgage credit agreements during the previous year.

Chapter IV addresses the **consumer credit** market and covers three types of credit: personal loans, car loans and revolving credit. This chapter presents developments in the contracting of consumer credit and the characteristics of new agreements (such as amounts, maturities or marketing channel) for the three credit segments. This chapter also includes an analysis of the impact of the Covid-19 pandemic on consumer credit.

The analysis carried out in this report is based on information reported by credit institutions to Banco de Portugal for the purposes of market supervision and monitoring in the case of structured deposits, home loans and mortgage credit and consumer credit. It also uses information gathered from the institutions' websites, in the case of simple deposits, and information from pre-contractual information documents submitted to Banco de Portugal, in the case of structured deposits.

Simple deposits

⋮ In 2019, around half of the institutions reduced the number
⋮ of simple time deposits marketed.

At the end of the year, the 19 institutions analysed had 273 simple time deposits in the most representative maturities, compared to 20 institutions and 307 deposits at the end of the previous year. In 2019, around half of the institutions reduced the number of simple time deposits on the market, in comparison to 2018, and only four institutions increased their offer.

At the end of 2019, most deposits were still marketed in traditional channels (80.2%) and about one fifth were marketed exclusively in digital channels, in line with data from the end of 2018.

As in the previous year, most of the deposits on the market at the end of 2019 were for the general public (66.3%) and about one third were deposits with special conditions, intended for certain target audiences, for specific purposes or associated with the sale of other financial products.

Most of simple time deposits for the general public continued to have maturities up to one year.

The 181 simple time deposits for the general public continued to have short maturities, the most frequent being one year (27%), six months (22.1%) and three months (22.1%).

Remuneration rates fell once again.

In 2019, the remuneration rates of these deposits decreased in all maturities analysed, continuing the trend observed since 2012. The decrease in the average gross annual nominal rate was more pronounced than in the previous year, in particular in deposits with maturities of five years (0.25 percentage points less) and two years (0.21 percentage points less). The number of deposits with a remuneration rate of zero remained unchanged in relation to the previous year, representing 9.9% of deposits on the market at the end of 2019.

Most deposits continued to have reduced minimum opening amounts and allowed for early withdrawal.

Minimum opening amounts up to 500 euros continued to be the most frequent (66.4%) and around one fifth of deposits required a minimum opening amount of 150 euros or less. Most deposits continued to allow early withdrawal (91.7%), with no liquidity risk for customers, but more than half had a total interest penalty if customers used this possibility.

Most deposits paid interest on maturity (77.4%) and about one-fifth had interim interest payments, with monthly and semi-annual interest payments standing out. At the end of 2019, four deposits were marketed with pre-payment of interest, and these deposits paid, on average, a higher interest rate than the remaining supply of simple time deposits for the general public (0.62 percentage points more).

About one fifth of deposits for the general public (20.4%) allowed further additions to initial amounts and about two thirds (66.3%) allowed the renewal of the deposit. The average rate of remuneration was higher in deposits that did not allow further additions (0.14 percentage points more than in deposits that allowed this possibility) and in deposits that did not allow for renewal (0.31 percentage points more than in deposits that allowed this possibility).

Deposits marketed in digital channels were more flexible, but had lower remuneration rates.

Deposits for the general public marketed on digital channels continued to have lower remuneration rates than those offered on traditional channels, but the spread between these rates narrowed compared to the previous year. Deposits marketed exclusively in digital channels were more flexible than those marketed in traditional channels, in terms of minimum opening amounts

and possibility of early withdrawal, possibility of further additions to initial amounts or renewal of the deposit. Deposits marketed exclusively on digital channels also had shorter maturities and paid interest on maturity more frequently.

⋮ In deposits with special conditions, deposits for young people were those that decreased the most.

At the end of 2019, there were 92 deposits with special conditions on the market, 12 less than in the previous year. This reduction was mainly due to a decrease in the supply of deposits for young people (eight fewer deposits). However, deposits for young people continued to account for a significant proportion of deposits with special conditions (23.9%). This is followed by deposits related to optional associated sales (22.8%) and deposits for emigrants (15.2%). Deposits for retirees and senior citizens were also marketed (10.9% and 8.7%, respectively, of deposits with special conditions) as well as deposits for housing or condominiums (4.3% and 3.3%, respectively).

At the end of the year, there were only four deposits with special conditions marketed in digital channels, one for young people and three related to optional associated sales.

⋮ Deposits for new customers and new amounts decreased.

Simple time deposits for new customers and new amounts are deposits aimed at attracting customers and funds. At the end of 2019, 13 deposits for new customers and new amounts were marketed, 10 deposits less than in the previous year. Of these 13 deposits, ten were for the general public, two had optional associated sales and one was for young customers.

Deposits for new customers or new amounts continued to have, on average, higher remuneration rates than the rest of the supply, in maturities of up to one year.

Structured deposits

⋮ In 2019, the supply of structured deposits decreased.

In 2019, 73 structured deposits were marketed by eight institutions. Compared with 2018, there was a 9.9% decrease in the number of deposits marketed, reinforcing the contraction in supply since 2016.

⋮ Demand for this type of deposits declined sharply.

In 2019, EUR 783.3 million were invested in structured deposits by 35,002 depositors. The amount invested decreased by 54.8% and the number of depositors by 53.5%, year on year. These reductions in demand were more significant than the decline in the supply of structured deposits (9.9%).

Most structured deposits continued to be subscribed by private customers (99.6%). In 2019, the average amount invested by private customers was EUR 22,154 (similar to 2018). Business customers invested an average amount of EUR 80,178 in structured deposits, a reduction of around EUR 40,000 compared to 2018.

... Almost all structured deposits were denominated in euros
... and all were linked to developments in the equity market.

Almost all deposits continued to be denominated in euros (91.8%), although there were also deposits marketed in US dollars (8.2%). All structured deposits marketed in 2019 were linked to the equity market performance and most (94.5%) were based on a basket of shares.

The two-year maturity continued to be the most frequent for structured deposits marketed in 2019 (65.7% of the supply), followed by the one-and-a-half year maturity (28.8%). In the same vein, in 2019 the amounts were mostly invested in deposits with a two-year maturity (54.2%) and a one-and-a-half year maturity (45.7%).

... Most matured structured deposits in 2019 paid the minimum
... gross annual nominal rate foreseen in the pre-contractual
... information document.

In 2019, 169 structured deposits matured. More than three quarters of these deposits (76.9%) paid the minimum rate foreseen in the pre-contractual information document and 7.7% paid a gross annual nominal rate of zero. In contrast, 9.5% of the matured deposits paid the maximum rate provided, which ranged from 0.4% to 6.92%.

Of structured deposits that matured in 2019, more than one third (34.9%) paid a remuneration rate higher than the gross annual nominal rate of simple time deposits marketed by the same institution for the same maturity.

Home loans

... The home loan market grew once again in 2019, but less
... significantly than in the previous four years.

In 2019, an average of 7678 home loan agreements were concluded per month, corresponding to a total of EUR 859.4 million. Compared to 2018, the number of agreements concluded increased 4.5% and the credit amount granted went up 7.8%, which represents a slowdown compared to the growth of the previous year (13.7% in the number of agreements concluded and 23.8% in the amount of credit granted). However, in 2019, the amount of home loans granted exceeded that of 2010 for the first time, with an average of a further EUR 302,000 per month.

The average amount per agreement went up again in 2019. On average, EUR 111,920 were granted in each home loan agreement, compared with EUR 108,531 in 2018.

... At the end of 2019, institutions had a similar number
... of agreements in their portfolios to the previous year,
... but with a higher outstanding amount.

As at 31 December 2019, institutions had around 1.45 million home loans in their portfolios, with an outstanding balance of EUR 87.5 billion. Compared to 2018, the number of agreements in the

portfolio remained relatively stable (down 0.2%) and the outstanding amount increased slightly (1.9%), reflecting the increase in the average amount of agreements concluded in 2019.

... The average term of new home loan agreements decreased, ... unlike in the previous five years.

In 2019, new home loan agreements had an average maturity of 32.8 years, which compares with 33.4 years in 2018 and counters the growth trend that was unfolding since 2014. The weight of agreements with maturities of more than 40 years dropped significantly to only 0.1% of the agreements concluded in 2019, compared with 7.8% in 2018. These decreases are in line with the guidelines issued by Banco de Portugal under the macro-prudential measure, which imposed restrictions on the maturity of home loans granted to households.

... In 2019, agreements continued to be mostly concluded ... with variable rates.

The variable-rate continued to be predominant in home loans, accounting for 86.5% of the agreements concluded, a proportion similar to that of 2018. In most agreements concluded with a variable-rate, this rate was indexed to the 12-month Euribor (93.8%), although agreements were also concluded indexed to the 6-month Euribor (5.2%) and 3-month Euribor (0.2%). The prevalence of the 12-month Euribor occurs in a context where Euribor interest rates remained negative throughout 2019.

... The average spread of new variable-rate agreements declined ... again in 2019.

The average spread of new home loan agreements indexed to Euribor at 3, 6 and 12 months was 1.32 percentage points, compared with 1.51 percentage points in agreements concluded in 2018. The average spread of the agreements concluded in 2019 was lower than the average spread of outstanding agreements in the portfolio and concluded since 2010 (1.42 percentage points this year). However, the decrease in 2019 (19 basis points) was lower than in 2018 (23 basis points).

... In 2019, the weight of the mixed rate decreased and the weight ... of the fixed rate increased.

In 2019, the mixed rate lost importance, accounting for 10.2% of the agreements concluded (12.2% in 2018). In these agreements, which have an initial fixed-rate period followed by a variable-rate period, the duration of the initial period of interest rate fixation increased (by two and a half years more than in 2018). The annual nominal rate applicable to this initial fixed rate period was 1.81%, below the 2018 figure (2.13%).

The weight of agreements concluded at a fixed rate increased to 3.3% of the agreements concluded in 2019 (1.8% in 2018). In fixed-rate agreements not related to the settlement of arrears, the average maturity was 25 years, longer than in 2018 (22.4 years), and the average annual nominal rate was 2.4%, below the 3.1% in 2018.

∴ The number of early repayments rose, but the average amount per repayment decreased.

In 2019, 104,304 total or partial early repayments were made in home loan agreements (up 4.5% versus 2018), corresponding to a repayment amount of EUR 4.9 billion (up 2.7%). The average amount per repayment fell from EUR 47,337 in 2018 to EUR 46,519 in 2019.

∴ The renegotiated credit amount increased sharply.

There were 29,849 renegotiations in home loan agreements (25.8% more than the previous year), involving 28,838 credit agreements (25% more). The amount renegotiated increased more sharply (36.4%, compared with the previous year), leading to an increase in the average amount per renegotiation (from EUR 85,922 in 2018 to EUR 93,183 in 2019).

As in 2018, most of the agreements renegotiated in 2019 (86.9%) were not in default. This development is consistent with the information gathered under the monitoring of the general arrears regime (OASP), which indicates a decrease in the number of proceedings initiated in 2019 regarding home loan and mortgage credit agreements.

Other mortgage loans

∴ Fewer non-housing mortgage loans were concluded, but the amount of credit granted increased.

In the total home loans and mortgage credit market, non-housing related loans (other mortgage loans) accounted for 13.2% of the number of agreements concluded and 7.7% of the amount of credit granted in 2019.

A total of 14,068 agreements was concluded, resulting in a credit amount of EUR 858 million. Compared to 2018, the number of agreements concluded decreased by 5.6%, while the amount of credit granted went up by 9.1%, resulting in an increase in the average amount per agreement from EUR 52,770 in 2018 to EUR 60,973 in 2019.

∴ The number of other mortgage loans in the portfolio and the respective amount outstanding decreased.

On 31 December 2019, other mortgage loans accounted for 26.2% of the number of agreements and 12.1% of the total outstanding portfolio of home loans and mortgage credit. At the end of the year, there were 515,000 agreements and EUR 12.1 billion in other mortgages in the portfolios of institutions, both of which were down by about 5% in relation to 2018.

Other mortgage loans concluded in 2019 had a maturity of 25.6 years on average, lower than the average maturity of the agreements concluded in the previous year (27.1 years). These agreements continued to have mostly a variable-rate (85.5%) and, of these, the majority was linked to the 12-month Euribor (96.2%). In 2019, the average spread of other mortgage loans linked to 3, 6 and 12-month Euribor dropped to 2.1 percentage points (2.36 percentage points in 2018).

Early repayments on other mortgage loans decreased.

Over the course of 2019, customers made 37,190 total or partial early repayments on other mortgage loans (2.2% less than in 2018), in a total repaid amount of EUR 785 million (5.7% less). On average, each repayment made in 2019 involved EUR 33,051, which is a reduction compared with 2018 (EUR 35,414).

There were 6803 renegotiations in 2019, involving 6548 other mortgage loans and EUR 261 million. Compared to 2018, the number of renegotiations grew more sharply (16.1%) than the total amount renegotiated (14.1%), resulting in a reduction of the average amount per renegotiation from EUR 38,982 in 2018 to EUR 38,325 in 2019.

Consumer credit

The amount of consumer credit granted grew once again, but at a lower rate than in previous years.

In 2019, on average, EUR 632.8 million of consumer credit were granted per month. The amount of credit granted in 2019 grew by 3.2% compared to 2018, below the growth of the previous year (10.1%). On average, in 2019 133,264 agreements were concluded per month, an increase of 3.6% compared with 2018, above the growth seen in that year (2.4%).

In 2019, the growth trend of car loans observed since 2013 was reversed.

The growth in the amount of credit granted between 2018 and 2019 was due to developments in personal loans (10.3% more than in 2018) and, to a lesser extent, of revolving credit (up 3.9%). In contrast, the amount of car loans granted fell by 4.1% compared with 2018, countering the growth trend of this type of credit since 2013.

This resulted in an increase in the weight of personal loans, which accounted for 45.9% of the amount of consumer credit granted in 2019 (42.9% in 2018), and in the corresponding decrease in the importance of car loans (from 42.4% in 2018 to 39.4% in 2019).

In terms of personal loans, on average, around EUR 7000 were granted per contract, which is an increase compared to the 2018 figure (EUR 6600). The average maturity of personal loan agreements also went up to 4.7 years (4.4 years from 2018).

In car loans, the average amount per contract decreased from EUR 14,300 in 2018 to EUR 14,200 in 2019, reflecting decreases in the sub-segments for the acquisition of new vehicles. Car loans concluded in 2019 had an average duration of 7.2 years, up from 7 years in 2018. In the sub-segments for the purchase of used cars, about half of the agreements had a duration of more than 7 years.

In revolving credit, the average amount per agreement remained stable at EUR 1300.

The cost of consumer credit rose slightly in 2019, countering declines observed since 2013.

The cost of consumer credit rose slightly in 2019, with the average APR for new consumer credit agreements standing at 10.5% in the last quarter of the year (up 0.1 percentage points from the end of 2018). This increase interrupted the downward trend observed since 2013 and essentially reflected increases in the average APR for car loans (up 0.2 percentage points) and for revolving credit (up 0.3 percentage points).

... The weight of institutions with specialised activity decreased, countering the growth trend of the last five years.

In 2019, more than half of the amount of consumer credit was granted by institutions with specialised activity (56.4%). This proportion was lower than in 2018 (57.2%) and contrasts with the upward trend observed since 2014. The weight of these institutions increased in personal loans and in revolving credit and remained stable in car loans. However, the change in the consumer credit structure in 2019 led to a decrease in the importance of these institutions. On the one hand, the weight of car loans, mostly granted by institutions with specialised activity, decreased. On the other hand, the weight of personal loans, mostly granted by institutions with universal activity, increased.

... The weight of credit intermediaries in an ancillary capacity increased in personal loans and revolving credit.

The weight of credit intermediaries in an ancillary capacity went up in personal loans and revolving credit, with a slight drop in car loans. However, the proportion of the amount of credit granted through credit intermediaries in an ancillary capacity declined from 45.9% in 2018 to 44.7% in 2019, countering the upward trend of the last five years. This reduction also results from the change in the consumer credit structure in 2019.

In institutions with specialised activity, most of the amount (75.5%) continued to be provided through credit intermediaries in an ancillary capacity, although this channel lost importance in comparison to 2018 (76.7%).

... In early 2020, the Covid-19 pandemic had a significant impact in the contracting of consumer credit.

The first months of 2020 saw a reduction in consumer credit, reversing the growth trend of recent years. The decline started in the second half of March 2020, following the contraction in economic activity and the declaration of a state of emergency, and was particularly pronounced in April.

In January and February 2020, contracting levels exceeded the 2019 average. However, in March 2020 the number of agreements concluded and the amount of credit granted decreased by 25.6% and 15.4%, respectively, from the previous month. In April 2020, the number of agreements concluded and the amount of credit granted corresponded to less than half of the March figures. A total of 43,446 agreements was concluded (58.2% less) and an amount of EUR 203.1 million (63.2% less) was granted.

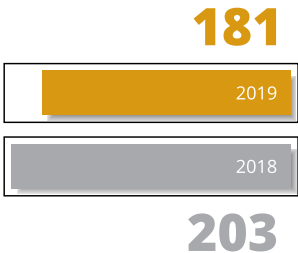
The decreases in the credit amount cut across all credit segments. The reductions in personal loans (62.8% less in April compared to March) and in car loans (65.8% less) are noteworthy. In revolving credit, the credit amount granted decreased by 57.6% between March and April 2020.

Retail banking markets 2019



Simple time deposits on the market

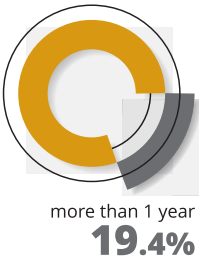
deposits for the general public at 31 December



MARKETING CHANNELS
traditional
72.4%



MATURITY
up to 1 year
80.6%



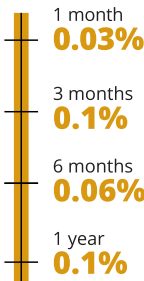
MINIMUM OPENING AMOUNT
up to EUR 500
66.4%



EARLY WITHDRAWAL
with possibility of early withdrawal
91.7%



MEDIAN REMUNERATION
Maturity/Gross annual nominal rate

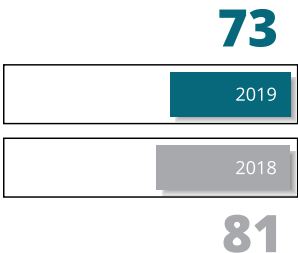


The remuneration rate of simple time deposits decreased once again in 2019 and more sharply than in the previous year.

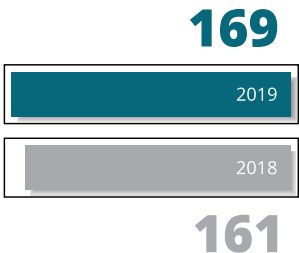


Structured deposits

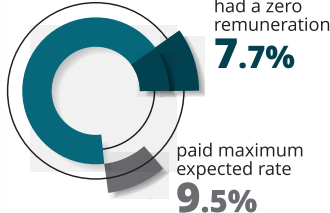
deposits marketed



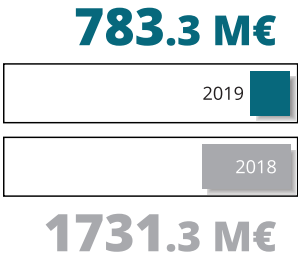
deposits matured



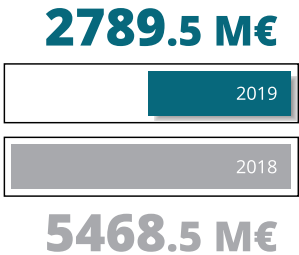
paid minimum expected rate
76.9%



amount invested during the year



amount invested at 31 december



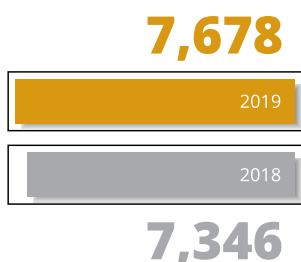
The structured deposits market contracted for the fourth consecutive year, with demand dropping to less than half of that in 2018.



Home loans and other mortgage loans

HOME LOANS

new agreements
monthly average



AVERAGE
AMOUNT

111,920 €



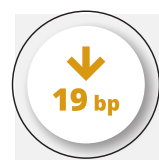
AVERAGE
MATURITY

32.8 years



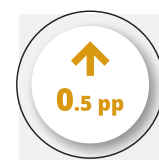
AVERAGE
SPREAD

132 pb

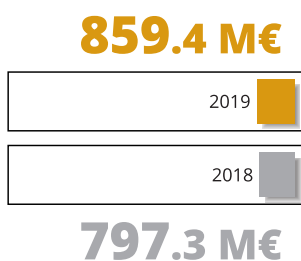


VARIABLE RATE
AGREEMENTS

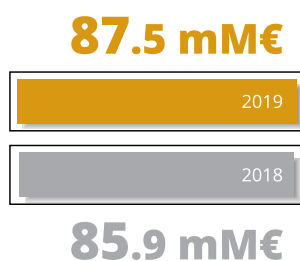
86.5%



amount granted
monthly average



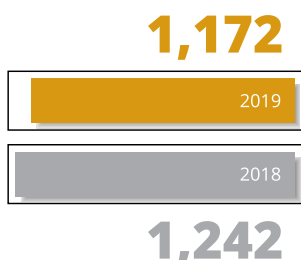
outstanding amount
at 31 December



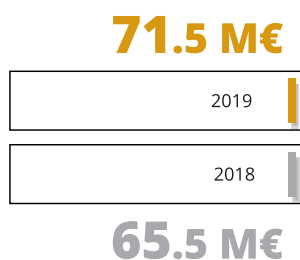
The housing credit market grew in 2019, although less markedly than in the previous four years. The amount of housing credit granted exceeded the value reached in 2010, for the first time.

OTHER MORTGAGE LOANS

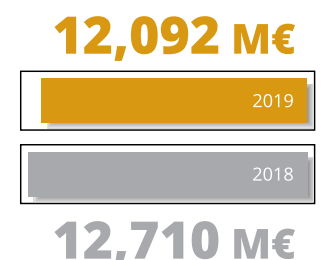
new agreements
monthly average



amount granted
monthly average

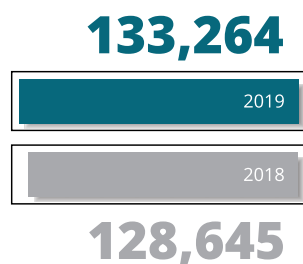


outstanding amount
at 31 December

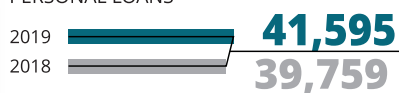


Consumer credit

new agreements
monthly average

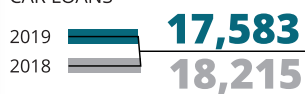


PERSONAL LOANS



↑
4.6%

CAR LOANS



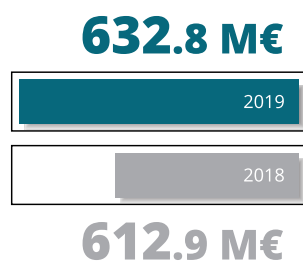
↓
3.5%

REVOLVING CREDIT



↑
4.8%

amount granted
monthly average



PERSONAL LOANS



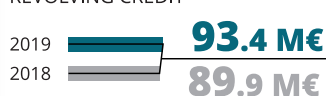
↑
10.3%

CAR LOANS



↓
4.1%

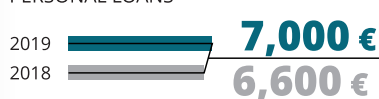
REVOLVING CREDIT



↑
3.9%

average amount
per agreement

PERSONAL LOANS



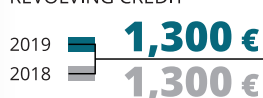
↑
400 €

CAR LOANS



↓
100 €

REVOLVING CREDIT



=
0.0 €





I Simple time deposits

- 1 Market developments
- 2 Simple time deposits for the general public
- 3 Simple time deposits with special conditions
- 4 Simple time deposits for new customers
and new amounts

1 Market developments

At the end of 2019, the 19 institutions analysed had 273 simple time deposits on sale in the most representative maturities¹, compared to 20 institutions and 307 deposits at the end of the previous year².

... The number of simple time deposits on the market dropped in 2019.

The reduction in the number of deposits marketed compared to the end of 2018 is mainly due to a decrease in institutions' diversity of supply. In 2019, around half of the institutions analysed decreased the supply of simple time deposits, six kept the same number of deposits, and only four increased the supply.

All deposits on the market at the end of 2019 had a fixed interest rate. In general, this interest rate was constant over the entire maturity of the deposit, although, as in the previous year, there were 14 deposits with increasing fixed rates over the term of the deposit³.

At the end of 2019, approximately EUR 88 billion had been invested in simple time deposits by individual customers, a lower figure than at the end of 2018 (EUR 90 billion), reinforcing the downward trend in the amounts invested in time deposits in recent years. Most of the amounts (72.1%) were invested in deposits with a maturity of up to one year, the importance of this maturity having increased compared to 2018 (65.2%). In contrast, the proportion of amounts invested in deposits with maturities of more than two years decreased (from 24.2% in 2018 to 18.9% in 2019)⁴.

In 2019, EUR 56.3 billion were invested in new time deposits by individual customers, EUR 4.2 billion less than in 2018. Deposits with a maturity of up to one year accounted for the majority of the amounts invested (78.2%), and their relative importance increased slightly compared to the previous year (77%).

The proportion of new amounts invested in deposits with maturities of up to one year (78.2%) in 2019 is in line with the prevalence of the supply of deposits with these maturities (84.2%).

... Around two thirds of simple time deposits on the market were aimed at the general public.

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 were less representative (e.g. four, eight and 18 months and eight years). Four deposits were not considered in the analysis as they were exclusively for corporate customers.

2. The credit institutions considered in this analysis differ slightly from those analysed in previous editions of the Retail Banking Markets Monitoring Report. In 2017, the analysis considered deposits marketed by 21 institutions. In 2018, the number of institutions analysed fell to 20 and in 2019, deposits marketed by 19 institutions were analysed. The reduction in the number of institutions considered in 2018 and 2019 results from acquisition and merger transactions in institutions operating in retail banking markets.

3. In some of these deposits, the increasing rate throughout the maturity is the result of a permanence bonus.

4. Source – BPStat (March 2020).

Of the 273 simple time deposits on the market at the end of 2019, the majority (66.3%) were for the general public. The remaining deposits on the market at the end of 2019 (33.7%) were deposits with special conditions, intended for certain target audiences, for specific purposes or linked to the sale of other financial products. Deposits with special conditions included deposits for young people (23.9% of the total), deposits relating to optional associated sales (22.8%), and deposits for emigrants (15.2%). Deposits for retirees and senior citizens accounted for 10.9% and 8.7%, respectively, of deposits with special conditions on the market at the end of 2019.

As in the previous year, simple time deposits were mostly marketed through traditional channels.

Simple time deposits are marketed through traditional channels (e.g. at the institution’s counter) or through digital channels (through the institution’s homebanking or via mobile applications). At the end of 2019, 80.2% of simple time deposits were marketed through traditional channels and 19.8% exclusively through digital channels⁵, very similar proportions to those of 2018. Of the 54 deposits marketed exclusively via digital channels, three were marketed exclusively through mobile applications made available by institutions.

At the end of 2019, about half of simple deposits were marketed to the general public on traditional channels (48%), while 18.3% were available to the general public in digital channels. Simple deposits with special access conditions marketed in traditional channels accounted for 32.2% of the deposits on the market. The proportion of deposits with special conditions marketed exclusively in digital channels remained residual (1.5% in December 2019).

Table I.1.1 • Simple time deposits^(a) | December 2017 to December 2019

		Dec. 2017		Dec. 2018		Dec. 2019	
		Number	Distribution	Number	Distribution	Number	Distribution
General public	Traditional channels	156	48.3%	146	47.5%	131	48.0%
	Digital channels	62	19.2%	57	18.6%	50	18.3%
Special conditions	Traditional channels	101	31.3%	100	32.6%	88	32.2%
	Digital channels	4	1.2%	4	1.3%	4	1.5%
Total		323	100.0%	307	100.0%	273	100.0%

Source: Banco de Portugal. | Note: (a) Information on deposits marketed by 21 credit institutions in 2017, 20 institutions in 2018 and 19 institutions in 2019, obtained from the Standardised Information Sheets (FIN), collected from their websites.

5. Deposits offered simultaneously in traditional channels and digital channels are not considered to be deposits exclusively marketed in digital channels.

2 Simple time deposits for the general public

At the end of 2019, there were 181 simple time deposits for the general public marketed by the 19 institutions analysed, 131 of which were made available in traditional channels and 50 exclusively in digital channels.

2.1 Maturity of deposits

The distribution of the **maturities** of deposits marketed by institutions has not changed significantly compared to previous years.

Most simple time deposits had maturities that ranged from three months to one year.

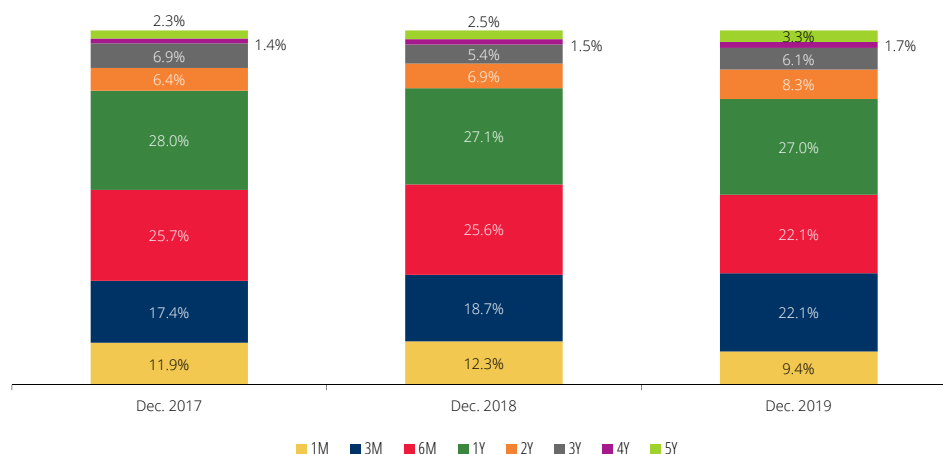
Most simple time deposits for the general public continued to have maturities of up to one year (80.6%), although these maturities lost importance compared to 2018 (83.7%). This development is related to the decrease in the number of deposits marketed with maturities of up to one year, particularly in the one-month and six-month maturities, since the supply of deposits with longer maturities remained virtually unchanged.

In 2019, the most frequent maturities were one year (27% of the total), six months (22.1%) and three months (22.1%). Compared with 2018, there was a decrease in the importance of deposits with a six-month maturity and an increase in the weight of deposits with a three-month maturity.

As in the previous year, the relative importance of deposits with maturities of more than three years remained low. At the end of 2019, three deposits with a four-year maturity (1.7% of supply) and six deposits with a five-year maturity (one more than at the end of 2018, representing 3.3% of supply) were marketed.

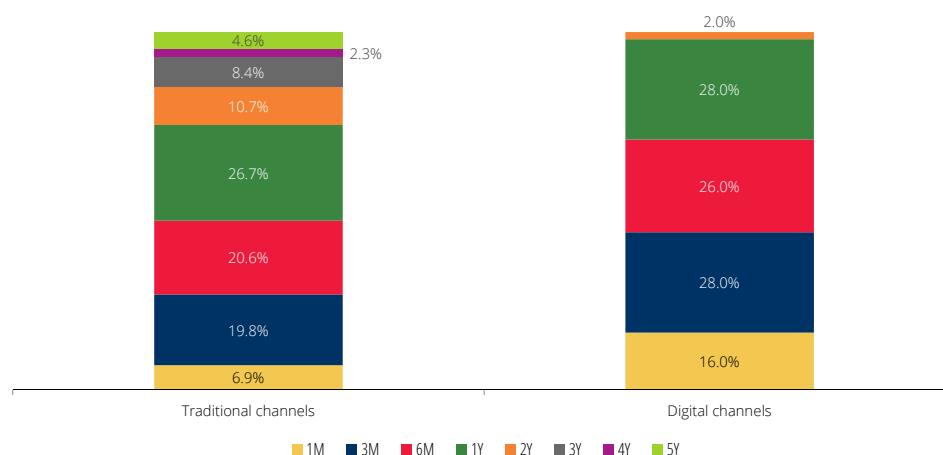
Shorter maturities were more frequent in digital channels than in traditional channels. Almost all the deposits marketed in digital channels had a maturity of one year or less (98%), compared to 74% in traditional channels. In 2019, only one deposit marketed exclusively through digital channels for the general public had a maturity of more than one year.

Chart I.2.1 • Evolution of simple time deposits for the general public, by maturity | December 2017 to December 2019



Source: Banco de Portugal.

Chart I.2.2 • Simple time deposits for the general public, by maturity and by sales channel | December 2019



Source: Banco de Portugal.

2.2 Remuneration rates⁶

The comparison of the remuneration rates applied by credit institutions to time deposits should take into account that, in addition to different maturities, these rates have different underlying characteristics, namely in terms of minimum opening amounts, interest payment frequency,

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, is used. The average gross annual nominal rate is 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 can take a value within a given range, the highest rate was considered.

conditions for early withdrawal, possibility of interest capitalisation, renewal or reinforcement, as well as different marketing channels (traditional or digital). These rates may also be aimed exclusively at new customers or new amounts invested with the credit institution.

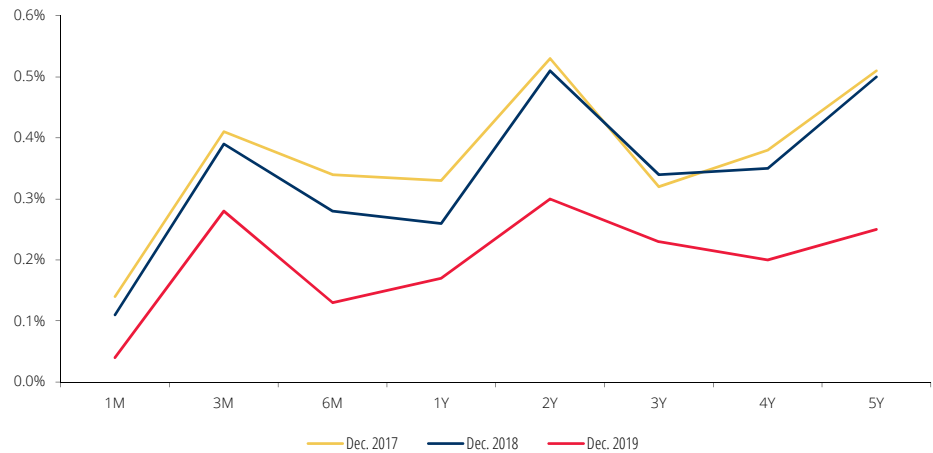
... In 2019, remuneration rates dropped more sharply than in the
... previous year across all maturities analysed.

In 2019, the **average remuneration rates** of deposits maintained the downward trend verified since 2012. Compared to the previous year, average remuneration rates decreased across all maturities, with the reductions in the five-year and two-year maturities standing out (0.25 and 0.21 percentage points less, respectively). In all maturities, the reduction in the average rate in 2019 was more pronounced than in the previous year.

The decline in average remuneration rates for deposits takes place against a background of falling **interbank market reference interest rates**. Unlike what happened across most maturities in the previous year, these reference rates decreased in all maturities, with the most notable reduction in the five-year swap rate (0.43 percentage points less between December 2018 and December 2019). At the end of 2019, interbank market reference rates were negative over all maturities.

The average interest rates paid in simple time deposits for the general public continued to be superior to the interbank market reference rates, across all maturities⁷. At the end of 2019, there was an increase in the **differential** between the average interest rate and the reference rate for most maturities (one month and one, three, four, and five years), with an increase in the four-year maturity standing out (0.19 percentage points more). Conversely, the most significant reduction was seen in the six-month maturity (0.06 percentage points less).

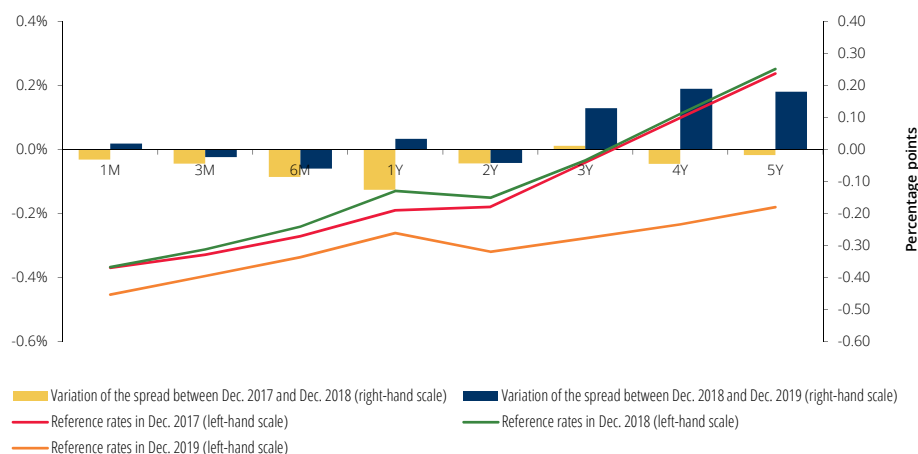
Chart I.2.3 • Evolution of average remuneration rates of simple time deposits for the general public, by maturity | December 2017 to December 2019



Source: Banco de Portugal.

7. It is recalled that, pursuant to Article 3 of Banco de Portugal Notice No. 6/2009, the remuneration rate on deposits may not be negative.

Chart I.2.4 • Evolution of the difference between the average remuneration rates in simple time deposits for the general public and reference rates | December 2017 to December 2019

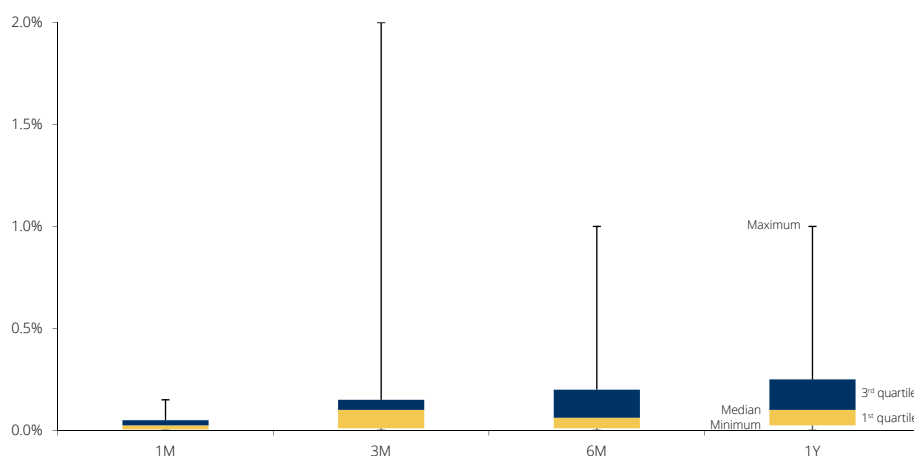


Source: Banco de Portugal.

At the end of 2019, the **median remuneration rate** was 0.1% in the three-month and one-year maturities, 0.06% in the six-month maturity, and 0.03% in the one-month maturity. The median remuneration rates decreased across all maturities, with the reduction in the three-month maturity standing out (0.10 percentage points less).

The three-month period was the maturity with the widest range of rates, with a minimum rate of zero and a maximum of 2%. In the six-month and one-year maturities, rates ranged from 0% to 1% and in the one-month maturity from 0% to 0.15%. The highest remuneration rate, of 2%, was in a deposit with a three-month maturity for new customers or new amounts. Remuneration rates of 0% were applied to 9.9% of the deposits on the market at the end of 2019. The number of deposits with a gross annual nominal rate of zero remained unchanged in comparison to the previous year.

Chart I.2.5 • Distribution of the remuneration rates of simple time deposits for the general public, for maturities of up to one year | December 2019



Source: Banco de Portugal.

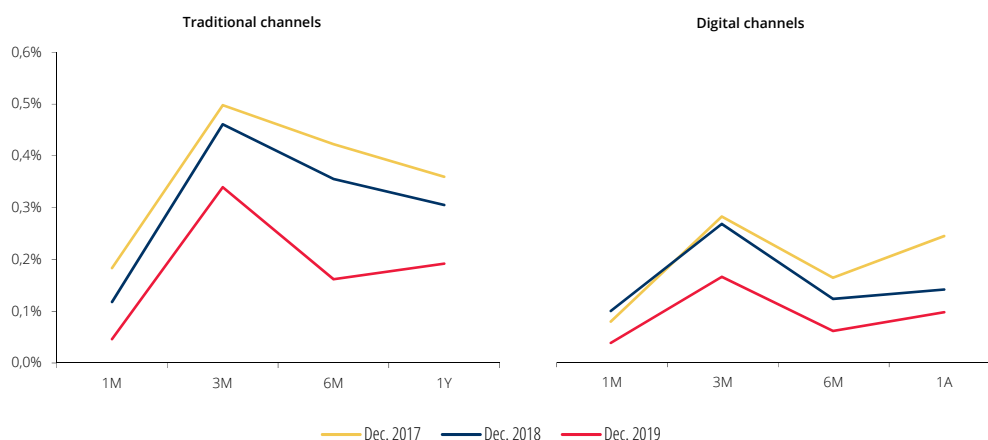
Average interest rates in traditional channels were higher than in digital channels, but the gap narrowed for all maturities.

The **average interest rate of deposits** marketed through traditional channels was higher than that of deposits marketed exclusively through digital channels, for all maturities⁸. In 2019, this differential ranged from 0.01 percentage points in the one-month maturity to 0.17 percentage points in the three-month maturity. These differentials were less pronounced than in 2018, for maturities of up to one year.

Median remuneration rates were also higher in traditional channels, in comparison to digital channels, for all maturities. Median gross annual nominal rates ranged from 0.03% to 0.10% in traditional channels and from 0.01% to 0.08% in digital channels. In traditional channels, the three-month maturity showed a greater dispersion of rates, with a minimum interest rate of zero and a maximum rate of 2%. In the digital channel, the wider dispersion of rates also occurred in the three-month maturity, with a minimum interest rate of zero and a maximum of 1.5%.

Maximum gross annual nominal rates were also higher in traditional channels compared to digital channels, except for the one-month maturity (where the maximum rate was 0.15% in both channels). The minimum interest rates were zero in both sales channels for maturities of up to one year. Deposits with a gross annual nominal rate of zero continued to be more frequent in digital channels (16%) than in traditional channels (7.6%).

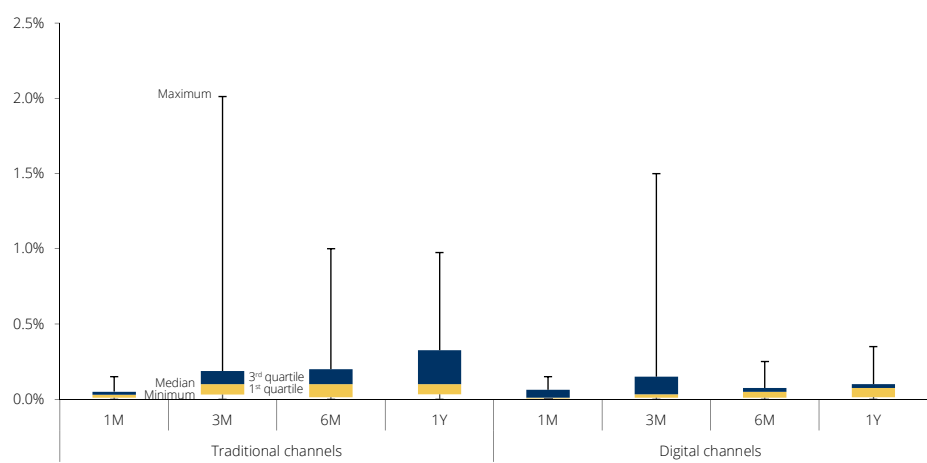
Chart I.2.6 • Evolution of average remuneration rates, by maturity (up to one year) and by sales channel | December 2017 to December 2019



Source: Banco de Portugal.

8. Deposits marketed exclusively in digital channels are more flexible than those marketed in traditional channels in terms of minimum opening amounts, possibility of early withdrawal, reinforcement, and renewal, which helps to explain the difference in average gross annual nominal rates between the two sales channels.

Chart I.2.7 • Distribution of the remuneration rates of simple time deposits for the general public, by maturity (up to one year), by sales channel | December 2019



Source: Banco de Portugal.

2.3 Other characteristics

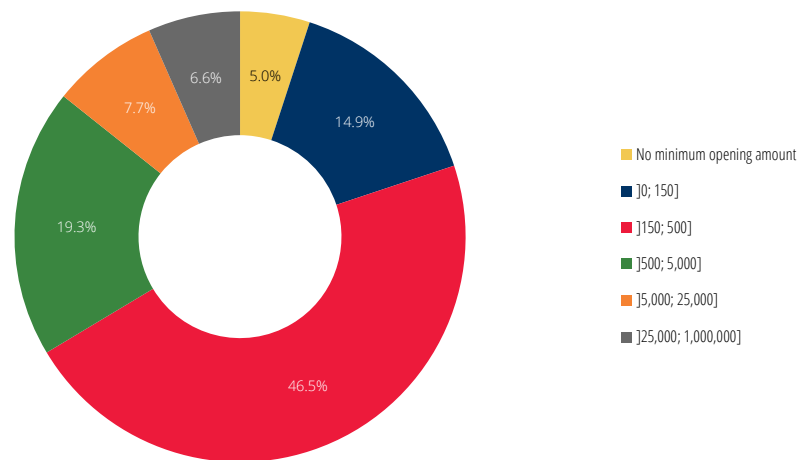
In addition to different maturities and remuneration rates, simple time deposits for the general public can be distinguished by other characteristics, such as minimum opening amounts, conditions for early withdrawal, interest payment frequency, possibility to deposit further amounts, and renewal.

The number of deposits with minimum opening amounts of more than EUR 500 dropped.

At the end of 2019, deposits with **minimum opening amounts** of EUR 500 or less remained the most frequent, accounting for 66.4% of the deposits on the market. Around 20% of deposits had minimum amounts of EUR 150 or less. Of these, nine deposits, distributed across all the maturities under review, did not require any minimum opening amount, which represents a decrease of eight deposits compared to the previous year. The supply of deposits with minimum opening amounts of more than EUR 500 (33.6% of the total) dropped in relation to the previous year (19 deposits less). In 6.6% of deposits, a minimum opening amount of more than EUR 25,000 was required.

Deposits with minimum opening amounts of EUR 500 or less were associated with lower remuneration rates. The average rate for these deposits was 0.29 percentage points lower than for deposits with a minimum amount of more than EUR 500.

Chart I.2.8 • Minimum opening amounts of simple time deposits for the general public
| December 2019



Source: Banco de Portugal.

Most deposits allowed early withdrawal, but the total interest penalty in such cases became more frequent.

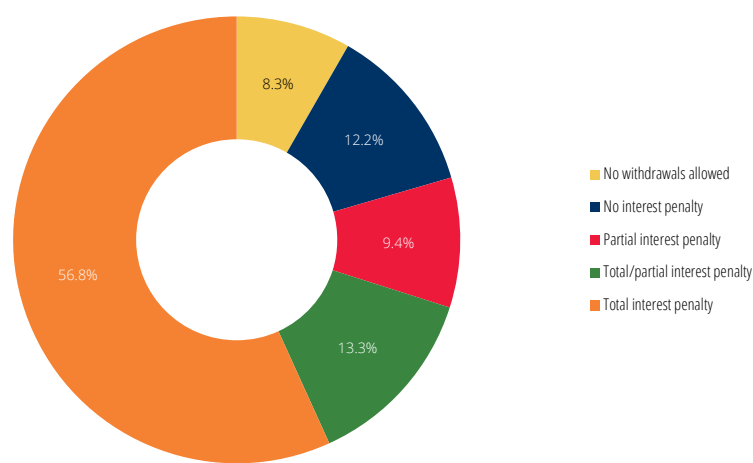
Most time deposits on the market at the end of 2019 (91.7%) allowed for **early withdrawal** of funds and presented no liquidity risk for the customer. Full or partial early withdrawal of amounts was permitted in the vast majority of deposits (80.7%), while 11% only allowed full early withdrawal. Of the 15 deposits that did not allow early withdrawal, 11 had interim interest payments (monthly or semi-annual) and four had early interest payments and short maturities (three and six months). The average interest rate on deposits that did not allow early withdrawal was higher than on the remaining deposits for the general public (0.20 percentage points more).

More than half of the deposits marketed in December 2019 were subject to a total interest penalty in case of early withdrawal (56.8%). The relative importance of these deposits increased, not only because of the increase in the number of deposits with full penalty of interest (ten more deposits), but also because of the reduction in the number of deposits with full or partial penalty of interest (24 deposits less)⁹. At the end of 2019, 13.3% of deposits had a full or partial penalty depending on the time elapsed between the opening of the deposit and the early withdrawal.

Deposits that only had a partial interest penalty in the event of early withdrawal represented 9.4% of the deposits for the general public on the market at the end of the year. Deposits which could be withdrawn without penalty of interest (12.2% of supply) were also marketed, all with maturities of one year or less and most of them with a zero rate of interest.

9. Deposits with a full/partial penalty have an interest penalty in full or in part, depending on the time elapsed between the opening of the deposit/ payment of interest and early withdrawal, whereas deposits with a full penalty penalise the interest in full, irrespective of the time elapsed between the opening of the deposit/payment of interest and withdrawal.

Chart I.2.9 • Conditions for early withdrawal of simple time deposits for the general public
 | December 2019



Source: Banco de Portugal.

Most deposits with maturities of up to one year paid interest at maturity.

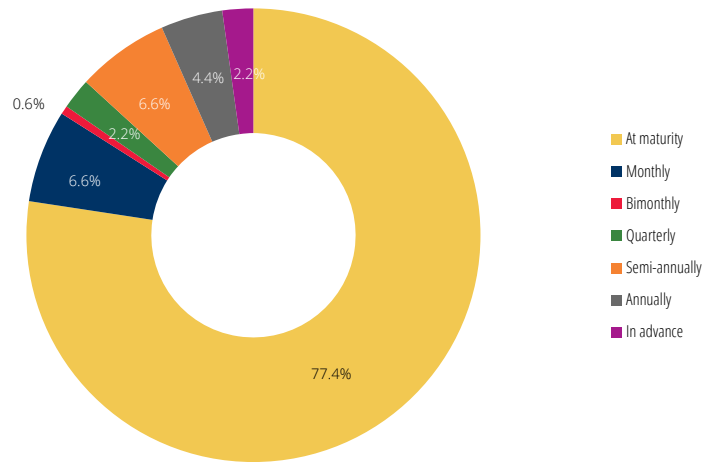
The **payment of interest only at maturity** remained predominant, accounting for 77.4% of deposits, although the importance of this mode of payment declined compared to 2018. Interest payments at maturity were more frequent in deposits with maturities of up to one year (83.6% of the supply in these maturities) than in deposits with maturities of more than one year (51.4%).

Deposits with **interim interest payments** accounted for 20.4% of the deposits on the market at the end of 2019¹⁰. Compared to 2018, the number of deposits with annual interest payments went up. However, monthly and semi-annual interest payments remained the most frequent, together representing 13.2% of total deposits for the general public. Deposits with monthly interest payments were mostly concentrated in maturities of six months and one year, while those with semi-annual interest payments were associated with longer maturities (one, two, three and five years). The possibility of interest capitalisation was less common for deposits with interim interest payments (35.1% of the total) than for deposits with interest paid at maturity (47.1%). For deposits with interest payment at maturity, capitalisation takes place when the deposit is renewed.

Four deposits with **pre-payment of interest** (2.2% of supply) were on the market. These deposits had short terms (three were marketed with a three-month maturity and one with a six-month maturity) and paid, on average, a higher interest rate than the remaining supply of simple time deposits for the general public (0.62 percentage points more). These deposits do not allow early withdrawal of the amounts invested.

10. In deposits with interim interest payments that allow customers to choose the periodicity, the most frequent payment possibility was considered.

Chart I.2.10 • Interest payment frequency of simple time deposits for the general public | December 2019



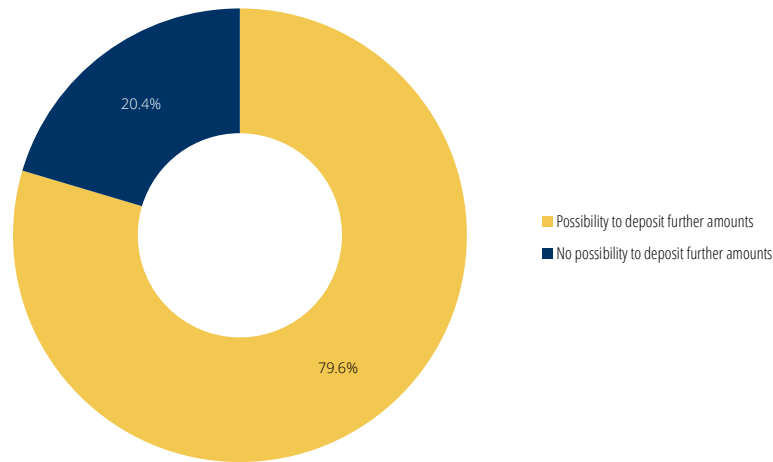
Source: Banco de Portugal.

Most deposits did not allow further additions to the amount initially invested.

At the end of 2019, 20.4% of simple time deposits allowed the reinforcement further additions to initial amounts, a proportion slightly lower than in 2018. Of these deposits, 78.4% required a minimum increase in the amount deposited of up to EUR 100 and all of them allowed early withdrawal of the funds. Most of the deposits allowing the deposit of further amounts enabled the capitalisation of interest (91.9%), a much higher percentage than that for deposits not allowing the deposit of further amounts (31.3%).

Deposits that did not allow an increase in the amounts deposited had a higher average remuneration rate (0.14 percentage points higher) than deposits which had this possibility.

Chart I.2.11 • Possibility of further additions to initial amounts of simple time deposits for the general public | December 2019



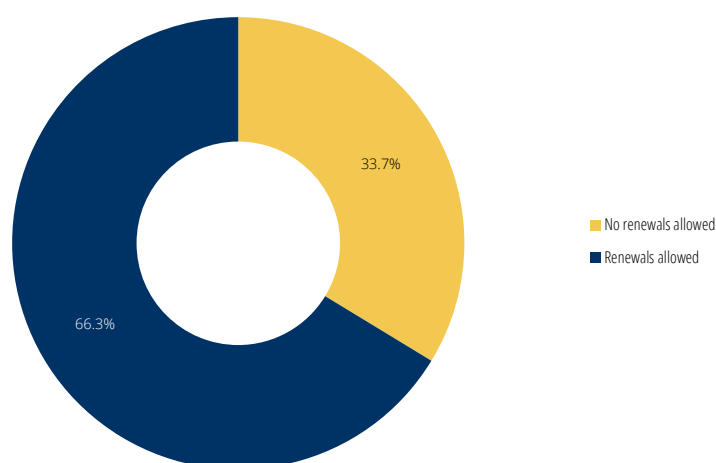
Source: Banco de Portugal.

Most deposits renewed at their maturity.

At the end of 2019, most simple time deposits (66.3%) allowed for renewal¹¹. Among these deposits, most (96.7%) renewed for a period equal to their initial maturity. In contrast, three deposits with a maturity of one year or more renewed for a period shorter than their initial maturity (two for six months and one for one month) and one three-month deposit renewed for a period longer than its initial maturity (for one year). Almost all of the simple deposits for the general public which allowed for renewal could be withdrawn in advance (96.7%). Of these deposits, more than half (55.2%) imposed a total interest penalty in the event of early withdrawal.

The average rate of return on deposits with the possibility of renewal was lower than on deposits without this possibility (0.31 percentage points less).

Chart I.2.12 • Possibility of renewal of simple time deposits for the general public
| December 2019



Source: Banco de Portugal.

Deposits marketed in digital channels were more flexible than those marketed in traditional channels.

At the end of 2019, deposits for the general public marketed in digital channels were more flexible than those marketed in traditional channels with regards to minimum opening amounts, early withdrawal, possibility to deposit further amounts and renewal.

Deposits marketed in digital channels had less demanding **minimum opening amounts** than those marketed in traditional channels. The proportion of deposits with lower minimum opening amounts (EUR 500 or less) was 80% in digital channels (compared to 61.1% in traditional channels).

11. Renewal may be automatic or require the express will of the customer. At the end of 2019, there was still a minority of deposits that imposed time limits on renewals, i.e. deposits that renew for a limited period of time, after which the deposit is terminated. In addition, renewal may involve the same or new conditions, and the deposit may even be renewed into another deposit.

However, deposits with no minimum opening amount continued to be more frequent in traditional channels (6.1%) than in digital channels (2%).

Early total or partial withdrawal was more frequent in deposits marketed in digital channels (98%) than in deposits marketed in traditional channels (89.3%). Deposits that could be withdrawn without any penalty were also more frequent in digital channels (22%) than in traditional channels (8.4%). In contrast, 64% of deposits marketed in digital channels were subject to full penalties for early withdrawal, compared to 54.2% in traditional channels.

Interest payments at maturity were more frequent in deposits marketed exclusively in digital channels (94% of deposits marketed in these channels) than in deposits marketed in traditional channels (71%). In 2019, no deposits with pre-payment of interest were marketed exclusively in digital channels.

Unlike in previous years, in 2019 the possibility to **deposit further amounts** was slightly more frequent in digital channels (22% of deposits marketed in these channels) than in traditional channels (19.8% of deposits). All deposits marketed in digital channels that allowed the amounts invested to be increased required a minimum amount for this possibility, while in traditional channels only 69.2% of deposits had this requirement.

The possibility of **renewal** of the deposit was also more frequent in digital channels (72%) than in traditional channels (64.1%). All deposits with a possibility of renewal marketed in digital channels at the end of 2019 allowed for early withdrawal of the amounts invested. In contrast, four of the deposits with a possibility of renewal marketed in traditional channels did not allow for early withdrawal of the amounts invested.

Table I.2.1 • Comparison of the frequency of the main characteristics of simple time marketed in digital channels and in traditional channels | December 2017 to December 2019

	Traditional channels			Digital channels		
	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2017	Dec. 2018	Dec. 2019
Minimum opening amount of EUR 500 or less	57.6%	55.5%	61.1%	74.2%	73.7%	80.0%
Possibility of early withdrawal	91.0%	89.0%	89.3%	95.2%	96.5%	98.0%
Payment of interest only at maturity	71.8%	76.8%	71.0%	92.0%	92.9%	94.0%
Possibility to deposit further amounts	23.1%	23.3%	19.8%	14.5%	17.5%	22.0%
Possibility of renewal	53.2%	51.4%	64.1%	53.2%	68.4%	72.0%

Source: Banco de Portugal.

3 Simple time deposits with special conditions

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

Some of these deposits fall under specific legal regimes, such as housing savings, retirement savings or condominium savings accounts. Other deposits fall under the commercial policy of the credit institution¹².

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 30 years old.
Emigrantes	For customers of Portuguese nationality living abroad.
Associated sales	For customers who have other financial products or services at the same credit institution, who meet other binding conditions (e.g. salary/pension paid into the current account, digital statement, debit card, credit card, securities portfolio) or who are under protocols.
Pensioners (specific regime)	They are intended for natural persons in retirement and whose monthly pension does not exceed the amount equivalent to three times the national minimum wage, when the deposit is opened. These deposits are covered by a special interest tax exemption scheme for an amount that does not exceed an amount defined annually in the State Budget (Decree-Law 138/86 of 14 June).
Seniors (commercial policy)	Aimed at customers over the age of 55, made available under the commercial policy of the credit institution (i.e. not covered by a specific legal regime).
Housing	The purpose of these deposits is to set up savings with a view to the acquisition, construction, renovation, improvement or extension of a building or parts of a building 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 February 3).
Condominiums	Intended exclusively for the establishment of 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 condominium members authorised in an assembly to this effect (Decree-Law no. 269/94 of 25 October).
Other categories	For specific groups (e.g. women or deposits that can only be subscribed on the customer's birthday).

Source: Banco de Portugal.

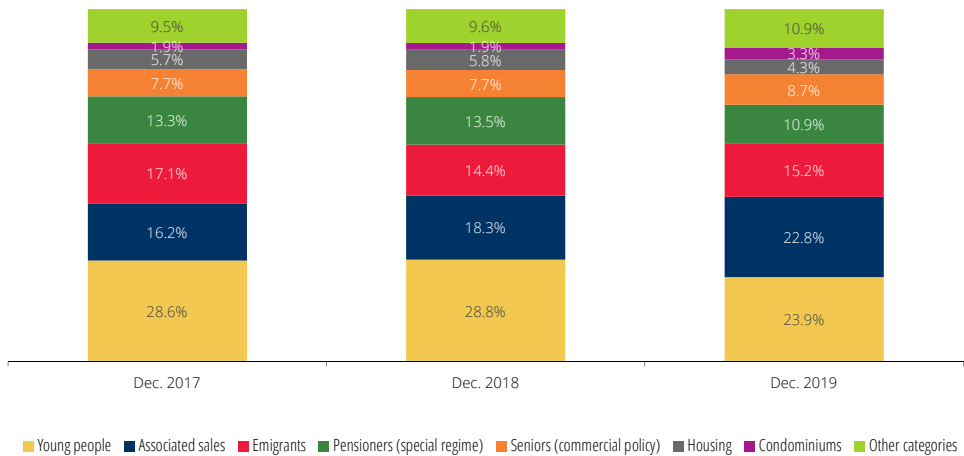
12. There are deposits with more than one special condition. For the purpose of this analysis, only one possible category was considered for each deposit.

At the end of 2019, 13 institutions had 92 simple time deposits with special conditions on sale, a reduction of 11.5% in relation to the previous year. Compared to 2018, only two institutions increased time deposits in 2019 (one deposit each). The decrease in the number of deposits with special conditions on the market stems mainly from the reduction in the supply of deposits for young people (eight deposits less in comparison to the previous year).

Despite the decrease in absolute numbers, deposits for young people remained the most important category, accounting for 23.9% of deposits with special conditions marketed at the end of 2019. Deposits for customers who had other financial products or services at the same credit institution or met other binding conditions (optional associated sales) accounted for 22.8% of deposits with special conditions. These are followed by deposits for emigrants (15.2%) and deposits for retirees and senior citizens (10.9% and 8.7%, respectively, of deposits with special conditions). Deposits for housing or condominiums had the lowest weight (4.3% and 3.3%, respectively). Deposits of other categories accounted for 10.9% of deposits with special conditions marketed at the end of 2019.

As in the previous year, four deposits with special conditions were made available exclusively in the digital channels of four institutions. One deposit was aimed at young people and the remaining three were associated with the contracting of other products with the institution or to fulfilment of other binding conditions (optional associated sales).

Chart I.3.1 • Evolution of simple time deposits with special conditions | December 2017 to December 2019



Source: Banco de Portugal.

3.1 Deposits for young people

∴ The supply of deposits for young people dropped sharply.

Deposits for young people are aimed at young people up to the age of 30 or for university students. At the end of 2019, 22 deposits for young people (23.9% of deposits with special conditions) were marketed by nine credit institutions. Compared to the previous year, there were eight fewer deposits for young people on the market in the maturities analysed.

There were no significant changes in most of the characteristics of deposits for young people on the market at the end of 2019 compared to 2018. Most deposits for young people (81.8% of deposits for this public) had **maturities** of one year or less and had a **minimum opening amount** of EUR 500 or less (81.8%). All deposits for young people allowed **early withdrawal** of funds and most (90.9%) had full or full/partial penalty of accrued interest if the customer opted for this possibility. The vast majority of these deposits **paid interest** at maturity (72.7% in 2019) and allowed the deposit of further amounts (95.5%). **Renewal** was permitted in most deposits (90.9%).

Compared to deposits for the general public, deposits for young people on the market at the end of 2019 had shorter maturities and less demanding minimum opening amounts, which may be associated with the characteristics of the stage of life of this age group. In these deposits, interim interest payments were more frequent and there was greater flexibility in terms of possibility to deposit further amounts, renewal, and early withdrawal than in deposits for the general public.

At the end of 2019, 81.8% of deposits for young people showed a **rate of return** lower than the average gross annual nominal rate for deposits for the general public, for the same maturity, a proportion higher than in the previous year (77%). However, only one deposit for young people had a gross annual nominal rate of zero (compared to 9.9% in deposits for the general public).

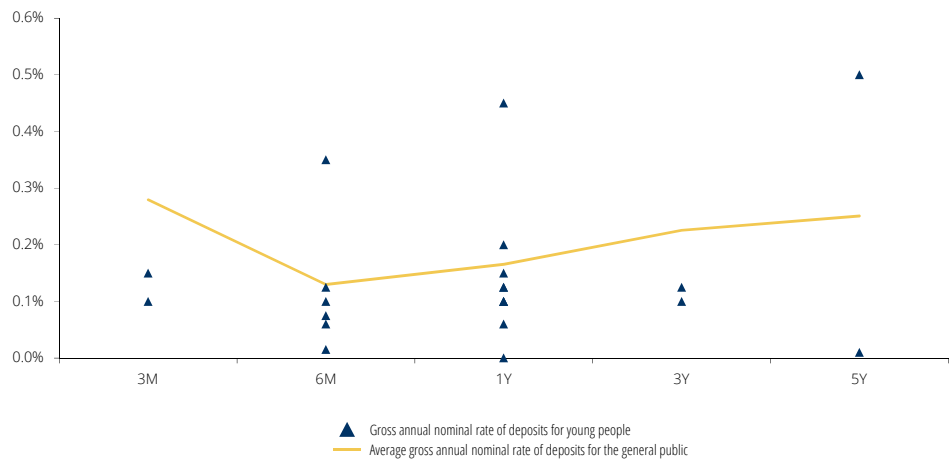
As in the previous year, only one deposit for young people was marketed exclusively on digital channels. This deposit had a reduced maturity (three months), a minimum opening amount of EUR 250 and allowed early withdrawal, the deposit of further amounts, and renewal. The gross annual nominal rate of this deposit was 0.15%.

Table I.3.2 • Comparison of the frequency of the main characteristics of deposits for young people and of deposits for the general public | December 2019

	Deposits for young people		Deposits for the general public
	Dec. 2018	Dec. 2019	Dec. 2019
Maturity of one year or less	83.3%	81.8%	80.6%
Minimum opening amount of EUR 500 or less	83.3%	81.8%	66.4%
Possibility of early withdrawal	100.0%	100.0%	91.7%
Payment of interest only at maturity	73.3%	72.7%	77.4%
Possibility to deposit further amounts	96.7%	95.5%	20.4%
Possibility of renewal	96.7%	90.9%	66.3%

Source: Banco de Portugal.

Chart I.3.2 • Comparison of the remuneration rates of deposits for young people and of deposits for the general public, by maturity | December 2019



Source: Banco de Portugal.

3.2 Deposits with optional associated sales

Time deposits with special conditions related to optional associated sales are aimed at customers who hold other financial products and services marketed by the credit institution or meet certain binding conditions, such as the payment of salary or pension into the current account, hold insurance, mortgage loans, debit card or credit card or meet other conditions, for example, choice of digital statements. At the end of 2019, there were 21 deposits with associated sales marketed by nine credit institutions, corresponding to 22.8% of total deposits with special conditions.

The maturities of these deposits were relatively short. At the end of 2019, with the exception of one deposit with a three-year maturity, all deposits with optional associated sales had **maturities** of one year or less. In deposits related to associated sales marketed at the end of 2019, 52.4% had **minimum opening amounts** of EUR 500 euros or less, a similar proportion to the previous year.

All deposits allowed the **early withdrawal of the funds** invested, as in 2018, and almost all had some kind of penalty if the customer used this possibility (85.7% of deposits with optional associated sales). Most deposits **paid interest** only at maturity (85.7%), and the importance of this mode of payment increased in comparison to 2018 (78.9%). The proportion of deposits with optional associated sales that made it possible to **increase the amounts deposited** (33.3%) and their **renewal** (52.4%) declined slightly in comparison to 2018.

In comparison to deposits for the general public, deposits related to optional associated sales had shorter maturities and more demanding minimum opening amounts. The possibility of renewal was less frequent in these deposits than in deposits for the general public, as was the payment of interim interest. In contrast, these deposits were more flexible than deposits for the general public with regard to early withdrawal and the possibility to deposit further amounts.

..... The proportion of deposits with optional associated sales with a rate of return higher than the average rate of deposits for the general public decreased.

At the end of 2019, 38% of deposits with optional associated sales had a **gross annual nominal rate** higher than the average rate of return on deposits for the general public for the same maturity (compared to 42.1% at the end of 2018).

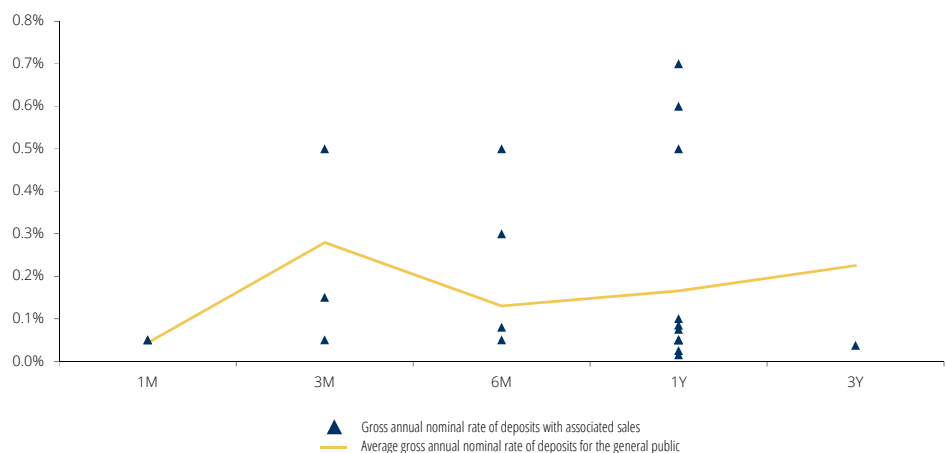
As in 2018, of the deposits with optional associated sales on the market at the end of 2019, three were marketed exclusively on **digital channels**. These three deposits had a short maturity (1 year or less), required a minimum opening amount of between EUR 25 and EUR 10,000, paid interest at maturity and had a remuneration of 0.5% or less. Only one of these deposits allowed the deposit of further amounts and renewal.

Table I.3.3 • Comparison of the frequency of the main characteristics of deposits with associated sales and of deposits for the general public | December 2019

	Deposits with associated sales		Deposits for the general public
	Dez. 2018	Dez. 2019	Dez. 2019
Maturity of one year or less	89.5%	95.2%	80.6%
Minimum opening amount of EUR 500 or less	52.6%	52.4%	66.4%
Possibility of early withdrawal	100.0%	100.0%	91.7%
Payment of interest only at maturity	78.9%	85.7%	77.4%
Possibility to deposit further amounts	36.8%	33.3%	20.4%
Possibility of renewal	57.9%	52.4%	66.3%

Source: Banco de Portugal.

Chart I.3.3 • Comparison of the remuneration rates of deposits with associated sales and of deposits for the general public, by maturity | December 2019



Source: Banco de Portugal.

3.3 Deposits for emigrants

Deposits for emigrants are exclusively for Portuguese citizens living abroad. At the end of 2019, there were 14 deposits (one less than in 2018) for emigrants marketed by three credit institutions. At the end of 2019, deposits exclusively for emigrants accounted for 15.2% of total deposits with special conditions

At the end of 2019, almost all deposits for emigrants had short **maturities** (one year or less). Of the 14 deposits for emigrants, only two had a maturity of more than one year (one with a three-year maturity and the other with a five-year maturity). Deposits for emigrants had less demanding **minimum opening amounts** than in 2018. All these deposits had a minimum opening amount of EUR 500 or less (compared to 93.3% in 2018).

Most deposits for emigrants marketed at the end of 2019 (85.7%) allowed for **early withdrawal** of the amounts, slightly less than in 2018 (86.7%). However, there were still two deposits on the market that did not allow for early withdrawal of funds, with three-year and five-year maturities, semi-annual interest payments and remuneration rates higher than the average for other deposits for emigrants. The **payment of interest** at maturity continued to predominate in deposits for emigrants (78.6%). All deposits for emigrants allowed for **renewals**, but only three allowed for **deposits of further amounts**, in line with the previous year.

Compared to deposits for the general public, deposits for emigrants had shorter maturities and less demanding minimum opening amounts. The possibilities of renewal or deposit of further amounts were also more frequent in deposits for emigrants than in deposits for the general public. In contrast, the possibility of early withdrawal and the payment of interim interest were less frequent in deposits for emigrants.

Half of the deposits for emigrants on the market had a gross annual nominal rate of zero.

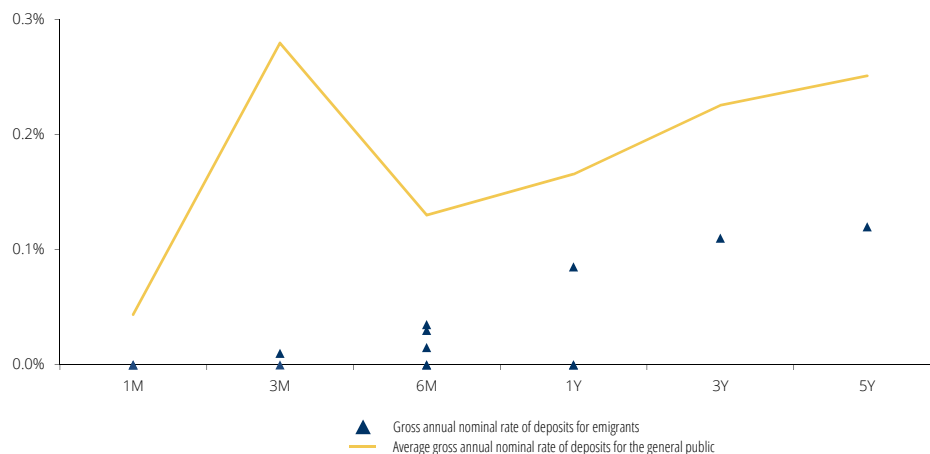
All deposits for emigrants had a **gross annual nominal rate** below the average rate of return for the general public for the same maturity. In addition, half of the deposits for emigrants (seven deposits) had a remuneration rate of zero.

Table I.3.4 • Comparison of the main characteristics of deposits for emigrants and of deposits for the general public | December 2019

	Deposits for emigrants		Deposits for the general public
	Dec. 2018	Dec. 2019	Dec. 2019
Maturity of one year or less	86.7%	85.7%	80.6%
Minimum opening amount of EUR 500 or less	93.3%	100.0%	66.4%
Possibility of early withdrawal	86.7%	85.7%	91.7%
Payment of interest only at maturity	60.0%	78.6%	77.4%
Possibility to deposit further amounts	20.0%	21.4%	20.4%
Possibility of renewal	100.0%	100.0%	66.3%

Source: Banco de Portugal.

Chart I.3.4 • Comparison of the remuneration rates of deposits for emigrants and of deposits for the general public, by maturity | December 2019



Source: Banco de Portugal.

3.4 Deposits for retirees and senior citizens

By the end of 2019, 10 deposits for retirees and eight deposits for senior citizens were on the market. In comparison to deposits for the general public, deposits for retirees and senior citizens had shorter maturities and allowed early withdrawal, deposits of further amounts, and renewal more frequently. In deposits for retirees, the minimum opening amounts were less demanding than in deposits for the general public, but in deposits for senior citizens these minimum amounts were higher

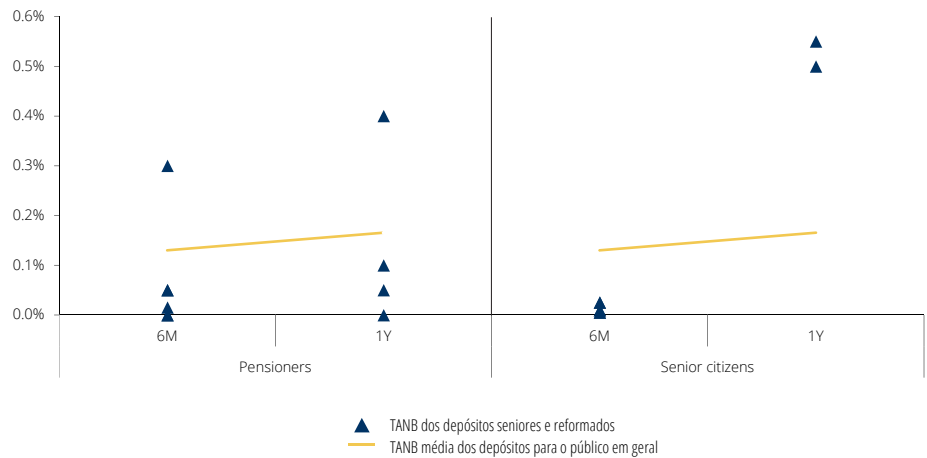
In both deposits for retirees and senior citizens, only two of the deposits on the market had a higher gross annual nominal rate than the average rate of return for the general public for the same maturities.

Table I.3.5 • Comparison of the main characteristics of deposits for emigrants and of deposits for the general public | December 2019

	Deposits for retirees		Deposits for senior citizens		Deposits for the general public
	Dec. 2018	Dec. 2019	Dec. 2018	Dec. 2019	Dec. 2019
Maturity of one year or less	100.0%	100.0%	100.0%	100.0%	80.6%
Minimum opening amount of EUR 500 or less	100.0%	100.0%	25.0%	25.0%	66.4%
Possibility of early withdrawal	100.0%	100.0%	100.0%	100.0%	91.7%
Payment of interest only at maturity	85.7%	100.0%	62.5%	62.5%	77.4%
Possibility to deposit further amounts	100.0%	100.0%	100.0%	100.0%	20.4%
Possibility of renewal	100.0%	100.0%	100.0%	100.0%	66.3%

Source: Banco de Portugal.

Chart I.3.5 • Comparison of the remuneration rates of deposits for retirees and senior citizens and of deposits for the general public, by maturity | December 2019



Source: Banco de Portugal.

4 Simple time deposits for new customers and new amounts

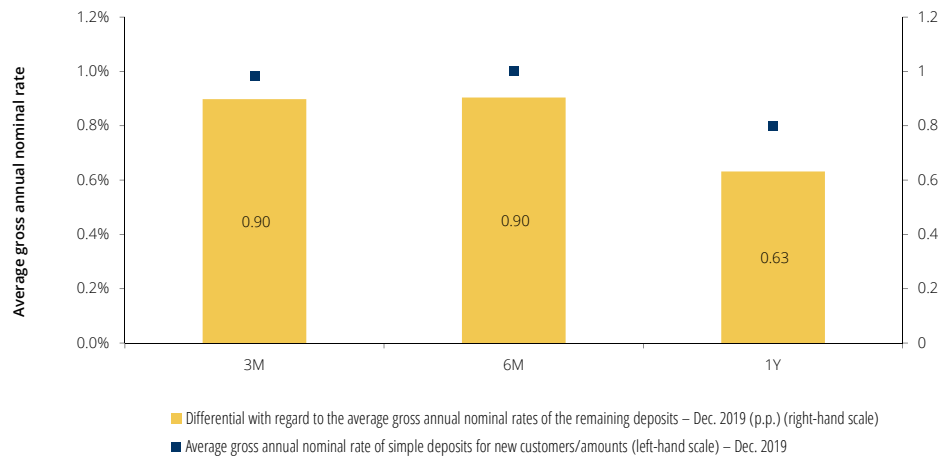
Simple time deposits for new customers and new amounts are deposits designed to attract customers and funds by credit institutions. Therefore, they also generally have a higher interest rate than the rest of supply.

... The supply of deposits for new customers and new amounts decreased.

In December 2019, nine institutions marketed 13 deposits for new customers and new amounts, 10 deposits less than at the end of the previous year, reflecting the decline in supply in most of the institutions marketing this type of deposits. Most of the deposits for new customers/amounts had a three-month maturity (9 deposits). In addition, one deposit with a six-month maturity and two deposits with a one-year maturity were marketed. Only one deposit for new customers/amounts had a maturity of more than one year (five years). Unlike the previous year, no deposits for new customers and new amounts with two-year and three-year maturities were marketed. Of these 13 deposits, most were for the general public (ten), two had optional associated sales and one was for young customers.

Deposits for new customers or new amounts continued to have, on average, higher remuneration rates than the rest of supply, in maturities of up to one year. At the end of 2019, this **differential** was 0.90 percentage points in the three- and six-month maturities and 0.63 percentage points in the one-year maturity. The only deposit for new customers/amounts marketed in the five-year maturity had a lower remuneration rate than the average rate of the remaining deposits marketed in this maturity.

Chart I.4.1 • Average remuneration rates of deposits exclusively for new customers and new amounts and the differential with respect to the rest of supply of simple time deposits, by maturity (up to one year) | December 2019



Source: Banco de Portugal.

Of the 13 deposits aimed at new customers or new amounts marketed at the end of 2019, only two did not allow the **early withdrawal** of the funds deposited. Of the deposits that allowed early withdrawal, almost all (nine deposits) had a full interest penalty.

Most of the deposits for new customers or new amounts **paid interest** only at maturity (10 deposits). There were also two deposits that paid interest in advance, which corresponded to those that did not allow early withdrawal, and one deposit paid interest semi-annually.

Almost all of these deposits did not allow for **renewals** or **increases in the amounts** deposited as they were intended for a specific moment in time to attract new customers or strengthen the banking relationship. However, unlike in previous years, in 2019 one deposit for new customers/amounts allowed the deposit of further amounts and renewal.

Deposits for new customers or new amounts often have relatively demanding **minimum opening amounts**. At the end of 2019, almost all deposits had minimum opening amounts of EUR 500 or more, with the exception of one deposit that had a minimum amount of EUR 50. This deposit corresponds to the deposit that allows the deposit of further amounts and renewal and is intended for new young customers. Conversely, there were four deposits with minimum opening amounts of EUR 10,000 or more. All deposits for new customers or amounts also had **maximum opening amounts**. The lowest maximum amount was EUR 5,000, while two deposits had a maximum amount of EUR 200,000.

Of the deposits for new customers or new amounts, only two were marketed exclusively in **digital channels**. These two deposits, marketed by two institutions, had a maturity of three months, minimum opening amounts of EUR 1,000 and EUR 10,000 and paid interest at maturity.



II Structured deposits

- 1 Market developments
- 2 Structured deposits marketed
- 3 Remuneration of matured structured deposits

1 Market developments

Structured deposits¹ are deposits whose remuneration depends, in full or in part, on the evolution of financial instruments or relevant economic or financial variables (e.g. shares, stock indices, exchange rates, commodity prices).

∴ The number of structured deposits marketed dropped again.

The number of structured deposits marketed in 2019 fell again compared to the previous year, reinforcing the contraction observed in the supply of this type of deposits since 2016. There were 73 structured deposits² marketed by eight institutions, 9.9% less than in 2018, a smaller reduction than in the previous year (40.9%).

The decrease in the supply of structured deposits in 2019 was mainly due to the reduction in the number of deposits marketed by one institution.

∴ Demand for structured deposits declined more sharply than supply.

In 2019, EUR 783.3 million were invested in structured deposits by 35 002 depositors, corresponding to decreases of 54.8% and 53.5%, respectively, in comparison with the previous year. In 2018, the amounts invested and the number of depositors had also fallen, although less sharply (13.3% and 27.1%, respectively).

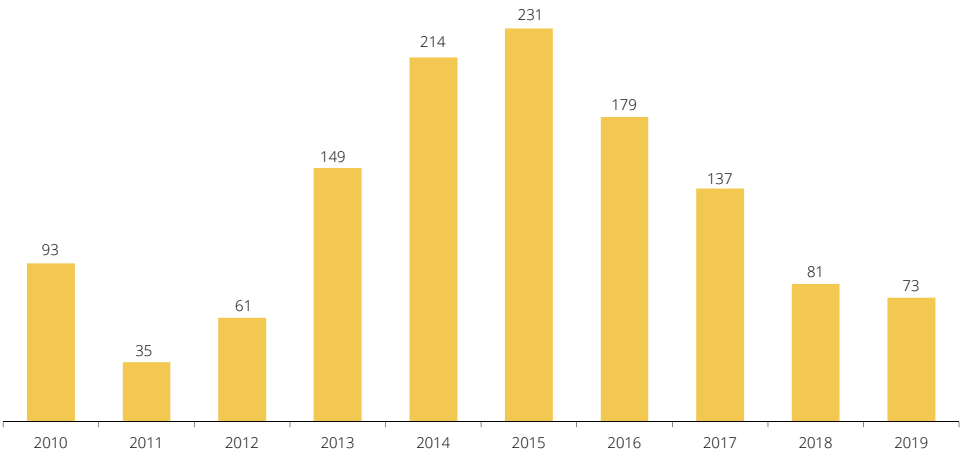
In 2019, 169 structured deposits matured, repaying EUR 3460 million. The gross remuneration for these deposits was EUR 80.3 million. Most matured structured deposits (76.9%) earned the minimum expected gross annual nominal rate and 7.7% paid a gross annual nominal rate of zero. The maximum expected gross annual nominal rate was paid in 9.5% of matured deposits.

At the end of 2019, the total amount invested in this type of deposits was EUR 2789.5 million, which compares to EUR 5468.5 million at the end of 2018 (49% less). This change led to a decline in the weight of structured deposits in the total amount invested by private bank customers in time deposits (from 6.1% in 2018 to 3.2% in 2019).

1. In 2018, changes were made to the legal framework applicable to these deposits, which meant that the former term “indexed deposits” was replaced by “structured deposits” and the former pre-contractual information document – the “information prospectus” – was replaced by the key information document (“KID”). With the implementation of these changes, the commercialization of dual deposits is also no longer considered.

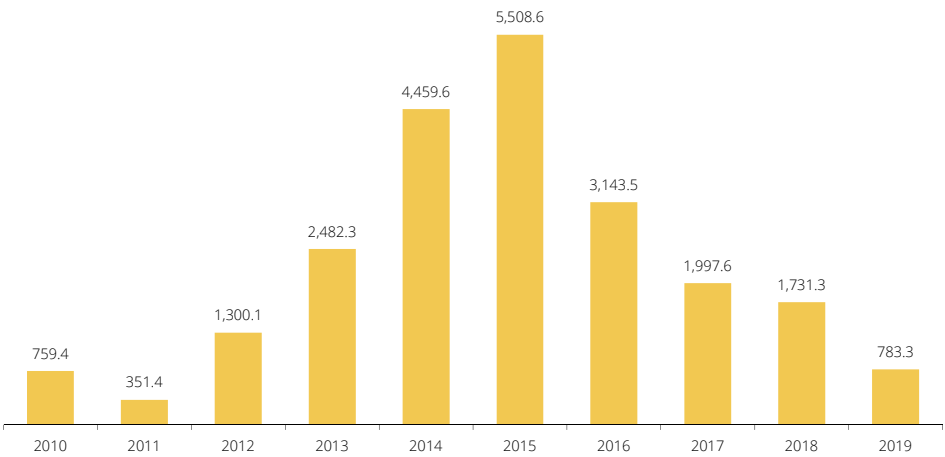
2. The supervisory role of Banco de Portugal in 2019 regarding structured deposits is presented in the *Banking Conduct Supervision Report 2019*, section II.4.1. In 2019, 75 key information documents were audited by Banco de Portugal, a number that differs from the number of deposits considered in this analysis. This difference is explained by the fact that there are deposits whose KIDs are submitted to Banco de Portugal for supervisory purposes, but which are then not marketed by credit institutions, and also because there are deposits which, although marketed, have not been subscribed by bank customers, there are deposits marketed in 2019 whose KIDs were submitted for approval in previous years, and there were KIDs submitted in 2019, relating to deposits to be marketed only in 2020.

Chart II.1.1 • Number of structured deposits marketed | 2010–2019



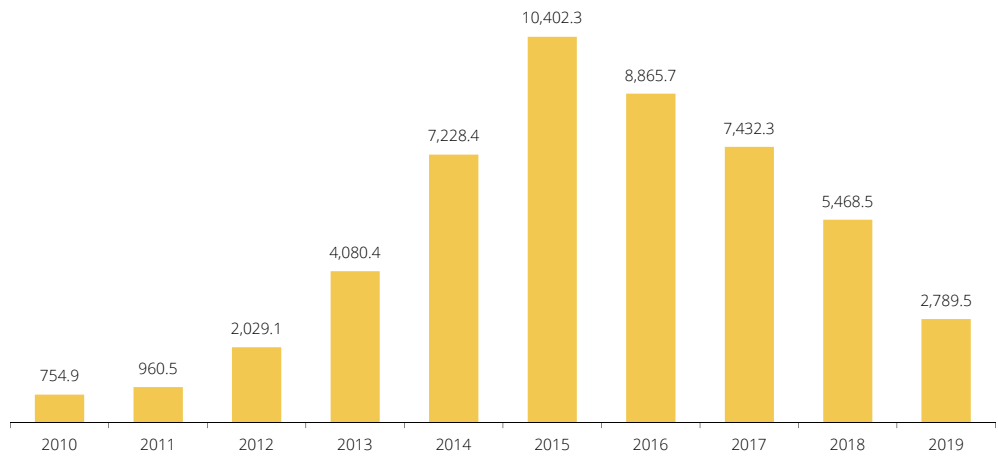
Source: Banco de Portugal.

Chart II.1.2 • Amounts applied in structured deposits | EUR million | 2010–2019



Source: Banco de Portugal.

Chart II.1.3 • Amounts invested in structured deposits at the end of the period | EUR million
| 2010–2019



Source: Banco de Portugal.

2 Structured deposits marketed

⋮ The number of structured deposits marketed decreased,
⋮ albeit less sharply than in the previous year.

In 2019, 73 structured deposits were **marketed** by eight institutions, eight deposits less than in 2018. The 9.9% reduction in supply in 2019 was less pronounced than in 2018, when the number of deposits marketed fell significantly (40.9%).

⋮ The number of depositors and the amount invested
⋮ in structured deposits decreased significantly.

In 2019, 35 002 depositors invested EUR 783.3 million in structured deposits (75 249 depositors and EUR 1 731.3 million in 2018). In comparison to 2018, the demand for structured deposits decreased significantly in terms of the number of depositors (53.5%) and the amount invested in these deposits (54.8%).

The total amount invested in structured deposits decreased slightly more than the number of depositors, resulting in a decrease in the average amount invested per depositor, from EUR 23,008 in 2018 to EUR 22,377 in 2019 (less 2.7%).

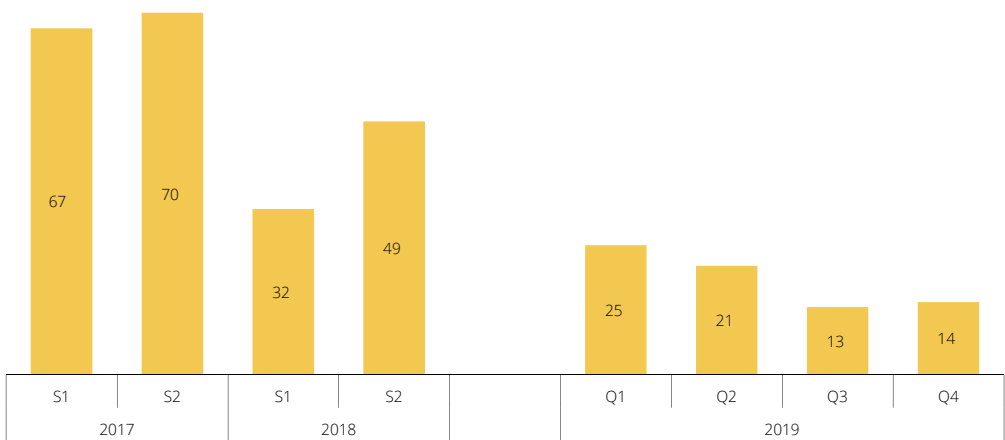
Table II.2.1 • Evolution of marketed structured deposits^(a) | 2017-2019

	2017	2018	2019	2017-2016	2018-2017	2019-2018
Number of deposits marketed	137	81	73	-23.5%	-40.9%	-9.9%
Amount deposited (EUR million) ^(b)	1,997.6	1,731.3	783.3	-36.5%	-13.3%	-54.8%
Number of depositors ^(c)	103,256	75,249	35,002	-43.7%	-27.1%	-53.5%
Average amount per depositor (euros)	19,346	23,008	22,377	12.8%	18.9%	-2.7%

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 the euro, the amounts deposited were converted into euros at the exchange rates published by the ECB at the respective opening dates. (c) The number of depositors corresponds to the number of structured deposit subscriptions, where the same customer may subscribe different deposits.

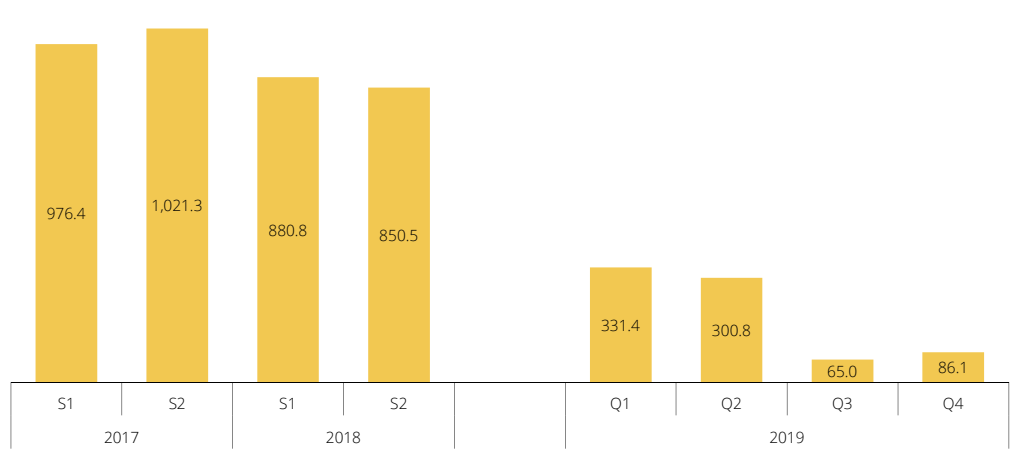
The change in the supply of structured deposits was not smooth during the year. In 2019, in intra-annual terms, the decline from the second to the third quarter of the year from 21 to 13 structured deposits on the market stands out. Demand fell more sharply than supply, with the amount invested in structured deposits reaching its lowest level in the third quarter of the year (EUR 65 million).

Chart II.2.1 • Number of marketed structured deposits | 2017-2019



Source: Banco de Portugal.

Chart II.2.2 • Amounts deposited in structured deposits | EUR million | 2017-2019



Source: Banco de Portugal.

2.1 Types of depositors

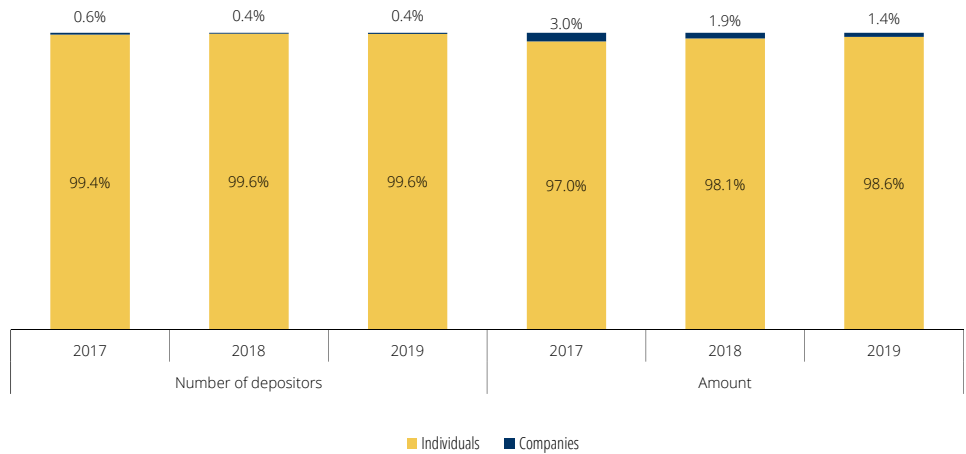
Structured deposits continued to be subscribed mainly by private customers.

Structured deposits continued to be subscribed mainly by **private customers**. In 2019, as in the previous year, only 0.4% of depositors were business customers, with the share of amounts invested by this type of customer dropping slightly (from 1.9% in 2018 to 1.4% in 2019).

The average amount deposited by business customers decreased significantly.

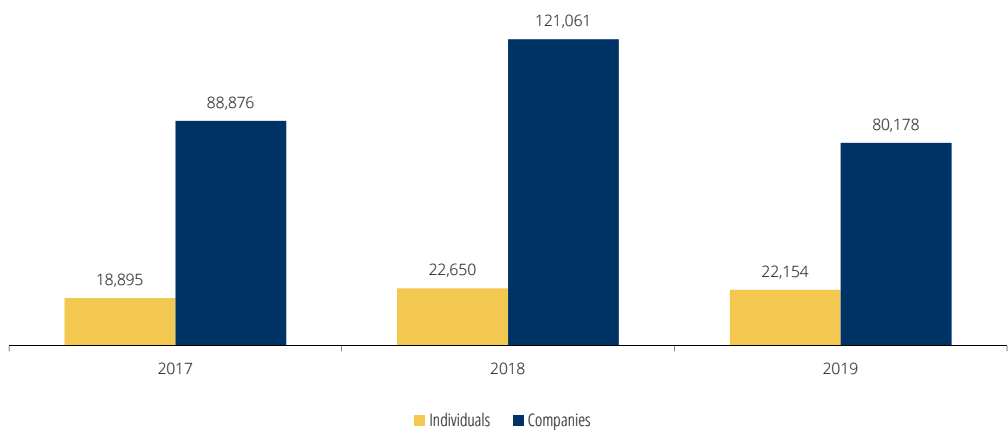
In 2019, business customers deposited an average of EUR 80,178, a reduction of 33.8% (EUR 40,883 less than in 2018). For private customers, the average amount deposited was EUR 22,154, a similar figure to that of the previous year (EUR 22,650). With the reduction of the average amount invested by business customers, the difference between the average amount applied by companies and by individuals narrowed, countering the upward trend seen in recent years.

Chart II.2.3 • Distribution of the number of depositors and of the amount deposited, by type of depositor | 2017-2019



Source: Banco de Portugal.

Chart II.2.4 • Average amount deposited in structured deposits, by type of depositor | Euros | 2017-2019



Source: Banco de Portugal.

2.2 Currency of denomination

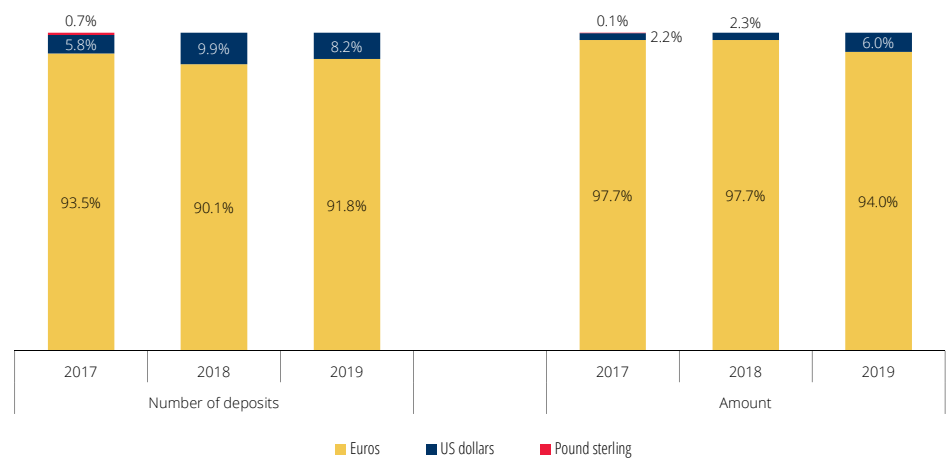
Structured deposits continued to be mainly denominated in euro.

Most of the structured deposits marketed in 2019 continued to be denominated in **euro** (91.8%), slightly more than in 2018 (90.1%). Of the amounts invested in structured deposits in 2019, 94% were related to deposits denominated in euro (97.7% in 2018).

In 2019, six US dollar-denominated structured deposits were also marketed, corresponding to 8.2% of the number of structured deposits and 6% of the amounts invested (9.9% and 2.3%, respectively, in 2018). As in 2018, no structured deposits denominated in other currencies were marketed.

The average amount per depositor in euro-denominated structured deposits was EUR 21,660, an amount lower than the average amount of EUR 46,457 in US dollar-denominated deposits. However, the difference between these average amounts narrowed in comparison to 2018.

Chart II.2.5 • Distribution of the number of structured deposits and of the amount deposited, by currency of denomination | 2017-2019



Source: Banco de Portugal.

2.3 Markets of reference rates

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

⋮ All deposits marketed in 2019 had their remuneration linked
 ⋮ to reference rates of the equity market.

In 2019, all deposits marketed had their remuneration linked to the performance of the **equity market** (compared with 91.3% of deposits and 91% of amounts in 2018). Unlike the previous year, in 2019 no deposits were marketed with remuneration linked to the performance of commodity markets or simultaneously indexed to the equity market and the money market.

Structured deposits indexed to the equity market can be linked to a single share, a basket of shares, a stock index, a basket of indices or an Exchange Traded Fund (ETF).

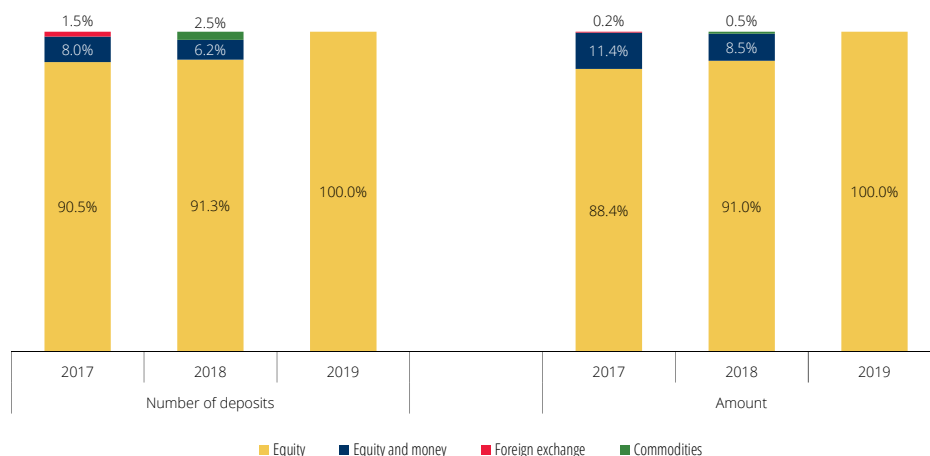
Most deposits indexed to the equity market continued to have a basket of shares as a reference.

Of the 73 structured deposits marketed in 2019, 94.5% had as a reference a **basket of shares**, a weight equal to that of 2018. There were EUR 748.9 million invested in these deposits, corresponding to 95.6% of the amounts invested in structured deposits, a weight lower than in 2018 (98.5%).

Three deposits linked to the evolution of **baskets of stock indices** were also marketed, with their relative weight increasing in comparison to the previous year (from 1.4% in 2018 to 4.1% in 2019). These deposits accounted for 3.5% of the amounts invested in structured deposits (EUR 27.5 million).

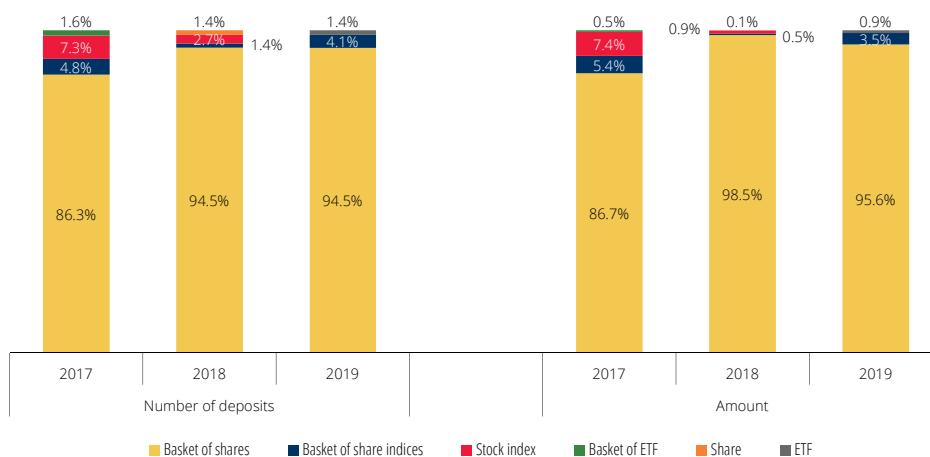
In 2019, a deposit linked to an **ETF** was also marketed, representing only 0.9% of the amounts invested in structured deposits.

Chart II.2.6 • Distribution of the number of deposits and of the amount deposited, by reference rate market | 2017-2019



Source: Banco de Portugal.

Chart II.2.7 • Distribution of deposits with remuneration linked to the equity market, by type of reference rate | 2017-2019



Source: Banco de Portugal.

2.4 Maturities

The weight of deposits marketed with a two-year maturity increased.

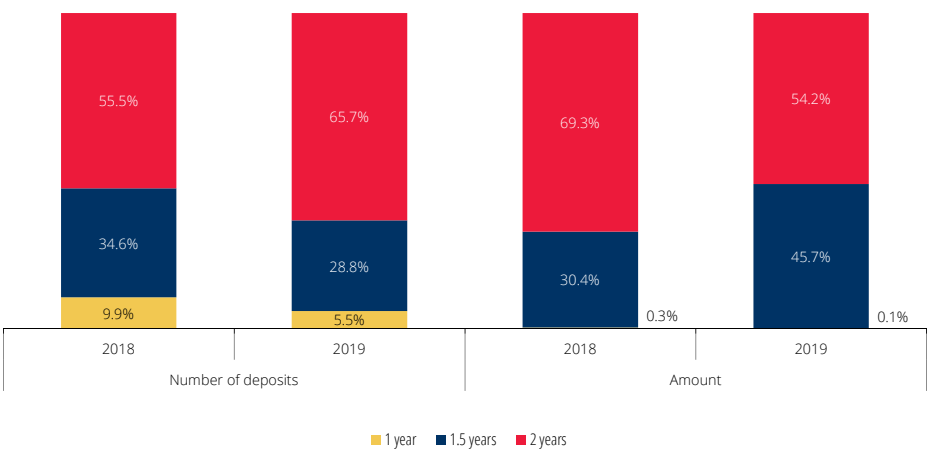
In 2019, the supply of deposits with a **two-year maturity** remained dominant³ and its relative weight increased from 55.5% in 2018 to 65.7% in 2019. In addition, there were also 21 deposits with a maturity of one and a half years (28.8% of the supply) and four one-year deposits (5.5% of the supply, all marketed by the same institution) marketed.

In 2019, as in the previous year, no structured deposits with a maturity of less than one year were marketed.

Almost half of the amounts were invested in structured deposits with a maturity of one and a half years.

In 2019, EUR 424.2 million were invested on deposits with a two-year maturity (54.2% of the amounts invested) and EUR 358.2 million on deposits with a maturity of one and a half years (45.7% of the amounts invested). In comparison to 2018, the proportion of amounts invested in deposits with a two-year maturity decreased and the relative weight of deposits with a one-and-a-half year maturity increased. Demand for deposits with a one-year maturity registered a residual weight, corresponding to 0.1% of the amounts invested in structured deposits in 2019.

Chart II.2.8 • Distribution of the number of deposits and of the amount deposited, by maturity | 2018 and 2019



Source: Banco de Portugal.

3. The maximum maturity of two years in the commercialization of structured deposits is related with guidelines issued by Banco de Portugal to credit institutions in 2016. In the context of historically low interest rates, Banco de Portugal has indicated that it does not consider the commercialization of structured deposits with maturities of more than two years to be appropriate, given that these deposits do not allow early withdrawal and prevent depositors from retrieving their savings for an extended period of time.

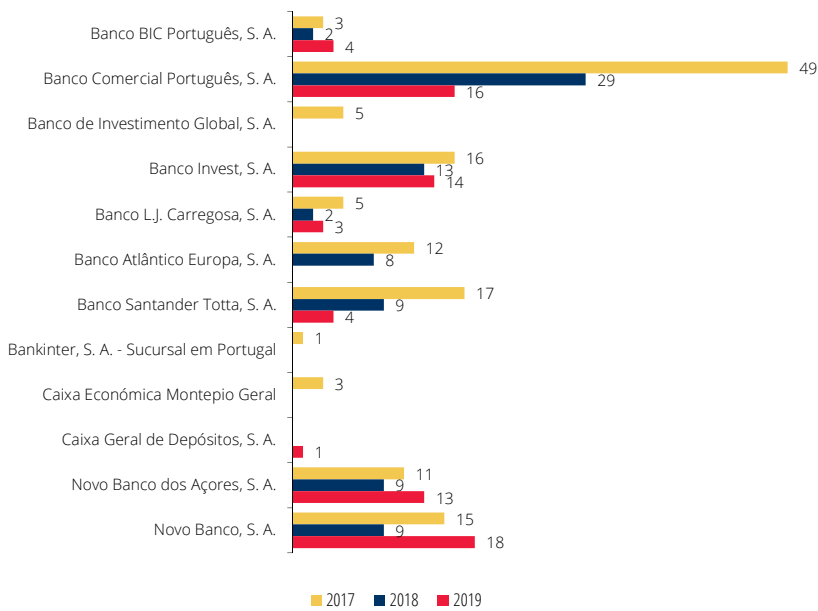
2.5 Depository institutions

... The number of institutions (eight) that marketed structured deposits remained unchanged.

In 2019, structured deposits were marketed by **eight credit institutions**, the same number as in 2018. However, in 2019 the institutions that marketed this type of deposits were not the same as in the previous year. In particular, Banco Atlântico Europa, with eight deposits marketed in 2018, did not market structured deposits in 2019. In contrast, Caixa Geral de Depósitos, which did not market structured deposits in 2018, marketed one deposit in 2019.

In 2019, Novo Banco became the institution that marketed the largest number of structured deposits (18), followed by Banco Comercial Português (16) and Banco Invest (14).

Chart II.2.9 • Number of marketed structured deposits, by institution | 2017-2019



Source: Banco de Portugal.

3 Remuneration of matured structured deposits

In 2019, 169 structured deposits reached their maturity. These deposits, which repaid EUR 3460 million to 182,925 depositors, paid an overall gross remuneration of EUR 80.3 million.

The structured deposits that matured in 2019 had maturities between one and five years and their rate of return (gross annual nominal rate) ranged from zero to 6.92%, with a median rate of 0.1%.

Table II.3.1 • Evolution of matured structured deposits^(a) | 2017–2019

	Matured deposits		
	2017	2018	2019
Number	155	161	169
Amount repaid (EUR million) ^(b)	3,418.3	3,693.5	3,460.0
Gross remuneration (EUR million)	82.1	43.9	80.3
Number of depositors ^(c)	205,710	203,374	182,925

Source: Banco de Portugal. | Notes: (a) Information gathered from the reporting by credit institutions on structured deposits, made in accordance with Circular Letter No. 21/2010/DSB of 5 August. (b) Amounts repaid shall not take into account amounts that have exceptionally been subject to early withdrawal. (c) The number of depositors corresponds to the number of subscriptions to structured deposits, with the same customer being able to subscribe several deposits.

3.1 Type of depositors, currency and maturities

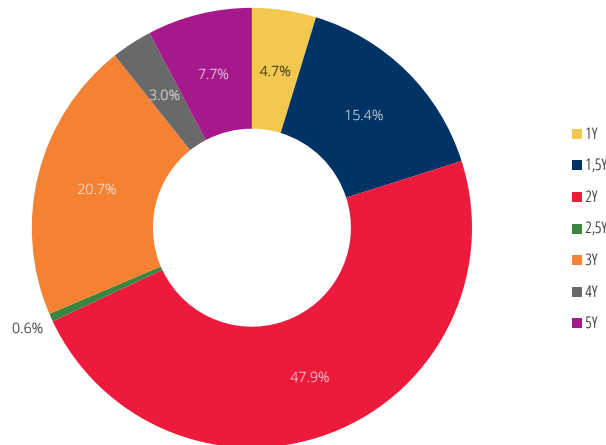
As in the previous year, the 169 structured deposits that matured in 2019 had been mostly subscribed by **private customers** (99.3%).

Of the deposits that matured in 2019, 156 were denominated in **euros** (92.3% of matured deposits and 97.4% of the amounts repaid) and 12 in US dollars (7.1% of matured deposits and 2.6% of the amounts repaid). In 2019, a structured deposit denominated in pounds sterling also matured.

Almost half of matured structured deposits had a two-year maturity.

The most frequent **term** of matured structured deposits was two years (47.9%), followed by three years (20.7%) and one and a half years (15.4%).

Chart II.3.1 • Distribution of the number of matured structured deposits, by term^(a) | 2019



Source: Banco de Portugal. | Note: (a) In 2019, 32% of matured structured deposits had terms of more than two years. These are deposits opened in 2014, 2015 and 2016, before the guidelines on maturities issued by Banco de Portugal in mid-2016.

3.2 Markets of reference rates

More than three quarters of matured structured deposits were linked to the performance of the equity market.

In 2019, 133 of the matured structured deposits (78.7%) were linked to the performance of the **equity market**. Of the remaining structured deposits that matured in 2019, 20 were linked to the performance of both the **equity and money markets** (11.8%), 13 were linked to the performance of the **money market** (7.7%) and three to the performance of the **foreign exchange market** (1.8%).

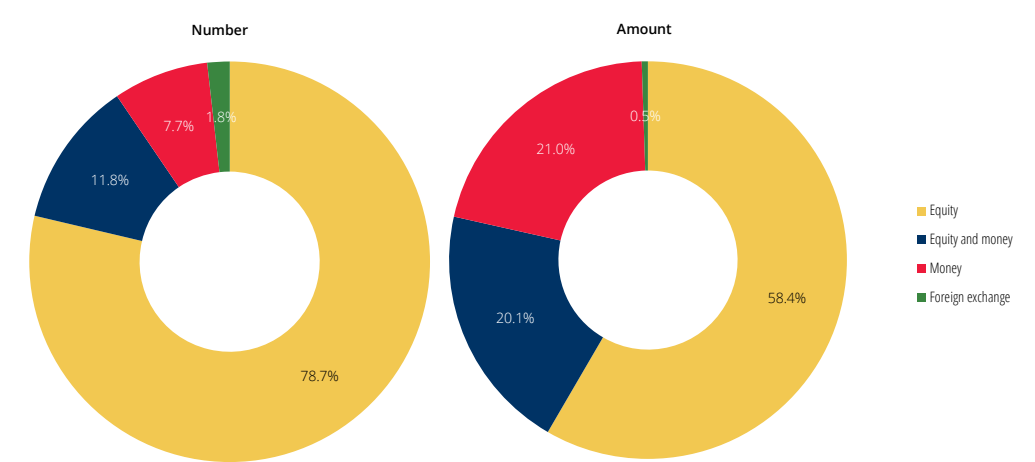
Deposits with reference rates linked to the **equity market** accounted for the largest share of the amounts invested in matured structured deposits in 2019 (58.4%), followed by the amounts invested in deposits with reference rates linked to the **money market** (21%) and by deposits whose remuneration was indexed simultaneously to the performance of the **equity and money markets** (20.1%). Deposits linked to the **foreign exchange market** represented a residual share of the amounts invested in matured structured deposits in 2019 (0.5%).

Of the total number of matured structured deposits, more than three quarters (76.9%) paid the minimum expected rate and 7.7% earned a rate of zero. Conversely, 9.5% earned the maximum expected gross annual nominal rate, which ranged from 0.4% to 6.92%.

Of the 169 matured structured deposits, 34.9% paid a rate of return higher than the gross annual nominal rate for simple time deposits marketed by the same institution for the same maturity and 98.8% registered a rate of return higher than the interbank market reference rate observed on the date the deposit was opened⁴.

4. Structured deposits' capital is guaranteed (Banco de Portugal Notice No. 6/2009) and, therefore, remuneration (gross annual nominal rate) cannot be negative. The interbank market reference rates on the different opening dates of the structured deposits matured in 2019 registered negative values in some maturities, so that even in deposits with zero remuneration there was a positive spread vis-à-vis the interbank market reference rate of the corresponding maturity.

Chart II.3.2 • Distribution of the number of deposits and of the amount deposited of matured structured deposits, by reference rate market | 2019



Source: Banco de Portugal.

Table II.3.2 • Taxas de remuneração dos depósitos estruturados vencidos | 2019

Market of reference rates	Total deposits	Gross annual nominal rate paid					
		Minimum foreseen in the pre-contractual information document		of which: zero		Maximum foreseen in the pre-contractual information document	
		Number of deposit	Proportion	Number of deposit	Proportion	Number of deposit	Proportion
Equity	133	101	75.9%	11	8.3%	15	11.3%
Equity and money	20	18	90.0%	1	5.0%		
Money	13	10	76.9%			1	7.7%
Foreign exchange	3	1	33.3%	1	33.3%		
Total	169	130	76.9%	13	7.7%	16	9.5%

Market of reference rates	Total deposits	Gross annual nominal rate paid			
		Higher than that of a simple time deposit		Higher than the interbank market reference rate	
		Number of deposit	Proportion	Number of deposit	Proportion
Equity	133	42	31.6%	131	98.5%
Equity and money	20	4	20.0%	20	100.0%
Money	13	11	84.6%	13	100.0%
Foreign exchange	3	2	66.7%	3	100.0%
Total	169	59	34.9%	167	98.8%

Source: Banco de Portugal.

3.2.1 Structured deposits indexed to the equity market

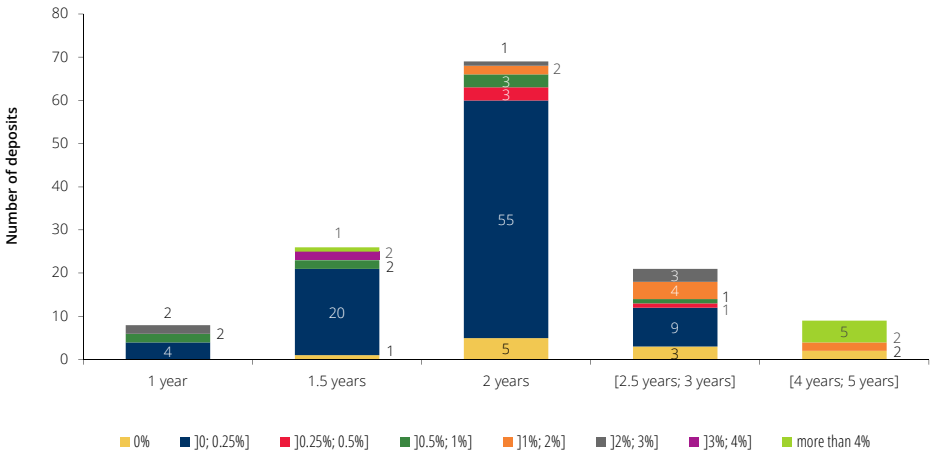
Of the 133 matured structured deposits with remuneration linked to the performance of the equity market in 2019, 69 had a two-year maturity, 26 had a one-and-a-half-year maturity and eight had a one-year maturity. Furthermore, 21 deposits with maturities between two and a half and three years and 9 deposits with maturities between four and five years also matured.

Most matured deposits linked to the equity market paid a gross annual nominal rate of 0.25% or less.

Of the matured deposits linked to the performance of the equity market in 2019, 74.4% paid a gross annual nominal rate of 0.25% or less. In contrast, 6% of deposits earned a remuneration between 2% and 4% and, in 4.5% of deposits, the gross annual nominal rate was above 4%. Four deposits stand out: two which paid a gross annual nominal rate of 6.92% and two others which paid a gross annual nominal rate of 5.583%.

In deposits indexed to this market, the highest remuneration rates were more frequent in deposits with longer maturities. Of the 22 deposits with remuneration rates higher than 1%, 77.3% had terms of two years or more, and of the six deposits with remuneration rates higher than 4%, five had a term of five years.

Chart II.3.3 • Gross annual nominal rate of matured structured deposits linked to the equity market, by term | 2019



Source: Banco de Portugal.

The minimum remuneration indicated in the pre-contractual information document was paid in 75.9% of deposits linked to the equity market and 8.3% had a gross annual nominal rate of zero. In contrast, 11.3% of these deposits paid the maximum remuneration rate set out in the pre-contractual information document (between 0.4% and 6.92%).

In 2019, 31.6% of these deposits paid a gross annual nominal rate higher than that of a simple deposit marketed by the same institution for the same maturity and almost all (98.5%) paid a gross annual nominal rate which was higher than the interbank market reference rate observed on the deposit's opening date.

Table II.3.3 • Remuneration rates of matured structured deposits indexed to the equity market | 2019

Term of the deposit	Total deposits	Gross annual nominal rate paid					
		Minimum foreseen in the pre-contractual information document		of which: zero		Maximum foreseen in the pre-contractual information document	
		Number of deposits	Proportion	Number of deposits	Proportion	Number of deposits	Proportion
1 year	8	4	50.0%			2	25.0%
1.5 years	26	21	80.8%	1	3.8%	3	11.5%
2 years	69	63	91.3%	5	7.2%	4	5.8%
[2.5 years; 3 years]	21	11	52.4%	3	14.3%	3	14.3%
[4 years; 5 years]	9	2	22.2%	2	22.2%	3	33.3%
Total	133	101	75.9%	11	8.3%	15	11.3%

Term of the deposit	Total deposits	Gross annual nominal rate paid			
		Higher than that of a simple time deposit		Higher than the interbank market reference rate	
		Number of deposits	Proportion	Number of deposits	Proportion
1 year	8	3	37.5%	8	100.0%
1.5 years	26	6	23.1%	26	100.0%
2 years	69	17	24.6%	69	100.0%
[2.5 years; 3 years]	21	9	42.9%	21	100.0%
[4 years; 5 years]	9	7	77.8%	7	77.8%
Total	133	42	31.6%	131	98.5%

Source: Banco de Portugal.

3.2.2 Structured deposits indexed to the equity and money markets

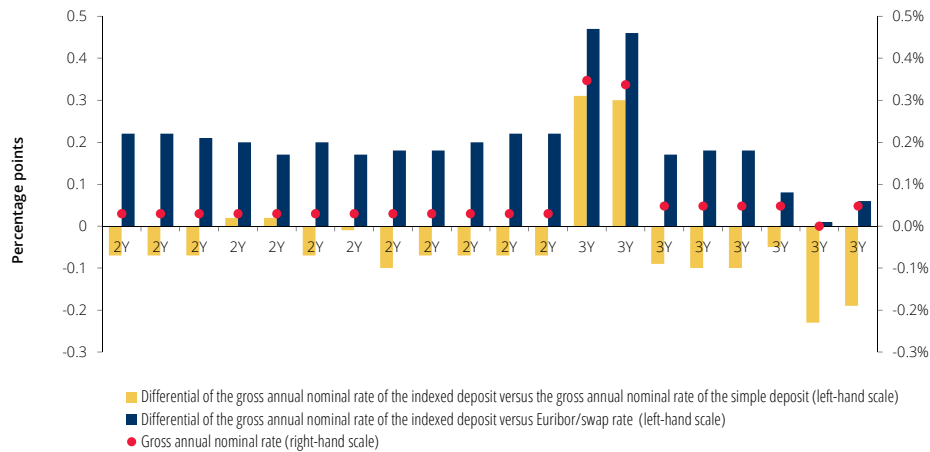
In 2019, 20 deposits, which had as a reference a basket of shares and the Euribor rate, matured. Of these deposits, 12 had a term of two years and eight had a term of three years.

Almost all deposits linked to the equity and money markets paid the minimum expected gross annual nominal rate.

Almost all of these deposits (18 deposits) registered a gross annual nominal rate of 0.05% or less, the minimum gross annual nominal rate indicated in the pre-contractual information document. However, only one deposit linked to this market paid a gross annual nominal rate of zero. The highest rate of remuneration paid was 0.347%.

Of the 20 deposits whose remuneration was linked to these markets, only four had a remuneration rate higher than the rate for simple deposits marketed by the institution for the same maturity, and all registered a gross annual nominal rate higher than the interbank market reference rate.

Chart II.3.4 • Gross annual nominal rate of matured structured deposits indexed to the equity and money markets, by term | 2019



Source: Banco de Portugal.

3.2.3 Structured deposits indexed to the money market

In 2019, 13 structured deposits indexed to the money market matured. There were 11 of these deposits, with maturities of three, four and five years, benchmarked against the Euribor rate⁵. The remaining two deposits were denominated in US dollars, were indexed to the Libor USD rate and had maturities of three years.

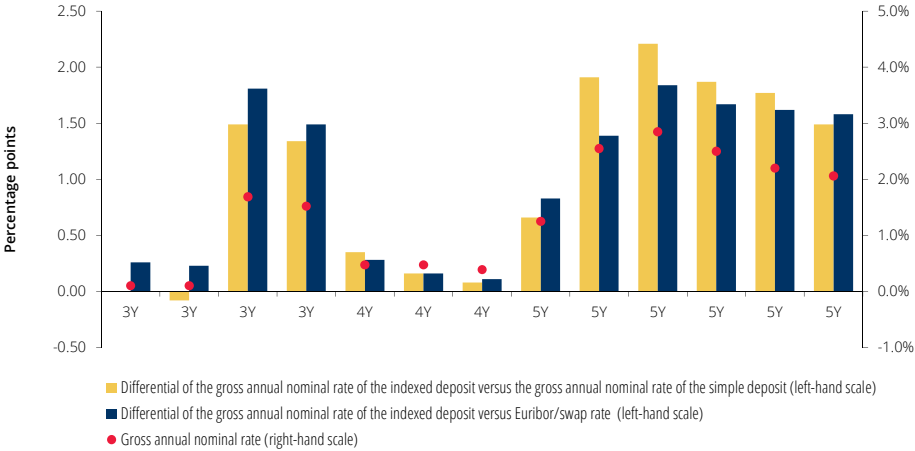
Of the deposits with remuneration linked to the money market, only one paid the maximum expected gross annual nominal rate.

Of the 13 deposits linked to the money market, five had a remuneration rate of less than 0.5% and eight had a remuneration rate between 1% and 3%. Of the deposits linked to this market, ten paid the minimum expected rate (between 0.1% and 2.55%) and one deposit paid the maximum rate indicated in the pre-contractual information document (2.85%).

In 2019, 11 deposits linked to the money market had a gross annual nominal rate higher than the rate for simple deposits marketed by the institution for the same maturity, and all paid a gross annual nominal rate higher than the interbank market reference rate.

5. In most of these deposits, the rate paid in the first year was fixed and in the following payment periods it corresponded to the 6-month Euribor rate, with the institution setting a minimum and maximum for the rate to be paid.

Chart II.3.5 • Gross annual nominal rate of matured structured deposits indexed to the money market, by term | 2019



Source: Banco de Portugal.

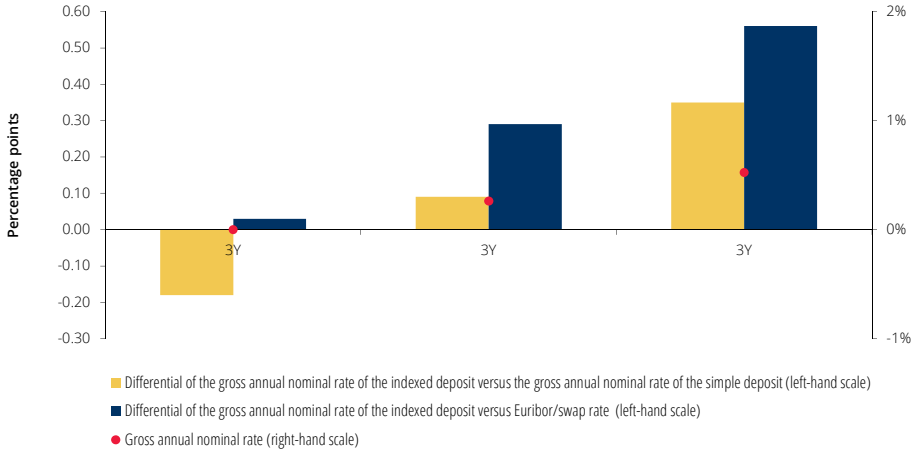
3.2.4 Structured deposits indexed to the foreign exchange market

In 2019, three deposits denominated in euro with remuneration linked to the foreign exchange market, in particular to the euro/Japanese yen exchange rate, matured, all with a three-year term.

These three deposits paid a gross annual nominal rate of less than 1%, with one of them paying a gross annual nominal rate of zero, the minimum expected rate for this deposit. In the other two deposits, the remuneration rates were 0.263% and 0.526%, below the maximum expected rate (0.788% in both cases).

Of these three deposits, all had a gross annual nominal rate higher than the interbank market reference rate observed on the deposit’s opening date, and two had a gross annual nominal rate higher than the remuneration rate for a simple time deposit marketed by the institution for the same maturity.

Chart II.3.6 • Gross annual nominal rate of matured structured deposits indexed to the foreign exchange market, by term | 2019



Source: Banco de Portugal.



III Home loans and mortgage credit

1 Market developments

2 Home loans

3 Other mortgage loans

1 Market developments¹

... The home loan market grew once again in 2019, albeit less
... significantly than in the past four years.

In 2019, 92,141 new home loan agreements were concluded (4.5% more than in 2018) and around EUR 10.3 billion were granted (7.8% more than in 2018²).

The total number of home loan agreements in the institutions' portfolios as at 31 December 2019 dropped slightly, but the overall outstanding balance increased compared with the previous year. At the end of 2019, there were 1.45 million home loan agreements in the portfolio (down 0.2%), with an outstanding amount of EUR 87.5 billion (up 1.9%).

Most new home loan agreements continued to be concluded with a variable interest rate, indexed to 12-month Euribor and with a classical repayment method. In the agreements concluded in 2019, the average amount per contract increased (3.1% more than in 2018) and the average initial maturity (7 months less) decreased. The average spread in the new home loan agreements with a variable interest rate indexed to the 3, 6 and 12-month Euribor dropped once again (from 1.51 percentage points in 2018 to 1.32 percentage points in 2019), in a context where Euribor rates remained negative and even lower than in the previous year.

The amount of home loans repaid in advance increased in 2019, compared to the previous year (2.7%), as did the number of total and partial early repayments (4.5%). However, the average amount per repayment decreased.

In 2019, there was an increase in the number of renegotiations in home loan agreements (25.8% compared to 2018) and in the credit amounts renegotiated (36.4%). In most of the renegotiated agreements in 2019 (86.9%), borrowers showed no signs of default whatsoever.

In 2019, 14,068 new mortgage loans were concluded (5.6% less than in 2018) and approximately EUR 858 million of credit was granted (9.1% more than in 2018). The decrease in the number of new loans resulted in a contraction of the portfolio of other mortgage loans on 31 December 2019, compared with the end of the previous year. At the end of 2019, there were around 515 thousand agreements of other mortgage loans in the portfolio, with an outstanding balance of EUR 12.1 billion.

In the new agreements of other mortgage loans, there was a significant increase in the average amount borrowed in 2019 (15.5%) and a decrease in their initial average maturity (18 months less). The average spread on the new agreements of other mortgage loans at variable interest rates indexed to Euribor at 3, 6 and 12 months declined to 2.1 percentage points (2.36 in 2018).

1. The regulatory framework applicable to the mortgage loans market was amended in early 2018, with the entry into force of Decree-Law 74-A/2017 of 23 June; the scope of the agreements covered was not significantly changed. However, the categorisation of these agreements underwent relevant changes, in particular because the agreements hitherto known as related credit agreements, which in the new general regime fall within the category of other mortgage loans, are no longer typified. Thus, some of the information in this chapter is not directly comparable with that presented in the Retail Banking Markets Monitoring Reports prior to 2018.

2. The 2018 figures published in this report may differ from those published in the Banking Markets Monitoring Report of 2018 as a result of corrections made to the information reported by institutions.

The amount of other mortgage loans repaid in advance dropped in 2019 compared with the previous year (5.7% less), as did the number of total and partial early repayment (2.2% less). However, the number of renegotiations in these agreements increased (16.1% more than in 2018) as did the renegotiated credit amount (14.1% more). In most of the renegotiated agreements in 2019 (74.3%), borrowers were not in default.

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

In 2019	Home loans	Other mortgage loans ^(a)
Number of agreements concluded	92,141 (+4.5% versus 2018)	14,068 (-5.6% versus 2018)
Amount of credit granted	EUR 10.3 billion (+7.8% versus 2018)	EUR 858 million (+9.1% versus 2018)
Average amount per agreement	EUR 111,920 (+3.1% versus 2018)	EUR 60,973 (+15.5% versus 2018)
Average maturity per agreement	32.8 years (-7 months versus 2018)	25.6 years (-18 months versus 2018)
Average APR	2.7%	3.9%
Most common type of interest rate	86.5% variable rate (86.0% in 2018)	85.5% variable rate (87.5% in 2018)
Most common variable rate index	93.8% 12-months Euribor (93.8% in 2018)	96.2% 12-months Euribor (95.4% in 2018)
Average spread of agreements indexed to 3, 6 and 12-months Euribor	132 b.p. (151 b.p. in 2018)	210 b.p. (236 b.p. in 2018)
Most common method of repayment arrangement	92.5% classic arrangement (92.2% in 2018)	99.0% classic arrangement (98.9% in 2018)
Number of early repayments	104,304 (+4.5% versus 2018)	37,190 (-2.2% versus 2018)
Total amount repaid	EUR 4,852 million (+2.7% versus 2018)	EUR 785 million (-5.7% versus 2018)
Number of renegotiations	29,849 (+25.8% versus 2018)	6,803 (+16.1% versus 2018)
Total amount renegotiated	EUR 2.8 billion (+36.4% versus 2018)	EUR 261 million (+14.1% versus 2018)
Percentage of agreements renegotiated with no default associated	86.90% (81.6% in 2018)	74.3% (66.4% in 2018)
Position at 31-12-2019	Home loans	Other mortgage loans
Number of agreements	1.45 million (-0.2% versus 2018)	515 thousand (-4.8% versus 2018)
Balance outstanding	EUR 87.5 billion (+1.9% versus 2018)	EUR 12.1 billion (-4.9% versus 2018)
Average maturity per agreement	32.9 years (32.7 years in 2018)	31.7 years (31.7 years in 2018)
Most common type of interest rate	94.7% variable rate (95.1% in 2018)	97.2% variable rate (97.5% in 2018)
Most common variable rate index	42.8% 6-months Euribor (45.5% in 2018)	43.7% 3-months Euribor (44.9% in 2018)
Average spread of agreements indexed to 3, 6 and 12-months Euribor	126 b.p. (128 b.p. in 2018)	166 b.p. (164 b.p. in 2018)
Most common repayment arrangement	80.6% classic arrangement (80.8% in 2018)	87.9% classic arrangement (88.0% in 2018)

Source: Banco de Portugal.

2 Home loans

Home loan agreements are those aimed at the acquisition or construction of residential real estate and land or other buildings, whether or not backed by 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

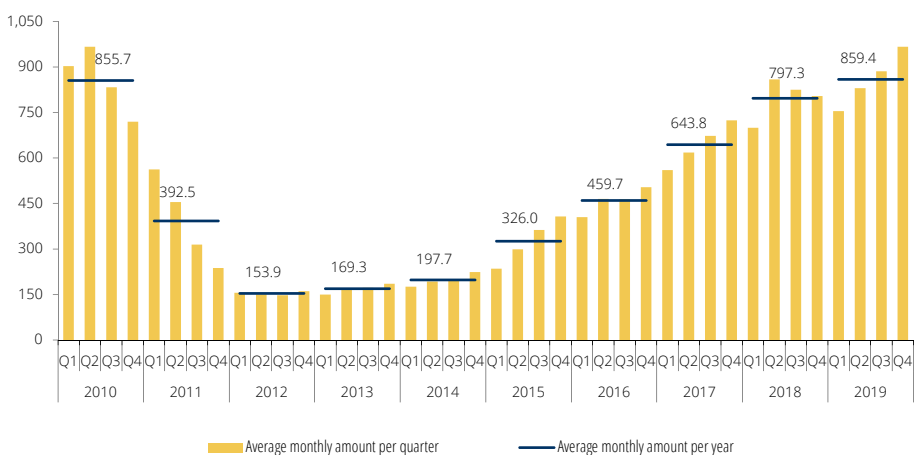
Home loans grew less significantly than in previous years.

In 2019, an average of EUR 859.4 million of home loans were granted per month, 7.8% more than in 2018, thus maintaining the growth trend seen since 2014, after the significant contraction of this market in 2011 and 2012. In 2019, the amount of credit granted was for the first time higher than in 2010 (on average, EUR 3.6 million more per month). Despite this, the growth in home loans in 2019 was less marked than in 2018 (23.8%). This slowdown comes in a context of the entry into force, in July 2018, of Banco de Portugal's macro-prudential measure on the criteria used by credit institutions to assess the solvency of new loans to households, 2019 being the first full year of this measure.

The number of new home loan agreements also continued to grow, although less sharply than in the previous year. In 2019, an average of 7678 home loan agreements were concluded per month, which corresponds to a growth of 4.5% year on year, compared with a growth of 13.7% in 2018. Unlike the amount of credit, the number of new agreements in 2019 remained below that recorded in 2010.

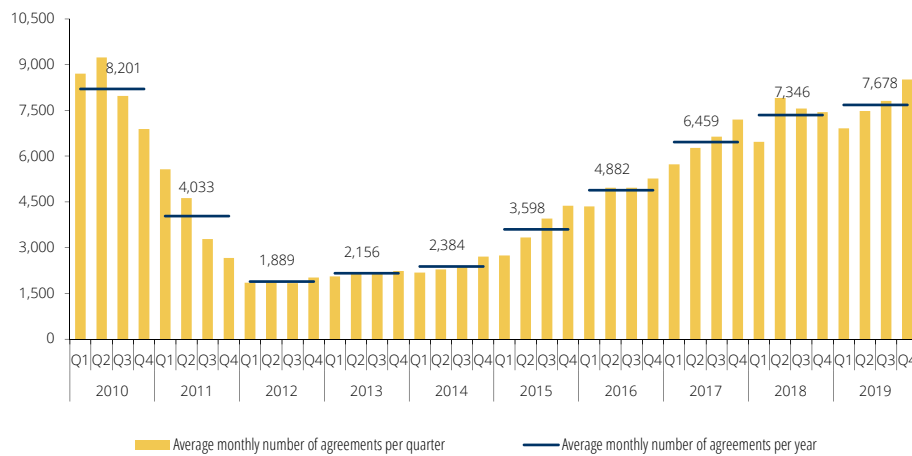
The average amount of new agreements increased by around EUR 3000 (from EUR 108,531 in 2018 to EUR 111,920 in 2019).

Chart III.2.1 • Home loans | Average monthly amount of credit granted | EUR million | 2010–2019



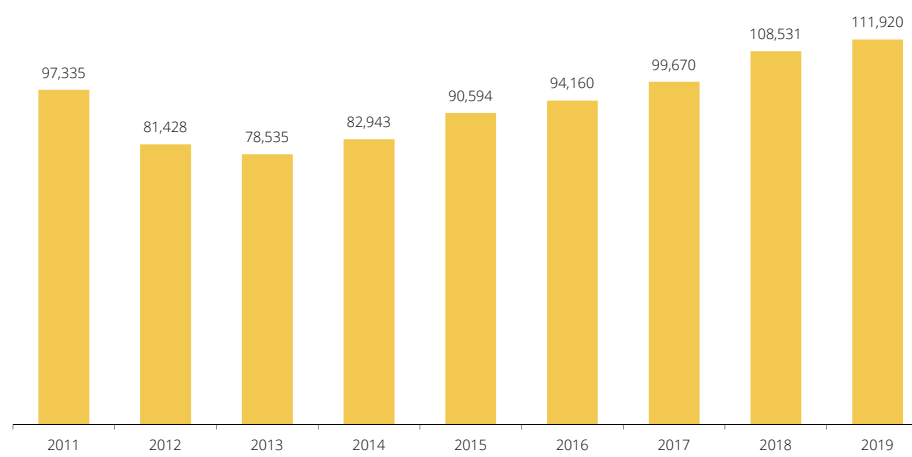
Source: Banco de Portugal.

Chart III.2.2 • Home loans | Average monthly number of agreements concluded | 2010–2019



Source: Banco de Portugal.

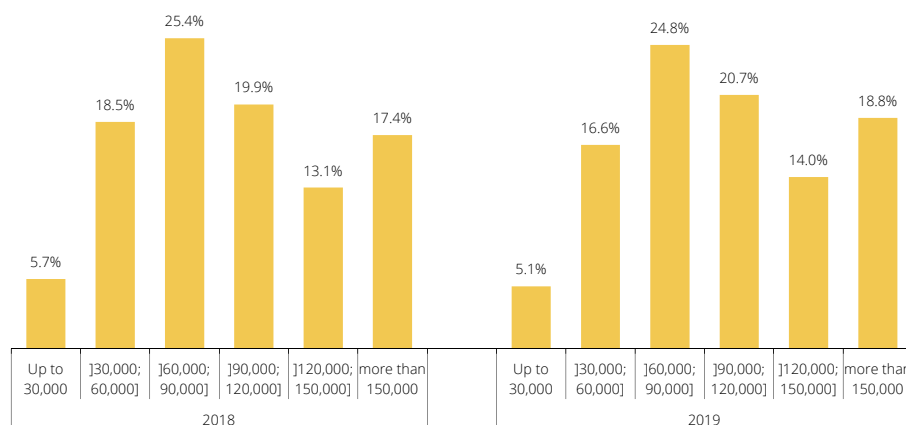
Chart III.2.3 • Home loans | Average amount of agreements concluded | 2011–2019



Source: Banco de Portugal.

The importance of the agreements concluded with amounts of more than EUR 90 thousand increased once again (from 50.4% in 2018 to 53.5% in 2019). The amounts above of EUR 150 thousand stand out, representing 18.8% of the agreements concluded (17.4% in 2018). In contrast, new agreements with amounts below EUR 60 thousand were less frequent (24.2% in 2018 and 21.7% in 2019).

Chart III.2.4 • Home loans | Distribution of the number of new agreements by amount of credit granted | Agreements concluded in 2018 and 2019



Source: Banco de Portugal.

As usual, most home loan agreements concluded in 2019 were backed by a mortgage (99.7% of the number of loans and 99.8% of the credit amount granted). In that year, 230 mortgage-free home loan agreements were also concluded, with a loan amount granted of approximately EUR 19 million, and 14 home loans in the form of leasing with an amount of around EUR 4 million.

In 2019, the average amount of mortgage loans was higher than that of mortgage-free loans (EUR 111,965 and EUR 82,095, respectively). Compared with 2018, the average amount of mortgage loans (around EUR 3,000) increased and the average amount of mortgage-free loans (around EUR 31,000) decreased. In real estate financial leases, the average amount per agreement in 2019 (EUR 312,612) was significantly higher than in 2018 (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 credit | Agreements concluded in 2018 and 2019

		2018	2019	2019-2018
Amount of credit granted (EUR million)	Mortgage-backed home loan	9,530	10,289	8.0%
	Mortgage-free home loan	33	19	-42.3%
	Real estate financial lease	4	4	0.3%
	Total	9,567	10,312	7.8%
Number of agreements	Mortgage-backed home loan	87,840	91,897	4.6%
	Mortgage-free home loan	289	230	-20.4%
	Real estate financial lease	24	14	-41.7%
	Total	88,153	92,141	4.5%
Average amount per agreement (euros)	Mortgage-backed home loan	108,495	111,965	3.2%
	Mortgage-free home loan	113,229	82,095	-27.5%
	Real estate financial lease	181,727	312,612	72%
	Total	108,531	111,920	3.1%

Source: Banco de Portugal.

2.2 Portfolio developments

... In 2019, the amount outstanding in the home loan portfolio
... of institutions went up.

At the end of 2019, credit institutions had around 1.45 million home loans in their portfolio (0.2% less than at the end of 2018), which had an outstanding balance of EUR 87.5 billion (1.9% more). The increase in the outstanding amount of home loan agreements is in line with the increase in the average amount of agreements concluded in 2019.

The average balance of home loans outstanding at the end of 2019 was EUR 60,229, a higher amount than at the end of 2018 (EUR 59,007).

Table III.2.2 • Home loans | Number, balance outstanding and average balance of agreements outstanding | Position from 31-12-2017 to 31-12-2019

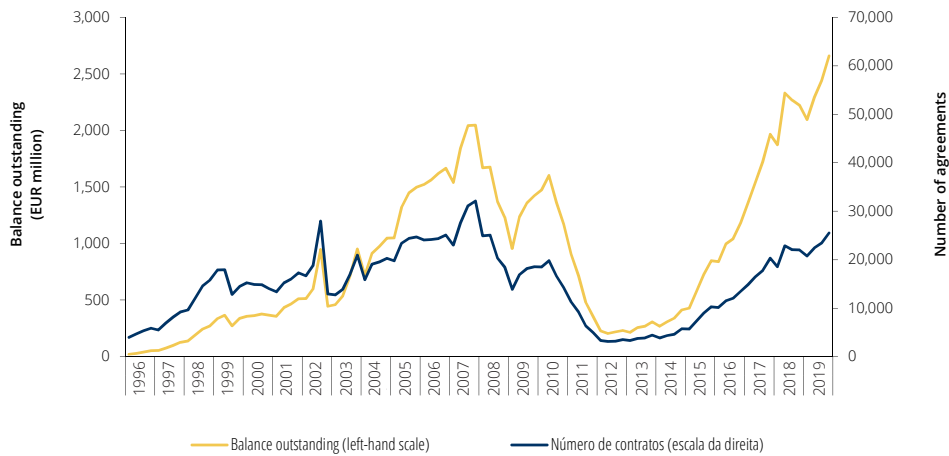
	Position of the portfolio			Variation	
	31-12-2017	31-12-2018	31-12-2019	2018-2017	2019-2018
Balance outstanding (EUR million)	87,664	85,932	87,541	-2.0%	1.9%
Number of agreements	1,530,739	1,456,320	1,453,472	-4.9%	-0.2%
Average balance outstanding per agreement (EUR)	57,269	59,007	60,229	3.0%	2.1%

Source: Banco de Portugal.

... The importance of the most recent agreements in the home
... loan portfolio increased once again.

At the end of 2019, the importance of the most recent agreements (concluded in the last five years) in the home loan portfolio increased once again. These agreements accounted for 22.5% of the number and 35.9% of the balance on home loans outstanding at the end of 2019, compared with 18.4% and 29%, respectively, at the end of 2018. The agreements concluded between 2004 and 2010 still represented a significant proportion of the credit institutions' portfolio at the end of 2019 (41.5% of the number of agreements and 44.9% of the outstanding balance), although their weight decreased compared to the end of 2018 (43.8% and 50.3%, respectively).

Chart III.2.5 • Home loans | Number and balance owned of agreements outstanding, by date on which the agreement was concluded | Position at 31-12-2019



Source: Banco de Portugal.

∴ Most of the home loan portfolio was backed by a mortgage.

At the end of 2019, almost all home loan outstanding in the institutions’ credit portfolio had a mortgage guarantee. These agreements had an outstanding balance of EUR 87,290 million (on average EUR 60,306 per agreement). There were also 5241 mortgage-free home loan agreements and 768 real estate financial leasing agreements in the portfolio, with outstanding balances of EUR 168 and EUR 83 million, respectively. Real estate financial leasing was the type of credit with the highest balance outstanding per agreement (on average EUR 108,570), whereas mortgage-free home loans had the lowest balance outstanding (on average, EUR 32,016 per agreement).

Compared to the end of 2018, at the end of 2019 the average balance outstanding of mortgage-backed home loans (approximately EUR 1,000 compared to 2018) and of real estate financial leasing agreements (around EUR 7,000) went up. Conversely, the average amount outstanding of mortgage-free home loans (about EUR 3,000 less) went down.

Table III.2.3 • Home loans | Number, balance outstanding and average balance by type of credit | Position at 31-12-2018 e 31-12-2019

		Position of the portfolio		Variation
		31-12-2018	31-12-2019	2019-2018
Balance outstanding (EUR million)	Mortgage-backed home loans	85,621	87,290	1.9%
	Mortgage-free home loans	216	168	-22.2%
	Real estate financial lease	95	83	-12.7%
	Total	85,932	87,541	1.9%
Number of agreements	Mortgage-backed home loans	1,449,237	1,447,463	-0.1%
	Mortgage-free home loans	6,140	5,241	-14.6%
	Real estate financial lease	943	768	-18.6%
	Total	1,456,320	1,453,472	-0.2%
Average balance per agreement (EUR)	Mortgage-backed home loans	59,080	60,306	2.1%
	Mortgage-free home loans	35,136	32,016	-8.9%
	Real estate financial lease	101,265	108,570	7.2%
	Total	59,007	60,229	2.1%

Source: Banco de Portugal.

2.3 Maturities of home loans

... The average maturity of new home loan agreements decreased,
... in contrast to that seen in the previous 5 years.

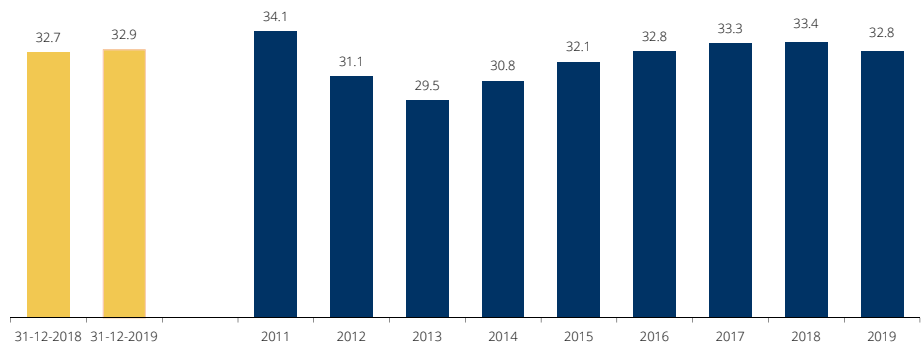
The average initial maturity of home loan agreements concluded in 2019 was 32.8 years, below the average of agreements concluded in 2018 (33.4 years) and countering the growth trend of the last five years. This decrease appears in the context of Banco de Portugal's macro-prudential measure, which imposed restrictions on the maturity of housing loans granted to households³.

Mortgage-free home loan agreements and financial leasing agreements had initial average maturities of 12.7 years and 19 years respectively. Mortgage-backed home loan agreements had initial average maturities of 32.8 years.

The average initial maturity of outstanding agreements in the portfolio at 31 December 2019 was 32.9 years (32.7 years at the end of 2018), in line with the average maturity of the agreements concluded in 2019. The slight increase in the average initial maturity of outstanding agreements in the portfolio at the end of the year, compared with 2018, reflects, on the one hand, the average maturity of new loans in 2019, which is higher than the average maturity of the portfolio at the end of 2018. In contrast, agreements that were subject to full early repayment or that matured in the normal course of the maturity had shorter average initial maturities than those of the portfolio.

3. According to Banco de Portugal's macro-prudential measure, the initial maturity of new home loans and other mortgage loans should not exceed 40 years, and the average maturity of the set of new agreements should converge gradually to 30 years.

Chart III.2.6 • Home loans | Evolution of the average loan maturity | Position at 31-12-2018 and 31-12-2019 and agreements concluded between 2011 and 2019



Source: Banco de Portugal.

... The proportion of new home loans agreements with initial maturities of more than 40 years was residual.

In agreements concluded in 2019, initial maturities between 35 and 40 years remained the most frequent, increasing from 41.3% in 2018 to 47.1% in 2019. In contrast, new agreements with initial maturities of more than 40 years decreased sharply, which is in line with the guidelines issued by Banco de Portugal under the macro-prudential measure. Home loan agreements concluded in 2019 with initial maturities of more than 40 years had a residual weight (0.1%), whereas in 2018 they accounted for 7.8% of new loans.

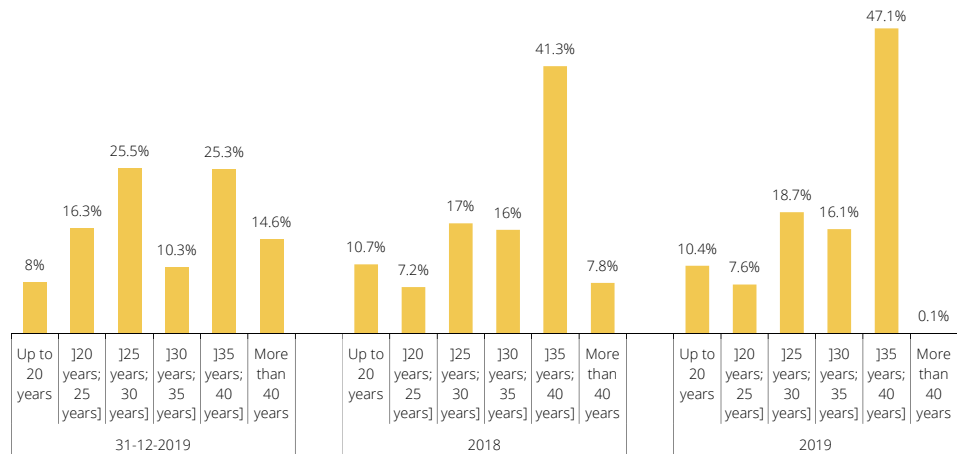
... In the agreements outstanding in the portfolio at the end of 2019, the weight of maturities between 35 and 40 years went up.

In the agreements outstanding in the portfolio at the end of 2019, initial maturities between 25 and 30 years were still the most frequent (25.5%), along with the agreements with initial maturities between 35 and 40 years (25.3%). The weight of these initial maturities between 35 and 40 years increased the most, compared to the end of 2018 (when they accounted for 23.5%), in line with the significant increase in the number of new loans with these maturities in 2019.

At the end of 2019, agreements with initial maturities between 30 and 35 years represented 10.3% of agreements outstanding in the portfolio, a slightly higher proportion than in the previous year (9.6%). Maturities below 25 years corresponded to 24.3% of the agreements, which represents a decrease in their importance compared to the end of 2018 (26% of the agreements). The relative importance of agreements with longer initial maturities (more than 40 years) also went down from 15.4% at the end of 2018 to 14.6% at the end of 2019.

The remaining maturity of home loan agreements outstanding in the portfolio at the end of 2019 was 20.9 years, similar to that observed at the end of 2018 (20.8 years).

Chart III.2.7 • Home loans | Distribution of the maturity of agreements | Number of agreements | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

2.4 Type of interest rate⁴

... The importance of fixed interest rates in new agreements increased.

In Portugal, the home loan market is predominantly composed of variable rate agreements. Home loan agreements with variable rates accounted for 86.5% of the agreements concluded in 2019 and 87.7% of the credit amount granted, figures in line with those of 2018 (86% and 87.8% respectively).

The importance of mixed-rate home loan agreements (which have an initial fixed-rate period followed by a variable rate period) decreased both in the number of agreements (from 12.2% in 2018 to 10.2% in 2019) and in the credit amount granted (from 10.9% in 2018 to 9.6% in 2019). This loss of importance reflects the decline in the number of agreements concluded with a mixed-rate (12.4% less, compared to 2018) and the corresponding decrease in the amount of credit granted (5.4% less).

In contrast, the proportion of fixed-rate home loan agreements went up, representing 3.3% of the number of agreements concluded and 2.7% of the amount of credit granted (compared with 1.8% and 1.3% in 2018, respectively). The main contributor to this development was the increase in fixed-rate loans (1447 more agreements corresponding to a further EUR 160 million).

In home loan agreements concluded in 2019, the average APR⁵ was 2.7%. In new variable-rate agreements, the average APR was 2.6%, lower than in mixed-rate agreements (3.3%) and fixed-rate agreements (3.4%).

4. Credit agreements can be concluded with three types of interest rate: variable rate, fixed rate and mixed rate. In variable-rate agreements, the interest rate is the sum of the reference rate (e.g. Euribor) and the credit institution's spread. In fixed-rate agreements, the interest rate remains unchanged for the whole maturity of the agreement. Mixed rates are generally associated with agreements with an initial fixed-rate period, followed by a variable rate in the remaining part of the loan maturity.

5. In agreements with a variable rate or a mixed rate, the calculation of the APR assumes that the interest rate remains at the same value for the whole duration of the agreement.

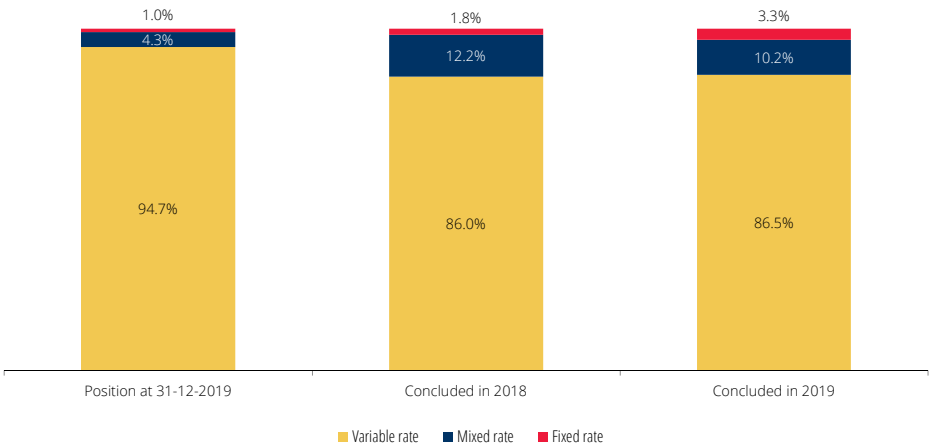
In the home loan portfolio, agreements with variable rate agreements predominated.

The portfolio of home loans was almost entirely made up of variable rate agreements. At the end of 2019, variable rate agreements accounted for 94.7% of the number of agreements and 93.5% of the balance outstanding, slightly below that at the end of 2018 (95.1% and 94.4% respectively).

In contrast, the proportion of mixed-rate agreements in the portfolio increased to 4.3% and 5.7%, respectively, of the number of agreements and of the amount outstanding (compared to 3.9% and 5%, respectively, in 2018).

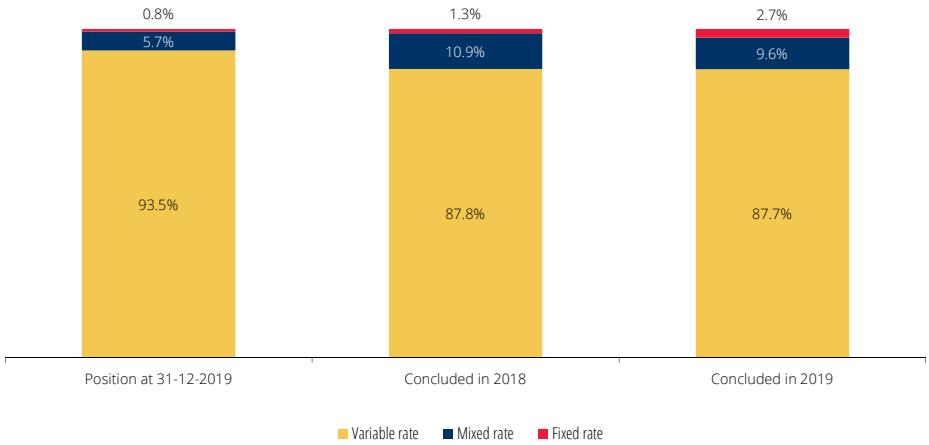
Fixed-rate agreements continued to have a residual weight, accounting for 1% of the number of agreements outstanding in the portfolio at the end of 2019 and 0.8% of the amount outstanding.

Chart III.2.8 • Home loans | Distribution of the number of agreements by type of interest rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

Chart III.2.9 • Home loans | Distribution of the credit amount by type of interest rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

2.4.1 Variable rate

... The 12-month Euribor continued to be the reference rate
... of most new agreements concluded at a variable rate.

As in the previous year, in 2019 most new home loan agreements with variable rate were indexed to the 12-month Euribor (93.8% of the agreements concluded and 94% of the credit amount granted).

The 6-month Euribor was used as a reference rate in only 5.2% of new variable rate home loans, corresponding to 5.1% of the credit amount granted. The 3-month Euribor had a residual importance (0.2% and 0.1%, respectively, of the number of agreements and of the amount granted).

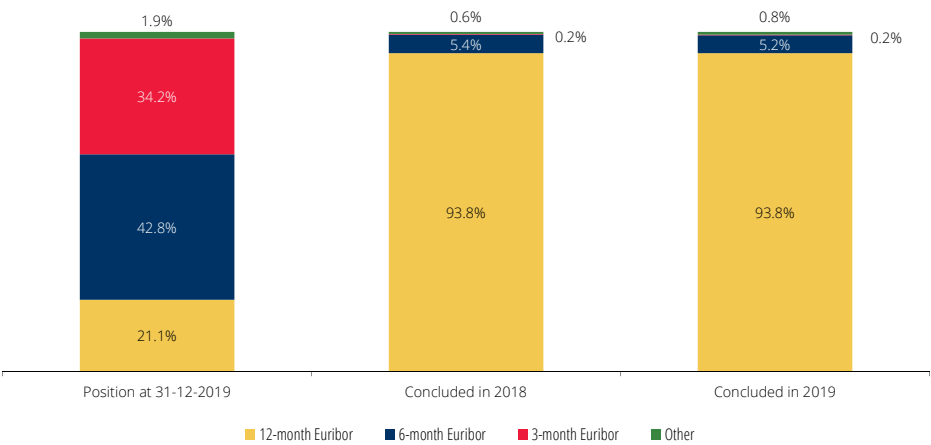
The prevalence of the 12-month Euribor observed in recent years occurs in a context where 3, 6 and 12-month Euribor interest rates remained negative throughout the year 2019. However, the 12-month Euribor recorded the least negative figures.

... About one third of the variable rate agreements in the portfolio
... were indexed to the 3-month Euribor.

In the variable rate home loan agreements outstanding at 31 December 2019, the most frequent reference rates were the 6-month Euribor, in terms of number of loans, and the 3-month Euribor, in terms of amounts outstanding. The 6-month Euribor was the reference rate of 42.8% of agreements and 32% of the amount outstanding, while the 3-month Euribor was the reference rate of 34.2% of the agreements and 34.7% of the amount outstanding.

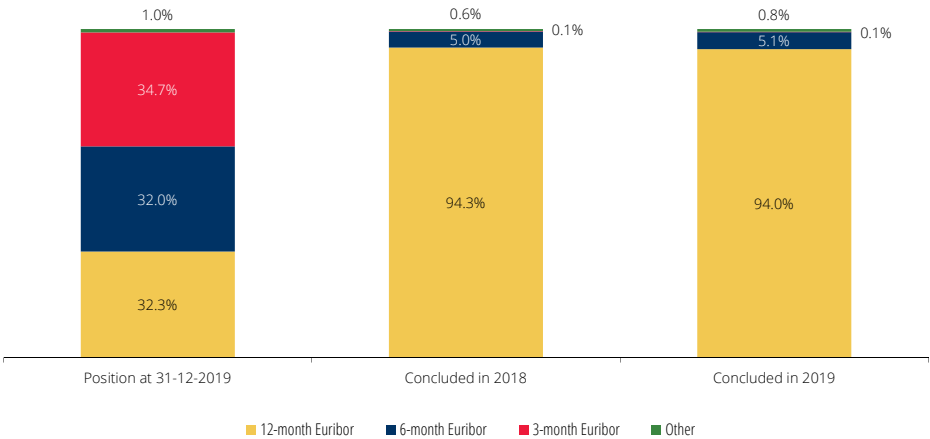
At the end of 2019, the weight of the 12-month Euribor in the home loan portfolio increased to 21.1% of the number of variable rate agreements in the portfolio and 32.3% of the amount outstanding.

Chart III.2.10 • Home loans | Distribution of the number of agreements by reference rate of the variable interest rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

Chart III.2.11 • Home loans | Distribution of the credit amount by reference rate of the variable interest rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

The average spread of new agreements decreased once again, albeit less sharply than in previous years.

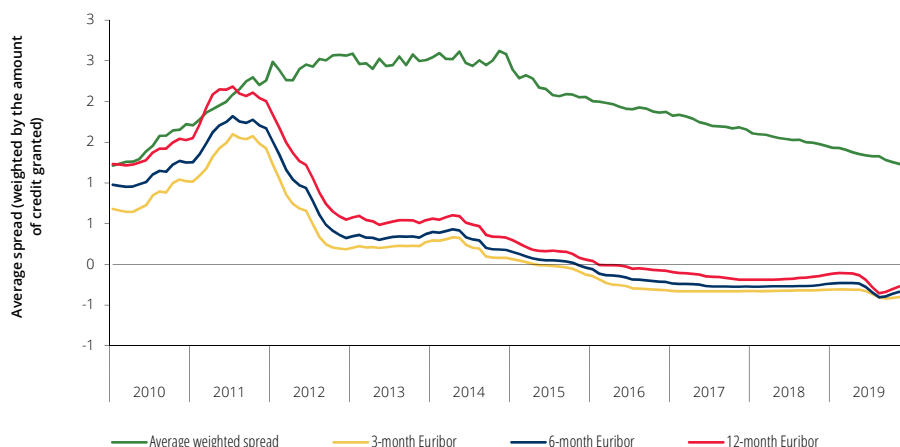
In 2019, the average spread of variable rate home loan agreements concluded declined, maintaining the downward trend observed since 2015. The average spread of new home loan agreements indexed to 3, 6 and 12-month Euribor was 1.32 percentage points, 19 basis points lower than in 2018 (when there was a decrease of 23 basis points).

The average spread of agreements concluded in 2019 is lower than the average spread of agreements outstanding in the portfolio and concluded since 2010 (1.42 percentage points this year). However, the average spread of agreements concluded in 2019 was higher than the average spreads of agreements outstanding in the portfolio and concluded between 2007 and 2009.

In the agreements concluded in 2019, the weight of spreads between 1 and 1.5 percentage points went up significantly, which now represent most variable rate agreements (70.6% in 2019, compared with 51.1% in 2018). In contrast, the weight of spreads between 1.5 and 2 percentage points dropped significantly, from 35.9% in 2018 to 17.1% in 2019.

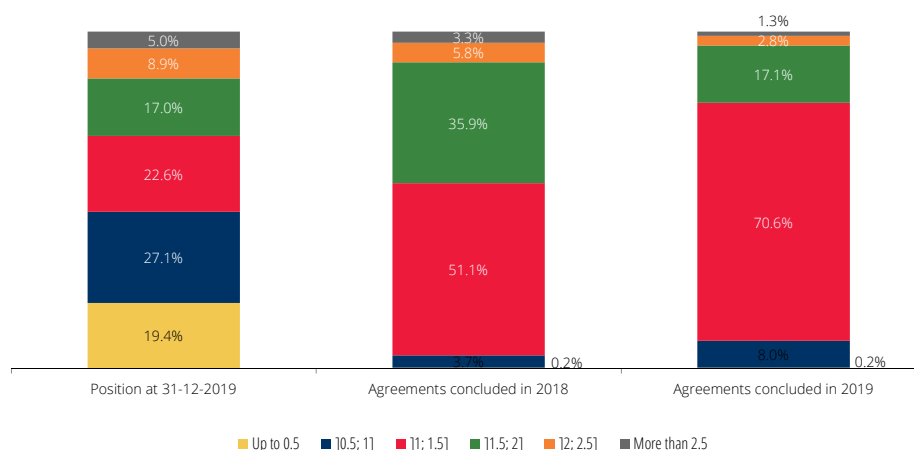
The developments of average spreads in 2019 contributed to a slight reduction in the average spread of the portfolio at the end of 2019, which stood at 1.26 percentage points (1.28 percentage points at the end of 2018).

Chart III.2.12 • Home loans | Developments in average spreads of variable rate agreements and of 3, 6 and 12-month Euribor | Position at 31-12-2019



Source: Banco de Portugal.

Chart III.2.13 • Home loans | Distribution of the spreads variable rate agreements | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

2.4.2 Mixed rate

... The initial period of interest rate fixation in mixed-rate agreements concluded increased.

In 2019, new home loan agreements concluded at a mixed-rate had, on average, an initial fixed-rate period of 9.6 years, above the average period of agreements concluded in the previous year (two and a half years more) and the average period of agreements outstanding at the end of the year (three years more).

The nominal annual rate applicable in the initial fixed-rate period for new mixed-rate home loan agreements was, on average, 1.81% (compared with 2.13% in 2018). This rate was, as usual, higher than the nominal annual rate of agreements concluded in 2019 at a variable rate indexed to the 3, 6 and 12-month Euribor (1.1%).

In the portfolio, the average spread of mixed-rate agreements which, at 31 December 2019, were in the variable rate period and where the reference rate was 3, 6 and 12-month Euribor, was 1.30 percentage points, slightly higher than that of similar variable rate agreements (1.26 percentage points).

2.4.3 Fixed rate

∴ The average maturity of new fixed-rate agreements increased.

In 2019, new fixed-rate home loan agreements not related to the settlement of arrears⁶ had an average initial maturity of 25 years, higher than in 2018 (22.4 years). However, on average, the maturity of these agreements remained considerably shorter than that of the remaining home loan agreements concluded in 2019 (33.1 years).

The nominal annual rate in home loan agreements that were not intended to settle arrears averaged 2.4%, lower than in 2018 (3.1%). As usual, fixed-rate home loan agreements continued to have higher nominal annual rates than variable rate agreements.

2.5 Repayment arrangements

∴ Classic repayment agreements remained the most frequent.

There were no significant changes in the repayment arrangements of agreements concluded in 2019 compared to agreements concluded in 2018. The classic repayment arrangement⁷ continued to be the most frequent, accounting for 92.5% of home loan agreements concluded in 2019, the same proportion as in the previous year (92.2%).

Agreements with grace periods for principal accounted for 7.3% of new home loan agreements (7.5% in 2018) and, of these, most (81.1%) had grace periods of more than one year. This is usual in housing construction agreements, which provide for an initial phase of capital use during which customers only pay interest.

The proportion of agreements where payment of part of the capital is deferred to the last instalment remained residual (0.2% in 2019, compared with 0.3% in 2018). These include agreements in the form of a real estate financial lease, 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 2019, only fifteen agreements were concluded with a grace period and a deferral of part of the capital to the last instalment.

6. In 2019, around 5% of new fixed-rate home loan agreements had a duration of less than five years and reduced amounts, most of them aimed at settling default in agreements previously concluded with institutions.

7. This method of repayment does not provide for grace periods or deferral of capital.

At the end of the year, most of the home loan agreements outstanding in the portfolio (80.6%) had the classic repayment arrangement. Around 15.4% of agreements outstanding in the portfolio had a grace period. Of these loan agreements, more than half (60%) had grace periods of more than one year and 15.3% had grace periods of between six and twelve months. The deferral of part of the capital was present in 2.9% of agreements outstanding in the portfolio at the end of 2019.

Table III.2.4 • Home loans | Repayment arrangements | Position at 31-12-2018 and at 31-12-2019 and agreements concluded in 2018 and 2019

	Agreements concluded		Position of the portfolio	
	2018	2019	31-12-2018	31-12-2019
Classic repayment arrangement (with no grace period or capital deferral)	92.2%	92.5%	80.8%	80.6%
Grace periods for capital	7.5%	7.3%	15.0%	15.4%
Capital deferred to the last instalment	0.3%	0.2%	3.0%	2.9%
Grace period and capital deferred to the last instalment	0.0%	0.0%	1.2%	1.1%
Total	100%	100%	100%	100%

Source: Banco de Portugal.

2.6 Early repayment

... The number of early repayments increased, but the average amount of credit repaid decreased.

In 2019, 104,304 total or partial early repayments were made in home loan agreements, corresponding to an amortised capital of EUR 4.9 billion (around 5.5% of the balance outstanding of the portfolio at 31 December 2019). Compared with 2018, the number of early repayments grew more sharply (4.5%) than the amount of credit repaid (2.7%), leading to a drop in the average amount per repayment (from EUR 47,337 in 2018 to EUR 46,519 in 2019).

In 2019, there were 77,266 total early repayments in home loan agreements (5.4% more than in 2018), corresponding to a repayment amount of EUR 4.4 billion (3.8% more than in 2018). This development resulted in a decrease in the average amount repaid from EUR 58,365 in 2018 to EUR 57,526 in 2019. In 2019, around 29% of total early repayments were less than or equal to EUR 25,000 and more than half of the repayments (52.5%) did not exceed EUR 50,000. Total early repayments involving amounts exceeding EUR 100,000 accounted for 15.7% of the total.

The home loan agreements subject to total early repayment had an average initial maturity of 32.4 years and, at the time of the early repayment, the average remaining maturity was 20.3 years. The remaining maturity did not exceed 9.7 years for a quarter of the repayments made and for half of the repayments this maturity did not exceed 20.6 years. For 75% of the repayments, the remaining period was less than 31 years.

In 2019, 27,038 partial early repayments were made in home loan agreements, representing an increase in relation to 2019 (2.1% more). However, the credit amount repaid dropped to EUR 407 million (8.3% less than in 2018), resulting in a decrease in the average amount per repayment from EUR 16,781 in 2018 to EUR 15,067 in 2019. In 46.4% of partial early repayments, the amount delivered did not exceed EUR 5,000. On the other hand, in 23.2% of cases the amount repaid was more than EUR 17,500.

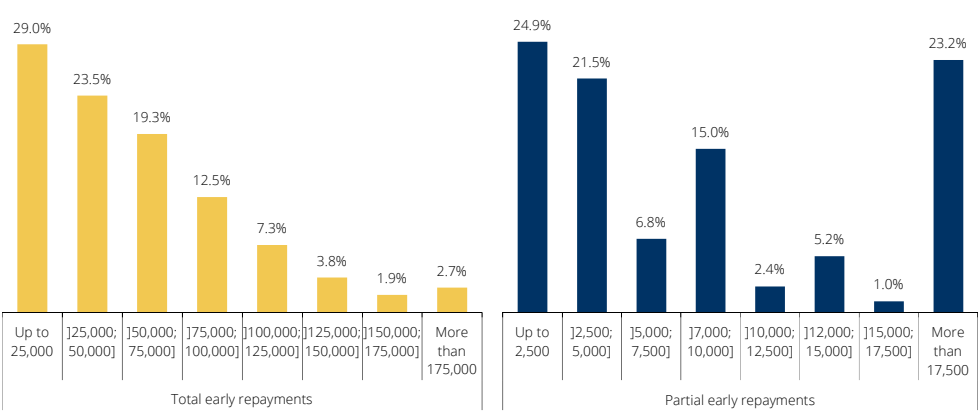
In 2019, the number of times each home loan agreement was subject to partial early repayment was similar to previous years. Most home loan agreements (83.3%) were reimbursed only once, with each repayment corresponding to an average amount of EUR 19,724 (down from EUR 22,016 in 2018). Only a small proportion of agreements were reimbursed twice (10.6%), three times (3%), four times (1.3%) or five or more times (1.8%).

Table III.2.5 • Home loans | Early repayment | 2018-2019

	Number of repayments			Amount repaid (EUR million)			Average amount per repayment (euros)		
	2018	2019	2019-2018	2018	2019	2019-2018	2018	2019	2019-2018
Total repayment	73,342	77,266	5.4%	4281	4,445	3.8%	58,365	57,526	-1.4%
Partial repayment	26,470	27,038	2.1%	444	407	-8.3%	16,781	15,067	-10.2%
Total	99,812	104,304	4.5%	4,725	4,852	2.7%	47,337	46,519	-1.7%

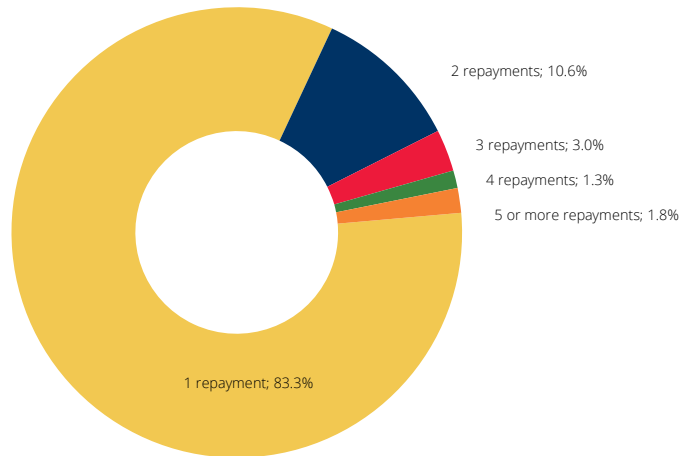
Source: Banco de Portugal.

Chart III.2.14 • Home loans | Distribution of the amount repaid in advance | 2019



Source: Banco de Portugal.

Chart III.2.15 • Home loans | Distribution of the number of partial early repayments | 2019



Source: Banco de Portugal.

2.7 Renegotiation of agreements

... The number of renegotiations and the amount of credit renegotiated increased.

In 2019, 29,849⁸ renegotiations were made in home loan agreements (25.8% more than in the previous year), involving 28,838 credit agreements (25% more than in 2018). The renegotiated credit amount (EUR 2781 million) increased more sharply (36.4%), leading to an increase in the average amount per renegotiation (from EUR 85,922 in 2018 to EUR 93,183 in 2019).

Table III.2.6 • Home loans | Renegotiations | 2018–2019

	2018	2019	2019–2018
Number of renegotiations	23,733	29,849	25.8%
Number of agreements renegotiated	23,076	28,838	25.0%
Average amount renegotiated (EUR)	85,922	93,183	8.5%
Amount of credit renegotiated (EUR million)	2,039	2,781	36.4%

Source: Banco de Portugal.

8. 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, it includes the renegotiations carried out before the integration of the agreements into the out-of-court arrears settlement procedure or after the termination of this procedure. It is recalled that agreements in default only need to be integrated into the out-of-court arrears settlement procedure between the 31st and the 60th day after the start on 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.

As in previous years, in 2019, most of the agreements that were renegotiated (86.9%) revealed no signs whatsoever of default.

The number of renegotiated home loan agreements in which the borrower was in arrears (in that agreement or in other credit agreements held with the same institution) fell by 11.3% compared with 2018. This development is consistent with the information gathered as part of the monitoring of the general arrears regime, which indicates a decrease in the number of proceedings initiated in 2019 concerning home loan and mortgage agreements, in comparison to the previous year⁹.

Table III.2.7 • Home loans | Distribution of the number of agreements subject to renegotiation, by credit situation | 2018–2019

	Number of agreements			Distribution	
	2018	2019	2019–2018	2018	2019
Default on the home loan or on other loans from the same institution	4,246	3,767	-11.3%	18.4%	13.1%
No default in the institution where the home loan is held	18,830	25,071	33.1%	81.6%	86.9%
Total	23,076	28,838	-20.0%	100.0%	100.0%

Source: Banco de Portugal.

In 19% of the renegotiations of home loan agreements in 2019, the spread was simultaneously renegotiated with other conditions with financial effect. This type of renegotiation was more frequent in non-defaulting agreements (representing about a quarter of renegotiations) than in agreements with default in that or other loans held with the same institution (3.9%).

Of the renegotiations carried out in 2019, 16.8% changed only the maturity of the contract. This type of renegotiation had a similar importance in non-defaulting agreements (19.3% of renegotiations) and in agreements in default (19.4%). However, in renegotiations with no associated default, the contract maturity decreased (on average, around 12 months), while in renegotiations involving defaulting agreements the contract maturity increased (on average, around 43 months).

In 13% of renegotiations, the contract maturity and spread were changed simultaneously, a proportion identical to that of renegotiations where more than two financial conditions were changed.

About one-fifth of renegotiations in home loan agreements in 2019 (21.1%) were aimed solely at changing other conditions of the contract with financial effect (other than the spread, maturity, grace periods or type of interest rate) and could 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 default (56.1% of renegotiations) than in non-defaulting agreements (18.1%).

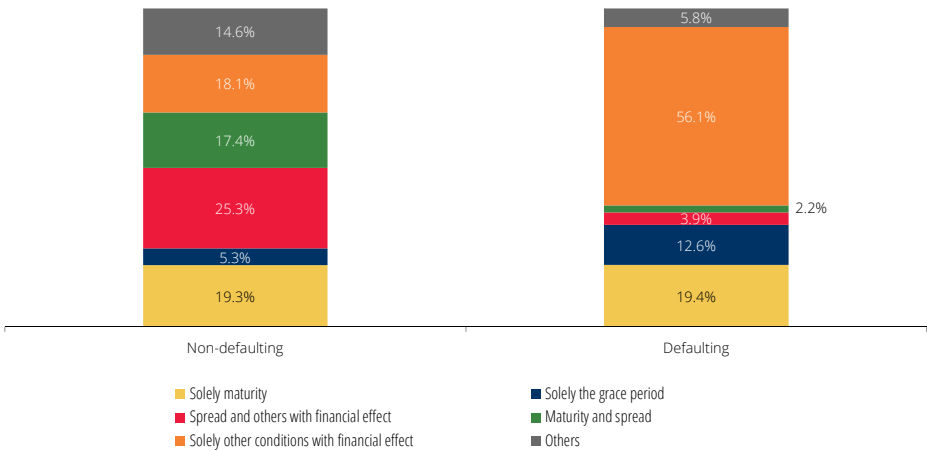
9. 9. Banco de Portugal disclosed in the *Banking Conduct Supervision Report 2019* detailed information on the credit agreements integrated in the out-of-court arrears settlement procedure under the general arrears regime. In 2019, the number of OASP proceedings initiated by credit institutions regarding home loan and mortgage credit agreements fell by 16.1% compared to 2018.

Table III.2.8 • Home loans | Characterisation of renegotiations | 2019

	Distribution of the number of renegotiations	Average balance renegotiated (euros)
Solely other conditions with financial effect ^(a)	21.1%	78,230
Spread and other conditions with financial effect	19.0%	86,794
Solely maturity	16.8%	65,806
More than two conditions renegotiated	13.0%	82,949
Maturity and spread	13.0%	98,831
Solely the grace period for capital	5.6%	98,083
Solely the type of interest rate	4.6%	69,636
Type of interest rate and spread	4.5%	102,250
Others	1.4%	88,986
Maturity and other conditions with financial effect	1.0%	59,568
Total	100.0%	82,811

Source: Banco de Portugal. | Note: (a) This type of renegotiation is only 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) and may include, for example, changing the reference rate or setting a lower instalment for a limited period of time.

Chart III.2.16 • Home loans | Distribution of the main conditions renegotiated, by credit situation | 2019



Source: Banco de Portugal.

3 Other mortgage loans

Other mortgage loans 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 Developments in the contracting of other mortgage loans

... The number of new non-housing mortgage agreements declined; however the average amount per agreement went up.

In 2019, 14,068 new non-housing mortgage loan agreements were concluded, corresponding to a credit amount granted of EUR 858 million. In the total mortgage and home loan market, these loans accounted for 13.2% of the number of agreements concluded and 7.7% of the credit amount granted in 2019.

Compared with 2018, there was a decrease in the number of new agreements of other mortgage loans (5.6% less), but an increase in the amount of credit granted (9.1% more). This led to a rise in the average amount of new agreements (from EUR 52,770 in 2018 to EUR 60,973 in 2019). Despite this increase, the average amount of other mortgage loans continued to be significantly lower than the average amount of agreements for housing purposes concluded in 2019 (EUR 111,920).

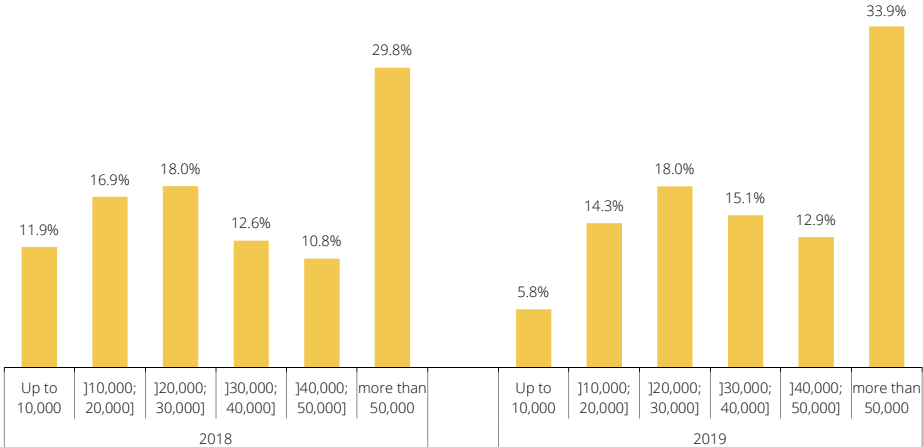
In 2019, the importance of amounts above EUR 40,000 increased to 46.8% of the agreements concluded (compared with 40.6% in 2018). The amounts above EUR 50,000 are particularly worth noting, as they now account for about one third of the agreements concluded (29.8% in 2018). In contrast, new agreements with amounts below EUR 10,000 were less frequent (11.9% of the agreements concluded in 2018 and 5.8% in 2019).

Table III.3.1 • Other mortgage loans | Amount of credit granted, number of agreements concluded and average amount per agreement, by type of credit | Agreements concluded in 2018 and 2019

		2018	2019	2019–2018
Amount of credit granted (EUR million)	Other purposes	771	832	7.9%
	Consolidated credit	16	26	63.7%
	Total	787	858	9.1%
Number of agreements	Other purposes	14,452	13,503	-6.6%
	Consolidated credit		565	24.7%
	Total	14,905	14,068	-5.6%
Average amount per agreement (euros)	Other purposes	53,320	61,589	15.5%
	Consolidated credit	35,222	46,236	31.3%
	Total	52,770	60,973	15.5%

Source: Banco de Portugal.

Chart III.3.1 • Other mortgage loans | Distribution of the number of agreements by amount of credit granted | Agreements concluded in 2018 and in 2019



Source: Banco de Portugal.

Most other mortgage credit agreements concluded in 2019 had purposes other¹⁰ than credit consolidation (96% of the number of agreements and 97% of the amount of credit granted). In this year, 565 mortgage-backed agreements were also concluded with the purpose of consolidating loans previously held by the customer, which represented a loan amount of EUR 26 million.

In 2019, the average amount of agreements of other mortgage loans with other purposes was higher than that of agreements of other mortgage loans for credit consolidation (EUR 61,589 and EUR 46,236, respectively). In comparison to 2018, the significant increase in the average amount of agreements of other mortgage loans for credit consolidation (around EUR 11,000) is noteworthy.

3.2 Portfolio developments

..... The number of agreements and the amount outstanding of other mortgage loans in the portfolios of institutions decreased.

At 31 December 2019, other mortgage loans represented 26.2% of the total number of agreements and 12.1% of the amount outstanding in the total mortgage and home loan portfolio.

At the end of the year, credit institutions had around 515,000 other mortgage loans in their portfolios (4.8% less than at the end of 2018), corresponding to a balance outstanding of EUR 12.1 billion (4.9% less).

10. This sub-segment includes agreements for “other purposes”, as well as credit agreements to finance the purchase of vehicles and revolving credit agreements, which have a residual expression in the total of other mortgage loans.

The average amount outstanding of the agreements of other mortgage loans outstanding at the end of 2019 was EUR 23,471, a figure similar to that recorded at the end of 2018 (EUR 23,485).

Table III.3.2 • Other mortgage loans | Number, balance outstanding and average balance of agreements outstanding | Position at 31-12-2018 and at 31-12-2019

	Position of the portfolio		Variation
	31-12-2018	31-12-2019	2019-2018
Balance outstanding (EUR million)	12,710	12,092	-4.9%
Number of agreements	541,165	515,178	-4.8%
Average balance outstanding per agreement (euros)	23,485	23,471	-0.1%

Source: Banco de Portugal.

At the end of 2019, almost all other mortgage loan agreements outstanding in the portfolio had “other purposes” (98.2% of the total). These agreements had an outstanding balance of EUR 11,865 million (98.1% of the total portfolio), corresponding to an average EUR 23,448 per agreement. There were also 9147 other mortgage loan agreements for credit consolidation in the portfolio, corresponding to a balance outstanding of EUR 226 million (on average EUR 24,724 per agreement).

The number of agreements and the balance outstanding of other mortgage loans for other purposes dropped by about 26,500 agreements and EUR 600 million between the end of 2018 and the end of 2019. On the other hand, the number of agreements and balance outstanding of other mortgage loans for credit consolidation went up (by about 500 more agreements and an additional EUR 12 million).

Table III.3.3 • Other mortgage loans | Number, balance outstanding and average balance by type of credit | Position at 31-12-2018 and at 31-12-2019

		Position of the portfolio		Variation
		31-12-2018	31-12-2019	2019-2018
Balance outstanding (EUR million)	Other purposes	12,495	11,865	-5.0%
	Consolidated credit	214	226	5.7%
	Total	12,710	12,092	-4.9%
Number of agreements	Other purposes	532,537	506,031	-5.0%
	Consolidated credit	8,628	9,147	6.0%
	Total	541,165	515,178	-4.8%
Average balance per agreement (euros)	Other purposes	23,464	23,448	-0.1%
	Consolidated credit	24,809	24,724	-0.3%
	Total	23,485	23,471	-0.1%

Source: Banco de Portugal.

3.3 Maturities of mortgage loans

... The average maturity of the new agreements for other mortgage loans decreased.

The average initial maturity of other mortgage loan agreements concluded in 2019 was 25.6 years, lower than that of the agreements concluded in 2018 (27.1 years). The average maturity of new other mortgage loan agreements remained well below the average maturity of home loan agreements concluded in 2019 (32.8 years).

The average initial maturity of agreements outstanding in the portfolio at 31 December 2019 remained unchanged at 31.7 years. This maturity is mainly explained by the agreements concluded between 2004 and 2010, which accounted for 62.6% of agreements outstanding in the portfolio at 31 December 2019 and had an average maturity of 33.7 years.

... The proportion of other mortgage loans concluded in 2019 with maturities of more than 40 years was residual.

In agreements concluded in 2019, the initial maturities between 25 and 30 years remained the most frequent, increasing from 25.8% in 2018 to 29.6% in 2019. In contrast, the importance of agreements with longer initial maturities (more than 30 years) decreased from 33% of the agreements concluded in 2018 to 24.8% in 2019. The weight of other mortgage loan agreements concluded in 2019 with maturities of more than 40 years was residual (0.02%, compared with 4.1% in the agreements concluded in 2018), in line with the guidelines issued by Banco de Portugal under the macro-prudential measure¹¹.

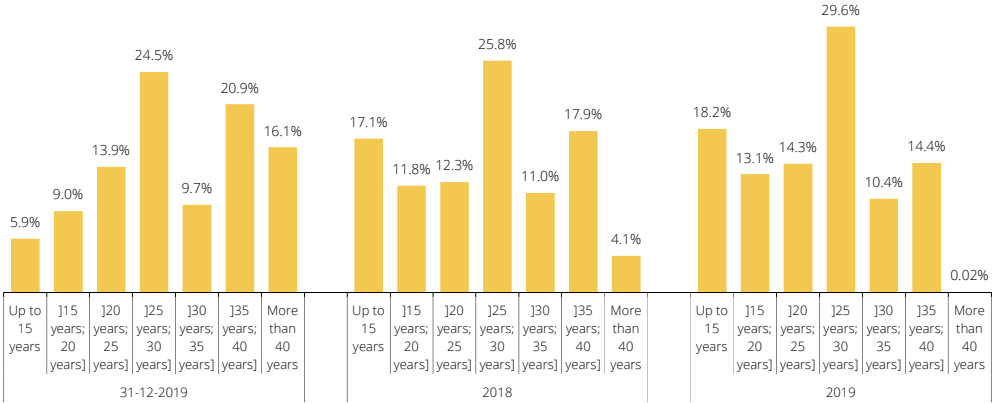
... Maturities between 25 and 30 years remained the most frequent in the portfolio of other mortgage loans.

In the agreements outstanding in the portfolio at the end of 2019, the initial maturities between 25 and 30 years were the most frequent (24.5% of the agreements), followed by agreements with initial maturities between 35 and 40 years (20.9% of agreements). Agreements with initial maturities of more than 40 years still had a significant weight in the agreements outstanding in the portfolio at the end of 2019 (16.1%).

The average remaining maturity of other mortgage loans outstanding in the portfolio at the end of 2019 was 19.4 years, slightly lower than that observed in the portfolio at the end of 2018 (20.1 years).

11. According to Banco de Portugal's macro-prudential measure, the initial maturity of new home loans and other mortgage loans should not exceed 40 years, and the average maturity of the total number of new agreements should converge gradually to 30 years.

Chart III.3.2 • Other mortgage loans | Distribution of the maturity | Number of agreements
| Position at 31-12-2019, agreements concluded in 2018 and 2019



Source: Banco de Portugal.

3.4 Type of interest rate¹²

... The variable rate continued to be the most frequent in new
... other mortgage loan agreements.

Other mortgage loan agreements with variable rates accounted for 85.5% of loans concluded in 2019 and 84.7% of the credit amount granted, slightly less than in 2018 (87.5% in both cases). The reduction in the number of variable rate agreements (7.9% less than in 2018) and the increase in the number of agreements with other types of interest rate concluded in 2019 contributed to this variation.

The importance of other mixed rate mortgage loans increased slightly, both in the number of agreements (from 11.3% in 2018 to 13% in 2019) and in the amount of credit granted (from 11.5% in 2018 to 13.4% in 2019). This development stems from the growth in the number of other mixed rate mortgage loans in 2019 (8.6% more than in 2018).

Other fixed rate mortgage loan agreements accounted for 1.5% of the agreements concluded and 1.9% of the amount granted, slightly more than in 2018 (1.2% and 1% respectively). New fixed rate agreements showed the strongest growth in 2019 (25.1% more than in 2018).

In the other mortgage loans concluded in 2019, the average APR¹³ was 3.9%. The average APR for new variable rate agreements (3.8%) was the same as for new fixed rate agreements (3.8%). Mixed rate agreements had an average APR of 4.6%, which was higher than the other types of interest rate. In other mortgage loans, the average APR was higher than in home loans for all types of interest rate.

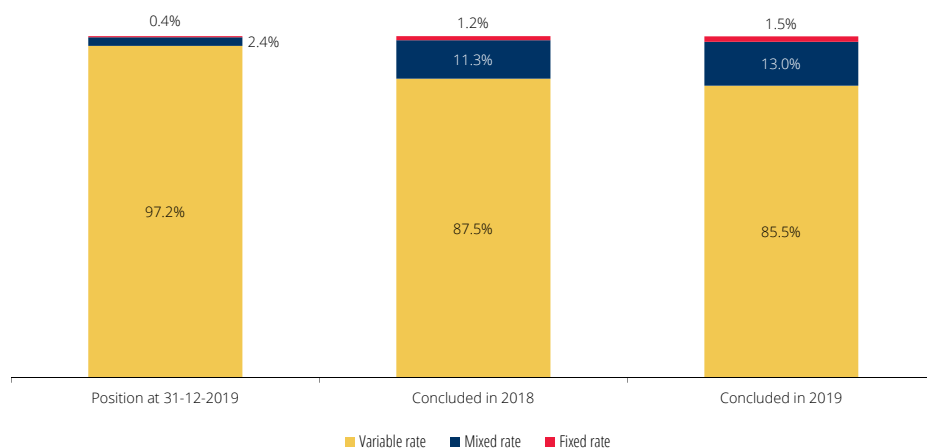
12. Credit agreements can be concluded with three types of interest rate: variable interest rate, fixed rate and mixed rate. In variable-rate agreements, the interest rate is calculated as the sum of a reference rate (Euribor) and a spread applied by the credit institution. In agreements with an initial fixed-rate period, the interest rate remains unchanged for the maturity established in the agreement. Mixed rates are generally associated with agreements with an initial fixed-rate period, followed by a variable interest rate for the remaining part of the loan maturity.

13. In agreements with a variable rate or a mixed rate, the calculation of the APR assumes that the interest rate remains the same throughout the agreement.

The portfolio of other mortgage loans consists mainly of variable rate agreements.

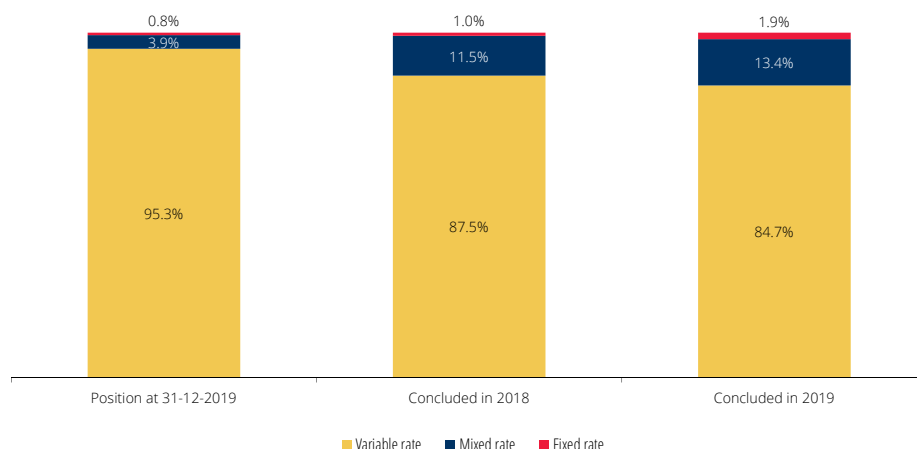
The portfolio of other mortgage loans was almost entirely made up of variable rate agreements. At the end of 2019, variable rate agreements represented 97.2% of the number of agreements in the portfolio and 95.3% of the balance outstanding. The mixed rate represented 2.4% of agreements outstanding in the portfolio and 3.9% of the balance outstanding, while the fixed rate had a residual expression (0.4% of agreements outstanding and 0.8% of the balance outstanding). In comparison to the end of 2018, in 2019 the distribution of other mortgage loans in the portfolio by type of interest rate remained relatively stable.

Chart III.3.3 • Other mortgage loans | Distribution of the number of agreements by type of interest rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

Chart III.3.4 • Other mortgage loans | Distribution of the amount of credit by type of interest rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

3.4.1 Variable rate

Most variable rate agreements concluded in 2019 were indexed to the 12-month Euribor.

As in the previous year, in 2019 almost all new other mortgage loans with a variable rate were indexed to the 12-month Euribor (96.2% of the agreements concluded and 95.7% of the credit amount granted).

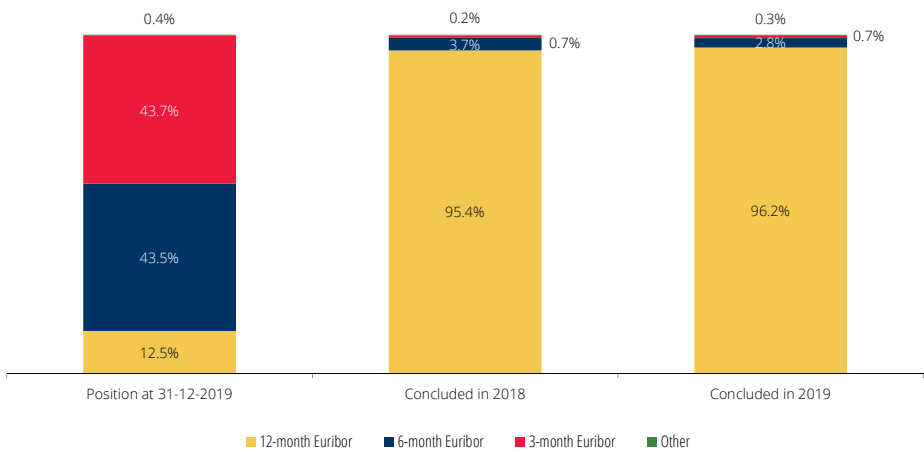
The 6-month Euribor was the index in only 2.8% of new variable rate other mortgage loans, corresponding to 2.9% of the credit amount granted, while the 3-month Euribor had a residual expression (0.7% and 0.9%, respectively, of the number of agreements and of the amount granted).

Most of the variable rate agreements in the portfolio were indexed to the 3-month Euribor or the 6-month Euribor.

In the other mortgage loans with a variable rate outstanding at 31 December 2009, the most frequent reference rate was the 3-month Euribor, in terms of the number of agreements and the balance outstanding (43.7% and 40.8%, respectively). The 6-month Euribor was also of significant importance, both in terms of the number of agreements and the balance outstanding (43.5% and 37.2%, respectively).

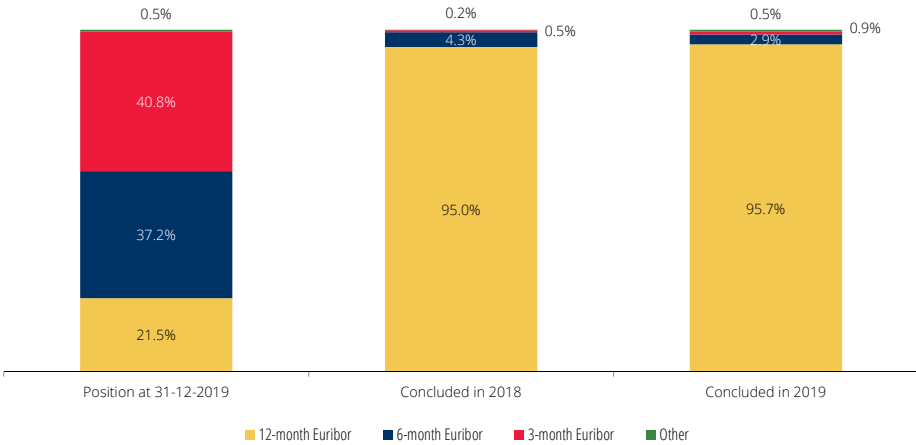
At the end of 2019, the weight of the 12-month Euribor in the portfolio of other mortgage loans went up, representing 12.5% of the number of variable rate agreements in the portfolio and 21.5% of the balance outstanding (10% and 15.9%, respectively, in 2018). This evolution was due to the more frequent use of the 12-month Euribor in new agreements.

Chart III.3.5 • Other mortgage loans | Distribution of the number of agreements by reference rate of the variable rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

Chart III.3.6 • Other mortgage loans | Distribution of the credit amount by reference rate of the variable rate | Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

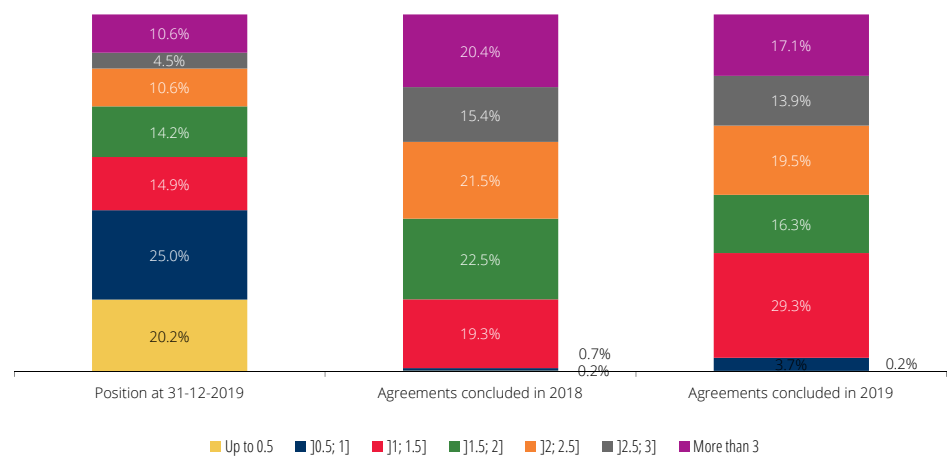
... The average spread of new agreements fell but is still higher
... than that of agreements outstanding in the portfolio.

In 2019, the average spread of other mortgage loans concluded at a variable rate and indexed to 3, 6 and 12-month Euribor was 2.10 percentage points, below the average spread of agreements concluded in 2018 (2.36 percentage points).

Comparing the distribution of the spreads of agreements concluded in 2019 with the previous year's distribution, the proportion of agreements with spreads between one and 1.5 percentage points increased to 29.3% of variable rate agreements (versus 19.3% of the agreements concluded in 2018). In contrast, the importance of spreads between 1.5 and 2 percentage points fell (from 22.5% in 2018 to 16.3% in 2019).

In the portfolio at the end of 2019, there was a slight increase in the average spread to 1.66 percentage points (1.64 percentage points at the end of 2018). The average spread of the portfolio of other mortgage loans continued to be lower than that of new agreements, since almost half of agreements outstanding in the portfolio at the end of this year (45.2%) had spreads below 1%.

Chart III.3.7 • Other mortgage loans | Distribution of the spreads of variable rate agreements
| Position at 31-12-2019 and agreements concluded in 2018 and 2019



Source: Banco de Portugal.

3.4.2 Mixed rate

... In mixed rate agreements concluded, the initial period of
... interest rate fixation was about seven years.

Other mixed rate mortgage loans concluded in 2019 had, on average, an initial fixed rate period of 7.3 years. This period was about nine months longer than the agreements concluded in the previous year and about one year longer than the mixed rate agreements in the portfolio at 31 December 2019.

The nominal annual rate applicable to new other mortgage loans that were still in the fixed rate period was, on average, 2.61% (2.88% in 2018), which was higher than that of home loan agreements (1.81%).

In the portfolio, the average spread of mixed rate agreements which, at 31 December 2019, were in the variable rate period and in which the reference rate was the 3, 6 and 12-month Euribor was 1.46 percentage points, which was lower than that of similar variable rate agreements (1.66 percentage points).

3.4.3 Fixed rate

... The average initial maturity of new fixed rate agreements
... increased significantly.

In 2019, new fixed rate agreements for other mortgage loans not intended to settle arrears had an average initial maturity of 19.4 years, higher than in 2018 (13.5 years). However, the maturity of these agreements is in line with the average initial maturity of the agreements of other mortgage loans in the portfolio at the end of 2019 (19.6 years).

The nominal annual rate in the agreements of other mortgage loans not intended to settle arrears was, on average, 2.3% (compared with 3.3% in 2018 and in the portfolio of other mortgage loans outstanding at the end of 2019).

3.5 Repayment arrangements

..... The classic repayment arrangement continued to be the most frequent in other mortgage loans.

The classical repayment arrangement continued to be the most frequent in other mortgage loan agreements concluded in 2019. This option was adopted in 99% of agreements, the same proportion as in the previous year (98.9%).

The proportion of agreements with a grace period for capital remained residual (0.8%, compared with 0.9% in 2018), as did the proportion of agreements with a deferral of part of the capital to the last instalment (0.2%, the same as in 2018).

Agreements with classical repayment arrangements accounted for 87.9% of agreements outstanding in the portfolio as at 31 December 2019. Agreements with grace periods for capital or capital deferral were more frequent in the portfolio than in new agreements (representing 7.2% and 3.6%, respectively, of agreements outstanding in the portfolio). At the end of the year, there was still a small proportion of agreements in the portfolio (1.2%) which simultaneously provided for a grace period of capital and deferral of part of the capital to the last instalment.

Table III.3.4 • Other mortgage loans | Repayment arrangements | Position at 31-12-2018 and at 31-12-2019 and agreements concluded in 2018 and 2019

	Agreements concluded		Position of the portfolio	
	2018	2019	31-12-2018	31-12-2019
Classic repayment method	98.9%	99.0%	88.0%	87.9%
Grace period for capital	0.9%	0.8%	7.1%	7.2%
Capital deferred to the last instalment	0.2%	0.2%	3.7%	3.6%
Grace period and capital deferral to the last instalment	0.0%	0.0%	1.2%	1.2%
Total	100%	100%	100%	100%

Source: Banco de Portugal.

3.6 Early repayment

..... The number of early repayments and the respective amount repaid decreased.

Over the course of 2019, bank customers made 37,190 total or partial early repayments on other mortgage loans, which totalled an amortised capital of EUR 785 million, (representing about

6.5% of the balance outstanding of the portfolio at 31 December 2019). Compared with 2018, the credit amount repaid decreased more sharply (5.7%) than the number of early repayments (2.2%), leading to a decrease in the average amount per repayment (from EUR 35,414 in 2018 to EUR 33,051 in 2019).

In 2019, 31,687 total early repayments were made in other mortgage loans (2% less than in 2018), corresponding to a repayment amount of EUR 730 million (4.7% less than in 2018). This development resulted in a decrease in the average amount repaid from EUR 23,696 in 2018 to EUR 23,035 in 2019. In 2019, more than half of the total early repayments (53.1%) amounted to EUR 15,000 or less. However, total repayments involving amounts of more than EUR 35,000 were also significant (16.8% of the total).

Other mortgage loans subject to total early repayment had an average initial maturity of 31.3 years and, at the time of the early repayment, the remaining maturity was, on average, 19.4 years.

In 2019, 5503 partial early repayments were made on other mortgage loans, a decrease compared with 2018 (3.3% less). The credit amount repaid dropped to EUR 55 million (17.3% less than in 2018). This development resulted in a decrease in the average amount repaid from EUR 11,718 in 2018 to EUR 10,016 in 2019. In 43.6% of partial early repayments, the amount repaid did not exceed EUR 2500. In contrast, in 14.2% of cases the amount repaid was over EUR 17,500.

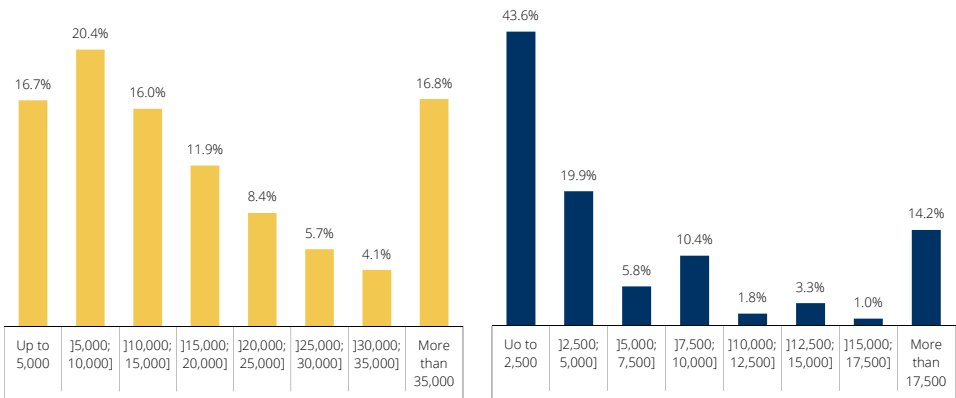
In 2019, most other mortgage loans were repaid only once (81.1%). A small proportion of agreements were repaid twice (10.7%), three times (3.6%), four times (1.6%) or five or more times (3%).

Table III.3.5 • Other mortgage loans | Early repayment | 2018-2019

	Number of repayments			Amount repaid (EUR million)			Average amount per repayment (EUR)		
	2018	2019	2019-2018	2018	2019	2019-2018	2018	2019	2019-2018
Total repayment	32,329	31,687	-2.0%	766	730	-4.7%	23,696	23,035	-2.8%
Partial repayment	5,688	5,503	-3.3%	67	55	-17.3%	11,718	10,016	-14.5%
Total	38,017	37,190	-2.2%	833	785	-5.7%	35,414	33,051	-6.7%

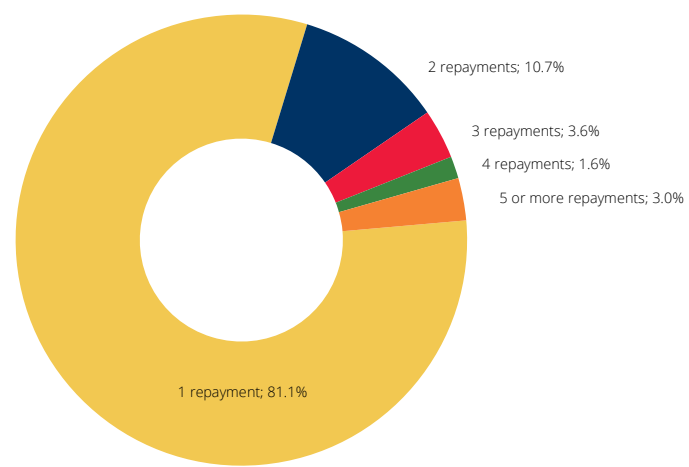
Source: Banco de Portugal.

Chart III.3.8 • Other mortgage loans | Distribution of the amount repaid in advance | 2019



Source: Banco de Portugal.

Chart III.3.9 • Other mortgage loans | Distribution of the number of partial early repayments | 2019



Source: Banco de Portugal.

3.7 Renegotiation of agreements

... The number of renegotiations and the credit amount renegotiated increased.

In 2019, 6803 renegotiations of other mortgage loans were made (16.1% more than in the previous year), involving 6548 credit agreements (14.2% more than in 2018). These renegotiations involved a credit amount of around EUR 261 million, an increase of 14.1% in comparison to 2018. The average renegotiated amount fell slightly from EUR 38 982 in 2018 to EUR 38 325 in 2019 (1.7% less).

Table III.3.6 • Other mortgage loans | Renegotiations | 2018-2019

	2018	2019	2019-2018
Number of renegotiations	5,861	6,803	16.1%
Number of agreements renegotiated	5,734	6,548	14.2%
Average amount renegotiated (euros)	38,982	38,325	-1.7%
Credit amount renegotiated (EUR million)	228	261	14.1%

Source: Banco de Portugal.

As in the previous year, in 2019, in most of the agreements renegotiated (74.3%), borrowers were not in default.

The number of other mortgage loans renegotiated in which the borrower was in default (in that agreement or in other credit agreements held with the same institution) dropped by 12.6% compared with 2018.

Table III.3.7 • Other mortgage loans | Distribution of the number of agreements subject to renegotiation, by credit situation | 2018–2019

	Number of agreements			Distribution	
	2018	2019	2019–2018	2018	2019
Default on the other mortgage loan or other loans from the same credit institution	1,924	1,681	-12.6%	33.6%	25.7%
No default in the institution where the other mortgage loan is held	3,810	4,867	27.7%	66.4%	74.3%
Total	5,734	6,548	-12.4%	100.0%	100.0%

Source: Banco de Portugal.

In 19.2% of renegotiations of other mortgage loans in 2019, there was only a change in the maturity of the agreement. Joint renegotiation of the spread and other conditions with financial effect was the option in 13.7% of renegotiations of other mortgage loans agreements. In 6.9% of the renegotiations, the maturity and spread of the agreement were changed simultaneously and in 6.1% of the renegotiations a grace period for capital was introduced.

In addition, 42.3% of the renegotiations of other mortgage loans were aimed solely at changing other conditions of the agreement with financial effect (other than the spread, maturity, grace periods for capital or type of interest rate) and may include, for example, changing the reference rate or setting a lower instalment for a limited period of time.

Table III.3.8 • Other mortgage loans | Characterisation of renegotiations | 2019

	Distribution of the number of renegotiations	Average balance renegotiated (euros)
Solely other conditions with financial effect ^(a)	42.3%	42,270
Solely maturity	19.2%	29,577
Spread and other conditions with financial effect	13.7%	36,590
Maturity and spread	6.9%	39,451
Solely grace period for capital	6.1%	33,931
More than two conditions renegotiated	5.4%	36,953
Solely the type of interest rate	2.4%	45,280
Maturity and other conditions with financial effect	1.6%	37,918
Others	2.4%	36,587
Total	100.0%	37,691

Source: Banco de Portugal. | Note: (a) This type of renegotiation is only 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) and may include, for example, changing the reference rate or setting a lower instalment for a limited period of time.



IV Consumer credit

- 1 Market developments
- 2 Personal loans
- 3 Car loans
- 4 Revolving credit
- 5 Maximum rates

1 Market developments

... The amount of consumer credit increased once again,
... albeit less markedly.

In 2019, EUR 7.6 billion were granted in around 1.6 million consumer credit agreements.

The amount of consumer credit went up by 3.2% in 2019 compared to the previous year, less than in 2018 (10.1%). The number of agreements concluded increased by 3.6% year on year, compared to a growth of 2.4% in 2018¹.

... The growth of consumer credit in the second half of the year
... more than offset the reduction recorded in the first half.

On average, in 2019, 133,264 agreements were concluded and EUR 632.8 million of consumer credit were granted per month, compared with a monthly average of 128,645 agreements and EUR 612.9 million in 2018.

The **credit amount granted** decreased in the first half of 2019, with reductions of 2.4% in the first quarter and 4.3% in the second quarter versus the same quarters of 2018. In contrast, in the second half of the year, there were increases of 11.6% in the third quarter and 8.4% in the fourth quarter of 2019, compared to 2018.

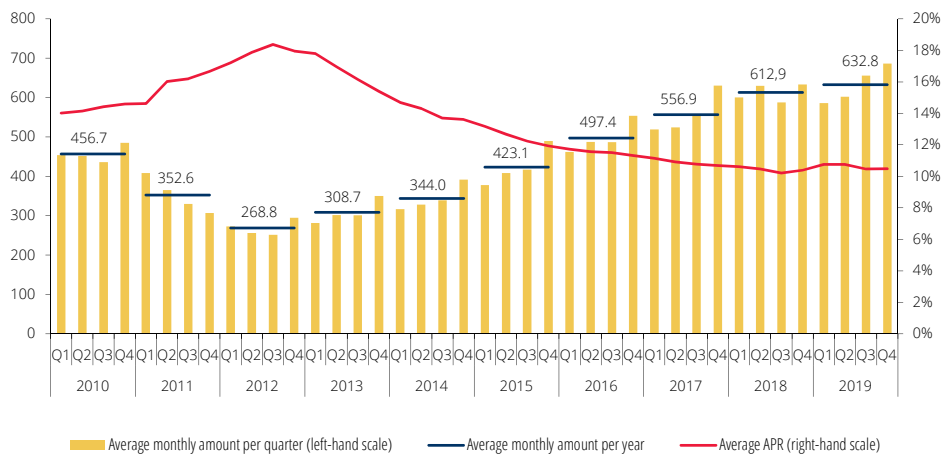
The slowdown in the consumer credit market in the first half of 2019 was mainly due to developments in the car loans segment. Conversely, the acceleration observed in the second half of 2019 was mainly due to the rise in personal loans.

The increase in the **number of agreements** concluded in 2019 was exclusively due to the developments in the second half of the year, since in the first and second quarters of 2019 the number of agreements concluded dropped by 2.8% and 3.7%, respectively, compared with the same period in the previous year. It is worth noting the growth in the third quarter of 2019, when the number of agreements concluded increased by 12.2% compared with the same period in 2018.

The **cost of consumer credit** increased slightly in 2019, reversing the downward trend since 2013. The average annual percentage rate of charge (APR) of consumer credit agreements was 10.5% in the fourth quarter of 2019, an increase of 0.1 percentage points from the fourth quarter of 2018. This increase is the result of the evolution in the average APR for car loans and revolving credit, since the average APR for personal loans decreased in the last quarter of 2019.

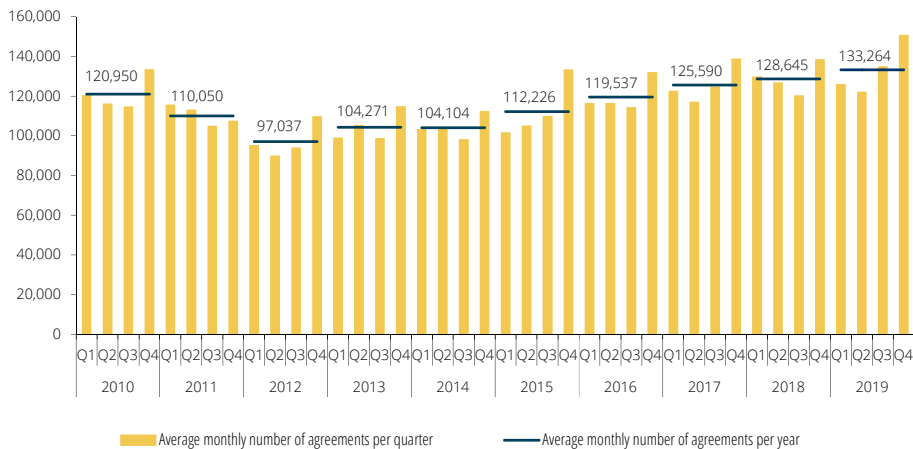
1. In 2018, the credit amount granted increased more significantly than the number of agreements. This evolution reflected, on the one hand, the significant growth of personal loans and car loans, segments that represent almost the totality of the consumer credit amount and, on the other hand, the decrease in the number of revolving credit agreements, a segment that represents more than half of the number of consumer credit agreements.

Chart IV.1.1 • Consumer credit | Average monthly amount of credit granted and average APR | EUR million | 2010–2019



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.

Chart IV.1.2 • Consumer credit | Average monthly number of agreements | 2010–2019



Source: Banco de Portugal.

1.1 Type of credit

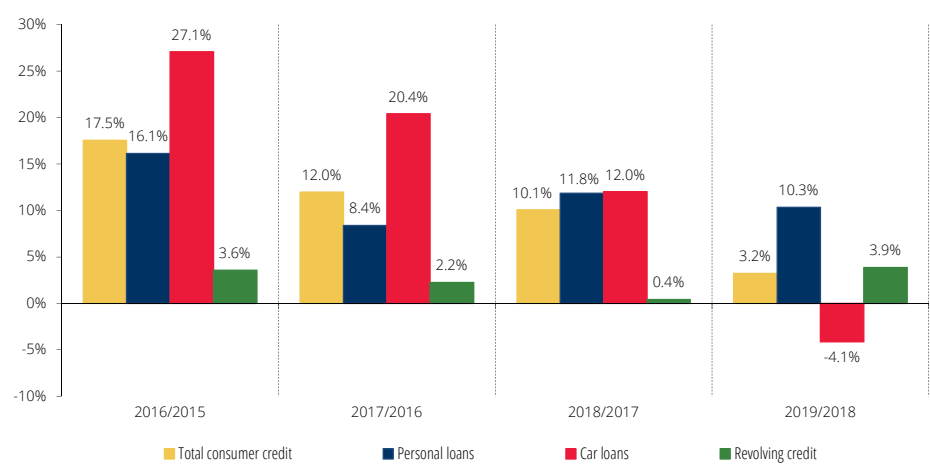
... The growth of consumer credit was related to personal loans and revolving credit.

In 2019, there was a decrease in **car loans**, which was more than offset by the rise in **personal loans** and in **revolving credit**.

Personal loans was the segment with the most significant increase in the **amount granted** in 2019 (10.3%), although this growth was less pronounced than in the previous year (11.8%). **Revolving credit** also went up (3.9%), following the relative stabilisation in 2018 (0.4%). In contrast, the amount of **car loans** fell by 4.1%, countering the growth trend in this type of credit since 2013.

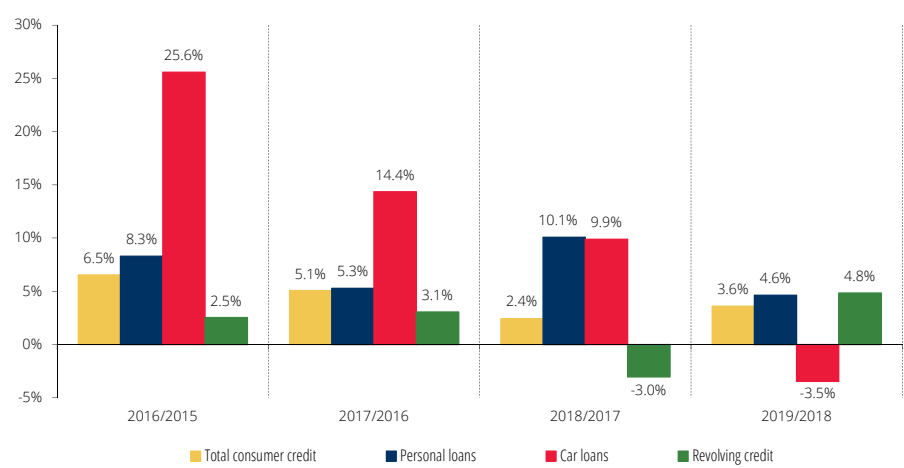
In 2019, the **number of agreements concluded** increased by 4.8% in **revolving credit**, countering the 3% decrease observed in 2018. **Personal loans** grew by 4.6%, less than in 2018 (10.1%). **Car loans** was the only segment in which the number of agreements concluded declined (3.5%), countering the growth seen in previous years.

Chart IV.1.3 • Consumer credit | Credit amount granted | Rate of change | 2016–2019



Source: Banco de Portugal.

Chart IV.1.4 • Consumer credit | Number of agreements | Rate of change | 2016–2019



Source: Banco de Portugal.

The relative weight of car loans decreased in total consumer credit.

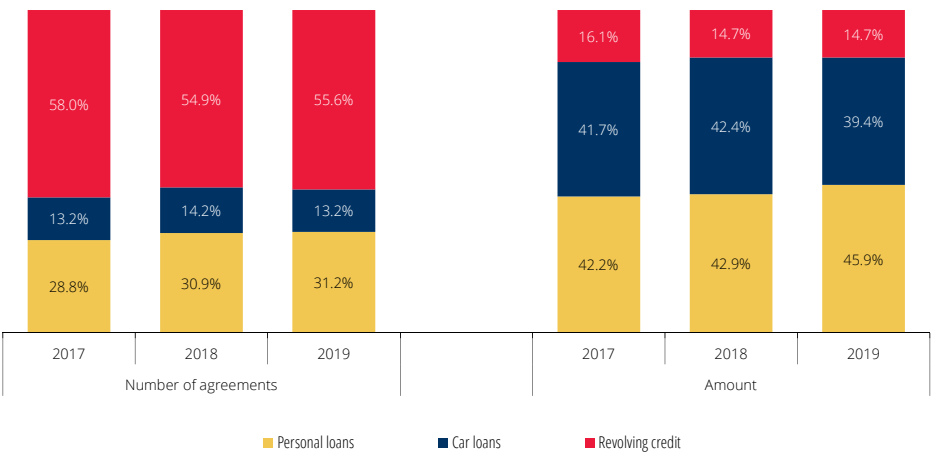
Developments in 2019 in the different consumer credit segments were reflected in the structure of amounts granted, with an increase in the relative importance of personal loans and, conversely, a decrease in the relative importance of car loans.

The weight of **personal loans** in the amount of credit granted increased from 42.9% in 2018 to 45.9% in 2019. In the number of agreements concluded, the relative importance of personal loans also went up (from 30.9% in 2018 to 31.2% in 2019).

In the credit amount granted, the weight of **revolving credit** remained relatively stable compared to the previous year (14.7%). In 2019, this segment continued to account for most of the consumer credit agreements concluded, and its weight went up (from 54.9% in 2018 to 55.6% in 2019).

The relative importance of **car loans** declined in 2019. This segment accounted for 39.4% of total credit granted, compared with 42.4% in 2018. The trend is similar in the number of agreements, with car loans accounting for 13.2% of the agreements concluded, compared with 14.2% in 2018.

Chart IV.1.5 • Consumer credit | Distribution of the number of agreements and of the amount of credit granted | 2017-2019



Source: Banco de Portugal.

1.2 Type of credit institution

Credit institutions with universal activity and institutions specialised in this type of financing operate in the consumer credit market².

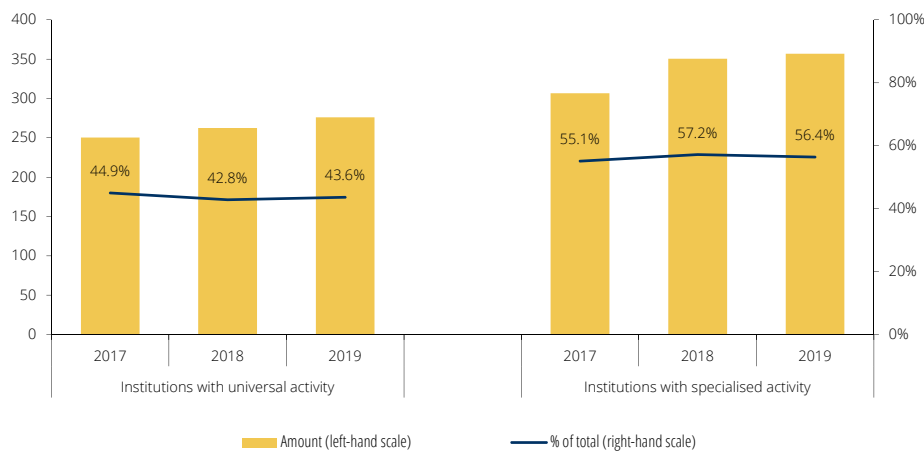
2. Universal activity includes the regular reception of deposits. Institutions with specialised activity may be authorised to receive deposits, but they do not carry out this activity on a regular basis.

Most of the credit continued to be granted by specialised institutions, but their weight declined.

In 2019, more than half of the amount of consumer credit was granted by institutions with specialised activity (56.4%). However, this proportion is lower than in 2018 (57.2%) and contrasts with the upward trend since 2014. This evolution, which results from the decrease in the weight of car loans, mostly granted by institutions with specialised activity, combined with the increase in the weight of personal loans, mostly granted by institutions with universal activity, led to a reduction in the importance of specialised institutions in total consumer credit.

Although both types of institutions increased in the credit amount granted, the rise in institutions with universal activity (5.1%) was more pronounced than that observed in institutions with specialised activity (1.8%).

Chart IV.1.6 • Consumer credit | Average monthly amount of credit granted, by type of institution | EUR million | 2017–2019



Source: Banco de Portugal.

1.3 Marketing channel

The weight of credit intermediaries in an ancillary capacity in consumer credit decreased.

In 2019, 55.3% of the amount of consumer credit was granted **directly by credit institutions**, a proportion higher than in 2018 (54.1%). In contrast, the proportion of credit amount granted through **credit intermediaries in an ancillary capacity** declined from 45.9% in 2018 to 44.7% in 2019, countering the upward trend since 2014.

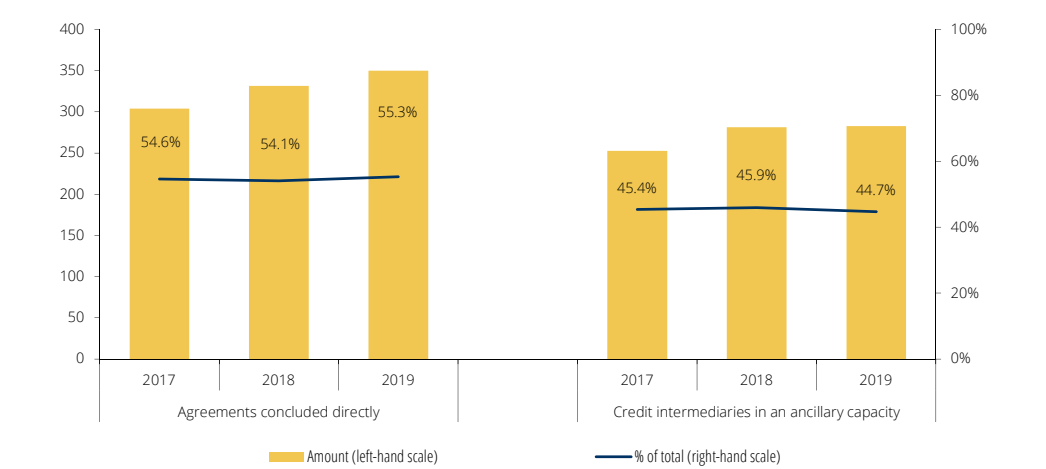
The increase in the relative importance of the credit amount granted directly by institutions results from the change in the structure of types of consumer credit in 2019. On the one hand, the weight of personal loans, mostly granted directly by the credit institution, increased. On the other hand, the weight of car loans, mostly granted through credit intermediaries in an ancillary capacity, decreased.

⋮
In institutions with specialised activity, the granting of credit directly at the institution increased once again.

In **specialised institutions**, the importance of the granting of loans directly at the credit institution increased again in 2019 (1.2 percentage points). In these institutions, which do not have branches, the direct granting of credit can be done through remote means of communication (e.g. telephone, online channel, mobile applications). However, most of the credit amount continued to be granted through credit intermediaries in an ancillary capacity (75.5%).

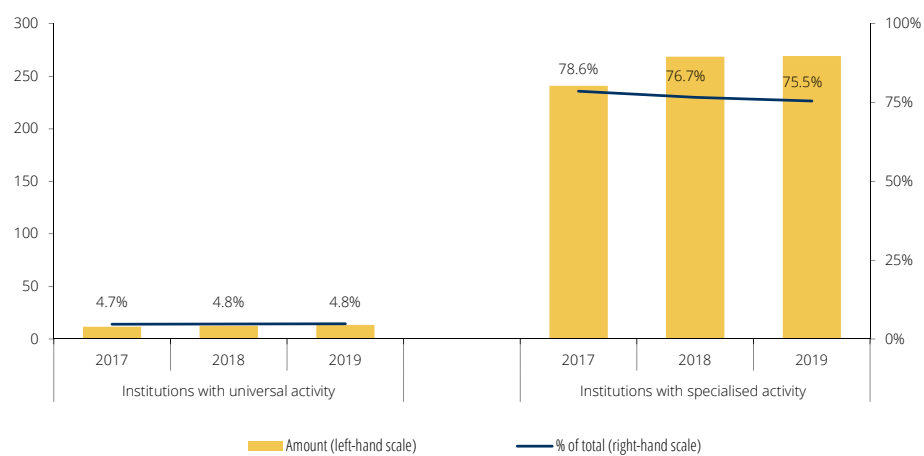
In **institutions with universal activity**, the proportion of the amount of credit granted through credit intermediaries in an ancillary capacity continued to be residual, remaining stable in comparison to the previous year (4.8% in 2018 and 2019).

Chart IV.1.7 • Consumer credit | Average monthly amount of credit granted, by marketing channel | EUR million | 2017–2019



Source: Banco de Portugal.

Chart IV.1.8 • Consumer credit | Average monthly amount de credit placed through credit intermediaries in an ancillary capacity, by type of institution | EUR million | 2017–2019



Source: Banco de Portugal.

2 Personal loans

Personal loans maintained the growth trend, but increased less than in 2018.

In 2019, personal loans continued the growth trend seen since 2013, albeit less markedly than in the previous year. The **credit amount granted** increased by 10.3%, less than in 2018 (11.8%). The **number of agreements** concluded increased by 4.6%, below that of the previous year (10.1%). Thus, the average amount per agreement increased.

This was mainly due to the sub-segment “**other personal loans**”³, which represented about 97% of the amount of personal loans granted in 2019. This sub-segment grew by 9.7% in the amount granted (compared with 11.2% in 2018) and by 2.7% in the number of agreements concluded (8.6% in 2018).

In 2019, the sub-segment “**for education, health, renewable energies and financial leasing of equipment**” continued to show significant growth, but less marked than in the previous year. The credit amount granted increased by 32.2% and the number of agreements concluded grew by 51.2%, compared with 39.5% and 62.4%, respectively, in 2018. However, this sub-segment continued to represent a very small proportion of the amount of personal loans (around 3%).

3. In personal loans the repayment schedule, the amount of the loan and its duration are defined at the beginning of the contract. This type of credit is intended for the purchase of goods and services other than cars or other vehicles. “Other personal loans” includes the categories of “non-specific”, “for the home”, “consolidated credit”, “other purposes” and “credit for construction/renovation”.

Table IV.2.1 • Personal loans | Amount and average monthly number of agreements concluded | 2017-2019

		Value			Percentage change		
		2017	2018	2019	2017-2016	2018-2017	2019-2018
Amount (EUR thousand)	For Education, health, renewable energies and financial leasing of equipment of equipment	5,177	7,222	9,549	21.6%	39.5%	32.2%
	Other personal loans	230,034	255,821	280,682	8.1%	11.2%	9.7%
	Total	235,211	263,043	290,230	8.4%	11.8%	10.3%
Number of agreements	For Education, health, renewable energies and financial leasing of equipment of equipment	979	1,590	2,404	27.1%	62.4%	51.2%
	Other personal loans	35,148	38,169	39,190	4.8%	8.6%	2.7%
	Total	36,126	39,759	41,595	5.3%	10.1%	4.6%

Source: Banco de Portugal.

In 2019, on average, EUR 290.2 million were granted in personal loans per month , corresponding to an average monthly amount of 41,595 agreements concluded, which is higher than in 2018 (on average, around EUR 263 million per month, corresponding to 39,759 agreements).

⋮ The growth of personal loans was more significant ⋮ in the second half of 2019.

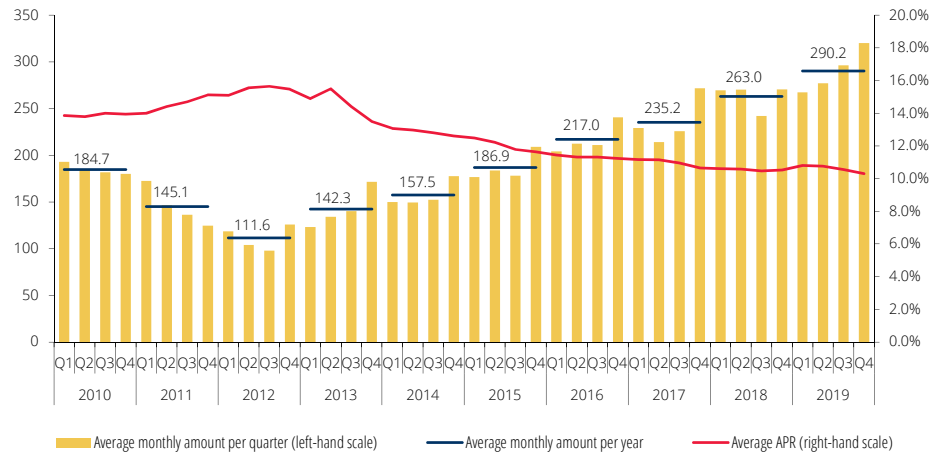
After a relative stabilisation (0.9% less) in the first quarter of 2019, versus the same period in 2018, the **amount of personal loans granted** recorded year-on-year growth in the remaining quarters of the year, with the third and fourth quarters standing out, with increases of 22.4% and 18.4%, respectively.

The **number of agreements concluded** dropped by 5.4% in the first quarter of 2019 compared with the same period in 2018, followed by a relative stabilisation in the second quarter. However, the year-on-year growth observed in the second half of 2019 offset this trend (13.6% in the third quarter and 9.9% in the fourth quarter, compared with the same periods of the previous year).

⋮ The average APR of personal loans decreased in the last quarter ⋮ of 2019.

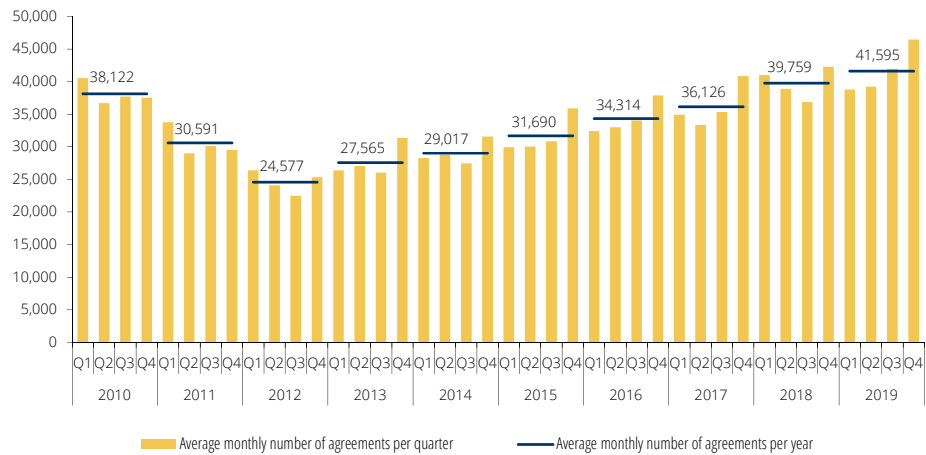
The evolution of the cost of personal loans was irregular throughout the year, but in the last quarter of 2019, the average APR for this segment fell by 0.2 percentage points, compared with the average APR for the same period in 2018.

Chart IV.2.1 • Personal loans | Average monthly amount of credit granted and average APR
| EUR million | 2010–2019



Source: Banco de Portugal.

Chart IV.2.2 • Personal loans | Average monthly number of agreements concluded | 2010–2019



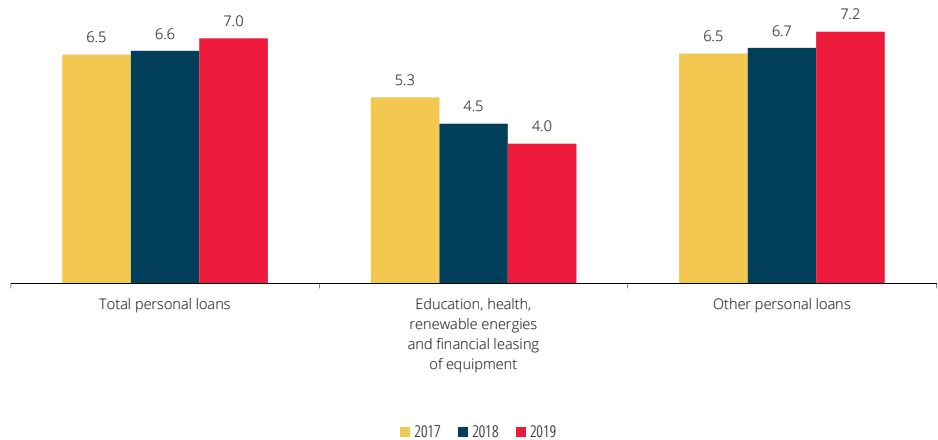
Source: Banco de Portugal.

2.1 Amounts of agreements

... The average amount of personal loan agreements increased
... once again.

In personal loans, the average amount per agreement rose from EUR 6600 in 2018 to EUR 7000 in 2019. This increase was due exclusively to developments in the sub-segment “other personal loans”, which showed an average amount of EUR 7200 (6.9% more than in 2018). By contrast, the average amount per agreement in the personal loan sub-segment “education, health, renewable energies and financial leasing of equipment” dropped from 4500 in 2018 to 4000 euros in 2019 (12.6% less).

Chart IV.2.3 • Personal loans | Average amount of agreements, per loan sub-segment
| EUR thousand | 2017–2019

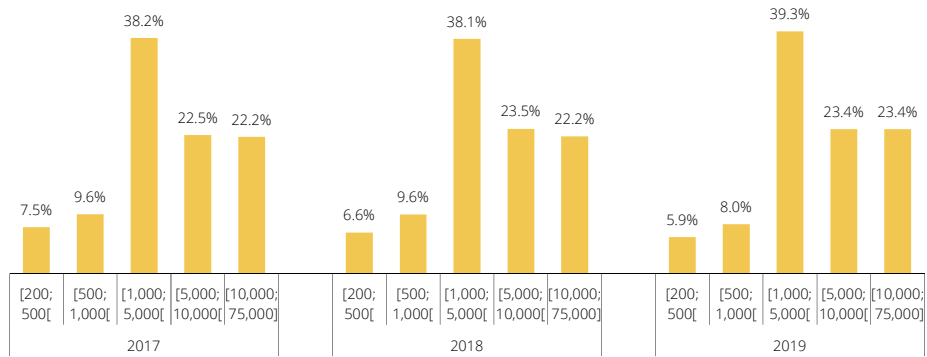


Source: Banco de Portugal.

Almost a quarter of personal loan agreements involved amounts of EUR 10,000 or more.

Agreements with amounts between EUR 1000 and EUR 5000 remained the most frequent in personal loans, with their weight increasing from 38.1% in 2018 to 39.3% in 2019. In comparison to 2018, the proportion of agreements with smaller amounts (below EUR 1000) decreased from 16.2% to 13.9%, while the importance of agreements with higher amounts (above EUR 5,000) went up from 45.7% to 46.8%.

Chart IV.2.4 • Personal loans | Distribution of the number of agreements, by amount (in euros) | 2017–2019



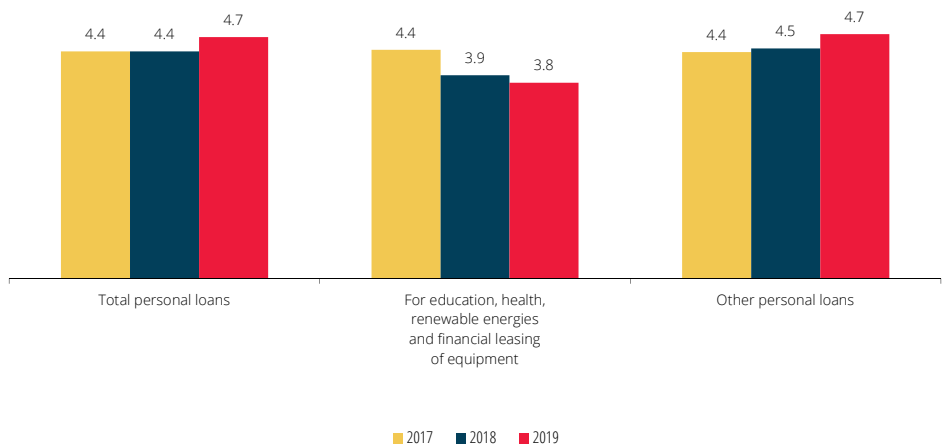
Source: Banco de Portugal.

2.2 Maturities of agreements

The average maturity of personal loan agreements continued to increase.

Personal loan agreements concluded in 2019 had an average maturity of 4.7 years, above the average maturity of 2018 (4.4 years). This increase reflects developments in the sub-segment “other personal loans”, where the average maturity was 4.7 years, approximately 3 months more than in 2018. In contrast, in the sub-segment “for education, health, renewable energies and financial leasing of equipment” the average loan maturity in 2019 was 3.8 years, about 2 months less than in 2018.

Chart IV.2.5 • Personal loans | Average maturities of agreements, per loan sub-segment (in years) | 2017-2019

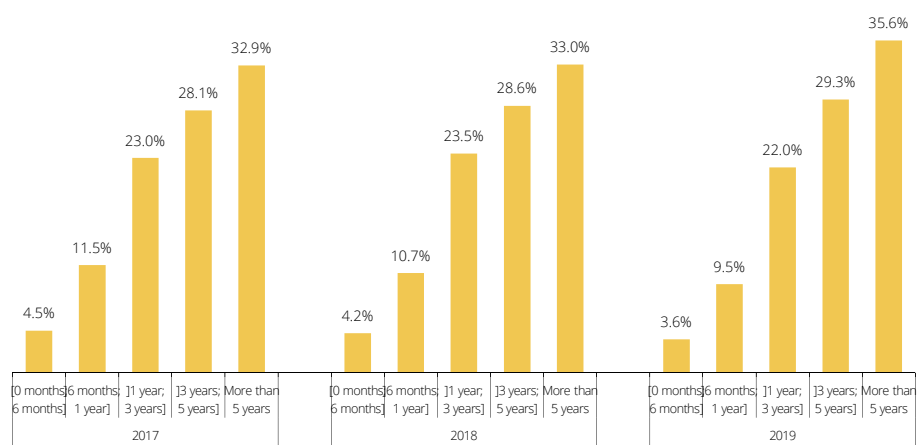


Source: Banco de Portugal.

More than one third of personal loan agreements had maturities of more than five years.

Longer-term agreements (more than 5 years) remained the most frequent, with their relative weight increasing from 33% in 2018 to 35.6% in 2019. The importance of agreements with maturities between three and five years also increased (from 28.6% in 2018 to 29.3% in 2019). As in the previous year, agreements with maturities of less than three years once again lost importance, accounting for 35.1% of the agreements concluded, compared with 38.4% in 2018.

Chart IV.2.6 • Personal loans | Distribution of the number of agreements, by maturity | 2017-2019



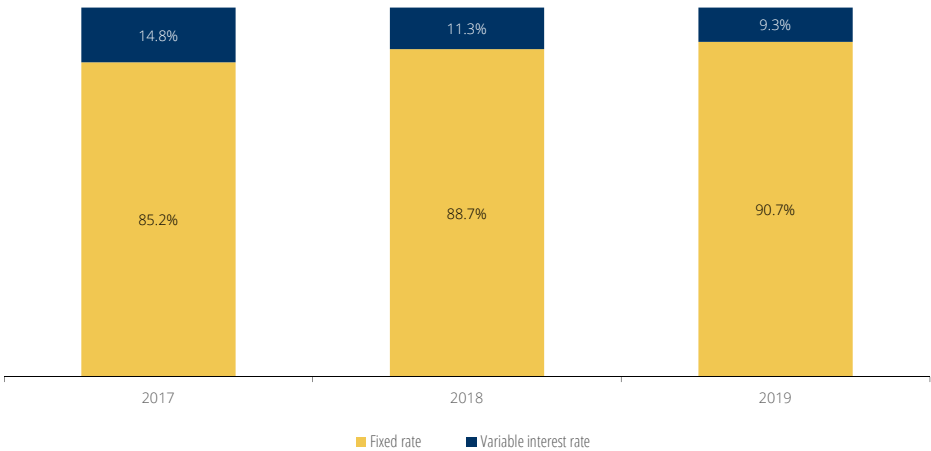
Source: Banco de Portugal.

2.3 Type of interest rate

... The importance of fixed- rates in personal loans increased once again.

In 2019, most personal loans were granted in fixed-rate agreements (90.7%), and the relative importance of this type of interest rate increased from 2018 (88.7%). In contrast, the relative importance of agreements concluded at a variable- rate dropped once again.

Chart IV.2.7 • Personal loans | Type of interest rate as a percentage of the amount granted | 2017-2019



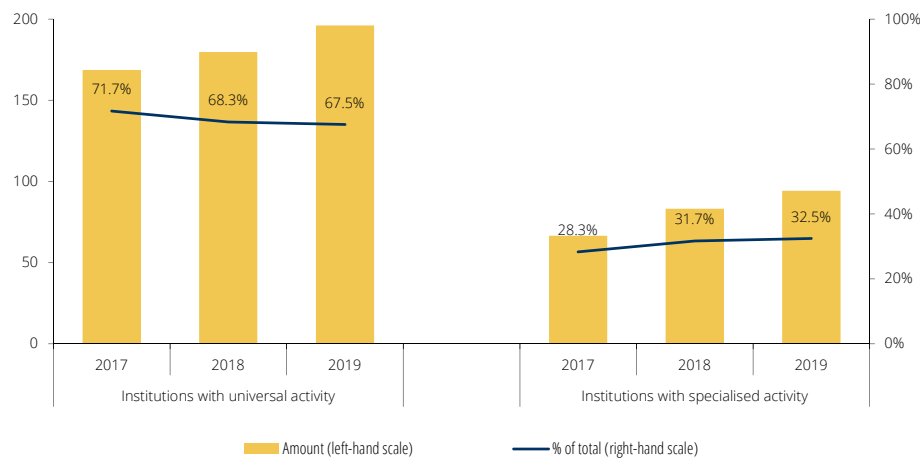
Source: Banco de Portugal.

2.4 Type of credit institution

... In personal loans, the weight of specialised institutions continued to increase.

In personal loans, the increase in the amount granted by **institutions with specialised activity** (13.1%) was sharper than that of **institutions with universal activity** (9.1%). This evolution translated into an increase in the importance of institutions with specialised activity, which accounted for 32.5% of the amount of personal loans granted in 2019, compared with 31.7% in 2018. However, in 2019, most personal loans (67.5%) continued to be granted by institutions with universal activity.

Chart IV.2.8 • Personal loans | Average monthly amount of credit granted, by type of institution | EUR million | 2017–2019

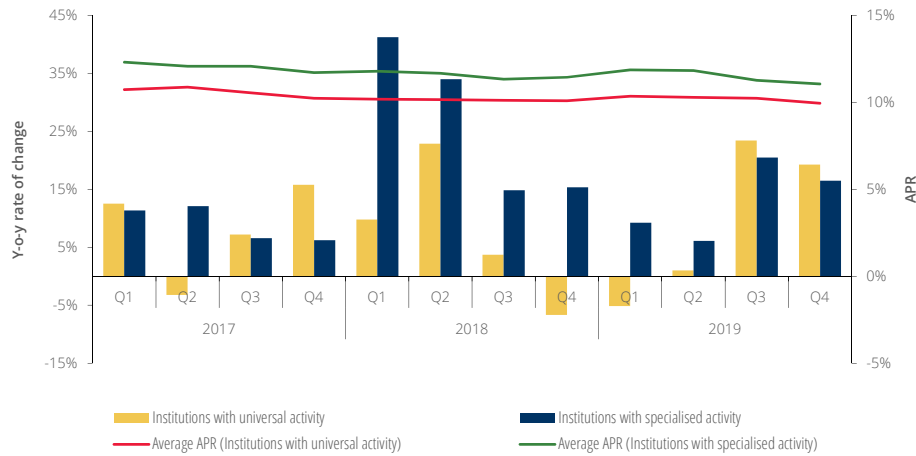


Source: Banco de Portugal.

In personal loans, the amount granted by **institutions with specialised activity** showed year-on-year growth in all quarters, with the growth in the third and fourth quarters of the year standing out (20.5% and 16.5%, respectively). In the case of **institutions with universal activity**, the amount of credit granted decreased in the first quarter of the year (5.2%, compared with the same period in 2018), followed by a slight recovery in the second quarter (plus 1%) and significant growth in the last two quarters of the year (23.4% and 19.3%, respectively).

In all quarters of 2019, the **average APR** of institutions with specialised activity in personal loans was higher than the average APR of institutions with universal activity. These differences ranged from 1 to 1.5 percentage points throughout the quarters.

Chart IV.2.9 • Personal loans | Year-on-year rate of change in the credit amount granted and average APR, by type of institution | 2017-2019



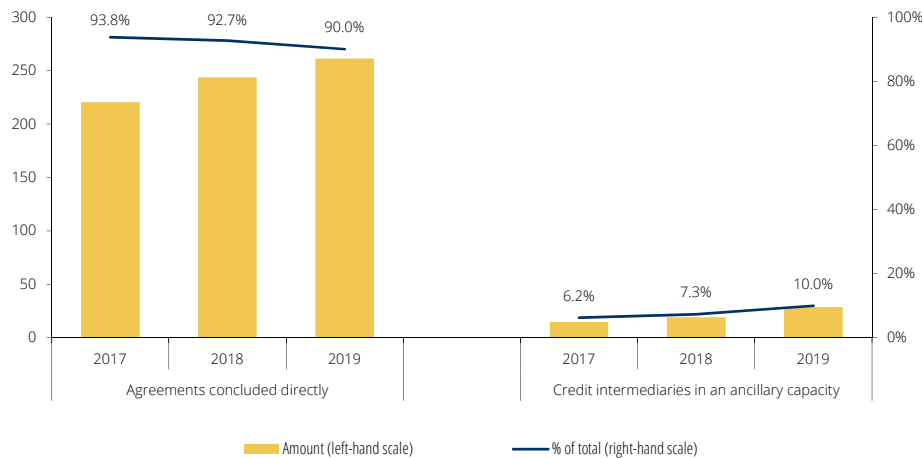
Source: Banco de Portugal.

2.5 Marketing channel

... The relative importance of credit intermediaries in an ancillary capacity went up once again in personal loans.

In the case of personal loans, 10% of the total amount in 2019 was granted through **credit intermediaries in an ancillary capacity**, compared with 7.3% in 2018. However, most personal loans (90%) continued to be granted **directly by the credit institution**, although there was a drop in the relative importance of this marketing channel compared with 2018 (92.7%).

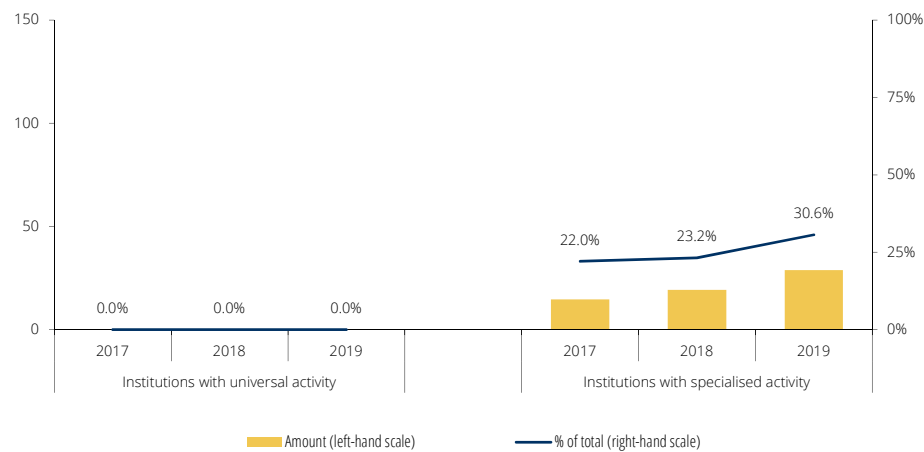
Chart IV.2.10 • Personal loans | Average monthly amount of credit granted, by marketing channel | EUR million | 2017-2019



Source: Banco de Portugal.

The amount of personal loans granted through **credit intermediaries in an ancillary capacity** by **institutions with universal activity** remained residual. In **institutions with specialised activity**, the amount granted through this marketing channel increased from 23.2% of the total in 2018 to 30.6% in 2019.

Chart IV.2.11 • Personal loans | Average monthly amount of credit placed through credit intermediaries in an ancillary capacity, by type of institution | EUR million | 2017-2019



Source: Banco de Portugal.

3 Car loans

⋮ In car loans, the growth trend of recent years was reversed.

In 2019, car loans declined compared to the previous year, reversing the growth trend that was in place since 2013. In comparison with 2018, the amount of credit granted decreased by 4.1%, after the 12% growth in that year. Along the same lines, the number of agreements concluded fell by 3.5%, after growing 9.9% in 2018.

⋮ The most significant reductions were in the sub-segments of car loans for the purchase of new vehicles.

The developments in car loans in 2019 were driven mainly by the sub-segment “**subject to the retention of the ownership and others: new**”. This sub-segment saw reductions of 11.1% in the credit amount granted and 9.3% in the number of agreements concluded, counterbalancing the growth of 11% and 10%, respectively, between 2017 and 2018.

The sub-segment “**financial leasing or long-term rental: new**” registered the most significant decreases (13.6% in the amount of credit granted and 12.7% in the number of agreements concluded), reinforcing the decreases seen in 2018 (1.5% and 7.1% respectively).

In 2019, the sub-segment “**subject to the retention of the ownership: used**” remained relatively stable, with slight decreases in the amount granted (0.2% less) and in the number of agreements concluded (1% less), which compares with significant increases in 2018 (16% in the amount granted and 11.9% in the number of agreements concluded).

The sub-segment “**financial leasing or long-term rental: used**” was the only one to grow in 2019. This sub-segment showed increases of 4.5% in the amount granted and 4.4% in the number of agreements concluded, above the figures recorded in 2018 (3.4% more and 1.2% less, respectively).

Table IV.3.1 • Car loans | Amount and average monthly number of agreements concluded | 2017-2019

		Value			Percentage change		
		2017	2018	2019	2017-2016	2018-2017	2019-2018
Amount (EUR thousand)	Financial leasing or long-term rental: new	31,313	30,834	26,647	11.1%	-1.5%	-13.6%
	Financial leasing or long-term rental: used	8,372	8,653	9,040	25.6%	3.4%	4.5%
	Subject to retention of the ownership and others: new	54,685	60,700	53,988	15.5%	11.0%	-11.1%
	Subject to retention of the ownership and others: used	137,747	159,796	159,542	24.6%	16.0%	-0.2%
	Total	232,117	259,984	249,216	20.4%	12.0%	-4.1%
Number of agreements	Financial leasing or long-term rental: new	1,138	1,058	924	0.6%	-7.1%	-12.7%
	Financial leasing or long-term rental: used	372	368	384	16.6%	-1.2%	4.4%
	Subject to retention of the ownership and others: new	3,870	4,257	3,863	12.7%	10.0%	-9.3%
	Subject to retention of the ownership and others: used	11,198	12,532	12,412	16.5%	11.9%	-1.0%
	Total	16,578	18,215	17,583	14.4%	9.9%	-3.5%

Source: Banco de Portugal.

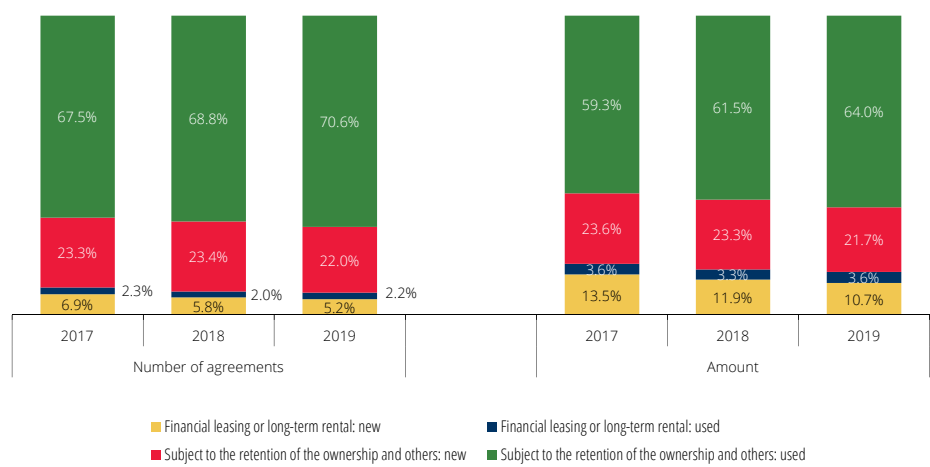
..... The weight of the sub-segments of car loans for the purchase of used vehicles increased.

Developments in several sub-segments were reflected in the structure of car loans in 2019. In this year, the relative importance of agreements for the purchase of used cars increased in detriment of agreements for the purchase of new vehicles.

In the amount of car loans granted, the weight of the sub-segment “subject to the retention of the ownership and others: used” went up from 61.5% in 2018 to 64% in 2019. The importance of the sub-segment “financial leasing or long-term rental: used” also increased slightly (from 3.3% in 2018 to 3.6% in 2019), although this sub-segment still represents a very small proportion of car loans. In contrast, the sub-segment “subject to the retention of the ownership and others: new” represented 21.7% of the amount granted in 2019, lower than in 2018 (23.3%). The relative importance of the sub-segment “financial leasing or long-term rental: new” also decreased (1.2 percentage points).

The number of agreements concluded evolved in a similar way, with the sub-segment “subject to the retention of the ownership: used” increasing from 68.8% in 2018 to 70.6% in 2019. In contrast, the importance of the corresponding sub-segment for the acquisition of new vehicles decreased from 23.4% in 2018 to 22% in 2019.

Chart IV.3.1 • Car loans | Distribution of the number of agreements and credit amount granted | 2017-2019



Source: Banco de Portugal.

The amount of car loans granted developed unevenly over the course of 2019.

In 2019, an average of EUR 249.2 million in car loans per month was granted, corresponding to 17,583 agreements, less than in 2018 (on average, EUR 260 million per month, corresponding to 18,215 agreements).

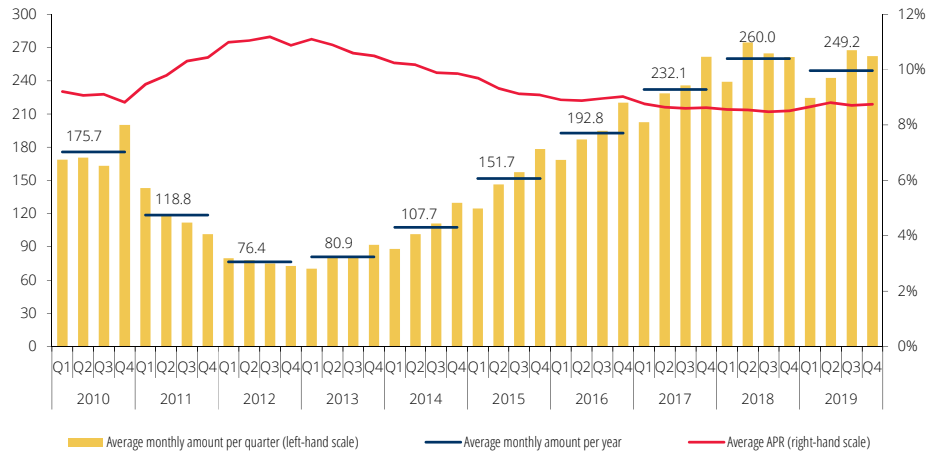
The amount of car loans granted was irregular throughout 2019. In the first half of 2019, the credit amount granted fell compared to the previous year, with the second quarter standing out (11.7% less). In the second half of the year, the amount of car loans granted recorded slight year-on-year growth (1.1% and 0.3%, respectively, in the third and fourth quarters).

The number of agreements concluded evolved in a similar way to the credit amount granted, with year-on-year reductions in the first half of the year (4.8% in the first quarter and 10.3% in the second quarter). This trend was reversed in the second part of the year, with a slight increase in the number of agreements concluded (around 1% in both quarters).

The reduction in the amount granted was accompanied by an increase in the average APR over the year.

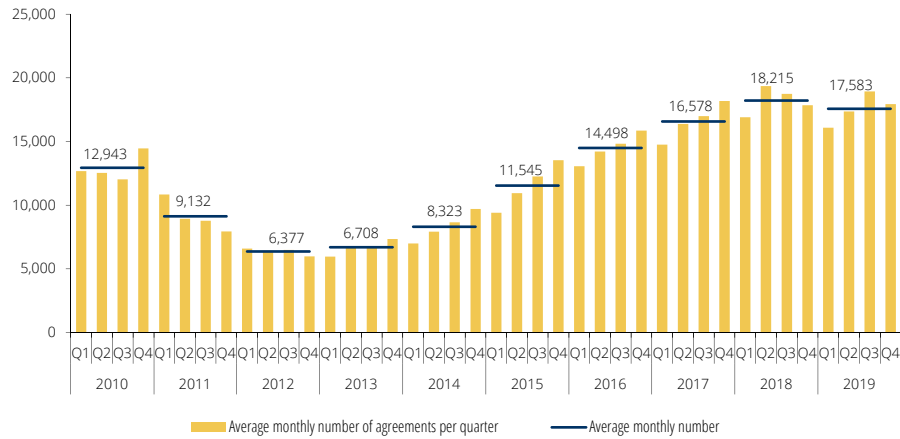
The decrease in the amount of car loans granted in 2019 was accompanied by an increase in the cost of credit. The **average APR** rose by 0.2 percentage points between the end of 2018 and the end of 2019, countering the 0.1 percentage point decrease recorded between 2017 and 2018.

Chart IV.3.2 • Car loans | Average monthly amount of credit granted and average APR
| EUR million | 2010–2019



Source: Banco de Portugal.

Chart IV.3.3 • Car loans | Average monthly number of agreements concluded | 2010–2019



Source: Banco de Portugal.

3.1 Amounts of agreements

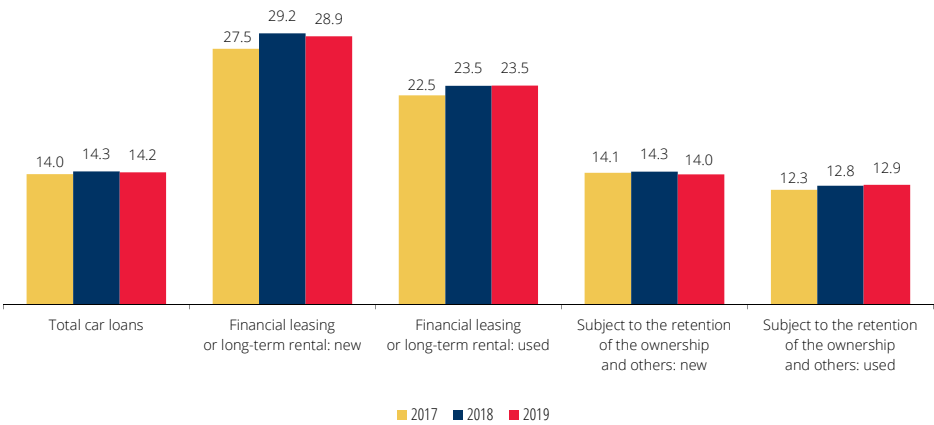
∴ The average amount per agreement decreased in car loans.

In 2019, the average amount per car loan agreement was set at EUR 14,200, which is about EUR 100 less than in 2018. This development was due exclusively to the decrease in the average amount per agreement in the sub-segments for the acquisition of new vehicles. In the sub-segment “financial leasing or long-term rental: new”, the average amount per agreement was

EUR 28,900, which is lower than in 2018 (EUR 29,200). Despite this, this sub-segment continued to have the highest average amount per car loan agreement. In the sub-segment “subject to the retention of the ownership and others: new”, the average amount per agreement was EUR 14,000 in 2019, a decrease of about EUR 300 compared to 2018.

Conversely, the average amount per agreement in the sub-segment “subject to the retention of the ownership and others: used” increased slightly (from EUR 12,800 in 2018 to EUR 12,900 in 2019). In the sub-segment “financial leasing or long-term rental: used”, the average amount per agreement remained unchanged at EUR 23,500.

Chart IV.3.4 • Car loans | Average amount of agreements, per loan sub-segment
| EUR thousand | 2017-2019



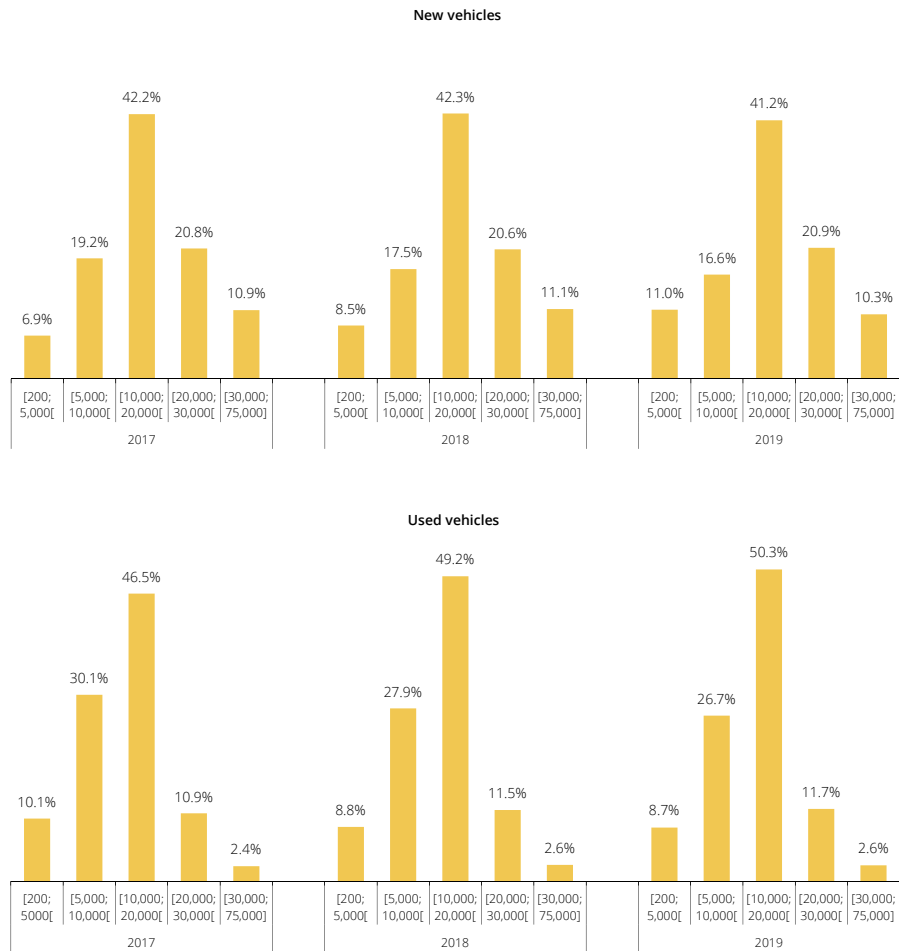
Source: Banco de Portugal.

⋮ In car loans, agreements with amounts between EUR 10,000
⋮ and EUR 20,000 were the most frequent.

In car loans for the purchase of **new cars**, agreements with amounts between EUR 10,000 and EUR 20,000 remained the most frequent (41.2%), although they lost importance in comparison to 2018 (42.3%). Conversely, agreements with smaller amounts (below EUR 10,000) accounted for 27.6% of the total, compared with 26% in 2018.

In car loans for the purchase of **used cars**, agreements with amounts between EUR 10,000 and EUR 20,000 accounted for about half of the agreements concluded in 2019 (50.3%), compared with 49.2% in 2018. In contrast, agreements with smaller amounts (below EUR 10,000) accounted for 35.4% of the total, compared with 36.7% in 2018.

Chart IV.3.5 • Car loans | Distribution of the number of agreements, by amount | 2017–2019



Source: Banco de Portugal.

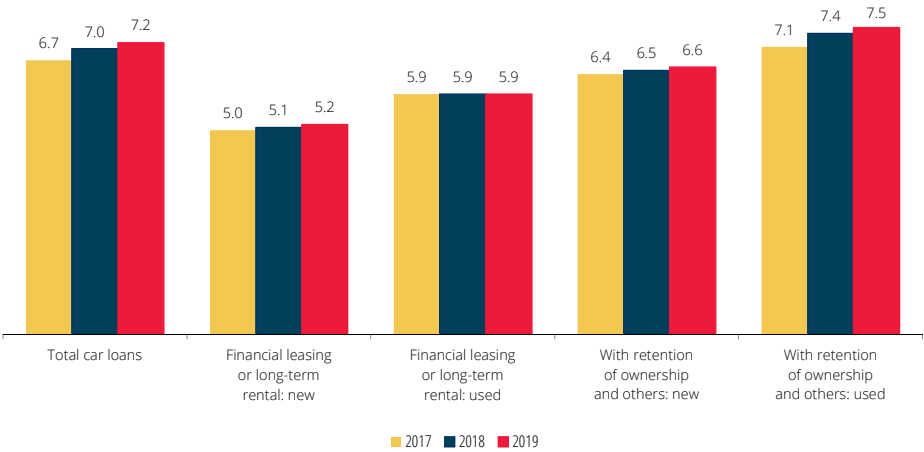
3.2 Maturities of agreements

... The average maturity of loans increased in most of the car loan sub-segments.

The average maturity of car loans increased from 7 years in 2018 to 7.2 years in 2019. In this year, all sub-segments showed an increase in the average maturity, with the exception of the “financial leasing or long-term rental: used” agreements, whose average term remained unchanged at 5.9 years.

The average maturity for the sub-segment “subject to the retention of the ownership and others: used” went up from 7.4 years in 2018 to 7.5 years in 2019, which represents an increase of about two months. This sub-segment continued to have the highest average maturity of car loans. In the sub-segments of loans for new cars, the average maturity increased by about one month between 2018 and 2019.

Chart IV.3.6 • Car loans | Average maturities of agreements (in years), per loan sub-segment | 2017-2019



Source: Banco de Portugal.

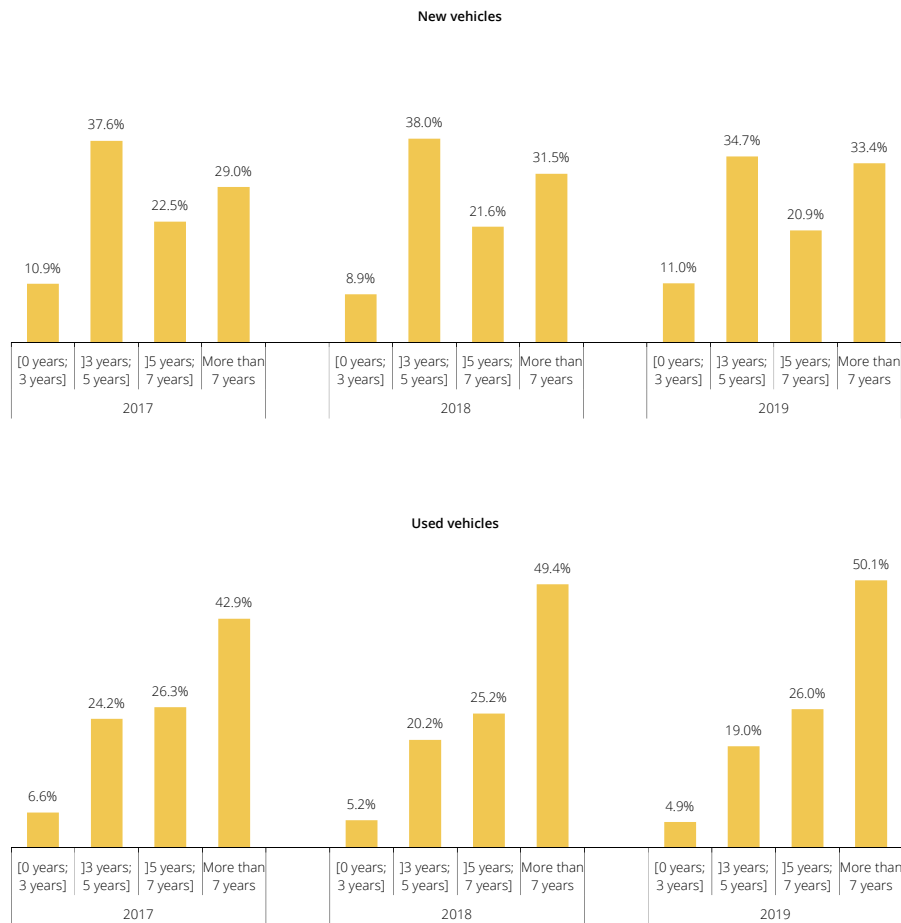
... The weight of agreements with a maturity of more than seven years continued to increase.

In car loans, the increase in the importance of agreements with longer maturities (more than seven years), both in loans for the purchase of new vehicles and in loans for the purchase of used vehicles, is noteworthy in 2019.

In the case of **new vehicles**, agreements with a maturity of more than seven years accounted for about one third of the agreements concluded (33.4%), compared with 31.5% in 2018. The most frequent agreements continued to have maturities between three and five years, although their weight decreased significantly (from 38% in 2018 to 34.7% in 2019).

In the case of **used cars**, the distribution of agreements by maturity remained virtually unchanged. The most frequent agreements had maturities of more than seven years (50.1% in 2019, compared with 49.4% in 2018), followed by agreements with maturities between five and seven years, which represented 26% of the total (compared with 25.2% in 2018).

Chart IV.3.7 • Car loans | Distribution of the number of agreements, by maturity | 2017-2019



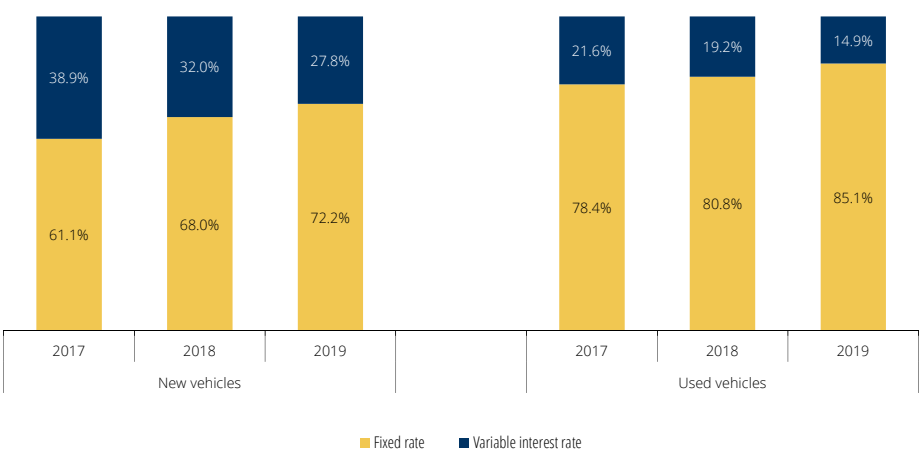
Source: Banco de Portugal.

3.3 Type of interest rate

... In car loans, the importance of agreements concluded at a fixed- rate increased.

Most of the amount of car loans in 2019 was granted at a **fixed interest rate**, with the importance of this type of interest rate increasing (around 4 percentage points) for both new and used vehicles. For **new vehicles**, fixed-rate agreements accounted for 72.2% of the total in 2019, compared with 68% in 2018. For **used vehicles**, the agreements concluded with this type of interest rate represented 85.1% of the amount granted, whereas in 2018 they accounted for 80.8%.

Chart IV.3.8 • Car loans | Type of interest rate as a percentage of the amount granted
| 2017–2019



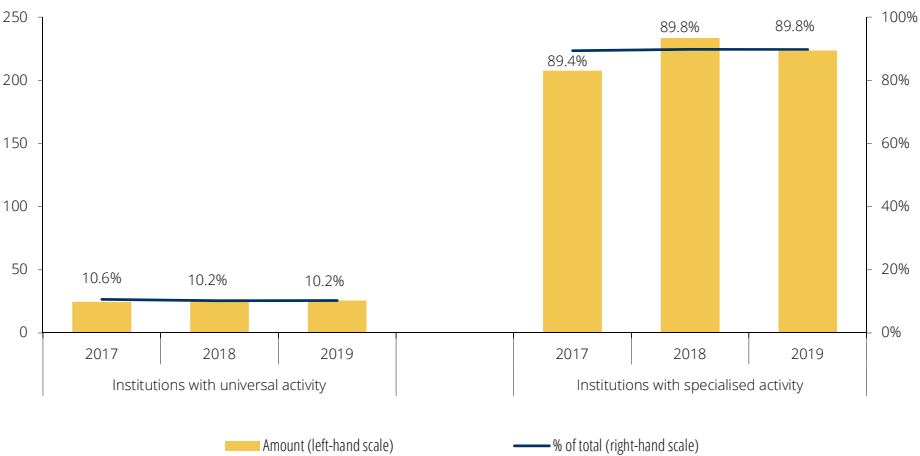
Source: Banco de Portugal.

3.4 Type of credit institution

... In car loans, the weight of institutions with universal activity and institutions with specialised activity remained stable.

In 2019, 89.8% of the amount of car loans was granted by **institutions with specialised activity** and the remaining 10.2% by **institutions with universal activity**, the same proportions as in 2018. This relative stabilisation is linked to the similar evolution of the amount of credit granted by both types of credit institution. The amount of car loans granted decreased by about 4% in both institutions with specialised activity and institutions with universal activity.

Chart IV.3.9 • Car loans | Average monthly amount of credit granted, by type of institution
| EUR million | 2017–2019

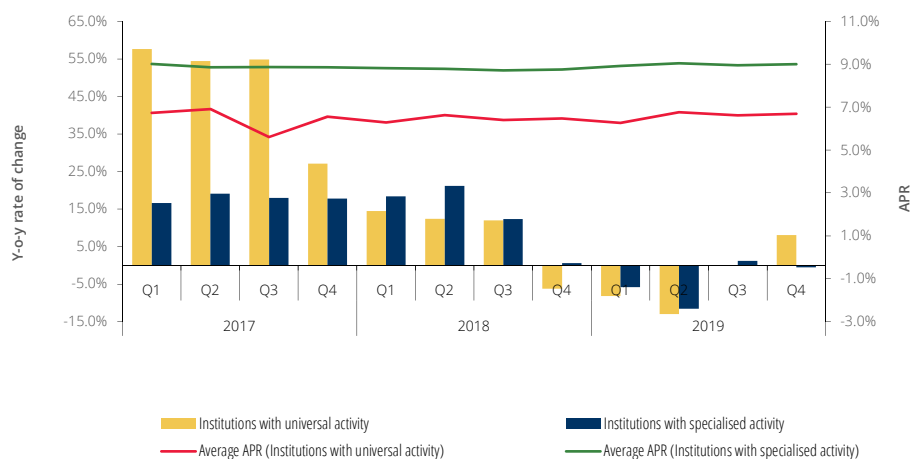


Source: Banco de Portugal.

In the case of **specialised institutions**, the credit amount granted declined year-on-year in most quarters of 2019, with the exception of the third quarter of the year, when it rose slightly (1.2%). In the case of **institutions with universal activity**, the amount of car loans granted fell in the first half of the year. However, this evolution was reversed in the second half of the year, with an increase of 8.1% in the fourth quarter of 2019, compared with the same period in 2018.

In all of the quarters of 2019, the **average APR** of institutions with specialised activity was higher than the average APR of institutions with universal activity. This difference may be related to the fact that most of the credit granted by these institutions is for the purchase of used cars, agreements which tend to have higher APR values than their counterparts for the purchase of new vehicles, because of the lower value of the good that guarantees the agreement. This year, the differences ranged from 2.3 to 2.7 percentage points.

Chart IV.3.10 • Car loans | Year-on-year rate of change of the amount of credit granted and average APR, by type of institution | 2017–2019



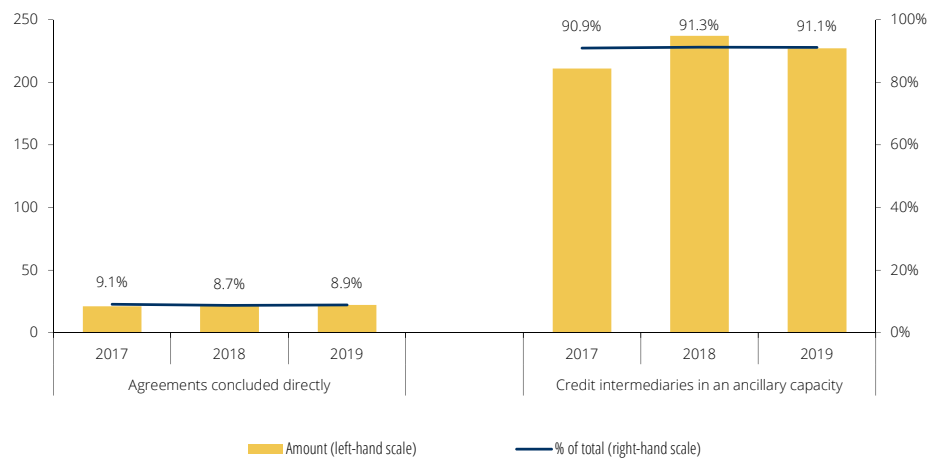
Source: Banco de Portugal.

3.5 Marketing channel

... In 2019, car loans continued to be granted mainly through credit intermediaries in an ancillary capacity.

In 2019, there were no significant changes in the channels used to market car loans. Most of the amount of car loans continued to be granted through **credit intermediaries in an ancillary capacity** (91.1%), a proportion similar to that in 2018 (91.3%). The **granting of loans directly at the credit institution** continued to represent a small proportion of the amount of car loans granted (8.7% in 2018 and 8.9% in 2019).

Chart IV.3.11 • Car loans | Average monthly amount of credit granted, by marketing channel | EUR million | 2017-2019



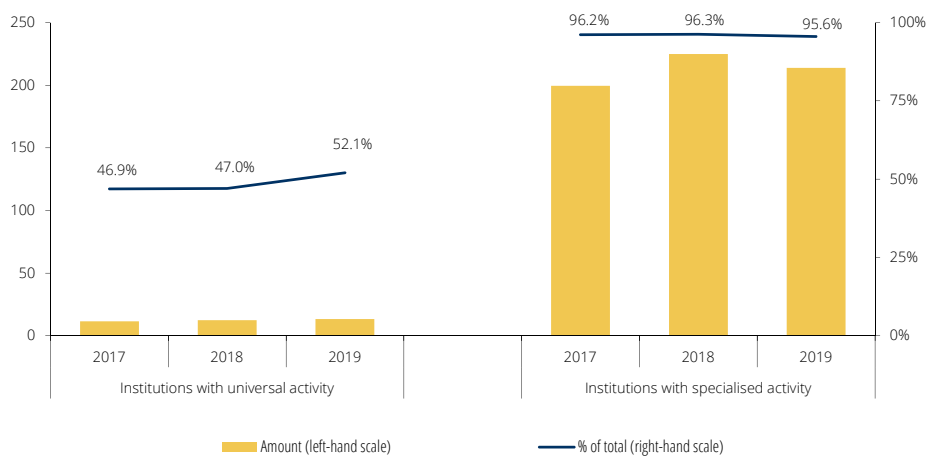
Source: Banco de Portugal.

In institutions with universal activity, the weight of car loans granted through credit intermediaries in an ancillary capacity increased.

In 2019, institutions with specialised activity continued to grant credit mainly through credit intermediaries in an ancillary capacity (95.6%), although there was a decrease in the weight of this marketing channel in comparison to 2018 (96.3%).

In the case of institutions with universal activity, more than half of the car loans were granted through credit intermediaries in an ancillary capacity (52.1%), with the importance of this marketing channel increasing significantly compared with 2018 (47%).

Chart IV.3.12 • Car loans | Average monthly amount of credit placed through credit intermediaries in an ancillary capacity, by type of institution | EUR million | 2017-2019



Source: Banco de Portugal.

4 Revolving credit⁴

⋮ The granting of revolving credit increased, accelerating compared to 2018.

In 2019, revolving credit increased slightly after the relative stabilisation in 2018. The **credit amount granted**⁵ and the **number of agreements concluded** increased by 3.9% and 4.8%, respectively, compared to 2018 (0.4% more in the amount granted and 3% less in the number of agreements concluded).

In this segment, credit cards continued to represent most of the amount of credit granted (92%), above the 2018 proportion (88%).

Table IV.4.1 • Revolving credit | Amount and average monthly number of agreements concluded | 2017-2019

	Value			Percentage change		
	2017	2018	2019	2017-2016	2018-2017	2019-2018
Amount (EUR thousand)	89,548	89,922	93,387	2.2%	0.4%	3.9%
Number of agreements	72,885	70,671	74,087	3.1%	-3.0%	4.8%

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

⋮ The amount of revolving credit granted continued to increase.

In 2019, an average of EUR 93.4 million was granted per month in revolving credit, above the amount recorded in 2018 (EUR 89.9 million). This amount corresponded to an average of 74,087 agreements per month, higher than in 2018 (70,671 agreements per month).

The evolution of the **credit amount granted** was irregular throughout 2019. In the second quarter of the year, the amount of revolving credit granted declined slightly (2.3% less than in the same period of 2018). However, this reduction was offset by the year-on-year growth in the other quarters, with a 13.8% increase in the third quarter standing out.

In the case of the **number of agreements concluded**, the reductions recorded in the first half of the year (0.9% and 4.4%, respectively, in the first and second quarters) were offset by the growth recorded in the second half of the year, compared with the corresponding period of 2018 (14.6% and 10.1%, respectively, in the third and fourth quarters).

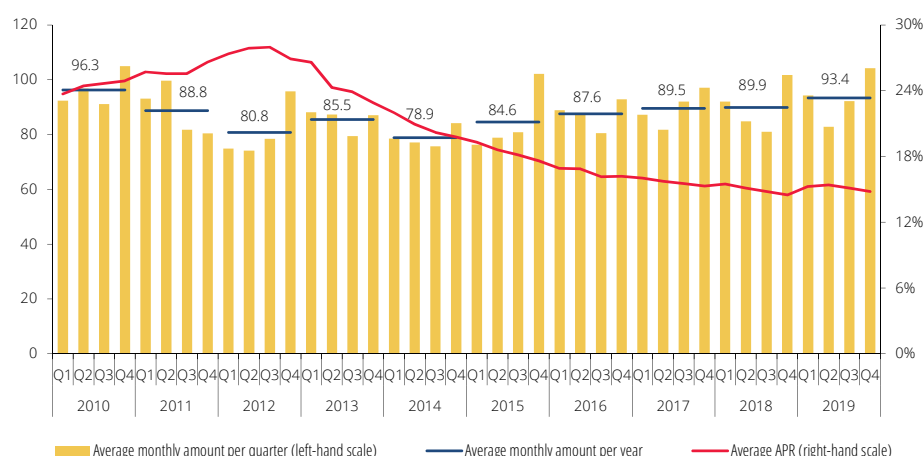
4. For revolving credit, the analyses by maturity and by type of interest rate are not presented, since the agreements integrated in this credit segment are almost all of indefinite duration and with fixed interest rate.

5. In the case of revolving credit, the credit amount corresponds to the maximum credit limit made available to the customer.

The average APR for revolving credit increased, contrary to the reductions seen in recent years.

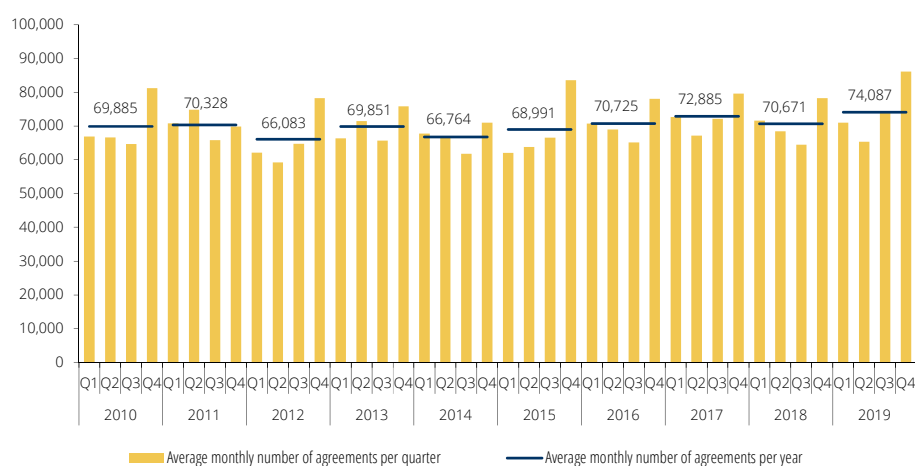
In the last quarter of 2019, the **average APR** for revolving credit stood at 14.8%, higher than in the last quarter of 2018 (14.5%), thus reversing the downward trend in the cost of revolving credit observed in recent years.

Chart IV.4.1 • Revolving credit | Average monthly amount of credit granted and average APR | EUR million | 2010–2019



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.

Chart IV.4.2 • Revolving credit | Average monthly number of agreements concluded | 2010–2019



Source: Banco de Portugal.

4.1 Amounts of agreements

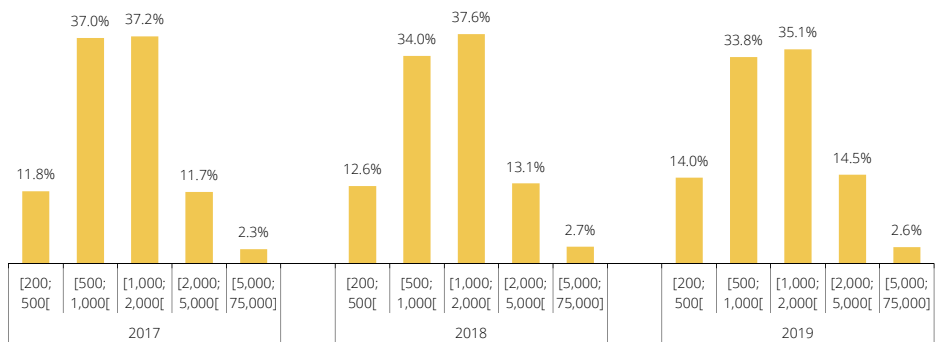
In the revolving credit, the average amount per agreement was set at EUR 1300, remaining unchanged from the previous year.

Revolving credit agreements with amounts between EUR 1000 and EUR 2000 remained the most frequent.

In 2019, agreements with amounts between EUR 1000 and EUR 2000 were the most frequent (35.1%), although they lost importance compared to 2018 (37.6%). The importance of agreements between EUR 500 and EUR 1000 remained relatively stable (around 34% in 2018 and 2019).

Conversely, the proportion of agreements with smaller amounts (below EUR 500) increased from 12.6% in 2018 to 14% in 2019 and the proportion of agreements with higher amounts (above EUR 2000) from 15.8% in 2018 to 17.1% in 2019.

Chart IV.4.3 • Revolving credit | Distribution of the number of agreements, by amount | 2017-2019



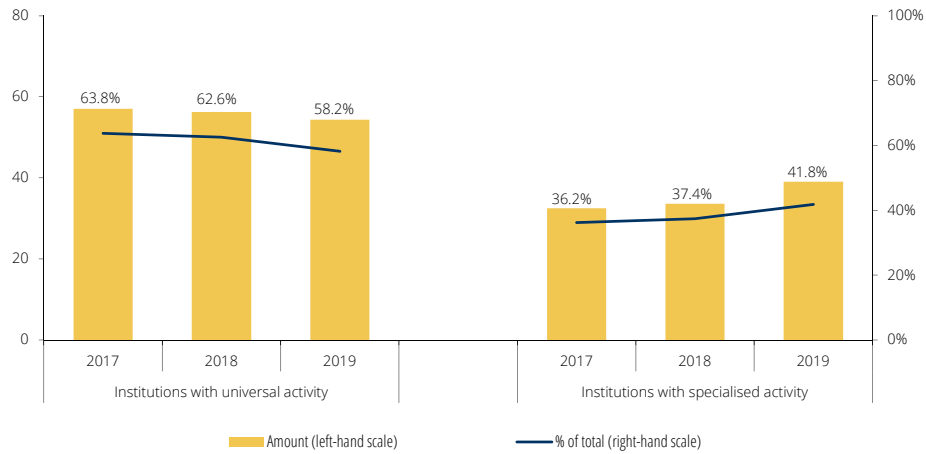
Source: Banco de Portugal.

4.2 Type of credit institution

In revolving credit, the importance of specialised institutions increased.

In 2019, there was an increase in the relative weight of **institutions with specialised activities**, which accounted for 41.8% of the amount granted, compared with 37.4% in 2018. However, more than half of the amount of revolving credit continued to be granted by **institutions with universal activity** (58.2%). This reflects, on the one hand, the increase in the credit amount granted by institutions with specialised activity (16.1%) and, on the other hand, the 3.5% reduction in the credit amount granted by institutions with universal activity.

Chart IV.4.4 • Revolving credit | Average monthly amount of credit granted, by type of institution | EUR million | 2017-2019

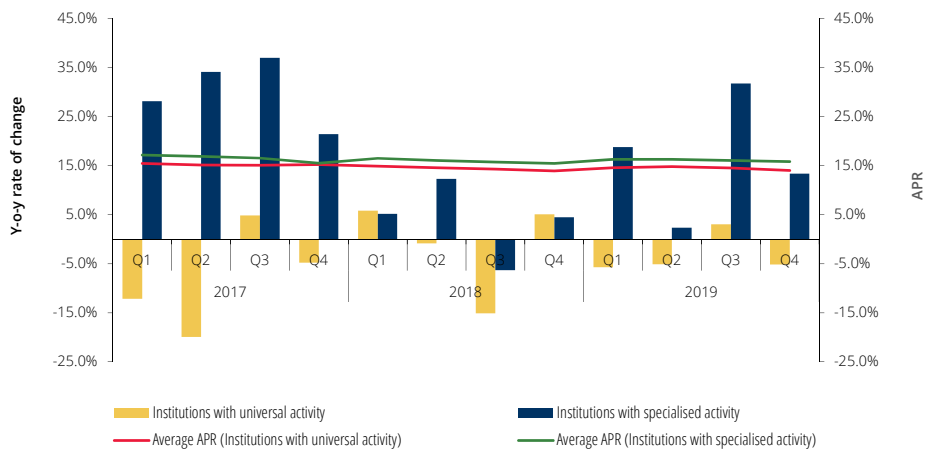


Source: Banco de Portugal.

In 2019, **institutions with specialised activity** showed year-on-year growth in all quarters of the year, with the 31.7% increase in the third quarter of 2019 standing out. In contrast, **institutions with universal activity** recorded only a slight year-on-year growth in the third quarter of the year (3%), with year-on-year reductions in the remaining quarters.

In this segment, the average APR of institutions with specialised activity was higher than the average of institutions with universal activity, with differences between 1.5 and 1.8 percentage points.

Chart IV.4.5 • Revolving credit | Year-on-year rate of change of the credit amount granted and average APR, by type of institution | 2017-2019



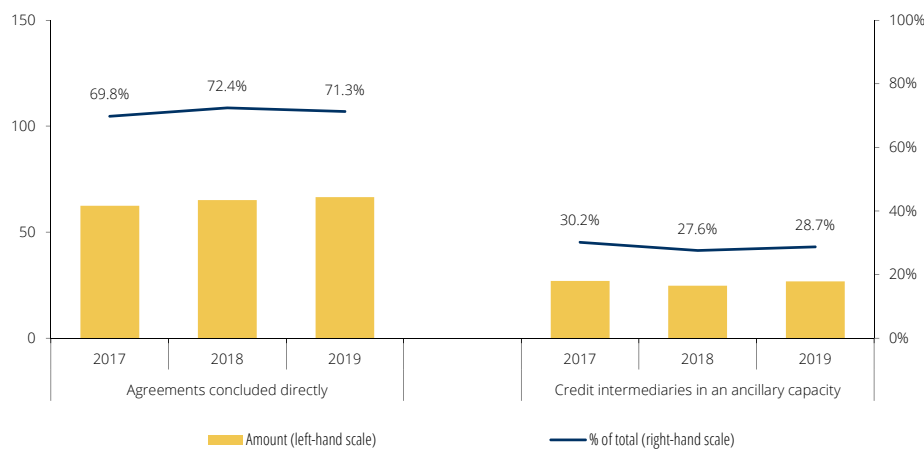
Source: Banco de Portugal.

4.3 Marketing channel

... In revolving credit, the relative importance of credit intermediaries in ancillary capacity increased.

In revolving credit, the **granting of credit directly at credit institutions** continued to be the most frequent marketing channel, representing 71.3% of the amount granted in 2019. However, the weight of this channel fell by 1.1 percentage points in comparison to 2018. Conversely, the granting of revolving credit through **credit intermediaries in an ancillary capacity** increased this year, countering the reduction between 2017 and 2018.

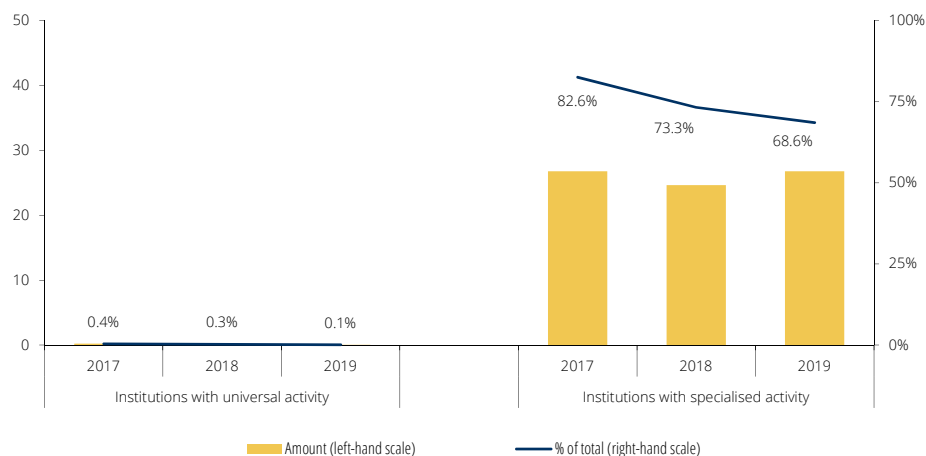
Chart IV.4.6 • Revolving credit | Average monthly amount of credit granted, by marketing channel | EUR million | 2017-2019



Source: Banco de Portugal.

In **institutions with specialised activity**, most of the amount of revolving credit was granted through credit intermediaries in an ancillary capacity (68.6%), although this marketing channel lost importance compared to the previous year (73.3%). This development is related to the higher granting of credit through remote means of communication or through credit intermediaries that are not suppliers of the financed goods. In **institutions with universal activity**, the granting of credit through credit intermediaries in an ancillary capacity remained residual.

Chart IV.4.7 • Revolving credit | Average monthly amount of credit placed through credit intermediaries in an ancillary capacity, by type of institution | EUR million | 2017–2019



Source: Banco de Portugal.

5 Maximum rates

In 2019, the downward trend in maximum APR⁶ in consumer credit segments and sub-segments was reversed. In the fourth quarter of 2019, the maximum APR varied between 4.5% in the car loan sub-segment “financial leasing or long-term rental: new” and 15.7% in the revolving credit sub-segment.

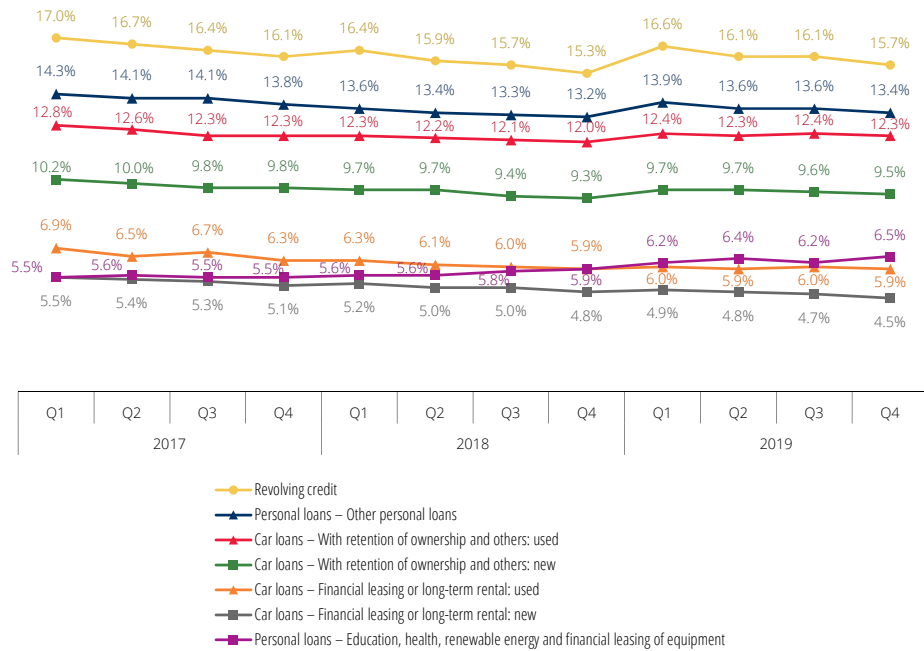
Table IV.5.1 • Consumer credit | Maximum rates | 4th quarter of 2018 – 4th quarter of 2019

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Personal loans					
For Education, health, renewable energies and financial leasing of equipment	5.9%	6.2%	6.4%	6.2%	6.5%
Other personal loans	13.2%	13.9%	13.6%	13.6%	13.4%
Car loans					
Financial leasing or long-term rental: new	4.8%	4.9%	4.8%	4.7%	4.5%
Financial leasing or long-term rental: used	5.9%	6.0%	5.9%	6.0%	5.9%
Subject to the retention of the ownership and others: new	9.3%	9.7%	9.7%	9.6%	9.5%
Subject to the retention of the ownership and others: used	12.0%	12.4%	12.3%	12.4%	12.3%
Credit cards, credit lines, bank credit accounts and overdraft facilities	15.3%	16.6%	16.1%	16.1%	15.7%

Source: Banco de Portugal.

6. It should be recalled that the maximum rates correspond to the average APR practiced by credit institutions on each type of credit in the previous quarter, plus one quarter. Hence, the increase in maximum rates is related to the evolution of average APRs in the consumer credit segments. In addition, the maximum rate of any type of credit may not exceed the market average by more than 50%.

Chart IV.5.1 • Maximum rates in consumer credit | 2017-2019



Source: Banco de Portugal.

Maximum rates increased in most credit segments and sub-segments.

The maximum rate for the **personal loan** sub-segment “for education, health, renewable energies and financial leasing of equipment” was the one that grew the most significantly over the year. In the last quarter of 2019, the maximum rate for this sub-segment stood at 6.5%, which corresponds to an increase of 0.6 percentage points over the last quarter of 2018. The maximum rate for this sub-segment had been the only one to increase between the end of 2017 and the end of 2018.

The maximum **revolving credit** rate also increased throughout 2019. In the fourth quarter of 2019, the maximum rate for this segment was 15.7%, compared with 15.3% in the last quarter of 2018 (0.4 percentage points more). The evolution of the maximum rate for revolving credit reflects not only the increase in the average APR of this segment, but also the increase in the average APR of the market, since the maximum APR of any segment cannot exceed the market average by more than 50%, a restriction that has proved active in this segment.

This is followed by the **car loan** sub-segment “subject to the retention of the ownership and others: used”, with the respective rate increasing by 0.3 percentage points, between the fourth quarter of 2018 and the fourth quarter of 2019. The maximum rates for the **personal loan** sub-segment “Other personal loans” and the **car loan** sub-segment “subject to the retention of the ownership and others: new” increased by 0.2 percentage points in the fourth quarter of 2019, compared with the fourth quarter of 2018.

The maximum rates for the **car loan** sub-segment “financial leasing or long-term rental” were the only ones that didn’t increase throughout 2019. In comparison to the last quarter of 2018, the maximum rate for the sub-segment “financial leasing or long-term rental: used” remained unchanged in the fourth quarter of 2019 at 5.9%. In contrast, in the fourth quarter of 2020, the maximum rate for the sub-segment “financial leasing or long-term rental: new” was 4.5%, representing a decrease of 0.3 percentage points compared with the same period in 2018.

Box 1 • Impact of the Covid-19 pandemic on the contracting of consumer credit

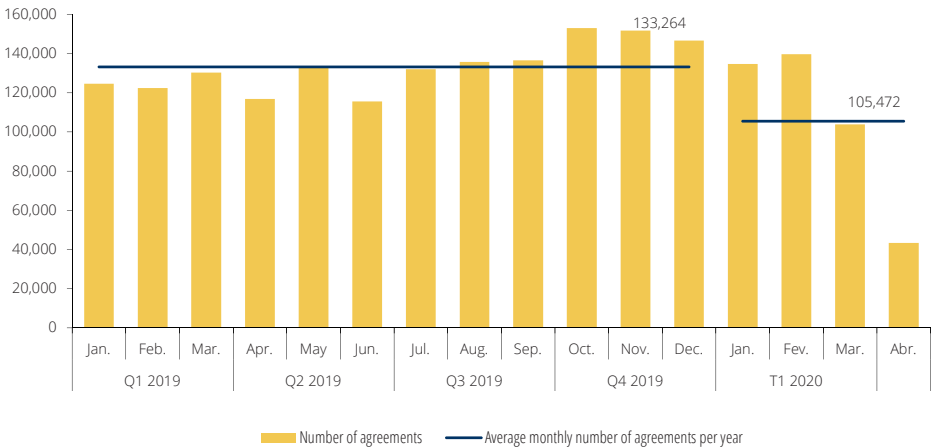
Market developments

The context of the Covid-19 pandemic significantly affected the consumer credit market in the first months of 2020, leading to a reversal of the growth trend of previous years. The decline in the number of agreements concluded and in the amount of credit granted began in the second half of March, associated with the contraction in economic activity and the declaration of a state of emergency, and was particularly pronounced in April.

Between January and April 2020, an average of 105,472 agreements were concluded per month and EUR 512.7 million of credit was granted, lower than in 2019 (133,264 agreements and EUR 632.8 million per month). This development is the result of the contraction of consumer credit seen in March and April, since in January and February the levels of consumer credit exceeded the average figures for 2019.

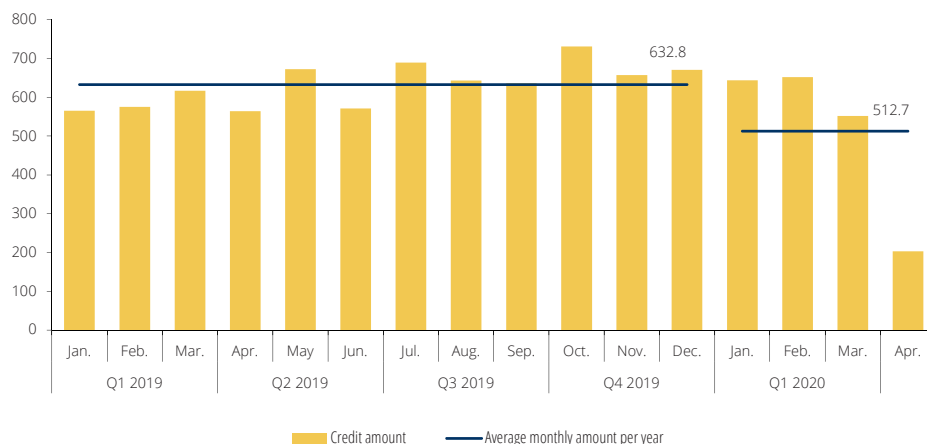
In March 2020, 103,960 agreements were concluded and EUR 551.6 million granted, representing decreases of 25.6% and 15.4%, respectively, compared to the previous month. In April 2020, there was a sharp drop in consumer credit agreements. 43,446 agreements were concluded and EUR 203.1 million granted, representing decreases of around 60% in both cases compared with March 2020.

Chart C1.1 • Consumer credit | Average monthly number of agreements | 2019 – April 2020



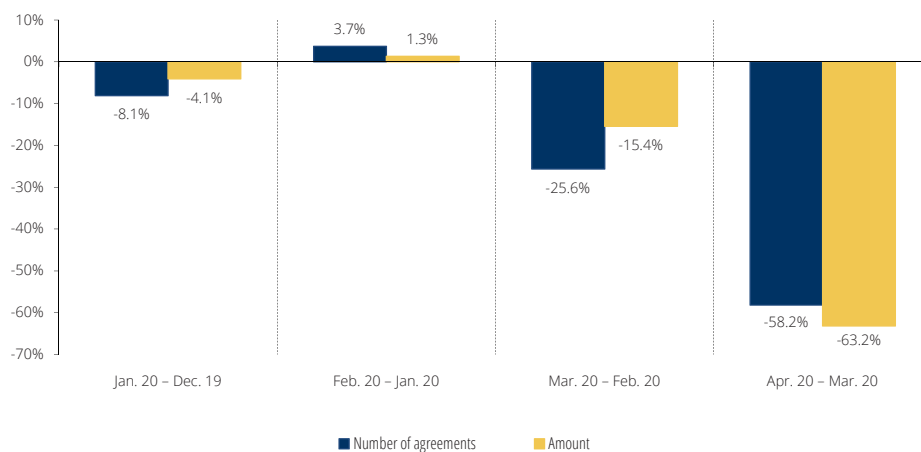
Source: Banco de Portugal.

Chart C1.2 • Consumer credit | Average monthly amount of credit granted | EUR million
| 2019 – April 2020



Source: Banco de Portugal.

Chart C1.3 • Consumer credit | Number of agreements concluded e credit amount granted | Rate of change | 2020



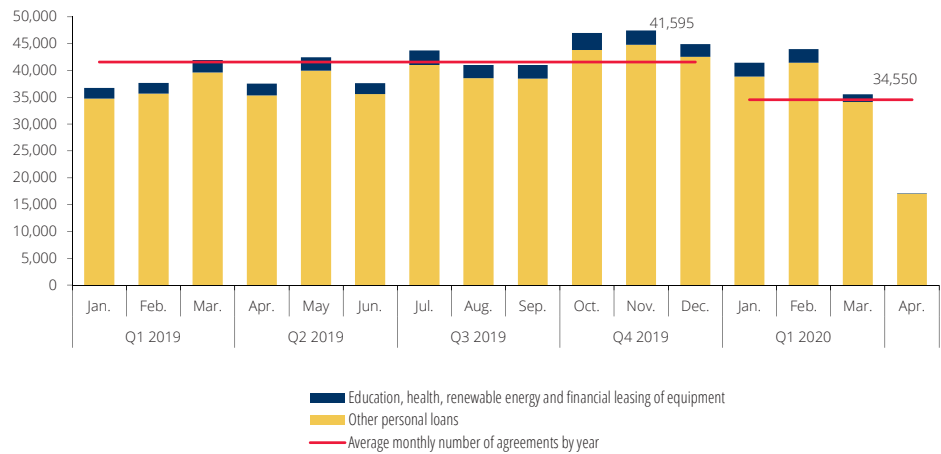
Source: Banco de Portugal.

Personal loans

In **personal loans**, an average of 34, 550 agreements and EUR 243.8 million of credit were granted in the first four months of 2020, compared with a monthly average of 41,595 agreements and EUR 290.2 million in 2019. The evolution in the credit amount granted resulted from the contraction in March and April, since in the first two months of the year the personal loans granted exceeded the monthly average of 2019.

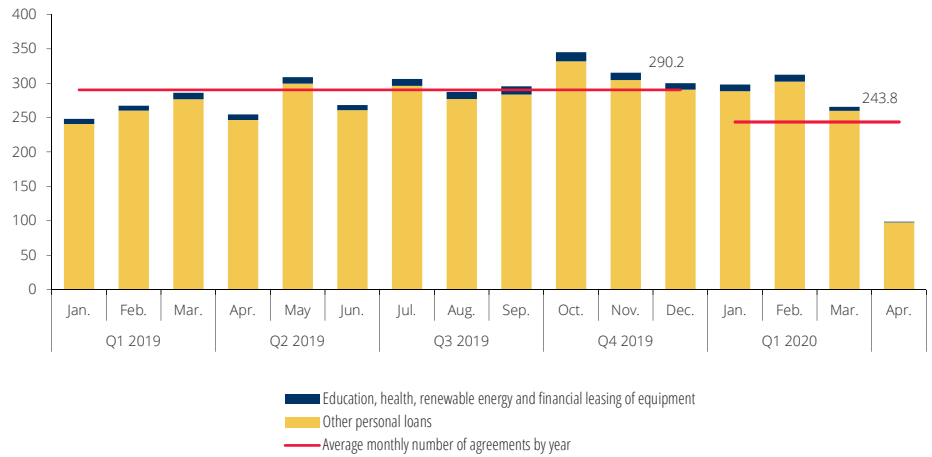
In March 2020, the number of personal loans concluded decreased by 19.2% and the credit amount granted declined by 14.9% in comparison to February. In April, the number of new personal loans agreements and the credit amount granted fell to less than half the March figures. 17,105 personal loans agreements were concluded (51.9% less than in March) and EUR 98.9 million were granted (62.8% less than in March).

Chart C1.4 • Personal loans | Average monthly number of agreements concluded
| 2019 – April 2020



Source: Banco de Portugal.

Chart C1.5 • Personal loans | Average monthly amount of credit granted | EUR million
| 2019 – April 2020

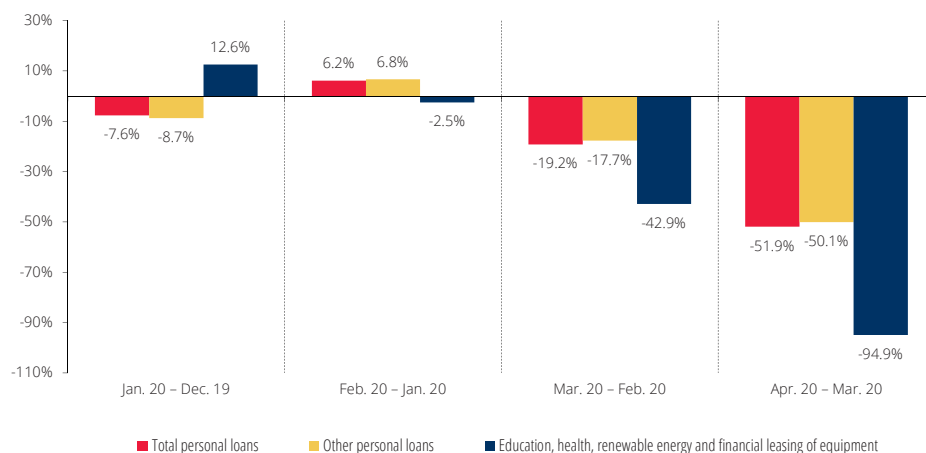


Source: Banco de Portugal.

Both sub-segments of personal loans contracted significantly in March and April 2020. However, the evolution of personal loans was mainly due to the evolution of the sub-segment “Other personal loans”, which represented around 97% of the amount of personal loans granted in the first four months of 2020. In this sub-segment, there were reductions of 17.7% in the number of agreements concluded and 14.1% in the amount of credit granted between February and March 2020. In the following month, 17,030 agreements were concluded and EUR 97.9 million granted, corresponding to reductions of 50.1 percent and 62.3 percent compared to March.

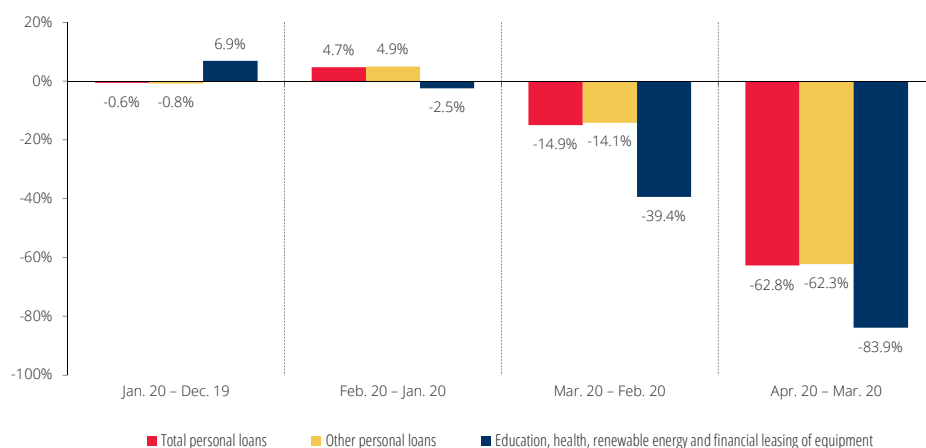
In the personal loan sub-segment “for education, health, renewable energies and financial leasing of equipment”, the reductions were even more marked. In March 2020, the number of agreements concluded and the credit amount granted were down 42.9 percent and 39.4 percent, respectively, compared to February. In April, 75 agreements were concluded and EUR 1 million of this type of credit granted, which represents decreases of 94.9% in the number of agreements and 83.9% in the credit amount granted, compared to March.

Chart C1.6 • Personal loans | Number of agreements concluded | Rate of change | 2020



Source: Banco de Portugal.

Chart C1.7 • Personal loans | Credit amount granted | Rate of change | 2020



Source: Banco de Portugal.

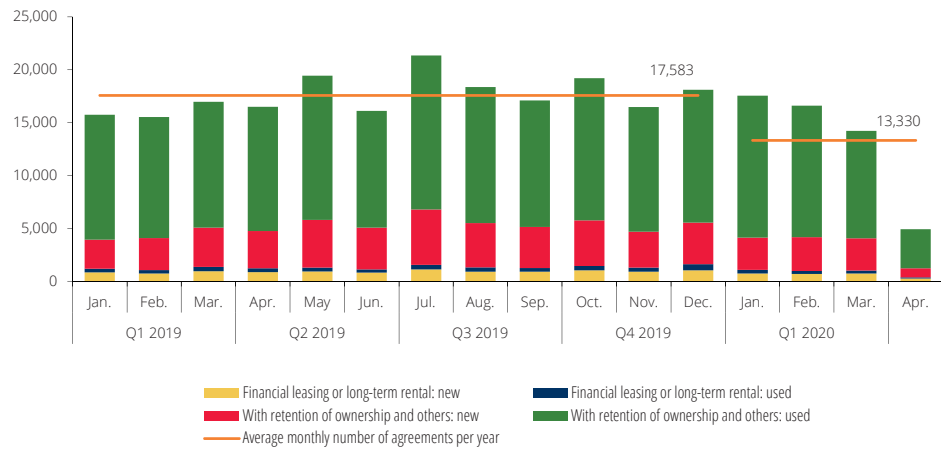
Car loans

On average, 13,330 agreements were concluded and EUR 189.6 million per month were granted in the first four months of 2020, less than in 2019 (on average 17,583 agreements and EUR 249.2 million per month). This development is the result of the sharp reductions in the number of agreements and amount granted in March and April 2020, although car loan levels in January and February had already been lower than the monthly average for 2019.

In March, 14,239 agreements were concluded and 208.1 EUR million granted, corresponding to reductions of 14.3% and 10.7% respectively, compared to February. In April, there were reductions of about 66% in both the number of agreements and the credit amount granted.

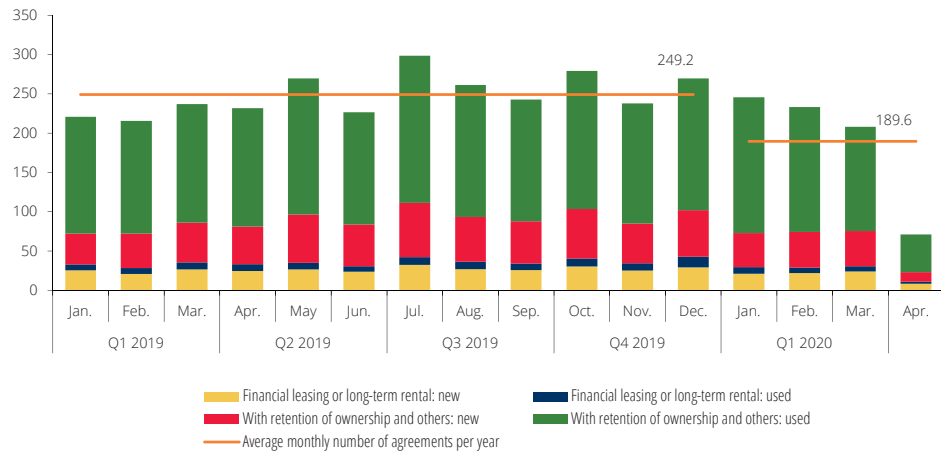
In that month, 4,901 car loan agreements were concluded and EUR 71.2 million were granted.

Chart C1.8 • Car loans | Average monthly number of agreements concluded
| 2019 – April 2020



Source: Banco de Portugal.

Chart C1.9 • Car loans | Average monthly amount of credit granted | EUR million
| 2019 – April 2020



Source: Banco de Portugal.

Most of the car loan sub-segments showed chain reductions in the number of agreements concluded and in the credit amount granted in March and April 2020. However, the contribution of the sub-segment “subject to the retention of the ownership and others: used”, which accounted for about 74% of the agreements concluded and 67% of the amount of car loans granted in the first four months of 2020, was highlighted. In this sub-segment, there were reductions of 18.3% in the number of agreements and 16.4% in the amount granted in March, compared to February. In the following month, there were steeper falls in the number of agreements concluded (64% less when compared to March) and in the credit amount granted (63.8% less).

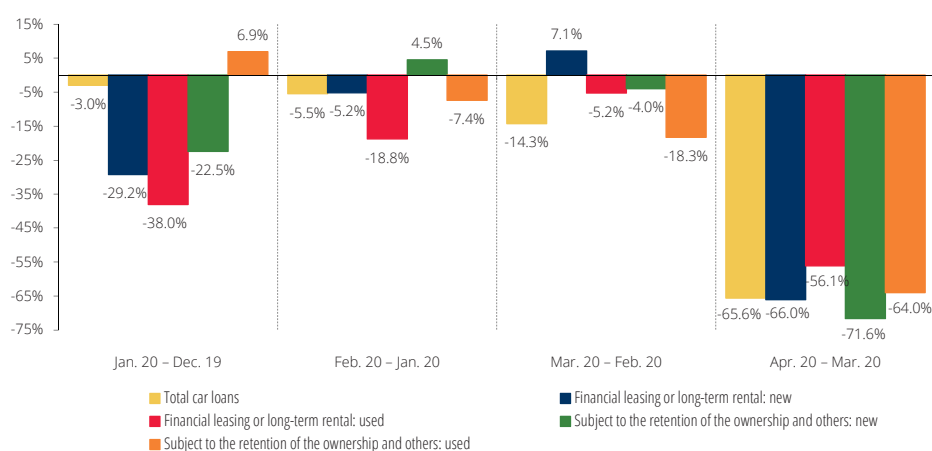
In the sub-segment “subject to the retention of the ownership and others: new”, the reductions seen in March were minor (4% in the number of agreements and 1.8% in the amount granted,

compared to February). In April 2020, on the other hand, this was the car loan sub-segment that showed the most significant decreases (71.6% in the number of agreements and 72.6% in the credit amount granted, compared to March).

In the sub-segment “financial leasing or long-term rental: used”, the number of agreements concluded in March decreased 5.2% and the amount granted decreased 6% compared to February. These decreases were reinforced in April, with the number of agreements concluded and the amount of credit granted decreasing by 56.1% and 61.9%, respectively.

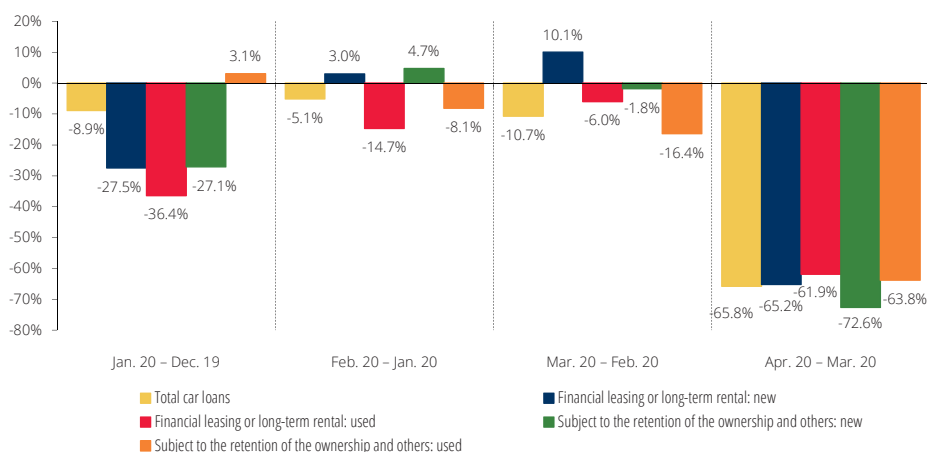
The “financial leasing or long-term rental: new” sub-segment was the only car loan sub-segment that saw an increase in the number of agreements (7.1%) and in the amount granted (10.1%) between February and March. However, in April, it followed the same downward trend of the remaining sub-segments, with decreases of 66% in the number of agreements concluded and 65.2% in the credit amount granted, compared to March.

Chart C1.10 • Car loans | Number of agreements concluded | Rate of change | 2020



Source: Banco de Portugal.

Chart C1.11 • Car loans | Credit amount granted | Rate of change | 2020



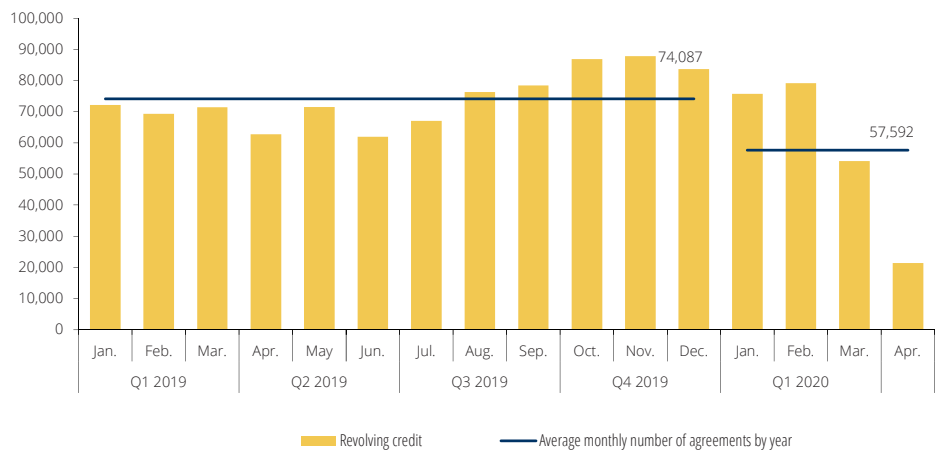
Source: Banco de Portugal.

Revolving credit

In revolving credit, between January and April 2020, an average of 57,592 agreements were concluded and EUR 79.3 million were granted per month, compared with a monthly average of 74,087 agreements and EUR 93.4 million in 2019. This development is due exclusively to the decreases recorded in March and April 2020, since the number of agreements and the amount of revolving credit granted in January and February were higher than the 2019 average.

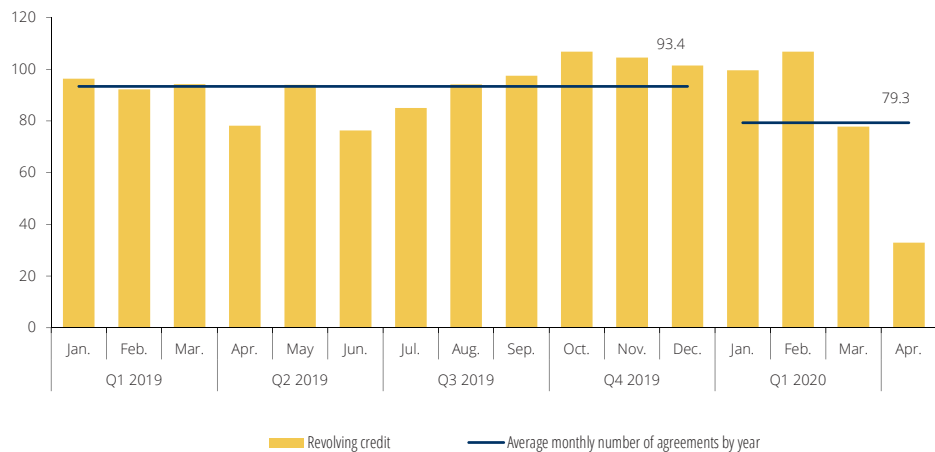
In March 2020, 54,126 agreements were concluded and EUR 77.8 million were granted, corresponding to reductions of 31.6% and 27.2%, respectively, compared to February. In April 2020, the contraction that began in March became more pronounced. A total of 21,440 agreements were concluded and EUR 33 million were granted, representing reductions of 60.4% and 57.6%, respectively, compared with March.

Chart C1.12 • Revolving credit | Average monthly number of agreements concluded | 2019 – April 2020



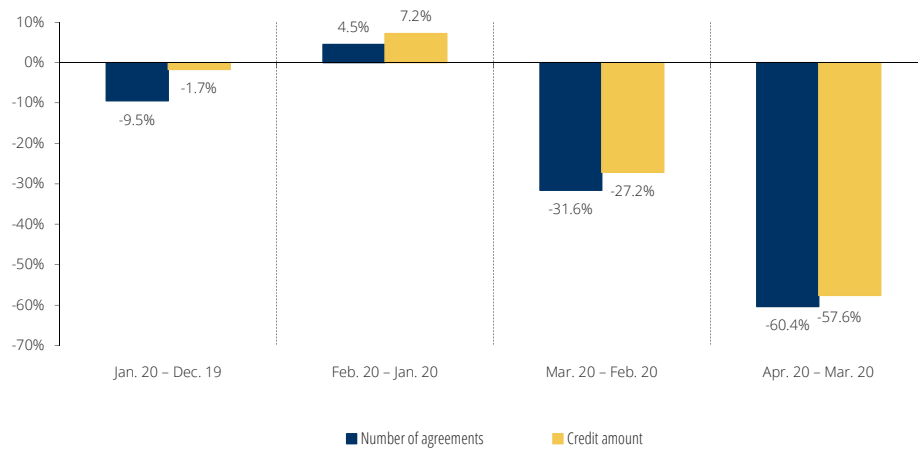
Source: Banco de Portugal. | Note: Overdraft facility agreements included in revolving credit are those with a repayment term of more than one month. Excluded from this analysis are agreements with a repayment term of one month or less.

Chart C1.13 • Revolving credit | Average monthly amount of credit granted | EUR million | 2019 – April 2020



Source: Banco de Portugal. | Note: Overdraft facility agreements included in revolving credit are those with a repayment term of more than one month. Excluded from this analysis are agreements with a repayment term of one month or less.

Chart C1.14 • Revolving credit | Number of agreements concluded and credit amount granted (EUR million) | Rate of change | 2019–2020



Source: Banco de Portugal.

