# MACROPRUDENTIAL MEASURES IN PORTUGAL – PROGRESS REPORT

MARCH 2025

BANCO DE PORTUGAL
EUROSYSTEM

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Data underlying the charts of
*Macroprudential measures in Portugal*
can be found in the attached file.

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# Executive summary

This report analyses the macroprudential measures implemented by the Banco de Portugal, in particular the Recommendation on new credit agreements for consumers (Recommendation) and macroprudential capital measures, with a broader scope of analysis than in previous issues. The aim of these measures is to preserve financial stability by strengthening the resilience of the financial system and mitigating the build-up of risks and vulnerabilities.

The Recommendation, in force since the third quarter of 2018, sets maximum limits on loan-to-value (LTV) and debt-service-to-income (DSTI) ratios, to the maturity of new credit and imposes regular principal and interest payment requirements. With its implementation there was a shift from an accommodative macroprudential policy stance to a neutral stance as regards risks and vulnerabilities in the residential real estate sector, which still exists to date.

In 2024 credit institutions maintained a high degree of compliance with the Recommendation. The weighted average LTV ratio stabilised at 69%, following a reduction in 2023, reflecting a slowdown in the volume of credit transfers between institutions and tax measures targeting borrowers aged up to 35. Most new credit agreements for house purchase continued to require an inflow of own capital of at least 10% of the property value. The average actual DSTI ratio declined to 26.1%, driven by declining interest rates and increasing household disposable income. In 92% of new credit agreements for house purchase and consumer credit, borrowers had a DSTI ratio of 50% or less. In 2024, credit for house purchase granted to borrowers with a high risk profile declined, reflecting a sustained improvement in the risk profile, which is independent from the effect of credit transfers. By the end of 2024, the weighted average maturity of new credit for house purchase stood at 31 years, i.e. 2.4 years less than in July 2018, but remained among the highest in the European Union. Tax measures and the government guarantee scheme targeted at borrowers aged up to 35, established in 2024, may put pressure on the average portfolio maturity and lead to a slight increase in the LTV and DSTI ratios.

The macroprudential capital measures currently in force include the capital conservation buffer (CCoB), the other systemically important institutions (O-SIIs) buffer and the sectoral systemic risk buffer (sSyRB). A positive countercyclical capital buffer (CCyB) rate will enter into force as of 1 January 2026.

At the end of 2024, the aggregate amount of Common Equity Tier 1 capital of institutions that the Banco de Portugal identified as systemically important (O-SIIs) exceeded the total requirements applied to them by a margin corresponding to 6% of the total risk-weighted exposure amount. In 2024 the structure of the combined capital buffer was mainly composed of the CCoB and O-SII buffers.

The combination of macroprudential measures has proven effective in mitigating sources of systemic risk and strengthening the resilience of the financial system in Portugal. The European Systemic Risk Board (ESRB) acknowledges that the instruments adopted – the Recommendation and the capital measures – are appropriate and sufficient to mitigate the sources of systemic risk related in particular to risks and vulnerabilities in the residential real estate market and to absorb the materialisation of these risks in Portugal.

# 1 Macroprudential measures

**Macroprudential policy aims to preserve financial stability. It does so by pursuing two objectives: increasing financial sector resilience and diminishing the build-up of risks and vulnerabilities in the system.** Since 2016 the Banco de Portugal, as macroprudential authority, has implemented, on its own or together with others, two types of macroprudential instruments: (i) measures acting directly on credit standards, the so-called borrower-based measures, through the Recommendation on new credit agreements for consumers (Recommendation) and (ii) capital measures.

**This report monitors the Recommendation and assesses capital measures with a broader scope of analysis than in previous years.** With this, the report now offers a more integrated overview on macroprudential measures in Portugal, contributing to a more comprehensive monitoring of their impact and effectiveness.

# 2 Macroprudential recommendation

## 2.1 What is it?

**The Recommendation applies to new credit agreements for consumers, namely credit for house purchase, credit secured by a mortgage or equivalent guarantee and consumer credit.** It involves setting maximum limits to the loan-to-value (LTV) and debt service-to-income (DSTI) ratios and to the (maximum and average) maturity of new loans and establishing a regular principal and interest payments requirement (Table 2.1).

**Table 2.1 • Macroprudential recommendation on new credit agreements for consumers**

| | Definition | Limits | Implementation | 2024 values |
|---|---|---|---|---|
| **LTV ratio** | Ratio of the total amount of credit agreements secured by immovable property to the minimum between the purchase value and the appraisal value of the immovable property pledged as collateral. | Up to 90% for own and permanent residence;<br>Up to 80% for other purposes;<br>Up to 100% for immovable property held by institutions and for property financial leasing agreements. | Jul. 2018 | 69% (average) |
| **DSTI ratio** | Ratio of the total amount of monthly instalments of a borrower's total debt to his/her monthly income less taxes and compulsory social security contributions. It considers an interest rate rise and/or income reduction shock. | Up to 50%, with the following exceptions:<br>– Up to 60% for up to 10% of the total credit amount;<br>– Over 60% up to 5% of the total credit amount. | Apr. 2020 | 92% of new loans (DSTI ratio ≤ 50%)<br>5% of new loans (50% < DSTI ratio ≤ 60%)<br>3% of new loans (DSTI ratio > 60%) |
| **Maturity of credit for house purchase** | Limits to the maximum maturity of the credit agreement for house purchase according to the borrower's age and to the average maturity of the set of new loans. | Average maturity of the set of new agreements in each quarter of each year of up to and including 30 years.<br>40 years for borrowers aged 30 or under;<br>37 years for borrowers aged over 30 and up to and including 35;<br>35 years for borrowers aged over 35. | Apr. 2022 | 31 years (average)<br>100% (borrowers aged ≤ 30)<br>93% (borrowers aged <30 and ≤ 35)<br>97.5% (borrowers aged > 35) |
| **Maturity of consumer credit** | Limits to the maximum maturity of consumer credit. | 7 years for personal credit;<br>10 years for car credit and personal credit for education, healthcare and renewable energy (1). | Apr. 2020 | 6.5 years (personal credit average)<br>8.6 years (car credit average) |
| **Regular payments requirement** | - | New credit agreements should have regular principal and interest payments. | Jul. 2018 | 98% |

Source: Banco de Portugal. | Notes: The calculation of the DSTI ratio (i) assumes that the instalments of the new credit agreement are constant; (ii) considers the impact of an interest rate rise according to maturity in the case of variable or mixed interest rate agreements; and (iii) considers a reduction in income in the case of a borrower aged 70 and over at the planned expiry of the agreement, except if the borrower is already retired at the time of the creditworthiness assessment. Average values relate to 2024. (1) In April 2025, the concept of renewable energy credit for energy transition credit will be extended. The latter covers financing for the purchase and installation of renewable energy equipment, or other equipment or operations, including works to improve the energy efficiency of buildings.

## 2.2 What are the benefits and the economic rationale?

**The purpose of the Recommendation is to promote the adoption by the Portuguese financial system of prudent credit standards to ensure the resilience of institutions and the mitigation of future borrower default.** The limits provided for in the Recommendation apply simultaneously, as they contribute in a complementary way to increasing its effectiveness:

- The limit to the LTV ratio contributes to (i) reducing losses in the event of borrower default, especially in a scenario of sharp devaluation in the price of the immovable property pledged as collateral; (ii) limiting the indebtedness level of borrowers when signing the credit agreement, and (iii) promoting more prudent borrower behaviour, as it implies the use of own capital;
- The limit to the DSTI ratio sets a ceiling on the proportion of borrowers' net income intended for debt servicing, reducing the risk of default. When considering an interest rate rise in mixed-rate or variable rate agreements, as well as an income reduction for borrowers aged 70 and over upon expiry of the agreement, this limit ensures that, at the time the credit is granted, borrowers have sufficient net income to accommodate interest rate rises and/or falls in income;
- Limits to the maturity of new loans prevent the DSTI ratio from being offset by an excessive extension of the maturity of agreements. In the event of arrears, it also makes it possible to extend the maturity of the loan by adjusting it to the borrowers' income profile over time;
- The 30-year limit to the average maturity for new housing loan agreements, by quarter, reduces risks to banks, mitigating the prolonged exposure of borrowers to business and financial cycle fluctuations.

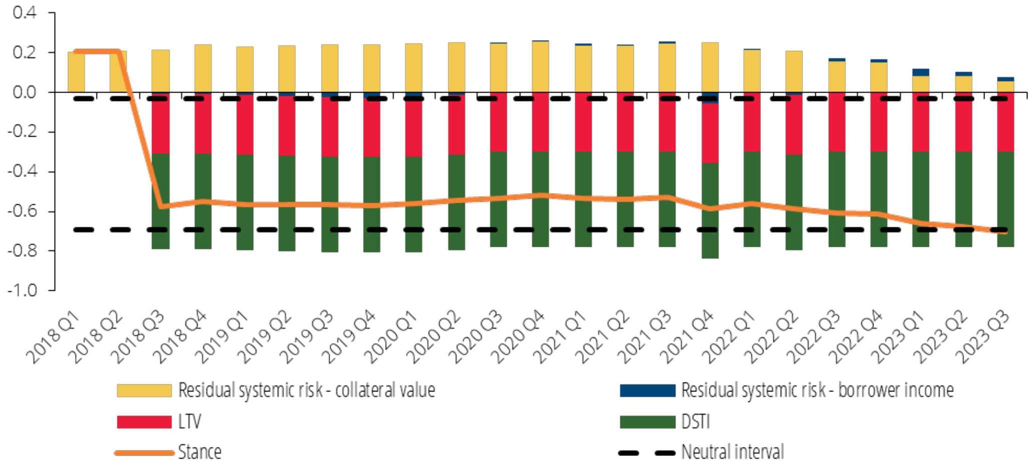
**The Recommendation was designed to ensure that prudent criteria are applied in all phases of the financial cycle and may be adjusted if warranted.** Its wording provides for some flexibility, in particular through exceptions to the DSTI ratio, allowing it not to become excessively restrictive in households' access to credit in times of rapid interest rate rises.

## **2.3** What is the impact on the macroprudential policy stance?

**The macroprudential policy stance assesses the Recommendation's effectiveness in mitigating risks and vulnerabilities related to the real estate market** through the risk-resilience approach. This approach compares the level of 'gross' systemic risk with the resilience of the financial system, with the difference between the two being referred to as residual systemic risk. The macroprudential authority defines the level of residual systemic risk it intends to assume within a range deemed neutral. If, following the application of macroprudential policy, the residual systemic risk exceeds that range, the stance is considered accommodative, signalling the need to reinforce the measures in place. If, in turn, the residual systemic risk falls below that range, there is scope to accommodate a higher level of risk without compromising financial stability, allowing for the adoption of a less restrictive policy.

**The Recommendation led to a change from an accommodative to a neutral stance in the residential real estate sector as of the third quarter of 2018.** In 2023 the macroprudential policy stance tightened, but this trend was reversed in the last quarter of the year with the revision of the interest rate shock for calculating the DSTI ratio, stabilising in a 'neutral stance' range (Chart 2.1). By acting on credit standards, the Recommendation strengthens the resilience of the financial system and borrowers to different sources of risk, including those originating in the residential real estate sector.

Chart 2.1 • Macroprudential policy stance



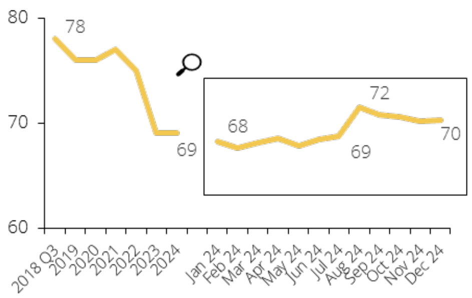

Source: Banco de Portugal.

## 2.4 How did the LTV ratio evolve?

**In 2024, the weighted average LTV ratio remained at 69%, following the reduction recorded in 2023 (Chart 2.2).** In August 2024 the average LTV ratio increased, reaching 72%, and declined in the last months of the year.

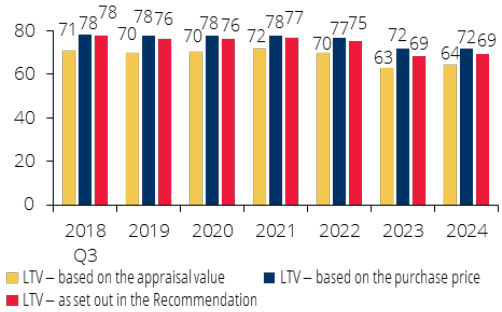
The LTV ratio calculated on the basis of the minimum between the property's purchase price and appraisal value has moved closer on average to the ratio calculated exclusively from the purchase price, as the appraisal value of immovable property is on average higher than its purchase price (Chart 2.3).

Chart 2.2 • Weighted average LTV ratio of new credit for the purchase of own and permanent residence by year and month | Per cent




Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions accounting for around 96% of the housing credit market in 2024.

Chart 2.3 • Weighted average LTV ratio of new credit for the purchase of own and permanent residence by value and purchase price, by year | Per cent

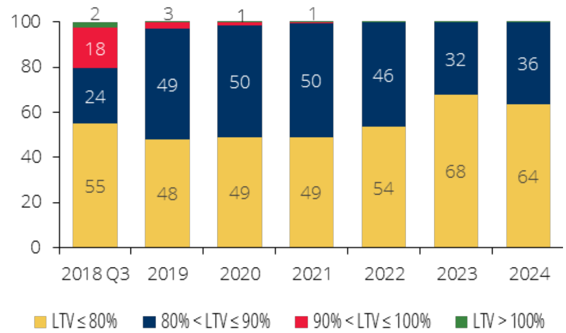



Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions accounting for around 96% of the housing credit market in 2024.

**In 2024, most new credit agreements for house purchase continued to require an inflow of own capital by borrowers of at least 10% of the property value.** The share of new business with an LTV ratio above 90% remained residual, in line with the past five years (Chart 2.4). The share of new agreements with an LTV ratio of 80% or less decreased slightly compared to 2023, standing at 64%, but higher than in previous years.

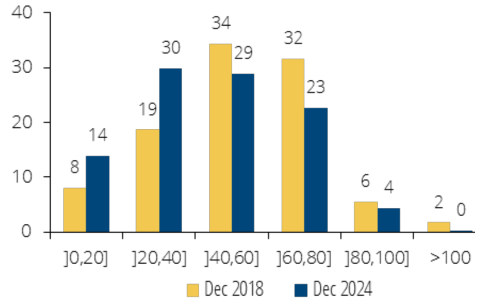
**This is likely to be reflected gradually in the stock of credit, strengthening the resilience of the financial system.** In December 2024, 96% of the stock of credit for house purchase had an LTV ratio of 80% or less (Chart 2.5), reflecting the positive impact of the Recommendation on the evolution of the credit portfolio. Over 70% of the credit stock had an LTV ratio of 60% or less and was an important safeguard for the institutions' capacity to absorb possible drops in residential real estate prices. The share of loans with an LTV ratio above 90% remained residual.

**Chart 2.4 • Distribution of new credit for house purchase by LTV ratio, by year | Per cent**




Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions accounting for around 96% of the housing credit market in 2024.

**Chart 2.5 • Distribution of the stock of loans for house purchase by LTV ratio | Per cent**




Source: Banco de Portugal.

**Developments in the LTV ratio were influenced by a slowdown in the volume of credit transfers between institutions and the entry into force in August of Municipal Real Estate Transfer Tax (IMT) and stamp duty exemptions.** Credit transfers intensified over the course of 2023, and in 2024 still continued to account for a significant share in total credit for house purchase (Chart 2.6). This was linked to a measure implemented by the government at the end of 2022, i.e. the suspension of the early repayment fee charged in credit agreements for the purchase of own and permanent residence with a variable interest rate. Demand for more advantageous contractual conditions warranted an increase in credit transfers for house purchase between institutions as of the end of 2022.

**Credit transfers showed on average an LTV ratio below that of new loans granted (Chart 2.7).** This difference reflects two main factors: (i) the reduction in the amount of capital outstanding at the time of transfer, resulting from repayments already made and (ii) the increase in the appraisal value of immovable property pledged as collateral, which, two years after credit was granted, becomes the only value considered when calculating the LTV ratio. However, even excluding the impact of transfers, the average LTV ratio declined since the Recommendation entered into force.

**Chart 2.6 • Share of transfers in total new credit for house purchase by year** | Per cent

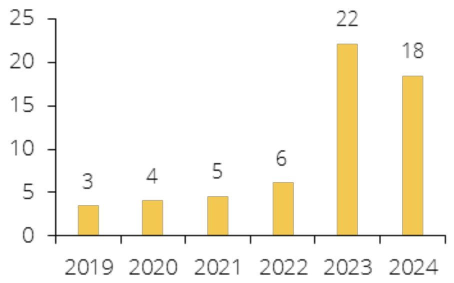
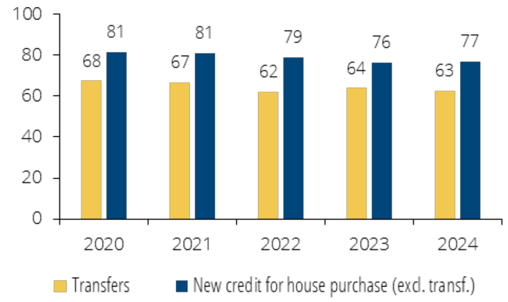



**Chart 2.7 • Average LTV ratio of transfers and new business excluding transfers by year** | Per cent




Source: Banco de Portugal.

**In the last quarter of 2024, a government guarantee scheme was implemented with the aim of facilitating access to credit for the purchase of own and permanent residence to borrowers aged up to 35.** This scheme provides for government-guaranteed credit of up to 15% of the transaction value of the property for own and permanent residence, allowing for financing up to 100% of its value. As a result, many of these agreements may not comply with the Recommendation's limit to the LTV ratio. In line with credit institutions' expectations, the implementation of this measure should result in an increase in credit agreements with borrowers aged up to 35, putting pressure on the average portfolio maturity and leading to a slight increase in the LTV and DSTI ratios.

**In this context, the Banco de Portugal issued a Circular Letter, reiterating the need for close monitoring and requiring substantiated explanations for any possible deviation from the Recommendation, within the "comply or explain" procedure.** All credit agreements exceeding the limits established for the LTV ratio or not complying with other requirements set out in the Recommendation remain subject to the need for explanation, including those under the government guarantee scheme.

**The Banco de Portugal also monitors the possible use of personal credit to offset the Recommendation's limits to the LTV ratio.** In 2024, as in previous years, low values continued to be recorded for borrowers simultaneously taking on credit for house purchase and personal credit for similar purposes.

## 2.5 How did the DSTI ratio evolve?

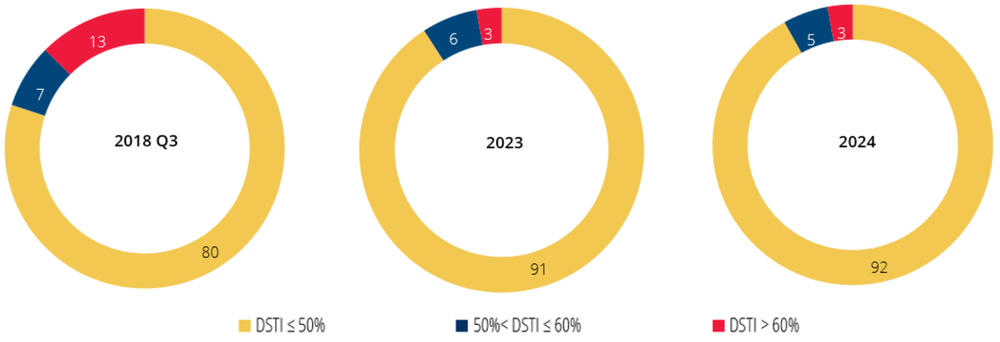
**In 2024, in 92% of new credit agreements for house purchase and new consumer credit agreements borrowers had a DSTI ratio of 50% or less, considering the interest rate and/or income shocks provided for in the Recommendation.** This represents a slight increase compared to 2023 (91%).

**In 2024, in a context of declining interest rates, there was a slight decrease in the use of exceptions to the DSTI ratio, with a focus on a slight reduction in the share of new business with a DSTI ratio between 50% and 60% (Chart 2.8).** In 2022 and 2023 rising interest rates contributed to a slight increase in the use of those exceptions, albeit within the envisaged maximum limits and at levels well below those of 2018.

**In 2024, the share of borrowers' income intended for debt service payment of new loans for house purchase decreased, reflecting declining interest rates and increasing household**

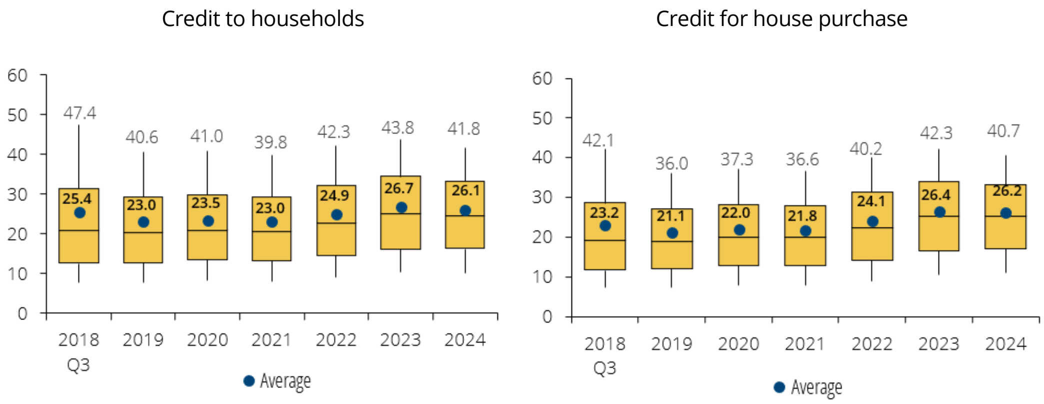
**disposable income.** According to the March 2025 issue of the *Economic Bulletin*, real disposable income increased by 7.8% in 2024 from 2.7% in 2023. This acceleration was driven by an increase in transfers received by households, corporate and property income, as well as tax cuts. After two consecutive years of increase, the average actual DSTI ratio of new credit to households decreased across the distribution, particularly in the 90th percentile, which decreased by 2 percentage points (p.p.) (Chart 2.9). In credit for house purchase, the average actual DSTI ratio decreased from 26.4% to 26.2% between 2023 and 2024, remaining above the level recorded in the third quarter of 2018 (23.2%).

**Chart 2.8 • Distribution of new credit for house purchase and new consumer credit by DSTI ratio** | Per cent




Source: Banco de Portugal. | Notes: Based on information reported by a sample of 13 institutions accounting for around 92% of the household credit market in 2024.

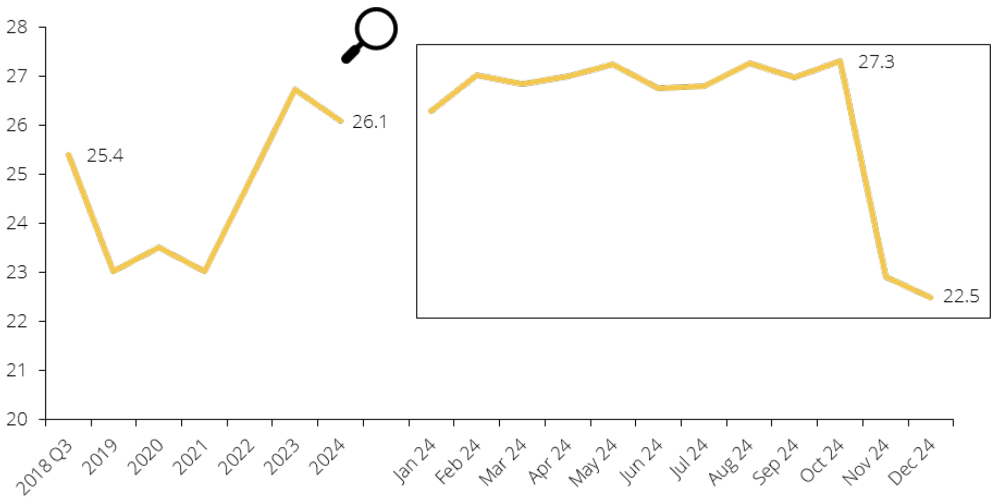
**Chart 2.9 • Distribution of the actual DSTI ratio for new credit by year** | Per cent




Source: Banco de Portugal. | Notes: The chart represents the quartile distribution of the actual DSTI ratio, i.e. without taking into account interest rate and borrower income shocks for new credit to households (left-hand side) and new credit for house purchase (right-hand side). The lower and upper ends correspond to the 10th percentile and the 90th percentile, while the bottom and top of the boxes correspond to the 25th and 75th percentiles.

**The impact of lower reference interest rates on the average actual DSTI ratio of new business only became visible in the last two months of the year (Chart 2.10).**

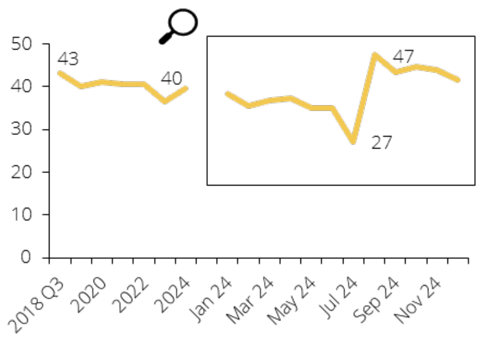
**Chart 2.10 • Evolution of the average actual DSTI ratio for new credit by year and month** | Per cent




Source: Banco de Portugal.

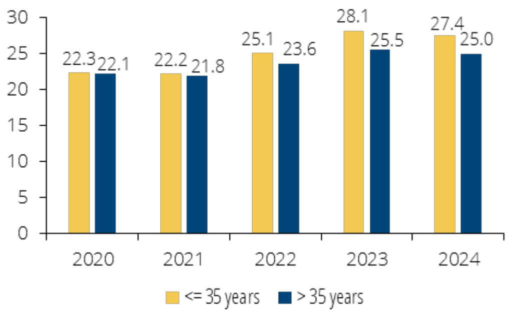
**The proportion of new agreements entered into by borrowers aged up to 35 increased significantly between July and August 2024 (Chart 2.11), from 27% to 47%, which is closer to the share recorded in early 2024.** These borrowers had on average higher actual DSTI ratios associated with lower income (Chart 2.12). By reducing the tax burden, tax exemptions alleviated the costs borne by younger borrowers. This contributed to change in the age distribution of borrowers in the housing credit market, with the increase in the participation of younger borrowers, who have, on average, higher DSTI ratios and longer contractual maturities.

**Chart 2.11 • Share of borrowers aged up to 35 in the market of credit for the purchase of own and permanent residence per year and month** | Per cent




Source: Banco de Portugal.

**Chart 2.12 • Average actual DSTI ratio for new credit by year and month** | Per cent



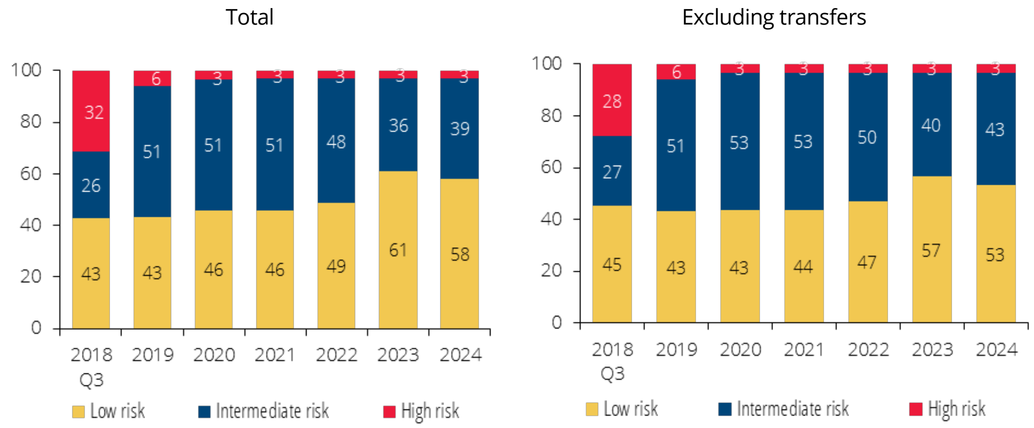

Source: Banco de Portugal.

## 2.6 How did the risk profile evolve?

**Credit for house purchase granted to borrowers with a high risk profile has been declining.** The share of new credit for house purchase granted to borrowers with a DSTI ratio of over 60% and/or an LTV ratio of over 90% decreased from around 32% in the third quarter of 2018 to approximately 3% in 2020, remaining stable ever since. This decrease was offset by an increase in credit granted to borrowers with a low risk profile, which rose from 43% in the third quarter of 2018 to around 58% in 2024, and by an increase in the credit to borrowers with an intermediate risk profile from 26% to 39% over the same period (Chart 2.13).

**Developments in the risk profile of borrowers reflect a sustained improvement, even when excluding the effect of credit transfers.** As the risk profile of transfers is lower on average, reflecting lower LTV and DSTI ratios than for other new business, including them influences overall developments in the borrowers' risk profile. Excluding transfers, there has also been an increase in the share of new business classified as low risk over the last two years, jointly with a decrease in the intermediate risk category.

Chart 2.13 • Borrowers' risk profile in new credit for house purchase by year | Per cent




Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions accounting for around 96% of the housing credit market in 2024. Low risk: DSTI≤50% and LTV≤80%; High risk: DSTI> 60% and/or LTV>90%; Intermediate risk: other cases.

**Most new credit agreements have shown ratios deviating from the limits of the Recommendation** (Box "Characterisation of credit granted in the light of the LTV and DSTI ratio limits of the Recommendation"), i.e. that observe said limits with some leeway. In the period under review, the LTV ratio was the criterion closest to the recommended maximum, although the DSTI ratio approached the limit in the period of interest rate hikes (second half of 2022 to first half of 2024).

## Box 1 • Characterisation of credit granted in the light of the LTV and DSTI ratio limits of the Recommendation

**The limits set out in the Recommendation have promoted improvements in the risk profile of institutions' credit portfolios by limiting the provision of high-risk credit.** The specific design features or incorporation of exception clauses of such measures were defined in such a way as to allow some flexibility so that, for instance, in periods of rapidly rising interest rates and predominantly variable rate credit, they should not become too restrictive for households to access credit. The Recommendation's objective is not to affect overall credit volume, but to increase the resilience of institutions and mitigate potential future default, limiting credit granted to borrowers with a higher risk profile.

**The different limits are complementary in signalling credit risks or losses and when applied simultaneously contribute to mutually reinforcing their effectiveness.** For example, in a context of real estate market valuation, the amount of credit granted to borrowers tends to increase, raising their indebtedness level. Since real estate prices generally grow at a faster pace than borrowers' income, credit granted is constrained by the maximum limit to the DSTI ratio. Hence, the combination of limits to the LTV and DSTI ratios and to maturity contributes to the reinforcement of its effectiveness. In particular, the limits to the DSTI ratio act as automatic stabilisers, tightening in times of fast and sharp rises in interest rates.

**This box analyses credit granting in Portugal, from the entry into force of the Recommendation until the end of 2024, classifying credit granted according to its proximity to the limits set in the Recommendation for the LTV and DSTI ratios.** The analysis focuses on new credit agreements for the purchase of own and permanent residence, excluding credit transfers between institutions. For the purpose of this analysis, the ranges considered were defined around the limits suggested by regulatory guidelines, in line with what has been done in the literature (Grodecka, 2020)..[1] The LTV ratio is considered to be close to the limit when it is between 88% and 90%. The DSTI ratio is close to the recommended limit when the latter is between 48% and 50%. The data analysed relate exclusively to agreements actually concluded, disregarding those rejected by credit institutions.

**Three periods characterised by different monetary policy stances were identified.** The first period (from 2019 to the first half of 2022) covers a scenario of historically low interest rates and stable financing conditions. The second period (from the second half of 2022 to the first half of 2024) corresponds to a phase of fast interest rate hikes, with the third review period (second half of 2024) referring to the start of rate declines.

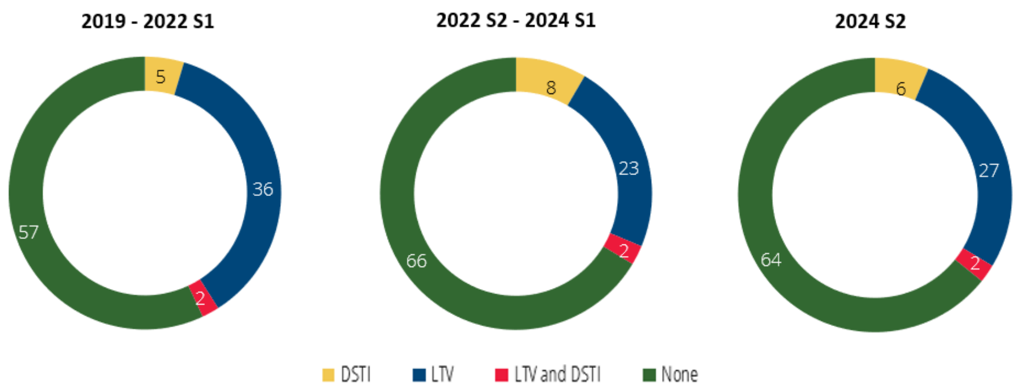
**Over the whole period under review, most new credit agreements had LTV and DSTI ratios clearly below the limits set out in the Recommendation.** In the second half of 2024 there was a slight reduction in this type of agreement (Chart B1.1), although a large majority (64%) of new agreements simultaneously had LTV ratios below 88% and DSTI ratios below 48%.

**Throughout the whole period under review, the share of agreements in which the LTV ratio was the only factor close to its limit remained always higher than the share of agreements where the DSTI ratio was close to 50%**. The share of agreements in which the LTV ratio was the only factor close to its limit declined over the period from the second half of 2022 to the first half of 2024, increasing in the most recent period, despite not reaching the values recorded in the

[1] GRODECKA, A. (2020), On the Effectiveness of Loan-to-Value Regulation in a Multiconstraint Framework. Journal of Money, Credit and Banking, 52: 1231-1270. https://doi.org/10.1111/jmcb.12623

period from 2019 to the first half of 2022. By contrast, between the second half of 2022 and the first half of 2024, the share of agreements in which the DSTI ratio was close to 50% increased by 3 p.p. compared to the period from 2019 to the first half of 2022, in line with monetary policy tightening.

**Chart B1.1 • Share of credit agreements for the purchase of own and permanent residence with LTV and/or DSTI ratios close to the limit, by period** | Per cent

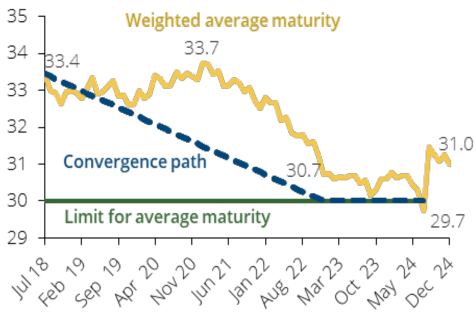



Source: Banco de Portugal.

## 2.7 How did maturities evolve?

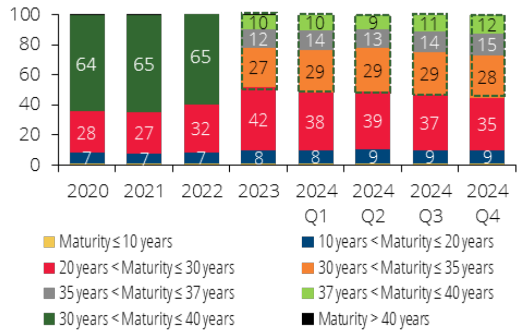
**The weighted average maturity of new credit for house purchase was 31 years in December 2024, 2.4 years less than in July 2018.** After peaking at 33.7 years in January 2021, the weighted average maturity resumed a downward path until the third quarter of 2023, moving closer to the recommendation of 30 years per quarter, albeit slightly higher. In 2024 there was some fluctuation, especially in the second half of the year, with the lowest value recorded in July 2024 (29.7 years), followed by an increase in average maturity (Chart 2.14).

Chart 2.14 • Weighted average maturity of new credit for house purchase by month | In years




Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions accounting for around 96% of the housing credit market in 2024. The average maturity is weighted by the amount of credit granted.

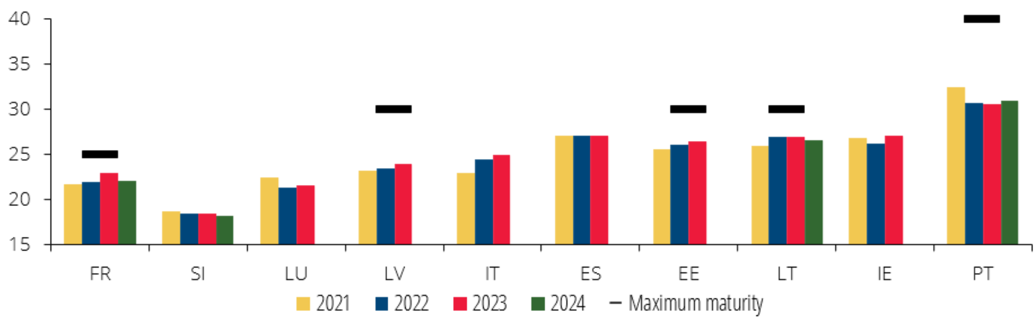
Chart 2.15 • Distribution of new credit for house purchase by maturity range | Per cent




Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions accounting for around 96% of the housing credit market in 2024. As of 2023 the dashed box and its value correspond to the share associated with maturities of over 30 years, and up to and including 40 years.

**In the context of the European Union (EU), Portugal recorded higher maturities in new credit for house purchase.** The average maturity in the EU countries for which information could be collected ranged between 20 and 27 years (Chart 2.16).

Chart 2.16 • Annual maximum and average maturities of new credit for house purchase by country | In years




Source: Information published by the respective national authorities. | Note: Data for 2024 refer to the first half of the year for all countries except Portugal.

**Between 2020 and 2024 the share of new credit for house purchase with a maturity of 30 years or less increased from 35% to around 44%.** In the last quarter of 2024, 55% of new credit for house purchase had a maturity between 30 and 40 years (Chart 2.15). Over the course of 2024, new credit for house purchase complied with the maturity recommended for each borrower age bracket.

**In 2024, as in previous years, the share of consumer credit with a maturity above the thresholds set out in the Recommendation continued to be immaterial.** In car credit, most new business continued to be between seven and ten years, accounting for 70% of the amount taken out. Car credit granted with maturities of over ten years was non-existent. In the fourth quarter of 2024, approximately 83% of new personal credit had maturities between five and seven years. The representativeness of personal credit for health, education and renewable energy remained low, accounting for around 3% of the total.

**The average maturity of personal credit and car credit remained stable throughout 2024.** On average, the maturity of personal credit and car credit was around 6.5 years and 8.6 years respectively.

## **2.8** How did the regular payments requirement evolve?

**In 2024, as in previous years, there was a high degree of compliance with the Recommendation's regular payments requirement.** In the last quarter of 2024, only 2% of new credit failed to comply with this requirement. As in 2023, the explanations presented by institutions for not complying were chiefly related with granting bridging loans, which cover loans that only have a single capital payment, e.g. down payments.

# **3** Macroprudential capital measures

## **3.1** What are they?

**Macroprudential capital measures, or capital buffers, aim to strengthen the financial system's capacity to absorb unexpected losses (Table 3.1).**This set of buffers is called the Combined Buffer Requirement (CBR), which currently includes four buffers that have to be met by Common Equity Tier 1 (CET1):

- The capital conservation buffer (CCoB) equals 2.5% of the total risk-weighted exposure amount. This share is constant over time and aims to accommodate losses in potentially adverse scenarios, allowing institutions to maintain a steady flow of funding to the economy.

- The purpose of the other systemically important institutions (O-SII) buffer is to mitigate structural systemic risk by reducing externalities stemming from excessive risk-taking by systemically important institutions and the associated moral hazard. The Banco de Portugal may apply a capital buffer to these institutions of up to 3% of the total risk-weighted exposure amount.

- The sectoral systemic risk buffer (sSyRB) aims to strengthen the resilience of institutions to the potential future materialisation of systemic risk in a subset of exposures. Should an unanticipated shock materialise in the residential real estate market in Portugal, the buffer can be fully or partially released, providing sufficient resilience to absorb portfolio losses.The Banco de Portugal introduced a 4% sectoral systemic risk buffer, applicable as of 1 October 2024 to institutions using the internal ratings-based (IRB) approach, focusing on the risk-weighted exposure amount of households' portfolio secured by residential real estate located in Portugal.

- The countercyclical capital buffer (CCyB) aims to strengthen the resilience of institutions, ensuring greater capacity to absorb losses resulting from unexpected cyclical systemic shocks. Whenever risks materialise or decrease, the CCyB ensures that the banking sector can better absorb losses and remain solvent, without compromising lending to the economy. Its value currently stands at 0% for risk-weighted exposures in Portugal. From 1 January 2026 this value is to be 0.75% of the total risk-weighted exposure amount in Portugal. However, some Portuguese credit institutions already hold a specific CCyB. This is the result of the mandatory reciprocity of CCyBs implemented in other Member States of the European Economic Area (EEA) for buffer values up to 2.5%.

**Table 3.1 • Macroprudential capital measures implemented in Portugal**

| | Purpose | Nature | % of the buffer applied | Date of implementation | Values 2024 |
|---|---|---|---|---|---|
| **CCoB** | Maintaining the flow of funding to the economy at times of financial stress. | Structural | 2.5% | Jan 2016 | €4,558 million |
| **O-SII buffer** | Mitigating the build-up of systemic risk associated with misaligned incentives and moral hazard. | Structural | 0.25%-1% | Jan 2018 | €1,094 million |
| **sSyRB** | Strengthening institutions' resilience given the potential future materialisation of systemic risk in the residential real estate market in Portugal. | Cyclical | 4% of risk-weighted exposures secured by residential real estate in Portugal.<br>Applicable to banks using the internal ratings-based approach. | Oct 2024 | €503 million |
| **CCyB** | Strengthening the resilience of institutions early in the financial cycle, ensuring greater capacity to absorb losses that could result from unexpected systemic shocks. | Cyclical | 0.75% | Jan 2026 | - |

Source: Banco de Portugal. | Notes: Buffer values in euro relate to 31 December 2024. The CCyB is expected to enter into force in Portugal on 1 January 2026, therefore no figures are available for this buffer for 2024. The specific CCyB presented in some institutions results from the mandatory reciprocity of CCyBs implemented in other EEA Member States (for buffer values up to 2.5%). At the end of 2024, this value accounts for €66 million.

**In November 2024 the Banco de Portugal identified seven banking groups as O-SIIs.** For each O-SII, the Banco de Portugal also set the corresponding capital buffer requirements, as a percentage of the total risk exposure amount. In the case of the LSF Nani group, the buffer was also applied to Novo Banco.

**Table 3.2 • O-SII buffer in Portugal** | As a percentage of the total risk exposure amount

| Institution | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| Banco Comercial Português, S. A. | 0.188 | 0.375 | 0.563 | 0.563 | 0.75 | 1 | 1 | 1 |
| Caixa Geral de Depósitos, S. A. | 0.25 | 0.5 | 0.75 | 0.75 | 1 | 1 | 0.75 | 0.75 |
| Santander Totta, SGPS, S. A. | 0.125 | 0.25 | 0.375 | 0.375 | 0.5 | 0.5 | 0.5 | 0.75 |
| LSF Nani Investments S.à.r.l. | - | 0.25 | 0.375 | 0.375 | 0.5 | 0.5 | 0.5 | 0.5 |
| Novo Banco, S. A. | 0.125 | - | - | - | - | - | 0.25 | 0.5 |
| Banco BPI, S. A. | 0.125 | 0.25 | 0.375 | 0.375 | 0.5 | 0.5 | 0.5 | 0.5 |
| Caixa Económica Montepio Geral, Caixa Económica Bancária, S. A. | 0.0625 | 0.125 | 0.188 | 0.188 | 0.25 | 0.25 | 0.25 | 0.25 |
| Caixa Central — Caixa Central de Crédito Agrícola Mútuo, S. A. | - | - | - | - | - | 0.25 | 0.25 | 0.25 |

Source: Banco de Portugal. | Note: For Novo Banco, the 0.5% O-SII buffer only applies as of 1 July 2025.

**A key feature of some buffers is the possibility of releasing them (fully or partially), although all can be used by institutions to absorb losses.** A buffer that can be released means that macroprudential authorities can, under certain circumstances, reduce or remove that capital requirement, allowing institutions to hold such capital. This possibility applies to the CCyB and the sSyRB in response to the materialisation of underlying systemic risk sources. On the contrary, a buffer that cannot be released means that the macroprudential authority has no power to reduce or remove the buffer requirement, although institutions can use it to absorb losses. The CCoB and O-SII buffers are the only ones in this category. Together, the CCyB and sSyRB correspond to a total of releasable buffers in Portugal of 1% of the risk-weighted exposure amounts of the domestic banking system, i.e. close to the euro area average.

**Potential use of the CBR to absorb losses implies that the institution is subject to restrictions on dividend distribution, the payment of other capital instruments and the repurchase of own shares and the submission of a capital conservation plan to the microprudential authority.** Failure to comply with the CBR in itself does not call into question the institution carrying on its business.

**The CBR interacts with other CET1 requirements such as: (i) the minimum regulatory requirements (P1R); and (ii) Pillar 2 requirement (P2R) imposed by the microprudential authority.** For determining the management buffer, Pillar 2 guidance (P2G) set by the microprudential authority should also be considered, although it does not correspond to a regulatory capital requirement.

## 3.2 What are the benefits and the economic rationale?

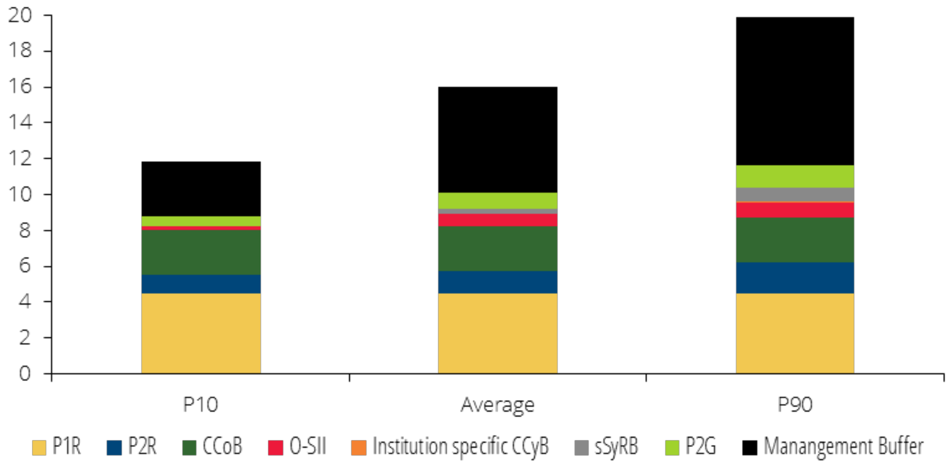
**Capital buffers aim to increase the financial system's capacity to absorb losses, strengthening the resilience of institutions directly.** Some of these measures can be applied to all or only a subset of institutions' risk-weighted exposures, raising capital requirements, thus making the financial system more resilient. Buffers can be used to absorb losses during periods of risk materialisation and thus prevent behaviours with the potential to exacerbate the effects of a shock, such as balance sheet deleveraging, with a consequent reduction in the flow of credit within the economy. Cyclical buffers contribute to reducing the build-up of cyclical systemic risk over time, reducing the size of the financial cycle, while structural buffers tend to limit contagion effects from an adverse shock.

**At any time, the authorities' choice of either type of measure or the possible combination of both types is limited by five factors:** (i) the respective national legal framework; (ii) the phase of the financial cycle; (iii) the source of systemic risk to be mitigated; (iv) the existence of complementarities and synergies across instruments and other policies, namely monetary policy; and (v) the national specifics of each financial system.

## 3.3 How were they complied with?

**The available capital of institutions identified as O-SIIs is higher than CET1 requirements, with all groups having a management buffer amount averaging 6% of total risk-weighted exposure amounts (Chart 3.1).** Despite the heterogeneity across institutions throughout the entire distribution, they show CET1 ratios above their applicable requirements, even across those with the lowest capitalisation level (10$^{th}$ percentile). This indicator largely reflects the institutions' internal capital generation capacity. At the end of 2024, among the CBR components, the CCoB and the O-SII buffer were the most significant.

**Chart 3.1** • Regulatory capital requirements in CET1 and management buffers for banking groups identified as O-SIIs, in December 2024 | Per cent



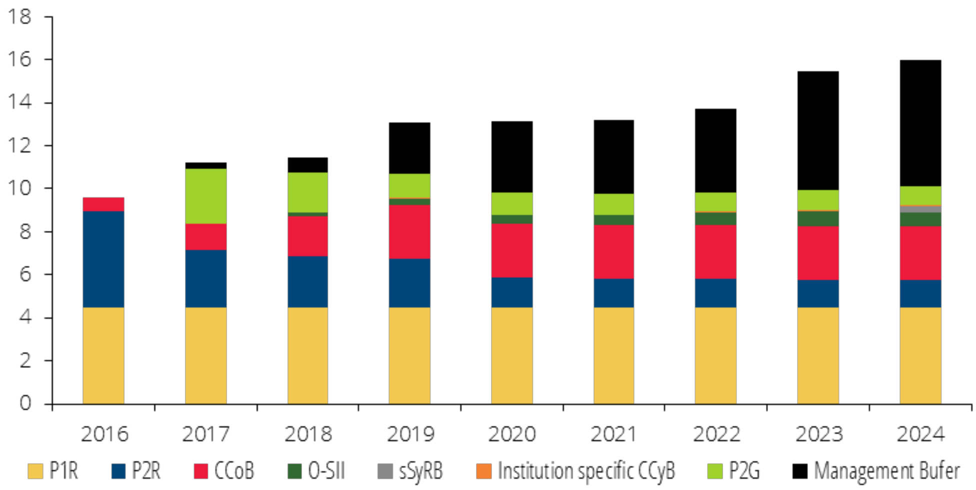

Source: Banco de Portugal. | Notes: P1R – Pillar 1 requirements; P2R – Pillar 2 requirements; P2G – Pillar 2 guidance; Values for the average were calculated as a percentage of risk-weighted exposure amounts (RWAs). The institution-specific CCyB does not include the 0.75% countercyclical buffer for Portugal expected to enter into force on 1 January 2026.

## 3.4 How did the CBR evolve?

**At the end of December 2024 the aggregate CBR of the domestic banking system reached €6.2 billion (3.4% of risk-weighted exposures).** The CCoB accounts for around 74% of the CBR. Based on the same balance sheet values, if the 0.75% CCyB rate expected for January 2026 were applied on that date, a €1.4 billion increase in the CBR would be estimated, to €7.5 billion (4.1% of risk-weighted exposures), against a reduction in the management buffer.

**Between 2016 and 2024 the evolution of regulatory capital requirements in CET1 and management buffers for banking groups identified as O-SIIs reflected a significant adjustment in the structure of required capital (Chart 3.2).** Early in the period under review, the requirement structure was dominated by the P1R and a high P2R, with a still low weight of the CCoB and the management buffer. As the macro and microprudential approaches were strengthened over the years, there was a redistribution of requirements, with a gradual increase in the relative weight of the CCoB (from 0.625% in 2016 to 2.5% from 2019 onwards of the risk-weighted exposure amount) and the O-SII buffer (from 0.16% in 2018 to 0.63% in 2024 of the risk-weighted exposure amount). The significant growth of management buffers from residual levels to 6% of the total aggregate risk-weighted exposures in 2024, showed an increase in banks' internal capital generation capacity over time. With the implementation of the CCyB, the amount of this buffer will become more relevant in the capital requirements structure. If the CCyB had been in place at the end of 2024, the amount of management buffers would decrease from 6% to 5.3% of risk-weighted exposures.

**Chart 3.2** • Evolution of regulatory capital requirements in CET1 and management buffers for banking groups identified as O-SIIs, by year | Per cent




Source: Banco de Portugal. | Notes: P1R – Pillar 1 requirements; P2R – Pillar 2 requirements; P2G – Pillar 2 guidance. Values for the average were calculated as a percentage of the risk-weighted exposure amounts (RWAs). The institution-specific CCyB does not include the 0.75% countercyclical buffer for Portugal expected to enter into force on 1 January 2026.