

Notification template for borrower-based measures

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This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure¹.

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| 1. Notifying national authority and scope of the notification | | |
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| 1.1 | Name of the notifying authority | Banco de Portugal |
| 1.2 | Country of the notifying authority | Portugal |
| 1.3 | Type of borrower-based measure | Please select one of the measures listed below: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Debt-service-to-income (DSTI) <input type="checkbox"/> Loan-to-income (LTI) <input checked="" type="checkbox"/> Loan-to-value (LTV) <input type="checkbox"/> Debt-to-income (DTI) <input checked="" type="checkbox"/> Loan maturity <input checked="" type="checkbox"/> Other (Requirement of regular principal and interest payments) |
| 1.4 | Type of notification | What do you intend to notify? <ul style="list-style-type: none"> <input type="checkbox"/> Activation of a new measure <input checked="" type="checkbox"/> Change to an existing measure <input type="checkbox"/> Extension of an existing measure <input type="checkbox"/> Termination of an existing measure |

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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

| 2. Description of the measure | | |
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| 2.1 | Description of the measure | <p>The revised Macroprudential Recommendation constitutes a revision to Banco de Portugal's Macroprudential Recommendation introduced in 2018.</p> <p>The present revision does not aim to alter the nature or the objectives underlying its issuance. Rather, it seeks to adjust the framework of applicable recommendations to the recent developments in the household credit market and real estate market, ensuring that these remain appropriate, proportionate, and effective in addressing the risks currently identified. It also aims to promote the simplification of the measures.</p> <p>The 2018 Macroprudential Recommendation was introduced with the objective of strengthening the resilience of the financial system and promoting prudent lending standards in credit granted to households. To this end, it established criteria and limits applicable to credit origination, some of a structural nature and others with a flexible component, such as the interest rate shock. Over time, the 2018 Macroprudential Recommendation has undergone targeted adjustments, reflecting changes in the macroeconomic environment, developments in interest rates, and conditions observed in the credit market.</p> <p>For further information on the rationale underlying the Recommendation – see 4.1.</p> <p>The changes to the Macroprudential Recommendation, as well as the elements that remain unchanged, are described below.</p> <p>LTV limits</p> <ul style="list-style-type: none"> • Maintenance of 90% for credit for own and permanent residence; • Maintenance of 80% for credit for purposes other than own and permanent residence; • Removal of the 100% LTV limit for credit for purchasing immovable property held by the credit institutions (these transactions are now subject to the general limits applicable to credit for the |

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| | | <p style="text-align: center;">purchase of a primary residence - LTV of 90% - and to credit for other purposes - LTV of 80%)</p> <p>The removal of the 100% LTV limit for credit for purchasing immovable property held by the credit institutions reflects the significant reduction in the volume of non-performing assets on the balance sheets of credit institutions since the introduction of the original Recommendation. This amendment contributes to simplifying the Recommendation by reducing the number of exceptions and limits, and by promoting a more uniform and clearer framework for the granting of mortgage credit.</p> <p>In addition, financial leasing agreements for real estate were excluded from the scope of the Recommendation, due to its low materiality and given their distinct risk features compared to conventional mortgage loans. Nonetheless, instalments related to real estate financial leasing contracts should continue to be included in the numerator of the DSTI calculation applicable to all other new credit agreements covered by the Recommendation.</p> <p>DSTI limits</p> <ul style="list-style-type: none"> • Reduction from 50% to 45% to the ratio between the monthly instalment amount calculated with all the borrower's loans and his/her net income (DSTI – debt service-to-income), with the following exception under the adjusted Recommendation: <ul style="list-style-type: none"> • up to 10% of the total amount of credit granted under this measure by each institution in each year may exceed the limits laid down regarding the DSTI. (Previously, the Recommendation provided for a total exception limit of 15%, distributed as follows: up to 10% of the total amount of credit granted by each institution with a DSTI between 50% and 60%, and up to 5% above 60%.) |
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| | | <p>The decision of reducing the DSTI limit is based on evidence of a gradual easing of credit granting criteria observed in recent years. Despite the reduction in benchmark interest rates, notably Euribor, and the growth in households' real disposable income, factors that would tend to lead to a decrease in DSTI in new contracts, the observed DSTI has remained stable, but at higher levels than those historically recorded. This development suggests that the improvement in financial conditions has, in part, been used to support higher levels of indebtedness, namely, larger loan amounts, rather than translating into a reduction in borrowers' financial burden. This trend has been reflected in the household debt ratio, which increased to 81.6% in 2025, interrupting the deleveraging trajectory observed in previous years and signalling a potential buildup of vulnerabilities in the household segment.</p> <p>The decision to reduce the percentage of exceptions to the DSTI limit has two complementary objectives. First, it reflects practices effectively observed in the market. Historically, targeted institutions have used a percentage of exceptions below the previously allowed limit. In 2025, the actual use of these exceptions stood at around 6% of new credit. Therefore, reducing the percentage of exceptions makes it possible to restrict higher-risk lending without producing significant disruptive effects on credit activity, aligning the macroprudential framework with the practices already adopted by institutions. Additionally, it contributes to simplifying the Recommendation, making its implementation more straightforward.</p> <p>Maturity limits</p> <ul style="list-style-type: none"> • Removal of the average maturity of new credit agreements; • Maintenance of the maximum maturity limit of 7 years for personal loans; |
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| | | <ul style="list-style-type: none"> • Maintenance of the maximum maturity limit of 10 years for car loans and personal loans for the purposes of education, health, and energy transition; • Maintenance of the maximum maturity limit of 40 years for loans secured by a mortgage or equivalent, for borrowers aged up to 30 years • Increase in the maximum maturity limit from 37 to 40 years for borrowers aged between 30 and 35 years; • Maintenance of the maximum maturity limit of 35 years for loans secured by a mortgage or equivalent, for borrowers aged 35 years or older <p>Under the revised Recommendation, there are two maturity limits for loans secured by a mortgage or equivalent, according to the borrowers' age.</p> <p>The removal of the average maturity of new credit agreements addresses the need to simplify the macroprudential framework, while also reflecting the experience gained since the implementation of the Recommendation in 2018 and the recent evolution of the housing credit market. In particular, it was observed that this guideline has become progressively less aligned with the age structure of the new mortgage credit market. The change associated with the increased participation of younger borrowers in the housing credit market has resulted in a higher share of contracts with longer maturities, although still consistent with the maximum limits by borrower age group. In this context, the average maturity of new contracts has increasingly reflected structural changes in demand and in the composition of borrowers, rather than an increase in the risk associated with credit granting practices by institutions.</p> <p>The increase in the maximum maturity limit for borrowers aged between 30 and 35 years reduces the number of maturity limits based on the borrower's age, contributing to the simplification of the Recommendation. Additionally, it helps to partially mitigate the impact of the reduction in</p> |
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| | | <p>the DSTI limit on younger borrowers, as borrowers aged between 30 and 35 years will also be able to benefit from a maximum maturity of 40 years.</p> <p>Requirement of regular principal and interest payments</p> <p>The revised Recommendation continues to establish that the credit agreements must have regular principal and interest payments.</p> <p>Some credits are excluded from the scope of the Recommendation – see 2.2.</p> |
| 2.2 | Definition of the measure | <p>In addition to what is described in section 2.1, the Recommendation also encompasses the following aspects.</p> <p>The Recommendation does not apply to several categories of credit agreements. These include (i) overdraft facilities as defined by Law no. 133/2009; (ii) credit agreements aimed at preventing or resolving default situations, such as refinancing, consolidation, or amendments to existing credit terms; (iii) contracts with a total amount equal to or below ten times the minimum monthly wage; (iv) credit agreements concluded under specific legal regimes established by Laws no. 63/2014 and 64/2014; (v) open-ended credit arrangements without a fixed repayment plan, such as credit cards, credit lines, and overdraft facilities; and (vi) financial leasing of immovable property. Additionally, it excludes increases in the total amount of such credit contracts during their term where the resulting amount remains at or below ten times the minimum monthly wage, or where the additional funds are made available only on a temporary basis for a period not exceeding three months.</p> <p>The LTV should be calculated as the ratio between the total amount of credit agreements secured by a given property and the value of that property.</p> <p>The numerator of the ratio should include the amount of loan(s) secured by the same property, thus taking into account the total credit secured (in whole or in part) by</p> |

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| | <p>mortgages on the same property (related credit), in order to avoid the possibility of regulatory arbitrage.</p> <p>In the denominator, the value of the property should correspond to the lower of the purchase price and the appraised value of the property used as collateral. The property valuation should follow the guidelines established in the legal framework applicable to real estate appraisers, set out in Law No. 153/2015 of 14 September, which regulates access to and the exercise of the activity of real estate appraisers providing services to entities within the national financial system.</p> <p>The DSTI should be calculated as the ratio between the total amount of monthly instalments associated with the borrower's loan(s) and their net monthly income.</p> <p>In calculating the <u>numerator of the DSTI</u>, the instalments of both existing credit agreements and the new credit agreement must be considered. The total amount of monthly instalments across all loans refers to the sum of the monthly payments made in respect of all loans held by the borrower.</p> <p>The monthly instalment of the new credit agreement should be calculated assuming it remains constant over the life of the contract and taking into account the impact of an increase in the contracted interest rate. The requirement to calculate the DSTI under a constant instalment scheme aims to prevent situations where, in cases of non-standard repayment structures, such as increasing instalments or grace periods or principal deferrals, only the lower initial instalments are considered.</p> <p>Given expectations of rising interest rates over the life of the contract, the DSTI calculation also incorporates, in its numerator, an increase in the interest rate, which varies depending on the original maturity of the contracts and the interest rate regime (Table 1). The aim is to test whether borrowers are able to withstand the effects on</p> |
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debt servicing resulting from a likely increase in interest rates.

Table 1 – Index increase for DSTI calculations

| Interest rate regime | Loan maturity and increase in index | | |
|----------------------|-------------------------------------|------------------------|------------|
| | ≤ 5 years | > 5 years e ≤ 10 years | > 10 years |
| Variable and mixed | +0,5 p.p. | +1 p.p. | +1,5 p.p. |

In calculating the denominator of the DSTI, the borrower's annual income should be considered and divided by twelve months. Income is defined as the annual amount received by the borrower(s), net of taxes and mandatory Social Security contributions, in accordance with the latest income tax return and/or information on income earned in the three months prior to the solvency assessment, as set out in Article 7 of Banco de Portugal Notice No. 4/2017 of 22 September.

Additionally, in the DSTI calculation, a reduction in the borrower's income is considered from the age of 70, as it is expected that income will decrease materially when transitioning from working life to retirement.

In the case where the contract has only one borrower and assuming a reduction in income of at least 20%, the income ($Rend_{DSTI}$) to be considered for the calculation of the DSTI results from a weighted average, as described in the following formula:

$$Rend_{DSTI} = X_1 * REND + X_2 * REND * (1 - \alpha)$$

Where:

REND refers to the borrower's current net monthly income;

X_1 is the number of years during the contract period in which the borrower is aged **70 or less**, divided by the total number of years of the contract;

X_2 is the number of years during the contract period in which the borrower is aged **over 70**, divided by the total number of years of the contract;

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| | | $\alpha \geq 0.2$. |
| 2.3 | Legal basis and process of implementation of the measure | Banco de Portugal is the macroprudential authority in Portugal, according to article 16-A of its Organic Law (law n.º 5/98, 31 January 1998, as amended by Decree-Law No. 118/2001 of 17 April 2001). The mandate for financial stability, which is enshrined in its Statutes, allows Banco de Portugal to implement Recommendations to the financial sector. The measure is adopted by Banco de Portugal as a Recommendation, based on the "comply or explain" principle. The credit institutions targeted must respect the limits applied; otherwise they must justify their non-compliance. Banco de Portugal will assess the adequacy of the justifications presented by the credit institutions. |
| 2.4 | Coverage | <p>The Recommendation applies to all credit institutions and financial companies that have head offices or branches in the Portuguese territory.</p> <p>a. Only natural persons.</p> |

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| | | b. Mortgage loans, consumer loans that are provided to consumers with a mortgage, consumer loans. |
| 2.5 | Calibration | The proposal was assessed by Banco de Portugal using a loan-level dataset – from the Portuguese Central Credit Register – with simulations and analytical studies carried out explicitly to support the calibration of the measure. In particular, the simulations were designed to quantify the impact of the proposed changes on the total amount of credit granted, loan-to-value (LTV) ratios, debt service-to-income (DSTI) ratios, and loan maturities. The analysis further explored the distributional effects across different income groups, as well as across various statistical indicators, notably average values and upper percentiles (e.g. the 90th percentile). In addition, both the individual and the combined effects of the different measures and applicable exceptions were assessed. Furthermore, complementary studies were conducted to assess the macroeconomic implications, using a dynamic stochastic general equilibrium model of a small open economy calibrated to the Portuguese economy, incorporating financial frictions, a banking sector, macroprudential instruments, mortgage and corporate loans and nominal and wage rigidities. |
| 3. Timing for the measure | | |
| 3.1 | Timing for the decision | 16/06/2026 |
| 3.2 | Timing for publication | 02/07/2026 |

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| 3.3 | Disclosure | <p>Banco de Portugal conducted several meetings with relevant stakeholders in order to gather complementary information to design and calibrate the measures, discuss implementation issues and the expected impact of the measures.</p> <p>The measure has been submitted for consultation to Associação Portuguesa de Leasing, Factoring e Renting (ALF), Associação Portuguesa de Bancos (APB), Associação de Instituições de Crédito Especializado (ASFAC), Associação Portuguesa para a Defesa do Consumidor (DECO), European Central Bank (ECB) and European Systemic Risk Board (ESRB). In addition, the National Council of Financial Supervisors, under Article 2 (3) (c) of Decree Law No 143/2013 of 18 October 2013 was consulted.</p> <p>The Recommendation will be published on a dedicated webpage in Banco de Portugal website and in the Official Journal.</p> |
| 3.4 | Timing for the application | 01/08/2026 |
| 3.5 | End date (if applicable) | Not Applicable |
| 4. Reason for activation of the measure | | |
| 4.1 | Description of the macroprudential risk | <p>In recent years, the credit market has undergone significant changes. After a prolonged period of low growth rates (including a period of negative rates between 2011 and 2018) the stock of housing loans picked up and reached an annual growth rate of 10.6% in March 2026, standings at levels like those observed before the 2008 financial crisis.</p> |

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| | <p>New consumer credit operations have also shown a sustained growth trajectory since 2014, interrupted only during the pandemic crisis. These dynamics have been reflected in the dynamics of the stock of consumer credit, which registered an annual growth rate of 8.5% in March 2026.</p> <p>The average amount of new contracts for the acquisition of owner-occupied housing and consumer credit has shown an upward trend in Portugal.</p> <p>The weighted average spread on new housing loan contracts stood at 0.75 percentage points in March 2026, showing a downward trend since 2023, when it was above 1 percentage point. The decline in spreads occurred in a context characterized by strong competition among financial institutions, the increasing use of credit intermediaries, and the implementation of legislative measures, namely the temporary exemption of the early repayment fee for contracts with variable interest rates.</p> <p>Another relevant development in the housing credit market concerns the entry of first-time buyers. As a result, the share of first-time buyers increased from around 55% since the introduction of the Macroprudential Recommendation, in 2018, until July 2024, to approximately 62% in the more recent period between August 2024 and March 2026, within the universe of new mortgage lending operations. This behaviour suggests that the slight easing of lending criteria observed recently is partly related to the entry of these borrowers into the market under the State guarantee scheme.</p> <p>This evolution is also linked to a set of legislative measures aimed at borrowers up to 35 years old, implemented during a period of declining benchmark interest rates, which has influenced the recent dynamics of the housing credit market in Portugal. Among these, notable measures include exemptions from the Municipal Property Transfer Tax (IMT), Stamp Duty (IS), and administrative fees, in force since August 2024, as well as the expansion of the Youth Personal Income Tax (IRS Jovem) scheme. In January 2025, the State guarantee scheme was also implemented, enabling young</p> |
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| | <p>borrowers to acquire their first home through credit granted by institutions at a level exceeding 90% of the transaction value. It is observed that borrowers benefiting from the State guarantee represent a significant share and are, on average, associated with higher levels of actual DSTI, LTV, maturity and lower monthly income.</p> <p>The actual DSTI has also shown an upward trend over time, stabilising from 2023 onwards. It is important to note that, up to that period, the actual DSTI closely followed the evolution of benchmark interest rates. This relationship was no longer observed from 2023 onwards, even after the reduction in benchmark interest rates. In 2025, the average actual DSTI remaining around 30% resulted, on the one hand, from the downward trajectory of interest rates and the 3.1% growth in households' real disposable income, which helped reduce the debt burden. On the other hand, this effect was offset by the higher level of borrower indebtedness, particularly among those who made use of the State guarantee and who display higher debt-service to income ratios. Further, regarding new consumer credit, the 90th percentile has remained persistently high, close to the 50% threshold, with no clear signs of decline in recent years.</p> <p>In addition, around two-thirds of borrowers accessing consumer credit are concentrated in the three lowest income quintiles. Furthermore, according to the 2024 <i>Inquérito à Situação Financeira das Famílias</i> (Household Finance and Consumption Survey), approximately 30% of households in the lowest net wealth class held loans not secured by real estate.</p> <p>The weighted average LTV ratio for all new housing loans increased from 70% in 2024 to 75% in 2025, primarily driven by loans granted under the State guarantee, which exhibited an average LTV of 99%.</p> <p>The average maturity resumed an upward trajectory, extending into early 2025 and stabilising at 32 years in the second half of the year. This increase compared to 2024 mainly reflects the higher share of loans granted to borrowers aged up to 35, particularly those under the State guarantee scheme. In these cases, the average</p> |
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| | | <p>maturity reached 37 years and 11 months, highlighting the predominance of longer-term contracts which, while complying with the limits set out in the Macroprudential Recommendation, frequently lie close to the maximum permitted thresholds.</p> <p>Currently, a strong acceleration in housing prices is observed, with Portugal recording one of the highest growth rates among European Union countries, with an annual rate of 17.7% in the third quarter of 2025. In addition, the results of the models used by Banco de Portugal point to signs of overvaluation in the residential real estate market, indicating a deviation of prices from the macroeconomic fundamentals that would support their evolution.</p> <p>More recently, the share of transactions financed through credit increased from 40% in 2024 to 54% in 2025Q4, indicating a rise in the financial system's exposure to the real estate market. Thus, the risk arises not only from higher household indebtedness but also from the growing exposure of the financial system to potential sudden and significant corrections in housing prices.</p> <p>This development constitutes a risk factor, given the potential for a feedback loop between credit and housing prices, whereby both reinforce each other. In this context, it is essential to ensure that housing credit does not become a central driver of price developments in the residential real estate market, thereby preventing the formation of a self-reinforcing dynamic between credit and prices.</p> |
| 4.2 | Indicators used for activation of the measure | <p>LTV, DSTI and maturity of new housing and consumer loans were drawn from:</p> <ul style="list-style-type: none"> • The Portuguese Central Credit Register. |

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| 4.3 | Effects of the measure | <p>The proposal was assessed by Banco de Portugal using a contract-by-contract dataset. The simulations were conducted to examine the effects of these changes on the lending criteria and on the amount of credit granted. Under the scenarios considered, the reduction of new credit is expected to be limited.</p> <p>In addition, studies were carried out on the macroeconomic effects, using a general equilibrium model calibrated to the Portuguese economy, incorporating financial frictions and a banking sector. The results of the transitional effects analysis indicate modest effects on GDP, consumption and investment. In the long term, the results point to an almost nil effect on GDP and to an immaterial reduction in the stock of housing credit.</p> |
| 5. Sufficiency, consistency and non-overlap of the policy response | | |
| 5.1 | Sufficiency of the policy response | <p>The changes introduced aim to promote the adoption of prudent credit standards and, at the same time, contributing to the resilience of the financial system and to reducing the likelihood of household default. Additionally, this review simplifies the macroprudential framework with regard to borrower-based measures by eliminating criteria that have become disproportionate given the currently limited relevance of the type of credit they targeted, or whose removal helps reduce the operational complexity of these measures.</p> <p>The Banco de Portugal believes the Recommendation is sufficient to control the risks stemming from the current macroeconomic environment in Portugal. Nevertheless, the Banco de Portugal, as the macroprudential authority will continue to monitor compliance with the Recommendation, to prevent potential distortions of competition or actions that may jeopardise the Recommendation's effectiveness.</p> |

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| 5.2 | Consistency of application of the policy response | <p>The changes introduced aim to promote the adoption of more prudent lending criteria and, at the same time, contributing to the resilience of the financial system and to reducing the likelihood of household default.</p> <p>Thus, the measure is consistent with the initial objectives of the macroprudential Recommendation. The Banco de Portugal expects that, in the medium term, the changes introduced foster the reduction of borrowers' probability of default, improving the quality of the institutions' credit portfolio, and reducing the borrowers' vulnerability to potential adverse scenarios.</p> |
| 5.3 | Non-overlap of the policy response | There is no other policy instruments targeted to this source of systemic risk, thus there is no overlap. |
| 6. Cross-border and cross-sector impact of the measure | | |
| 6.1 | Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2 ²) | Cross-border effects are not expected. The measure is directly applicable to new loans granted within the Portuguese jurisdiction, irrespective of whether the lender is domestic or foreigner. In addition, loans to Portuguese households granted abroad or loans to households abroad provided by domestic institutions are residual, limiting the scope for both inward and outward spillovers. |

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

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| 6.2 | Assessment of leakages and regulatory arbitrage within the notifying Member State | The scope for leakages and regulatory arbitrage should be minimal given that: <ul style="list-style-type: none"> • The coverage of creditors includes all providers of new loans within the Portuguese jurisdiction; • The measure is applicable to both consumer and mortgage loans, minimising the possibility of circumventing the limits applied to mortgages with consumer loans. |
| 6.3 | Request for reciprocation | No, given the above-mentioned information in 6.1 and 6.2. |
| 6.4 | Justification for the request for reciprocation | Not applicable. |
| 7. Miscellaneous | | |
| 7.1 | Contact person(s)/mailbox at notifying authority | Ana Venâncio (Head of the Financial Stability Department) avenancio@bportugal.pt +351 211 597 099 Fátima Silva (Head of the Macroprudential Policy Division) mfsilva@bportugal.pt +351 211 597 024 |

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| 7.2 | Any other relevant information | Not applicable |
| 7.3 | Date of the notification | Please provide the date on which this notification was uploaded/sent. 02/07/2026 |