

NPL&REO in Portugal 2026

SPRING UPDATE

Portugal has continued its outstanding deleveraging process, further reducing NPL stock. As projected, the Portuguese NPL market developed at a moderate pace in 2025, showing resilience in this new phase of the cycle.

Economy

Portugal's GDP growth slowed in 2025 (to 1.9%), although remaining above Europe's headline average. For 2026, the country's economic growth is expected to increase slightly to 2.3%, continuing to outperform the European average.

2.2% (2024) ↓

1.9%

GDP GROWTH 2025
SOURCE: INE

2.7% (2024) ↓

2.2%

INFLATION RATE 2025
(HICP)
SOURCE: INE

1.9% (2025) ↑

2.3%

GDP GROWTH 2026
(FORECAST)
SOURCE: BANCO DE PORTUGAL

Property Market

Despite the ongoing imbalance between supply and demand, the residential market maintained its growth trajectory, with sales rising by 14.0% last year, outperforming 2024. Average prices increased even more sharply, up 17.7%, while the volume of new mortgage lending surged by over 34%, reaching a record high of €23.3 bn.

111,111 (Q1-Q3 2024) ↑

126,728

DWELLINGS SOLD
(Q1-Q3 2025)
SOURCE: INE

8.5% (Q1-Q3 2024) ↑

14.1%

Y-O-Y VARIATION IN HOUSING
SALES (Q1-Q3 2025)
SOURCE: INE

9.8% (Q3 2024) ↑

17.7%

Y-O-Y HOUSING PRICE
VARIATION (Q3 2025)
SOURCE: INE

€1,819/sqm (Q3 2024) ↑

€2,111/sqm

HOUSING AVERAGE SALES
PRICE (Q3 2025)
SOURCE: INE

€17.4bn (2024) ↑

€23.3bn

NEW MORTGAGES
GRANTED (2025)
SOURCE: BANK OF PORTUGAL

34.0% (2024) =

34.0%

Y-O-Y VARIATION IN NEW
MORTGAGE VOLUME (2025)
SOURCE: BANK OF PORTUGAL

NPL Stock and Ratio

Over the past year, the stock of NPL in the Portuguese banking system not only continued to fall but did so at a faster pace, standing at €4.2 billion as of Q3 2025. This represents a year-on-year decline of 16.0% and a 2.3% quarterly drop. In absolute terms, NPL decreased by €800 million compared with Q3 2024, of which €100 million

€5.0bn (Q3 2024) ↓

€4.2bn

NPL STOCK
(Q3 2025)
SOURCE: EBA

2.0% (Q3 2024) ↓

1.0%

SHARE IN EUROPE'S
NPL STOCK (Q3 2025)
SOURCE: EBA

2.4% (Q3 2024) ↓

2.0%

NPL RATIO
(Q3 2025)
SOURCE: EBA

were cleared in the latest quarter alone. As a result, Portugal's share of total NPL in the European banking system fell from 2.0% to 1.0% over the past 12 months.

Meanwhile, Q3 2024 marked the last of six consecutive quarters of rising NPL stocks in Europe, signalling a reversal into a new, albeit more modest, downward cycle than in Portugal. As of Q3 2025, European NPL totalled €373.8 billion, down 1.4% from €379.0 billion a year earlier, despite a slight quarter-on-quarter increase of 0.3% from €372.6 billion. Portugal's NPL ratio also improved, falling from 2.4% in Q3 2024 to 2.0% in Q3 2025, drawing closer to, but still below, the 1.8% European average.



HOUSEHOLDS (Q3 2025)

42.0% (Q3 2024) ↑

45.0%

OF PORTUGUESE NPLS
€1.9bn/-9.5% Y-O-Y
SOURCE: EBA

52.0% (Q3 2024) ↑

53.0%

OF NPL SITS IN MORTGAGES
€1.0bn/-9.1% Y-O-Y
SOURCE: EBA



NON-FINANCIAL CORPORATIONS (Q3 2025)

54.0% (Q3 2024) ↓

50.0%

OF PORTUGUESE NPLS
€2.1bn/-22.2% Y-O-Y
SOURCE: EBA

41.0% (Q3 2024) ↓

29.0%

OF NPL TO NFC IS SECURED
BY CORPORATE REAL ESTATE
€0.6bn/-45.5% Y-O-Y
SOURCE: EBA

NPL Potential Deals

As projected, the Portuguese NPL market expanded at a moderate pace in 2025, showing resilience in this new phase of the cycle. Activity was increasingly concentrated in the secondary market, while portfolios brought directly to market by banks were generally smaller in scale, with most not exceeding €200 million in gross nominal value. Investors and servicers have continued to adapt to the new market environment, with a clear focus on consolidation, thereby injecting additional momentum into the sector.

In this context, 2025 saw the confirmation of Hipoges' acquisition by UK-based Pollen Street Capital, through Portugal's Finsolutia, creating a combined group with over 2,000 professionals and approximately €55.0 billion in assets under management across Portugal, Spain, Italy and Greece. This transaction further concentrates the profile of leading operators in one of Europe's more peripheral markets.

The year was also shaped by regulatory developments, notably the entry into force on 10 December of the new Legal Framework for the Assignment and Management of Bank Loans, transposing into Portuguese law a European directive that should have been implemented nearly two years earlier, and regulating the conditions for the sale of credit portfolios to non-financial entities.

Unsurprisingly, NPL volumes transacted in Portugal fell sharply (-74%) in 2025 compared with the €7.6 billion recorded in an atypical 2024, when a single transaction exceeded €4.2 billion. Total volume slightly surpassed €2.0 billion in 2025. Although marginally below the average of the past six years, this represents a 33% increase on 2023, when activity proceeded at a more "normal" pace.

The largest deal of the year was the sale of Project Solaris by Servedbet to EOS Partners, an Iberian portfolio valued at around €1.35 billion, with approximately €870 million allocated to Portugal. Also noteworthy was the sale of Project Pegasus, a €289 million NPL portfolio sold by Novobanco to Northwall Capital early in the year. The remaining transactions monitored by Prime Yield involved portfolios below €200 million. For 2026, the expectation is for this environment to continue.

€2.0bn

NPL SALES 2025
(ESTIMATED)
SOURCE: PRIME YIELD