

Press release

The High Council for Financial Stability (HCSF) met on Tuesday, June 9, at the Ministry of the Economy, Finance, and Industrial, Energy, and Digital Sovereignty for its second session of 2026.

The High Council reviewed the risks and vulnerabilities affecting the French financial sector. It noted that the conflict in the Middle East is unfolding against a backdrop of several persistently elevated global financial vulnerabilities, including high valuations of risky assets, high and rising public debt, the rapid expansion of non-bank financing, and certain vulnerabilities related to liquidity and leverage within the non-bank financial sector. At this stage, the shock has been absorbed by financial markets, with adjustments in the valuation of certain assets and the prices of some commodities. Nevertheless, financing conditions have tightened since the onset of the conflict, and the global economic outlook remains subject to significant uncertainty.

In this context, the High Council considers that the primary risk now lies in a prolongation or escalation of the conflict, which could increase pressure on energy prices, further weigh on growth prospects, and trigger the simultaneous materialization of several pre-existing financial vulnerabilities. The cyber threat also remains a significant risk for the financial sector, particularly in light of advances in artificial intelligence.

The members of the High Council nevertheless note the resilience of French financial institutions. Banks, insurance, and reinsurance companies maintain strong capital positions and robust liquidity. The High Council also conducted a thematic review of risks related to the commercial real estate sector in France. While the sector has experienced significant valuation declines following the interest rate hike cycle that began in 2022, the financial sector's exposure remains broadly sound and well contained, and therefore does not warrant macroprudential measures.

The High Council also reviewed financing conditions and the financial position of households and non-financial corporations, which are key factors in its assessment of financial vulnerabilities. It noted that outstanding credit to households continues to grow at a moderate pace (+0.9% year-on-year in March 2026). Outstanding bank credit to non-financial corporations remains dynamic (+2.8% year-on-year in March 2026), primarily driven by investment loans. Although household and corporate debt-to-GDP ratios are stable, they remain higher than those observed in other major euro area countries. Financing costs for both households and non-financial corporations rose slightly in the first quarter of 2026, reflecting delays in the adoption of the budget and the overall increase in financing costs following the

outbreak of the conflict in the Middle East. However, household savings and corporate cash reserves remain high, contributing to their resilience.

With regard to the housing loan market, the High Council notes that new lending remains stable and that lending conditions are sound. Monthly housing credit origination (excluding refinancing) has exceeded €10 billion since October 2024 (€12.6 billion in March 2026). Lending conditions are sound, with an average maturity of 22.6 years and an average debt-to-income ratio of 30.6% in March 2026. The High Council discussed the use of the flexibility margin available to banking institutions under the framework governing the granting of new residential real estate loans. This margin rose to 17.5% in the first quarter of 2026, compared with 15.7% a year earlier. The High Council welcomes the banking institutions' effective adoption of this measure and its flexibility margin, which enables them to support the recovery of housing lending while taking individual circumstances into account. However, it notes that the use of this margin is heterogenous across institutions.

Taking all these factors into account, and in the absence of signs of tightening in credit supply, the High Council considers that the economic and financial environment justifies maintaining the credit protection buffer rate (countercyclical capital buffer) at 1%.

Finally, members of the High Council discussed France's responses to the European Commission's consultation on the competitiveness of the banking sector. France called for continued efforts to promote greater integration and competitiveness among European banking institutions, as well as for a simplification of the European prudential framework.