No. 160 - 2025

Analysis and synthesis

Housing financing in 2023

ACPR
BANQUE DE FRANCE

GENERAL SUMMARY

As interest rates have continued to rise[1] throughout 2023, the French residential real estate market pursued its decline:

- Between the fourth quarter of 2022 (Q4 2022) and Q4 2023, the INSEE index of prices for existing homes fell by 3.9% in metropolitan France (compared with an increase of 4.5% in 2022), with differences in magnitude between the provinces (-2.9%) and the Île-de-France region[2] (-6.9%; Chart 1). The number of annual transactions stood at 869,000, a 22% decline compared with 2022 (Chart 2);
- Most of the increase in market interest rates was reflected in housing loan rates, which reached 4.04% in December 2023 (+1.92 pt compared with December 2022), their highest level since march 2012 (Chart 4). This level nevertheless remains lower in France than in other major euro area markets (Chart 3);
- The annual production of housing loans[3] amounted to €152.9 billion in 2023, a 41.1% drop compared with 2022 (Chart 6), thus reverting to the levels observed in 2014 / 2015 before the period of exceptionally low interest rates;
- Excluding loan transfers and renegotiations, the production of new loans reached €128.6 billion in 2023, down 40.9% from 2022. Relative to GDP, it stands above the euro area average (5% vs. 3.5%; Chart 8);
- the share of loan transfers and renegotiations in total home loan production remained almost stable (15.9%, -0.2 pt compared with 2022; Chart 9);
- The share of bridge loans has continued to increase (+0.7 pt at 7.3%; Chart 14), including an increase in extended bridge loans (Chart 15);
- Outstanding housing loans in France grew by 0.9% over the year, compared with 5.5% a year earlier (Chart 10), while total loans to individuals resident in France grew by 1.2%;
- Finally, loans for the acquisition of a principal residence remain largely predominant: they accounted for 78.9% of new loans (excluding bridge loans) in 2023, up 2.4 pts compared with 2022, on account of the increase in the share of loans to first-time buyers (+3.5 pts at 42.6%; Chart 12).

[1] Key ECB interest rates increased until September 2023.

[2] Paris administrative region.

[3] Banque de France data (seasonally-adjusted monthly flows. All amounts, resident individuals, euro)

The start of 2024 is marked by more favourable developments. The adjustment of prices for existing homes in metropolitan France continued (-5.2% between Q1 2023 and Q1 2024). Interest rates on new housing loans have fallen significantly (3.83% in May 2024, down by 0.34 pt from the peak reached in January 2024), while production of new housing loans has gradually picked up as of April.

The level of indebtedness of French households has declined for the first time in nearly 25 years but remains higher than the levels observed in other European countries: in December 2023, it reached 97% of gross disposable income (Chart 21), 5 pts lower than in December 2022, but still well above the euro area average (88%), which fell more rapidly (-5.9 pts compared with December 2022).

Developments in household indebtedness, combined with the general loosening of credit standards, prompted the French macroprudential authority (HCSF) to transform the recommendation issued in late 2019 into a binding[4] macroprudential standard from January 2022, contributing to the improvement of several lending criteria. The data collected by the Autorité de contrôle prudentiel et de résolution (ACPR) show that the share of riskier loans in new loan production remains below the levels observed in 2020:

- The share of loans to households with a Debt-Service-to-Income (DSTI) ratio above 35% stood at 14% in 2023, slightly up by 0.3 pt compared with 2022 but still far below the level observed in 2020 (29.3%) (Chart 35), despite the increase in interest rates;
- The share of loans with maturities exceeding 25 years stood at 6.7% in 2023, slightly up by 0.7 pt compared with 2022 but still significantly lower than the level observed in 2020 (10.7%) (Chart 29).

Furthermore, these developments were associated with a decline in the share of loans for which the loan-to-value (LTV) ratio[5] exceeds 100%: at 16.6% at end-2023, this indicator is down 6.3 points compared with 2022 and 12.4 points compared with 2020 (Chart 43).

As a result, the share of loans that exceed the thresholds set out in the HCSF decision reached

[4] Decision No. D-HCSF-2021-7(economie.gouv.fr)

[5] Ratio between the loan value and the value of the property at the time of granting

15.4% overall in Q4 2023, significantly lower than the 20% flexibility margin allowed by the decision (Chart 45)**.**

In 2023, the average lending criteria for new loans have evolved as follows (annual data):

- **The average loan amount decreased** by 6.3% year-on-year to reach €196,800 (Chart 22), reflecting the declining borrowing capacity of some borrowers.
- **The average duration stabilised,** with a slight increase of 1.8 months to 22.3 years, (Chart 25).
- **The average DSTI ratio increased**, by 0.7 pt to 30.7% (Chart 31), reflecting the increase in the interest expense.
- The decline in the average loan value combined with the stabilisation of the average duration, led to a **marked decline in the debt-to-income (DTI) ratio** (-6 months to 4.6 years of income), although this indicator does not include the interest expense (Chart 36).
- **The decline in the average LTV ratio at origination accelerated** (-4.3 points at 78.8%), reflecting a stronger mobilisation of savings in the financing of new transactions (Chart 39).

In the first months of 2024, we observed a continued decline in the average loan amount, in the average DTI ratio and in the average LTV ratio, while other indicators (average duration, DSTI ratio) also marked a downward inflection. Between Q4 2023 and Q1 2024 (quarterly data):

- **The average loan amount continued to decline,** by 4.9% to €175,500.
- **The average duration decreased slightly** to 22.1 years (-0.7 months).
- **The average DSTI ratio fell** by 0.2 pt to 30.7%, while the share of loans with a DSTI ratio above 35% is almost stable (+0.1 pt at 15.3%).
- **Both the DTI ratio and the average LTV ratio declined** (by 1.4 months at 4.3 years and by 1.7 points at 75.8% respectively).

The French housing loan market still benefits from sound fundamentals. In particular:

1° **Loans are granted almost exclusively at a fixed rate** (99% of production on average in 2023), thus limiting the risks linked to rising interest rates on the creditworthiness of borrowers (Chart 16 and Chart 17);

2° **The granting policy is based on the assessment of the borrower's creditworthiness** and not on the market value of the financed property, thus limiting financial amplification. Regulating the DSTI at the time of granting by the HCSF for 80% of production also limits the pressure in this area.

3° **Almost all outstanding loans (97%) are covered by a guarantee**, notably a third-party guarantee or a mortgage, which limits losses for banks in the event of a borrower default (Chart 19); mortgages account for a minority share of total outstanding loans, which reduces the risk of a contagion that would result from a fast deterioration of borrowers' solvency on market prices..

Overall, the **risks remain contained, as evidenced by the low delinquency:**

- 12-month defaults represented 0.44% of the outstanding amount at Q4 2023, i.e. almost unchanged (+0.04 pt compared to Q4 2022; Chart 48);
- As at 31 December 2023, the ratio of doubtful loans was almost stable at 0.97% (+0.02 pt compared with 31 December 2022) (Chart 50). Based on international comparisons (European Banking Authority's transparency exercise), the default rate on housing loans granted by French banks is between the first quartile and the median (Chart 51).
- the cost of risk remains very limited: it represents 1 basis point (bp) of the average outstanding amount of housing loans (Chart 58) in 2023.

This low level of losses is reflected in the risk weights measured by banks' internal models for calculating their solvency ratio. From a structurally low level, average weights declined slightly (-0.4 pt over 12 months to 9.8% in June 2023). To compare these average risk weights with other European banks, the regulatory requirements applicable to guarantors on the same outstanding amounts should be factored in. A partial calculation can be made taking into account the risk coverage by Crédit Logement, which is also subject to prudential banking[6] regulations. On this basis, the average weighting of outstanding housing loans granted by French banks is between the average and the median of European banks. This suggests that **the capital coverage of French housing loans is broadly comparable to that observed in the other main European countries** (Chart 59).

[6] While the regulatory framework for the other guarantors differs (they are classified as insurance companies), it is not possible to take into account the requirements based on the amounts outstanding that they guarantee.

The data collection set up at the request of the HCSF to monitor housing loan pricing shows **that loan margins at origination were negative but recovered in 2023** (Chart 61). This was due to a stronger increase in lending rates, which went up from 1.79% on average in Q4 2022 to 3.72% in Q4 2023, (i.e. an increase of 1.93 pt), while refinancing cost measured on the basis of fund transfer prices (FTP), went up from 3.10% on average in Q4 2022 to 4.08% in Q4 2023 (i.e. an increase of 0.98 pt). **This recovery was confirmed in Q1 2024, when equilibrium margins were restored for the first time in two years.**

Completed on 10 July 2024

Study by Laurent FAIVRE and Pierre SARRUT

Keywords: personal housing loans, average loan, average duration, loan to value, affordability ratio, doubtful loans and provisions, cost of risk

JEL codes: G21, R21, R31

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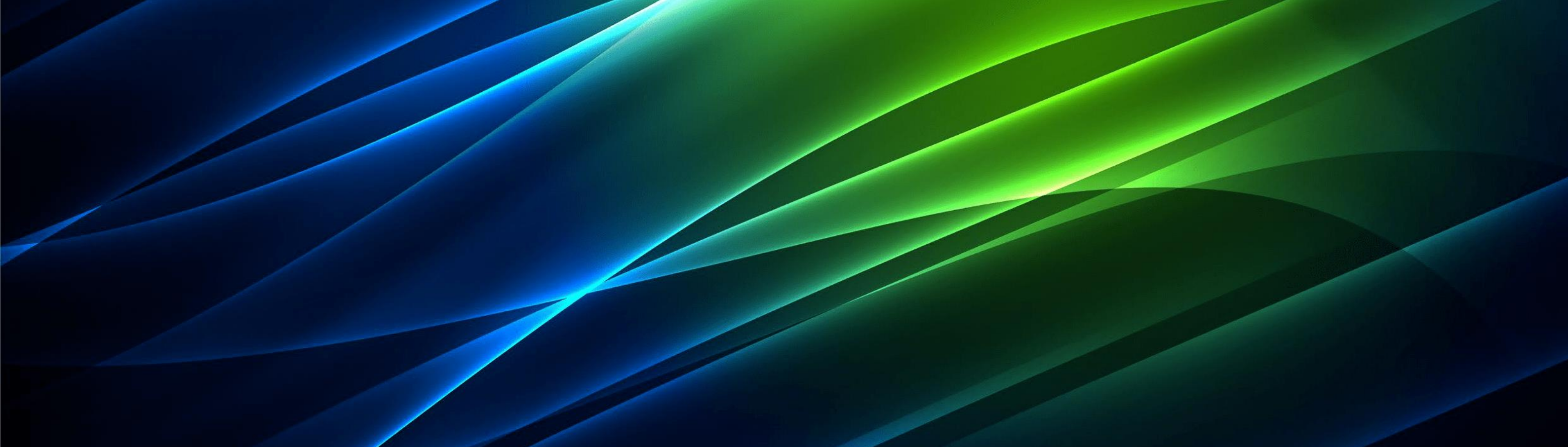

Key figures[7]

Outstanding loan amount and loan production

Outstanding retail housing loan amount	EUR 1,292 bn	+0.9% ⬆
% of fixed-rate loans	98.1%	+0.4 pt ⬆
% of collateralised loans	97.0%	+0.1 pt ⬆
Annual retail housing loan production	EUR 153 bn	-41.1% ⬇
% of external loan transfers	15.9%	-0.2 pt ⬇

Granting criteria and loss ratio

Granting criteria		
Average loan amount	EUR 197 k	-6.3% ⬇
Average loan duration	22.3 years	+1.8 months ⬆
% of loans with a duration > 25 years	6.7%	+0.7 pt ⬆
Average DSTI ratio	30.7%	+0.7 pt ⬆
% of loans with a DSTI ratio > 35 %	14.0%	+0.3 pts ⬆
Average LTI ratio	4.6 years	-6.0 months ⬇
Average LTV ratio	78.8%	-4.3 pt ⬇
% of loans with a LTV ratio > 100%	16.6%	-6.3 pt ⬇
Loss ratios		
Gross non-performing loan rate	0.97%	+0.02 pt ⬆
Cost of risk	0.7 bp	-0.3 bp ⬇

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[7] Outstanding amounts, production and loss ratio: figures as at 31 December 2023 (or for the year 2023) and changes compared with 2022. Credit standards: annual data from 2023 compared with 2022.

Methodology

This issue of "*Analyses et synthèses*" builds on the responses collected by the ACPR General Secretariat (SGACPR) as part of its annual survey on the housing financing for 2023 and on the use of data from the monthly monitoring of the production of housing loans to individuals in France. This monitoring was set up by the ACPR in September 2011, first with a sample of representative banks, and then amended following the implementation of ACPR instructions No. 2020-I-02, 2021-I-02 and 2022-I-02 on the CREDITHAB regulatory reporting statement, in order to ensure close monitoring of recommendations and then of the HCSF measure, which was extended to all banks established in France.

It also makes use of the data collected with the RENT_IMMO reporting statement (ACPR instruction No. 2020-I-04), which aims to assess the standalone profitability of housing loans.

The analysis also draws on statistical data from the Banque de France and external sources (INSEE, General Council for the Environment and Sustainable Development, CGEDD, etc.), as well as information published by the European Banking Authority (EBA) as part of its annual transparency exercise, which allows for European comparisons.

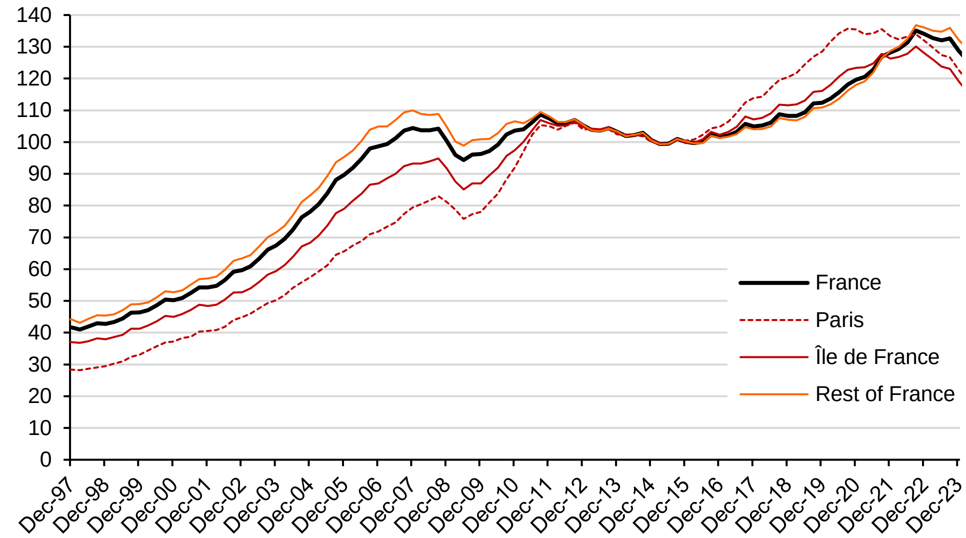
The SGACPR asked the main guarantors of housing loans (Crédit Logement, Caisse d'Assurances Mutuelles du Crédit Agricole (CAMCA; Crédit Agricole Group), Compagnie Européenne de Garanties et Cautions (CEGC; BPCE Group), Parnasse Garanties (BPCE Group) and CM-CIC Caution Habitat (Crédit Mutuel Group) as well as the Société de Gestion des Financing et de la Garantie de l'Accession Sociale à la propriété (SGFGAS) to obtain detailed information on the amount of loans covered by guarantees.

Finally, as in previous years, when submitting their answers, institutions were able to supplement or modify some data for previous years, thus improving the representativeness of several indicators and correcting reporting errors. As a result, some figures in this study may differ from those published for previous years.

Housing credit market declined in 2023 amid rising interest rates

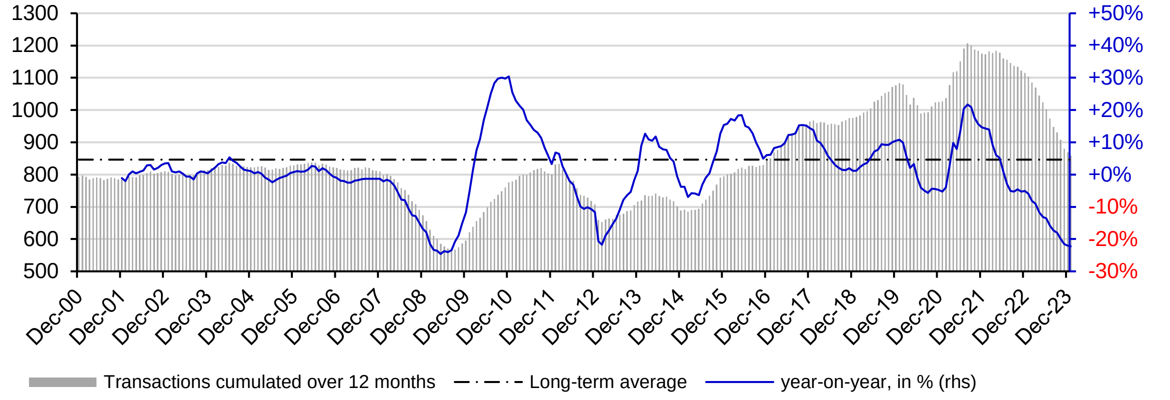
1. Market adjustment still mainly driven by volumes, although prices fell in 2023

Chart 1 Residential property prices



Source: INSEE index; last point: first quarter of 2024. The vertical black dashed bar indicates the 2015 year-to-year 100 basis.

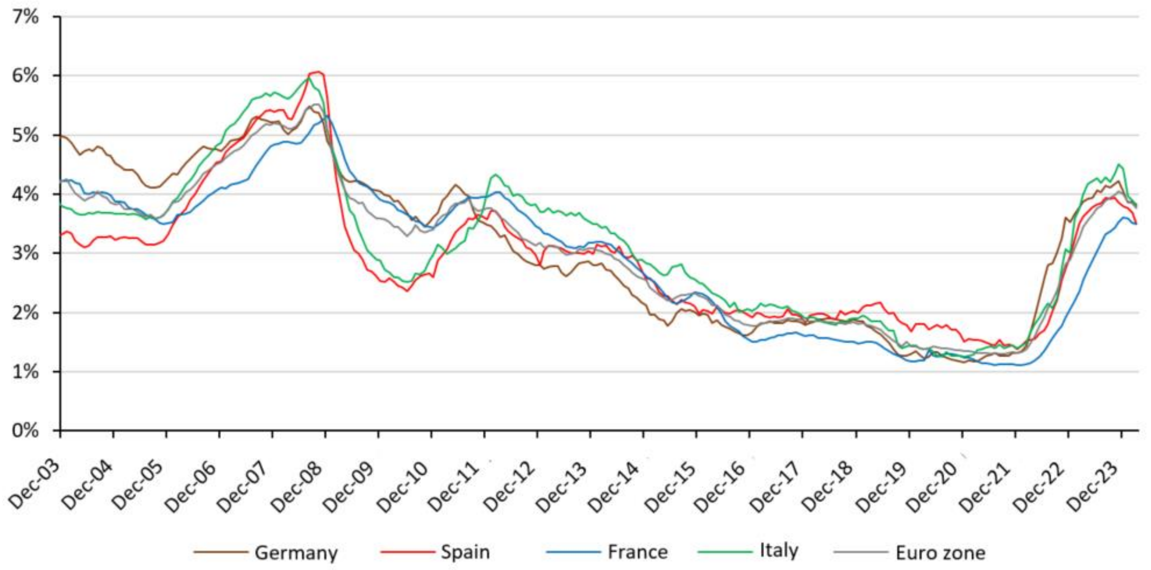
Chart 2 Number of transactions in existing homes (cumulative over 1 year, in thousands)



Source: CGEDD based on DGFiP (MEDOC) and notarial databases; last point: February 2024; average number of transactions calculated since 2000

2. A fall in credit production amid the continued rise in interest rates and falling demand

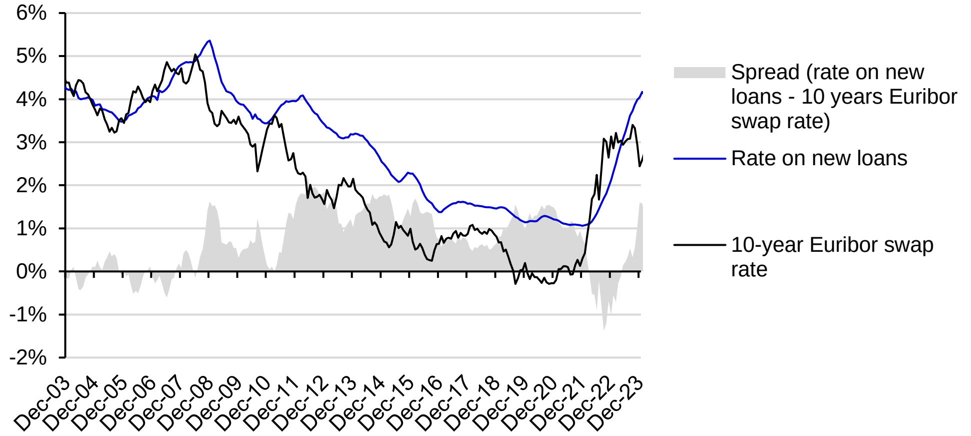
Chart 3 Narrowly Defined Effective Rate[8] of new housing loans to households in the euro area



Source: European Central Bank. Last point: March 2024

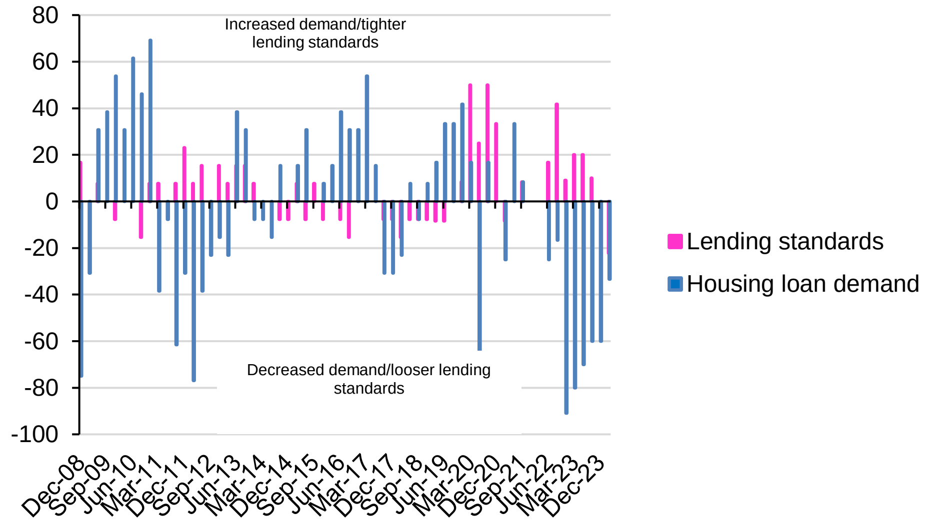
[8] The Narrowly Defined Effective Rate is defined as the interest component of the Overall Effective Rate.

Chart 4 Market rates and interest rates applied to new housing loans in France



Source: Banque de France; last point: February 2024. The market rate is represented by the 10-year EURIBOR swap rate, at which the fixed rate is exchanged for a floating rate.

Chart 5 Changes in supply and demand for housing loans

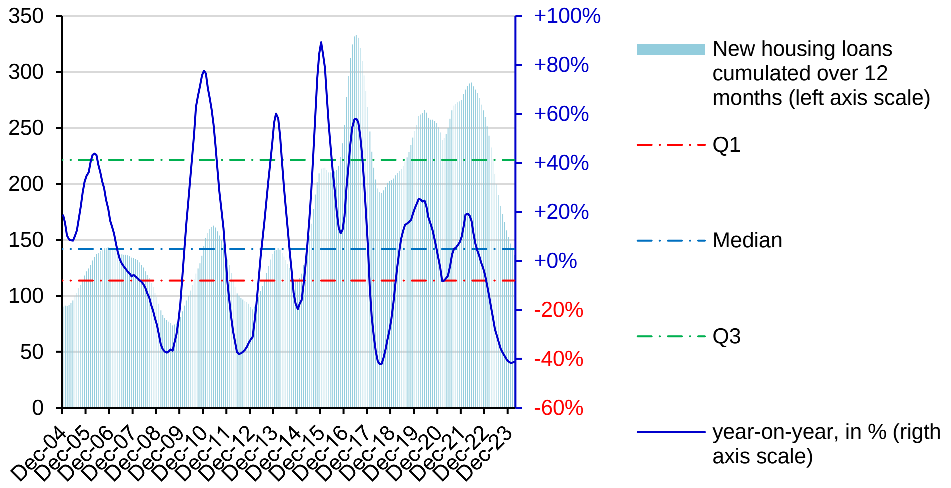


Reading Grid:

- Credit standards: balance of weighted responses (tightening minus easing in the last 3 months), based on each bank's share of total outstanding loans.
- Demand for housing loans: balance of unweighted responses (increase minus decrease in demand for housing loans in the last 3 minus)

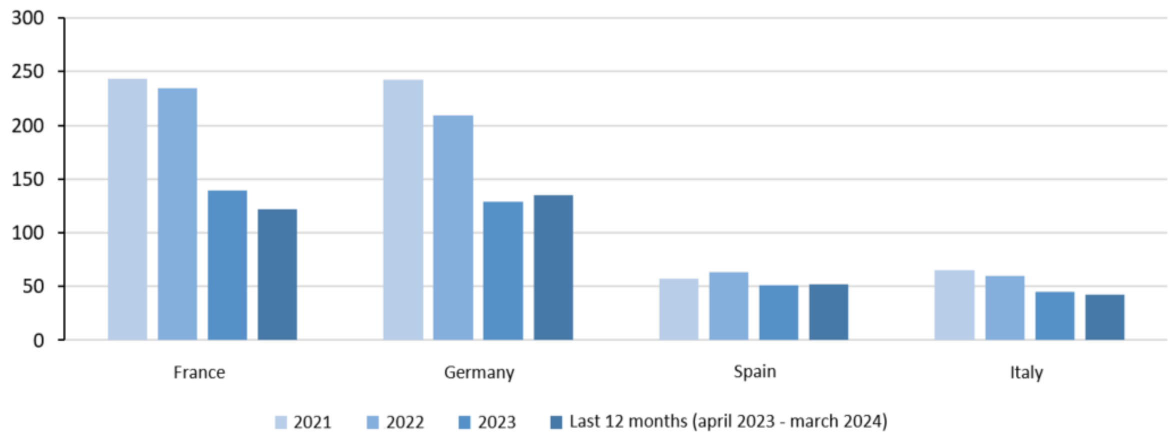
Source: Banque de France, Monthly bank survey on the distribution of credit in France; balance of weighted responses based on the share of each bank in total outstanding amounts; final point: march 2024.

Chart 6 Housing loan production (in EUR billion)



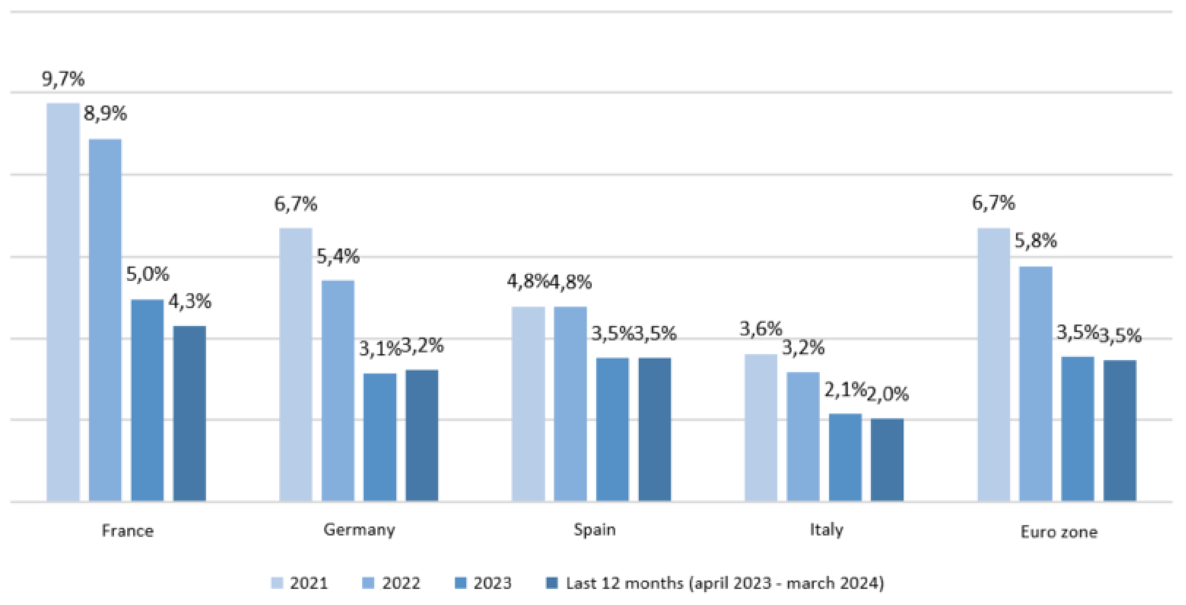
Source: Banque de France; New housing loans for individuals, CVS flows, cumulated over 12 months; final point: march 2024

Chart 7 New housing loans to households (excluding renegotiations) in the major European countries (12-month cumulated in EUR billion)



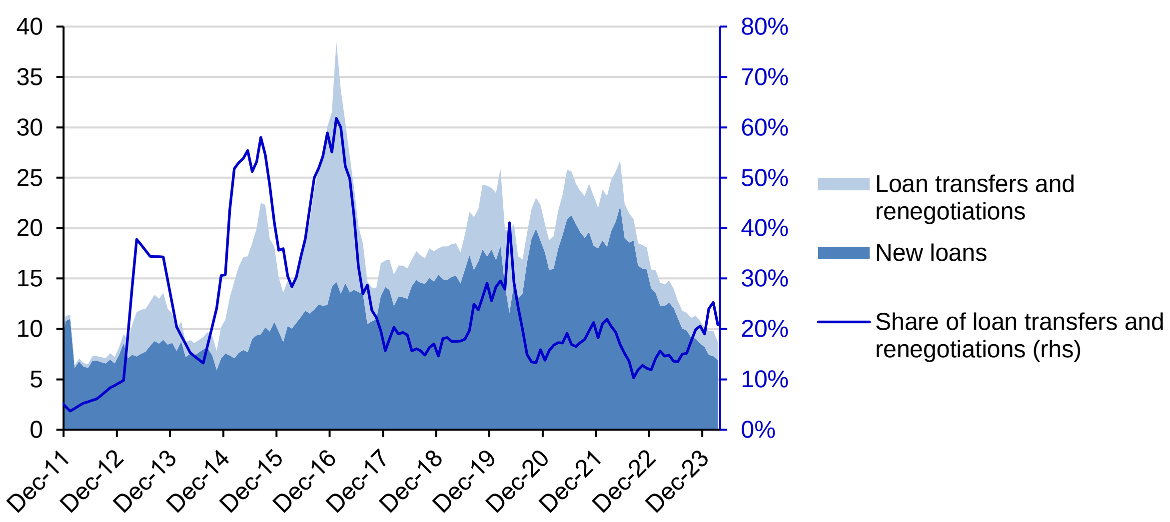
Source: European Central Bank; housing loans granted by credit institutions in the countries concerned (interest on a parent-company bases) to euro area households; last point: March 2024

Chart 8 **New housing loans to households (excluding renegotiations) in the major European countries (cumulated 12 months in EUR billion) as a share of Gross Domestic Product**



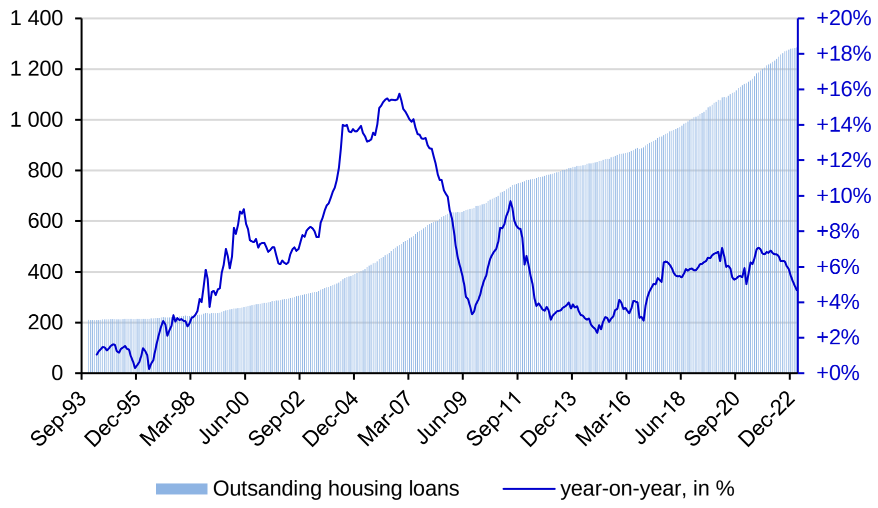
Source: European Central Bank; housing loans granted by credit institutions in the countries concerned (interest on a parent-company bases) to euro area households; Eurostat; last point: March 2024

Chart 9 **Monthly production of housing loans and loan transfers and renegotiations (in EUR billion)**



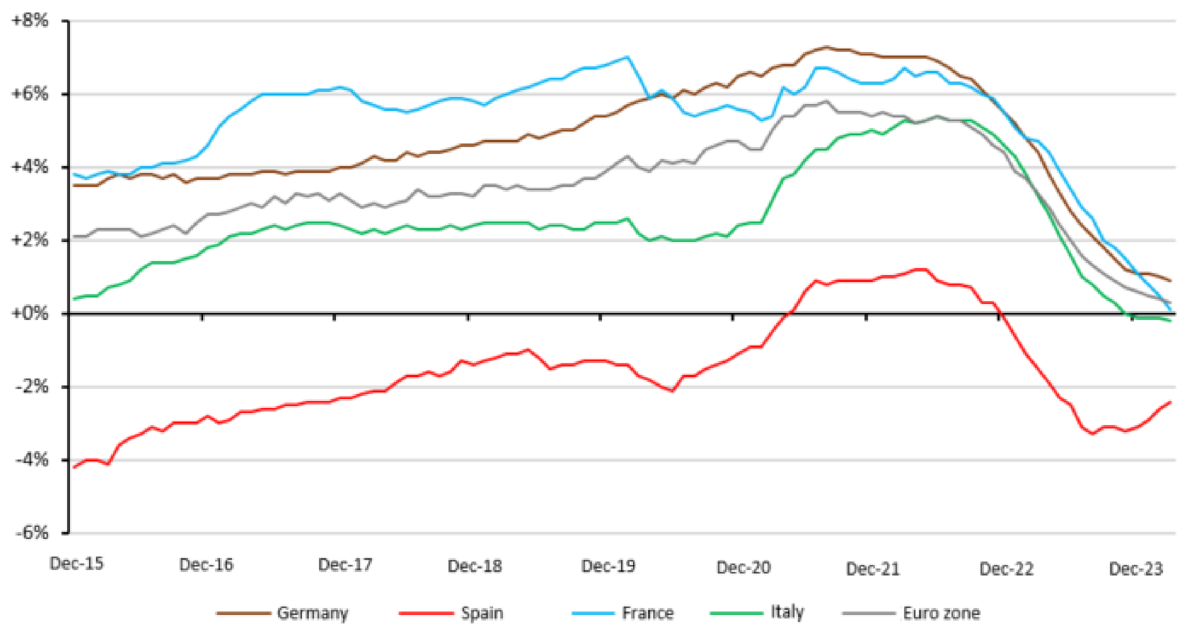
Source: Banque de France; New housing loans for resident individuals, CVS flows; last point: March 2024

Chart 10 Outstanding housing loans to individuals (in EUR billion)



Source: Banque de France, Housing loans to resident individuals (securitised outstanding amounts reintegrated); last point: March 2024

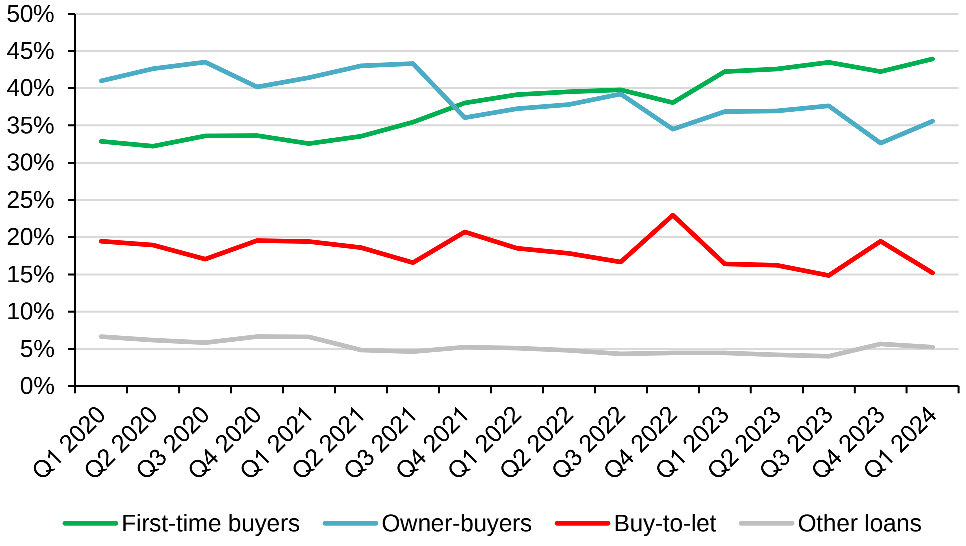
Chart 11 Changes in the annual growth rate of outstanding housing loans in the Euro area



Source: European Central Bank; housing loans granted by credit institutions in the countries concerned (interest on a parent-company bases) to euro area households; last point: March 2024

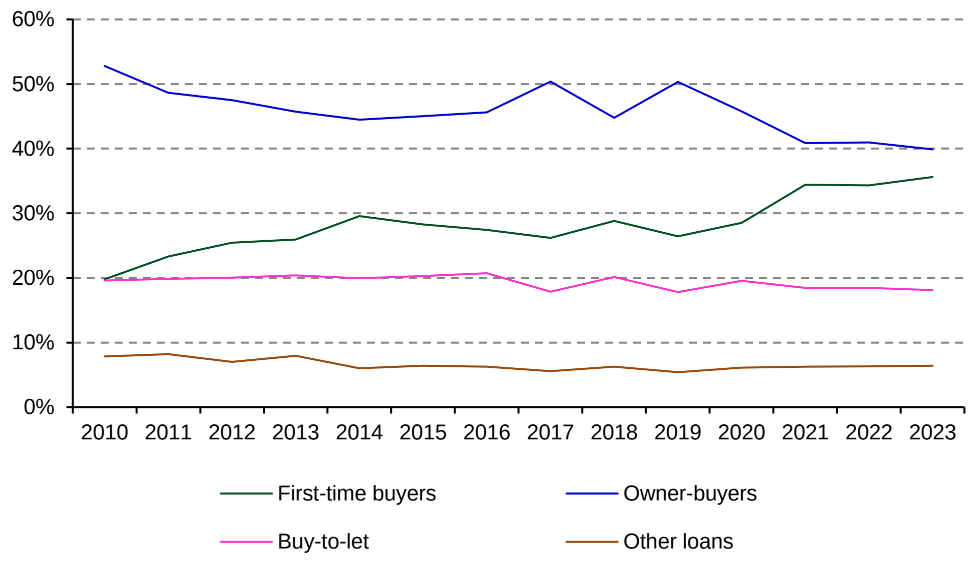
3. The share of first-time buyers in production and outstanding amounts has continued to increase

Chart 12 Changes in the structure of the production of housing loans excluding bridge loans and loan transfers and renegotiations



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024. "Other" includes credits for purchasing a second home.

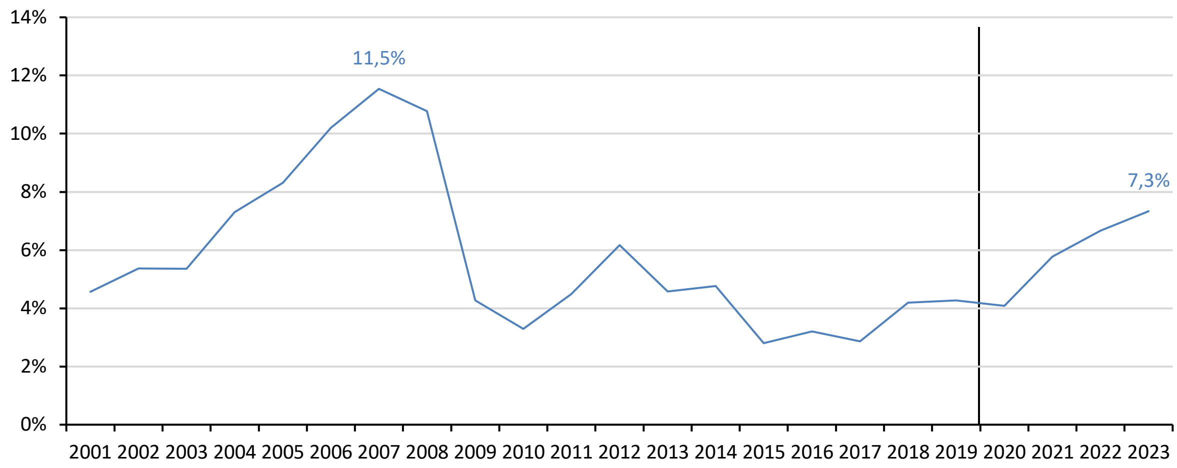
Chart 13 Changes in the structure of outstanding housing loans, excluding loan transfers and renegotiations



Source: ACPR, annual housing financing survey. NB: The significant changes observed in 2021 were mainly due to reclassifications by one institution.

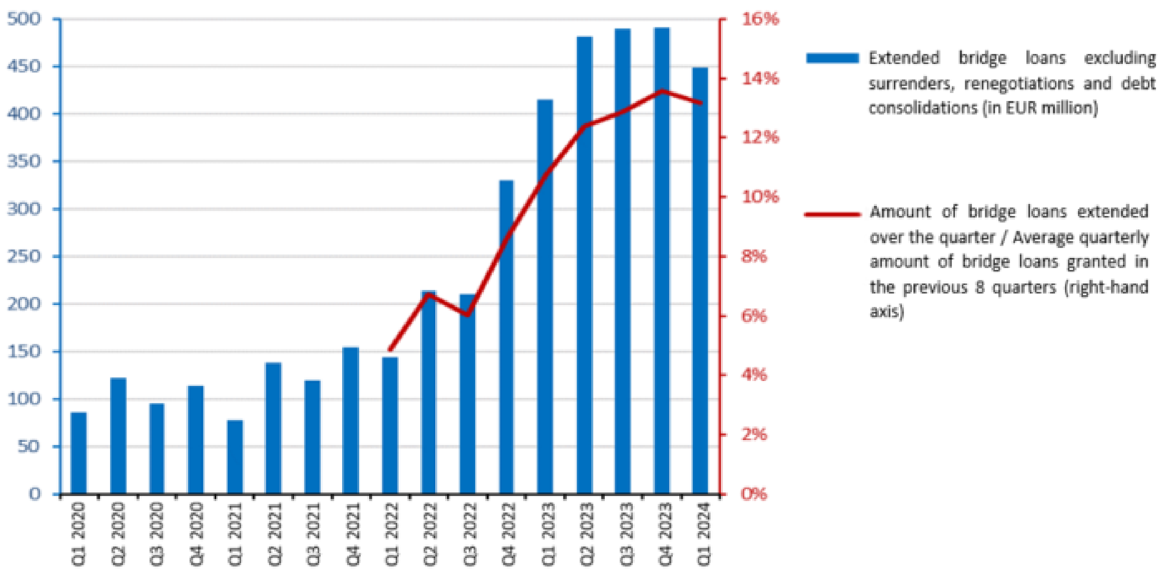
4. The share of bridge loans, and in particular extended bridge loans, has continued to increase

Chart 14 Share of bridge loans in the annual production of housing loans



Source: ACPR, annual housing financing survey and monthly monitoring of the production of housing loans (average data over 12 rolling months, including buybacks and forbearance and debt consolidations); the vertical bar marks the break in series caused by the transition to the new CREDITHAB status (ACPR Guidelines No. 2020-I-02 and 2021-I-02)

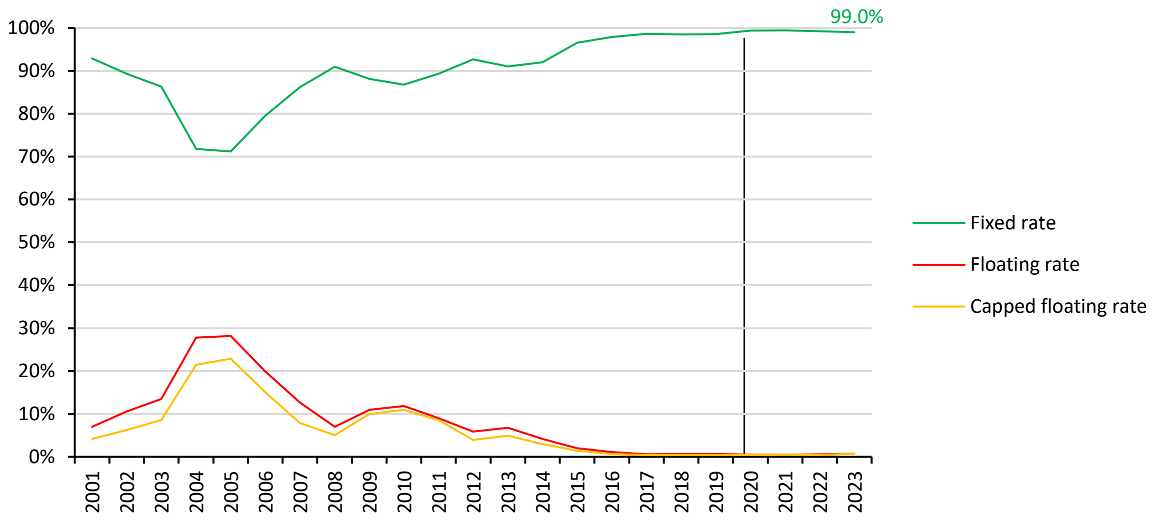
Chart 15 Evolution of extended bridge loans in amounts and as a share of the average quarterly production of bridge loans



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024. Since bridge loans generally have maturities of less than or equal to two years, bridge loans extended over a quarter are considered to correspond to bridge loans introduced during the preceding eight quarters.

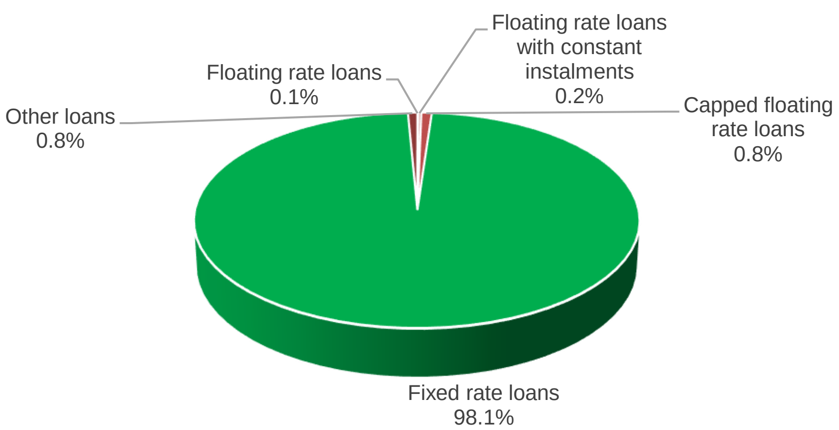
5. Loans remain almost exclusively granted at fixed rates

Chart 16 Production broken down by interest rate type



Source: ACPR, annual housing financing survey and monthly monitoring of the production of housing loans (average data over 12 rolling months, including loan transfers and renegotiations and debt consolidations). The vertical bar marks the break in series caused by the transition to the new CREDITHAB status

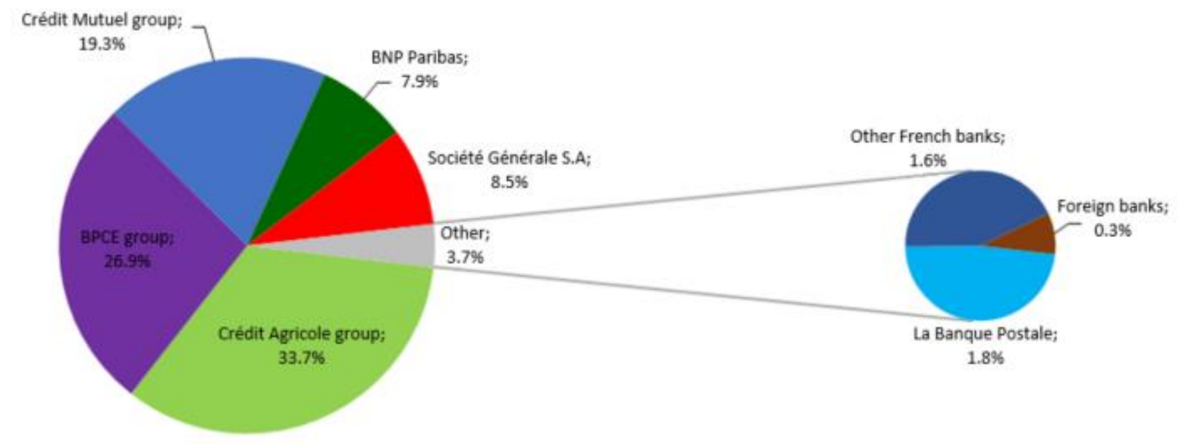
Chart 17 Structure of outstanding loans by type of interest rate as at 31 December 2023



Source: ACPR, annual housing financing survey.

6. The market remains dominated by mutualist banking groups

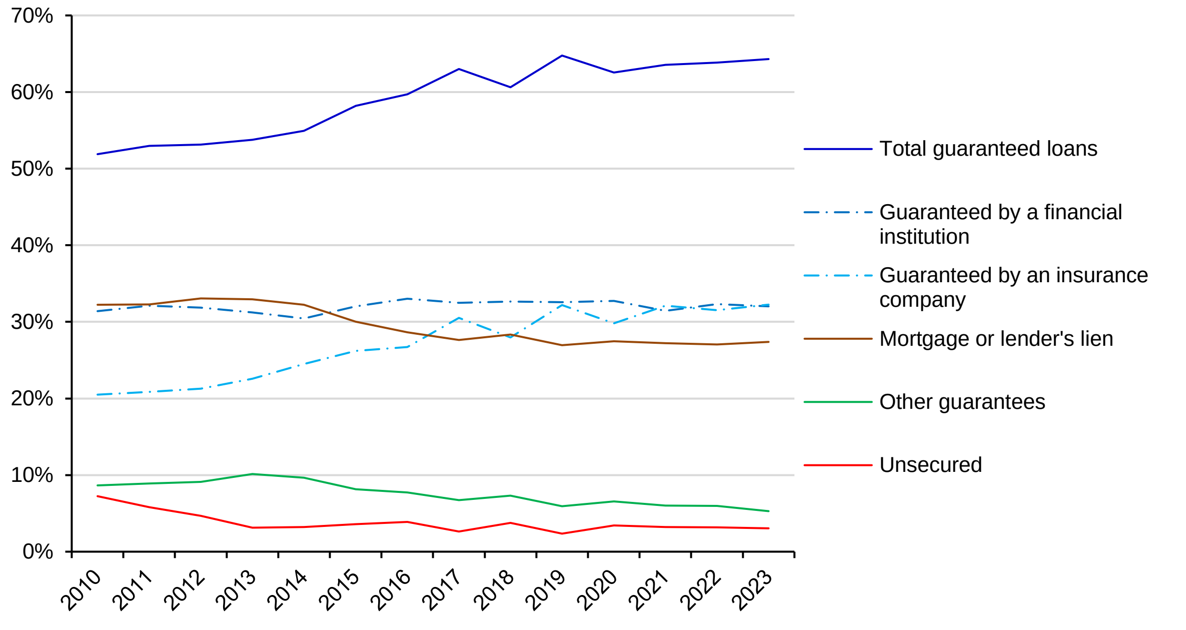
Chart 18 Market shares of the various banking groups as at 30 June 2023 (in outstanding amounts)



Source: EBA, Transparency exercise *(exposures on non-SME retail secured by immovable property treated in standard and advanced methods, including guaranteed loans); ACPR calculations on all banks included in the EBA sample that reported exposures to counterparties resident in France*

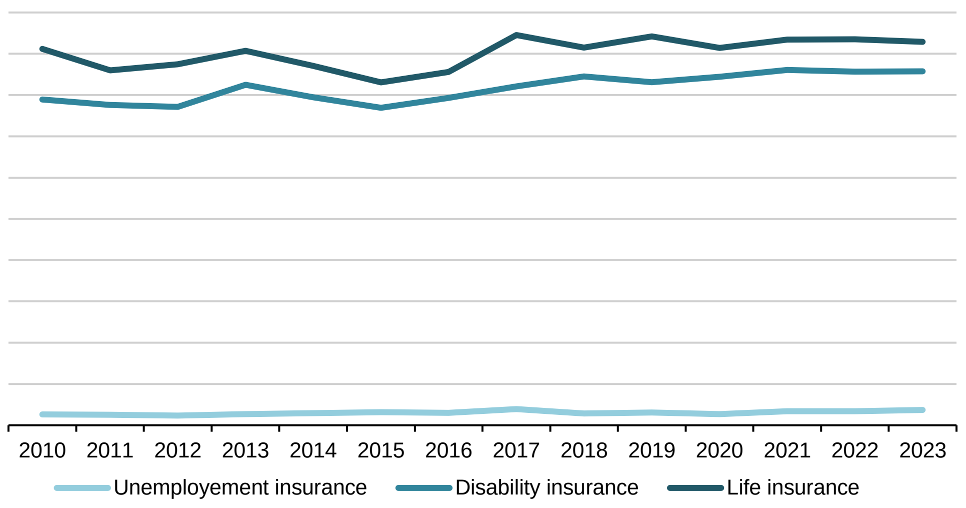
7. Guaranteed loans continued to make up the majority of loans

Chart 19 Structure of outstanding loans by type of guarantee



Source: ACPR, annual housing financing survey. Credit institutions' guarantees include, inter alia, those of Crédit Logement. Other guarantees include, inter alia, guarantees from the Financing Management Company and the Guarantee of Social Home Ownership (SGFGAS).

Chart 20 Share of borrowers covered by a loan insurance policy

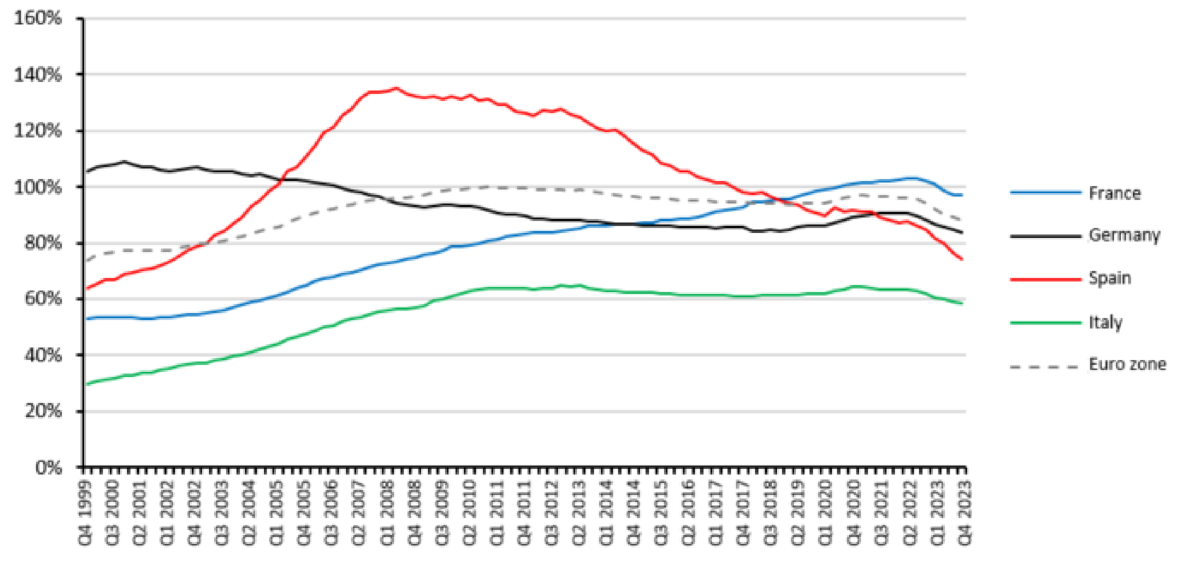


Source: ACPR, annual housing financing survey.

HCSF measures helped control developments in housing loans lending standards[9], while rising interest rates were the main factor weighing on demand.

1. French household indebtedness stands above euro area average

Chart 21 Household indebtedness as a percentage of gross disposable income

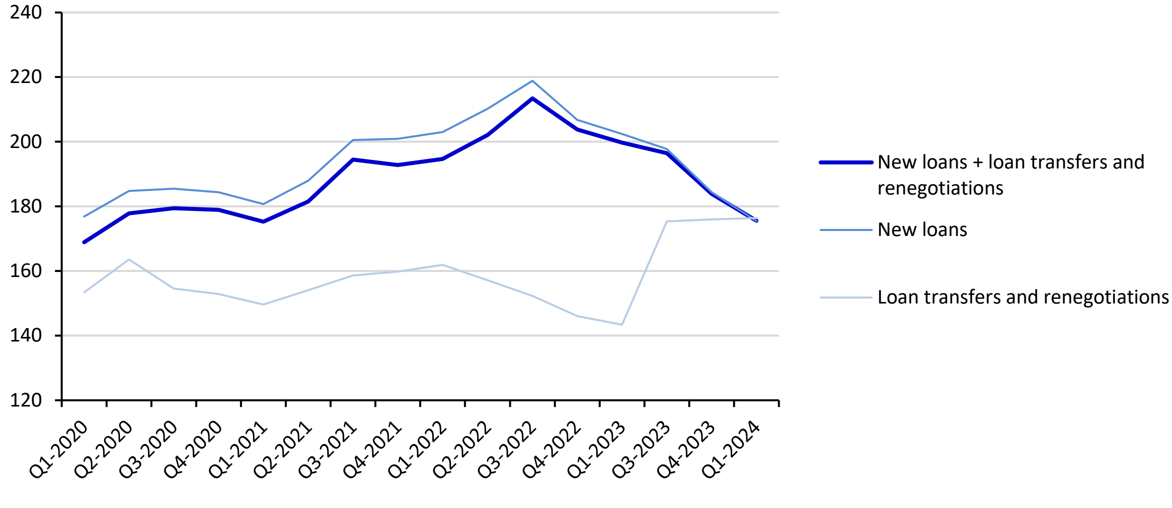


Source: Banque de France; last point: Q4 2023

[9] The credit standards (averages, distributions) exclude bridge loans from the scope, with the exception of the average loan amount.

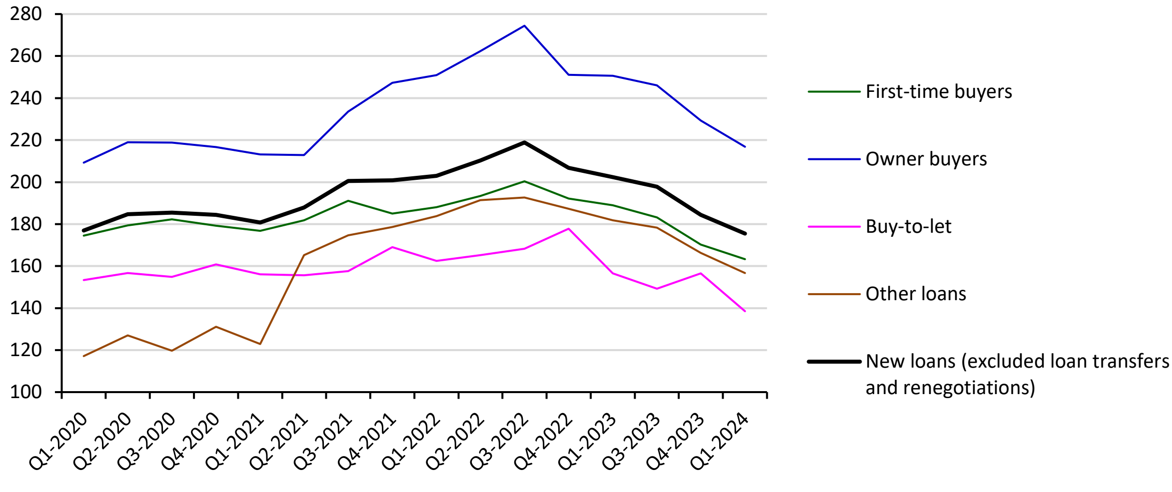
2. The average loan amount has declined since Q4 2022, reflecting the impact of rising interest rates on households' borrowing capacity

Chart 22 Average loan amount by type of transaction (in EUR thousands)



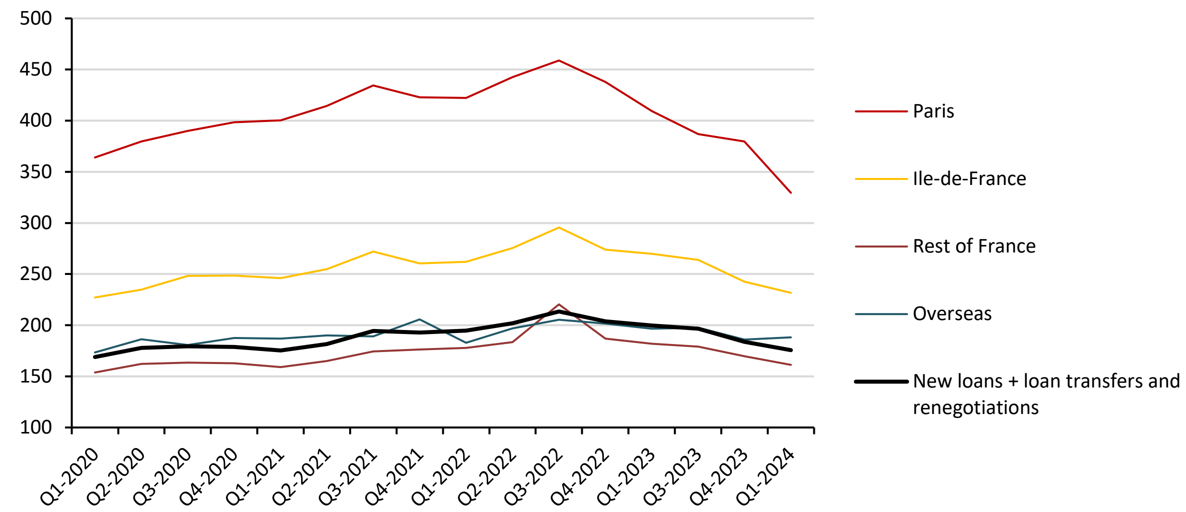
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 23 Average loan amount by purpose (in EUR thousands)



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024. NB: significant changes in the category "other loans" observed as of April 2021 were mainly due to reclassifications by an institution.

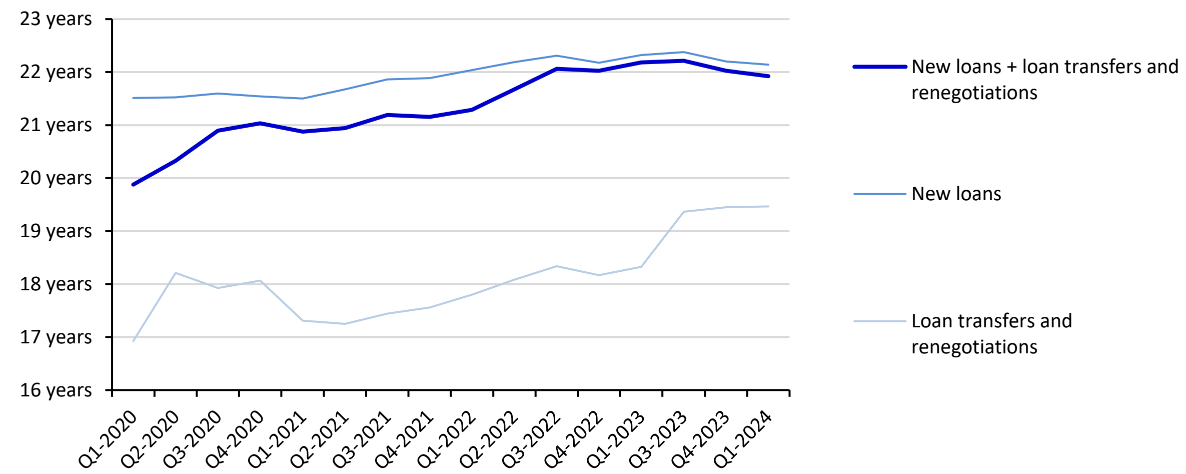
Chart 24 Average loan amount by location (in EUR thousands)



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

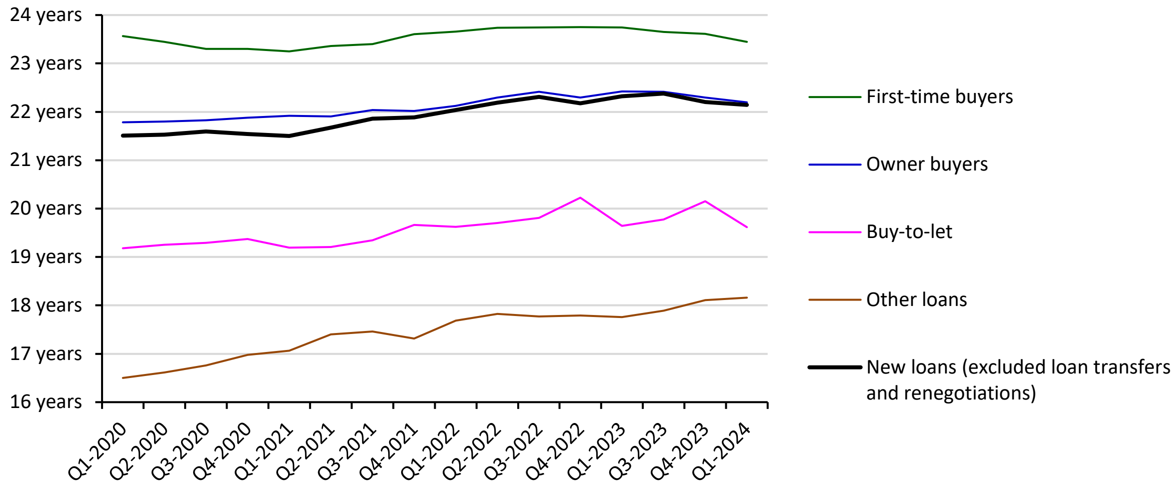
3. The average duration stabilises

Chart 25 Initial duration of loans by type of transaction



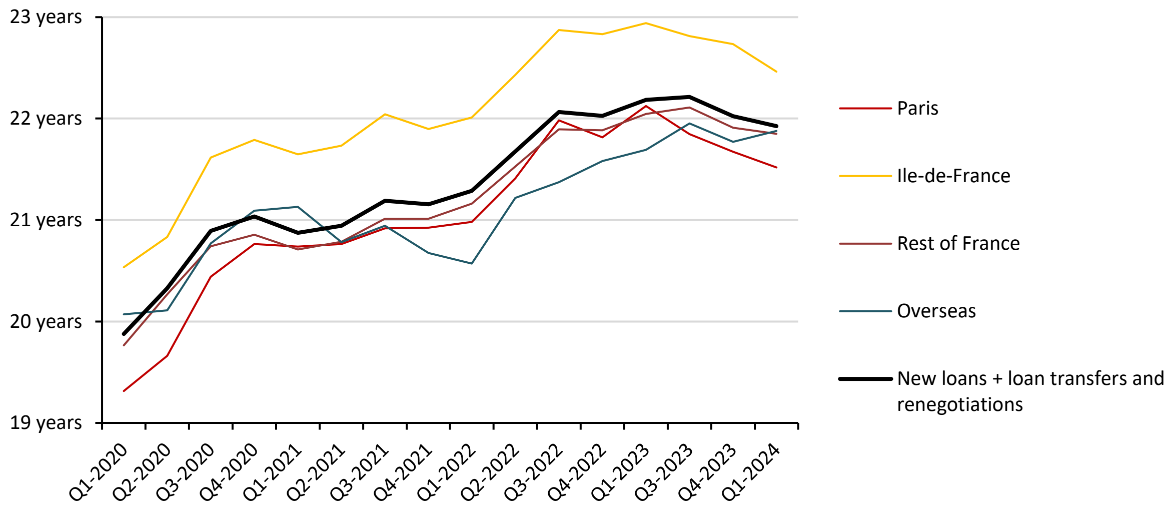
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 26 Initial duration of loans by purpose



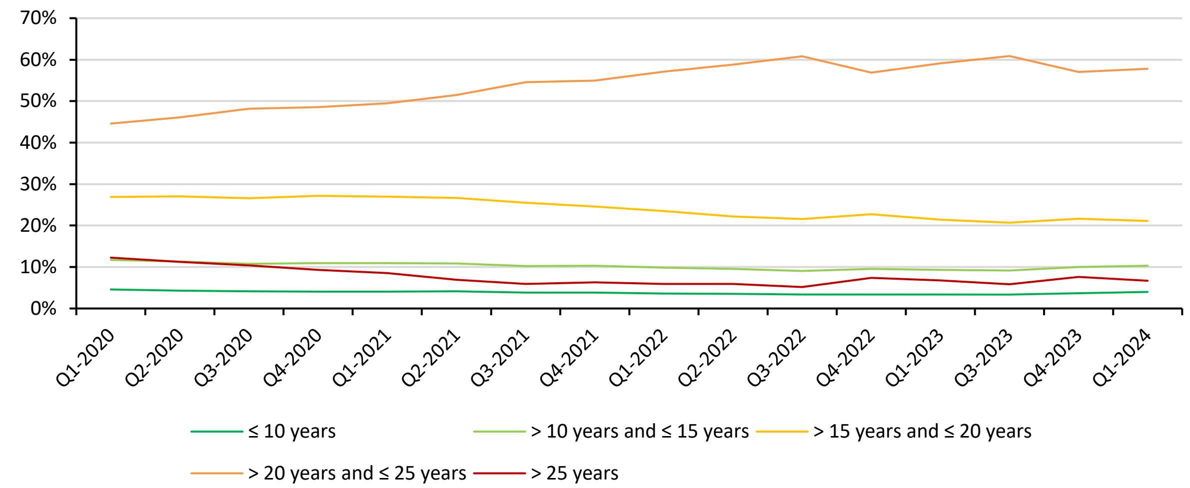
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 27 Average initial duration of loans by location



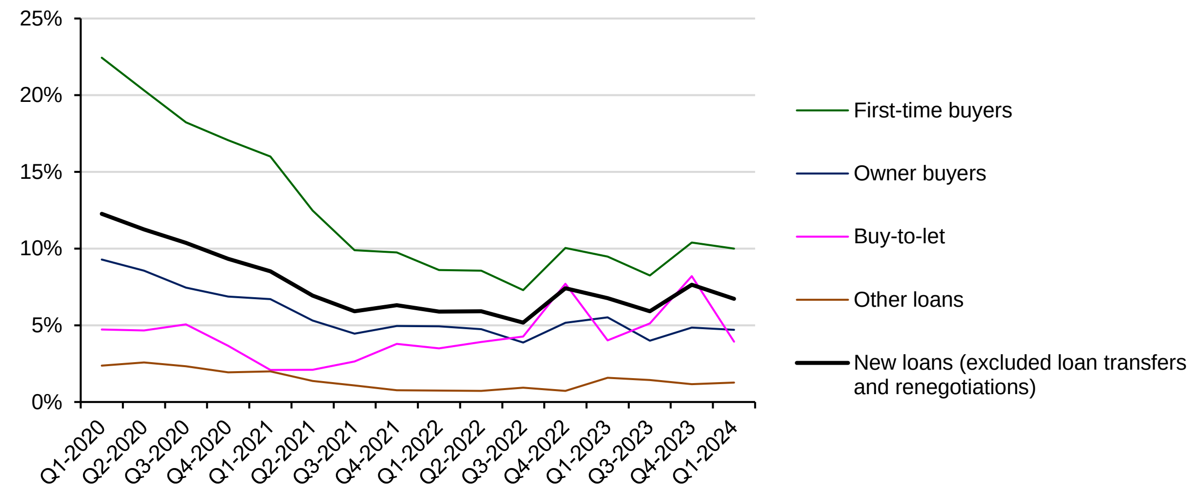
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 28 Loan production structure (excluding loan transfers, renegotiations and credit consolidation) by ranges of initial duration



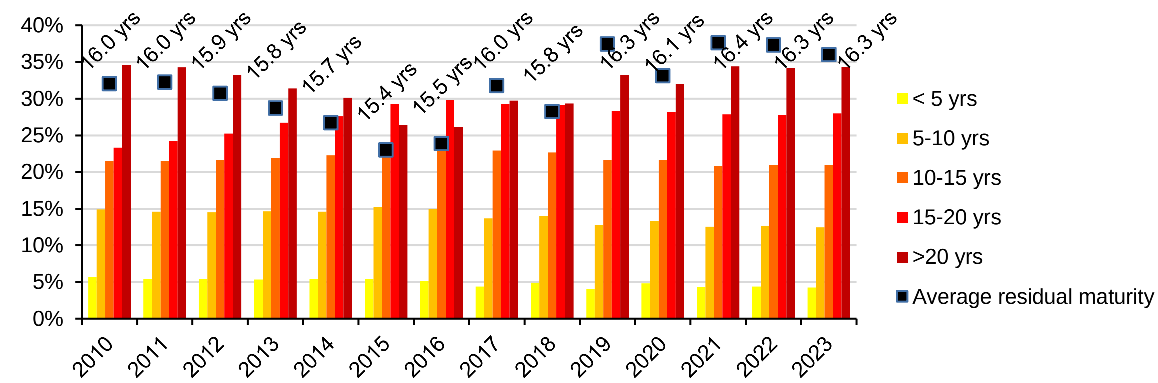
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 29 Share of new loans with initial duration exceeding 25 years, by purpose



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

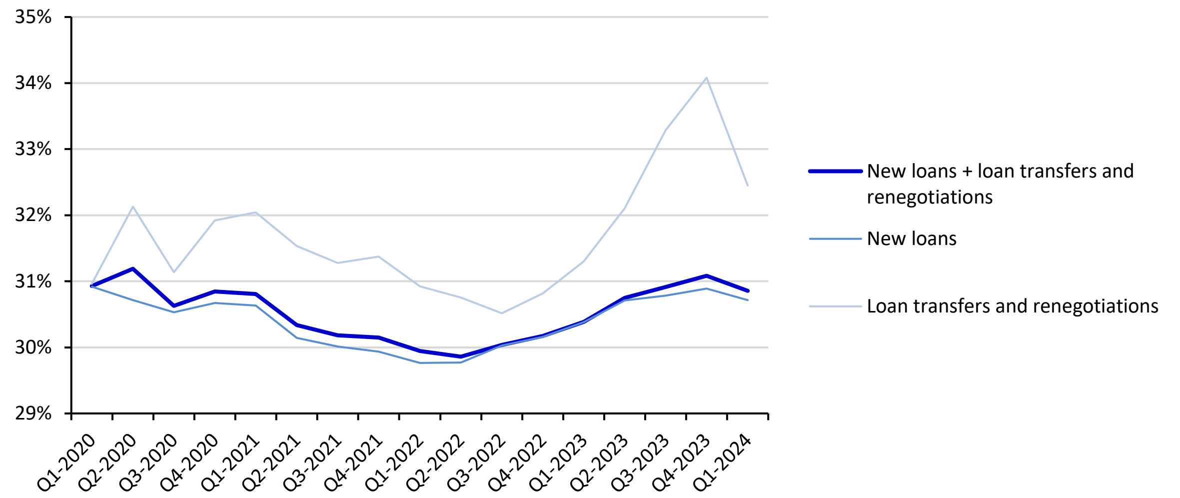
Chart 30 Breakdown of outstanding housing loans by residual maturity



Source: ACPR, annual housing financing survey.

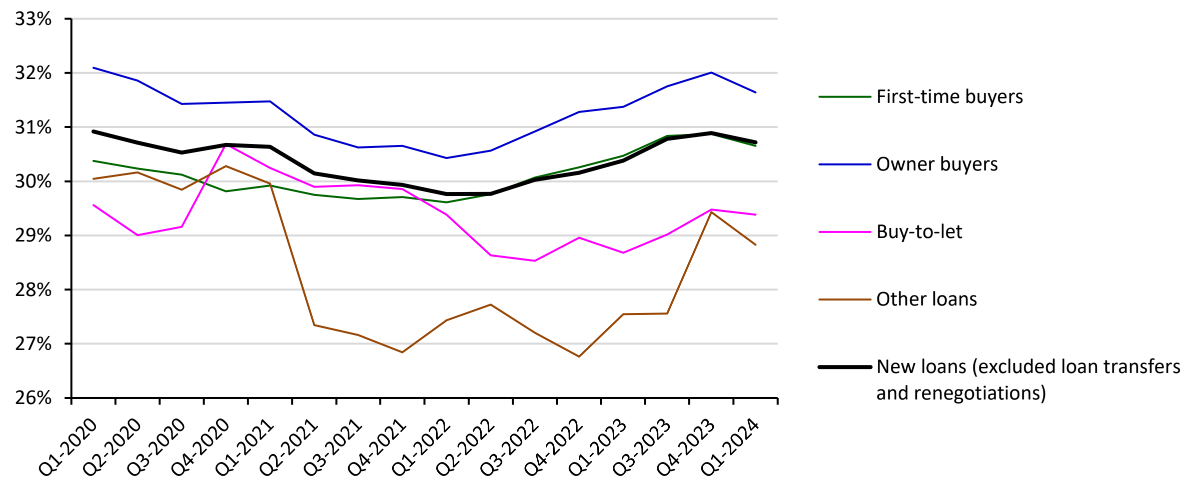
4. The average DSTI ratio at origination has increased since Q3 2022 amid rising interest rates

Chart 31 Average DSTI ratio by type of transaction



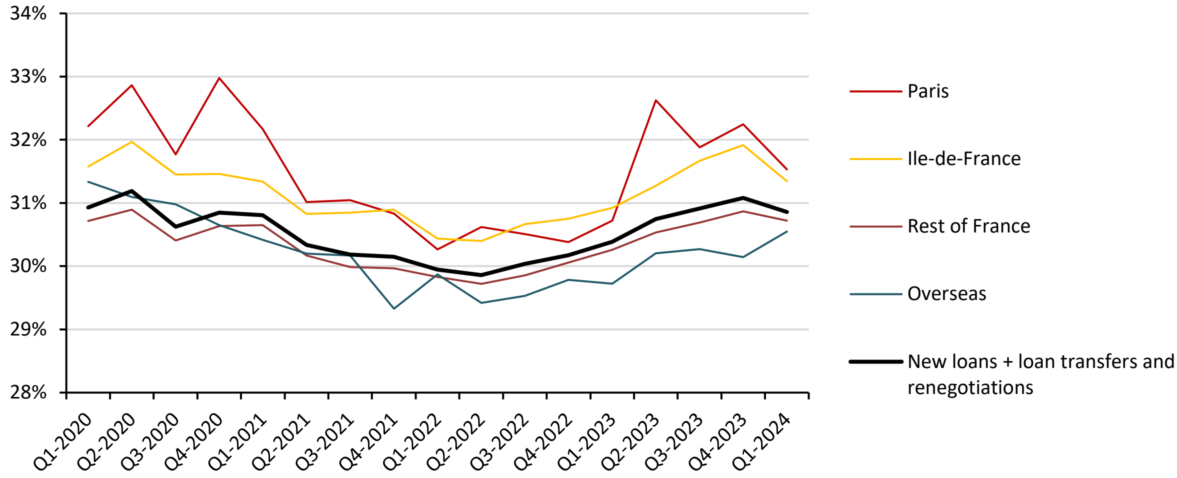
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 32 Average DSTI ratio by loan purpose



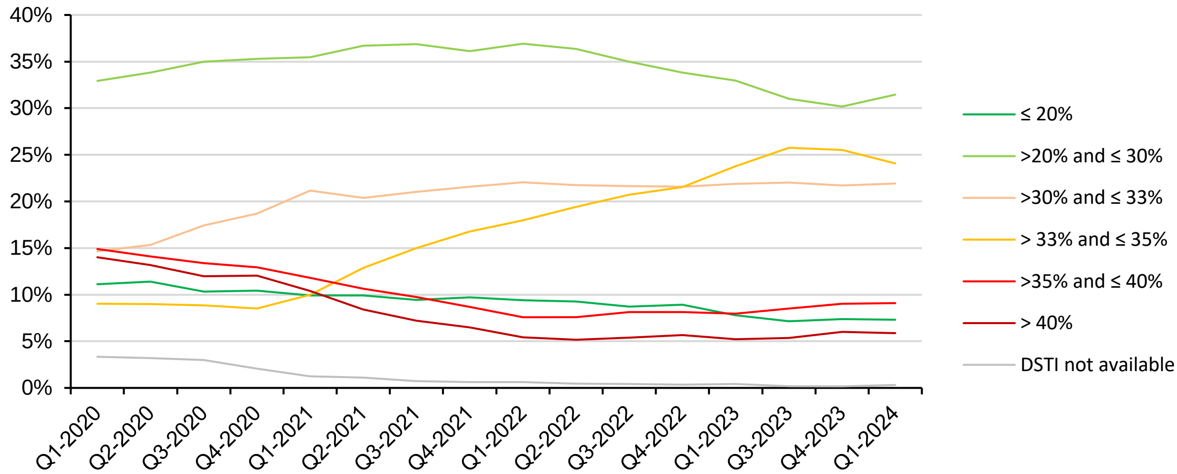
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024. NB: The significant changes in the category "other loans" observed from Q2 2021 onwards are mainly due to reclassifications made by an institution.

Chart 33 Average DSTI ratio by location



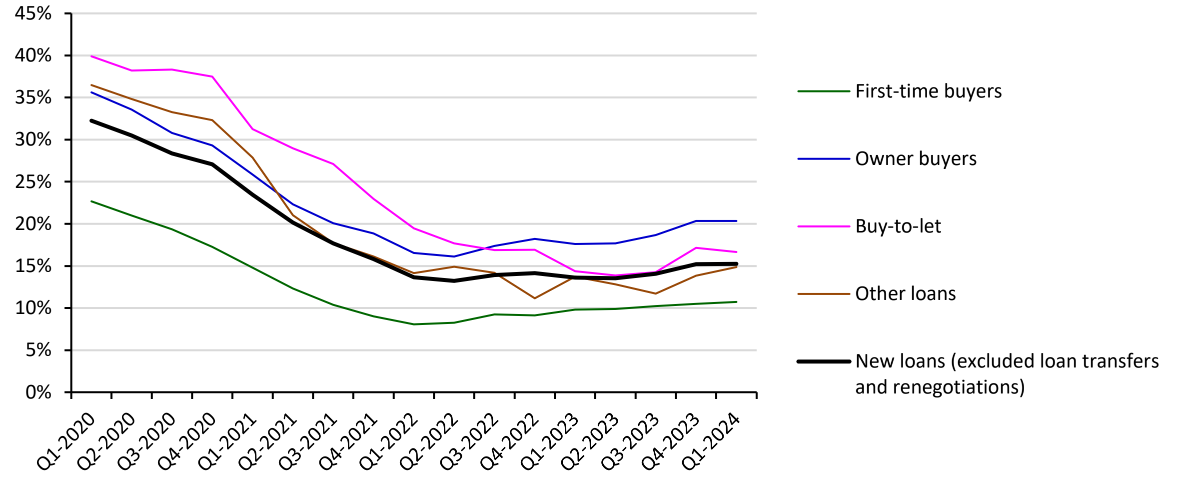
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 34 Loan production structure (excluding loan transfers, renegotiations and credit consolidation), by ranges of DSTI ratio



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

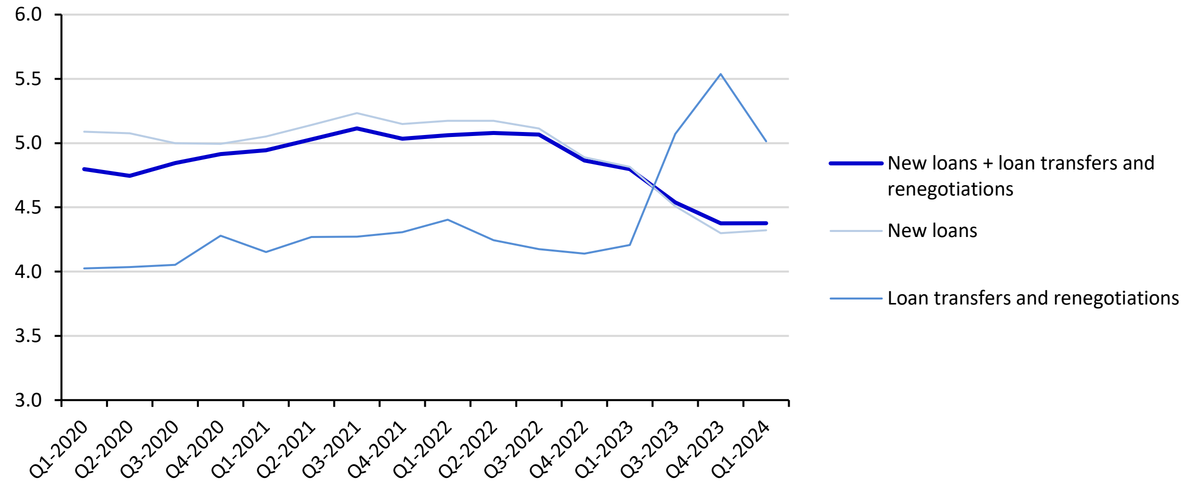
Chart 35 Share of loans with a DSTI ratio exceeding 35%, by purpose



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

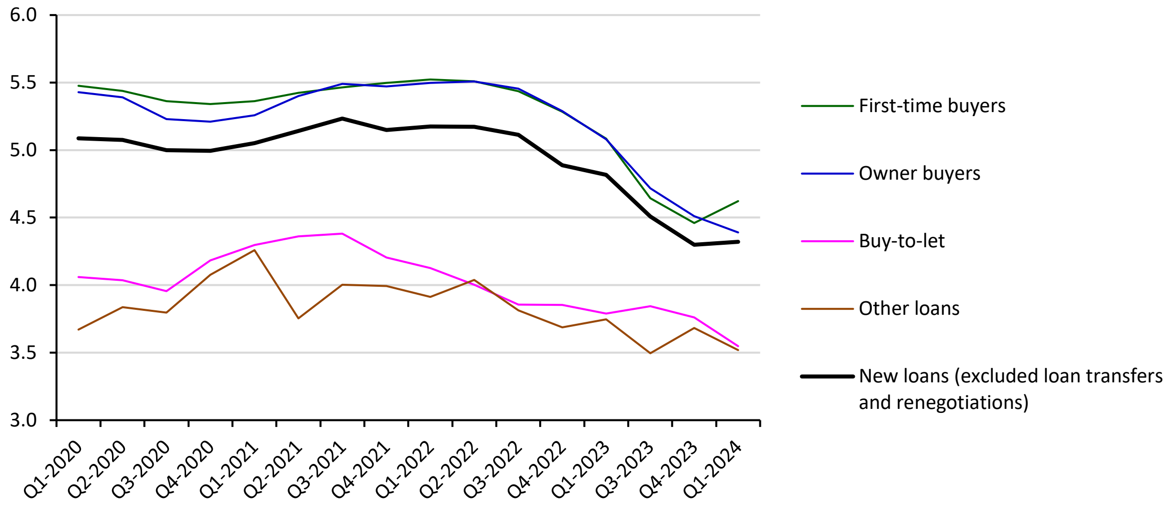
5. The DTI ratio continues to fall

Chart 36 Average DTI ratio at origination by type of transaction (in years of income)



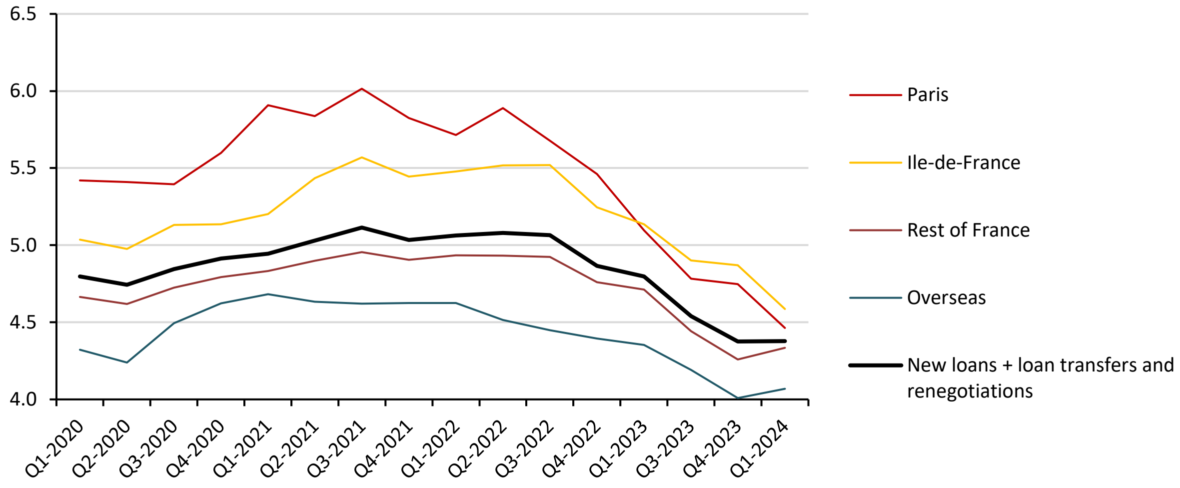
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 37 Average DTI ratio at origination, by purpose (years of income)



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

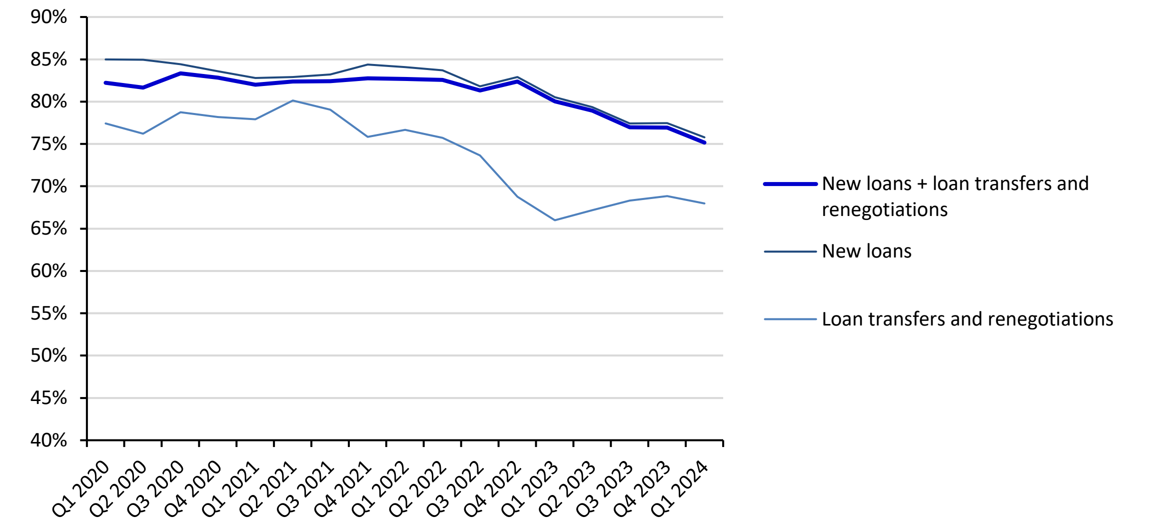
Chart 38 Average DTI ratio at origination depending on location (years of income)



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

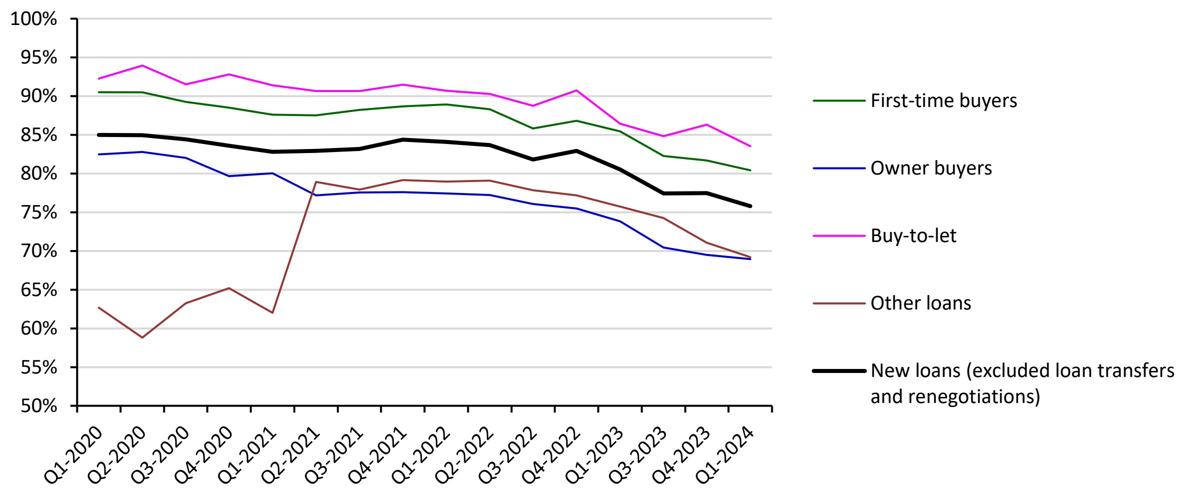
6. The LTV ratio and the share of negative-equity loans (LTV > 100 %) both continues to decline

Chart 39 Average LTV ratio at origination by type of transaction



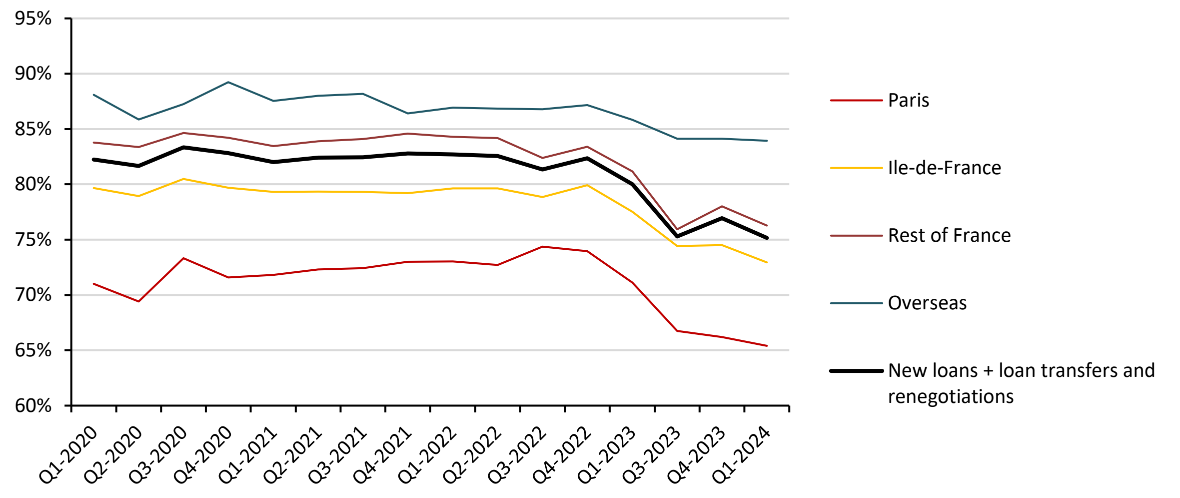
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 40 Average LTV ratio at origination, by purpose



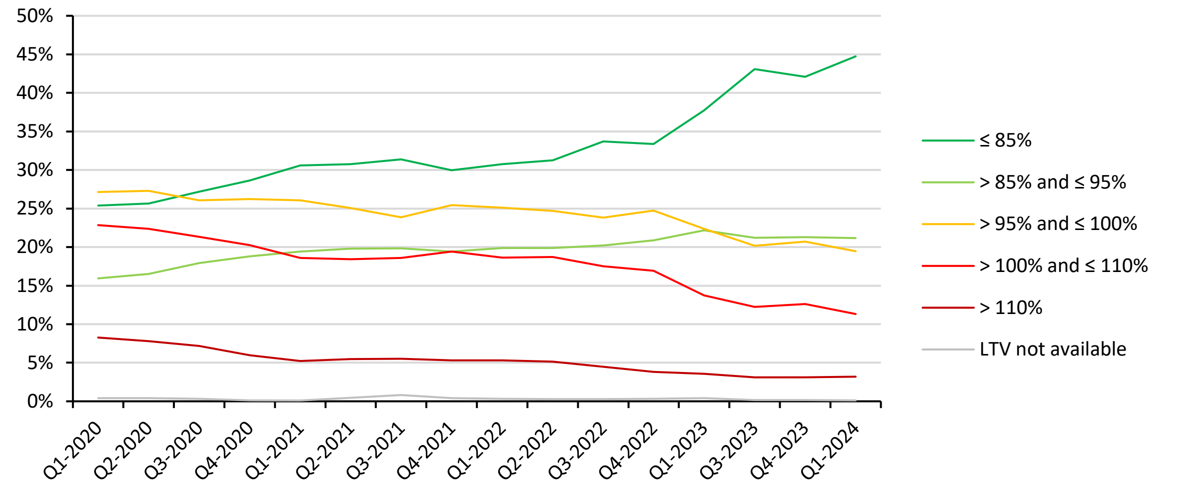
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024. NB: The significant changes in the category "other loans" observed from Q2 2021 onwards are mainly due to reclassifications made by an institution.

Chart 41 Average LTV ratio at origination, by location



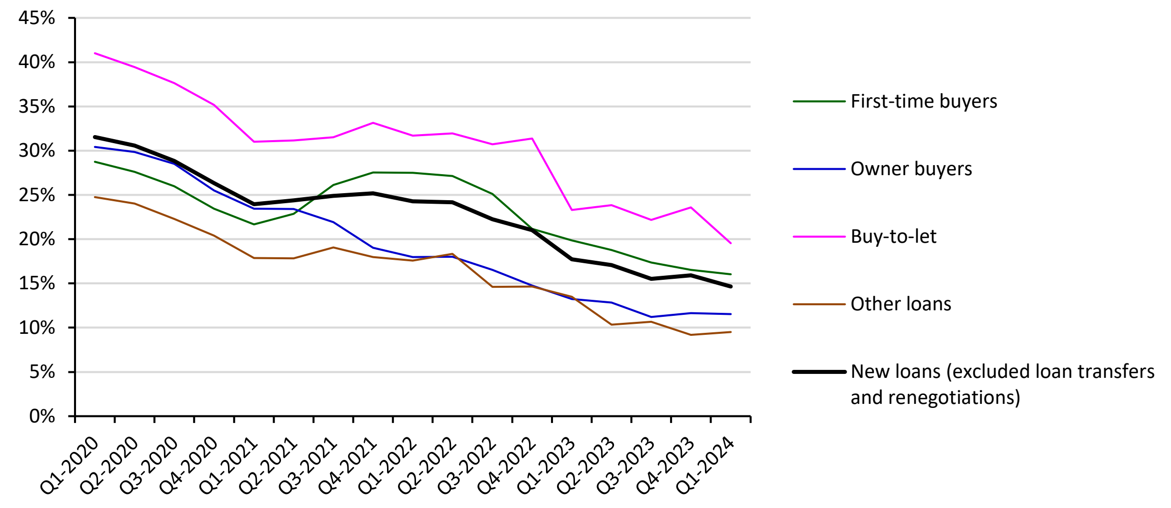
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 42 Loan production structure (excluding loan transfers and renegotiations) by LTV range



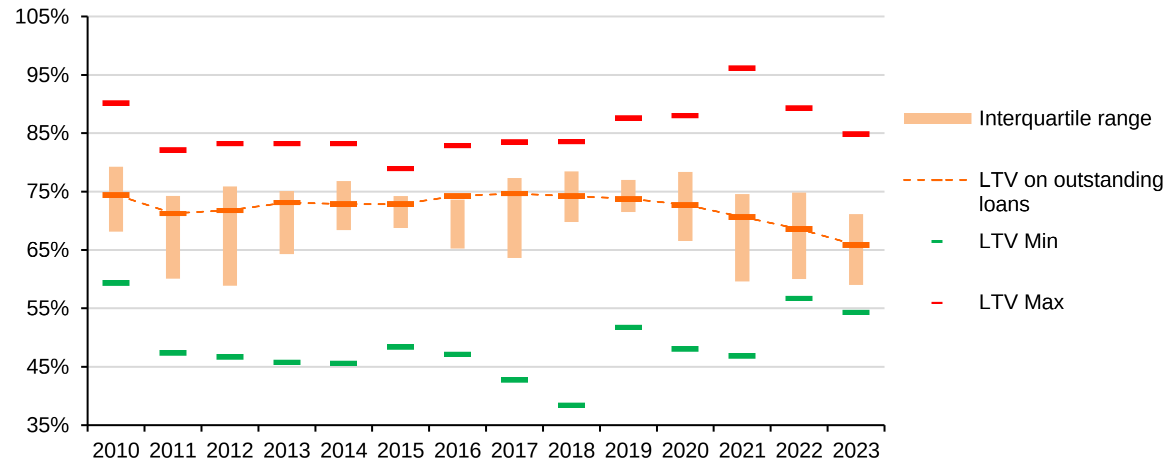
Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

Chart 43 Share of LTVs exceeding 100% (negative equity) by purpose



Source: ACPR, monthly monitoring of the production of housing loans; last point: Q1 2024

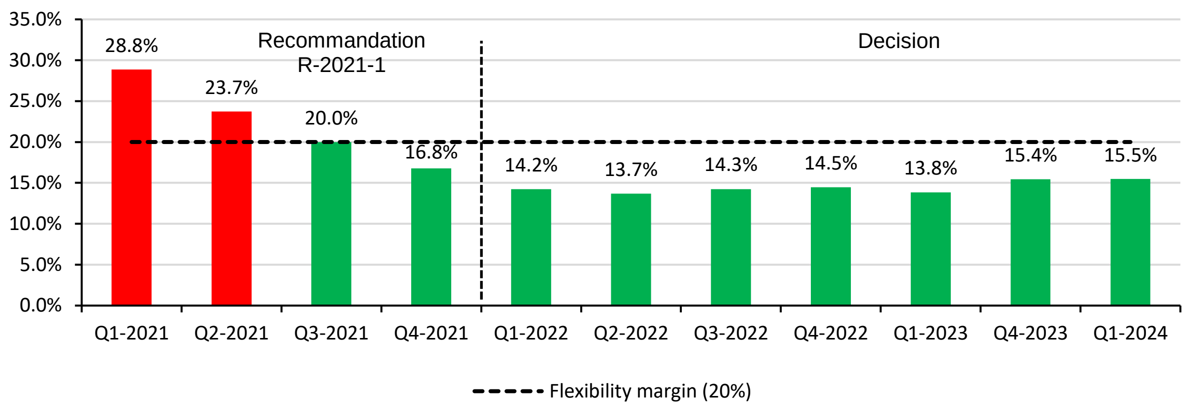
Chart 44 LTV ratio over the life of the loan



Source: ACPR, annual housing financing survey. The update of the LTV ratio includes the update of the outstanding capital and the valuation of the property. One quartile is each of the three values that divide the sorted data into four equal parts, so that each part makes up one quarter of the population sample. The interquartile range is a dispersion measure that is obtained as the difference between the third and first quartiles.

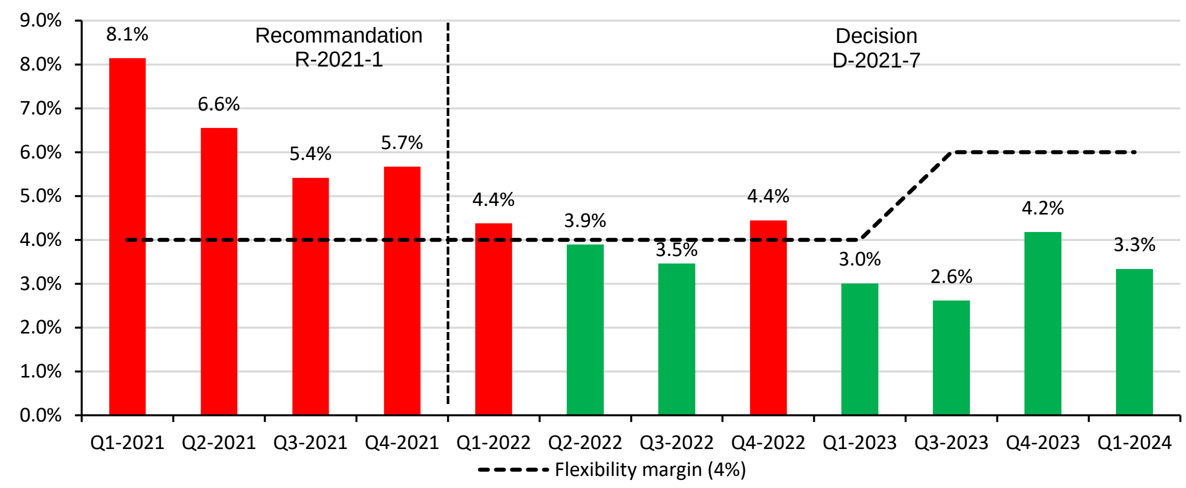
7. The HCSF measure remains well-anchored but flexibility margins remain underused

Chart 45 Use of flexibility margin: share of the loan production in excess of DSTI and/or duration thresholds set out in the HCSF recommendation (R-2021-1) / decision (D-2021-7) in total production (excluding loan transfers and renegotiations)



Source: ACPR, monthly monitoring of the production of housing loans.

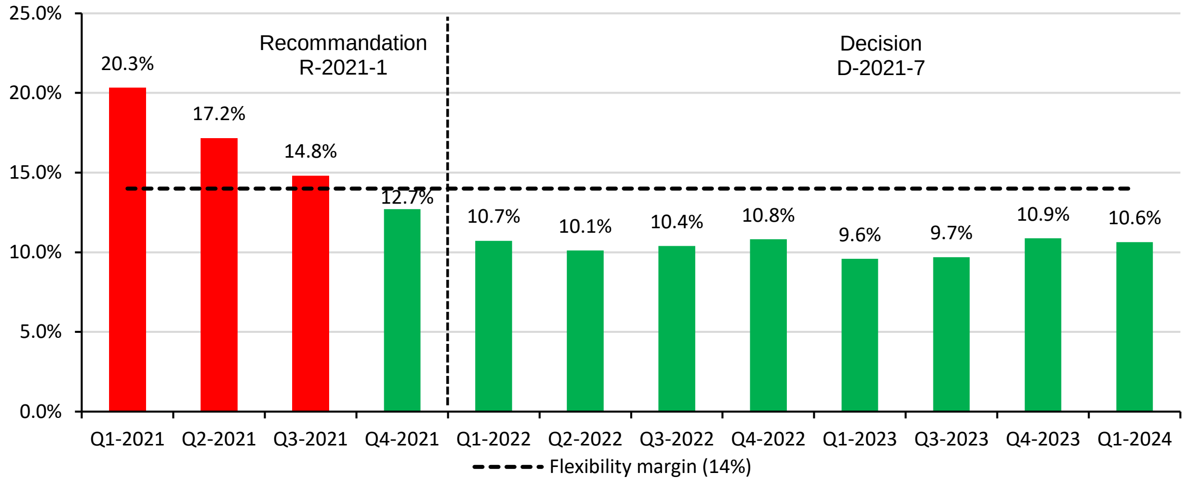
Chart 46 Use of the flexibility margin: share of the loan production (excluding principal residence) that exceeds the DSTI and duration caps set by the HCSF's recommendation (R-2021-1) / and decision (D-2021-7), as a percentage of total loan production (excluding loan transfers and renegotiations)



Source: ACPR, monthly monitoring of the production of housing loans. Source: ACPR, monthly monitoring of the production of housing loans.

** N.B.: At least 70% of the maximum flexibility is intended for buyers of their main residence. Therefore, institutions are also required to comply with the following condition:*
Share of non-compliant production excluding main residences < (1-70%) x 20% = 6% of total production

Chart 47 Use of the flexibility margin: share of the loan production (excluding first-time buyers) that exceeds the DSTI and duration caps set by the HCSF's recommendation (R-2021-1) / and decision (D-2021-7), as a percentage of total loan production (excluding loan transfers and renegotiations)



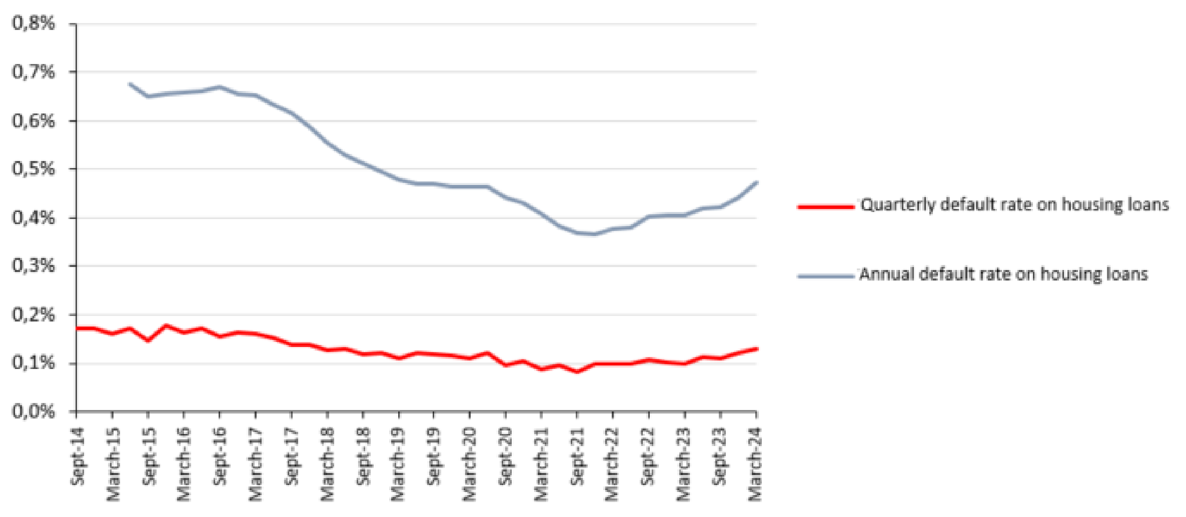
Source: ACPR, monthly monitoring of the production of housing loans. Source: ACPR, monthly monitoring of the production of housing loans.

** N.B.: At least 30% of the maximum flexibility is reserved to first-time buyers. Therefore, institutions are also required to comply with the following condition:*
Share of non-compliant production excluding first-time buyers < (1-30%) x 20% = 14% of total production.

Credit risk on housing loans remains limited

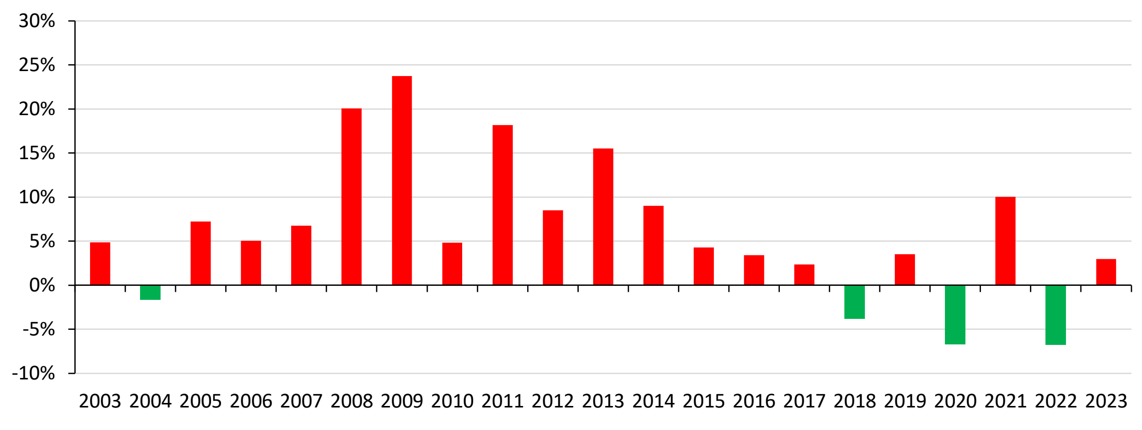
1. Delinquencies remain low

Chart 48 Quarterly default rate on housing loans in France



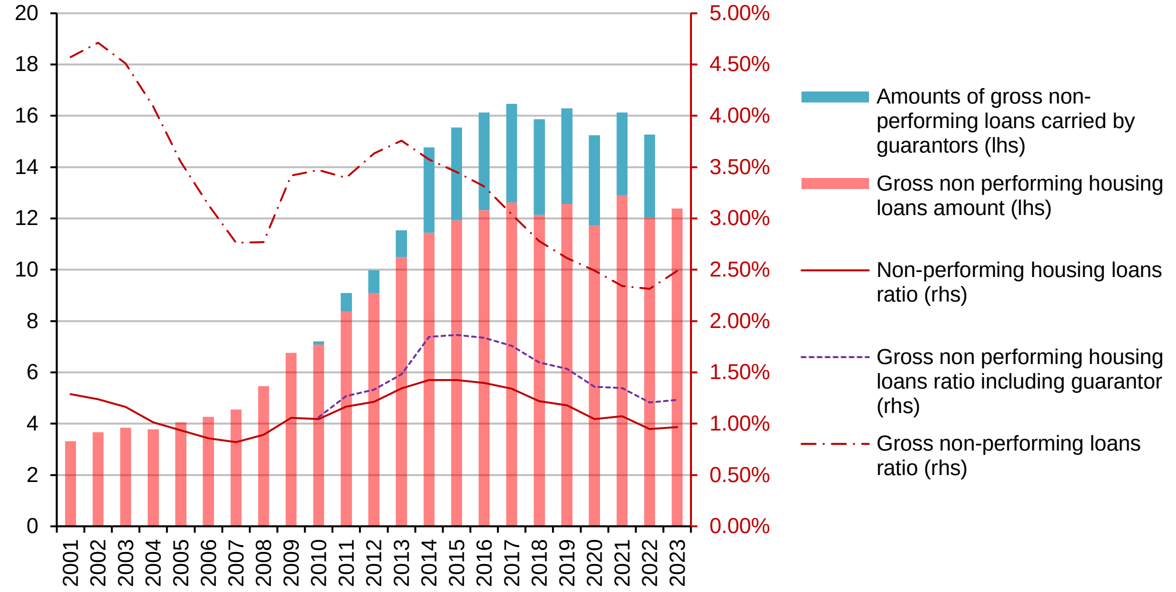
Source: COREP reports C09.01 and C09.02, last point March 2024.

Chart 49 Annual evolution of gross doubtful loans for housing loans



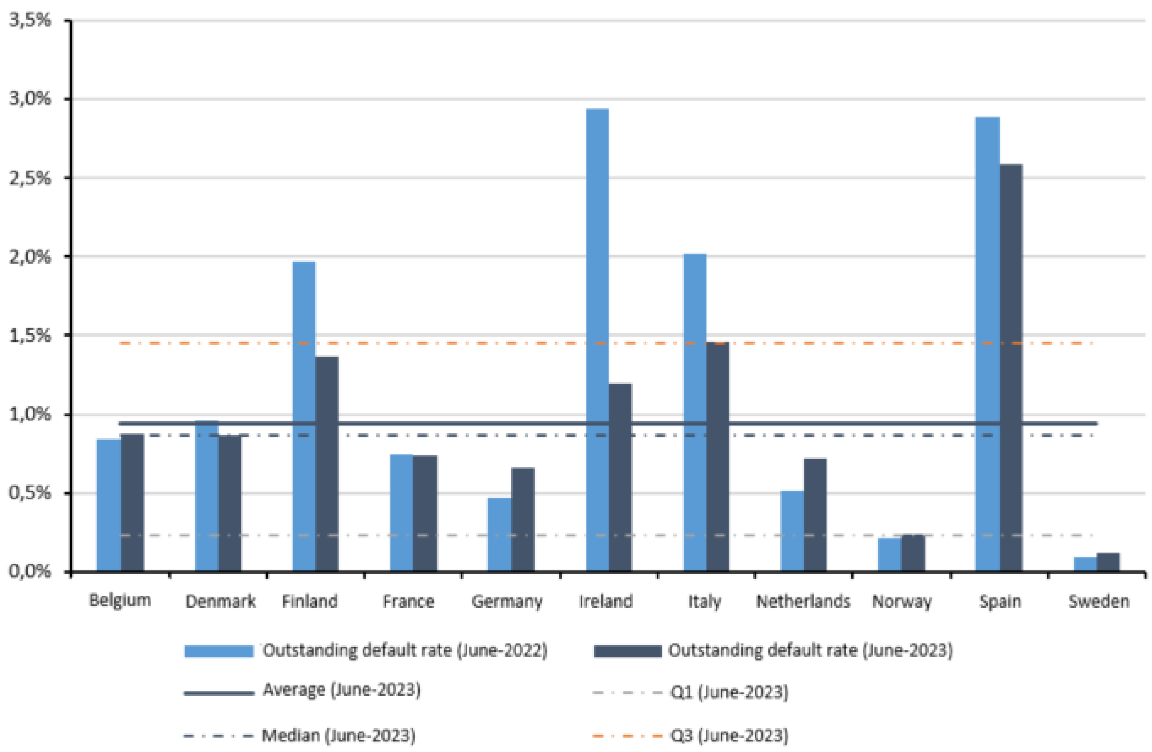
Source: ACPR, annual housing financing survey.

Chart 50 Gross doubtful debt on housing loans, in EUR billions and as a % of total outstanding amounts



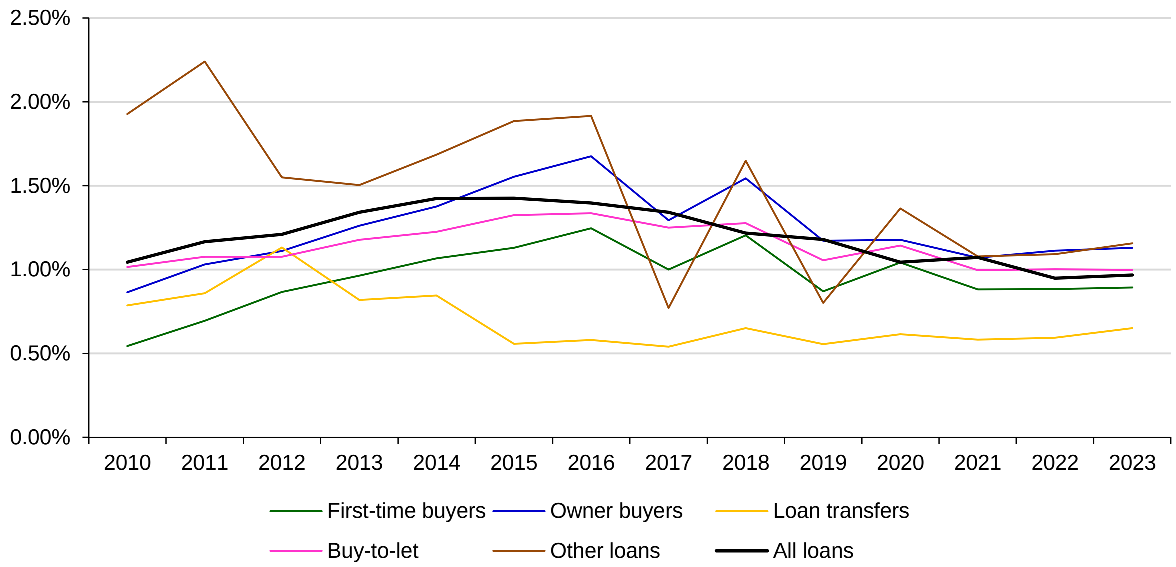
Source: ACPR, annual housing financing survey and BAFI/SURFI data; the gross doubtful loans of housing loan guarantors have only been collected since 2010.

Chart 51 Comparison with other European countries: evolution of the rate of housing loans in default by country



Source: EBA, Transparency exercise *(exposures on non-SME retail secured by immovable property; outstanding amounts treated using the advanced method); ACPR calculations; only countries representing individually at least 1% of the total amount of housing loans reported by all banks covered by the EBA exercise are mentioned; Q1, Q3: first and third quartiles*

Chart 52 Gross doubtful loan rates by purpose



Note: since gross doubtful outstanding rates by purpose were calculated on a limited scale (not all the banks surveyed provided information on this point), they cannot be directly compared with the rate of gross doubtful outstanding on all housing loans.

Chart 53 Gross doubtful loan ratio by interest rate type

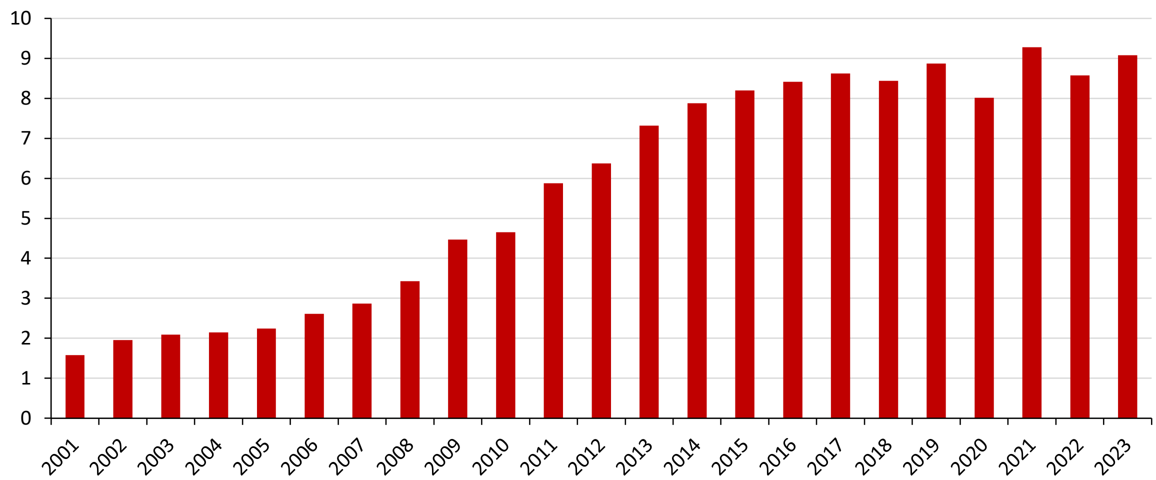
Note: since gross doubtful outstanding rates by type of interest rate were calculated on a limited scale (not all the banks surveyed provided information on this point), they cannot be directly compared with the rate of gross doubtful outstanding on all housing loans.

2. A relatively stable provisioning rate

Chart 54 Provisioning rate for doubtful loans in banks' accounts

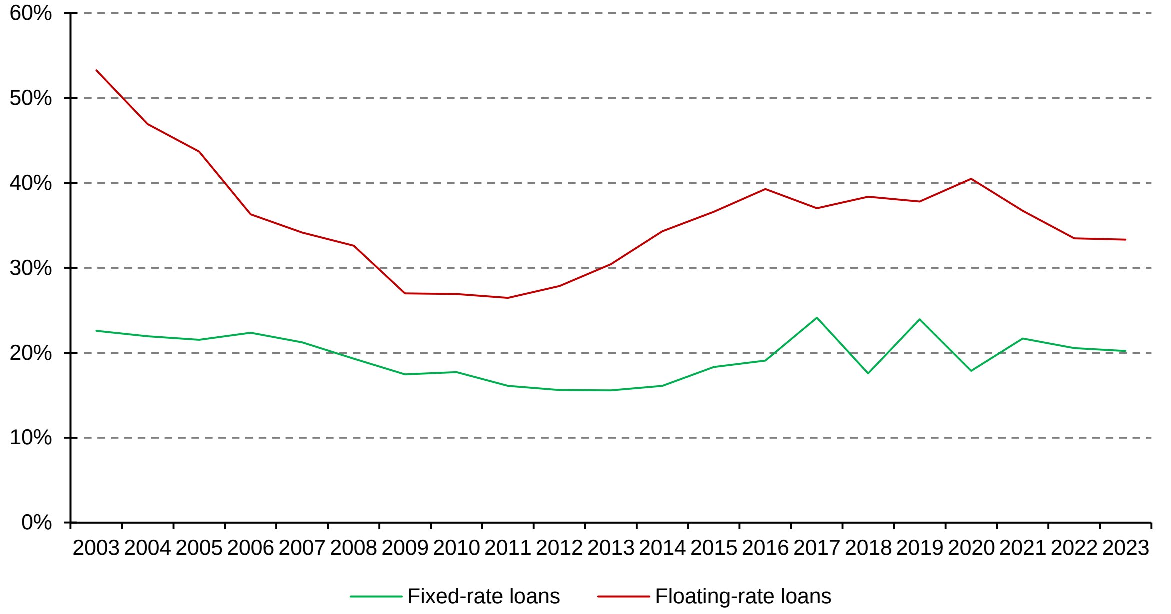
Source: ACPR, annual housing financing survey and BAFI/SURFI data.
NB: excluding provisioning rates in guarantor accounts

Chart 55 Net doubtful loans in banks' accounts (in EUR billion)



Source: ACPR, annual housing financing survey.
NB: excluding provisioning rates in guarantor accounts

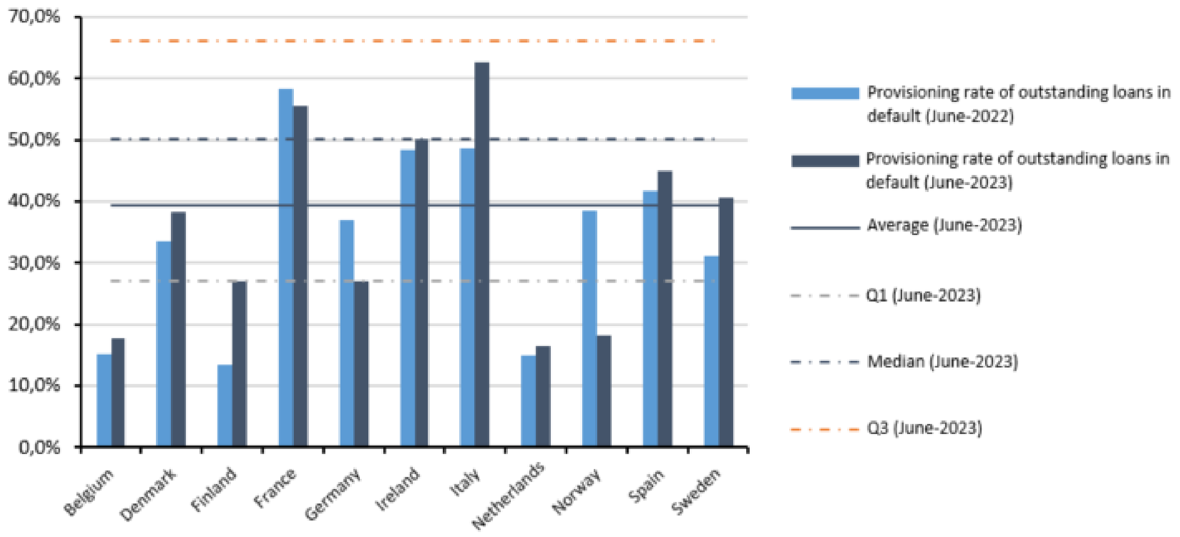
Chart 56 Provisioning ratios for doubtful housing loans by interest rate type



Source: ACPR, annual housing financing survey.

Note: as interest provisioning rates by type of interest rate were calculated on a limited scale (not all the banks surveyed provided information on this point), they cannot be directly compared with the provisioning rate on all housing loans.

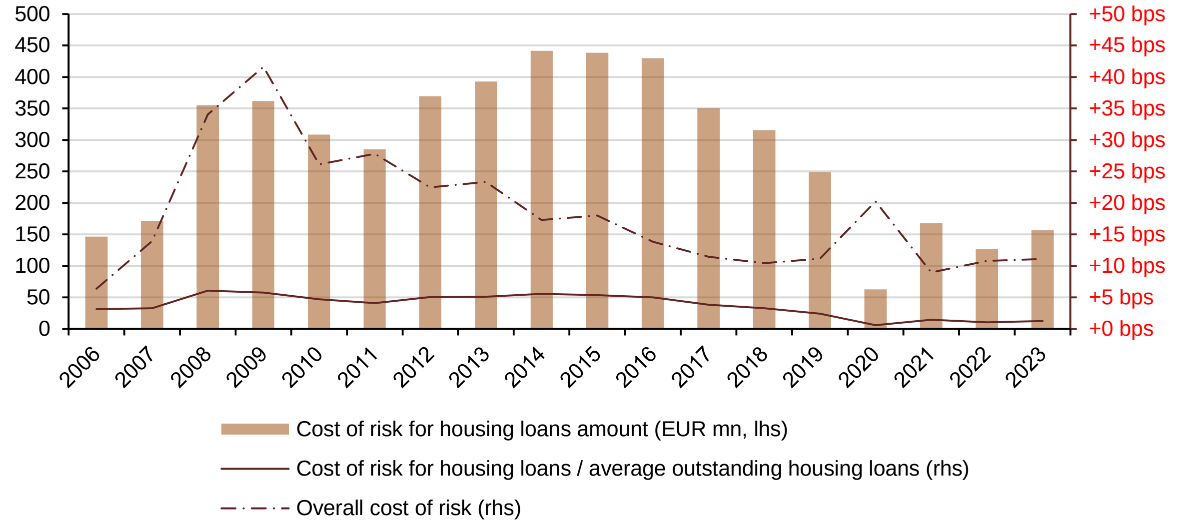
Chart 57 Provisioning rate by country



Source: EBA, Transparency exercise (non-SME retail exposures secured by real estate; outstanding amounts treated using the advanced method); ACPR calculations; reference is only made to countries individually representing at least 1% of the total amount of housing loans reported by all banks covered by the EBA exercise; Q1, Q3: first and third quartiles.

3. A slight decline in the cost of risk at banks' level

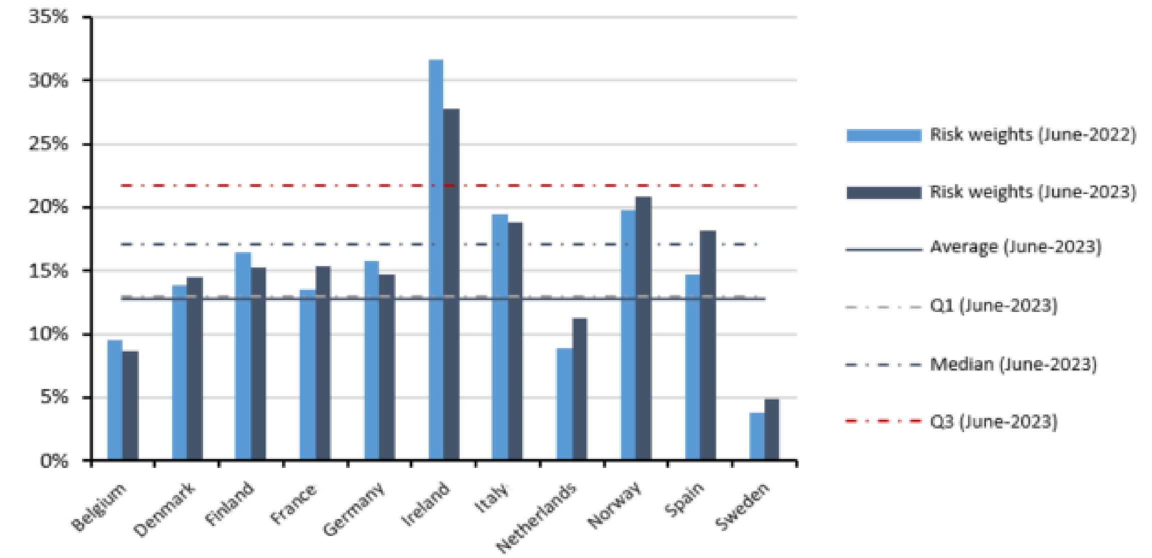
Chart 58 Cost of risk for housing loans, in EUR millions (right-hand scale) and relative to the average outstanding (left-hand scale)



*Source: ACPR, annual housing financing survey; financial disclosures by banks; *cost of risk of the 6 largest French banking groups as a proportion of their total assets*

4. The average risk weight stands above the European average when Crédit Logement's risk-weighted assets are included

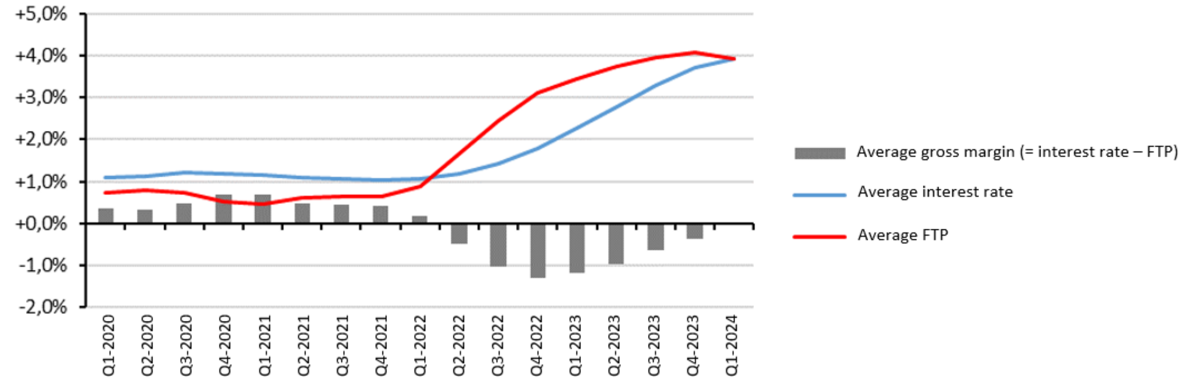
Chart 59 Risk weights (A-IRB) applied to housing loans by country of exposure as at 30 June 2023, including Crédit Logement's risk weighted assets for France



Source: EBA, Transparency exercise *(exposures on non-SME retail secured by immovable property; outstanding amounts processed using the advanced method) and annual reports on Crédit Logement for 2021 and 2022; ACPR calculations; this calculation does not take into account the own funds requirements that are additionally applicable at the level of guarantors covered by the Insurance Code and the prudential regulations known as "Solvency II". Only countries representing individually at least 1% of the total amount of housing loans reported by all banks covered by the EBA exercise are mentioned.*

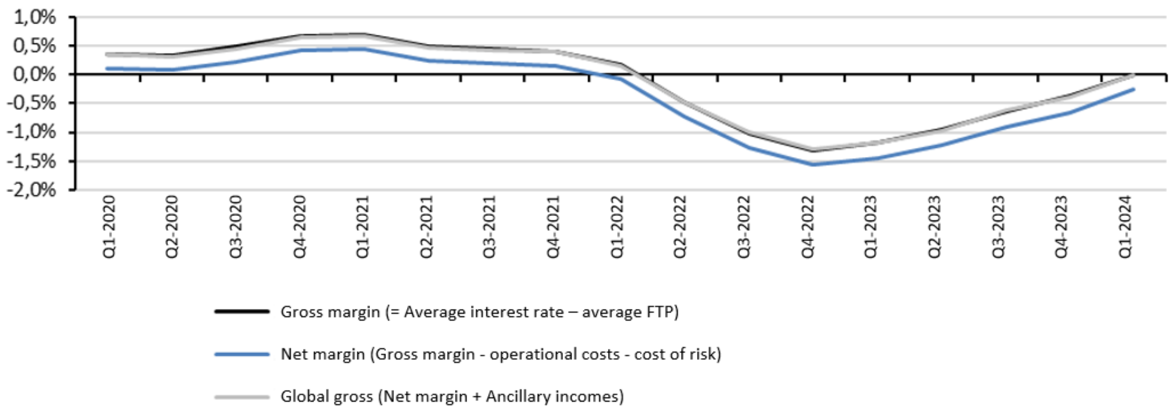
5. A recovery in housing loan margins, which returned to equilibrium in early 2024

Chart 60 Interest rates and gross margin on new housing loans



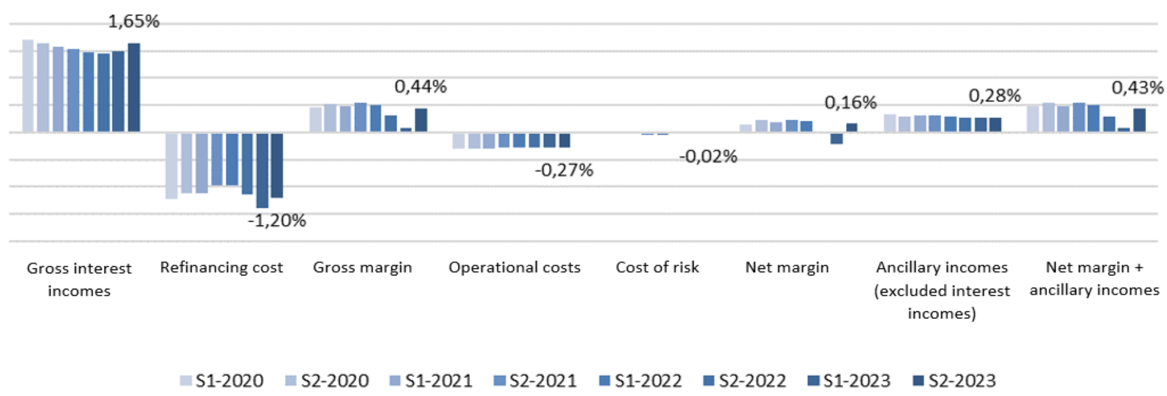
Source: ACPR (RENTIMMO statement); NDER*: Narrow effective rate*; TCI: *Internal disposal rate*

Chart 61 Margin on new housing loans



Source: ACPR (RENTIMMO report). Depending on the bank, ancillary income may include application fees, commissions paid on the distribution of insurance contracts (borrower, multi-risk home or guarantee insurance), early amortization benefits, etc.

Chart 62 Gross and net margins on outstanding housing loans



Source: ACPR (RENTIMMO report)

Lending standards:

- **DSTI ratio (debt service to income)**: the ratio includes (i) in the numerator the annual borrowing expenses associated with the total borrower (or co-borrowers, where applicable) indebted, comprising the loan in question and all outstanding loans, whatever their nature, and (ii) in the denominator the annual income. It is assessed by taking the maximum annual borrowing expenses over the whole credit amortization period as a proportion of the annual income assessed at the time of granting.
- **DTI ratio (debt do income)**: the ratio includes as the numerator the total borrower indebtedness (or co-borrowers, where applicable), comprising the loan in question and all loans outstanding, whatever their nature, and as the denominator the annual income assessed at the time of granting.
- **Loan-to-Value (LTV) ratio**: the ratio of the principal loan value to the purchase value of the property excluding transfer and/or acquisition rights.

Profitability / Margins:

- **Narrowly Defined Effective Rate (NDER)**: the interest component of the Overall Effective Rate (EER).
- **Fund Transfer Price (FTP)**: corresponds to the cost invoiced internally to the retail banking business by the department in charge of asset-liability management for the refinancing of housing loans.

Delinquency:

- **Doubtful loans** (accounting concept)::
  - Where there has been one or more defaults for at least three months (six months in the case of loans to house buyers and property leasers, nine months in the case of loans to local authorities, taking account of the specific characteristics of such loans). An exception to this rule may be made only where specific circumstances demonstrate that the past due amounts are due to causes unrelated to the situation of the debtor;
  - Where the situation of a counterparty has characteristics such that, regardless of the existence of any past due event, an actual risk can be concluded. This is particularly the case when the institution is aware of the deteriorating financial situation of its counterparty, resulting in the risk of non-recovery (e.g. the existence of alert procedures);
  - Whether there are any litigation procedures between the institution and its counterparty, including debt distress, receivership, bankruptcy, personal bankruptcy, property liquidation, and subpoenas in an international tribunal.
- **Non-performing exposures** (prudential notion): non-performing exposures are defined in Article 47a of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. Non-performing shall include the following:
  - An exposure for which default is considered to have occurred;
  - An exposure that is considered credit-impaired in accordance with the applicable accounting framework;
  - An exposure on probation where additional forbearance measures are applied or where the exposure is more than 30 days past due;
  - An exposure in the form of a liability that, if drawn down or otherwise used, is unlikely to be repaid in full without realization of the collateral;

- An exposure in the form of a financial guarantee that would likely be called up by the guarantor, including where the underlying guaranteed exposure meets the criteria to be considered as non-performing.