

Action Logement Services

Key Rating Drivers

Rating Derivation Summary: Action Logement Services' (ALS) affirmation reflects Fitch Ratings' unchanged view that the French state (AA-/Stable) would provide timely support if needed, as reflected by the support score of 45 points out of 60 under our *Government-Related Entities (GRE) Rating Criteria*. This leads to an equalisation of ALS's ratings with those of France.

Status, Ownership and Control – 'Strong': ALS is a limited company owned by Action Logement Group (ALG; AA-/Stable), an association managed by representatives of employers and employees. The relationship between ALG (and its subsidiaries) and the state are defined in the five-year agreement signed in June 2023 covering 2023-2027. The state also exercises control through three board representatives with veto rights. ALS is subject to controls by the National Court of Auditors, ANCOLS and ACPR, the French banking regulator.

Support Track Record – 'Very Strong': The company has a sound and predictable revenue framework. ALS's main source of income is the PEEC (participation des employeurs a l'effort de construction), a mandatory contribution paid by private-sector employers. The PEEC is a quasi-tax granted by the French parliament to ALS for its funding. The state is obliged to intervene in case an economic downturn leads to reduced PEEC income and potential financial stress. We consider there are no legal or regulatory restrictions to extraordinary support from the state.

Socio-Political Implications of Default – 'Strong': ALS is the second-largest lender to the French social housing sector after Caisse des Depots et Consignations (CDC; AA-/Stable). ALS also directly finances some state policies, such as those dedicated to renovating city centres. Fitch considers that a default by ALS would threaten the completion of its investment plan, with material socio-political implications for the state and local and regional governments.

Financial Implications of Default – 'Very Strong': Fitch considers ALS a proxy-funding vehicle for the French state. Fitch views ALS as carrying out activities that could be done directly by the state or a public agency (such as the CDC) and that it benefits from a quasi-tax income to fund its operations. A default by ALS could also have a major impact on the social housing sector by raising the cost of funding.

Operating Performance: In 2022, ALS net result improved to a net loss of EUR1.1 billion (2021: loss of EUR3.9 billion), despite a significant increase in interest expenses that doubled due to higher interest rates. The improvement was due to decreasing subsidies paid (-53% in 2022) and to a lesser extent to increasing PEEC revenues (6%). We expect net result to continue to improve in the following years, as the new multi-year convention (2023-2027) represents a normalisation of ALS's level of financial commitments.

Rating Sensitivities

Change in Sovereign Ratings: A change in the sovereign's ratings would be reflected in ALS's ratings, all else remaining equal.

Weaker Support Factors: A downgrade could result from a weaker assessment of support factors, leading to a score below 45 points under our GRE criteria. This could result from lower strategic importance for the state, which Fitch views as unlikely.

Ratings

Foreign Currency

Long-Term IDR	AA-
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AA-
Short-Term IDR	F1+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Debt Ratings

Senior Unsecured Debt – Long-Term Rating	AA-
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Issuer Profile Summary

ALS is the financial arm of ALG, an association managed by representatives of employers and employees tasked with providing affordable housing to workers. It is in charge of collecting PEEC contributions paid by private companies and providing loans and grants to individuals and social housing providers.

Financial Data Summary

Action Logement Services

(EURm)	2021	2022
Interest revenue	135	138
Net interest income	105	78
Net profit (loss)	-3,954	-1,081
Total assets	20,098	21,312
Total debt	4,276	6,246
Net interest income/earning assets (%)	0.6	0.4
Long-term debt/total equity and reserves (%)	52.1	88.0

Source: Fitch Ratings, Fitch Solutions, Action Logement Services

Applicable Criteria

[Public Sector Revenue-Supported Entities Rating Criteria \(April 2023\)](#)

[Government-Related Entities Rating Criteria \(September 2020\)](#)

Related Research

[Sovereign Downgrade Had a Widespread Impact on French Agency Subnational Ratings \(June 2023\)](#)

[France \(November 2023\)](#)

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Appendix A: Financial Data

Action Logement Services^a

(EURm)	2018	2019	2020	2021	2022
Income statement					
Interest revenue	172.5	168.2	152.0	135.2	138.1
Interest expenditure	-27.8	-33.0	-30.0	-30.6	-60.0
Net interest income	144.7	135.1	122.1	104.6	78.0
Net fees and commissions	0.0	0.0	0.0	0.0	0.0
Other operating income	372.7	435.7	361.3	407.6	444.3
Personal expenses	-204.2	-193.0	-183.3	-184.6	-178.9
Other operating expenses	-1,370.0	-1,555.8	-3,745.3	-5,528.0	-2,711.3
Net operating income (loss)	-1,056.8	-1,177.9	-3,445.3	-5,200.4	-2,367.8
Provisions	-13.4	10.5	-61.6	-56.7	-97.8
Other non-operating items	0.0	41.1	1.2	0.9	0.2
Transfers and grants from public sector	1,507.3	1,535.6	1,600.5	1,303.7	1,385.8
Taxation	-0.6	-11.3	-1.1	-1.5	-1.4
Net profit (loss)	436.5	397.9	-1,906.3	-3,953.9	-1,081.0
Balance Sheet					
Assets					
Cash and cash equivalents	2,330.3	1,145.2	613.9	556.2	700.3
Liquid securities	1,709.7	4,815.9	3,915.2	2,202.5	2,461.2
Deposits with banks	0.0	0.0	0.0	0.0	0.0
Loans	16,004.4	15,950.8	15,639.9	16,087.6	16,678.7
Other earning assets	1.1	1.1	0.6	1.0	101.4
Fixed assets	437.6	643.7	610.2	555.0	527.3
Intangible assets	7.2	11.3	14.1	16.0	18.5
Other long-term assets	432.9	132.0	458.2	679.7	824.6
Total assets	20,923.3	22,700.0	21,252.1	20,098.1	21,312.0
Liabilities & equity					
Short-term borrowing	60.0	61.2	62.2	70.0	84.0
Debt maturing after one year	1,235.7	2,312.2	2,252.3	4,206.4	6,162.3
Other long-term liabilities	6,085.6	6,386.6	6,904.0	7,741.8	8,066.9
Share capital	20.0	20.0	20.0	20.0	20.0
Equity and reserves	13,542.1	13,940.1	12,033.8	8,079.8	6,998.8
Total liabilities and equity	20,923.3	22,700.0	21,252.1	20,098.1	21,312.0

^a Consolidated figures of ALS and its subsidiaries.
Source: Fitch Ratings, Fitch Solutions, Action Logement Services

Appendix B: Financial Ratios

Action Logement Services^a

(%)	2018	2019	2020	2021	2022
Performance					
Interest revenue on loans/loans	1.1	1.1	1.0	0.8	0.8
Interest expense/borrowings and deposits	2.1	1.4	1.3	0.7	1.0
Net interest income/earning assets	0.7	0.6	0.6	0.6	0.4
Net operating income/net interest income and other operating revenue	-204.3	-206.3	-712.7	-1,015.2	-453.3
Net operating income/equity and reserves	-7.8	-8.4	-28.6	-64.4	-33.8
Net operating income/total assets	-5.1	-5.2	-16.2	-25.9	-11.1
Credit portfolio					
Growth of total assets	3.0	8.5	-6.4	-5.4	6.0
Growth of loans	-1.0	-0.3	-1.9	2.9	3.7
Loan impairment charges/loans	0.1	-0.1	0.4	0.4	0.6
Debt and liquidity					
Long-term debt/total equity and reserves	9	17	19	52	88
Liquid assets/total assets	19.3	26.3	21.3	13.7	14.8
Total deposits and debt/total assets	6.2	10.5	10.9	21.3	29.3
Liquid assets/short-term deposits and borrowing	6,733.3	9,744.4	7,286.8	3,943.9	3,763.3
Capitalisation					
Equity and reserves/total assets	64.7	61.4	56.6	40.2	32.8
Profit after tax/total equity and reserves	3.2	2.9	-15.8	-48.9	-15.4
Loans/equity and reserves	118.2	114.4	130.0	199.1	238.3

^a Consolidated figures of ALS and its subsidiaries.
Source: Fitch Ratings, Fitch Solutions, Action Logement Services

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