

Action Logement Services

**Statutory Auditors' report
on the consolidated financial statements**

(For the year ended 31 December 2023)

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This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Action Logement Services

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To the Sole Shareholder,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Action Logement Services for the year ended 31 December 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2023 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Accounts Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors for the period from 1 January 2023 to the date of our report.

Justification of assessments

In accordance with the requirements of Articles L.821-53 and R.821-180 of the French Commercial Code relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgement, were the most significant in our audit of the consolidated financial statements.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment of loans granted to individuals

Note 4.8 “Doubtful receivables and impairment of customer receivables” to the consolidated financial statements describes the accounting principles and methods related to the impairment of loans granted to individuals.

We verified the appropriateness of the accounting principles and methods used by the Group to determine this impairment and ensured that they were properly applied.

We also examined the appropriateness of the disclosures provided in the notes to the financial statements.

Provision for risks related to the Visale guarantee scheme

The Group set aside a provision to cover risks relating to the Visale rental guarantee scheme, which has been estimated by an independent actuary as described in Note 4.16 “Other provisions” and in Note 6.11 “Provisions” to the consolidated financial statements.

As part of our assessments, we:

- reviewed the methods used by the Company to estimate the provision,
- assessed the appropriateness of the change in the method used to estimate the provision for 2023,
- examined the procedures put in place to monitor and control the underlying data,
- assessed, with the assistance of our actuaries, the methodologies as well as the assumptions on which this estimate was based, including a review of the sensitivity of the provision to these assumptions.

As part of our assessments, we verified that the estimates were reasonable and that the notes to the consolidated financial statements contain appropriate disclosures.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the Group management report includes the consolidated non-financial information statement required under Article L.225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.821-55 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit and Accounts Committee

We submit a report to the Audit and Accounts Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

We also provide the Audit and Accounts Committee with the declaration provided for in Article L.821-63 of the French Commercial Code, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.821-27 to L.821-34 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Accounts Committee.

Nantes and Courbevoie, 24 May 2024

The Statutory Auditors

PricewaterhouseCoopers Audit

MAZARS

Nicolas Jolivet

Jean Latorzeff



2023 Consolidated financial statements

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CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	Notes	Gross	Depreciation, amortisation and impairment	31 December 2023	31 December 2022
Amounts due from credit and similar institutions	6.1	3,260,551	-	3,260,551	3,161,523
Transactions with customers	6.2	18,371,713	(304,664)	18,067,049	16,678,700
Amounts due on loans to individuals		4,234,180	(224,741)	4,009,439	3,734,815
Amounts due on loans to corporate entities		14,137,533	(79,923)	14,057,610	12,943,885
Bonds and other fixed income securities	6.3	101,663	(283)	101,380	100,000
Equity interests and other long-term securities	6.4	3,256	(2,523)	733	1,403
Intangible assets	6.5	50,592	(28,328)	22,264	18,472
Property, plant and equipment	6.5	585,182	(78,772)	506,410	527,339
Other assets	6.6	1,200,312	(217,670)	982,642	824,611
Total assets		23,573,269	(631,957)	22,941,029	21,312,048

LIABILITIES AND EQUITY

In thousands of euros	Notes	31 December 2023	31 December 2022
Amounts due to credit and similar institutions	6.7	1,272,974	1,222,656
Transactions with customers	6.8	7,152,516	7,578,281
Government, local authorities and Government agencies			
Amounts due to individuals		169,438	306,438
Amounts due to corporate entities		6,983,078	7,271,843
Debt securities	6.9	7,271,774	5,023,663
Other liabilities	6.10	198,401	200,958
Accruals			
Provisions	6.11	282,802	287,622
Shareholders' equity (Group share)		6,762,589	6,998,848
Subscribed capital		20,000	20,000
Additional paid-in capital			
Reserves		6,978,849	8,059,811
Regulated provisions and subsidies			
Net loss for the period		(236,260)	(1,080,963)
Non-controlling interests		(27)	20
Total liabilities and equity		22,941,029	21,312,048

CONSOLIDATED INCOME STATEMENT

In thousands of euros	Notes	2023	2022
Employers' contribution	7.1.1	1 447 200	1 385 836
+ Subsidies received	7.1.1	342 119	341 735
Subsidies received from another fund		324 674	329 057
Other subsidies		17 445	12 678
- Subsidies paid	7.1.2	(1 716 728)	(2 496 178)
Subsidies to Government agencies and local authorities		(633 000)	(693 000)
Subsidies to corporate entities		(542 400)	(1 005 336)
Subsidies to individuals		(197 039)	(456 143)
Subsidies to another fund		(324 674)	(329 057)
Other subsidies		(19 615)	(12 642)
Net non-banking income/(loss)		72 591	(768 607)
+ Interest receivable and similar income	7.2.1	216 148	138 082
- Interest payable and similar expenses	7.2.2	(144 513)	(60 033)
Gains or losses on investment portfolio transactions		11 555	3 878
+ Other banking income		1 775	2 600
Net banking income		84 965	84 527
Other operating income	7.3	85 853	96 056
General operating expenses	7.4	(379 353)	(373 062)
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets		(21 930)	(20 902)
Gross operating loss		(157 874)	(981 988)
Cost of risk	7.5	(69 762)	(97 769)
Operating loss before depreciation/amortisation and impairment of goodwill		(227 636)	(1 079 757)
Depreciation/amortisation and impairment of goodwill		-	-
Operating loss after depreciation/amortisation and impairment of goodwill		(227 636)	(1 079 757)
Gains and losses on other assets	7.6	(384)	184
Recurring net loss before tax		(228 020)	(1 079 573)
Non-recurring net income/(loss)		(116)	36
Income tax	7.7	(8 171)	(1 430)
Net loss from consolidated companies		(236 307)	(1 080 967)
Non-controlling interests		47	4
Net loss (Group share)		(236 260)	(1 080 963)

CHANGES IN EQUITY

In thousands of euros	Subscribed capital	Consolidated reserves	Net income/(loss) for the period	Shareholders' equity (Group share)	Non-controlling interests	Total equity
31 December 2021	20,000	12,013,736	(3,953,926)	8,079,810	24	8,079,834
Appropriation of Y-1 net income/(loss)	-	(3,953,926)	3,953,926		-	
Net loss for the period	-	-	(1,080,963)	(1,080,963)	(4)	(1,080,967)
31 December 2022	20,000	8,059,811	(1,080,963)	6,998,848	20	6,998,867
Appropriation of Y-1 net income/(loss)	-	(1,080,963)	1,080,963	-	-	-
Net loss for the period	-	-	(236,260)	(236,260)	(47)	(236,307)
31 December 2023	20,000	6,978,849	(236,260)	6,762,589	(27)	6,762,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. HISTORY OF THE GROUP: ACTION LOGEMENT REFORM

Order No. 2016-1408 of 20 October 2016 (hereinafter “the Order”) relating to the restructuring of the collection of the employers’ contribution to building and construction work (hereinafter “PEEC”) led to an in-depth restructuring of the Action Logement network to simplify and streamline the collection of the PEEC and the way in which the contributions are used.

This reform, implemented as from 2016, resulted in the disappearance of the various interprofessional housing committees (*Comités Interprofessionnels du Logement* – CIL), as well as the Social Economy Union for Housing (hereinafter “UESL”), and in the centralised collection of the PEEC with a single collector, while also strengthening its regional presence and reaffirming the priority focus on local action by our social housing companies (ESH) in support of policies implemented by local communities.

Action Logement is now organised around three main structures with joint governance:

- the **Action Logement Group** (hereinafter “ALG”), an umbrella structure responsible for managing the group, relations with the State and corporate communication. Action Logement Group in turn holds the entire capital of:
 - ✓ **Action Logement Services SASU** (hereinafter “ALS”), a single structure that collects the PEEC and provides corporate support and services;
 - ✓ **Action Logement Immobilier SASU** (hereinafter “ALI”), which holds interests in all the Group’s real estate subsidiaries. This holding company’s role is to support and ensure the management of Action Logement Group’s subsidiaries and holdings.

Pursuant to the Order of 20 October 2016, the associations AFL (*Association Foncière Logement* [Residential Land Association]) and APAGL (*Association Pour l’Accès aux Garanties Locatives* [Association for Access to Rental Guarantees]) are also part of the Action Logement Group.

1.2. DESCRIPTION OF THE ACTION LOGEMENT SERVICES GROUP

Action Logement Services and its subsidiaries together constitute the “ALS Group”.

ALS, a subsidiary of the Action Logement Group, is managed by the employer organisations and employee unions, and is primarily responsible for:

- collecting and managing the PEEC;
- delivering financial support and services for employees and companies;
- helping to finance the production and rehabilitation of housing, along with national housing policies.

2. SIGNIFICANT EVENTS OF THE PERIOD

2.1. EXPIRY OF THE 2018-2022 FIVE-YEAR AGREEMENT AND SIGNATURE OF THE FIVE-YEAR AGREEMENT COVERING THE PERIOD 2023-2027

The 2018-2022 five-year agreement, as modified by successive amendments, expired in 2022. Discussions between the French Government and the Group on the 2023-2027 five-year agreement, which began in the second half of 2022, culminated on 16 June 2023 with the signature of a new agreement. In the first half of 2023, while discussions were still ongoing, ALS operated according to a projected sources and uses of funds statement drawn up pursuant to the going concern principle provided for in Article L.313-3 of the French Construction and Housing Code.

Despite a difficult situation for the housing sector as a whole, in 2023 ALS confirmed its commitment to affordable and sustainable housing, in line with its new five-year agreement. The aims of the 2023-2027 agreement are to:

- maintain the historical focus of Action Logement's activities and channel initiatives towards the priorities defined by the social partners, with a provisional overall budget of €14.4 billion, broken down by type of use of funds:
 - ✓ loans, aid and services to individuals (€3.7 billion),
 - ✓ financing for social and intermediary landlords (€5.5 billion),
 - ✓ support for public policies (€5.2 billion);
- ensuring the medium-term sustainability of the ALS business model.

2.2. SUSTAINABILITY OF THE ALS BUSINESS MODEL

The provisions of the 2023-2027 five-year agreement are designed to ensure the sustainability of the ALS business model over the medium term based on a return to a balance between uses and sources of available funds. They also provide a framework for the efficient management of debt. To this end, the 2023-2027 five-year agreement provides that the French Government can propose two legislative amendments to merge the funds mentioned in Article L.313-19-2 of the Construction and Housing Code into a single fund, and grant a guarantee for the VISALE scheme.

At 31 December 2023, the operational implementation of these measures was under review.

2.3. TWO BOND ISSUES COMPLETED IN 2023

In February 2023, under its 100% sustainable EMTN programme for a maximum total amount of €6.2 billion, ALS carried out a €1.2 billion bond issue, bringing the total amount of its sustainable bond issues to €6.2 billion, which is the maximum amount of its legacy EMTN programme set up in 2019.

As the financing for ALS' activities under the 2019 voluntary investment plan (VIP) and the 2021 recovery plan is based on external borrowing by ALS on the financial markets for a total estimated amount of €11.3 billion over the period 2018-2027, ALS identified a minimum total refinancing requirement on the bond market of €3.3 billion for the period 2023-2027, in addition to the aforementioned fully issued €6.2 billion programme, in order to finance the remaining commitments undertaken for the 2018-2022 five-year period.

Under the terms of the 2023-2027 five-year agreement, the €3.3 billion cap on ALS' bond issue programme for the period is contingent on the operational implementation of the two legislative changes aimed at merging the funds referred to in Article L.313-19-2 of the French Construction and Housing Code into a single fund and providing a framework for the Government's guarantee under the VISALE scheme.

The legal documentation for the EMTN issue programme was updated accordingly on 13 September 2023, increasing the maximum amount of the ALS issue programme by €3.3 billion to €9.5 billion. In September 2023, ALS completed a €1.0 billion bond issue, bringing the total amount of sustainable bonds issued by ALS to €7.2 billion at 31 December 2023.

2.4. ACTION LOGEMENT GROUP CREDIT RATINGS

Action Logement was rated by credit rating agencies for the first time in 2019. The Group's credit rating (Action Logement Groupe – ALG, Action Logement Services – ALS, and Action Logement Immobilier – ALI) is aligned with the sovereign rating for France. In December 2023, Moody's confirmed the long-term rating of the three entities at Aa2 with a stable outlook, a rating they have held since February 2020, following the change from a positive to a stable outlook for Aa2-rated French Government bonds. Based on its credit ratings approach for Government-related entities, in May 2023 Fitch confirmed its AA- rating for ALG, ALS and ALI with a stable outlook, following the upgraded outlook for France from negative to stable at that date. This rating was confirmed at the end of 2023.

	Moody's Investors Service	Fitch Ratings*
Long-term senior unsecured debt rating	Aa2	AA-
Short-term rating		F1+
Outlook	Stable	Stable
Date of latest report	02/02/2024	21/12/2023

* Fitch Ratings downgraded the long-term rating of French government-related entities, which includes ALS, according to the agency's rating methodology, following the downgrade of the sovereign rating to AA-/Stable on 28 April 2023, with the outlook upgraded from negative to stable.

2.5. REVIEW OF OPERATIONS

✓ Geopolitical and inflationary environment

2023 was shaped by a deterioration in the economic outlook, leading to increasing inflationary pressures and a widespread impact on the markets (fixed-income, commodities, energy, goods and services). However, this environment had no material impact on ALS' activities.

✓ 2023: first year of the 2023-2027 five-year agreement

In 2023, total uses of funds represented €3.8 billion, compared with €6.4 billion in 2022. This decrease is in line with the uses of funds set out in the 2023-2027 five-year agreement, and notably the end of funding under the voluntary investment plan in 2022.

✓ VISALE operations

Halfway through the year, ALS awarded its one millionth VISALE guarantee. At 31 December 2023, more than 1,215,000 VISALE guarantees had been issued since 2016.

2.6. NATIONAL SALES OPERATOR FOR HLM SOCIAL HOUSING (ONV)

In 2023, the National Sales Operator for HLM Social Housing (ONV):

- acquired 39 properties – representing 1,319 homes – from 21 landlords, for a total of €163.5 million;
- sold 294 homes to individuals for €34.3 million.

At 31 December 2023, the ONV had a stock of 7,225 homes, of which 3,633 were being actively marketed. At the same date, it had an undertaking to sell 53 homes for a committed amount of €6.2 million (see details of off-balance sheet commitments below).

Lastly, on 2 October 2023, the ONV made available a €400 million revolving credit line with a €100 million accordion feature (option) maturing in three years and with a two-year extension option to finance its future housing purchases. In this capacity, ALS will stand surety for the lenders until full repayment of the facility. At the reporting date, an off-balance sheet guarantee commitment was reported for an amount of €463 million, comprising the principal amount along with the estimated interest payable.

2.7. AMICABLE LIQUIDATION OF MA NOUVELLE VILLE

In view of the structural economic difficulties it has been experiencing for several years, the subsidiary was in the process of ceasing trading at the end of 2023 as part of an amicable liquidation procedure.

Following prior consultation with the relevant governing bodies (MNV, ALS and ALG Boards of Directors) and employee representative bodies, the early winding-up of MNV and its amicable liquidation under the statutory liquidation scheme were ratified at the subsidiary's Combined General Meeting on 28 November 2023. As a result, closure of operations has been able to be organised and a job protection plan (*Plan de Sauvegarde de l'Emploi*) implemented, including support measures to enable the subsidiary's employees to be redeployed either internally within the Action Logement Group, or externally.

Provisions were accrued in 2023 for all costs relating to the job protection plan, it being specified that these costs may be recognised over a period of up to 24 months following the amicable liquidation, corresponding to the maximum period for the external redeployment procedure. The subsidiary's 2024 budget forecasts a loss of €601 thousand, corresponding to the final operating costs (outstanding costs under current contracts and operating costs up until the entity's liquidation).

2.8. MIGRATION OF OUTSTANDING FINANCING

In 2023, ALS continued to streamline its management applications, with outstanding flows grouped together and migrated to the target system. The flows were migrated in several waves, with a distinction made between loans to corporate entities and loans to individuals.

- The migration of loans to individuals began in February 2023 and was completed in July 2023 for €1.4 billion. This also allowed insurance payments and catch-up plans to be streamlined. Outstanding flows are now managed in a single application.
- The migration of loans to former CIL corporate entities excluding origination began in November 2021 and was completed in February 2023 for €6.5 billion, including €1.9 billion migrated in 2023. As from 31 December 2023, only two applications will be used to manage loans to corporate entities.

The number of management systems was therefore reduced from 31 at 1 January 2022 to 18 at the end of 2022, and then to 3 at the end of 2023.

2.9. 2024 FINANCE ACT

The 2024 Finance Act published in France's *Journal Officiel* on 30 December 2023 provides for:

- the possibility for the French Government (in line with the commitments undertaken in the 2023-2027 five-year agreement) to put in place a guarantee covering excess claims on ALS' guarantee for unpaid rent and property damage under the VISALE scheme. The legal beneficiary of this guarantee is the fund created in the first paragraph, II of the Article, which merges the five ALS funds into a single fund. The funds need to be merged to bring together the various components of the cost of the VISALE guarantee, currently spread across various ALS-managed funds, so that the Government guarantee can be granted to the new single fund. This guarantee should limit ALS' external borrowing requirements;
- an extended remit for Action Logement's activities in the overseas collectivities Saint-Martin and Saint-Pierre-et-Miquelon;
- the transposition into French law (Article 33 of the 2024 Finance Act) of the 14 December 2022 Directive aimed at ensuring a global minimum level of taxation of 15% for multinationals and large-scale domestic groups in the EU ("Pillar Two"). This Directive applies the GloBE (Global Anti-Base Erosion) model rules set out in the OECD/G20 inclusive framework. France chose to transpose the Directive by introducing a supplementary national tax for entities under-taxed in a given territory. Schematically, this supplementary tax arises from the recognition of an effective tax rate of less than 15%, as determined at the level of a consolidated group based on the ratio of income taxes covered by income as per the financial statements drawn up for consolidation purposes (i.e., different from taxable income). The Action Logement Group could find itself concerned by such a situation of under-taxation. Accordingly, it is currently reviewing implementation of the scope of application and its possible limitations.

2.10. ADMINISTRATIVE AND LEGAL ACTION BY THE FRENCH NATIONAL FEDERATION OF PUBLIC HOUSING OFFICES (OPH)

The French National Federation of Public Housing Offices (OPH) lodged two legal actions against the French Government and the Action Logement Group before the Administrative Court on 21 September 2023, on the basis of Article R.421-1 of the French Code of Administrative Justice, challenging the application of the principle of non-discrimination in the distribution of PEEC funds provided for in Article L.313-17-3 of the French Construction and Housing Code. A provision was accrued in the financial statements to cover the procedural costs and lawyers' fees likely to be incurred by ALS in this regard.

2.11. CLASSIFICATION OF ACTION LOGEMENT SERVICES AS A GOVERNMENT AGENCY

The update to the national accounts published on 31 August 2022 led INSEE to classify ALS as a Government agency in the central administrative bodies (*Organismes Divers d'Administration Centrale* – ODAC) category. As this was a strictly statistical and accounting classification, it had no impact on the Company's status at 31 December 2023. On the basis of this classification, the French Minister for Public Accounts could, by decree, include ALS on the list of bodies not permitted to take out a bank loan with a term of more than 12 months, or to issue a debt security exceeding that term. Under the terms of the 2023-2027 five-year agreement, any decision relating to the ban on ALS contracting loans

of more than 12 months is suspended until the first judgement in the appeal lodged with the Cergy-Pontoise Administrative Court against the INSEE decision has been handed down. The aforementioned decree had not been issued at 31 December 2023.

3. AGREEMENTS IN FORCE IN 2023

3.1. 2023-2027 FIVE-YEAR AGREEMENT

(See Note 2.1)

3.2. THREE-WAY AGREEMENT BETWEEN THE FRENCH STATE, ANRU AND ACTION LOGEMENT

All of the subsidy commitments for urban regeneration programmes made by ALS under the three-way agreement between the French Government, the French National Agency for Urban Regeneration (ANRU) and Action Logement signed on 11 July 2018, and under the amendment signed on 10 July 2021, have been paid, as shown in the table below:

(In € millions)

	2018	2019	2020	2021	2022	Total
Annual commitments in the form of subsidies payable	476	475	445	390	324	2,110
Total amount paid for the year	460	450	450	390	540	2,290
Amount paid by ALS from the annual subsidy budget	280	450	450	390	540	
Amount paid by ALS from the 2017 subsidy budget	180					
Amount payable at 31 December	196	221	216	216	0	

As part of the five-year agreement between the French Government and the Group for the period 2023-2027 signed on 16 June 2023, Action Logement confirmed it would continue to fund urban regeneration as part of the commitments already made under NPNRU urban regeneration funding. The agreement sets out the annual amounts to be paid over the period 2023-2027, totalling €3.8 billion, including €2.2 billion in the form of subsidies. These commitments will be detailed in a three-way agreement between the French Government, ANRU and Action Logement.

A total of €324 million was paid by ALS in the form of subsidies in 2023. At 31 December 2023, €5.2 billion was recognised as an off-balance sheet commitment in respect of ANRU subsidies for a period ending in 2032.

3.3. EQUITY LOANS

Action Logement Services signed the following agreements with Caisse des Dépôts et Consignations (CDC) and the French Government on 5 June 2018:

✓ Subsidised equity loan agreement (PHB 2.0)

As an extension of the five-year agreement and within the scope of its support for national policies, ALS agreed to finance €2 billion in subsidised equity loans (representing the difference between the market interest rate and the interest rate offered to social housing bodies by CDC) under the following conditions:

- Action Logement is financing €2 billion in subsidised equity loans that are offered to social housing bodies, in exchange for reservation rights on the assets underlying the financing provided, in order to support them with their construction and renovation projects.
- The financial cost of these subsidies is recognised over the term of the loans.
- The amount of the subsidies is paid over to CDC. These payments are guaranteed by the French Government and are counter-guaranteed by ALS.
- A total of €719,674 thousand in interest subsidies are included in off-balance sheet commitments and €35,607 thousand was paid to CDC in 2023.

✓ Financial guarantee

This stand-alone guarantee covers any unpaid amounts due by ALS to CDC in respect of the subsidies through to 2045. The guarantee is for a maximum cumulative amount of €1.2 billion. The financial guarantee representing amounts receivable on loans granted to social landlords amounts to €834,985 thousand, or 116% of the outstanding subsidy payable to CDC. It is shown within off-balance sheet commitments given at 31 December 2023.

4. ACCOUNTING PRINCIPLES AND METHODS

4.1. GENERAL PRINCIPLES

These consolidated financial statements were prepared at 31 December 2023, and cover a period of 12 months.

The ALS Group financial statements have been prepared in accordance with:

- accounting principles generally accepted in France, in accordance with the provisions of ANC Regulation No. 2020-01 applicable to any legal entities required to prepare consolidated or combined financial statements;
- Regulation No. 2017-02 of 5 July 2017 on the individual and consolidated financial statements of the Action Logement Group.

The preparation of consolidated financial statements involves the standardisation of individual financial statements as well as consolidation adjustments.

The consolidating entity has defined and circulated the accounting methods and principles that are applicable to entities included within its scope of consolidation. The ALS Group may therefore apply different accounting options and methods in the individual financial statements and consolidated financial statements, even if a benchmark accounting treatment is applied in individual financial statements: the principle of consistency of valuation and presentation methods prevails over applying a benchmark accounting treatment.

These combined consolidated financial statements represent a consolidation sub-group which is in turn included in the consolidated financial statements of the Action Logement Group.

Some adjustments may be necessary at the level of the consolidated financial statements. These adjustments are performed centrally and are not applicable to the individual financial statements.

Unless otherwise stated, the financial statements are presented in thousands of euros, rounded to the nearest thousand euros. In the income statement, income is positive and expenses are negative. In the balance sheet, asset accounts are positive except for depreciation, amortisation and impairment, liability accounts are positive except for potential deficits within shareholders' equity.

4.2. OVERVIEW OF SEPARATELY IDENTIFIABLE OPERATIONS

The financial statements for the ALS subsidiaries, which have the status of commercial companies, are prepared in accordance with ANC Regulation No. 2020-09 of 4 December 2020, amending ANC Regulation No. 2014-03 relating to the French Chart of Accounts, as amended by ANC Regulation Nos. 2015-06 of 23 November 2015 and 2016-07 of 4 November 2016, along with specific accounting provisions.

The following factors are taken into account:

- only interest income and expenses of the subsidiaries are taken into account to determine net banking income;
- sales of services as well as ancillary income not falling within the scope of "Net banking income" are grouped within "Other operating income".

4.3. CONSOLIDATION METHODS

The consolidation methods used are as follows:

- subsidiaries over which the Group exercises exclusive control, directly or indirectly, are consolidated according to the full consolidation method;
- interests in which the Group exercises joint control with a limited number of other shareholders, are consolidated according to the proportional consolidation method;
- interests not controlled by the Group but over which the Group has a significant influence are consolidated by the equity method;
- intragroup transactions and balances are eliminated. Potential gains and losses on asset disposals below €7.5 million are not neutralised to limit the complexity of monitoring them over time.

Three ALS service subsidiaries whose main financial aggregates are not material are not consolidated (see Note 6.4).

The scope of consolidation is shown in note 11.

4.4. CONVERSION OF FOREIGN CURRENCY TRANSACTIONS

The consolidated financial statements are prepared in euros. All consolidated entities are located in France.

4.5. GOODWILL

4.5.1. FIRST-TIME CONSOLIDATION OF THE ACTION LOGEMENT GROUP

The 2017 consolidation of the Action Logement Group (and therefore the ALS Group tier) was the first consolidation of a group of companies resulting from the dissolution and transfer of assets of 20 CILs between ALG, ALS and ALI at 31 December 2016.

Pursuant to Article L.131-2 of ANC Regulation No. 2017-02 of 5 July 2017, the assets and liabilities of consolidated entities held before the first consolidation are recorded in the consolidated financial statements at their net book value, and the difference between the book value of the equity interests in the consolidating entity and the share of equity of the consolidated entity is entered in liabilities in the first consolidated balance sheet in consolidated reserves.

4.5.2. GENERAL PRINCIPLES

When acquiring an entity, the cost of acquiring the securities is allocated, based on their fair value, to the identifiable assets and liabilities of the acquired entity. The fair value of the acquiring entity's identifiable intangible assets and property, plant and equipment is determined by reference to generally accepted methods, such as those based on income, costs or market value. The assets' entry value in the consolidated balance sheet therefore corresponds to their fair value at the acquisition date.

The difference between the acquisition cost of the securities and the share of the acquiring entity in the total assets and liabilities identified at the acquisition date is recorded as goodwill.

When positive, goodwill is recorded in fixed assets under the heading "Goodwill".

When there is no foreseeable limit to the length of time the goodwill will provide economic benefits to the group, it is not amortised. In this case, an impairment test is performed at least once per year, regardless of whether there is any indication of impairment. Recorded impairment is never reversed.

When there is a foreseeable limit to its period of use, the goodwill is amortised on a straight line basis over that period, or, if it cannot be determined reliably, over 10 years.

When negative, goodwill is recorded in liabilities on the consolidated balance sheet under provisions for risks and expenses and is taken to income over a period that must reflect, as far as is reasonably practicable, the assumptions used and the objectives set at the time of acquisition.

Goodwill recorded in the individual financial statements of consolidated entities, where an analysis confirms that the individual components cannot be valued separately, is also considered as goodwill.

4.6. INVENTORIES

Property acquisition costs consist of the purchase price, fees, legal costs and transfer taxes. Inventories may be increased by the value of any work carried out after the acquisition with a view to reselling the property.

In preparing the 2023 parent company financial statements, in accordance with accounting standards, the ONV, now having the necessary perspective to assess the return on its assets by activity, made estimates and assessments concerning its inventories for the first time.

The work was carried out in two stages:

- the return on assets from rental management and property sales was analysed;
- the inventory value (increased by any work under the public-public cooperation agreement and/or energy retrofit work not yet accounted for) of properties returning a loss in the rental management and sales activities and for which no commercial leverage could be identified that could improve returns, was compared with the market value of those properties. Market value was based on:
 - ✓ the average sales price to third parties when sales have been made, or
 - ✓ the appraised value used at the time of acquisition or the expected free sale price if the property is not being sold.

In this respect, the ONV recognised an impairment provision of €1.5 million for 10 properties, comprising a total of 78 homes in 2023. The cost price of these properties had fallen below their net book value (see Note 6.6)

4.7. AMOUNTS DUE FROM CREDIT AND SIMILAR INSTITUTIONS

This item includes cash along with demand and term deposits (CAT, DAT, Passbooks).

Marketable securities are valued at their purchase or subscription cost, including costs directly attributable to the acquisition (transfer tax, fees or commissions, legal fees).

Where necessary, they are impaired. Impairment is calculated for each line of securities of the same type, to write down their value to the average market price during the last month (or, for non-listed securities, to their likely realisable value).

4.8. DOUBTFUL RECEIVABLES AND IMPAIRMENT OF CUSTOMER RECEIVABLES

- **Doubtful receivables related to ALS customer transactions**

Doubtful receivables comprise all secured and unsecured past-due amounts and sums outstanding owed by debtors with at least one facility presenting a known and separately identified credit risk. A known risk exists when it is probable that the entity will not receive all or part of the sums due under the commitments entered into by the counterparty, regardless of whether or not a guarantee or surety is in place.

Notwithstanding ANC Regulation No. 2014-07, amounts owed are classified as doubtful in accordance with the triggers of default defined in Article 178 of European Regulation No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions, the EBA Guidelines (EBA/GL/2016/07) on the application of the definition of default and Delegated Regulation No. 2018/1845 of the European Central Bank on the exercise of discretion in relation to the threshold for assessing the materiality of credit obligations past due, applicable by 31 December 2020 at the latest.

The definition of defaulted exposures has therefore been clarified by the introduction of a relative and an absolute threshold to be applied to past-due obligations in order to identify situations of default, while the criteria for reclassifying loans as performing has been clarified by a mandatory probation period and by the introduction of explicit criteria for classifying restructured loans as in default.

Additional criteria for assessing doubtful loans are also defined and consist mainly of the existence of one or more past-due amounts exceeding the materiality thresholds for at least three months, the existence of litigation proceedings, a downgraded Banque de France FIBEN rating or inclusion in the list of "at-risk" legal entities based on the financial analysis of the counterparty for corporate entities, or the implementation of overindebtedness proceedings for individuals.

An analysis was in progress at 31 December 2023 to identify any non-performing loans within the doubtful loans category. This procedure is expected to be deployed in management applications in 2024.

- **Impairment**

Impairment losses are recognised against receivables for which recovery is uncertain, and deducted from assets to cover the risk of loss. The Company applies the specific requirements set out in the amended decree No. 90-101 of 26 January 1990 specifying the management, write-down and provisioning rules for former collection agencies, as specified below. ANC Regulation No. 2017-02 upheld these requirements. This general framework sets out the minimum provisioning rules based on the age of past-due amounts, as indicated below:

Loans to individuals

Loans that are more than six months past due are written down in an amount equal to the past-due amount and the capital remaining payable, with the exception of loans secured by real property guarantees.

Loans to corporate entities

Loans to corporate entities that are more than six months and less than one year past due are written down in an amount equal to 50% of the past-due principal and the remaining capital payable in less than five years. Loans to corporate entities that are more than one year past due are written down in full in an amount equal to 100% of the past-due principal and the remaining capital payable in less than five years.

In addition to the minimum requirements set out in ANC Regulation No. 2017-02, provisions may be recognised to cover the internal estimate of credit risk on doubtful loans, in accordance with ANC Regulation No. 2014-07. Therefore, for each loan written down, the amount of the write-down recognised corresponds to the greater between the "regulatory" provision and the internal estimate of the expected loss. In 2023, ALS introduced a change in the method used to estimate these provisions, in particular to cover the entire scope of doubtful loans. This notably led to the recognition of a provision in the period for loans reclassified as doubtful on which payments were more than three months past due and exceeded the materiality thresholds, as indicated below.

Loans to individuals

The calculation is based on a flat-rate approach and differs according to the criteria for classification of loans as doubtful (payments more than three months past due exceeding the materiality thresholds, payments subject to litigation proceedings, or the implementation of a debt restructuring plan for over-leveraged individuals). In 2024, the provisioning rates as determined using a flat-rate approach will be confirmed by a statistical method based on historical loss experience.

Loans to corporate entities

The calculation is based on a flat-rate approach and differs according to the criteria for classification of loans as doubtful (payments more than three months past due exceeding the materiality thresholds, payments subject to litigation proceedings, list of “at risk” corporate entities, downgraded Banque de France FIBEN ratings, etc.). In 2024, the provisioning rates as determined using a flat-rate approach will be confirmed by a statistical method based on historical loss experience, along with an expert assessment for the largest exposures.

4.9. INTANGIBLE ASSETS

Intangible assets are valued at their acquisition or production cost, including transfer tax, fees, commissions, and legal fees.

- **Software and websites**

Software licenses are recorded in assets based on costs incurred to acquire and commission the software in question.

The costs of creating a website that participates in the information systems or business systems are recorded in expenses or in fixed assets depending on the development phase of the website.

Intangible assets are, if applicable, amortised on a straight line basis in accordance with the following amortisation periods:

- ✓ goodwill (if the presumption of an indefinite useful life has been refuted): period of use or 10 years;
- ✓ patents and licences: period of use or 20 years;
- ✓ software: period of use typically between 1 and 5 years.

4.10. PROPERTY, PLANT AND EQUIPMENT

4.10.1. GENERAL PRINCIPLES

Fixed assets are recorded at their acquisition cost or production cost.

At year-end, a provision for depreciation is recorded according to a depreciation schedule specific to each depreciable asset. Depreciation begins on the commissioning date, when the consumption of the economic benefits attached to the asset starts.

In application of the components approach, the Group uses different depreciation periods for each of the significant components of the same fixed asset, whenever one of these components has a different useful life from the primary asset to which it relates.

Depreciation is calculated based on the rate of consumption of the economic benefits expected to be derived from the asset, over the actual useful life of the asset. The Group depreciates the asset according to the straight line method, over the following periods:

Type of asset	Period
Site improvements	5 years
Constructions (administrative buildings)	10 to 50 years
Improvements, development of constructions	5 to 20 years
Technical installations, equipment and tools	3 to 10 years
Transport equipment	1 to 5 years
Office and computer equipment	1 to 5 years
Office furniture	5 to 10 years

The depreciable amount of an asset corresponds to its gross value from which is deducted, if applicable, its residual value, the residual value representing the market value of the asset at the end of its use, less exit costs.

The net book value of an asset is immediately written down to its present value when the net book value of the asset is significantly higher than its estimated present value.

The project to create a “flex office” on the Grand Seine site prompted a review of the depreciation schedules for property, plant and equipment (partitions, floors and the staff canteen) in 2022, with depreciation being charged through to the end of 2025. In 2023, it was decided that depreciation would be charged through to the end of 2024. This did not have a material impact on the income statement.

4.11. IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Assets with an indefinite useful life, such as land and brands, are not depreciated/amortised and are subject to impairment testing when there is an indication of a loss of value at the reporting date.

Depreciated/amortised assets are subject to impairment testing when, due to special events or circumstances, the recoverability of their net book value is compromised.

The potential reversal of the impairment is reviewed at each closing date.

4.12. EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES

Equity interests and other long-term securities are recorded at their acquisition cost including, where applicable, costs directly attributable to the acquisition (transfer tax, fees or commissions, legal fees). If acquisition fees are recorded in the individual financial statements, these expenses must be adjusted in the consolidated financial statements to be incorporated into the cost of acquiring the securities.

An impairment loss is recorded when the book value of the securities falls below their acquisition cost. This book value is assessed based on different criteria, such as net assets at the year-end of the relevant companies, their profitability, their prospects for the future, and their value for the Group.

Equity securities

In connection with the implementation of the 25 April 2019 agreement relating to the voluntary investment plan, ALS subscribed to the equity securities of the Public Housing Offices (OPH) involved in a merger or planned merger, enabling them to duly discharge their role as HLM social housing bodies. These securities are treated as quasi-equity without voting rights. They are undated and are not redeemable by the issuing company before a seven-year period. The securities generate an annual return consisting of a fixed interest

rate and a variable component based on cash flow from rental activities. Equity securities are classified as investment securities.

At the reporting date, based on the initial purpose of the investment and the fact that the securities were recently acquired and the annual remuneration provided for in the issue agreement had been received, there was no indication of any loss of value.

4.13. DEBT ISSUE COSTS

Depending on their materiality, debt issue costs are recognised over the term of the borrowing in a manner appropriate to its repayment terms.

4.14. BOND REDEMPTION PREMIUMS

Bond redemption premiums are systematically amortised over the term of each debt item concerned in proportion to accrued interest payable.

4.15. PENSION COMMITMENTS AND SIMILAR BENEFITS

ALS Group companies are members of the Action Logement economic and employee unit (UES) and apply the agreement dated 30 March 2018 defining retirement benefits and long-service awards. Pursuant to this agreement, benefits are paid to employees upon retirement, based on their seniority and final salary. These retirement benefits are therefore recorded in liabilities on the balance sheet as a provision.

4.15.1. PENSION COMMITMENTS

The Group applies method no. 2 of ANC Recommendation No. 2013-02, with benefits attributed on a straight-line basis as from the date of the beneficiary's employment contract. Therefore, pension commitments and similar benefits are valued according to the projected unit credit method. According to this method, the commitment is assessed based on the present value of salary projections and entitlements at the retirement date, weighted by a coefficient representing the beneficiary's length of service and taking into account the probability of the beneficiary's presence within the entity at retirement age.

All commitments are provisioned, i.e., retirement and similar benefits. The provision includes the corresponding payroll taxes.

In the event that the commitment is outsourced in full (the constitution of a hedge fund with an insurance or provident institution), no liabilities are recorded.

In the event that the commitment is partially outsourced, the difference between the amount of the outsourced commitment and the amount of the commitments calculated in accordance with the Group's methods is recorded in liabilities on the balance sheet as a provision.

The actuarial cost of the commitments is borne annually over the active life of the employees and recorded in operating income.

Actuarial gains and losses and the cost of past services are recorded immediately in income.

The Company did not change the method used to calculate the benefit obligation in 2023 in light of the ANC's November 2021 recommendation on the basis for measuring and recognising pension obligations, under which companies can choose between the method in force up to that date (i.e., benefits attributed on a straight-line basis over the entire period during which the employee is employed by the Group) and a new method consisting of attributing benefits over the period immediately preceding retirement age such that the maximum amount of benefits is attributed.

This change has no impact on the Company because the applicable agreement does not provide for any maximum benefit amount after a certain number of years of service.

4.15.2. OTHER LONG-TERM BENEFITS

Other long-term benefits that can be granted by the ALS Group are mainly long service awards, which are valued based on actuarial assumptions.

The actuarial cost is recorded in income over the active life of the employees in question.

The impact of changes in assumptions is taken into account in the income statement for the financial year during which the changes occur.

4.16. OTHER PROVISIONS

The guarantee fund records transactions relating to rent guarantees covered by the LOCA-PASS, VISALE, Universal rent risk guarantee (GURL), and the Sécuration Accédants PASS (home ownership support) schemes.

Universal rent risk guarantee schemes

The PASS-GRL guarantee scheme introduced by decree No. 2007-92 of 24 January 2007 remains in place. In 2023, €1,001 thousand was collected from insurers and paid to Action Logement Services, while €259 thousand was called in by insurers in respect of claims.

The universal guarantee fund governed by decree No. 2009-1621 of 23 December 2009 – which replaced the PASS-GRL fund – expired on 31 December 2021.

Sécuration Accédants PASS home ownership support scheme

Set up between 1999 and 2003, this scheme covers loans issued by banks and guaranteed by SGFGAS. It will be terminated by 2033. Action Logement Services' financial statements include a deposit of €60 thousand with SGFGAS in respect of working capital in the event of a claim and a provision for contingencies of €800 thousand recognised within liabilities on the balance sheet. The provision is being written back on a straight-line basis at an annual rate of €100 thousand until the scheme expires. SGFGAS has not received any calls for funds since 2015.

LOCA-PASS guarantees

These relate to the implementation of LOCA-PASS guarantees representing sums requested by social housing landlords in respect of unpaid rent and charges that are to be reimbursed by tenants. LOCA-PASS guarantees have not been granted by Action Logement Services since 31 May 2019. Outstanding LOCA-PASS guarantees implemented represented an amount of €47,898 thousand and were written down in full. There are no longer any off-balance sheet commitments.

VISALE guarantees

The VISALE guarantee scheme for housing and employment was put in place by the French Association for Access to Rent Guarantees (APAGL) in 2016. VISALE is a security deposit provided by Action Logement Services to defaulting tenants in the private sector in order to guarantee payment of rent and maintenance fees on their main residence (capped at 36 monthly rental payments over the rental term), and also to students renting in the social housing sector (capped at 9 monthly rental payments over the rental term). It also covers damage to the property when the tenant leaves, only in the private sector. The recovery plan signed in February 2021 extends VISALE guarantees to all employees aged over 30 with net take-home pay of less than €1,500 per month, in order to help them access rented housing in the private sector. A "rental damage" guarantee was also introduced on 1 February 2019 in the private sector, to cover any damage to the property observed following the tenant's departure.

APAGL manages the VISALE guarantee scheme and acts as a link between the beneficiaries of the VISALE guarantee (landlords, tenants, partners) and Action Logement Services for financial transactions involving the implementation of guarantees and the collection of amounts owed.

A total of 319,107 guarantees were granted in 2023, compared with 282,541 in 2022. Amounts receivable from tenants under the VISALE scheme totalled €130,739 thousand (€97,420 thousand at end-2022) and have been written down in an amount of €122,764 thousand (€77,936 thousand at end-2022). The methods used to calculate this write-down are based on an assumed collection rate of 27% at the end of the guarantee period, after deducting the amount already collected.

The liability provisions accrued in respect of the VISALE guarantee scheme were calculated by an independent actuary who is a member of an actuary association recognised by the French Prudential Supervisory Authority (ACPR). To estimate the VISALE liability provision at the reporting date, the Company measures all benefits payable throughout the entire term of the various rental contracts in respect of security deposits granted between 2016 and 31 December 2023. As a result, these provisions factor in claims arising before 31 December 2023 as well those expected to arise after that date during the rental term covered by the guarantee (for contracts signed before this date).

In 2023, ALS introduced a change in the methods used to estimate this liability provision (see below).

- **Estimated liability provision**

✓ Reminder of the components of the liability provision

The components included in the calculation of the liability provision are provisions for claims under the unpaid rent guarantee, projected settlements under the unpaid rent guarantee and provisions for claims under the rental damage guarantee.

✓ Reminder of the methods used to estimate the provision for the financial statements at 31 December 2022

The provision for claims under the unpaid rent guarantee was measured using an “input-based” method drawing on three parameters: frequency x implementation period x rent.

- Frequency: The guarantee implementation rate reflects the frequency of claims made under rental contracts eligible for the VISALE scheme. The frequency was determined prospectively, in relation to the characteristics of the VISALE scheme.
- Implementation period: this is the period during which unpaid rent is guaranteed. The implementation period corresponds to the business plan for the VISALE scheme for each category of tenant.
- Amount of rent: the amount of rent paid by a tenant under the VISALE scheme includes monthly maintenance fees.

A prospective assessment is carried out for the first two inputs.

Projected settlements are determined by year of inception of the rental contract and by category of tenant, by applying the rate of settlements to the final claims cost (gross claims) based on historical data, and then by deducting the settlements already collected. For rental damage, the provision is estimated by comparing the benefits paid under the guarantee with the benefits paid under the unpaid rent guarantee for the private sector.

✓ Changes in estimation approaches for the financial statements at 31 December 2023

In 2023, with enough claims data to establish a track record, ALS decided to change the approach used to estimate claims provisions under unpaid rent guarantees and to adopt a ‘chain-ladder’-type method, based on projected data observed up to the final claims amount, separating the data by tenant category. The projected benefits under the unpaid rent guarantee also include the cost of disputes. This method, commonly used by insurers to measure this type of provision, assumes that historical loss development models are indicative of future loss development models. This method is

particularly relevant now that the historical data set is large and reliable. Based on the observation of past claims and sufficient data history, the chain-ladder valuation provides a better assessment of the risks incurred at the reporting date.

More specifically, the chain-ladder method chosen is Mack's model, which estimates the prediction error associated with the method using a confidence interval. In light of changes in estimation approaches over the period, a high confidence interval of 99.99% was adopted. For information, the sensitivity of the provision for claims to the confidence interval parameter is as follows:

- 95% confidence interval: €175.0 million;
- 90% confidence interval: €166.7 million.

The method used to calculate projected settlements and rental damage is identical to that used for 2022.

The provision for risks was €189,000 thousand in 2023 (€205,980 thousand at the end of 2022), and comprised the following:

- Provisions for unpaid rent guarantee claims: €240,600 thousand
- Projected settlements receivable: €(57,800) thousand
- Provision for rental property damage claims: €6,200 thousand

In the income statement, additions to and write-backs of provisions are grouped under “Cost of risk”. For balance sheet provisions, see Note 6.11.

4.17. DETERMINATION OF INCOME

Income is recorded in the income statement for the financial year if it is:

- realised, i.e., the principle and amount are certain;
- earned in the financial year.

The main income indicators are:

- Net Non-Banking Income (PNNB): consists of the employers’ contribution (collection) net of subsidies recorded in expenses;
- Net Banking Income (PNB): mainly comprises the net interest margin on customer loans and interest expense on borrowings;
- Other operating income includes previous operating income, transfers of operating expenses and other income not taken into account to determine Net Non-Banking Income or Net Banking Income.

4.18. “CAPITAL INJECTION” COMMITMENTS UNDER THE FIVE-YEAR AGREEMENT

The Action Logement Group guidelines dated 12 June 2020 were applied when accounting for injections of capital into Action Logement Group entities by reference to Article L.313-18-1 II of the French Construction and Housing Code (CCH), the agreement referred to in paragraph 13 of Article L.313-3 of said Code.

The guidelines set out the rules determining the trigger for commitments and disbursements within the Action Logement Group. This applies to the commitment for annual capital injections set down in the 2023-2027 five-year agreement representing – for Action Logement Services – subsidies paid or payable to Action Logement Immobilier.

Further to a decision of its Board of Directors, the Action Logement Group defines the annual subsidies to be paid by Action Logement Services to Action Logement Immobilier based on Action Logement Immobilier’s financing requests as substantiated by forecast production commitments under the 2023-2027 five-year agreement. Pursuant to the decisions of its sole shareholder, Action Logement Services allocates and pays the subsidies to Action Logement Immobilier following a call for funds and approval of its governing bodies.

Subsidies granted by ALS to ALI pursuant to the 2023-2027 five-year agreement to enable ALI to purchase or subscribe to equity interests in companies referred to in paragraphs 1 and 2 of Article L.313-20-1 of the French Construction and Housing Code (CCH) are included in off-balance sheet commitments in the period in which the payment of the funds is authorised by the Board of Directors of ALG’s sole shareholder. These subsidies are recognised as non-banking operating expenses in the period in which ALI calls the funds.

The funds are mainly intended as capital injections by ALI in its subsidiaries, in particular under the "30,000 homes for jobs" plan. The related amounts are shown as an expense for the period in an amount of €400 million.

4.19. COMMITMENTS IN SUPPORT OF NATIONAL POLICIES

The reporting period in which these subsidies are to be booked is determined based on an analysis of continuing-performance contracts, as illustrated in the note accompanying ANC Regulation 2017-02 issued by the French accounting standards-setter on the individual and consolidated financial statements of the Action Logement Group.

The sums allocated by Action Logement Services in a given year in support of national housing policies, as set out in the agreements between Action Logement, the French Government and a third-party organisation (in the form of an annual predefined budget) represent non-banking operating expenses to be expensed as incurred. The remaining amount allocated to subsequent years is recognised in the financial statements within off-balance sheet items, as a commitment given.

Organisations acting in support of national policies include: the ANRU, ANIL-ADIL housing information agencies, and FNAL, FNAP and FNAVDL housing support funds.

The related amounts are shown as an expense for the period totalling €324 million for ANRU, €300 million for FNAP and €9 million for ANIL-ADIL. Off-balance sheet commitments for subsidies at 31 December 2023 amount to €5.2 billion for ANRU (see Note 3.2), €150 million for FNAL and €36 million for ANIL.

4.20. DEFERRED TAXES

Under the terms of the tax ruling specific to ALS, which establishes the principle for an allocation of income and expenses between tax-exempt and taxable sectors based on allocation keys, ALS' taxable earnings for the coming years are expected to remain structurally in deficit. As such, no losses are capitalised and no deferred tax recognised.

4.21. LEASES

Depending on their materiality, contracts treated as finance leases are recognised where appropriate:

- By the lessee:
 - ✓ in the balance sheet in the form of a fixed asset and a corresponding financial liability,
 - ✓ in the income statement in the form of depreciation and interest expense;
- By the lessor: as a loan.

4.22. CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the ALS Group Management to make estimates and assumptions that affect the amounts reported in these financial statements and the accompanying notes, specifically in respect of property, plant and equipment, impairment of loans and receivables and provisions. The Action Logement Group bases its estimates on its past experience as well as on a set of other factors deemed reasonable with regard to the circumstances to form a judgement on the values to be retained for its assets and liabilities.

Actual results may differ materially from these estimates depending on assumptions or different situations.

5. SEGMENT INFORMATION

The ALS subsidiaries included in the consolidated financial statements contribute, together or individually, less than 10% of the main balance sheet and income statement indicators.

Information showing the contribution of ALS on the one hand and the combined contribution of the other subsidiaries on the other hand does not, in our opinion, provide relevant information giving readers of the consolidated financial statements a better view of the ALS Group's operations.

6. NOTES TO THE BALANCE SHEET

6.1. AMOUNTS DUE FROM CREDIT AND SIMILAR INSTITUTIONS

This item breaks down as follows:

In thousands of euros	31 December 2022	Change	Other changes	31 December 2023
Bank current accounts	700,286	-278,471	-336,643	85,172
Banking investments	2,461,520	378,740	335,119	3,175,379
<i>Passbook accounts</i>	214,172	28,760	336,643	579,575
<i>Remunerated accounts</i>	878,079	-39,583		838,496
<i>Term accounts</i>	1,342,750	373,457		1,716,207
<i>Other investments</i>	26,518	16,106	-1,524	41,100
Total amounts due from credit and similar institutions	3,161,806	100,269	-1,524	3,260,551

Impairment	31 December 2022	Additions	Other changes	31 December 2023
Banking investments	(283)	-	283	-
Total impairment of loans	(283)	-	283	-

Amounts due from credit and similar institutions, net	3,161,523	100,269	-1,241	3,260,551
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The "Other changes" column reflects the reclassification of €336.6 million of ONV investments in Livret A passbook accounts. These were shown on the "Bank current accounts" line at 31 December 2022.

6.2. TRANSACTIONS WITH CUSTOMERS

This item includes loans granted by ALS to individuals and corporate entities.

In thousands of euros	31 December 2022	Change	Increases	Decreases	Losses on bad debts	Other changes	31 December 2023
Loans to individuals	3,922,820		807,258	(470,698)	(28,453)	-8	4,230,919
Loans to corporate entities	12,961,237		1,698,183	(559,028)	(144)	816	14,101,064
Accrued interest on loans to individuals and corporate entities	41,072	-1,236				-106	39,730
Total transactions with customers	16,925,129	-1,236	2,505,441	(1,029,726)	(28,597)	702	18,371,713

In thousands of euros	31 December 2022	Additions	Write-backs	Other changes	31 December 2023
Loans to individuals	(191,235)	(78,842)	45,325	11	(224,741)
Loans to corporate entities	(55,194)	(49,095)	24,366		(79,923)
Total impairment of loans	(246,429)	(127,937)	69,691	11	(304,664)
Loans to individuals, net	3,734,815				4,009,439
Loans to corporate entities, net	12,943,885				14,057,610
Transactions with customers, net	16,678,700				18,067,049

Loan schedule:

In thousands of euros	31 December 2023	Less than 1 year	Between 1 and 5 years	More than 5 years
Loans to individuals	4,234,180	561,209	1,145,940	2,527,031
Loans to corporate entities	14,137,533	483,803	2,104,051	11,549,679
Total loans	18,371,713	1,045,012	3,249,991	14,076,710
Percentage of total balance	100%	6%	18%	77%

6.3. BONDS AND OTHER FIXED-INCOME SECURITIES

In thousands of euros	31 December 2022	Other changes	31 December 2023
Equity securities and bonds	100,000	1,663	101,663
Impairment of equity securities and bonds	0	-283	(283)
Equity securities and bonds, net	100,000	1,380	101,380

The budgeted €100 million in equity securities allocated to 15 public housing offices, as provided for in the voluntary investment plan (VIP) to "support the restructuring of social landlords", had been paid out in full by the end of 2022.

Equity securities and bonds held are redeemable at their acquisition price.

6.4. EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES

This item corresponds to investments in ALS subsidiaries that are not consolidated because they are not material.

In thousands of euros	31 December 2022	31 December 2023	Share of capital held	Amount of capital	Loss	Equity
Atriom	1,797	1,797	100%	1,100	(497)	132
Martinique Habitat	858	858	100%	820	(283)	(279)
Réunion Habitat SAS	600	600	100%	600	(54)	665
Total equity interests and other long-term securities - Gross value	3,255	3,255				
Impairment	31 December 2022	Additions	Write-backs	Other changes	31 December 2023	
Atriom	(1,188)	(477)			(1,665)	
Martinique Habitat	(664)	(193)			(857)	
Total impairment of equity interests and other long-term securities	(1,852)	(670)	0	0	(2,522)	
Equity interests and other long-term securities, net	1,403				733	

6.5. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	31 December 2022	Increases	Decreases	Other changes	31 December 2023
Intangible assets	47,512	10,360	(7,280)		50,592
Leasehold rights	61				61
Software	45,319	2,045	(7,280)	4,330	44,414
Intangible assets in progress	2,096	8,315		-4,330	6,081
Other intangible assets	36				36
Property, plant and equipment	593,634	5,899	(14,351)		585,182
Land	317,963		(11,905)		306,058
Buildings	213,591	154	(602)	147	213,290
Other property, plant and equipment	61,481	3,153	(1,844)	2,748	65,538
Property, plant and equipment in progress	599	2,592		-2,895	296
Intangible assets and property, plant and equipment - Gross value	641,146	16,259	(21,631)		635,774

In thousands of euros	31 December 2022	Additions	Write-backs/ Disposals	Other changes	31 December 2023
Intangible assets	(29,040)	(6,542)	7,254		(28,328)
Software	(29,040)	(6,542)	7,254		(28,328)
Property, plant and equipment	(66,295)	(14,418)	2,077	-1	(78,772)
Land					(135)
Buildings	(31,224)	(6,865)	264		(37,825)
Other property, plant and equipment	(35,071)	(7,553)	1,813	-1	(40,812)
Total amortisation, depreciation and impairment	(95,335)	(20,960)	9,331	-1	(107,100)
Intangible assets, net	18,472				22,264
Property, plant and equipment, net	527,339				506,410

6.6. OTHER ASSETS

Other assets are broken down as follows:

In thousands of euros	31 December 2022	31 December 2023	Change	%
Housing stock	706,313	847,204	140,891	20%
Receivables due from tenants	4,386	5,860	1,474	34%
Cash pledges	228,312	213,312	-15,000	-7%
Deposits and guarantees	2,102	2,144	42	2%
Bond premiums	39,947	54,300	14,353	36%
Other receivables due from individuals and corporate entities	12,443	8,119	-4,324	-35%
Loans granted (Pass Foncier indexing)	25,599	26,247	648	3%
Other receivables	37,439	43,126	5,687	15%
Total other assets - gross value	1,056,541	1,200,312	143,771	14%

Other assets mainly include:

- housing purchased from social landlords by the National Sales Operator (ONV) at the end of 2023 for €847.2 million within the scope of its social housing sales activity;
- cash pledges for €213.3 million (fully written down).

The cash collateral within assets has been fully written down since inception. This collateral is used to subsidise the loans granted by the CDC to social housing bodies. As the subsidies are called (€15 million in 2023), the debt is written off and a reversal of the provision is recorded for the same amount.

Impairment of other assets:

In thousands of euros	31 December 2022	Additions	Write-backs	Change in scope of consolidation	Other changes	31 December 2023
Cash pledges	(228,312)		15,000			(213,312)
Housing stock		(1,531)				(1,531)
Receivables due from tenants						
Other assets	(3,618)	(1,138)	1,939		-10	(2,827)
Total impairment of other assets	(231,930)	(2,669)	16,939		-10	(217,670)

The write-back of impairment on the cash collateral corresponds to the gross amount written off.

6.7. AMOUNTS DUE TO CREDIT INSTITUTIONS

In thousands of euros	31 December 2022	Change	Increases	Decreases	31 December 2023
CDC loans	1,081,304		10,610	(48,385)	1,043,529
Accrued interest on CDC loans	39	26			65
Loans from credit institutions	140,464		95,000	(7,495)	227,969
Accrued interest on loans from credit institutions	849	562			1,411
Loans to credit institutions	1,222,656	588	105,610	(55,880)	1,272,974

“CDC loans” primarily relates to two loan agreements signed with Caisse des Dépôts et Consignations (CDC) and the former UESL in 2013 and 2015 for €1,700 million in order to support the level of construction, restoration and acquisition of social housing, or investment in the equity of landlords. Eight drawdowns were made for a total of €1,477 million.

Action Logement Services repaid €45 million during the period, bringing the principal outstanding to €1,002 million at the reporting date.

Loans from credit institutions include:

- outstanding bank loans taken out by Solendi Expansion to finance office buildings held by the Group;
- a €95 million bank loan taken out by ONV in December 2023.

Maturity of amounts due to credit institutions:

In thousands of euros	31 December 2023	Less than 1 year	From 1 to 5 years	More than 5 years
CDC loans	1,043,529	39,856	190,114	813,559
Accrued interest on CDC loans	65	65		
Loans from credit institutions	227,969	102,582	31,213	94,174
Accrued interest on loans from credit institutions	1,411	1,411		
Loans from credit institutions	1,272,974	143,914	221,327	907,733

6.8. AMOUNTS DUE TO CUSTOMERS

In thousands of euros	31 December 2022	Increases	Decreases	Other changes	31 December 2023
Amounts due to individuals	306,438	334,202	(471,202)		169,438
Funds received in the form of loans (due and outstanding)	5,919,228	391,053	(194,592)	-20,915	6,094,774
Third-party beneficiaries of subsidies to corporate entities	1,352,615			-464,311	888,304
Total amounts due to customers	7,578,281	725,255	(665,794)	-485,226	7,152,516

Amounts due to customers mainly comprise the collection of the PEEC in the form of loans from businesses, totalling €6,095 million.

Amounts due to individuals are mainly related to the following:

- mobility aid for €115.4 million;
- Cœur de Ville project for €9.1 million;
- energy retrofit work in the private sector for €6.7 million;
- new purchase bonuses for €31 million.

Schedule of amounts due to customers:

In thousands of euros	31 December 2023	Less than 1 year	From 1 to 5 years	More than 5 years
Amounts due to the Government, local authorities and Government agencies				
Amounts due to individuals	169,438	169,438		
Funds received in the form of loans (due and outstanding)	6,094,774	362,470	877,130	4,855,174
Third-party beneficiaries of subsidies to corporate entities	888,304	888,304		
Total amounts due to customers	7,152,516	1,420,212	877,130	4,855,174
Percentage of total balance	100%	20%	12%	68%

6.9. DEBT SECURITIES

In thousands of euros	31 December 2022	Increases	31 December 2023
Debt securities	5,000,000	2,200,000	7,200,000
Accrued interest on debt securities*	23,663	48,111	71,774
Total debt securities	5,023,663	2,248,111	7,271,774

Action Logement Services carried out two bond issues in 2023 (see Note 2.2):

- €1,200 million issued in February for a term of 20 years, bearing annual interest at 3.625%;
- €1,000 million issued in October for a term of 15 years, bearing annual interest at 4.125%.

Maturity of debt securities:

In thousands of euros	31 December 2023	Less than 1 year	From 1 to 5 years	More than 5 years
Debt securities	7,200,000	-	-	7,200,000
Accrued interest on debt securities	71,774	71,774	-	-
Total debt securities	7,271,774	71,774	-	7,200,000

6.10. OTHER LIABILITIES

In thousands of euros	31 December 2022	31 December 2023	Change	%
Other employee-related payables	41,385	39,098	-2,287	-6%
Other taxes	9,501	15,080	5,579	59%
Other trade payables	34,937	33,043	-1,894	-5%
Pass Foncier advances (low-interest loans to promote home ownership)	79,234	74,945	-4,289	-5%
Other payables	35,901	36,235	334	1%
Total other liabilities	200,958	198,401	-2,557	-1%

6.11. PROVISIONS

In thousands of euros	31 December 2022	Additions	Write-backs	Other changes	31 December 2023
Provisions for risks	6,437	6,327	(1,605)	2,659	13,818
Provisions for guarantees	206,881	38,239	(55,320)	-	189,800
Provisions for pensions and retirement	49,855	9,240	(3,513)	-	55,582
Other provisions for expenses	24,449	11,934	(10,122)	-2,659	23,602
Total provisions	287,622	65,740	(70,560)		282,802

Risk provisions relate mainly to:

- HR disputes for €3.7 million;
- compliance efforts in respect of licences for €5.03 million;
- tenancy risk for €1.7 million.

Provisions for guarantees relate to the guarantee fund and can be analysed as follows:

- €189 million for VISALE claims and management fees, net of settlements;
- €0.8 million for the Sécurisation Accédants PASS fund.

The main assumptions used to measure the Group's pension and similar commitments are as follows:

Assumptions common to all subsidiaries	
Discount rate	3.17%
Mortality table	INSEE H/F 2019-2021
Assumptions specific to each subsidiary	
Annual salary increase	4.00%
Staff turnover rate	Staff turnover tables decreasing based on age, and using values varying between 5% and 0%.
Retirement age	From 64 to 67 years old
Payroll tax rate by job category	From 50% to 60.50%

Other provisions for expenses essentially relate to:

- a provision for IT migration costs for €7.11 million;
- a provision for long-service awards for €3.8 million;
- a provision for major overhauls for €2.03 million;
- the Ma Nouvelle Ville redundancy plan for €6.9 million.

7. NOTES TO THE INCOME STATEMENT

7.1. NET NON-BANKING INCOME

Net Non-Banking Income (PNNB) consists of the employers' contribution (collection) net of subsidies recorded in expenses.

7.1.1. FUNDS RECEIVED IN THE FORM OF SUBSIDIES

In thousands of euros	2023	2022	Change	%
Employers' contribution	1,447,200	1,385,836	61,364	4%
Funds received in the form of subsidies	1,426,060	1,353,278	72,782	5%
Irrecoverable matured funds	19,933	31,334	-11,401	-36%
Transformation into subsidies of funds received as loans	1,207	1,224	-17	-1%
Subsidies received from another fund	324,674	329,057	-4,383	-1%
Funds received	17,445	12,678	4,767	38%
Write-backs of subsidies	17,432	12,642	4,790	38%
Other	13	36	-23	-64%
Total funds received in the form of subsidies	1,789,319	1,727,571	61,748	4%

Subsidies received from another fund correspond to transfers of subsidies from different funds (PEEC and PEAC in particular) to the operating fund (see Note 7.1.2 on subsidies paid below).

7.1.2. SUBSIDIES EXPENSED

In thousands of euros	2023	2022	Change	%
Funding of national policies	(633,000)	(693,000)	60,000	-9%
Subsidies to corporate entities	(542,400)	(1,005,336)	462,936	-46%
Subsidies to individuals	(197,039)	(456,143)	259,104	-57%
Subsidies paid to another fund	(324,674)	(329,057)	4,383	-1%
Other subsidies	(19,615)	(12,642)	-6,973	55%
Total subsidies paid	(1,716,728)	(2,496,178)	779,450	-31%

National policy funding represented an outlay of €633 million for the Group and can be analysed as follows:

- ANIL-ADIL funding: €9 million;
- ANRU-PNRU funding: €324 million;
- FNAL-FNAP funding: €300 million.

Subsidies to corporate entities represent €542.4 million and include subsidies paid to Action Logement Group subsidiaries (see Note 9.2 on transactions with related parties):

- subsidies to the Action Logement Group: €484.6 million;
- subsidies to other corporate entities: €57.78 million.

Subsidies to individuals amounted to €197 million in 2023, compared with €456.1 million in 2022.

7.2. NET BANKING INCOME

Net Banking Income (PNB) essentially represents the net interest margin on customer loans and interest expense on borrowings.

7.2.1. INTEREST RECEIVABLE AND SIMILAR INCOME

In thousands of euros	2023	2022	Change	%
Transactions with credit institutions	87,610	12,556	75,054	598%
Transactions with individuals	38,059	44,095	-6,036	-14%
Transactions with corporate entities	89,929	80,185	9,744	12%
Other interest and similar income	550	1,246	-696	
Total interest receivable and similar income	216,148	138,082	78,066	57%

7.2.2. INTEREST PAYABLE AND SIMILAR EXPENSES

In thousands of euros	2023	2022	Change	%
Transactions with credit institutions	(30,475)	(15,558)	-14,917	96%
Transactions with customers	(1,558)	(3,486)	1,928	-55%
Bonds and other fixed income securities	(104,434)	(34,934)	-69,500	199%
Other interest payable and similar expenses	(8,046)	(6,055)	-1,991	33%
Total interest payable and similar expenses	(144,513)	(60,033)	-84,480	141%

The increase in expenses relating to bonds and other fixed-income securities reflects interest on bond issues.

"Other interest payable and similar expenses" correspond mainly to:

- EMTN (European Medium Term Notes) fees of €4.7 million;
- interest on loans taken out by Solendi Expansion amounting to €1.57 million.

7.3. OTHER OPERATING INCOME

In thousands of euros	2023	2022	Change	%
Rents and rental expenses collected	37,744	33,189	4,555	14%
Other income from ancillary activities	40,588	48,907	-8,319	-17%
Sale of services	2,705	10,269	-7,564	-74%
Rebilled provision of staff	4,816	3,691	1,125	30%
Total other operating income	85,853	96,056	-10,203	-11%

"Rents and rental expenses collected" primarily concerns the activity of the National Sales Operator for HLM Social Housing (ONV).

"Other income from ancillary activities" mainly relates to sales of housing units by the ONV to individuals, amounting to €35 million.

"Sale of services" relates to Ma Nouvelle Ville mobility services for €2.7 million.

7.4. GENERAL OPERATING EXPENSES

In thousands of euros	2023	2022	Change	%
Staff expenses	(177,048)	(178,890)	1,842	-1%
Staff remuneration	(126,074)	(128,303)	2,229	-2%
Social security and health insurance expenses	(45,275)	(44,854)	-421	1%
Other staff charges	(5,697)	(5,733)	36	-1%
Other administrative expenses	(202,305)	(194,172)	-8,133	4%
Sub-contracting	(29,464)	(25,914)	-3,550	14%
Rents and rental expenses	(12,239)	(14,635)	2,396	-16%
Recoverable rental expenses	(7,415)	(6,749)	-666	10%
Intermediaries, agent and external fees	(28,031)	(26,162)	-1,869	7%
Additions to operating provisions	(12,865)	2,759	-15,624	-566%
Maintenance and repairs	(10,775)	(13,144)	2,369	-18%
Miscellaneous taxes	(27,035)	(25,676)	-1,359	5%
ANCOLS/ACPR/Other contributions	(7,536)	(7,402)	-134	2%
Post and telecommunications fees	(2,332)	(2,699)	367	-14%
Travel and entertainment	(4,062)	(3,209)	-853	27%
Insurance	(1,223)	(1,056)	-167	16%
Other administrative expenses	(59,328)	(70,285)	10,957	-16%
Total general operating expenses	(379,353)	(373,062)	-6,291	2%

"Additions to operating provisions" includes:

- a €6.9 million net provision for Ma Nouvelle Ville (see Note 6.11);
- a €5.7 million net provision for retirement benefits (see Note 6.11).

7.5. COST OF RISK

In thousands of euros	2023	2022	Change	%
Corporate entities	(24,873)	(8,573)	-16,300	190%
Additions to impairment - loans to corporate entities	(49,095)	(100,819)	51,724	-51%
Write-backs of impairment - loans to corporate entities	24,366	92,986	-68,620	-74%
Losses on bad debts - loans to corporate entities	(144)	(740)	596	-81%
Individuals	(44,889)	(89,197)	44,308	-50%
Additions to impairment - loans and liability provisions relating to individuals (*)	(117,081)	(126,820)	9,739	-8%
Write-backs of impairment - loans and liability provisions relating to individuals (**)	100,645	75,289	25,356	34%
Losses on bad debts - loans to individuals	(28,453)	(37,665)	9,212	-24%
Cash pledges				
Losses on other bad debts (cost of risk)	(15,000)	(15,000)		
Write-backs of impairment on other receivables (cost of risk)	15,000	15,000		
Total cost of risk	(69,762)	(97,769)		

(*) Impairment charged against loans to individuals in an amount of €78,842 thousand and additions to provisions for liabilities of €38,239 thousand.

(**) Reversals of impairment of loans to individuals in an amount of €45,325 thousand and reversals of provisions for liabilities of €55,320 thousand.

Losses on unrecoverable debts notably include an expense of €15 million relating to the cash collateral used to subsidise loans granted by CDC to social landlords. This expense is offset by the write-back of a provision for the same amount, shown under write-backs of impairment – loans to individuals/corporate entities; the cash pledge has been written down in full.

7.6. GAINS AND LOSSES ON OTHER ASSETS

Gains and losses on other assets include €384 thousand in losses on fixed asset disposals.

7.7. INCOME TAX

Income tax expense for the year amounted to €8.2 million versus €1.4 million in 2022, and comprises:

- a €6.5 million tax expense recorded by ALS, mainly in respect of investment income for the year;
- a €1.4 million tax expense recorded by Solendi Expansion.

8. OFF-BALANCE SHEET COMMITMENTS

8.1. COMMITMENTS GIVEN

In thousands of euros	31 December 2023	31 December 2022
Mortgages and collateral given	123,206	150,675
LOCA-PASS and VISALE guarantees given	9,189,946	9,081,622
Endorsements, security interests, guarantees given	3,148,836	2,845,085
Sub-total guarantees given	12,461,988	12,077,382
National policies (subsidies payable)	5,386,000	5,824,000
Loans to other corporate entities	5,146,126	5,263,646
Loans to individuals	344,154	599,789
Capitalisation commitments given		
Property lease		
Payables on signed contracts - Rental transactions		
Payables relating to forecast production costs - Transactions not settled		
Preliminary sale agreement		7,431
Finished and sold homes for which ownership has not been transferred		
Other commitments given	372,227	24,665
Commitments given	23,710,495	23,796,913

"Mortgages and collateral given" amounted to €123.2 million and mainly includes guarantees of loans taken out by Solendi Expansion with La Banque Postale.

Commitments under the VISALE scheme remained fairly stable:

- VISALE guarantees amounted to €8,958 million;
- VISALE non-performing guarantees represented €231 million.

"Endorsements, security interests, guarantees given" amounted to €3,148 million, breaking down as follows:

- endorsements, security interests and guarantees relating to Foncière Logement for €594 million;
- bank guarantees of €2,514 million;
- commitments to corporate entities representing €40 million.

The "National policies (subsidies payable)" item amounts to €5,386 million and breaks down as follows:

- ANIL-ADIL subsidies: €36 million;
- ANRU-PNRU-NPNRU subsidies totalling €5,200 million;
- FNAP subsidies totalling €150 million.

"Loans to other corporate entities" amounts to €5,146 million and breaks down as follows:

- €719 million in subsidies due to CDC;
- €587 million for the Cœur de Ville initiative;
- €160 million for non-migrant worker housing;
- €2,095 million for social housing;
- €517 million in NPNRU loans;
- other financing for €851 million.

"Loans to individuals" amounts to €344 million and breaks down as follows:

- €4 million for specific regional initiatives;
- €289 million in homebuyer loans;
- €23 million in renovation loans;
- €13 million in LOCA-PASS advances and guarantee deposits;
- €12.5 million in Cœur de Ville initiatives.

"Other commitments given" mainly include work commitments by the National Sales Operator (ONV) amounting to €338 million.

8.2. COMMITMENTS RECEIVED

In thousands of euros	31 December 2023	31 December 2022
Endorsements, security interests, guarantees received	39,388	54,404
Mortgages and collateral received		
Sub-total guarantees received	39,388	54,404
Other loans received	500,000	300,000
Other commitments received	6,291	8,296
Commitments received	545,679	362,700

"Endorsements, security interests, guarantees received" amounts to €39.38 million, breaking down as follows:

- €1.6 million in financing for homebuyer loans;
- €0.1 million in financing for works loans;
- €26.17 million in financing for PASS-FONCIER loans;
- €1.96 million in cash collateral from landlords;
- other financing for €9.6 million.

Commitments shown under "Other loans received" for €500 million relate solely to credit lines that remained undrawn as of the reporting date.

"Other commitments received" relates to sale commitments received by the National Sales Operator (ONV) for €6.29 million.

9. OTHER INFORMATION

9.1. HEADCOUNT

The average headcount breaks down as follows:

	2023	2022
Executives including directors	1,061	991
Non-executive employees	1,611	1,906
Average headcount (FTE)	2,672	2,897

	2023	2022
Executives including directors	994	981
Non-executive employees	1,670	1,899
Headcount at 31 December (FTE)	2,664	2,880

9.2. TRANSACTIONS WITH RELATED PARTIES

In thousands of euros		31 December 2023						Off-balance sheet commitments	Off-balance sheet commitments
		Balance sheet			Income statement		Loan commitments given		
ANCOLS No.	Company name	Gross amount of loans granted	Impairment	Net amount of loans granted	Interest receivable and similar income	Subsidies paid			
7500100034	AFL	1,948,000		1,948,000	7,162	(60,000)	40,000		
7500050216	IMMOBILIERE 3F	909,533	(345)	909,188	6,489	(685)	227,195		
7500530018	IN'LI	185,957		185,957	1,993		4,104		
7500050273	SEQENS	579,925	(437)	579,488	3,352	1,101	247,671		
7500050547	SEQENS SOLIDARITE	23,808	(115)	23,693	67		8,057		
7500051033	3F RESIDENCES	285,925	(43)	285,882	1,554	1,150	59,629		
6900050040	ALLIADE HABITAT	147,061		147,061	1,053	16	44,798		
1300050013	UNICIL	124,097		124,097	870	804	49,561		
5100050024	PLURIAL NOVILIA	144,854		144,854	867	(305)	62,351		
7500050497	ERIGERE	137,069	(595)	136,474	1,001	1,443	38,497		
9704050053	SHLMR - Sub-consolidation group until December 2022, then standalone	163,010		163,010	1,120		113,420		
2500050019	NEOLIA	57,502		57,502	413	(376)	21,354		
0200050016	CLESENCE	143,977		143,977	1,116	(457)	125,498		
3100050052	PROMOLOGIS	90,814		90,814	456	(1,001)	23,644		
3300050019	DOMOFRANCE	73,978		73,978	639	185	35,199		
7500050554	3F SEINE ET MARNE	103,956	(190)	103,766	643	55	25,189		
3800050022	SDH	65,567	(9)	65,558	350		20,608		
6900050032	IMMOBILIERE RHONE-ALPES	56,648	(41)	56,607	379	12	10,601		
7600050033	LOGEO SEINE	59,289		59,289	417	(759)	15,909		
6800050041	DOMIAL	42,686		42,686	322	40	16,118		
7900050022	IMMOB. ATLANTIC AMENAGEMENT	41,894		41,894	278	319	10,110		
6900530032	IN'LI AURA	70,840		70,840	741		66,160		
3500050041	ESPACIL HABITAT	32,098		32,098	212	(350)	19,187		
4400050065	LA NANTAISE D'HABITATIONS	44,496	(20)	44,476	279	84	7,949		
7600050025	3F NORMANVIE (formerly IBS)	41,790	(26)	41,764	314	(424)	23,979		
6700050133	3F GRAND EST	29,788		29,788	291	44	6,807		
0600050012	3F SUD	78,562	(1,094)	77,468	485	183	27,083		
9701050012	SIKOA	52,732		52,732	335		93,144		
4900050045	PODELIHA	40,757	(47)	40,710	301	(153)	11,198		
0600530012	IN'LI PACA	48,188		48,188	280		40,193		
4500050064	3F CENTRE VAL DE LOIRE	20,783		20,783	183	(42)	10,361		
5700050036	VIVEST	45,916		45,916	293		28,263		
4500050015	VALLOIRE HABITAT	22,353		22,353	152	72	8,724		
1000050016	MON LOGIS	27,574		27,574	174	53	7,911		
3300050068	CLAIRSIENNE	29,127		29,127	179	522	13,573		
3100530011	IN'LI SUD OUEST	93,561		93,561	887		21,598		
3100050029	LA CITE JARDINS	33,524	(6)	33,518	144	(567)	31,523		
4200050042	CITE NOUVELLE (merged into ALLIADE in 2021)				38				
6300050012	AUVERGNE HABITAT	36,099		36,099	218	27	13,901		
6700530018	IN'LI GRAND EST	15,842		15,842	148	3	11,115		
4700050021	CLIOPEE HABITAT (merged into DOMOFRANCE in 2020)								
2100050013	HABELLIS	32,874		32,874	286	(310)	29,568	389	
5900050224	3F NORD ARTOIS (merged into NOTRE LOGIS in 2020)								
5400050039	SOCIETE LORRAINE D'HABITAT (merged into VIVEST (formerly LOGIEST) in 2021)								
8100060018	MAISONS CLAIRES	7,013		7,013	48		154		
2700050025	LE LOGEMENT FAMILIAL DE L'EURE	14,719		14,719	265	4	1,649		
1600050010	NOALIS	32,528		32,528	205	48	12,896		
8100050010	3F OCCITANIE	31,441	(5)	31,436	158	192	5,877		
6400050029	HABITELEM (merged into DOMOFRANCE in 2020)								
5900050166	3F NOTRE LOGIS	29,327	(27)	29,300	243	103	12,027		
8900050020	BRENNUS HABITAT (merged into HABELLIS in 2020)								
7800530015	IMMOCLIA (business transferred to ALI in 2021)								
7600050041	SODINEUF (merged into 3F NORMANVIE [formerly IBS])				35				
6200050047	FLANDRE OPALE HABITAT	32,337		32,337	183	4	21,246		
6100050014	LE LOGIS FAMILIAL (merged into SAGIM in 2022)								
3300050027	ENEAL	3,522		3,522	19		990		
3500050033	LA RANCE	4,909	(6)	4,903	33		1,101		
9702050038	OZANAM	22,840	(21)	22,819	72	(45)	70,661		
6100050022	LOGISSIA (formerly SAGIM)	4,914	(9)	4,905	65		3,390		
9400530015	LOGEO HABITAT	3,129		3,129	26		5,658		
5300060020	COOP LOGIS (deconsolidated in 2020 - below thresholds)								
1900060023	COPROD	366		366	3		100		
1300530039	LOCACIL	189		189	3				
9200860025	ASTRIA DEVELOPPEMENT (business transferred to ALI in 2022)								
7500103583	ACTION LOGEMENT IMMOBILIER	4,276		4,276	18	(399,859)			
	Financing of rental activity	6,373,964	(3,036)	6,370,928	37,857	(458,869)	1,807,499	389	
7500103581	ACTION LOGEMENT GROUP					(21,000)			
7500100083	APAGL					(4,800)			
	Financing of operating costs					(25,800)			
	Total	6,373,964	(3,036)	6,370,928	37,857	(484,669)	1,807,499	389	

9.3. STATUTORY AUDITORS' FEES

In thousands of euros	31 December 2023			31 December 2022		
	Statutory audit, review of individual financial statements	Audit-related services	Total	Statutory audit, review of individual financial statements	Audit-related services	Total
KPMG	94		94	721	48	769
PricewaterhouseCoopers (PwC)	534	118	652	564	92	656
Mazars	440		440			
Total fees paid to auditors	1,068	118	1,186	1,285	140	1,425

10. SUBSEQUENT EVENTS

10.1. LEGAL ACTION BY THE FRENCH NATIONAL FEDERATION OF PUBLIC HOUSING OFFICES (OPH)

The French National Federation of Public Housing Offices (OPH) lodged two legal actions against the French Government and the Action Logement Group before the Administrative Court on 21 September 2023, on the basis of Article R.421-1 of the French Code of Administrative Justice, challenging the application of the principle of non-discrimination in the distribution of PEEC funds provided for in Article L.313-17-3 of the French Construction and Housing Code.

10.2. REVISED EMTN SUSTAINABLE BOND FRAMEWORK DOCUMENT

The ALS EMTN programme is 100% sustainable, meaning that all funds raised by bond issues on the financial market under this programme will be used for financing social and/or environmental projects. The sustainable bonds framework document is one of the components of ALS' EMTN programme, in that it describes the criteria for defining the social and environmental projects that may be financed by the bond issues carried out, and reflects ALS' ESG commitments in the conduct of its activities.

The main objectives of the revised sustainable bonds framework document are to:

- cover all the commitments under the new 2023-2027 five-year agreement;
- remain aligned with best practices in the sustainable bond market while improving the efficiency of the allocation of net proceeds from sustainable bonds;
- strengthen sustainable bond oversight.

As from the date of its publication, the revised sustainable bond framework document replaces the initial framework drawn up in 2019, when the ALS EMTN programme was set up, for all bond issues carried out after the framework was published.

11. LIST OF CONSOLIDATED COMPANIES AT 31 DECEMBER 2023

ANCOLS No.	SIREN	Company name	Legal form	Consolidation method	% control	% interest
7 500 103 582	824 541 148	ACTION LOGEMENT SERVICES	SASU	Parent company		
7 500 534 459	849 167 002	NATIONAL SALES OPERATOR	SA	Full	100.00	99.99
9 200 500 245	444 222 046	ASTRIA FONCIER	SCI	Full	100.00	100.00
9 300 860 024	382 373 116	SOLENDI EXPANSION	SA	Full	100.00	100.00
3 100 531 427	394 003 289	MA NOUVELLE VILLE	SA	Full	100.00	99.68