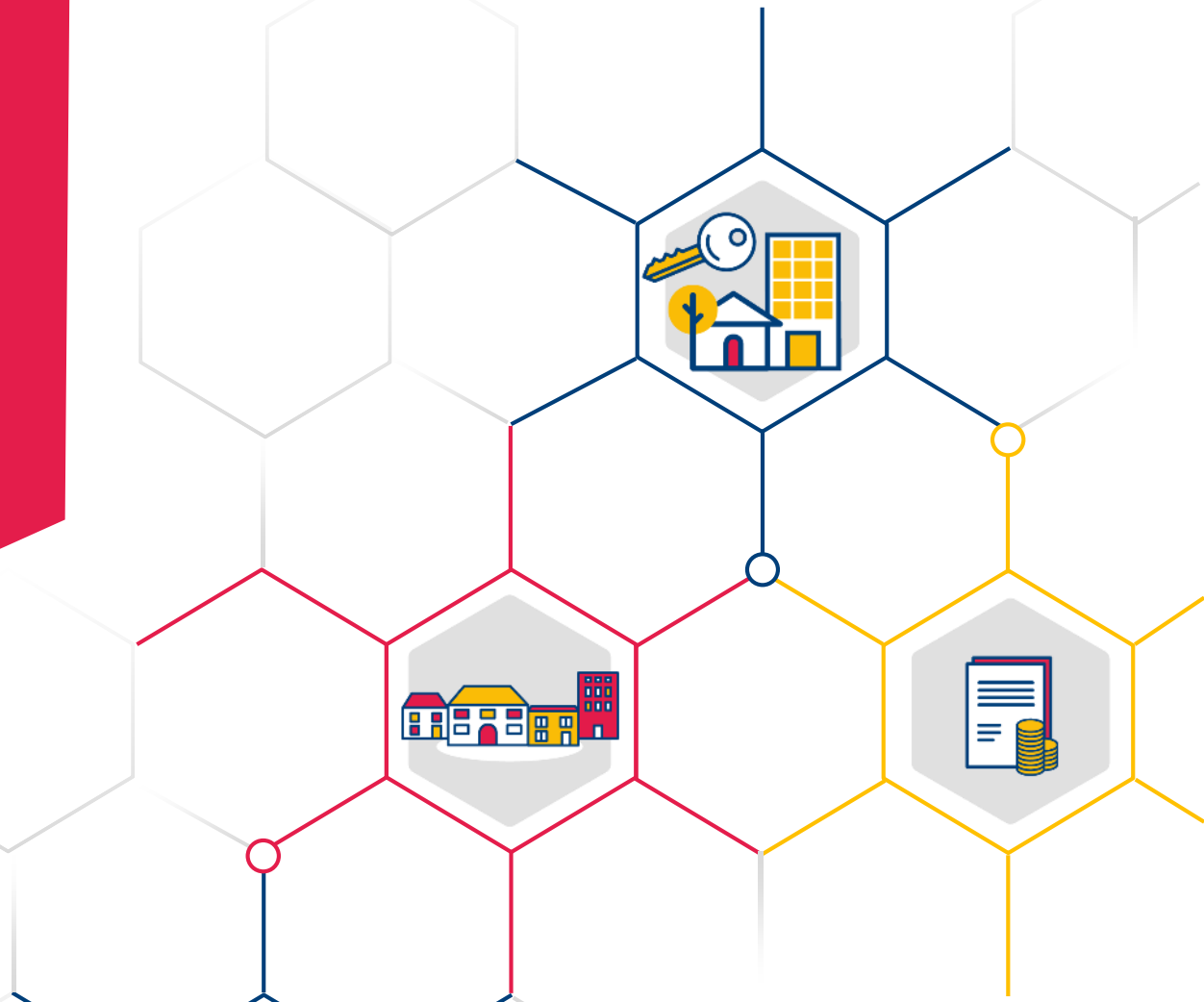
ACTION LOGEMENT SERVICES

INVESTOR PRESENTATION
FEBRUARY 2020



ActionLogement SERVICES

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Action Logement Services (ALS), a new French public issuer in the markets

ActionLogement SERVICES

1

A unique player, with a **public mandate**, financing **public policies** to support **social housing** in France

2

- Status: private **Finance Company**
- **Joint governance** by unions of employers and unions of employees (*the Social Partners*) along with the **French State**
- **Oversight by the State's supervisory bodies** (ACPR, ANCOLS, Cour des Comptes)

3

- **Credit Ratings in line with the French State**
  - **Aa2** (Stable) by Moody's
  - **AA** (Stable) by Fitch
- **CET1 Ratio**: 83%[1]
- **Equity**: €13.5bn[1]

4

- **Stable resource:** the Employer's Contribution to the Construction Effort (PEEC)
- Tax-like **mandatory contribution** from private sector companies
- Since 1953

5

- **100% Sustainable issuance programme**
- Aligned with ICMA standards
- Second Party opinion from vigeo eiris
- Annual independent audit until full allocation of proceeds

[1] At Dec. 31, 2018

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1

ACTION LOGEMENT SERVICES
WITHIN ACTION LOGEMENT GROUP

A player with a public policy mandate to finance and promote social housing in France

- Main purpose: **facilitate access to housing** in order to **promote employment**
- Group **at the service of public housing policies**
- Collecting the Employer's Contribution to the Construction Effort (**PEEC**), paid by private sector companies

Mission 1

- Helping employees to address their residential needs and professional careers by offering **services (the allocation of social and intermediate housing, rental deposits**, etc.) and financial support (in the form of **loans** and **subsidies**) **facilitating access to housing and therefore to employment**

Mission 2

- **Building and financing social and intermediate housing**, primarily in areas with insufficient real estate supply, addressing the issues of eco-housing, social change, social mix

Mission 3

- **Financing of housing policies in France** for their implementation **in coordination with local authorities**

Action Logement Group, a successful transformation

1943 — Creation of the First Inter-professional housing committee (CIL)

- Private initiative from employers and unions in the North of France to promote employee housing

1953 — Creation of the "1% housing programme"

- Mandatory PEEC for all companies with more than 10 employees

1997 — Creation of the Social Economy Union for Housing (UESL)

- Leading the network and governing body of the CILs
- Responsible for signing agreements with the State, defining the use of PEEC funds and monitoring their implementation by CILs

2015 — Modernisation of the "1% Housing programme"

- Initiation of a comprehensive reform by the Social Partners with the State's consent

2016 — Creation of Action Logement Group

- **Vote by the Parliament** of the law allowing the Government to reorganise the collection of PEEC contributions
- **Creation of ALS** following the merger of 20 CILs into ALS

2017 — Restructuring of subsidiaries

- Consolidation of service businesses under the leadership of **ALS**
- Social housing activities consolidated into **ALI**

Jan 2018 — Five-Year Agreement (CQ - *Convention Quinquennale*) 2018-2022

- Signed between the **State** and **Action Logement**
- **€15.2bn committed**

April 2019 — Voluntary Investment Plan

- Amendment to the Five-Year Agreement signed between the **State** and **Action Logement**
- **€9.1bn** dedicated to strengthen the Group's efficiency and social purpose

The scale of the group is commensurate with its missions

#1 owner of social & intermediate housing in France with circa 1 million dwellings

#2 financial sponsor of social and intermediate housing providers

18,000 employees

ActionLogement

€8.58bn
in revenue[1]

€1.145bn
in **net income**[1] (group share)

€8.3bn
in **cash**, of which **€4.0bn** at **Issuer** level[2]

€53.9bn
of **property assets** (land and buildings)[2]

€83.4bn
balance sheet[2]

Source: key figures at Group Level

[1] in 2018; [2] At Dec. 31, 2018;

Two divisions with the common mission of promoting affordable housing for employees

Action Logement Group (ALG)

- **Non-profit association governed by the French Act of 1901**
- In charge of concluding the five-year agreement with the State
- Determines the strategy and oversees the group's financial stability

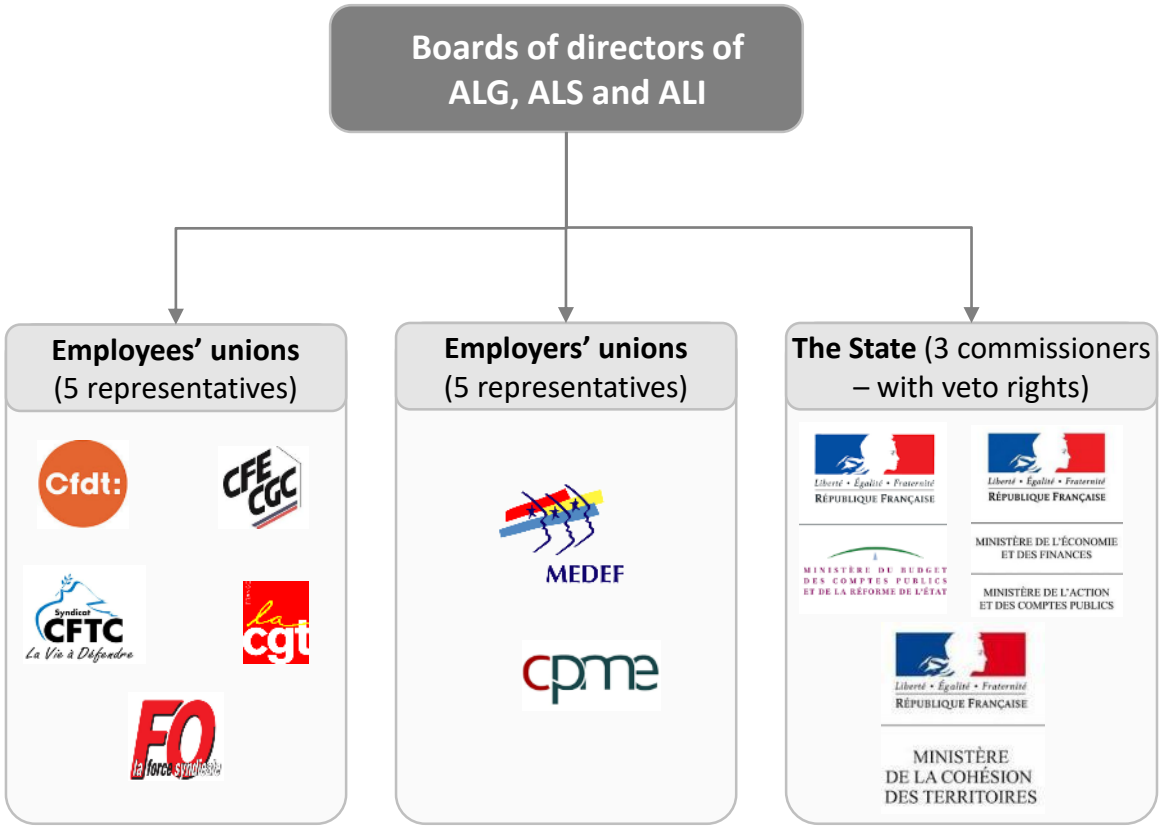
ALG 100% sole shareholder [1] | ALG 100% sole shareholder [1]

	Action Logement Services (ALS)	Action Logement Immobilier (ALI)
	Services - Loans/ Funding / Subsidies Division	*Real estate Division - Management and Construction*
Missions	• Collection and management of **PEEC** contributions • Implementation of the five-year agreement • Distribution of grants, loans and services	• Implementation of the group's real estate strategy • Holding of ESH[3] and real estate companies' equity participations
Key figures	• **€1.70bn** net PEEC contributions 2018 • **€16bn** outstanding loans[2] • **€13.5bn** shareholders' equity[2] • **€4.10bn** cash & cash equivalent[2] • **€436m** net income in 2018 • 83% CET 1 ratio[2]	• **€54bn** real estate assets[2] • **€16.2bn** shareholders' equity[2] • **€3.7bn** cash & cash equivalent[2] • **€650m** net income 2018 • **~1 million** dwellings[2]
Presence throughout the territory	• 13 regional branches • 160 locations • **3,100** employees	• **109 consolidated** real estate **subsidiaries**, including: — 59 social housing providers (ESH[3]) — 5 intermediate housing companies • **15,000** employees
	NEW ISSUER	

[1] ALG is not allowed to sell its shares in ALS or ALI; [2] At Dec. 31, 2018; [3] ESH *(Entreprises Sociales pour l'Habitat)*: Social Housing Provider;

Joint governance and a supervision by the State

Joint governance of the Group's entities



Supervision of the Group by the State's bodies

ACPR – BANQUE DE FRANCE

Supervises and ensures regulatory compliance of the finance company, ALS

ANCOLS – Contrôle Évaluation Études – Agence nationale de contrôle du logement social

Supervises the Group's activities in relation to PEEC, in compliance with the implementation of the Five-Year Agreement

Cour des comptes

Oversees public funds' spending

Clear and ambitious business plan: implementation of the Five-Year Agreement and the Voluntary Investment Plan

€23.35bn

total amount of commitments under the Five-Year Investment Agreement and the Voluntary Investment Plan over 2018-2022

€15.195bn
Five-Year Agreement (CQ) 2018-2022[1]

€9.065bn
Voluntary Investment Plan (PIV) 2019[2]

Individuals

€4.5bn
GRANTS FOR EMPLOYEES

€150m
TO IMPROVE MOBILITY

€1bn
TO IMPROVE ENERGY PERFORMANCE OF THE HOUSING

€1.55bn
TO ENHANCE HOUSING FOR SENIORS

Affordable housing

€5.5bn
FOR THE DEVELOPMENT AND RENOVATION OF SOCIAL AND INTERMEDIATE HOUSING

€2.72bn
TO DEVELOP MORE AND CHEAPER HOUSING

€1.5bn
TO IMPROVE HOUSING IN OVERSEAS TERRITORIES

€1.2bn
TO TRANSFORM VACANT SPACE INTO HOUSING

Public policies

€3.5bn
FOR URBAN RENOVATION

€1.5bn
TO REVITALIZE CENTER OF MEDIUM SIZE CITIES

€945m
TO FIGHT AGAINST SUBSTANDARD HOUSING

[1] Five-Year agreement signed 16 January 2018; [2] Commitment signed with the State on 25 April 2019, reassigning part of the objectives initially planned in the Five-Year Agreement

2

ACTIVITIES OF ACTION LOGEMENT SERVICES

ALS activities in 2018: €3.1bn resources to implement the 2018 budget of the CQ

Highlights of ALS activities in 2018

1. **Collection of the PEEC** from companies **€1,695m**
2. Repayment of corporate loans €628m
3. **Repayment of individuals loans €727m**

Affordable Housing Providers

Financing of social and intermediate housing providers

€1,279m disbursed

Individuals

Loans, grants and services to individuals

€641m disbursed

96,901 Affordable Housing Allocations to employees in 2018

State agencies

Public policy subsidies (ANRU, FNAP, ...)

€635m disbursed

The PEEC - ALS's main resources

The PEEC: a mandatory contribution

- What is the PEEC?

  The Employers' Contribution to the Construction Effort
  - **Legal obligation** for employers to contribute to the financing of their employees' housing
  - Since 1992, rate fixed at 0.45 % of the previous year' total payroll

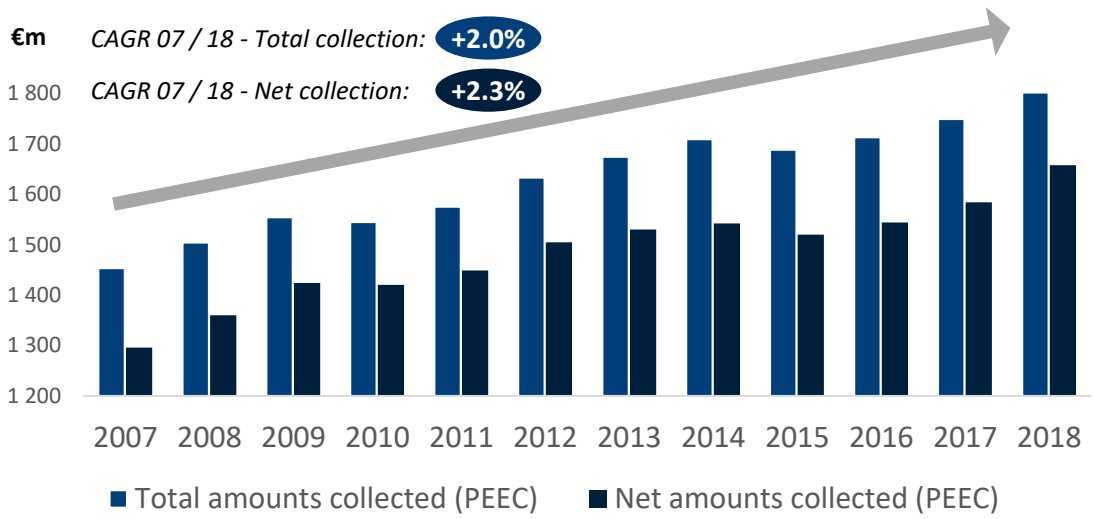
- Which companies have to pay?
  - **Non-agricultural private sector companies** with more than 20 employees (**PEEC**): 98% of the total contribution in 2018. (*In 2020, increase of the threshold from 20 to 50 employees in the context of the PACTE law*[1])
  - **Agricultural sector** companies with more than 50 employees (**PEAEC**): 1.3% of the total 2018 contribution
  - Corporates can provide additional contributions on a voluntary basis (**PSEEC**): 0.7% of the total 2018 contribution

- Ways of payment
  - As a tax-deductible **subsidy** to the collector (ALS)
  - As a **20-year bullet loan** granted by the company to the collector (ALS), interest-free and non tax-deductible

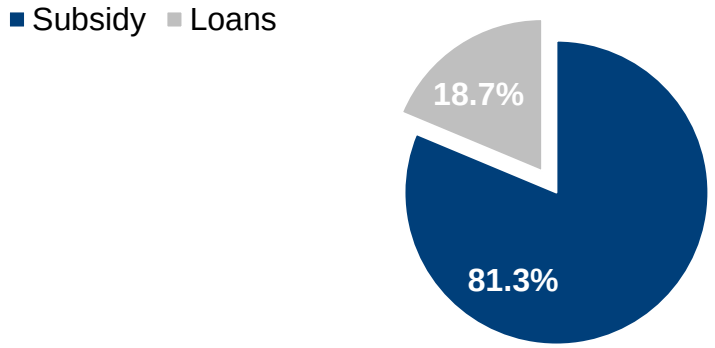
- **Total contribution** in 2018 (net of loan repayments): **€1,695m**

- PEEC payments controlled by the State services

Collected PEEC: growing steadily over the past 10 years



Distribution of gross PEEC collected in 2018 by type



[1] The French State is going to compensate ALS, for the increase of the threshold from 20 to 50 employees, with €1,190m for the period 2019-2022

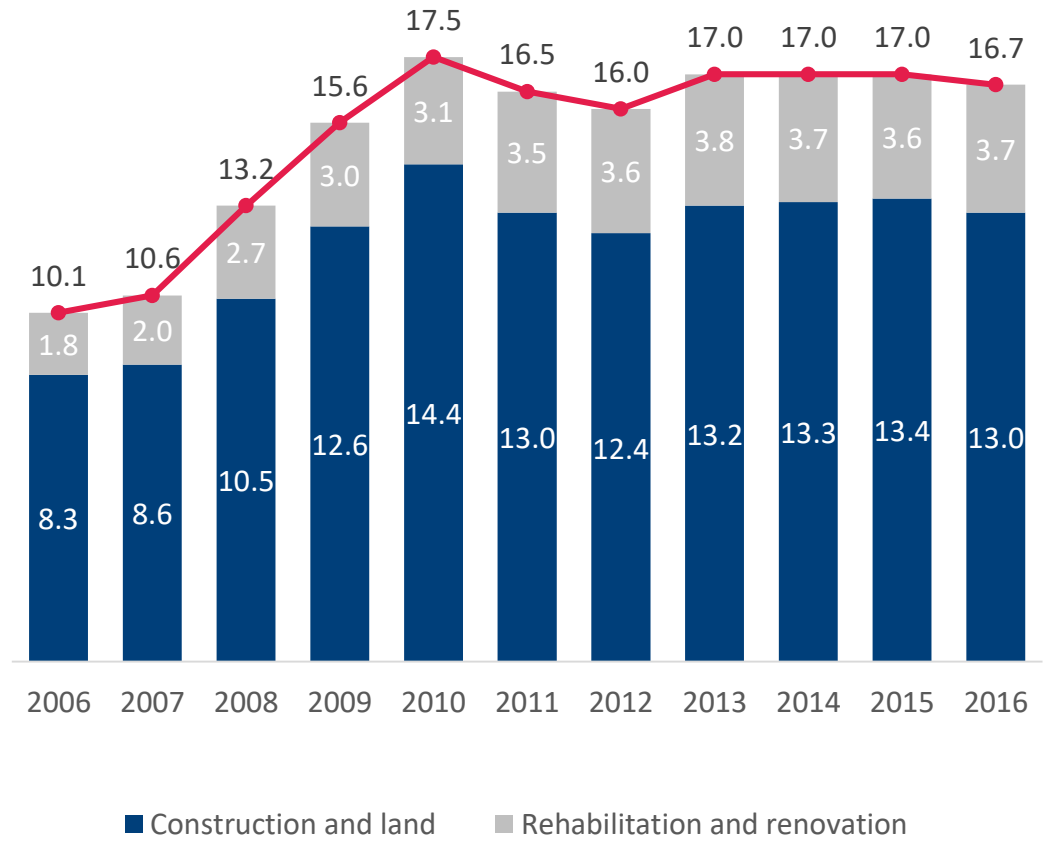
High demand in social and intermediate housing

Key characteristics of the French social housing sector

- **5 million social dwellings in France** at the end of 2017, commonly named "HLM" for *Habitation à Loyer Modéré* (Low-Rent Housing)
  - Construction and management subject to State's approval
  - Rents below market price (-40% for social housing, -15/20% for intermediate housing)
- **720 social housing providers** (developers and managers)
  - Benefit from tax incentives (e.g. VAT, property tax, …)
  - Highly regulated and controlled
- **Very high demand for new constructions**
  - Beneficiaries' eligibility based on household income
  - **2.1 million eligible households** on the waiting list for social housing
  - Low turnover rate (9.4% per year)
  - 462,000 households accommodated in 2018
- **Large financing needs**
  - Objective of 110,000 new dwelling approvals by the State per year
  - Circa **€17bn in new investments** per year
  - Social housing operators financed with circa **75% of debt**

Annual investments in the social housing sector

(in €bn)



Source: Union Social Habitat (USH)

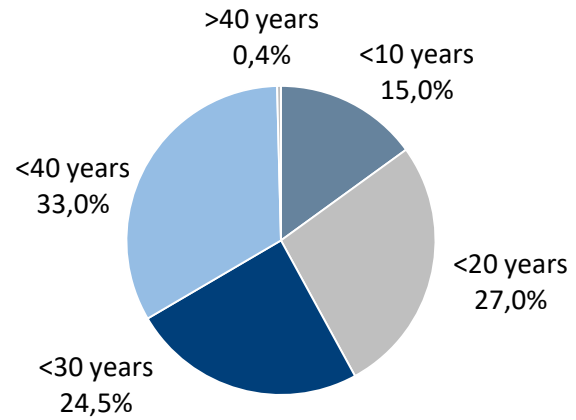
ALS is a key player in financing social housing

Overview

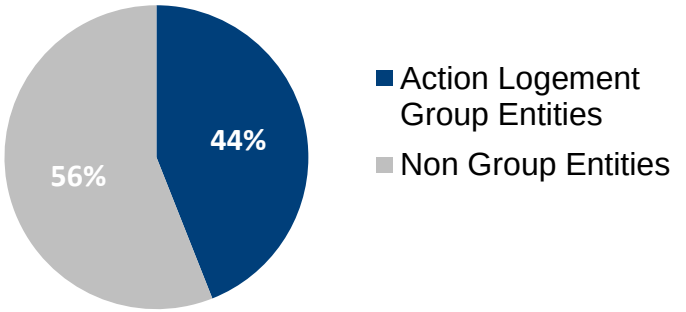
- ALS is the **2nd financial sponsor** of social and intermediate housing providers in France (after CDC)[1]
- ALS provides long term and attractive funding to social and intermediate housing providers
  - In return, ALS obtains reservation allocation rights
- **€1,279m** new financing allocated by ALS to corporates in 2018, of which:
  - **€485m in capital increases and subsidies**
  - **€794m in new loans** granted to social and intermediate providers
- Loans granted at very attractive conditions:
  - Livret A Passbook rate[2] - 225 bps floored at 0.25% for PLUS[3] and PLAI[4] transactions
  - No guarantees required
  - No mortgage required

Breakdown of corporate loans outstanding - End of 2018

By residual maturity



By counterparty



Total outstanding loans at the end of 2018: €12bn

[1] Action Logement's estimate; [2] Livret A passbook rate currently at 0.75%; [3] PLUS: *Prêt Locatif à Usage Social*; [4] PLAI: *Prêt Locatif Aidé d'Intégration*

Housing allocations in return for attractive financing

Employee's access to social and intermediate housing is at **the centre of Action Logement's business**

- ALS grants loans to social and intermediate operators with **attractive financing conditions** in terms of rate and guarantees
- In return, ALS obtains **housing allocation rights**
- These rights enable ALS to propose eligible employees to social and intermediate housing providers

Loans to social operators

€12bn[1]
outstanding loans

Obtaining reservation rights

705,951 reservation rights[1]
on existing housing or pending delivery

"Average" distribution of social housing reservations rights

In 2018, **96,901 households**
accessed housing through ALS,
especially in areas with insufficient housing supply

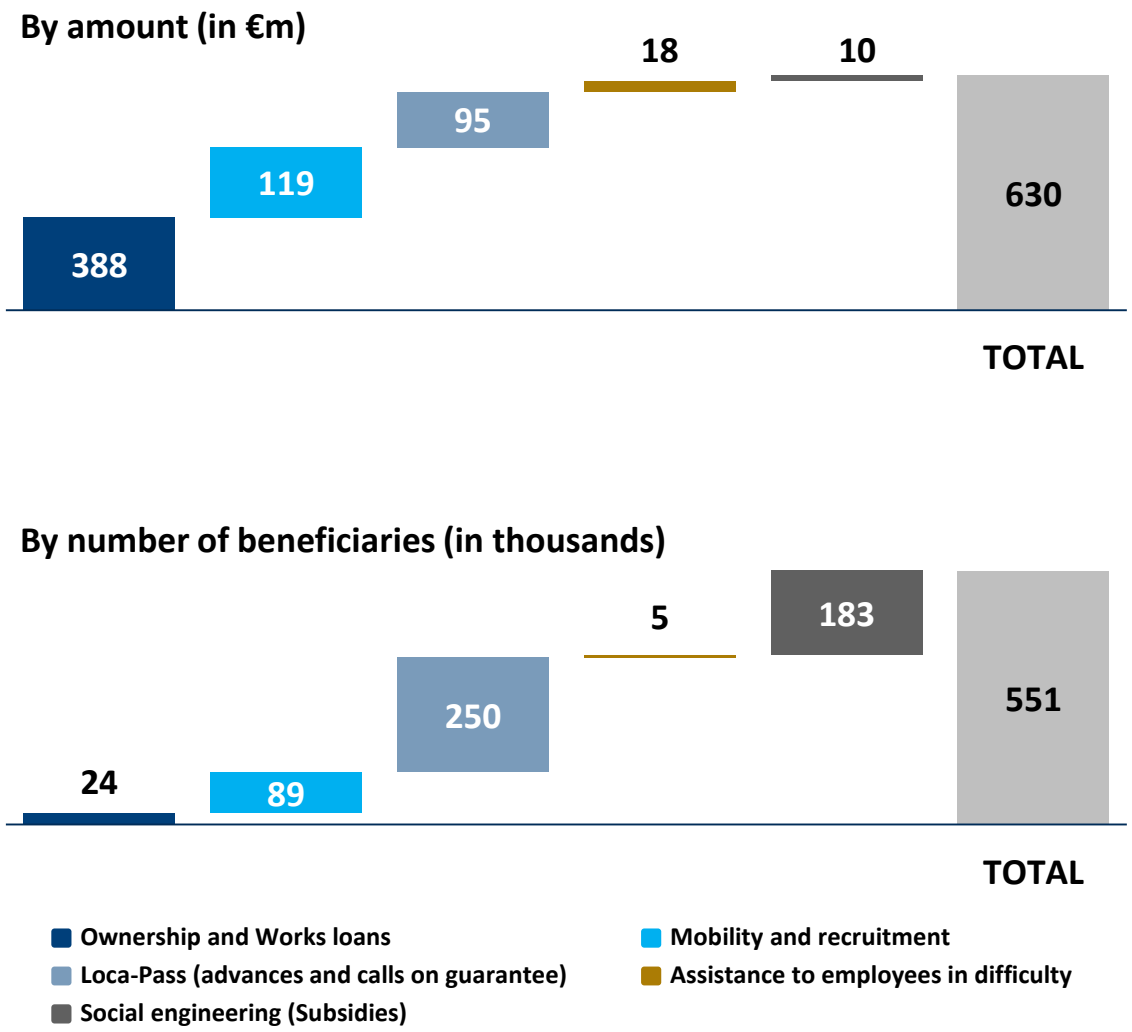
[1] At Dec. 31, 2018

ALS is a non-profit service operator providing loans, grants and services to individuals

Key data

- **Services and grants provided to individuals:**
  - Facilitate access to either open market or social / intermediate rental housing
  - Provide assistance for home ownership
  - Financing works to improve housing
  - Facilitate professional mobility
- **550,000+ families supported** in 2018
- Forms of assistance: grants, advances, loans, guarantees, security deposits or social support services
- **€630m in financial assistance** granted from PEEC funds in 2018
- **€388m loans granted,** in 2018, at attractive rates:
  - Average amount of granted loans in 2018: €21k
- Loans to individuals outstanding at the end of 2018: **€4.1bn**
- Development strategy:
  - Housing adaptation for senior citizens
  - Financing the energy efficiency enhancement
  - Rental assistance schemes (advances and unpaid rent guarantees VISALE)

Breakdown of grants and services in 2018



ALS contributes to public policies promoting social cohesion across cities and territories

€635m

of subsidies and financing dedicated to public policies in 2018

Urban Renovation

- **Contributions 2018: €477m**
  - 75% of total ALS public policy disbursements
- **Agence Nationale pour la Rénovation Urbaine** (ANRU - National Agency for Urban Renovation)
  - State Agency in charge of urban renovation
  - With the aim of reducing social inequalities and the gap between territories

Construction for low-income households

- **Contributions 2018: €51m**
- Fonds National des Aides à la Pierre (FNAP - National Fund of Construction Aid)
- Contribution to the construction and development of housing for very low-income households

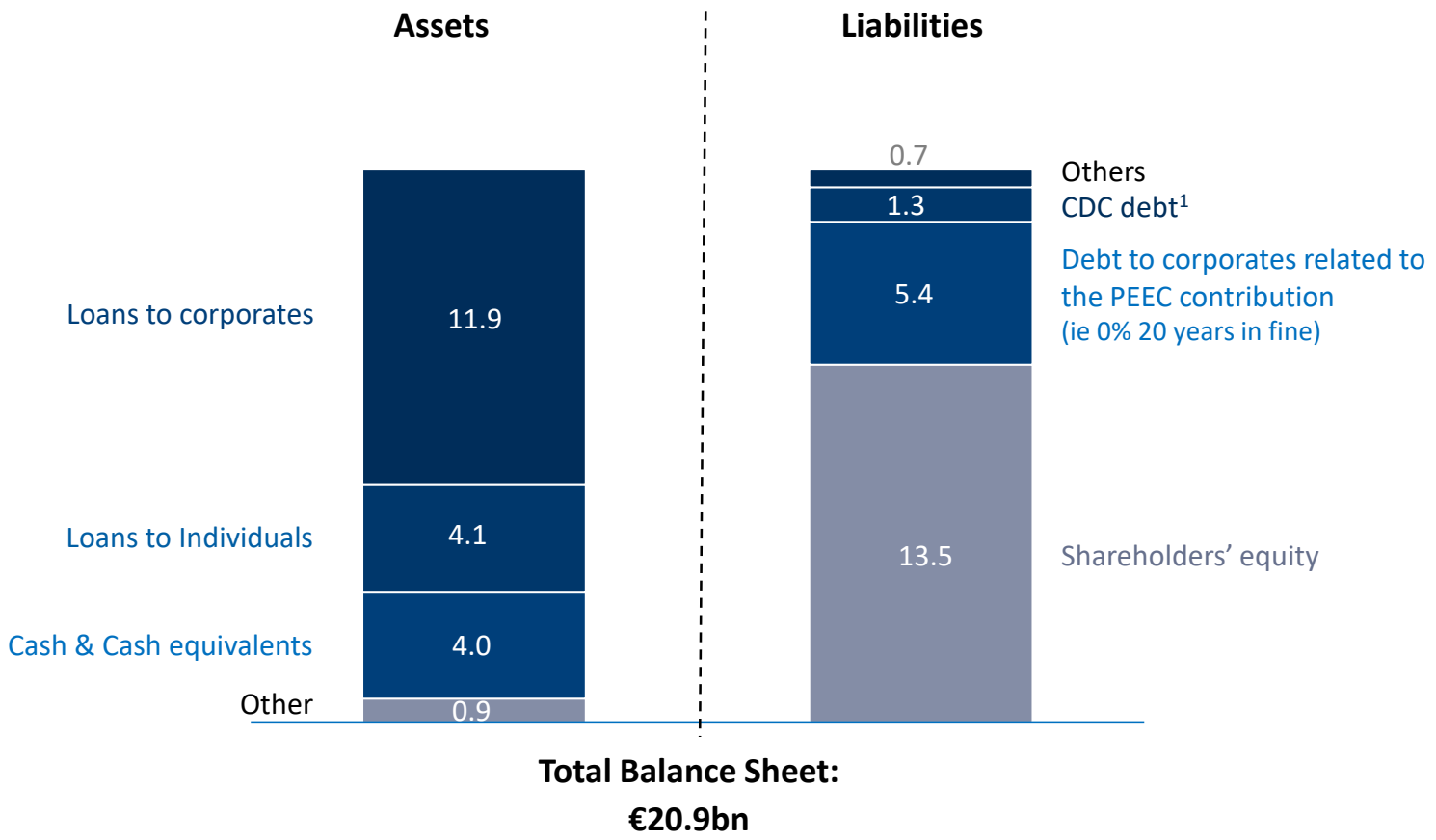
Other national programs financed by ALS**: revitalization of the medium-size city centres** “Action Coeur de Ville”, construction in priority neighborhoods where cities have **policies promoting social cohesion**

3

FINANCING STRATEGY

ALS: a secured balance sheet

ALS balance sheet at the end of 2018 (€bn)



Source: ALS 2018 consolidated accounts in French GAAP accounting standards

[1] Debt to CDC guaranteed by the French State

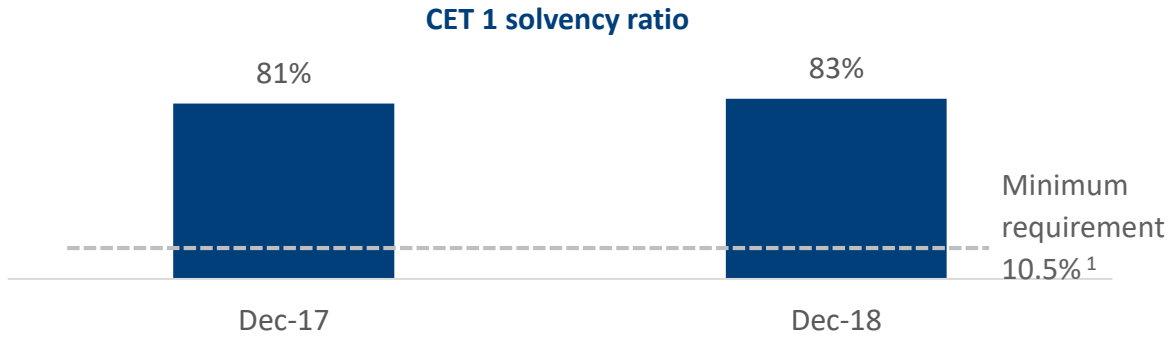
An extremely sound financial structure

Exceptional CET1 and liquidity ratios

ALS enjoys exceptional prudential ratios compared to peers regulated by ACPR (the French Prudential Supervisory Authority)

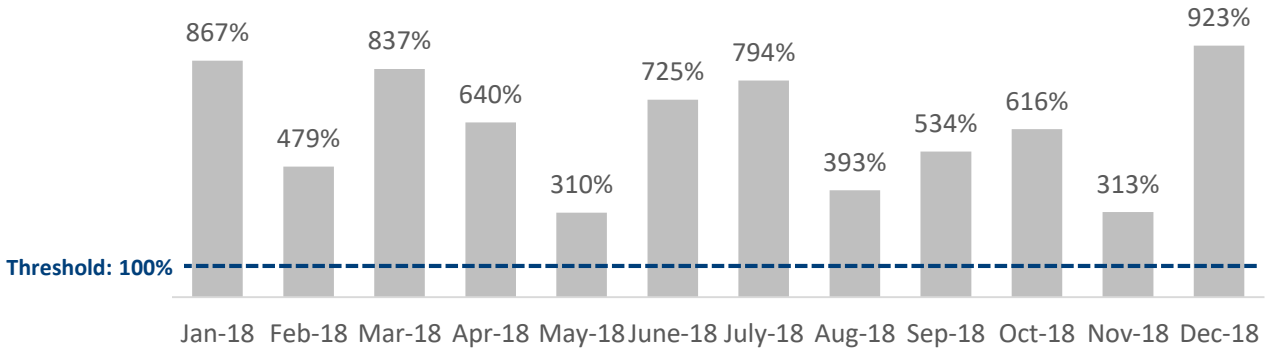
- **Solid solvency ratio**
  - CET1 **at 83%** at end of 2018 vs 10.5% minimum requirement[1]
  - ALS intends to maintain its CET1 ratio above 30%
- **No dividends paid to ALG**
  - Positive net income attributed to ALS' reserves
- **Strong liquidity**
  - Liquidity ratio significantly above the required threshold
  - Peak above 900% at the end of 2018 due to PEEC payments

Prudential ratios



Very strong liquidity ratio for ALS

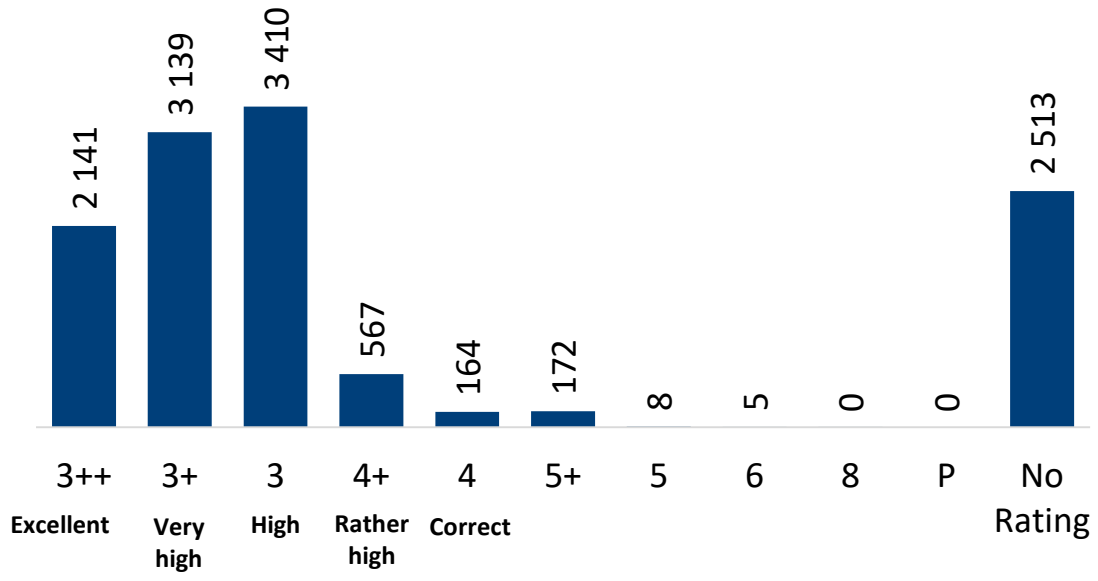
Peak in December, month on which PEEC is paid



[1] *Applicable as of 31 December 2018. Since 1st of July 2019, the CET1 ratio minimum requirement has been raised to 10.75%*

Low-risk profile loan portfolio

Corporate loans portfolio end of 2018 (€m)



Very high quality loans portfolio, with almost **75% of the outstanding loans** with ratings above 3 from the Banque de France

Total outstanding loans at the end of 2018

	Corporates	Individuals[1]
Net outstanding (€m)	11,947	4,032
NPL (€m)	136	130
NPL rate	1.1%	3.2%
Provision rate	19.7%	71.0%
Cost of risk (bps)	4	20

[1] Excluding claims from the guarantee fund

Action Logement Services received credit ratings in line with those of the French State

Moody's > Aa2 Stable Outlook

- *Because of its public policy mandate, Action Logement's key role in the French social housing sector and government oversight, there is no meaningful distinction between ALS and French central government from a credit perspective*
- *Since it has a public mandate and was created by decree, ALS benefits from a very strong oversight by the Government of France (Aa2 positive)*

FitchRatings > AA Stable Outlook

- *Fitch considers there are no legal or regulatory restrictions to extraordinary support from the state in case of need*
- *ALS therefore has very strong regulatory capital and liquidity ratios, with a common equity Tier1 ratio above 80% at end-2018 (against a threshold of 10.5%) and a liquidity ratio of 923% (threshold of 100%)*

In assessing ALS's credit profile

- Moody's uses its *Government-Related Issuers* Rating Methodology
- Fitch uses its *Government-Related Entities* Rating Criteria

Agencies' acknowledgement of the State support

- *The credit profile of ALS, expressed in its Aa2 positive rating, reflects our assessment of a very high likelihood of extraordinary support from the central government were it to face acute liquidity stress (Moody's)*
- *Fitch considers ALS to be a proxy-funding vehicle for the state. ALS carries out activities that could be done directly by the state, but that would then have to be consolidated into the state budget and its debt recorded as general government debt (Fitch)*

The same financial ratings were granted to the other entities of Action Logement Group, **ALG** and **ALI**, by Moody's and Fitch

Source: Rating agencies. Moody's / Fitch

Funding plan

- **€6.2bn borrowing plan** over 2019-2022
  - A €6.2bn EMTN programme
  - Inaugural transaction in 2019: €1bn 15y at OAT + 38bps
  - Subsequent years: financing plan of €2bn per year
- **Borrowing currency**: EURO only
- **Coupon**: fixed rate only
- **Issuance strategy**
  - Public syndicated transactions with benchmark size
  - Private placements
- **Target maturities**
  - 5 years and longer
- **Themed Issuance framework**
  - EMTN Programme 100% Sustainable EMTN Programme
  - All ALS's bond issues will be sustainable bonds

ALS is a new issuer in the French public sector with characteristics comparable to peers

	SERVICES	afd	AGENCE FRANCE LOCALE	bpifrance	CADES	GROUPE Caisse des Dépôts	SFIL	Société du Grand Paris	SNCF RÉSEAU	Unédic
Rating (M/S&P/F	**Aa2/-/AA**	**-/AA/AA**	**Aa3/AA-/-**	**Aa2/-/AA**	**Aa2/-/AA**	**Aa2/AA/AA**	**Aa3/AA/-**	**Aa2/-/AA**	**Aa2/AA/AA**	**Aa2/-/AA**
Legal form/Status	SAS / Finance company	EPIC / Finance company	S.A. / Credit institution	EPIC[1]/ Credit institution	Établissement Public à Caractère Administratif	Établissement Spécial	S.A. / Credit institution	EPIC[1]	EPIC[1]>> S.A. en 2020	1901 Law Association
Weighting/ RW	[20%]	20%	20%	20%	0%	0%	20%	20%	20%	0%
Solvency Ratio	[Non-Standard]	Non-Standard	Non-Standard	Non-Standard	Non-Standard	Non-Standard	Non-Standard	Non-Standard	Non-Standard	Standard
HQLA Status (EU Designation)	[Non HQLA]	Non HQLA	Level 2A	Level 1	Level 1	Level 1	Level 1	Level 2A	Level 2A	Level 1
Regulators	ACPR	*ACPR*	*ACPR*	*BCE*	-	*ACPR*	*BCE*	-	-	-
ECB – Eligible Repo / PSPP	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes	Yes / Yes
CET1	83%[4]	15.69%[4]	18.89%[3,4]	11.7%[2,4]	n/a	n/a	25.1%[2,4]	n/a	n/a	n/a
Green/SRI	✓ Sustainable Bond (Program)	✓ Green Bond	×	×	×	✓ Green / Sustainable Bond	✓ Social Bond	✓ Green Bond (Program)	✓ Green Bond	×
EMTN Programme / Law	€6.2bn / French	€40bn / French	€7bn / French	€20bn / French	€65bn / English €130bn / French	€18.5bn / French	€10bn / French	€10bn / French	€55bn / English	€34bn / French

Source : https://www.ecb.europa.eu/mopo/assets/standards/marketable/html/index.en.html; https://acpr.banque-france.fr/sites/default/files/media/2018/01/26/20180126-notice-2017.pdf; https://www.unedic.org/sites/default/files/2019-06/EN-INVESTORS%202019%2006.pdf; https://www.caissedesdepots.fr/sites/default/files/medias/relations_investisseurs/cdc_presentation_investisseur_francais_-juin_2019.pdf; https://www.bpifrance.fr/content/download/77009/832486/version/1/file/20190722_Investor%20Presentation_July_2019-vf.pdf; https://sfil.fr/wp-content/uploads/2019/06/20190604-Investor-presentation.pdf; https://media-mediatheque.societedugrandparis.fr/permalinks/domain1/2018/06/21/875-Grand_Paris_Express__Presentation_investisseurs.pdf https://flipbook.sncf-reseau.fr/investor-presentation; https://www.afd.fr/sites/afd/files/2019-05-03-37-45/presentation-investisseurs-afd.pdf; http://www.agence-france-locale.fr/sites/afl/files/base_documentaire/2019-05/AFL_Investor_presentation_19-05.2.pdf

[1] EPIC: *Etablissement public à caractère industriel*; [2] Basel III CET1 'fully loaded'; [3]Basel III solvency ratio; [4] At Dec. 31, 2018

4

SUSTAINABLE BOND FRAMEWORK

Setting up a sustainable bond program

Social Utility

- Action Logement Services' purpose is to **facilitate the provision of housing to promote employment**, for the benefit of society and in support of the low-carbon economic transition
- All ALS services and grants provide solutions to **societal challenges** and contribute strongly to the delivery of the **United Nations Sustainable Development Goals** (SDGs)

Sustainable Finance

- ALS **EMTN program** is intrinsically **100% sustainable**
- **Framework** designed in alignment with the **Green Bond Principles** (GBP), **Social Bond Principles** (SBP) and **Sustainability Bond Guidelines** (2018 edition)
- **Vigeo Eiris 2nd Party Opinion** gave a **reasonable assurance** (the highest level of assurance) on the Issuer's commitments and on the contribution of the contemplated Bonds to sustainability

vigeo eiris

LUXEMBOURG GREEN EXCHANGE

The Social Bond Principles

The Green Bond Principles

The Sustainability Bond Guidelines

Overview of the Sustainability Framework Document

Use of proceeds

- **Social Projects**
  - Access to basic services
  - Access to affordable housing
- **Environmental Projects**
  - Energy efficiency
  - Green Building design (social and intermediate housing)
  - Pollution Prevention & Control

Project selection process

- **Specific funding guidelines**
  - Quality and eligibility of the borrower and the operation, for each grant and service specifying award criteria and defining eligible target populations
- **Semi-annual evaluation committee**
  - Validation of eligible project selection
  - Propose replacement of projects in the event originally-selected projects become ineligible
  - Manage updates of the Sustainable Bond Framework
  - Evaluation of the social utility of allocations

Management of proceeds

- **Allocation process**
  - Financing and refinancing (refinancing share limited to 30% for each issue)
  - Allocation of proceeds within two years after issue
- **Annual review of fund allocation by the Evaluation Committee**
- **Management of unallocated proceeds**
  - Temporary placements in deposit accounts or low-risk investment instruments

Reporting

- **Publication of an annual report until complete allocation of proceeds**
  - Allocation reporting (audited annually by an independent auditor)
  - Social & Environmental Impact Reporting
- **Review and validation of the annual report by the Evaluation Committee**

Use of Proceeds: social projects

- **Access to basic services**
  - Adaptation of housing to address the needs of senior citizens to maintain their independence
  - Renovation of social healthcare residence, support for healthcare managers
  - Help for employees facing challenging circumstances
- **Access to affordable housing**
  - Acquisition and / or construction of social and intermediate housing
  - Access to housing
  - Financing of public policies related to housing
  - Mobility Assistance
  - Fight against substandard housing

Note: the proceeds of the inaugural bond issue will be mainly allocated to the financing of the Voluntary Investment Plan, which includes both loans and grants.

Use of Proceeds: environmental projects

- **Energy efficiency**
  - Renovation of private dwellings for low-income employees
- **Green buildings**
  - Construction and acquisition-refurbishment of social and intermediate housing
- **Pollution Prevention and Control**
  - Demolition of vacant social housing

Residence Simone Veil: 189 housing units for students and researchers
Located in the XIV^{e} arrondissement of Paris, on the campus of the International University - City of Paris, the new residence 'Simone Veil' was inaugurated on 18 October 2018. Comprised of **189 housing units including 125 dedicated to students and 64 to international researchers,** it complies with the City of Paris's housing requirements for this population.

Certified Habitat & Environment: the building meets the requirements of the City of Paris Climate Plan (solar panels on the roof, 'rain garden' for management of rainwater, insulation using wood 'blades', green roof terraces etc.).

Espacil Habitat (ESH), a subsidiary of Action Logement, owns and manages this program.

Process for project selection and evaluation

Directives

- Each proposed Service and Action is subject to a **directive issued by Action Logement Group**
  - The beneficiaries (individuals / legal persons), the operations eligible for financing, the conditions of eligibility and the characteristics of the financing mechanism from the PEEC are prescribed in the directive
- Ensure alignment between the policies implemented by Action Logement for the benefit of employment and housing

Beneficiaries

- 2 major groups targeted:
  - **Social and intermediate housing organizations**, providing affordable housing to households under means-tested conditions (support for specific "Criteria for the Granting of Financing" directive validated by Action Logement Group's Board of Directors)
  - **Individuals**, mainly employees, meeting the eligibility conditions of funding programs (e.g. elderly people, employees experiencing housing difficulties, people under 30 years of age, etc.)

Assessment of objective achievements

- Measurement of the extent of achievement of the social utility objectives provided for in the five-year agreement
- Future support for development from a 'mapping and materiality matrix' of social and environmental challenges

Governance

- **Evaluation committee** responsible for:
  - Review of project selection, of compliance with the eligibility criteria for the use of proceeds and of the annual impact report for investors
  - Management of any future updates to the Sustainable Bond Framework and of the external review processes (Second Party Opinion and Auditor)

Use of Proceeds

Allocation process

- Financing of new projects and / or refinancing of existing projects identified as eligible (up to 12 months before issuance)
- Share of proceeds allocated to refinancing limited to 30% for each issue
- Allocation of the proceeds to eligible projects within a maximum period of 2 years after issue

Review of fund allocation

- Annual monitoring of the allocation of proceeds by the Evaluation Committee
- Identification and accurate tracking of proceeds allocated to each project

Management of unallocated proceeds

- Management by Action Logement Services Treasury teams
- Temporary placement of proceeds in deposit accounts or low-risk investment instruments

Reporting and verification until full allocation of proceeds

Allocation Reporting

- **General:**
  - Total amount of proceeds allocated to date
  - Financing vs. Refinancing Share
  - Total amount of unallocated proceeds and type of temporary placements
- **By category of Eligible Green and Social Projects:**
  - Number and type of projects funded
  - Geographical distribution of projects funded
  - Total amount invested
  - Examples of projects funded

Impact Reporting

- **Monitoring of the social and / or environmental impact of the project**
  - This process will be part of the monitoring of the implementation of the Five-Year Convention
- **List of indicators provided in each annual report**
  - Indicators selected to reflect the impact of each category of projects financed by the EMTN program

Second Opinion

- Evaluation of the Sustainable Bond Framework: transparency, governance and alignment with the Green and Social Bond Principles.

Independent reviewer

- Annual audit until full allocation of proceeds:
  - Allocation of net proceeds to portfolio of eligible projects
  - Compliance of projects financed by the proceeds of the Sustainable Bond with the eligibility criteria specified

5

APPENDICES

ALS' consolidated income statement[1]

In €m	2017	2018	Change (%)
Employer contribution	1,480	1,507	2%
Subsidies	(1,167)	(906)	(22%)
To the State or other government bodies	*(849)*	*(626)*	(26%)
To individuals	*(117)*	*(93)*	(21%)
To corporates	*(165)*	*(165)*	0%
Other	*(35)*	*(21)*	(40%)
Net non-banking income	**314**	**601** ①	91%
Net interest margin and related profits	166	145	(13%)
Income from variable-income securities	-	-	n.a.
Commissions	-	-	n.a.
Other banking income and expenses	11	7	(36%)
Net banking income	**177**	**152** ②	(14%)
Net operating income	**491**	**753**	**53%**
Management fees	(280)	(303)	8%
Gross operating income	**211**	**450**	**113%**
- Cost of risk	42	(13) ③	(131%)
Operating income	**253**	**437**	**73%**
+/- Gains or losses on fixed assets	-	-	-
Pretax current income	**253**	**437**	**73%**
+/- Exceptional income	(1)	-	n.a.
- Corporate Income tax	-	(1) ④	n.a.
Net income	**253**	**436**	**72%**

① The **Net Non-Banking Income** is comprised of the collection of resources (PEEC, PSEEC, PEAC) in the form of subsidies, net of paid subsidies

② The **Net Banking Income** consists primarily of the net interest margin on loans granted to clients in respect of the outstanding stock related to individuals and corporates for €16.0bn

③ The net allocation of the **cost of risk** is (€13M) in 2018.

④ Pursuant to the Tax Ruling for corporation tax, the corporation **tax** is virtually nil.

Source: Action Logement

[1] Consolidated accounts under French GAAP standards

Consolidated balance sheet – ALS[1]

In €m	2017	2018	Change (%)
Credit institution receivables and similar	3,641	4,040 ❶	11%
Customer transactions	16,159	16,004 ❷	(1%)
Loans to individuals	*4,292*	*4,057*	*(5%)*
Loans to corporates	*11,867*	*11,947*	*1%*
Investments and other long-term securities held	1	1	0%
Intangible assets	7	7	0%
Tangible assets	428	438	2%
Other assets	77	432 ❸	461%
TOTAL ASSETS	**20,312**	**20,923**	**3%**

❶ The cash reserves amount to **€4.0bn** including the collected amounts for 2018 of which **€1.7bn** are bank investments and **€2.3bn** are current accounts (mainly remunerated)

❷ Loans to customers represent most of the assets and amount to **€16.0bn** of which **€12.0bn** to corporates and **€4.0bn** to Individuals

❸ The other assets amounting to **€432M** consist mainly of the **€333M** provision for the set up of the ONV in 2018

Credit institution payables and similar	1,423	1,296 ❹	(9%)
Customer transactions	5,373	5,648	5%
Debts to the State, local authorities, or state agencies	*180*	*196*	*9%*
Debts to individuals	*103*	*93*	*(10%)*
Debts to corporates	*5,090*	*5,360* ❺	*5%*
Other liabilities	218	248	14%
Provisions	193	189	(2%)
Shareholders' equity	13,106	13,542 ❻	3%
Subscribed share capital	*20*	*20*	*0%*
Share premium	-	-	*n.a.*
Reserves	*12,833*	*13,086* ❼	*2%*
Profit or loss for the financial year (±)	*253*	*436*	*72%*
TOTAL LIABILITIES	**20,312**	**20,923**	**3%**

❹ The financial debt (to credit institutions) in an amount of **€1.3bn** corresponds to borrowings from CDC

❺ The debt to corporates for **€5.36bn** includes the PEEC collected amounts paid in the form of loans by companies

❻ Shareholders' equity amounts to **€13.5bn** or **65%** of total liabilities

❼ The profit for the financial year 2018 amounts to **€436M**

The net external debt [2] is €2.9bn as of 31 December 2018

Source: **Action Logement**

[1] Consolidated accounts under French GAAP standards [2] Borrowings and financial debt with credit institutions and customer transactions, net of cash

A target commitment of Action Logement with the State reaching €23.35bn over 2018-2022

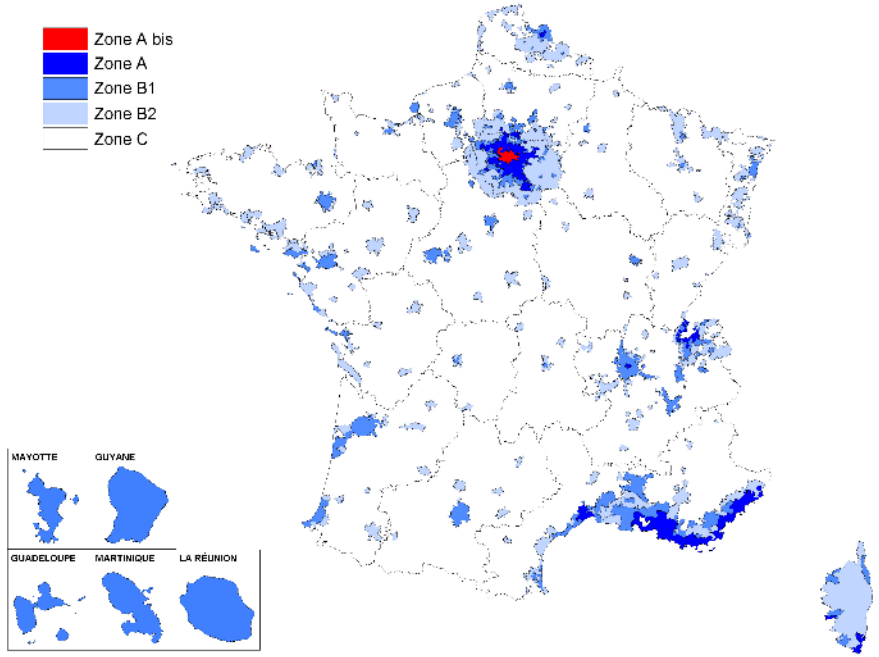
€m	Five-Year Agreement	Voluntary Investment Plan	Total 2018-2022
Social housing financing	**5,697**	**4,965**	**10,662**
Equity	1,350	2,235	3,585
Loans[1]	3,540	1,500	5,040
Subsidies	500	330	830
PHB 2.0 [2]	**57**	**-**	57
FNAP	250	900	1,150
Intermediate housing financing	**1,374**	**1,000**	**2,374**
Equity	524	500	1,024
Loans	600	500	1,100
Subsidies	250	-	250
Total Financing Operators	**7,071**	**5,965**	**13,036**
PNRU and NPNRU	**3,380**	**-**	**3,380**
Loans	1,170	-	1,170
Subsidies	2,210	-	2,210
Total Public Policy Funding	**3,380**		**3,380**
Assistance to employees for access and works in particular energy renovation and adaptation to senior persons	**2,269**	**3,000**	**5,269**
Loans	2,269	1,500	3,769
Subsidies	-	1,500	1,500
Mobility financial support (subsidies)	611	100	711
Secured rentals	735	-	735
Employees in difficulty and social engineering (subsidies, loans, financing, and ANIL)	193	-	193
Total Financing Employees	**3,808**	**3.100**	**6,908**
Engineering and experimentation	26	-	26
Total Investment by Action Logement	**14,285**	**9,065**	**23,350**

Source: Action Logement

[1] Of which DOM specific loans; [2] Subsidy paid to CDC over 2018-2022, for a total commitment of €812.5 M to be paid in instalments until 2043

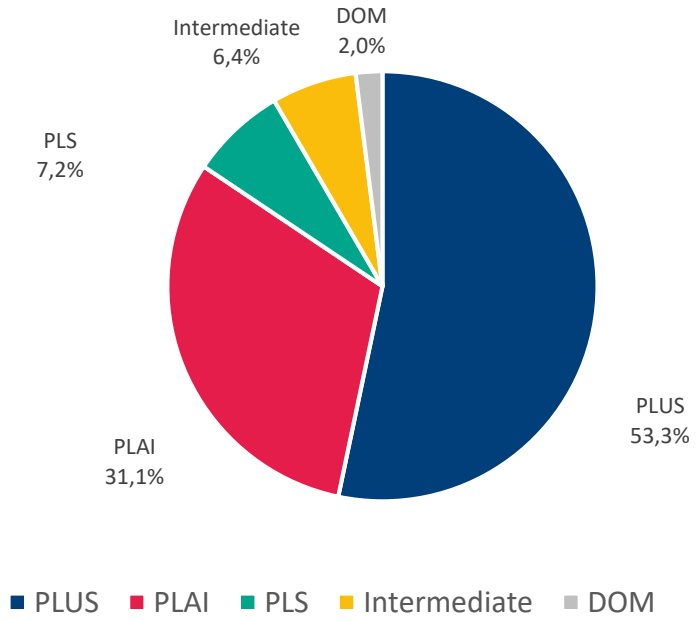
ALS' strategic directions focus on granting loans to landlords in areas where the housing supply is insufficient

Granting of loans to landlords in areas where the housing supply is insufficient



- 63% of funding concerns transaction in A Bis and A areas
- 25% in B1 area
- 12% for B2 and C less agglomerated areas

The loans granted in 2018 to landlords for an amount of €794M show the focus of transactions on the most social sector



Use of proceeds - Social Project Categories (1/3)

Categories of projects	Definition	Target Populations	Goals	Sustainable Development Objective
Access to basic services	**Adaptation of housing for the needs of ageing residents, maintaining independence**	• Senior citizens (70 years old and +) or people in situation of dependency (GIR 1 to 4), whose net income is lower than the ceiling "modest resources" of the National Agency for the Improvement of the Habitat (ANAH)	• Fight against substandard housing • Facilitating the maintenance of dependents in housing • Improve access to care and the quality of care for elderly and disabled people with limited resources • Improve autonomy (home support) and the health status of the population • Reduce social inequalities in health	 **3.8** Ensure universal health coverage for all, including financial risk protection and access to quality essential health services and safe, effective, quality and affordable essential medicines and vaccines for all **10.2** By 2030, empower all people and promote their social, economic and political integration, regardless of age, gender, disability, race, ethnicity, background, religion or their economic status or other status.
	Renovation of social healthcare establishments (EMS) and provision of support to EMS managers • Improvement of reception and care • Regeneration • Restructuring	• Non-profit Public or Private Collective Residences for dependent seniors and people with disabilities		
	Help for employees in difficulty • Diagnosis and referral to adapted social services • Financial aid (such as refinancing assistance for real estate loans) • Emergency housing solutions	• Employees experiencing housing difficulties	• Fight against substandard housing • Exclusion prevention • Prevention and fight against precariousness	

* National Agency for Habitation Improvement

Use of proceeds -Social Project Categories (2/3)

ActionLogement SERVICES

Categories of projects	Definition	Target Populations	Goals	Sustainable Development Objective
Affordable Housing Access (1/2)	**Development of the supply of social and intermediate housing (individual or collective) in France** • Capital contributions and loans to social and intermediary landlords • Financing of new construction, acquisition, improvement and rehabilitation operations	• Social housing bodies and organizations approved for the production of intermediate housing with reduced VAT (Art. 279-0 bis A of the CGI) for the housing of means-tested households	• Fight against substandard housing • Improving access to housing • Employment support in the targeted territory	 **1.2** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions **1.4** by 2030 ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership, and control over land and other forms of property, inheritance, natural resources, appropriate new technology, and financial services including microfinance **8.3** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	Renovation of degraded condominiums • Transformation into social housing • Targeted for demolition-reconstruction			
	Social Access to Property • National Sales Operator HLM - creation of a universal tool to accelerate the Social Housing sale to their tenants • "Accession Plus" loans for employees buying their Social housing or accessing the property by the lifting of a PSLA option	• Sale of HLM: tenants of social housing • PSLA: natural persons subject to means-testing		
	Funding of public policies related to housing • National Agency for Urban Renovation (ANRU) • Housing Property Association • National Aid Fund (FNAP) • National Agency for Housing Information (ANIL) • Heart of the City - National Action Plan	• Population of priority neighborhoods • Heart of City: 222 cities identified		

Use of proceeds -Social Project Categories (3/3)

Categories of projects	Definition	Target Populations	Goals	Sustainable Development Objective
Access to Affordable Housing (2/2)	**Solidarity Land Organizations (« OFS »)**	• Households under means of resources (PLSA). This criterion is controlled at each and every change to the building guaranteeing the sustainability of the social destination of the dwellings	• Fight against substandard housing • Improve access to housing • Employment support in the targeted territory • Diversity	 **10.2** By 2030 empower and promote the social, economic and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status **11.1** By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums
	Mobility Aid Employment-Housing Link • Aid to facilitate the connection between home and work or access to employment • Aid for the cover of the deposit • Youth housing aid	• Employees of non-farm private sector companies • Young people under 30 years old		
	Improving habitation standards • Acquisition and rehabilitation of substandard or old degraded housing in city centers	• Precarious population victim of poor housing due to the indignity or unhealthiness of their home • Geography: 6 acceleration territories against unworthy habitat defined by the French government		

Use of proceeds - Environmental Projects Categories (1/2)

Categories of projects	Definition	Target Populations	Goals	Sustainable Development Objective
Energy efficiency	**Private park energy renovation works** • Delivered by an approved company (RGE); • In accordance with the energy performance standards specified in the EU Energy Performance of Buildings Directive (EPBD) *	• Homeowners on reduced incomes • Landlords on low-incomes	• Fuel poverty reduction • Avoidance of GHG emissions • Soil preservation	 **7.1** By 2030, ensure universal access to affordable, reliable, and modern energy services 7.3 By 2030, ouble the global rate of improvement in energy efficiency **11.1** By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums **13.** Measures to combat climate change
Green buildings *	**Transformation of business premises and offices into social and intermediate housing** • Aligned with European "NZEB" building energy standards • Compliant with French RT 2012 construction standard	• Social housing organizations and organizations accredited for the provision of intermediate housing with reduced VAT application		
	Financing of construction and / or acquisition of social and intermediate housing • Aligned with European "NZEB" building energy standards • Compliant with French RT 2012 construction standard	• Social and intermediate housing organizations, means-tested households		

* Buildings compliant with RT 2012 construction standards in France, aligned with European "NZEB" low energy building standards

Use of proceeds - Environmental Projects Categories (2/2)

Categories of projects	Definition	Target Populations	Goals	Sustainable Development Objective
Prevention and control of pollution	**Pollution Prevention and Control (demolition of vacant social housing)** • Physical, chemical, biological treatment	• Any HLM organization • Geography: Zones 'B2' and 'C' outside ANRU, eligible for the 'Heart of the City' Action program	• Soil preservation (fight against artificialization) • Preservation of biodiversity	 **11.1** By 2030, ensure universal access to adequate and safe affordable housing and basic services. **15.3** By 2030, restore land and degraded soils, including lands affected by desertification, drought and floods.

Examples of social impact reporting indicators & environmental

Social Indicators

Project Categories	Examples of impact indicators
Access to basic services	• Number of households receiving aid for sanitation facilities • Number of social healthcare institutions supported • Number of employees in difficulty receiving financial assistance and breakdown by type of financial support provided
Access to affordable housing	• Number of social housing units built and / or acquired, funded • Environmental Performance Indicators (see "Ecological Buildings") • Number of beneficiaries of financial aid (ie households) supporting home ownership • Number of FSOs supported (“Organismes Fonciers Solidaires”) • Number of housing units restored for purposes of improving habitation standards

Environmental Indicators

Project Categories	Examples of impact indicators
Ecological Buildings	• Number of new and rehabilitated housing units financed • Energy performance of dwellings
Energy Efficiency	• Number of renovated dwellings • Energy performance of dwellings • Energy savings (MWh) • Emissions of greenhouse gases avoided (tCO_2equivalent)
Pollution prevention and control	• Number of disused dwellings demolished • Number of reconstructed dwellings

Internet links

Laws / Decrees

- Establishment of Action Logement Group
  Decree no. 2016-1408 of 20 October 2016, Article 1 paragraph 3
  https://www.legifrance.gouv.fr/eli/ordonnance/2016/10/20/LHAL1617659R/jo/texte
- Participation des Employeurs à l'Effort de Construction (PEEC)
  Loi du 22 décembre 2018
  https://www.legifrance.gouv.fr/affichCode.do?idArticle=LEGIARTI000037949687&idSectionTA=LEGISCTA000006176366&cidTexte=LEGITEXT000006074096&dateTexte=20181223
- Reorganisation of the PEEC
  Decree no. 2016-1408 of 21 October 2016
  https://www.legifrance.gouv.fr/eli/ordonnance/2016/10/20/2016-1408/jo/texte
- Approval of ALG's Articles of Association
  Decree no. 2016-1681 of 5 December 2016
  https://www.legifrance.gouv.fr/eli/decret/2016/12/5/LHAL1632544D/jo/texte
- Approval of Action Logement Services (ALS) Articles of Association
  Decree no. 2016-1769 of 19 December 2016
  https://www.legifrance.gouv.fr/eli/decret/2016/12/19/LHAL1634067D/jo/texte
- The five-year agreement 2018-2022
  Agreement of 16 January 2018
  https://www.legifrance.gouv.fr/eli/convention/2018/2/8/TERL1736275X/jo/texte
- The Voluntary Investment Plan
  Agreement of 25 April 2019
  https://www.legifrance.gouv.fr/eli/convention/2019/4/25/LOGL1913704X/jo/texte

Contact list

20+ years

Olivier Rico
CEO
Action Logement Services
Olivier.rico@actionlogement.fr
+33 (0)1 87 02 12 50

20+ years

David Delage
Deputy CEO
Action Logement Services
david.delage@actionlogement.fr
+33 (0)1 87 02 12 39

20+ years

Géraldine Lamarque
Director of Refinancing and Investor Relations
Action Logement Group
geraldine.lamarque@actionlogement.fr
+33 (0)1 87 02 20 10

20+ years

Frédéric Lauprêtre
Director of Studies and Valuations
Action Logement Group
frederic.laupretre@actionlogement.fr
+33 (0)1 87 02 11 10

https://groupe.actionlogement.fr/investor-relations

Number of years of experience in social housing / financial services