

INVESTOR INFORMATION

Action Logement Services 2019 Annual Results

The Board of Directors of Action Logement Services, in a meeting chaired by Joël Chéritel on 8 June 2020, approved the Company's annual statutory financial statements for issue.

1. Review of operations

Net inflows, resulting primarily from employer contributions to the construction effort (*Participation des Employeurs à l'Effort de Construction* – PEEC), amounted to €1.7 billion in 2019, up 2.8% year on year. Loan repayments, the second largest source of funds for Action Logement Services, totalled €1.3 billion, a year-on-year decline of 5.9%, reflecting the downward trend in amounts outstanding in respect of the priorities defined under the successive five-year agreements (*conventions quinquennales*) signed with the French State. Sources of funds excluding funds raised on capital markets totalled €3.0 billion in 2019, a slight decrease compared to 2018 (down 1.1%). In October 2019, Action Logement Services successfully launched its inaugural €1 billion 15-year bond issue.

This issue will be used to finance the commitments undertaken by the Social Partners in connection with the Voluntary Investment Plan signed with the French State on 25 April 2019 for €9.1 billion. This plan to promote social housing and enhance employee purchasing power is in addition to the commitments already undertaken by Action Logement under the Five-Year Agreement. It seeks to provide a specific response to the problems of access to housing, entry into the workforce and regional equality. Its implementation prompted the signature in December 2019 of the Overseas Territories Housing Programme by the French Overseas Territories and Housing Ministries and the Action Logement Group. This programme, which will run until 2022, represents the overseas chapter of the Voluntary Investment Plan and includes a budget provision of €1.5 billion.

Operations remained upbeat in 2019, with €2.6 billion in commitments undertaken in the year (in the form of loans or aid), up 2.8% on 2018. Loans to social housing companies amounted to €1.4 billion, a 13.0% rise on the previous year, driven mainly by the deployment of the *Action Cœur de Ville* programme to revitalise medium-sized city centres. The Company continued to contribute to public housing policies in 2019, with commitments totalling €0.6 billion. Aid granted to individuals was down 14% in the year, with €0.6 billion in financing granted. However, Action Logement Services stepped up its assistance for employees, resulting in a 10.6% increase in rental housing allocations in 2019 and the ramp-up of its VISALE® private sector rent guarantee scheme.

2019 also saw the *Action Cœur de Ville* programme take shape. At the *Assises du Logement* housing forum in June 2019, the first calls for projects put forward by 50 or so municipalities were unveiled as part of the programme. In all, 222 municipalities signed an agreement in respect of this programme, which was launched in late 2017.

Lastly, in February 2019, the creation of the *Opérateur National de Vente* (ONV) was formalised. This company, a subsidiary of Action Logement Services, was set up to facilitate and support the sale of social housing under optimal conditions. ONV ultimately plans to acquire from social landlords 40,000 housing units for resale, primarily to existing tenants.

2. Financial performance

In millions of euros	2018	2019	YoY change	
			€m	%
Net non-banking income	601	580	- 21	-3.5%
Net banking income	153	138	- 14	-9.4%
Net operating income	754	719	- 35	-4.7%
General operating expenses	(302)	(347)	- 45	+15.1%
Gross operating income	452	371	- 81	-17.8%
Cost of risk	(13)	11	24	n.m
Operating income	439	382	- 57	-12.9%
Gains or losses on capital assets	(1)	(8)	- 7	n.m
Pre-tax recurring income	438	374	- 63	-14.4%
Exceptional income	-	(0)	- 0	N/A
Net income	438	374	- 63	-14.5%

Net non-banking income totalling €580 million reflects employer contributions to the construction effort (PEEC) in the form of subsidies, along with subsidies granted to Action Logement Services customers. The 3.5% year-on-year decline in net non-banking income is the result of an increase in aid for individuals and corporates.

Net banking income fell to €138 million in 2019, due mainly to the impact of a decrease in the net interest margin.

Management fees were €45 million higher year on year at €347 million, owing to the provision set aside in respect of the external mobility support agreement.

The cost of risk, representing a net reversal of €11 million, is not material in light of outstanding loans to customers and reflects the low-risk profile of Action Logement Services.

Net income came in €63 million lower year on year, at €374 million.

3. Balance sheet information

Total Action Logement Services assets represented €22.4 billion at 31 December 2019, a rise of €1.6 billion. Outstanding loans to customers amounted to €16.4 billion, a slight 0.5% decrease on the year-ago figure.

Off-balance sheet commitments were €14.7 billion in 2019, up €2.6 billion year on year. The increase in off-balance sheet commitments, which generally take the form of aid and loans, reflects a good business performance for the Company.

4. Prudential information

The solvency ratio stood at 81.8% at 31 December 2019, compared to 83.1% at end-2018, confirming Action Logement Services' financial strength.

5. Action Logement Services debt rating at end-2019

The 2019 bond issue was the first time Action Logement Services had received a debt rating. The rating is in line with the French State.

	Moody's Investors Service	Fitch Ratings
Long-term unsecured senior debt rating	Aa2	AA
Short-term debt rating		F1+
Outlook	Stable	Stable ¹
Latest publication	25/02/2020	24/09/2019

6. Information on Covid-19

Following the announcements by the French President on 16 March 2020, Action Logement Services took all necessary measures to protect its workforce, strictly complying with the government's lockdown measures. The Company activated its Business Contingency Plan, ensuring that suppliers continued to be paid, that the system in place for handling urgent matters was stepped up, and that information systems continued to function. Assistance was also given to employees in difficulty.

The impacts of the pandemic on operations and Action Logement Services' risk factors are currently being evaluated.

¹ The outlook for Action Logement Services was revised from stable to negative on 22 May 2020 following a similar change in the outlook for French government debt.

7. Action Logement Services outlook

Action Logement Services, a player committed to social utility, is continuing to assist its customers and stakeholders in 2020 and, together with the Social Partners and the French State, is actively working to address the health crisis caused by Covid-19.

Subject to market conditions, Action Logement Services will continue its debt issuance in the markets, according to its financing needs under the Voluntary Investment Plan.

As from 16 June 2020, Action Logement Services will launch a new, fully digital rental platform for housing applicants. This solution, designed especially for employees, landlords and companies, will make Action Logement Services a benchmark player in the allocation of social housing.

The Statutory Auditors have audited the statutory financial statements and are in the process of issuing their audit report thereon.

Regulated information can be found online at <https://groupe.actionlogement.fr/investor-relations>

ABOUT ACTION LOGEMENT SERVICES

Since its creation in 2016, the purpose of Action Logement Services has been to provide financing in the housing sector, in particular for employee housing, in order to promote employment and contribute to economic development throughout France. As such, Action Logement Services is responsible for collecting employers' contribution to the construction effort (PEEC) and for granting loans, financial support and services to employees, as well as social and intermediate housing.

For more information, visit <https://groupe.actionlogement.fr/investor-relations>

CONTACT

Action Logement
Géraldine Lamarque
Head of Funding & Investor Relations
geraldine.lamarque@actionlogement.fr
+33 (0)1 87 02 20 10