



CRH – Caisse de Refinancement de l'Habitat

Aaa Moody's / AAA Fitch

CRH was created in 1985 by the French Government with State explicit guarantee as a central agency in order to refinance French banks within the specific legal framework of art 13 of law 85-685 of July 1985. No other agency of this kind had been set up until the recent creation of SFEF in October 2008. Today, instead of State guarantee, the French law grants CRH's bondholders a very strong privilege on CRH's secured loans to banks.

Investor Presentation December 2009



CRH at glance

- CRH is a Credit Institution. Its equity belongs to French Banks
- CRH's only function is to fund **French residential home loans** granted by banks by issuing mortgage bonds in the special legal framework of law n° 85-695 of July 1985
- CRH' loans to banks have the same characteristics as these of CRH' bonds. CRH' debt is served by French banks and CRH's balance sheet duration is zero
- Refinanced loans remain on the borrowing banks' balance sheet, but are pledged as collateral for covering CRH's loans to banks with a **minimum 25% over-collateralisation**. In case of a default of a borrowing bank provisions of French law give to CRH **the full ownership** of these loans, without any formality, **notwithstanding any provision to the contrary**
- CRH implemented **internal rules strengthening the credit quality of its bonds**. For example, loans in its cover-pool have to be compliant with *sociétés de crédit foncier's* criteria but have to be also compliant with CRH's additional criteria
- Since 1999, then **before the modification of French law giving to CRH' bonds covered bond status**, and without French government guarantee, CRH debt is rated **Aaa by Moody's and AAA by Fitch Ratings**
- CRH has a total outstanding debt over EUR 39,6 bn with several highly liquid bonds



Breakdown of CRH's Equity (June 2009)

	%
Crédit Agricole SA - Crédit Lyonnais	40.2
Crédit Mutuel CIC	33.2
Société Générale	12.6
BNP Paribas	8.8
BPCE	4.5
Others	0.7
	<hr/>
	100.0

- These borrowers' global market share is roughly 90% of the French Market
- Every borrower is committed to become a shareholder of CRH with a part in CRH's equity equal to the part of its borrowings in CRH's global loans amount. Furthermore, every borrower is committed to supply back up lines to CRH if CRH calls them



CRH operations

- CRH receives applications for borrowing from its participating banks on a regular basis
- After accepting or capping these demands and pooling them in order to prepare the deal, CRH launches a bond issue on the market
- At the settlement date, CRH lends all the proceeds of the issue to the borrowing banks at same conditions of rate and maturity, without taking any fee
- The corresponding CRH loans take the form of promissory notes issued by the borrowing banks. These promissory notes carry the same terms as CRH bonds. Accordingly, funds required to service CRH's debt at the due date are fully supplied by borrowing banks



CRH Economic Balance sheet (December 2008)

Assets	€mn	Liabilities	€mn
Promissory notes	37 541	CRH mortgage bonds	37 541
Interests and other assets	631	Interests and other liabilities	631
Deposits and CD	353	CRH equity	353
TOTAL	38 525	TOTAL	38 525

Because of the perfect matching between CRH bonds and promissory notes, CRH's balance sheet duration is zero

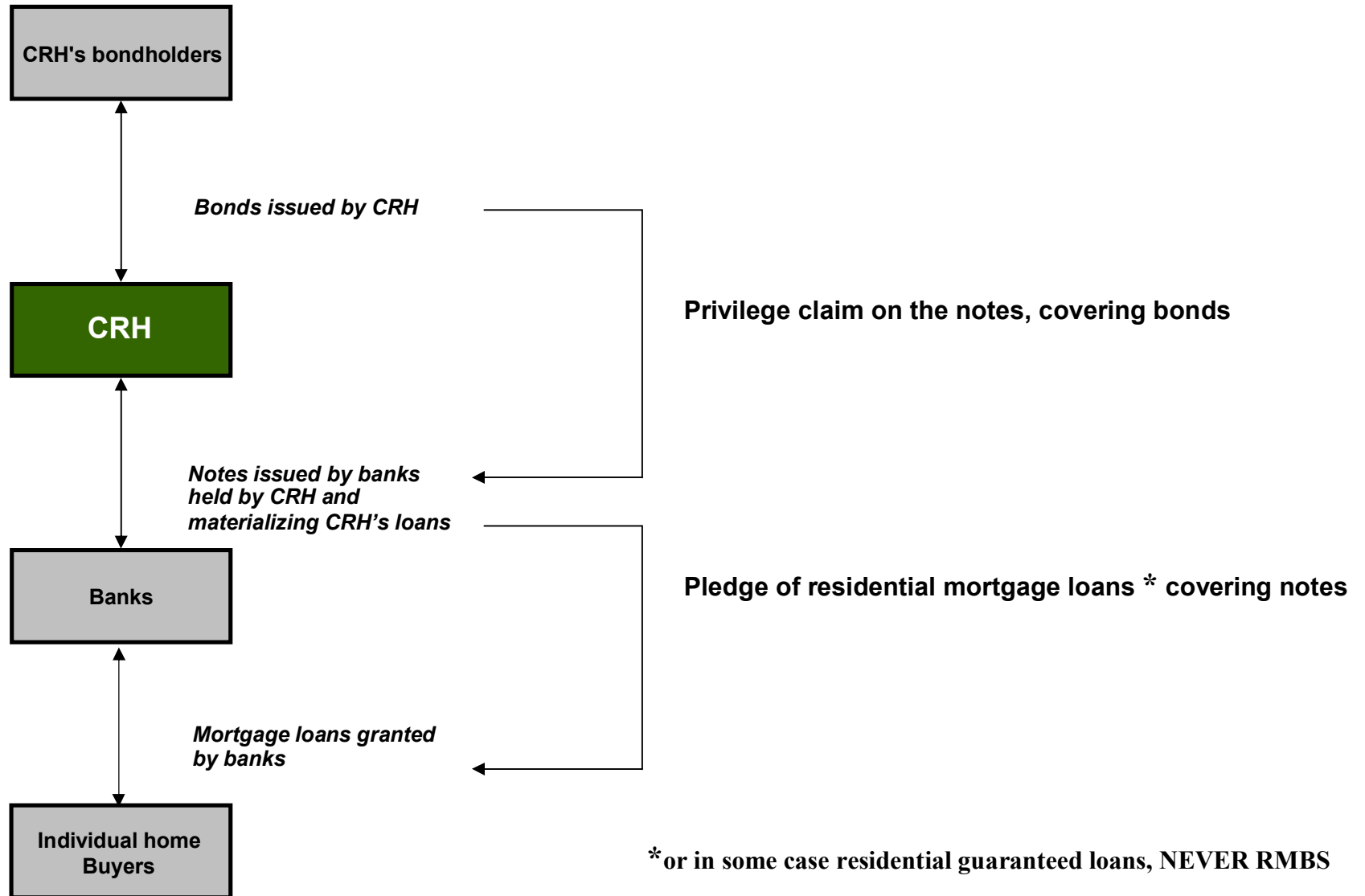


CRH income and results

- As mentioned above, CRH does not charge any fee on the deals
- Its modest operating expenses (approximately 0.0035% of loans in 2009) are covered by the products of very conservative investment of its equity on the money market
- Then, CRH results are only technical results and depend mainly on prevailing money market interest rates. They are distributed in full to its shareholders. They do not represent compensation for entrepreneurial risk. CRH has no target return on equity



CRH mechanism





Legal framework, supervision and controls of CRH's activities

SPECIFIC LEGAL FRAMEWORK ENSURING VERY STRONG PROTECTION TO INVESTORS

- 1969 Act creating the French mortgage market
- July 1985 specific amendment of the law creating CRH as an agency with explicit Government guarantee and regulating CRH's bond issues
- September 1988, French government guarantee is not any longer granted to CRH's new bond issues
- June 1999, new legal provisions governing both CRH and *sociétés de crédit foncier*
- July 2006, the law grants a privilege claim to CRH's bondholders and CRH bonds received a capital risk-weighting of 10%

CRH mortgage bonds issues are regulated by provisions of article 13 of act 85-695 of July 1985 and by provisions of sections L.313-42 to L.313-49 and sections R. 313-20 to R.313-25 of the French Monetary and Financial Code

SUPERVISION & CONTROLS

- CRH operates under the general and specific supervision of the *Commission Bancaire*, the French Banking Authority
- CRH constantly audits the portfolio pledged by borrowing banks through:
 - Monthly electronic audits of the list of pledged loans inside the pledged portfolio
 - Regular audits of pledged loans by a fully dedicated CRH team carried out at the borrowing banks' offices
- CRH is also subject to audit by its shareholder Banks



Default of a borrowing bank

- In the event of a borrowing Bank's default, provisions of the law give CRH the full ownership of the pledged portfolio, without any formality and notwithstanding any provisions to the contrary
 - When CRH becomes owner of the pledged portfolio, CRH may sell the portfolio and use the proceeds to buy and then cancel the bonds corresponding to the loan made to the defaulting Bank
- In such a case, CRH may also, if required, call on the banks that are its shareholders to provide backup lines in an amount up to 5% of its outstanding loans



A highly transparent and secure cover pool

- **CRH loans are backed by a cover pool (the pledged portfolio) comprising of several hundred thousand French residential loans, CRD compliant, secured by first rank mortgages (80% area of the pool) or, under certain conditions by guarantees (de facto 20% area of the pool)**
 - CRH's specific legal framework doesn't allow **substitution assets in the cover pool**
 - CRH's internal rules **only allow French residential loans with maturity under 25 years and size under €1million**
 - CRH's internal rules forbid **RMBS**

The total value of the pledged portfolio must equal at least 125% of the total amount of CRH loans (equal to the total amount of CRH bonds) – 150% if floating rate loans

CRH asks to the borrowers the compliance with congruency' principle :

- *The average interest rate of the pledged portfolio equalling or exceeding that of CRH bonds*
- *The average life of the pledged portfolio roughly matching the residual life of CRH bonds*

Today, average LTV = 48% area

- **If ineligible loans are identified in this pledged portfolio :**
 - CRH requires the bank in question to increase the pledged portfolio to compensate for the shortfall identified
 - If the bank's outstanding loans are insufficient to make up the shortfall, it is required to immediately acquire bonds corresponding to the borrowed funds and deliver them to CRH as repayment

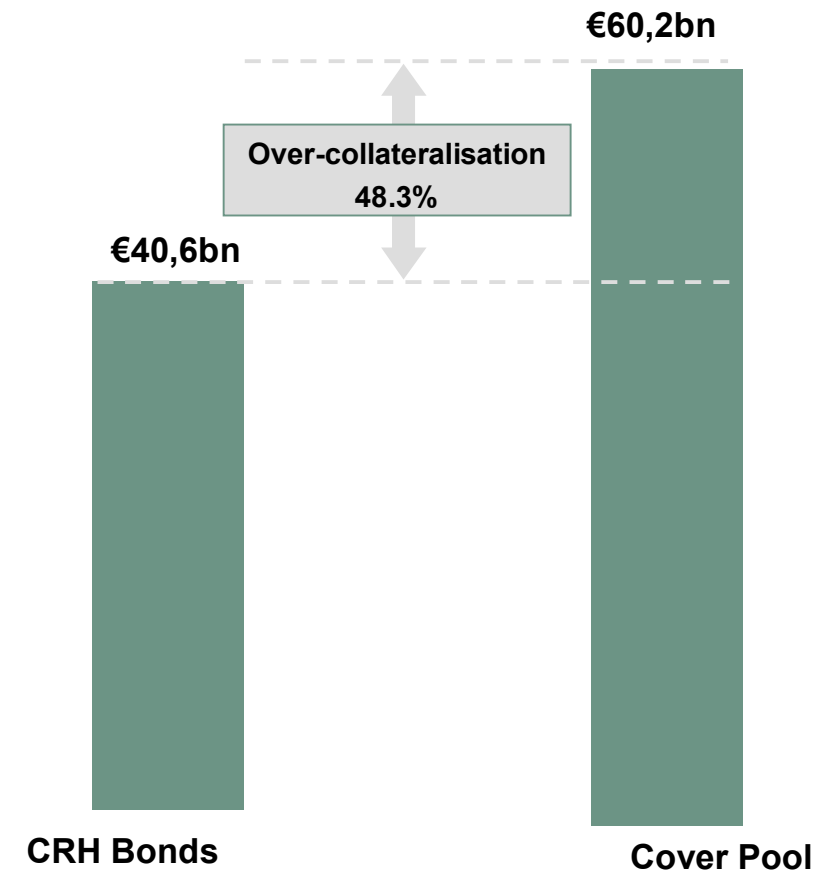


Composition of cover pool

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Bonds amount	100	Minimum cover pool amount	125
		Home loans to individuals CRD and CRH's criteria compliant	125
		Loans with duration over 25 years	0
		Loans with unit amount over 1 euro million	0
		Loans out from France	0
		RMBS or securitization units	0
		Swaps or derivatives	0
		Substitution Assets	0

Cover pool as of 30 June 2009

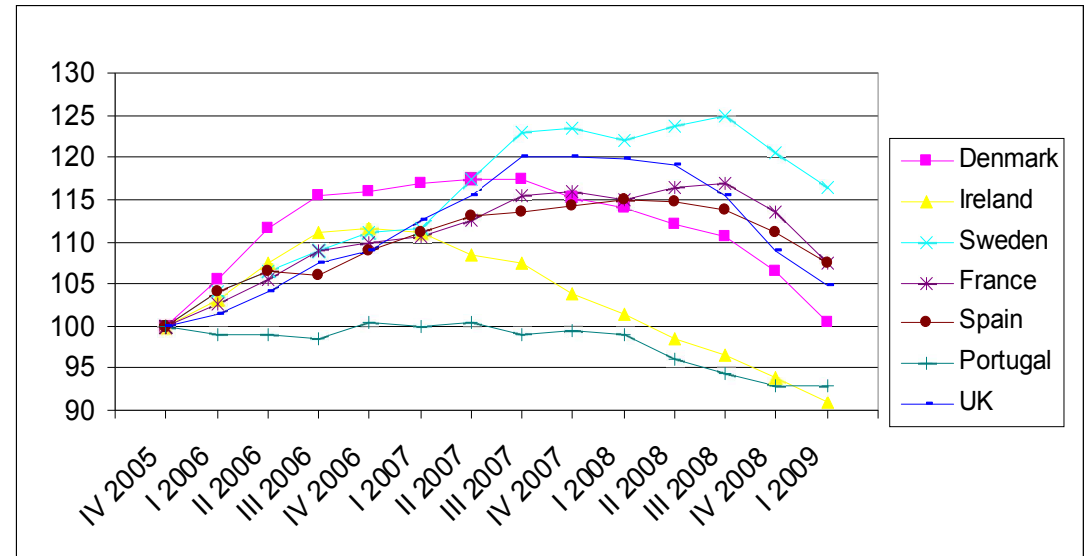


Cover pool amount without loans non-compliant with CRH internal criteria = €55,6bn (37% over-collateralisation)

French home loans market - *slowing down but remaining sound*

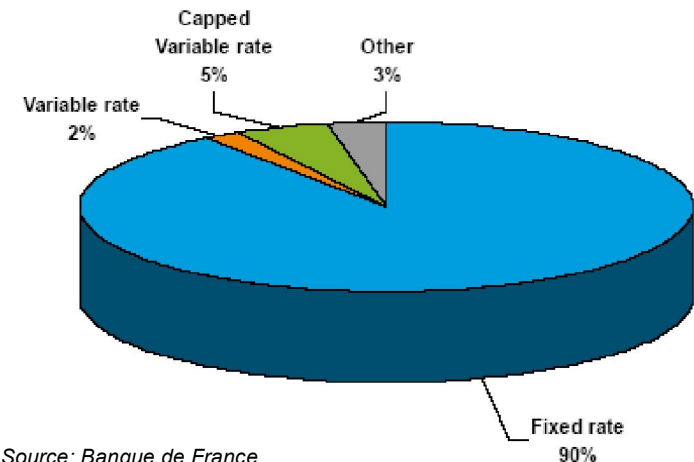
- The correction in housing markets continued in Q1 2009 with prices continuing their decline from the peaks that were reached around Q3 2006
- Historically, home loans are mainly fixed rate loans (today 90 % in average of banks of the output)
- Home loans are granted only if the borrower is likely able to serve his debt, not only having a look at mortgage itself
- The originator of the loan is always a bank
- A bank cannot grant a loan at a rate over the legal usurious interest limit to cover high-risk loans. Furthermore, the bank usually keeps the loan in its assets without securitizing it. Thereof, a bank is incited to grant a loan only to prime borrowers

Nominal House Price Index



Source: European Mortgage Federation

Breakdown of loans by type

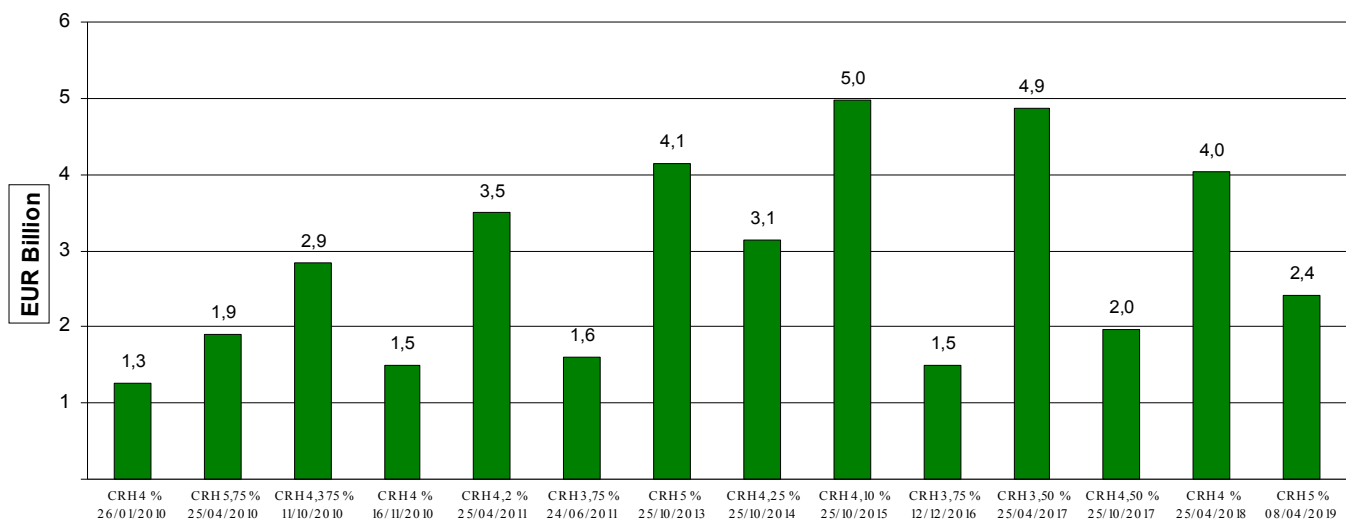


Source: Banque de France



CRH Bonds – Key Points

CRH's curve - 14 Euro bonds, from 2009 to 2019, totalling € 39,6 bn (December 2009)



ISIN	Issue	Amt EUR bn	Status
FR0010568956	CRH 4 % 26/01/2010	1,3	No further taps
FR0000186561	CRH 5,75 % 25/04/2010	1,9	No further taps
FR0010526996	CRH 4,375 % 11/10/2010	2,9	No further taps
FR0010687376	CRH 4 % 16/11/2010	1,5	No further taps
FR0000186249	CRH 4,2 % 25/04/2011	3,5	No further taps
FR0010591560	CRH 3,75 % 24/06/2011	1,6	Potential reopening
FR0000488702	CRH 5 % 25/10/2013	4,1	Potential reopening
FR0010018275	CRH 4,25 % 25/10/2014	3,1	Potential reopening
FR0010134379	CRH 4,10 % 25/10/2015	5,0	No further taps
FR0010697292	CRH 3,75 % 12/12/2016	1,5	No further taps
FR0010261495	CRH 3,50 % 25/04/2017	4,9	No further taps
FR0010591578	CRH 4,50 % 25/10/2017	2,0	Potential reopening
FR0010345181	CRH 4 % 25/04/2018	4,0	Potential reopening
FR0010744904	CRH 5 % 08/04/2019	2,4	Potential reopening
		39,6	

- **Very liquid bonds**
- **High average turnover-ratio**
- **Accepted as collateral for Bank of France advances and accepted for investment of surplus resulting from special homebuyers savings plans (*fonds libres d'épargne logement*) of French banks**
- **Eligible for open-market operations of the European Central Bank (Tier 1)**
- **European investors benefit from the exception referred to Article 22.4 of the Directive on UCITS**
- **Compliant with “Capital Requirement Directive” - CRD and 10% Risk weighted by European credit institutions**
- **All CRH bonds listed in « iBoxx € France Covered Legal » indice since July 1st 2008**



To sum up

- **CRH bonds offer advantages compared to other bonds issued directly by credit institutions, whether covered or not :**
 - They are **ISSUED** :
 - by a former agency, today fully private company of which equity belongs to (French) banks
 - by a credit institution that does not borrow for its own account but for the account of French banks
 - by a credit institution the sole object of which is to pool French banks borrowings and to add soundness
 - by a credit institution with a zero duration balance-sheets, without an own need of funding
 - They are **PROTECTED** :
 - by a highly favorable specific legal framework, furthermore this framework is dedicated to them
 - by commitments from French's banks, to supply to CRH cash advances and capital contributions
 - They are **COVERED** :
 - by a pure, oversized by 25% and regularly audited, portfolio of direct home loans to individuals, compliant with CRD and CRH's criterias, **without substitution assets, without swaps or derivatives, without any RMBS, without loans out of France, without mono line**

CRH RISK IS A RISK ON THE FRENCH BANKING SYSTEM COVERED BY A PURE PORTFOLIO COMPOUND WITH FRENCH HOME LOANS TO INDIVIDUALS



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