

CRH
CAISSE DE REFINANCEMENT DE L'HABITAT

**This document is a free translation
of a French-language original
documentation.
Only the contents of the French
documentation are binding on
CRH.**

2006 ANNUAL REPORT

Incorporating by reference the 2005 and 2004 financial statements as presented in the registration documents recorded February 14, 2006 and February 7, 2005 with the Autorité des Marchés Financiers (the French financial markets supervisory authority). All information included in these two registration documents, other than that mentioned above, has been, as necessary, replaced and/or updated by information included in this documentation.

**Credit institution licensed as a finance company (*société financière*)
A French corporation (*société anonyme*) with capital stock of EUR 129,664,924.50
Registered office: 35 rue La Boétie, 75008 Paris
Paris Trade and Companies Register No.: 333 614 980 - APE code: 652C
Telephone: +33 (0)1 42 89 49 10 Fax: +33 (0)1 42 89 29 67**

C O N T E N T S

Registration document in compliance with Appendix XI to Regulation 809/2004/EC of the European Parliament

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This registration document is available on the web site of the AMF.

**REPORT OF THE BOARD OF DIRECTORS
TO THE REGULAR SHAREHOLDERS' MEETING
HELD ON MARCH 13, 2007**

To the Shareholders of CRH:

As provided for by law, we have called this Shareholders' Meeting to approve the financial statements for the 2006 fiscal year.

KEY FIGURES

Total loans of EUR 7.7 billion were granted in the course of the year, up sharply from previous years (EUR 3 billion in 2005 and EUR 2.6 billion in 2004).

Loans granted since the establishment of CRH totaled EUR 40.3 billion at December 31, 2006, compared with EUR 32.7 billion at December 31, 2005. In keeping with CRH's corporate purpose, this equals the total amount of bonds issued.

Repayments made during the year amounted to EUR 471.6 million at the time of the contractual maturity of June 6, 2006. Moreover, no contractual early repayments were made.

Total outstanding loans at December 31, 2006 reached another all-time high of EUR 25.7 billion, compared with EUR 18.5 billion at December 31, 2005. This new level of loan outstandings is three times as high as on June 30, 1999, when the mortgage credit companies (*sociétés de crédit foncier*) were originally set in place.

Total assets amounted to EUR 27 billion at December 31, 2006, compared with EUR 19.5 billion at December 31, 2005.

RESULTS, FINANCIAL SITUATION AND DEBT

Analysis of the company's results, financial situation and debt prepared in accordance with the new provisions of the French Commercial Code (Article L.225-100):

a) Results:

Funding transactions, i.e., lending, borrowing and repayment, have no direct impact on earnings. CRH does not generate an interest margin on these transactions, and lends all capital raised on the financial markets to its shareholders at the same rates and with the same maturities.

As a result, CRH's earnings represent the proceeds of capital invested in the money market net of general and administrative expenses.

Financial income is increasing every year due to the increasing amount of capital available and to rises in money market rates.

Interest on subordinated loans totaled EUR 2.4 million, compared with EUR 1.26 million in 2005.

General and administrative expenses totaled EUR 1.6 million, up slightly from the previous year. They represent significantly less than 0.01% of CRH's average outstanding loans over the fiscal year.

Provisions for risk associated with long- and medium-term credit operations are at the regulatory ceiling and total EUR 84,000, compared with EUR 43,000 in 2005.

Net income came to EUR 1.05 million, and was higher than in the previous year.

This Meeting is asked to approve the distribution of EUR 0.93 million in dividends, setting the dividend per share at EUR 0.11.

b) Financial situation:

As indicated in Section 4.1.4.5. B) below, under the authorization granted it by the Extraordinary Shareholders' Meeting of September 12, 2006, the Board of Directors voted to increase the company's share capital. On October 17, 2006, it was observed that subsequent to this capital increase, share capital had risen to EUR 129,664,924.50.

At December 31, 2006, CRH had shareholders' equity (excluding subordinated debt) of EUR 136.2 million, compared with EUR 105.4 million at December 31, 2005. CRH's capital adequacy ratio came to 8.94% at December 31, 2006, compared with 9.19% at December 31, 2005.

c) Debt:

CRH does not borrow for its own account but on behalf of banks. Debtor banks contribute the amounts required to service the debt when the interest and principal payments come due. CRH therefore does not have to generate operating cash flow to service and amortize its debt and does not collect a brokerage fee. As a result, an analysis of its debt is only of limited significance.

OUTLOOK

We again call your attention to the fact that because CRH does not generate any margin, neither the company's earnings nor its financial position is directly impacted by changes in the volume of its operations.

Volumes vary, obviously, as a function of the growth of the French economy.

Certain factors do, however, appear to foster growth:

- The contraction of banks' regulated loan resources will generate additional requirements for funding housing finance loans.

- These new requirements will prompt banks:

- to seek new sources of funding. Some are establishing, or plan to establish, means of issuing covered bonds;

- some of them may as a result turn increasingly to CRH for the types of housing loans provided for in its by-laws, which consequently meet the eligibility conditions required by European covered bond regulations.

● Lastly, the attractiveness of CRH's system may be heightened by further improvement in the terms and conditions under which it issues its bonds if the market takes greater notice of the lower capital adequacy reserves now required of the banks holding these bonds.

The authorities have at last qualified CRH's bonds as covered bonds as defined in the European Capital Requirements Directive – CRD, thus qualifying for the 10% weighting required under the standard approach, as Article 36 of Law. 2006-872 of July 13, 2006 regarding the National Commitment to Housing granted preference to the holders of its bonds.

COMPENSATION OF OFFICERS AND DIRECTORS AND STATUTORY AUDITORS

As required by law, compensation paid to corporate officers and directors is presented in Note 16 to the financial statements, on page 74.

The fees paid to the statutory auditors are presented on page 24.

LIST OF TERMS OF OFFICE

The list of corporate officers and directors during the year is presented in Chapter 9, on pages 51-52.

**RECOMMENDATIONS BY THE BOARD OF DIRECTORS
TO THE REGULAR SHAREHOLDERS' MEETING**

To the Shareholders of CRH:

- We recommend that you approve the financial statements for 2006 as presented to you.

- We recommend that you allocate distributable income as indicated below:

	(in EUR)
• Net income for the year	1,048,272.18
+	
• Retained earnings - opening balance	14,546.92
= Total distributable income	1,062,819.10

To be allocated and distributed as follows:

• Legal reserve	60,000.00
• Net dividend of EUR 0.11 per share, representing income eligible for a 40% tax credit for individual shareholders, payable from March 14, 2007	935,287.98
• Retained earnings - closing balance	67,531.12

The dividends paid for the three previous fiscal years were as follows:

(in EUR per share)

Year	Net dividend	Tax credit	Gross dividend
2005	0.08	-	-
2004	0.04	-	-
2003	0.06	0.03	0.09

- We request that you renew the terms of the directors from Crédit Industriel et Commercial and GE Money Bank, which are expiring, and that you name Henry Raymond director, replacing Crédit Foncier de France which did not seek to be asked to renew its term of office.

- Lastly, we request that you approve the modifications made to Paragraph 6 of the company by-laws as voted by the Board of Directors at its January 30, 2007 meeting (see Appendix 6).

RESOLUTIONS

FIRST RESOLUTION

Having read the report of the Board of Directors, the Chairman's report on the preparation and organization of the work of the Board of Directors and on the internal control procedures implemented by the company, and the general report, the report on the Chairman's report on internal controls and the special report of the statutory auditors, the Shareholders' Meeting approves the financial statements for the year ended December 31, 2006, together with notes and appendices, as presented.

SECOND RESOLUTION

The Shareholders' Meeting approves the allocation and distribution of net income for the year as presented below:

	(in EUR)
• Net income for the year	1,048,272.18
+	
• Retained earnings - opening balance	14,546.92
= Total distributable income	1,062,819.10

To be allocated and distributed as follows:

• Legal reserve	60,000.00
. Net dividend of EUR 0.11 per share, representing income eligible for a 40% tax credit for individual shareholders, payable from March 14, 2007	935,287.98
• Retained earnings - closing balance	67,531.12

As provided for by law, the Shareholders' Meeting notes the dividends paid for the three previous fiscal years:

	(EUR per share)		
Year	Net dividend	Tax credit	Gross dividend
2005	0.08	-	-
2004	0.04	-	-
2003	0.06	0.03	0.09

THIRD RESOLUTION

The Shareholders' Meeting recognizes that Crédit Industriel et Commercial's term as director has expired. The Meeting decides to renew this term for a new six-year period to expire at the end of the Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2012.

FOURTH RESOLUTION

The Shareholders' Meeting recognizes that GE Money Bank's term as director has expired. The Meeting decides to renew this term for a new six-year period to expire at the end of the Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2012.

FIFTH RESOLUTION

The Shareholders' Meeting takes note of Entenial's merger into Crédit Foncier de France on June 1, 2005. It recognizes that Crédit Foncier de France's term as director has expired and that Crédit Foncier de France has not sought to renew it. The Shareholders' Meeting decides not to renew the term.

SIXTH RESOLUTION

The Shareholders' Meeting decides to name Henry Raymond as director, filling the vacancy left by Crédit Foncier de France, for a six-year period to expire at the end of the Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2012.

SEVENTH RESOLUTION

The Shareholders' Meeting approves the modifications made to Paragraph 6 of the company's by-laws voted by the Board of Directors at its January 30, 2007 meeting.

EIGHTH RESOLUTION

The Shareholders' Meeting authorizes the bearer of a copy or excerpt of these minutes to carry out all legal and regulatory formalities.

**SUPPLEMENTARY REPORT ON USE OF THE POWERS DELEGATED ON
SEPTEMBER 12, 2006 TO INCREASE THE COMPANY'S CAPITAL
(ARTICLE L. 225-129-2, PARAGRAPH 4 OF THE COMMERCIAL CODE)**

On September 12, 2006, the Shareholders' Meeting authorized the Board of Directors to increase the company's capital, in one or several transactions, from EUR 99,963,750 to a maximum of EUR 199,927,500 at any time within the following five years.

On the same day, the Board of Directors voted to increase the capital from EUR 99,963,750 to EUR 129,952,875 through the creation of 1,966,500 shares with a par value of EUR 15.25 and an issue premium of EUR 0.53, fully paid through incorporation of subordinated loans at their fair market value.

On October 17, 2006, the Board of Directors duly noted that this capital increase had taken place.

With 1,947,618 shares effectively subscribed, the company's subscribed share capital increased to EUR 129,664,924.50. Consequently, the amount of share capital authorized but not yet subscribed amounted to EUR 70,262,575.50.

The shareholder structure resulting from this capital increase is presented in Paragraph 10.1 of this document.

The company's by-laws were consequently amended.

Because CRH's shares are not publicly listed there is no need to comment on the impact of this capital increase on the market values of the shares.

**FINANCIAL RESULTS OF THE COMPANY
FOR THE PREVIOUS FIVE FISCAL YEARS**

	2002	2003	2004	2005	2006
- Capital at year end:					
. Capital stock (in EUR)	76,250,000	76,250,000	99,963,750	99,963,750	129,664,924.50
. Number of common shares	5,000,000	5,000,000	6,555,000	6,555,000	8,502,618
. Number of non-voting preferred shares	N/A	N/A	N/A	N/A	N/A
. Maximum number of shares to be created though conversion of bonds or exercise of subscription rights	N/A	N/A	N/A	N/A	N/A
- Business and earnings (EUR thousands):					
. Total revenues (excluding VAT)	739,283	775,326	828,835	888,327	1,032,451
. Income before tax, employee profit-sharing, depreciation, amortization and provisions	56,502	65,620	62,625	71,341	88,664
. Corporate income tax	466	178	144	276	529
. Employee profit-sharing	N/A	N/A	N/A	N/A	N/A
. Income after tax, employee profit-sharing, depreciation, amortization and provisions	880	334	271	528	1,048
. Net earnings per share	850	300	262	524	935
- Earnings per share (in EUR):					
. Income after tax and employee profit-sharing and before amortization, depreciation & provisions	11.21	13.12	9.53	10.84	10.37
. Income after tax, employee profit-sharing, amortization, depreciation & provisions	0.18	0.07	0.04	0.08	0.12
. Net dividend per share	0.17	0.06	0.04	0.08	0.11
- Staff					
. Average number of employees during the year	9	9	9	9	9
. Payroll expense (EUR thousands)	539	556	567	584	596
. Social security and other benefits (EUR thousands)	235	243	249	247	270

Notes:

- Readers are reminded that funding transactions, i.e., lending, borrowing and repayment, have no direct impact on earnings. CRH does not earn an interest margin on these transactions and lends all capital raised on the financial markets to its shareholders at the same rates and maturities. As a result, CRH earnings represent the proceeds of capital invested in the money market net of general and administrative expenses.

- The company's shares are held exclusively by the borrowing institutions and are not listed on any exchange.

CHAIRMAN'S REPORT ON CONDITIONS FOR PREPARING AND ORGANIZING THE WORK OF THE BOARD OF DIRECTORS AND ON INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

To the Shareholders,

The Board of Directors of CRH – the Caisse de Refinancement de l'Habitat – currently has ten members appointed for a period of six years. Its composition is designed to ensure representation of the main lenders in the French residential mortgage market.

It should be remembered that CRH shares are not publicly traded and in accordance with the by-laws are allocated annually between borrowers pro rata to the loans outstanding. Their share of the company's capital is therefore equal to their share of the loans outstanding. The Board represents all shareholders as a collegial body. It deliberates on all questions concerning the life of the company and, in particular, on matters of strategy.

The Board has established a Compensation committee comprising three directors chosen by the Board. Its role is to make recommendations to the Board concerning the compensation of the Chairman and the Chief Executive Officer, and it meets once each year.

The Board met seven times in 2006. As a rule, at least two-thirds of directors are present or represented.

At its meeting of March 7, 2006, the Board the Board decided to renew my term as Chairman of the Board of Directors for one year.

Apart from this renewal, the main business of the Board during the year included:

- discussion and approval of the results and the company financial statements for fiscal year 2005;
- setting the maximum level of bonds to be issued, the Board having granted full authority to Henry Raymond to implement these issues and set the terms in accordance with the new provisions of Article L.228-40 of the French Commercial Code;
- the periodic review of the terms and conditions of bond issuance;
- review of the report on the conditions of exercise of internal controls;
- examination of the outcome of checks on loans pledged to CRH (as of December 31, 2005);
- the monitoring, regulation and hedging of CRH's transactions;
- examination of certain proposed measures to transpose the CRD directive;

- review of the quarterly financial statements;
- discussion and approval of the report on the interim financial statements;
- convening of the Extraordinary Shareholders' Meeting in order to decide an increase of capital ;
- examination of conditions of this increase of capital;
- examination of conditions of the gathering of mortgage notes of the *Crédit Industriel et Commercial* .

The company's general management is responsible for the preparation and the integrity of the financial statements presented to you. The financial statements have been prepared and are presented in accordance with generally accepted accounting principles and the regulations applicable to French credit institutions. The financial information presented elsewhere in the annual report is in accordance with the financial statements. The company's general management considers that these financial statements present accurately the financial position of the company, the results of its operations and its cash flows.

To fulfill its responsibilities, the company maintains a system of internal control providing it with reasonable assurance as to the reliability of its financial information and the protection of its assets and the compliance of its operations, its commitments and its internal procedures with all prevailing regulations. This system forms part of the overall systems implemented by the company to meet the internal control requirements of credit institutions set out in the French Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière* - CRBF) Regulation 97-02.

This system of internal control has of course been adapted to meet the particular needs of the company, the main characteristics of which are its degree of specialization and the transparency and security of its operations. Its organizational structure is also influenced by the limited number of employees. For that reason, the Chief Executive Officer has responsibility for monitoring the consistency and efficacy of the internal control system.

Technically, the internal control system is based on regularly-updated written procedures and an organizational structure enabling the strict separation of duties and responsibilities.

During the year under review, there were no major changes to the company's internal control systems nor any material deficiencies or weaknesses requiring corrective measures.

Claude Pierre-Brossolette

Chairman of the Board of Directors

GENERAL REPORT
OF THE
STATUTORY AUDITORS

For the fiscal year ended December 31, 2006

To the Shareholders of CRH,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2006 on:

- ✓ the audit of the accompanying financial statements of **Caisse de Refinancement de l'Habitat**;
- ✓ the basis of our opinions;
- ✓ the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

OPINION ON THE FINANCIAL STATEMENTS

We performed our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit so as to obtain reasonable assurance that the financial statements are free from any material misstatement. An audit consists of an examination, on a sample basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also involves an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the financial statements present a true and fair view of the Company's financial position and its assets and liabilities, at 31 December 2006, of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

JUSTIFICATION FOR THE BASIS OF OUR OPINION

In compliance with the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of the basis for our opinion, we hereby inform you that our assessments concentrated on the accounting principles applied and on the appropriateness of the material estimates used for the preparation of the financial statements.

The assessments we made of these items form part of the framework of our audit approach which relates to the financial statements as a whole and contributed to the unqualified opinion we expressed in the first part of this report.

SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law, in accordance with professional standards applicable in France.

We have no comments to make regarding the accuracy and consistency with the financial statements of the information provided in the management report of the Board of Directors and in the documents issued to the shareholders with respect to the Company's financial position and financial statements.

Paris La Défense et Paris, January 31, 2007

The statutory auditors

KPMG Audit

A division of KPMG SA

Represented by **Marie-Christine Ferron-Jolys**

Auditeurs & Conseils Associés SA

Nexia International

Represented by **François Mahé**

SPECIAL REPORT

OF THE

STATUTORY AUDITORS

**Regarding regulated agreements
For the fiscal year ended December 31, 2006**

To the Shareholders,

In our capacity as statutory auditors of your company, we are required to present a report on the regulated agreements that have been brought to our attention. It is not part of our duties to verify the existence of such agreements.

We are unaware of any agreement governed by Article L. 225-38 of the French Commercial Code.

Paris La Défense et Paris, January 31, 2007

The statutory auditors

KPMG Audit
A division of KPMG SA
Represented by **Marie-Christine Ferron-Jolys**

Auditeurs & Conseils Associés SA
Nexia International
Represented by **François Mahé**

**REPORT OF THE STATUTORY AUDITORS
(PREPARED IN APPLICATION OF ARTICLE L.225-235 OF THE COMMERCIAL
CODE)
ON THE CHAIRMAN'S REPORT ON INTERNAL CONTROLS OVER THE
PREPARATION AND PROCESSING OF THE ACCOUNTING AND FINANCIAL
INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

To the Shareholders,

In our capacity as statutory auditors of Caisse de Refinancement de l'Habitat S.A. and in application of the provisions of Article L.225-235 of the French Commercial Code, we present our report on the report prepared by the Chairman of your company for the year ended December 31, 2006 in accordance with the requirements of Article L.225-37 of the French Commercial Code.

It is the Chairman's responsibility to report, in the context of his report to shareholders, in particular on the preparation and organization of the Board of Directors' work and the internal control systems implemented within the company.

Our responsibility is to provide you with our comments on the information and statements contained in the Chairman's report concerning the internal control procedures relative to the preparation and processing of accounting and financial information.

We conducted our work in accordance with professional standards generally accepted in France. Those standards require that we plan and perform our work so as to be able to assess whether the information and statements contained in the Chairman's report concerning the internal control procedures relative to the preparation and processing of accounting and financial information are presented fairly. Such work consists in particular of:

- familiarizing ourselves with the objectives and overall structure of the internal controls as well as the internal control procedures relative to the preparation and processing of accounting and financial information, as presented in the Chairman's report;
- familiarizing ourselves with the work supporting the information thus provided in the report.

Based on our work, we have no comment to make on the information and statements concerning the company's internal control procedures relative to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors, established in accordance with the provisions of the last paragraph of Article L.225-37 of the French Commercial Code.

Paris-La Défense and Paris – January 31, 2007

The Statutory Auditors

KPMG AUDIT
A division of KPMG SA
Represented by
Marie-Christine Ferron-Jolys

AUDITEURS & CONSEILS ASSOCIÉS SA
Nexia International
Represented by
François Mahé

CHAPTER 1
RESPONSIBILITIES

1.1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Henry Raymond, Chief Executive Officer of CRH.

1.2. STATEMENT OF THE PERSON RESPONSIBLE

To the best of our knowledge, and after having taken all reasonable steps to ensure so, the data contained in this registration document are true and correct; provide all information necessary for investors to form a judgment as to the issuer's assets, business, financial condition, earnings and prospects; and contain no omissions which would affect its scope

The company obtained a post-audit report from its statutory auditors in which they indicate having, in accordance with policies and procedures and professional standards generally accepted in France, examined the information relative to the financial position and historical financial statements as presented in this registration document, and having read the entire registration document.

Paris, February 6, 2007

Chief Executive Officer
Henry Raymond

CHAPTER 2

STATUTORY AUDITORS

2.1. STATUTORY AUDITORS

2.1.1. Principal statutory auditors

1) **Auditeurs & Conseils Associés S.A.**

Nexia International

Address: 33 rue Daru 75008 Paris
Represented by: François Mahé
Dates of appointment: Initially appointed on April 16, 1991, renewed on March 4, 1997 and on March 4, 2003.
Term of office: The present six-year term expires on closure of the Regular Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008.

2) **KPMG Audit**

A division of KPMG S.A.

Address: Immeuble le Palatin – 3 cours du Triangle 92939 PARIS LA
DEFENSE CEDEX
Represented by: Marie-Christine Ferron-Jolys
Dates of appointment: Initially appointed on April 16, 1991, renewed on March 4, 1997 and on March 4, 2003.
Term of office: The present six-year term expires on closure of the Regular Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008.

2.1.2. Deputy statutory auditors

1) Olivier Lelong

Deputy statutory auditor for Auditeurs & Conseils Associés S.A.

Address: 33 rue Daru 75008 Paris
 Date of appointment: Initially appointed on March 4, 2003.
 Term of office: The present six-year term expires on closure of the Regular Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008.

2) Pascal Brouard

Deputy statutory auditor for KPMG Audit

Address: 1 cours Valmy 92923 Paris La Défense
 Date of appointment: Initially appointed on March 4, 2003.
 Term of office: The present six-year term expires on closure of the Regular Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008.

2.1.3. Fees paid to the statutory auditors and members of their organizations in 2006 and 2005

(EUR thousands)

	Auditeurs and Conseils Associés				KPMG Audit - A division of KPMG S.A.			
	Amount		%		Amount		%	
	2006	2005	2006	2005	2006	2005	2006	2005
Audit								
- Statutory auditing, certification, review of individual and consolidated financial statements	16	15	89	100	16	15	89	100
- Secondary assignments	2	N/A	11	-	2	N/A	11	-
Other services		N/A		-		N/A		-

2.2. STATUTORY AUDITORS WHOSE TERM WAS NOT RENEWED

(Unused)

CHAPTER 3

RISK FACTORS

The following list of risk factors is not exhaustive. Most of these factors are related to events whose occurrence remains uncertain; CRH is unable to express an opinion regarding the probability of occurrence of these events.

3.1. RISK FACTORS

As CRH's sole corporate purpose is to fund housing loans granted by credit institutions, the credit risk is the most significant risk.

3.1.1. Credit risk

However:

a) Its exposure to credit risk is thus limited to credit institutions;

b) This risk is covered by loans representing 125% of exposure and made up of housing loans in accordance with Article L.313-42 of the French Monetary and Financial Code. In the event of a borrower's default, CRH acquires, without further formality and "notwithstanding any provisions to the contrary", ownership of the portfolio of loans pledged by that borrower.

3.1.2. Interest rate risk and market risk

The current conditions under which CRH operates do not expose it to market risk.

In accordance with its by-laws and internal rules and regulations, bond issues and loans in CRH are perfectly matched in terms of rate and term. In addition, CRH requires that loan portfolios, which may become its property in the event of default by a borrower, also match its loans in terms of interest rates and duration.

Furthermore, the 125% loan coverage imposed by CRH on its borrowers shields it from any eventual residual rate risk.

CRH has no market activities and its by-laws, which were amended in August 1999, forbid it from undertaking any activity not in strict accordance with its sole corporate purpose.

In principle, any change in market conditions would have no impact on the earnings or balance sheet of CRH. However, as CRH's earnings represent the income earned by investing the company's shareholders' equity in the money markets less general and administrative expenses and the compensation paid on the subordinated loans granted by the shareholders, a decline in money-market rates results in an automatic drop in earnings for CRH.

3.1.3. Liquidity risk

The usual conditions under which CRH operates are such that it is not exposed to liquidity risk. In the event of default by a borrower on maturity of a loan, the provisions of the company's internal rules and regulations and by-laws, which were amended to this effect in 1995 and 1999, enable CRH to ask its shareholders for cash advances equivalent to the amounts required for its operations. Such cash advances may not exceed 5% of the total loan outstanding.

3.1.4. Foreign exchange risk

CRH has no foreign-currency denominated transactions.

3.1.5. Operating risk

CRH may also be confronted by a number of risks that are not exclusively financial and resulting from the inappropriateness or the insufficiency of procedures, staff or systems or from the occurrence of external events.

To face up to these various risks CRH has set in place a business continuity plan and written procedures. Similarly, in its organization, CRH systematically favors solutions that minimize the consequences of operating risks.

3.1.6. Legal risk

The legal risk in CRH's operations has over time been widely audited internally by the risk committee and the rating agencies, and is still subject to regular review by CRH with the assistance of eminent legal experts.

At the request of CRH, specific provisions were added to the Savings and Financial Security Act (*la loi Épargne et Sécurité Financière*) of June 25, 1999 to eliminate any uncertainty as to CRH's ownership rights over loans pledged in the event the borrower files for protection from creditors.

Furthermore, the validity of the surety granted to CRH by borrowing institutions is verified at the time of checks carried out by the CRH inspection department.

On the date of filing this document, there are no exceptional events or litigation that have had in the recent past or are likely to have a material impact.

Similarly, on this date, there are no legal, fiscal or regulatory proceedings underway likely to have a material impact on CRH's financial position, assets or liabilities.

3.2. INTERNAL CONTROL

In accordance with CRBF Regulation 97-02 the internal controls implemented by CRH are the subject of a regular report to the Board of Directors.

This internal control system is adapted to the particular circumstances of CRH:

- above all else, the complete disclosure of CRH's operations should be stressed. This complete disclosure is reflected in the publication of announcements in the BALO (official gazette) and the preparation of a registration document.

- its operations are limited strictly to its corporate purpose;

- its operations are codified by its internal rules and regulations, which are approved by shareholders and published in the registration document;

- it has neither foreign activities nor any subsidiaries;

- given the very limited number of employees, responsibility for monitoring the consistency and efficacy of the internal control system lies with General Management.

CRH's departments, moreover, are inspected regularly by the inspection departments of its shareholders.

CHAPTER 4

INFORMATION CONCERNING THE ISSUER

4.1. HISTORICAL INFORMATION, RECENT DEVELOPMENTS, APPLICABLE LAW

4.1.1. Corporate name

Since August 10, 1999 the company's corporate name is "C.R.H. - Caisse de Refinancement de l'Habitat." Previously, the corporate name was "Caisse de Refinancement Hypothécaire."

The company is usually referred to as "CRH," a trademark registered with the INPI on February 23, 1999 under No. 99777102.

4.1.2. Corporate registration

CRH is registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under the number 333 614 980 and was assigned APE industry category 652C.

4.1.3. Period of duration

The company is established for a period of 99 years from October 8, 1985.

4.1.4. Registered office - Legal form - Applicable law - Other statutory information - General information concerning the company's capital

4.1.4.1. Registered office

The registered office of CRH is located at 35 rue La Boétie - 75008 Paris.
Telephone: +33 (0)1 42 89 49 10 - Fax: +33 (0)1 42 89 29 67.

4.1.4.2. Legal form

Caisse de Refinancement de l'Habitat (C.R.H.), a French corporation (*société anonyme*), is a credit institution licensed as a *société financière* on September 16, 1985 by the *Comité des Établissements de Crédit*.

CRH is therefore governed by the provisions of Articles L. 210-1 to L. 228-4 of the Commercial Code (*Code de commerce*) and Articles 511-1 *et seq.* of the Monetary and Financial Code (*Code monétaire et financier*).

Under the government mortgage reforms, CRH received approval under Article 13 of Act 85-695 of July 11, 1985 by letter of September 17, 1985 from the Minister for the Economy, Finance and the Budget.

The company has brought its by-laws into compliance with the provisions of the Act on New Economic Regulations (*loi NRE*) relative to the separation of duties of the Chairman and Chief Executive Officer – see the text of Articles 15, 16 and 17 of the appended by-laws and, accordingly, the Board of Directors' meeting of March 4, 2003 decided to separate such duties.

4.1.4.3. Applicable law

A) CRH's funding operations are governed by the provisions of Articles L. 313-42 to L. 313-49 of the Monetary and Financial Code, codifying Act 69-1263 of December 31, 1969 (Article 16), which was amended when CRH was created by Act 85-695 of July 11, 1985 (Articles 12 and 13) cited above, and later by Act 99-532 of June 25, 1999 (Article 113) - see appendix for texts of the relevant articles.

B) The Savings and Financial Security Act 99-532 of June 25, 1999 included the following amendments, *inter alia*, to earlier provisions governing CRH's operations:

1) The Act does not refer to the former regulations of the mortgage market.

2) The Act specifies that loans assigned as collateral must satisfy the conditions required by Article L. 515-14 (paragraph 1) of the *Monetary and Financial Code*, these conditions also apply to the *Sociétés de crédit foncier* as defined by Decree of the Conseil d'État. This Decree was published on July 19, 2000 under number 2000-664. Codified in the Article R. 313-20 to R. 313-25 of the *Monetary and Financial Code*, these dispositions, amended by Decree n° 2007-745 of May 9, 2007 are included in appendix 3.

3) The Act extends the scope of CRH's operations. In particular, CRH may, subject to certain conditions, fund loans secured by suretyship contracts and units of debt securitization funds.

4) The Act reinforces the security of CRH's transactions. The law provides for applicability of provisions regarding liens and transfer of ownership "notwithstanding statutory provisions to the contrary," in particular those of Book VI of the French Commercial Code concerning corporate hardships.

5) The transfer of ownership now takes effect when the list of individually identified asset-backed loan claims is submitted, whereas it previously required submission of the agreements themselves.

6) The special supervisory authority of the Commission Bancaire conferred by the ministerial decision of December 15, 1987 is now confirmed by the law.

C) Decree 2000-664 mentioned in point B) granted bonds issued by CRH the exemption provided under Article 4 of Decree 89-623 of September 6, 1989, corresponding to the provisions of Article 22.4 of the European Directive on UCITS (undertakings for collective investment in transferable securities). This directive allowed UCITS to invest up to 25% of their assets in the securities of a single issuer, provided that investments in such securities do not exceed 80% of total assets. These dispositions are codified in article R. 214.7 of the *Monetary and Financial Code*.

CRH securities are included on the list of exempted bonds that is published on the European Commission web site:

(http://europa.eu.int/comm/internal_market/securities/ucits/instruments_fr.htm).

D) In December 2000, the Banking Commission (*Commission Bancaire*) audited CRH's regulatory compliance with regard to capital adequacy ratios (CRBF Regulation 91-05) and mitigation of major risks (CRBF Regulation 93-05). The results of the audit were notified to the company by the Chairman of the Banking Commission in a certified letter with return receipt requested dated January 5, 2001.

1) The Banking Commission confirmed CRH's preexisting asset ratios with regard to these regulations:

- for the purposes of Regulation 91-05, it determined that promissory notes included in CRH assets that comply with Article 16 of the Act of December 31, 1969 (Articles L.313-42 to L.313-49 of the Monetary and Financial Code) should be subject to the same legal requirements as preferred securities issued by a *société de crédit foncier* mortgage credit company. In calculating CRH's capital adequacy ratio, they should be weighted at 10%.

- for the purposes of Regulation 93-05, it recommended that, pending adoption of regulatory amendments implementing the Directive of December 21, 1992, which fully exempts mortgage bonds and equivalent securities from the limitations applicable to major risks, CRH's regulatory compliance should be assessed with regard to the beneficiaries of the loans it funds, as opposed to the issuers of the promissory notes it holds. Accordingly, CRH complies with regulations governing major risk.

2) With respect to CRH's liabilities, the Banking Commission then determined that, inasmuch as holders of CRH bonds enjoy no preference over CRH's unsecured creditors, these bonds should continue to be weighted at 20% by the credit institutions which hold them and not at 10% like the preferred securities issued by a *société de crédit foncier*.

Since then, Article 36 of Law 2006-872 of July 13, 2006 has awarded preference to the bearers of CRH bonds. In accordance with the provisions of Article 13 of Law 85-695 of July 11, 1985, as amended by said Article 36, the amounts or values received in return for promissory notes held by CRH are now allocated, with preference and under all circumstances, to the service of the debt, i.e. the payment of the interest and principal on its bonds. This legislation also specifies that the provisions of Book VI of the Commercial Code dealing with companies in financial difficulty, as well as those concerning all legal or amicable proceedings commenced on the basis of foreign laws, do not constitute an obstacle to the exercise of this preference.

This legislation took immediate effect and applies to all bonds issued previous and subsequent to the Law of July 13, 2006, with the preference legally established as a right in the absence of the attribution of a State guarantee. Under these conditions, as indicated in the French Banking Commission's October 31, 2006 letter to the General Delegate of the ASF, CRH's bonds will now be subject to a risk-adjusted weighting of 10%, as the real estate and other bonds issued by CRH indeed appear comparable to bonds that are guaranteed as described in Directive 2006/48/EC (Appendix 6, Part 1, Section 68).

E) Moreover and lastly, the conditions currently being proposed to implement the latter Directive should, in principle, give rise to several modifications in the conditions of eligibility applicable to the housing loans in which CRH may participate (see Appendix 7).

4.1.4.4. Other statutory information

A) Corporate purpose

CRH's corporate purpose is:

- to fund promissory notes signed or endorsed by shareholders or establishments committed to becoming shareholders to collateralize the loans described in Article L.313-42 of the Monetary and Financial Code and representing **housing loans**; such funding is provided exclusively to them pursuant to Articles 6 and 8 of the by-laws, which are presented below,
- to issue bonds and other securities comparable to the collateralized notes in consideration for the promissory notes acquired,
- in general, to enter into real-estate and other transactions relating to the purpose described above or any similar or related purpose, or such as is likely to advance such purpose.

The company may not hold an interest in or operate a business unrelated to its corporate purpose. In particular, it may not incur debt not related to this purpose except for subordinated debt to strengthen its shareholders' equity or in the event of the default of the maker of a promissory note.

B) Fiscal year

The company's fiscal year begins on January 1 and ends on December 31.

C) Distribution of net income

See Article 24 of the by-laws on appendix 5.

D) Convening of Shareholders' Meetings

See Article 20 of the by-laws on appendix 5.

E) Attendance and representation at Shareholders' Meetings

See Article 21 of the by-laws at appendix 5 concerning the calculation of voting rights.

4.1.4.5. General information concerning the company's capital

A) Subscribed capital

As of December 31, 2006, subscribed capital amounted to EUR 129,664,924.50 represented by 8,502,618 paid-in shares with a par value of EUR 15.25 each.

CRH's shares are not listed on any exchange.

None of these shares have been pledged.

B) Authorized capital not subscribed

The Shareholders' Meeting of September 12, 2006 authorized the Board of Directors to increase the capital stock, in one or several transactions, from EUR 99,963,750 to a maximum amount of EUR 199,927,500 at any time within the following five years.

The same day, the Board of Directors decided to increase the capital stock from EUR 99,963,750 to EUR 129,952,875 through the creation of 1,966,500 shares with a par value of EUR 15.25 and an issue premium of EUR 0.53, fully paid through incorporation at fair market value of subordinated debt.

The board of directors noted that the capital increase was completed effective October 17, 2006.

With 1,947,618 shares effectively subscribed, the company's subscribed share capital increased to EUR 129,664,924.50. Consequently, the amount of share capital authorized but not yet subscribed amounted to EUR 70,262,575.50.

C) Convertible bonds and other instruments entitling their holder to shares

There are no convertible bonds or composite securities likely to give their holders access to the company's capital now or in the future.

D) Changes in capital structure

See table of financial results for the past five years on page 13.

E) Distribution of capital stock (excerpt from Article 6 of the by-laws – see appendix 5)

Capital is reallocated each year before March 31 so as to ensure that each shareholder holds a percentage equal to its percentage of the total loans funded by CRH.

F) Dividend policy

CRH shares are not publicly traded. They are allocated to shareholders in accordance with the rules described in the previous paragraph. Accordingly, there are no considerations relative to the distribution policy.

Dividends paid to shareholders are summarized in the table of financial results for the previous five fiscal years on page 13.

The statutory term of limitation of dividends is five years.

4.1.5. Recent developments specific to the issuer with a material impact on the assessment of its solvability

No recent event specific to CRH has had a material impact on the assessment of its solvability since December 31, 2005.

4.2. BONDS

A) CRH issuing policy

CRH serves as a funding center for credit institutions by issuing bonds on their behalf. CRH's bond issues are issues cited at Article 13 of Act 85-695 (see appendix 1).

Since its creation, CRH has consistently applied a policy of “assimilation” to establish a large pool of very liquid securities. These securities are subject of a market making from the placing banks.

With some bond issues with outstandings exceeding EUR 4 billion, CRH's bonds are among Europe's largest mortgage-backed bonds.

CRH plans to continue internationalizing its bond placements and to pursue its policy of presenting its securities to investors.

CRH annual issues by are listed below:

Year launched	Number of issues in the year	Nominal amount (EUR millions)	
1985 (4 th quarter)	2	551.87	25 Government guaranteed issues totaling EUR 5,774.77 million
1986	6	1,506.20	
1987	8	1,783.65	
1988	9	1,933.05	
1988	1	152.45	135 issues without Government guarantees totaling EUR 34 548,26 million
1989	6	1,184.53	
1990	8	1,219.59	
1991	10	1,829.39	
1992	8	1,387.29	
1993	11	1,585.47	
1994	1	91.47	
1995	2	266.79	
1996	2	525.95	
1997	2	304.90	
1998 *	6	2,143.43	
1999 *	12	3,055.00	
2000	9	2,553.00	
2001	9	1,384.00	
2002	9	1,798.00	
2003	8	1,802.00	
2004	9	2,560.00	
2005	10	3,050.00	
2006	12	7,655.00	
Total	160	40,323.03	40,323.03
<i>* Including exchange offer during the course of the year.</i>			

Since the creation of CRH, repayments totaled EUR 14,660 million, bringing the total outstanding to EUR 25,662.4 million.

B) Bonds issued during the year

During 2006, 12 bond issues were launched for a total of EUR 7,655 million.

Characteristics of these issues are provided below:

Issue No.	Bond	ISIN code	BALO publication date	AMF filing No.
06-01	3.50% April 2017	FR0010261495	Jan. 25, 2006	06-016 of Jan. 20, 2006
06-02	3.50% April 2017	FR0010261495	Mar. 17, 2006	06-071 of Mar. 14, 2006
	4.00% October 2009	FR0000188864		
06-03	3.50% April 2017	FR0010261495	Apr. 12, 2006	06-107 of Apr. 7, 2006
	4.10% October 2015	FR0010134379		
06-04	3.50% April 2017	FR0010261495	May 22, 2006	06-142 of May 17, 2006
	4.10% October 2015	FR0010134379		
06-05	4.00% October 2009	FR0000188864	Jun. 21, 2006	06-208 of Jun. 16, 2006
	4.10% October 2015	FR0010134379		
06-06	4.00% April 2018	FR0010345181	Jun. 30, 2006	06-228 of Jun. 27, 2006
06-07	3.50% April 2017	FR0010261495	Sep. 29, 2006	06-323 of Sep. 26, 2006
	4.00% October 2009	FR0000188864		
06-08	4% April 2018	FR0010345181	Oct. 11, 2006	06-343 of Oct. 6, 2006
06-09	4.00% October 2009	FR0000188864	Nov. 8, 2006	06-389 of Nov. 3, 2006
	4.10% October 2015	FR0010134379		
06-10	3.50% April 2017	FR0010261495	Nov. 15, 2006	06-400 of Nov. 9, 2006
	4.00% April 2018	FR0010345181		
06-11	3.50% April 2017	FR0010261495	Dec. 8, 2006	06-466 of Dec. 05, 2006
	4.10% October 2015	FR0010134379		
06-12	4.00% April 2018	FR0010345181	Dec. 15, 2006	06-473 of Dec. 12, 2006

Issue No.	Bond	Amount (EUR mi llions)	OAT benchmark rate (%)	All-in cost (%)	Spread between All-in cost and OAT benchmark (%)
06-01	3.50% April 2017	250	3.29	3.47	0.18
06-02	3.50% April 2017	245	3.55	3.76	0.21
	4.00% October 2009	100	3.18	3.32	0.14
06-03	3.50% April 2017	240	3.67	3.88	0.21
	4.10% October 2015	60	3.67	3.86	0.19
06-04	3.50% April 2017	730	4.04	4.29	0.25
	4.10% October 2015	50	4.02	4.21	0.19
06-05	4.00% October 2009	275	3.60	3.76	0.16
	4.10% October 2015	50	3.99	4.21	0.22
06-06	4.00% April 2018	850	3.96	4.24	0.28
06-07	3.50% April 2017	1,200	3.83	4.09	0.26
	4.00% October 2009	450	3.66	3.83	0.17
06-08	4.00% April 2018	200	3.82	4.09	0.27
06-09	4.00% October 2009	40	3.67	3.83	0.16
	4.10% October 2015	220	3.84	4.09	0.25
06-10	3.50% April 2017	745	3.90	4.18	0.28
	4.00% April 2018	380	3.91	4.18	0.27
06-11	3.50% April 2017	440	3.75	4.00	0.25
	4.10% October 2015	610	3.71	3.95	0.24
06-12	4.00% April 2018	520	3.74	4.01	0.27
Total		7,655			

These terms place CRH among the most credit-worthy European issuers.

C) CRH bond maturities at December 31, 2006

Bond issue	Redemption date	ISIN code	Number of shares	Nominal unit value	Outstandings (EUR millions)
CRH 5.00% April 2008	Apr. 25, 2008	FR0000572620	3,530,847,080	1	3,530.8
CRH 4.00% October 2009	Oct. 25, 2009	FR0000188864	1,285,000,000	1	1,285.0
CRH 5.75% April 2010	Apr. 25, 2010	FR0000186561	1,900,500,000	1	1,900.5
CRH 4.20% April 2011	Apr. 25, 2011	FR0000186249	3,506,131	1,000	3,506.1
CRH 5.00% October 2013	Oct. 25, 2013	FR0000488702	2,945,000,000	1	2,945.0
CRH 4.25% October 2014	Oct. 25, 2014	FR0010018275	2,360,000,000	1	2,360.0
CRH 4.10% October 2015	Oct. 25, 2015	FR0010134379	4,170,000,000	1	4,170.0
CRH 3.50% April 2017	Apr. 25, 2017	FR0010261495	4,015,000,000	1	4,015.0
CRH 4.00% April 2018	Apr. 25, 2018	FR0010345181	1,950,000,000	1	1,950.0
Total					25,662.4

Substantially all of CRH's bonds were issued at a fixed rate of interest for original maturities of between seven and twelve years. In accordance with the by-laws, both the interest rates and maturities of these bonds are perfectly matched to those of CRH's loans.

CRH's bonds are rated Aaa and AAA by the Moody's and Fitch rating services since 1999.

They have the dispensatory statute set out in Article 22.4 of the 1985 UCITS Directive. (Their membership to this statute is indicated on the European Commission web site : http://europa.eu.int/comm/internal_market/securities/ucits/instruments_fr.htm).

They are regarded as "guaranteed" loans within the meaning of the European directive 2006/48 CRD.

D) Volume of trading in CRH bonds

In the absence of figures on the volume of trading in CRH bonds, the table below indicates the securities transactions statistics communicated by Euroclear France. They include market, repurchase and other transactions.

(EUR millions)					
Bond issue	Listing date	ISIN code	Nominal value of securities transactions in 2004	Nominal value of securities transactions in 2005	Nominal value of securities transactions in 2006
CRH 7.40% April 2005	Apr. 15, 1993	FR0000572604	12,282.5	8,153.4	/
CRH 6.00% June 2006	Jun. 6, 1996	FR0000572612	707.2	5,999.6	897.7
CRH 5.00% April 2008	Feb. 4, 1998	FR0000572620	13,882.3	30,710.1	48,181.1
CRH 4.00% October 2009	Dec. 6, 2002	FR0000188864	922.4	3,435.9	25,679.6
CRH 5.75% April 2010	Jan. 24, 2000	FR0000186561	1,109.3	3,304.2	18,653.7
CRH 4.20% April 2011	Jun. 8, 1999	FR0000186249	4,535.5	4,296.2	7,476.4
CRH 5.00% October 2013	Mar. 22, 2002	FR0000488702	2,499.7	3,584.9	3,059.3
CRH 4.25% October 2014	Sep. 29, 2003	FR0010018275	15,255.1	4,039.2	4,149.1
CRH 4.10% October 2015	Nov. 22, 2004	FR0010134379	919.3	19,812.8	8,943.7
CRH 3.50% April 2017	Dec. 21, 2005	FR0010261495	/	194.0	11,490.9
CRH 4% April 2018	Jun. 30, 2006	FR0010345181	/	/	5,169.3
Total			52,113.3	83,530.3	133,700.8

CRH bonds are very liquid due to the size of the issues put together.

CHAPTER 5

BUSINESS PROFILE

5.1. CORE BUSINESSES

5.1.1. Core business and background

A) Core business

Since its creation in 1985 under the French government's mortgage reforms, CRH's sole purpose is to **fund residential mortgages granted by approved credit institutions by issuing bonds.**

CRH thus plays a special role in housing finance in France, providing stable, long-term resources at the lowest cost. It has replaced the traditional mortgage market and brought the banking system, medium and long term resources supplementing the resources coming from the regulated deposits.

Act 99-532 of June 25, 1999, by creating *sociétés de crédit foncier* strengthened the safety and soundness of CRH's lending and expanded its scope of activities by applying the same loan eligibility criteria used by *sociétés de crédit foncier* to CRH. This Act eliminated the mortgage market and created a much larger housing finance market in which certain secured loans could be funded.

Reflecting this change, the name of the company was changed in 1999 to CRH - Caisse de Refinancement de l'Habitat, highlighting its exclusive focus on funding residential mortgages.

CRH's loan guarantee-mechanisms, the scale of its shareholders' funding requirements, and the fungibility of issues resulting from its "assimilation" policy have all made CRH one of the leading issuers in the European financial market.

The total value of bonds issued since CRH was founded stands at nearly EUR 40 billion, equal to the total loans granted and representing 160 bond issues. The company's initial bonds issues were backed by French government guarantees.

B) Background

1) Guaranteed safety

The appendix 10 of this report summarizes the different levels of security built into CRH's funding operations.

The funding loans granted by CRH are completely backed by its bond issues, since it lends all the capital raised on the financial markets to its shareholders at the same interest rates and maturities.

Capital and interest are secured by a loan portfolio representing a minimum of 125% of loans granted.

Collateralization procedures are governed by the provisions of Articles L.313-42 to L. 313-49 of the Monetary and Financial Code, which enable transfer of ownership of the pledged loan portfolio to CRH without further formality in the event of default of the borrower, notwithstanding any provisions to the contrary.

2) Regulatory oversight

1. On January 1, 1988, the Banking Commission was charged with monitoring the legal and regulatory compliance of funding operations (Decree of the Minister for the Economy Finance and the Budget of December 15, 1987 which subsequently became Article L.313-49 of the Monetary and Financial Code).

2. Borrowers are required to regularly provide lists of the loans pledged to CRH to verify that the collateral has in fact been pledged in the agreed amounts.

3. CRH also conducts audits of its lenders on a regular and as-needed basis to verify the existence, legality and validity of pledged loans through sampling.

Where loans are found to be improper, the borrowing institution is required to increase the amount of pledged assets to make up for the shortfall, or, failing this, to purchase an equivalent amount of the corresponding bonds on the market and deliver them to CRH by way of repayment.

5.1.2. New activities

CRH's by-laws and rules of order prohibit the company from developing any activities other than its core business.

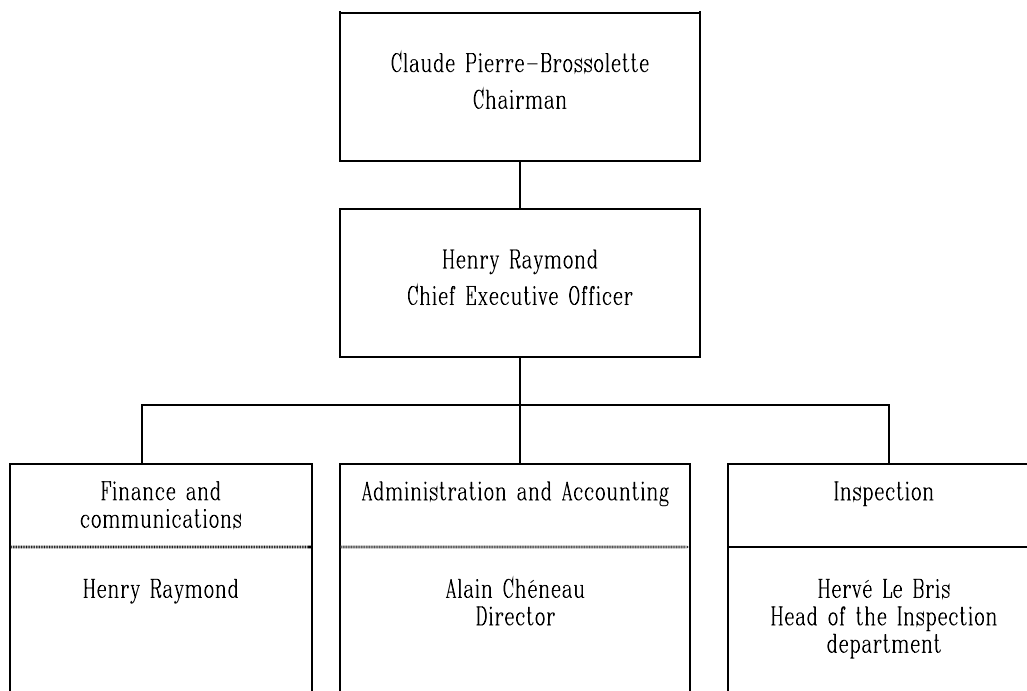
5.1.3. Principal markets

CRH's sole purpose is to fund residential mortgages extended by banks, in France.

To do so, the company issues bonds on the European financial market that are traded on the Euronext Eurolist under "Mortgage bonds and equivalent securities."

CHAPTER 6
ORGANIZATION CHART

6.1. ORGANIZATION OF THE COMPANY (december 31, 2006)



CRH has no subsidiaries and is not part of any group.

6.2. (UNUSED)

CHAPTER 7

TREND DATA

7.1. PRINCIPAL TRENDS AFFECTING THE COMPANY'S ACTIVITY IN 2006

CRH affirms that its outlook has not materially worsened since it last published its audited financial statements. It should nevertheless be recalled that CRH does not take any margin on its operations and that any decrease (or increase) in new funding has no direct impact on the company's earnings or its financial situation.

7.1.1. New and outstanding loans eligible for CRH funding, and housing loan funding and real estate trends in France

A) New loans

The following table summarizes total lending by CRH over the past three years.

(EUR billions)	2004	2005	2006
New loans granted	2.6	3	7.7

B) Outstanding loans

The table below demonstrates the growth in CRH's total outstanding loans since December 31, 2004.

At December 31	(EUR millions)			
Borrowing credit institutions	2004	2005	2006	2006 (in %)
Crédit Agricole S.A.	5,642	6,748	6,811	27
Crédit Lyonnais	1,756	1,405	4,655	18
Caisse Centrale du Crédit Mutuel	2,315	2,655	3,029	12
Crédit Industriel et commercial *	1,444	1,966	2,690	11
Banque Fédérative du Crédit Mutuel	1,468	1,445	2,510	10
BNP Paribas	1,106	1,157	1,907	7
CICM - CFCM	887	1,005	1,305	5
Société Générale	544	644	1,144	4
Banque Fédérale des Banques Populaires	480	615	825	3
Crédit du Nord	99	184	384	1
Banque Patrimoine et Immobilier	390	352	260	1
Other borrowers	378	302	142	1
Total	16,509	18,479	25,662	100

* At the request of the group *Crédit Industriel et Commercial*, loans granted by CRH to *Crédit Industriel de l'Ouest*, *Lyonnais de Banque* and *Société Nancéienne Varin Bernier* were gathered with those granted to the *Crédit Industriel et Commercial*, at June 30, 2006. The amounts concerned at December 31, 2004 and at December 31, 2005 were reprocessed.

Generally, changes in these levels are generated by changes in the total values of loans granted and repayments made by the borrowers, either at final maturity or by early repayment under the terms of an agreement set in place in 1994.

C) Outstanding loans eligible for CRH funding

Pursuant to statutory and regulatory amendments in 1999, Credit Foncier de France no longer publishes statistics on the mortgage market.

As a result, CRH has asked its shareholder credit institutions to submit copies of their quarterly BAFI reports to CRH as a basis for estimating their housing loans eligible for funding.

The table below summarizes those outstanding loans:

At September 30, 2006	Total outstanding loans, all credit institutions (1)	Outstanding loans of CRH shareholder credit institutions (2)	
		Value	As % of total
		Value	As % of total
Housing loans	677.2 (3)	556,1	82
Loans to homeowners	560.4	492.6	88

(1) Source: Banque de France Crédits France September 2006 (contact: DGEI, DESM).

(2) Source: CRH estimate based on BAFI forms provided by shareholders and annual reports.

(3) Amount at June 30, 2006.

The groups of which CRH shareholders form a part hold nearly 90% of all outstanding loans to homebuyers in France.

Recent legislative and regulatory amendments should further consolidate its position by virtue of its expanded scope of activity.

D) Housing loan funding in France

The following table presents some overall figures:

Situation at December 31, 2005

(EUR billions)

Application of funds by Credit Institutions		Sources of funds of Credit Institutions	
Housing loans to households granted by credit institutions (excluding La Poste and CDC)	503.6	Regulated sources (of which Épargne Logement & Livret A)	568.4
		COFF mortgage bonds	49.7
		CIF Euromortgage mortgage bonds	13.7
		CRH bonds	18.5
Other applications	4,661.9	Other sources: - of which, shareholders' equity: 374.9 - of which, non-regulated deposits: 467.0	4,515.2
Total applications	5,165.5	Total sources	5,165.5

Sources: 2005 Annual Report of the Commission Bancaire, periodic bulletins of the Banque de France, COFF, CIF Euromortgage, and VMG publications.

Generally, it is of course difficult to match up specific sources of funds to a given application.

Some observations may, nevertheless, be made:

- the amount of regulated bank sources largely exceeds that of housing loans, which reduces the need for housing financing in France;

- the mortgage bonds of Compagnie de Financement Foncier (COFF) finance housing loans granted in France but also mortgage loans to industrial and commercial companies, loans to the public sector and local and regional governments and - as is also the case for CIF Euromortgage bonds - shares of foreign debt securitization funds and Residential Mortgage Backed Securities (RMBS), whereas CRH only finances home-purchase loans granted in France;

- that the securitization transactions not explicitly shown in this table and of a modest overall amount in France are represented primarily in the CIF Euromortgage and COFF transactions above, and moreover in the amount of EUR 7.7 billion in the transactions of Vauban Mobilisations Garanties.

CRH perfectly fulfills its assigned mission of helping to satisfy the residual need for housing financing in France.

7.1.2. Real estate trends in France

New lending to homeowners continued to increase in 2006 (16 % from September 2005 to September 2006), illustrating the dynamism of the real estate market since 1998.

A pace in the real-estate price increase should continue in 2007, due notably to a fall of demand - greater selectivity of potential buyers for more and more expensive real-estate and degradation of their solvency.

Still attractive financing conditions associated to a dissatisfied demand for housing should contribute to maintain housing financing to a high level.

7.2. TRENDS AND EVENTS LIKELY TO AFFECT THE COMPANY'S ACTIVITY IN 2007

The heavy decrease observed in 2006 (EUR 16 billion) on incur of *Plan d'Epargne Logement (PEL)* had the effect of diminishing banks' long term resources.

In 2007, these are thus encouraged to seek new sources of financing and undoubtedly to significantly solicit CRH.

As mentioned above, it is emphasized that CRH does not take any margin on its operations and that any decrease in new funding in 2007 would have no direct impact on the company's earnings or its financial situation.

CHAPTER 8
EARNINGS FORECASTS AND ESTIMATES

This document does not contain any forecast data.

8.1. (UNUSED)

8.2. (UNUSED)

8.3. (UNUSED)

CHAPTER 9
CORPORATE GOVERNANCE

9.1. INFORMATION CONCERNING THE MEMBERS OF THE ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES

- | | |
|--|---|
| <p>- Claude Pierre-Brossolette*
Appointed March 8, 1994.
Appointment renewed for 6 years on March 4, 2003</p> | <p>Chairman
(up to March 13,2007)</p> |
| <p>- Henry Raymond
Appointed March 13, 2007</p> | <p>Chairman
and Chief Executive Officer</p> |
| <p>- Banque Fédérale des Banques Populaires
represented by Patrick Menu
Head of the Treasury department
At Groupe Banque Fédérale des Banques des Banques Populaires
Le Ponant de Paris 5 rue Leblanc 75015 PARIS
First appointed October 21, 1985 by Caisse Centrale des Banques Populaires.
Appointment renewed for 6 years on March 4, 2003.</p> | <p>Director</p> |
| <p>- BNP Paribas
represented by Alain Fonteneau
Head of Asset-Liability Management
CAAOAC1
3 rue d'Antin 75078 Paris Cedex 02
First appointed October 21, 1985 by Banque Nationale de Paris.
Appointment renewed for 6 years on March 4, 2003.</p> | <p>Director</p> |
| <p>- Caisse Centrale du Crédit Mutuel
represented by Sophie Olivier
Head of the Retail Market division
88/90 rue Cardinet 75847 Paris Cedex 17
First appointed April 10, 1990.
Appointment renewed for 6 years on March 4, 2003.</p> | <p>Director</p> |
| <p>- Crédit Agricole S.A.
represented by Christophe Le Beaudour
Head of the Shareholders' Equity
and Prudential Oversight division
91/93 boulevard Pasteur 75015 Paris
First appointed May 12, 1987 by Caisse Nationale de Crédit Agricole.
Appointment renewed for 6 years on March 4, 2003.</p> | <p>Director</p> |

* Claude Pierre-Brossolette is also:

- Chairman, Chief Executive Officer of Investisseurs dans l'Entreprise S.A.
- Chairman of the Supervisory Board of Pirelli Cables et Systèmes
- Director of Communication et Systèmes

- **Crédit Foncier de France (till March 31, 2007)**
 represented by Dominique Morissard Director
 Financial Operations
 4 quai de Bercy 94224 Charenton Cedex
 First appointed October 21, 1985 by Banque La Hénin and
 Comptoir des Entrepreneurs.
 Appointment by Entenial renewed for 6 years on March 6, 2001.
 Both appointments combined subsequent to the merger of Entenial
 into Crédit Foncier de France on June 1, 2005.
 - **Crédit Industriel and Commercial**
 represented by Jean-François TAURAND Director
 Head of Finance/Assets-Liabilities Management department
 Finance department Box 10
 6 avenue de Provence 75452 Paris Cedex 09
 Cooptation of Compagnie Financière de CIC et de l'UE
 by the Board of Directors meeting held on October 17, 1995 and
 confirmed by the Shareholders' Meeting held on February 27, 1996.
 Appointment renewed for six years on March 6, 2001.
 - **Crédit Lyonnais**
 represented by Issiaka Béréte Director
 Head of the Asset-Liability Management department
 19 boulevard des Italiens 75002 Paris
 First appointed April 19, 1988.
 Appointment renewed for 6 years on March 4, 2003.
 - **GE Money Bank**
 represented by Francis Daniel Director
 Head Treasury & Funding
 Tour Europlaza - La Défense 4
 20 avenue André Prothin 92063 Paris La Défense Cedex
 BFIM Sovac appointed October 21, 1985.
 Appointment renewed for six years on March 6, 2001.
 - **Société Générale**
 represented by Agathe Zinzindohoué Director
 Head of Group Funding
 17 cours Valmy 92972 Paris La Défense Cedex
 First appointed October 21, 1985.
 Appointment renewed for 6 years on March 4, 2003.
-

CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

- Henry Raymond

who has elected domicile at the registered office of the company.

SECRETARY TO THE BOARD OF DIRECTORS

- Alain Chéneau

who has elected domicile at the registered office of the company.

COMPENSATION COMMITTEE

- Caisse Centrale du Crédit Mutuel
Sophie Olivier

- Crédit Agricole S.A.
Christophe Le Beaudour

- Société Générale
Agathe Zinzindohoué

9.2. CONFLICTS OF INTEREST AT THE LEVEL OF THE ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES

To the best of CRH's knowledge, no member of the administrative, executive or supervisory bodies has any conflict of interest between duties to the company and private interests and/or other duties.

CHAPTER 10

PRINCIPAL SHAREHOLDERS

10.1. IDENTIFICATION OF SHAREHOLDERS OR GROUPS OF SHAREHOLDERS HOLDING MORE THAN 3% OF VOTING RIGHTS

Capital is reallocated each year before March 31 so as to ensure that each shareholder holds a percentage equal to its percentage of the total loans funded by CRH (refer to Article 6 of the by-laws on appendix 5). This allocation is made based on the amounts at December 31 of the previous fiscal year.

The table below lists the principal shareholders at December 31, 2006 and changes in ownership structure over the past three years.

Shareholders	At December 31, 2004				At December 31, 2005				At December 31, 2006			
	Number of shares	%	Voting rights (1)	%	Number of shares	%	Voting rights (1)	%	Number of shares	%	Voting rights (1)	%
Groupe CASA - LCL	3,006,261	45.86	2,139	29.51	2,937,146	44.81	2,120	29.13	3,759,869	44.22	1,879	26.83
Groupe Crédit Mutuel - CIC	2,307,002	35.21	3,214	44.34	2,427,713	37.03	3,341	45.91	3,261,191	38.36	3,380	48.28
BNP Paribas	451,599	6.89	689	9.51	439,144	6.70	670	9.21	533,374	6.27	627	8.95
Groupe Société Générale	255,217	3.89	390	5.38	255,348	3.90	390	5.36	381,886	4.49	449	6.41
BF des Banques Populaires	173,873	2.65	265	3.66	190,587	2.91	291	4.00	283,604	3.34	334	4.77
Groupe CIF	187,892	2.86	286	3.95	158,757	2.42	242	3.32	166,095	1.95	195	2.78
Groupe Caisse d'Épargne (2)	158,121	2.41	241	3.33	133,601	2.04	204	2.80	115,905	1.36	136	1.94
Other shareholders	15,035	0.23	24	0.32	12,704	0.20	20	0.27	694	0.01	3	0.04
Total	6,555,000	100.00	7,248	100.00	6,555,000	100.00	7,278	100.00	8,502,618	100.00	7,003	100.00

(1) Calculation of voting rights, refer to Article 21 of the by-laws on appendix 5.

(2) Banque Palatine and Crédit Foncier de France, pro-forma.

10.2. SHAREHOLDER AGREEMENTS

CRH is unaware of the existence of any shareholder agreements.

CHAPTER 11

FINANCIAL DATA CONCERNING THE ISSUER'S ASSETS, FINANCIAL SITUATION AND EARNINGS

11.1. HISTORICAL FINANCIAL DATA

11.1.1. Financial standards

Regarding the implementation of new International Financial Reporting Standards (IFRS), CRH made an inquiry through its statutory auditors to the national association of statutory auditors (*Compagnie Nationale des Commissaires aux Comptes - CNCC*) as to whether CRH would be subject to these standards. The May 17, 2004 response from CNCC, which was submitted to the AMF by CRH, was as follows:

*With regard to the dispositions of Regulation 1606/2002 of the European Parliament, only companies that raise capital through public offerings **and** publish consolidated financial statements are required to prepare these statements in accordance with the international accounting standards.*

The extension of this requirement to the financial statements of companies raising capital through public offerings is up to each Member State of the European Union.

At the date of this response, the relevant authorities in France have not introduced any option or special requirement for companies raising capital through public offerings and not publishing consolidated financial statements.

The provisions of Decree 2004-1382 of December 20, 2004 on the adaptation of French legislative measures to EU measures in the area of accounting regulations do not include the possibility under EU regulations of authorizing or requiring the use of international accounting standards for company financial statements. Therefore, CRH need not publish its annual financial statements in accordance with international accounting standards.

11.1.2 Financial statements submitted for approval to the Regular Shareholders' Meeting of March 13, 2007.

BALANCE SHEET

At December 31

(EUR thousands)

Assets	2006	2005	2004
Cash, central banks, post office banks	1	1	1
Loans and advances to credit institutions	242,467	178,844	161,491
- Demand deposits	160,486	98,993	61,660
- Time deposits	81,237	79,138	98,705
- Accrued interest	744	713	1,126
Bonds and other fixed-income securities	26,193,893	18,863,658	16,927,470
- Mortgage notes	25,662,478	18,479,081	16,509,020
- Accrued interest	531,415	384,577	418,450
Intangible assets	7	4	4
Tangible fixed assets	13	10	17
- Office furniture	2	2	3
- Fittings	0	0	0
- Miscellaneous equipment	11	7	9
- IT equipment	0	1	5
Other assets	178	153	193
- Interest rate options purchased	0	9	0
- Miscellaneous debtors	178	144	193
Prepaid expenses and other assets	561,347	431,102	362,881
- Deferred charges and other prepaid expenses			
. issue premiums on bonds issued below par	346,612	200,625	236,166
. premiums on mortgage notes bought above par	214,642	230,403	126,636
. other prepaid expenses	93	74	79
Total	26,997,906	19,473,772	17,452,057

BALANCE SHEET

At December 31	Before distribution			After distribution		
	(EUR thousands)					
Liabilities and shareholders' equity	2006	2005	2004	2006	2005	2004
Debt securities	26,193,893	18,863,658	16,927,470	26,193,893	18,863,658	16,927,470
- Bonds	25,662,478	18,479,081	16,509,020	25,662,478	18,479,081	16,509,020
- Accrued interest	531,415	384,577	418,450	531,415	384,577	418,450
Other liabilities	390	297	131	1,325	821	393
- Miscellaneous creditors	390	297	131	1,325	821	393
Accrued expenses and other liabilities	561,466	431,230	362,995	561,466	431,230	362,995
- Deferred income						
. premiums on mortgage notes bought below par	346,612	200,625	236,166	346,612	200,625	236,166
. issue premiums on bonds issued above par	214,642	230,403	126,636	214,642	230,403	126,636
- Accrued expenses	212	202	193	212	202	193
Provisions for contingencies and losses	59	59	38	59	59	38
Subordinated debt	104,827	72,595	55,799	104,827	72,595	55,799
- Subordinated loans	102,409	71,334	54,452	102,409	71,334	54,452
- Accrued interest	2,418	1,261	1,347	2,418	1,261	1,347
Fund for general banking risk (FRBG)	2,026	1,942	1,899	2,026	1,942	1,899
Shareholders' equity excluding FRBG	135,245	103,991	103,725	134,310	103,467	103,463
- Subscribed capital	129,665	99,964	99,964	129,665	99,964	99,964
- Share premium	1,897	868	868	1,897	868	868
- Legal reserve	2,620	2,590	2,570	2,680	2,620	2,590
- Retained earnings	15	41	52	68	15	41
- Net income	1,048	528	271			
Total	26,997,906	19,473,772	17,452,057	26,997,906	19,473,772	17,452,057

OFF-BALANCE SHEET COMMITMENTS

At December 31

(EUR thousands)

Commitments received	2006	2005	2004
Loan commitments received from credit institutions	1,283,124	923,954	825,451
Guarantees received from credit institutions	377,710	472,304	546,150
Forward financial instruments	70,000	70,000	0

INCOME STATEMENT

(EUR thousands)

For the fiscal year ended December 31	2006	2005	2004
+ Interest and other income	1,032,451	888,327	828,834
- On transactions with credit institutions			
. demand deposits	3,419	1,807	1,258
. term accounts and loans	2,224	1,719	1,912
. securities purchased under collateralized reverse repos	322	459	0
- On bonds and other fixed-income securities			
. accrued interest on mortgage notes	939,499	813,877	763,493
. accrued premiums on mortgage notes bought below par	49,332	37,139	37,591
- other interest and income			
. accrued issue premiums on bonds issued above par	37,655	33,326	24,580
- Interest and other expense	(1,029,226)	(886,063)	(827,011)
- On transactions with credit institutions			
. subordinated loans	(2,418)	(1,261)	(1,347)
. interest on advances under Article 5.3 of CRH's internal rules and regulations	(322)	(460)	0
- On bonds and other fixed-income securities			
. accrued interest	(939,499)	(813,877)	(763,493)
. amortization of issue premiums on bonds issued below par	(49,332)	(37,139)	(37,591)
. deduction of accrued premiums on mortgage notes bought above par	(37,655)	(33,326)	(24,580)
- Fees paid	(3)	(3)	(2)
+/- Gains or losses on trading portfolio transactions	0	(8)	(14)
+ Other income from banking operations	0	0	0
- Other expense from banking operations	(2)	(10)	(1)
NET INCOME FROM BANKING OPERATIONS	3,220	2,243	1,806
- General operating expenses	(1,551)	(1,388)	(1,355)
- Personnel expenses	(965)	(932)	(904)
- Other administrative expenses			
. taxes other than income tax	(167)	(40)	(33)
. external services	(419)	(416)	(418)
- Depreciation, amortization and provisions	(7)	(7)	(11)
OPERATING INCOME	1,662	848	440
+/- Cost of risk	0	0	0
NET OPERATING INCOME	1,662	848	440
+/- Gains or losses on fixed assets	0	0	(2)
NET INCOME BEFORE TAXES	1,662	848	438
+/- Non-recurring items	0	0	0
- Income tax	(530)	(276)	(145)
+/- Increases/uses of FRBG and regulated provisions	(84)	(43)	(22)
NET INCOME	1,048	529	271

NOTES TO THE FINANCIAL STATEMENTS

PRESENTATION OF THE FINANCIAL STATEMENTS ACCOUNTING POLICIES AND VALUATION METHODS

Note 1 - Presentation of the financial statements

CRH financial statements have been prepared and presented in accordance with the accounting principles generally accepted in France and in compliance with regulations applicable to credit institutions in France.

The summary financial statements as of December 31, 2006 have been prepared in compliance with Regulation 00-03 of the Accounting Regulations Committee (*Comité de la Réglementation Comptable* - CRC).

Note 2 - Accounting policies and valuation methods

A - Bonds issued

Bonds issued are recorded at nominal value under “Debt securities.” Issue premiums are recorded under “Prepaid expenses and other assets” for bonds issued below par and under “Accrued expenses and other liabilities” for bonds issued above par. In both cases, they are amortized on a straight-line basis over the life of the bond.

Bond issuance costs are split between new issue costs (issue fees, AMF fees, listing costs and advertising costs) and portfolio management expenses (financial services, securities services, annual listing fee paid to Euronext Paris SA).

All such expenses, of whatever kind, are borne by the bond issuers. New issue costs are charged to bond issuers in proportion to their share in each new issue, with payment due immediately. Other expenses are charged annually in proportion to the borrowers’ interest in each outstanding issue.

B - Securities transactions

The term “Securities transactions” applies to French Treasury notes and other negotiable debt instruments, interbank market instruments and in general all indebtedness represented by securities traded on a market.

Securities are classified in the annual financial statements according to the fixed or variable nature of the income, whereas accounting classification is based on the purpose for which securities were acquired or placed.

Securities in the CRH portfolio are all fixed-income securities consisting of the mortgage notes issued by its shareholders.

E – Retirement benefits

Benefits to which CRH employees are entitled on retirement are paid by the French social security system, with a supplementary portion paid by third-party bodies that manage the distribution of funds paid in.

The employer's share of such payments is charged to expense each year as they are incurred. In addition, CRH makes a lump-sum payment to retiring employees in an amount determined by the number of years spent with the company.

The company's liability pursuant to these policies is revised at the end of each fiscal year.

F – Financial instruments

The portfolio of financial instruments held by CRH consists solely of purchases of interest-rate floors.

These transactions are accounted for in accordance with the provisions of CRBF Regulation 88-02 as amended and Banking Commission Instruction 94-04. The nominal value of the commitment is shown as an off balance sheet item. This amount relates to the capital amount covered by the interest-rate floor and is not a reflection of CRH's exposure to market risk.

The premiums and, where applicable, accrued interests are recorded in the income statement *pro rata temporis*. Unrealized losses are covered by a provision for contingencies and losses, which takes into account any differential on unrealized accrued interest as well as the amount of premium deferred.

G – Expenses of new issue of capital

Expenses of new issue of capital are charged, in one time, for a net of tax value, on the amount of the issue premiums related to the new issue of capital.

NOTES TO THE BALANCE SHEET

Note 3 - Mortgage notes and bonds issued

Mortgage notes are the instruments representing the loans granted by CRH, while its borrowings are in the form of bond issues.

Related items on the asset and liability sides of the balance sheet show a perfect match between borrowing and lending.

(EUR thousands)

At December 31,	2006		2005		2004	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Securities transactions						
- Bonds and other fixed-income securities						
. mortgage notes	25,662,478		18,479,081		16,509,020	
. accrued interest not yet due on mortgage notes	531,415		384,577		418,450	
- Debt securities						
. bonds		25,662,478		18,479,081		16,509,020
. accrued interest not yet due on bonds		531,415		384,577		418,450
Prepaid expenses and other assets						
- Deferred charges and other prepaid expenses (excerpt)						
. issue premiums on bonds issued below par	346,612		200,625		236,166	
. premiums on mortgage notes bought above par	214,642		230,403		126,636	
- Deferred income						
. premiums on mortgage notes bought below par		346,612		200,625		236,166
. issue premiums on bonds issued above par		214,642		230,403		126,636
Total	26,755,147	26,755,147	19,294,686	19,294,686	17,290,272	17,290,272

Note 4 - Breakdown of receivables and debt by current maturity

(EUR thousands)

At December 31	Receivables		
	2006	2005	2004
Credit institutions: term deposits			
- less than 3 months	25,725	25,222	64,894
- 3 months to 1 year	45,191	53,916	23,811
- 1 to 5 years	10,321	0	10,000
Total	81,837	79,138	98,705
Mortgage notes			
- less than 3 months	0	0	0
- 3 months to 1 year	0	471,603	1,079,939
- 1 to 5 years	10,222,478	5,851,347	4,322,450
- over 5 years	15,440,000	12,156,131	11,106,631
Total	25,662,478	18,479,081	16,509,020

(EUR thousands)

At December 31	Debt		
	2006	2005	2004
Bonds			
- less than 3 months	0	0	0
- 3 months to 1 year	0	471,603	1,079,939
- 1 to 5 years	10,222,478	5,851,347	4,322,450
- over 5 years	15,440,000	12,156,131	11,106,631
Total	25,662,478	18,479,081	16,509,020

Note 5 - Other assets, other liabilities, prepayments and accrual accounts

At December 31

(EUR thousands)

ASSETS	2006	2005	2004
Interest-rate options purchased	0	9	0
Residual premiums on floors purchased	0	9	0
Miscellaneous debtors	178	144	193
Government – income tax	0	0	13
Government – local business tax (<i>taxe professionnelle</i>)	0	0	1
Expenses paid on behalf of borrowers	140	117	153
Guarantee deposits with the <i>Fonds de Garantie des Dépôts</i>	13	13	10
Other guarantee deposits and miscellaneous	25	14	16
Deferred charges and other prepaid expenses (1)	93	74	79
Total	271	227	272

(1) excluding the CRH lending and bond issue transactions described in Note 3.

At December 31

(EUR thousands)

LIABILITIES	2006	2005	2004
Miscellaneous creditors	390	297	131
Government – income tax	256	134	0
Government – VAT	2	2	2
Social security and payroll tax	98	96	92
Other	34	65	37
Accrued expenses	212	202	193
Personnel and related expense	143	134	122
Other	69	68	71
Total	602	499	324

Note 6 - Provisions for contingencies and losses

(EUR thousands)				
	Balance at December 31, 2005	Charges	Writebacks	Balance at December 31, 2006
Provision for retirement benefits (Note 19)	50	9	0	59
Provision on interest rate options purchased	9	0	9	0
Total	59	9	9	59

Note 7 - Shareholders' equity and fund for general banking risk

(EUR thousands)				
	Balance at December 31, 2005	Increase	Decrease	Balance at December 31, 2006
Subscribed capital	99,964	29,701		129,665
Share premium	868	1,032	3	1,897
Legal reserve	2,590	30		2,620
Retained earnings	41		26	15
Fund for general banking risk	1,942	84		2,026
Total	105,405	30,847	29	136,223

Subscribed capital had been reinforced during 2006 through the creation of 1,967,618 new shares with a par value of EUR 15.25 and an issue premium of EUR 0.53, fully paid through incorporation of subordinated loans at their fair market value.

The new amount of subscribed capital is EUR 129,664,924.50 increasing by EUR 29,701,174.50. Share premium amount to EUR 1,897,223.90, increasing by EUR 1,029,068.25 after deduction of EUR 3,169.29 relating to net of tax capital increase expenses.

Other evolutions include the allocation of 2005 net income and the increase of the fund for general banking risk for 2006.

CRH's capital is fully subscribed. The company's stock has a par value of EUR 15.25 per share. A total of 8,502,618 shares have been issued.

Note 8 - Subordinated loans

Pursuant to the by-laws, shareholders are required to provide the equity capital needed to comply with banking regulations.

In calculating the solvency ratio, total capital includes shareholders' equity (Note 7) and secondary capital in the form of subordinated loans by shareholders in proportion to their outstanding borrowings.

These loans ensure that CRH will be able to continue operations in compliance with banking regulations despite any losses it might suffer.

CRH is required to repay these loans as the related risks are amortized, provided this does not impact compliance with prudential ratios. In the event of CRH's liquidation, subordinated loans would be repaid only after settlement of all other loans.

Interest is partly fixed and partly contingent on results for the previous year, and is payable only if CRH shows income for the year after allocation of this charge.

In view of these provisions, the Banking Commission allows funds from subordinated loans to be treated as Tier 2 capital under CRBF Regulation 90-02, Article 4c.

The following table summarizes changes in total subordinated loans during fiscal year 2006:

(EUR thousands)	
Transaction	Amount
Balance at December 31, 2005	71,334
Increase	
- Payments relating to acquisitions of mortgage notes	65,067
Diminution	
- Incorporation to shareholders' equity	(30,733)
- Repayments relating to repayments of mortgage notes	(3,216)
- Repayments relating to 2005 appropriation to the fund for general banking risk	(43)
Balance at December 31, 2006	102,409

NOTES TO THE OFF-BALANCE SHEET

Note 9 - Loan commitments from credit institutions

Pursuant to the by-laws, shareholders are obligated to provide cash advances required for CRH operations up to 5% of total outstanding loans. This requirement is defined in CRH internal rules and regulations, approved by the Regular Meeting of Shareholders of February 27, 1996.

At December 31, 2006, these commitments represented a total of EUR 1,283,123,904.07.

Note 10 - Guarantees received from credit institutions

Principal and interest on certain mortgage notes held by CRH are guaranteed by a credit institution.

(EUR thousands)			
At December 31	2006	2005	2004
Principal	365,743	457,212	527,339
Accrued interest not yet due	11,967	15,092	18,811
Total	377,710	472,304	546,150

Note 11 - Forward financial instruments at December 31, 2006

(EUR thousands)		
Nature	Isolated positions	Current maturity
Options:		
OTC transactions		
Interest rate floors purchased	70,000	less than 1 month

Note 12 - Other guarantees received

The principal and interest of each note are secured by a portfolio representing secured housing loans, a first residential mortgage or property offering an equivalent guarantee, or a guarantee given by a credit institution or insurance company which is not a consolidated affiliate of the credit institution issuing the note.

Mortgages pledged to CRH as collateral amounted to EUR 38.5 billion at December 31, 2006.

NOTES TO THE INCOME STATEMENT

Note 13 - Income and expense from banking operations

A - Analysis of results of bond issue and lending operations

CRH lends at the same interest rates and maturities at which it borrows on the financial market. Its lending activities do not generate income.

The net zero impact of borrowing and lending activities is illustrated in the following table:

(EUR thousands)

At December 31	2006		2005		2004	
	Expense	Income	Expense	Income	Expense	Income
Interest						
Bonds issued	939,499		813,877		763,493	
Mortgage notes		939,499		813,877		763,493
Subtotal	939,499	939,499	813,877	813,877	763,493	763,493
Recoveries (Issue premiums on bonds, discounts or premiums on mortgage notes)						
Deferred charges	86,987		70,465		62,171	
Deferred income		86,987		70,465		62,171
Subtotal	86,987	86,987	70,465	70,465	62,171	62,171
Total	1,026,486	1,026,486	884,342	884,342	825,664	825,664

These transactions thus have no impact on CRH's earnings.

B - Other income and expense from banking operations

In 2006, other income consists primarily of:

1) interest earned on capital invested in the money market in sight and term deposits with maturities of less than 18 months. This interest income fluctuates from year to year in close correlation with the average level of market interest rates. The rate of return on average capital invested came to 2.85% in 2006, compared with 2.13% in 2005 and 2004.

2) investment income on collateralized reverse repo operations, carried out in connection with the advances requested by CRH of its shareholders as provided in Article 5.3. of the company's internal rules and regulations in order to ensure its bond redemptions.

Interest paid on the advances is included in expense from banking operations together with interest paid to shareholders on subordinated loans granted to CRH.

As provided by contract, interest payable on these subordinated loans consists of two components:

. a fixed portion calculated each quarter as the quarterly average overnight interbank rate less 5%, but not less than 1%. Interest calculated on this basis amounted to EUR 860,207.94 in 2006, compared with EUR 600,398.86 in 2005 and EUR 643,128.71 in 2004,

. a variable portion determined by the Board of Directors on the basis of results for the year. The amount calculated on this basis came to EUR 1,557,801.24 for 2006, compared with EUR 660,932.26 in 2004 and EUR 704,278.70 in 2004.

The average interest rate paid on subordinated loans was 2.85% in 2006, compared with 2.13% in 2005 and 2004.

(EUR thousands)

	At December 31, 2006	At December 31, 2005	At December 31, 2004
Interest on cash management transactions	5,643	3,526	3,170
Interest on securities purchased under collateralized reverse repos	322	459	0
Writeback of provisions for contingencies and losses on financial instruments	9	0	27
Other income	0	0	0
A - Total other income from banking operations	5,974	3,985	3,197
Interest on subordinated loans	2,418	1,261	1,347
Interest on advances under Article 5.3 of CRH's internal rules and regulations	322	460	0
Other interest and expense	3	2	0
Fees on securities transactions	1	1	2
Amortization of premiums on interest rate options purchased	9	8	41
Contribution to the deposit guarantee fund	1	1	1
Charges to provisions for contingencies and losses on financial instruments	0	9	0
B - Total other expense from banking operations	2,754	1,742	1,391
NET INCOME FROM BANKING OPERATIONS	3,220	2,243	1,806

Note 14 - Other general operating expenses

CRH's total administrative expenses, including depreciation and amortization, came to EUR 1.56 million in 2006, compared with EUR 1.40 million in 2005 and EUR 1.37 million in 2004.

Total administrative expense represented 0.008% of average outstanding loans to shareholders in 2006, compared with 0.008% in 2005 and 0.009% in 2004.

Main items are shown in the table below:

(EUR thousands)			
At December 31	2006	2005	2004
Wages and salaries	605	593	575
Retirement payments (1)	66	69	60
Other social security charges	212	190	195
Taxes and other levies on payroll	82	80	74
Total personnel expenses	965	932	904
Taxes other than income tax	167	40	33
Rental and leasing	88	93	90
Other external services and miscellaneous administrative expense	331	323	328
Total other administrative expenses	419	416	418
Amortization of intangible assets	2	0	1
Depreciation of tangible fixed assets	5	7	10
Total depreciation and amortization	7	7	11

(1) including a provision for retirement benefits of EUR 9,000 in 2006, compared with EUR 12,000 in 2005 and EUR 6,000 in 2004.

Note 15 - Income tax

Tax on 2006 earnings came to EUR 528,746 and concerned only income from banking operations.

OTHER INFORMATION

Note 16 - Executive compensation

Total gross compensation paid to the two executive officers for the fiscal year ended December 31, 2006 amount to EUR 248,836, of which EUR 69,143 was paid to the Chairman and EUR 179,693 to the Chief Executive Officer.

An unemployment insurance policy has been set in place for the Chief Executive Officer with the *Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise*. The company's contribution amounted to EUR 6,045.

These officers received no other benefits from the company.

Note 17 - Proposed allocation of distributable income

It is recommended that net income for 2006, of EUR 1,048,272.18, plus the balance of EUR 14,546.92 brought forward from the prior fiscal year, after appropriation of EUR 60,000 to the legal reserve, be distributed in the form of dividends totaling EUR 935,287.98, and the balance of EUR 67,531.12 be carried forward.

Note 18 - Staff

CRH had an average of nine employees in 2006, as in the previous two fiscal years.

Note 19 - Provision for retirement benefits

Provisions set aside to cover retirement payments required by French law amount to EUR 59,000 and cover the full amount of CRH's liability as assessed as of December 31, 2006.

Note 20 – Career development allocations earned by staff under the French Individual Training Rights initiative (DIF)

At December 31, 2006, a total of 304 hours of training had been credited to staff under the French DIF initiative.

ADDITIONAL INFORMATION

NET CASH FLOW STATEMENT			
(EUR thousands)			
At December 31	2006	2005	2004
Cash flow from operating activities			
Net income before taxes	1,577	805	415
Non-cash items:			
Depreciation and amortization	8	7	11
Provisions	84	64	1
Other non-cash items	1,117	340	(293)
Total non-cash items included in net income and other adjustments	1,209	411	(281)
Changes in transactions with credit institutions:			
Increase in term deposits	(72,751)	(50,483)	(41,294)
Term deposits having reached maturity	70,652	70,050	30,000
Changes in non-financial assets and liabilities:			
Other assets	(25)	40	31
Other liabilities	(167)	33	(35)
Taxes paid	(273)	(142)	(157)
Net change in assets and liabilities from operating activities	(2564)	19,498	(11,455)
Net cash flow from operating activities (A)	222	20,714	(11,321)
Cash flow from investing activities			
Acquisitions of tangible fixed assets	(8)	0	(13)
Acquisitions of intangible and financial fixed assets	(5)	0	(1)
Net cash flow from investing activities (B)	(13)	0	(14)
Cash flow from financing activities			
Proceeds from bond issues	7,595,365	3,232,532	2,593,779
Bond repayments	(471,603)	(1,079,939)	0
Acquisition of investment securities (mortgage notes)	(7,595,365)	(3,232,532)	(2,593,779)
Investment securities having reached maturity	471,603	1,079,939	0
Proceeds from subordinated debt issues	70,319	29,669	25,821
Repayment of subordinated loans	(8,510)	(12,787)	(4,138)
Dividends paid	(525)	(262)	(300)
Net cash flow from financing activities (C)	61,284	16,620	21,383
Impact of exchange rates (D)	0	0	0
Net cash flow (A + B + C + D)	61,493	37,334	10,048
Net cash and equivalents at the beginning of the period	98,994	61,660	51,612
Net cash and equivalents at the end of the period	160,487	98,994	61,660
Net change in cash position	61,493	37,334	10,048

Capital adequacy ratio

CRH had a capital adequacy ratio of 8.94% at December 31, 2006, compared with 9.19% at December 31, 2005 and 9.26% at December 31, 2004.

The ratio is calculated on the basis of a 10% weighting for mortgage-backed promissory notes.

Meeting on December 22, 2000 the Banking Commission ruled that these notes must be assimilated, for legal purposes, to preferred securities issued by a société de crédit foncier and thus confirmed their 10% weighting in application of Article 4.2.1 bis of CRBF Regulation 91-05 of February 15, 1991.

Equity and long-term resources

The corporate purpose of CRH entails a perfect match between assets and resources with the same maturities and interest rates. At December 31, 2006, the ratio of equity and long-term resources to capital employed was 101.55%.

Control of major risk

At its meeting of December 22, 2000, the *Commission Bancaire* ruled that, in view of the legal status of the notes included in CRH assets, and until such time as implementation of the Directive of December 21, 1992 in French law allows full exemption of mortgage bonds and equivalent securities from the regulations relating to major risk, the regulatory compliance of CRH should be assessed with regard to the beneficiaries of the loans it funds rather than with regard to the issuers of the promissory notes which it holds.

CRH thus complies with regulations governing major risk.

Liquidity ratio

CRH complies with the regulatory ratio at all times. The conditions under which CRH normally operates are such that there are no uncovered current liabilities. It thus meets liquidity ratio requirements at all times.

11.2. CONSOLIDATED FINANCIAL STATEMENTS

CRH has no subsidiaries and therefore is not required to prepare consolidated financial statements.

11.3. CERTIFICATION OF PAST FINANCIAL STATEMENTS

The general report of the statutory auditors on the financial statements for the year ended December 31, 2006 is included in the Reports section of this registration document, on page 17.

The general report of the statutory auditors on the financial statements for the year ended December 31, 2005 is included in Chapter 5 of the 2005 registration document, on page 11.

The general report of the statutory auditors on the financial statements for the year ended December 31, 2004 is included in Chapter 5 of the 2004 registration document, on page 46.

11.4. DATE OF THE MOST RECENT FINANCIAL STATEMENTS

The most recently audited financial statements are those for the fiscal year ended December 31, 2006.

11.5. INTERIM FINANCIAL STATEMENTS AND OTHER

CRH has not released any quarterly or six-month data subsequent to the December 31, 2006 financial statements.

11.6. LEGAL PROCEEDINGS AND ARBITRAGE EVENTS

On the date of filing this document, there are no legal, fiscal or regulatory proceedings underway likely to have a material impact on CRH's financial position, assets or liabilities.

11.7. MATERIAL CHANGES IN THE SITUATION OF THE ISSUER

On the date of filing this document, there are no exceptional events or litigation that have had in the recent past or are likely to have a material impact on the financial situation, the activity or the earnings of CRH that have not been reflected in the financial statements prepared at December 31, 2006.

CHAPTER 12

MAJOR CONTRACTS

At the time this document was submitted the company had entered into no contracts other than those signed as part of normal operations that could grant a member of the company a right or a commitment that could have a material impact on CRH's ability to honor its commitments to its bondholders.

CHAPTER 13

INFORMATION FROM THIRD PARTIES, EXPERT TESTIMONIES AND DISCLOSURES OF INTEREST

This document contains no testimony or disclosure from third parties or experts.

13.1. UNUSED

13.2. UNUSED

CHAPTER 14

DOCUMENTS AVAILABLE TO THE PUBLIC

All registration documents (which contain the by-laws of the company) and the documents updating them may be consulted at CRH's registered office at 35 rue La Boétie 75008 Paris or on the *Autorité des Marchés Financiers* (AMF) and *Association des Sociétés Financières* (ASF) websites:

The following links concern the 2005 annual report:

<http://www.amf-france.org/DocDoif/txtint/RAPOSTPdf/2005/2005-010500.pdf>

document actualised on August 17, 2006 available on the AMF website:

<http://www.amf-france.org/DocDoif/txtint/ActRAPOSTPdf/2006/2006-0061-A01-00.pdf>

<http://www.asf-france.fr/ASF Membres/IndexOui/RA2005-CRH.pdf>

These documents may be obtained free of charge and without obligation by requesting them from CRH.

- by telephone: +33 (0)1 42 89 49 10, by fax: +33 (0)1 42 89 29 67, or by mail:

CRH – Caisse de Refinancement de l'Habitat

35 rue La Boétie

75008 Paris

APPENDIX 1

ARTICLE 13 OF ACT N° 85-695

Complemented by Article 36 of Act n° 2006-872 of July 13, 2006

(Journal officiel of July 16, 2006)

I. - Superseded

II. - The guarantee of the State may be accorded to bonds issued by holders of promissory notes representing loans granted to finance real estate transactions, guaranteed by a mortgage or by a senior real estate lien, so long as these loans represent a maximum share established by decree or that the amount of the contracts constituting the loans set aside to guarantee the payment of these promissory notes at maturity is greater than the amount of these same notes in a minimum proportion established by decree.

The promissory notes cited in the preceding paragraph are created under conditions established in compliance with the provisions of Article 16 of the aforementioned Act 69-1263 of December 31, 1969.*

III. - The bonds cited in Paragraph II above may be issued by a company or by an economic interest grouping (*groupement d'intérêt économique*) that has been granted special approval by order of the Minister for the Economy, Finance and the Budget.

IV. - When the guarantee of the State is not accorded, the sums or amounts generated by the promissory notes mentioned above are allocated, as a matter of priority and under all circumstances, to the payment of the interest and principal on these borrowings. They are carried in a specially designated account that is opened by the holder of the promissory notes, and from which the creditors of the latter, other than the holders of the bonds cited in Paragraph II, may not pursue the payment of their receivables.

V. - The provisions of Book VI of the French commercial code, or those governing all legal or equivalent amicable proceedings engaged on the basis of foreign laws, do not constitute an obstacle to the application of Paragraph IV.

*These dispositions are codified in article L. 313-42 to L. 313-49 of the *Code Monétaire et Financier*.

Code Monétaire et Financier
(Monetary Affairs and Finance Code)

LEGISLATIVE PART

Codifying the provisions of Section 16 of the Act of December 31, 1969 as amended by Act 85-695 of July 11, 1985 and Act 99-532 of June 25, 1999²

Paragraph 3

Collateralization of mortgages and similar loans

Section L.313-42

The provisions of this paragraph apply to promissory notes issued by credit institutions to collateralize long-term loans used to finance the acquisition of real property located in France or other member states of the European Economic Area which are secured by:

- a first mortgage or other lien on property providing at least equivalent security

- or by a guarantee provided by a credit institution or insurance company other than a consolidated affiliate of the credit institution issuing the promissory note, as defined in accordance with Section L.233-16 of the Commercial Code.

Units of securitization funds are deemed equivalent to the loans described above provided that at least 90% of the fund's assets are made up of such loans, excluding units in a special class bearing the risk of the borrowers' default.

From January 1, 2002, loans pledged to guarantee promissory notes must comply with the provisions of paragraph I of Section L.515-14 and the terms and conditions established by order of the *Conseil d'Etat*. Such order sets forth the conditions under which the above proportion may be exceeded if the amount of the loans exceeds that of the promissory notes, which they secure.

Section L.313-43

The contracts evidencing these loans and guarantees, any amendments to those contracts for the purpose of providing the lender with additional security, and any instruments executed by the borrower to secure performance of obligations must be pledged by the lending institution to the beneficiary of the promissory note, if the beneficiary so requests, in a principal amount equal to that of the promissory note.

² NdT: unofficial translation

The lending institution shall retain custody of the contracts and instruments pledged to the beneficiary of the promissory note and shall keep a register in the beneficiary's name, as required by Sections L.313-42 to L.313-49, individually listing each of the loans corresponding to the contracts and instruments referred to above, in each case indicating the current amount of the loan, this being revised as necessary.

Section L.313-44

I. Except where Section L.313-46 applies, the lending institution shall recover, up to the same amount, the right to freely dispose of the loans described in Section L. 313-43 as these fall due or are paid, or at its initiative. However, as long as the promissory note remains in circulation, it shall be required to continuously replace the contracts and instruments for which it recovers this right with others representing an equal principal amount pledged to the beneficiaries of promissory notes in accordance with the conditions set forth in Section L. 313-43.

II. The debt instruments pledged to the beneficiary of the promissory note in accordance with the provisions of the preceding paragraph I shall substitute by operation of law, by subrogation *in rem*, for the loans and instruments to which the lending institution recovers its rights. This substitution shall preserve the rights of the beneficiary of the promissory note, in particular as to the effects provided under paragraph I above (Section L. 313-45), even if the new instruments are executed subsequent to the promissory note.

Section L.313-45

The lending institution's pledge of loans and instruments to the beneficiary of the promissory note automatically constitutes a security interest in favor of successive beneficiaries without further formality.

The rights of the beneficiary of the promissory note attach, without further formality, to all claims arising in favor of the lending institution by virtue of the contracts and instruments pledged to the beneficiary pursuant to this paragraph. They also extend to all interest, incidental charges, mortgages or other security for the loans, even if the guaranties arise from documents other than the contracts or instruments.

The beneficiary of the promissory shall take priority over the lending institutions in the exercise of these rights and, where the same loan is divided between multiple beneficiaries of promissory notes, equal priority to those beneficiaries.

Lending institutions may not transfer loans or instruments in any way so long as they continue to secure the promissory notes.

Section L.313-46

In the event that either the principal or interest due on the promissory note is not paid when due, the beneficiary may, independently from any other action it may take against the lending institution, request and obtain, on return of the note, the list of separately identified loans described in Section L.313-43 and, where applicable, the instruments pledged pursuant to this paragraph. On obtaining this list, the former beneficiary shall acquire, without further formality, full ownership of the loans including attached interest, benefits and security within the limit of the entitlement resulting from the surrendered promissory note.

Section L.313-47

For cancellation of registration, no supporting document shall be required to support statements in the release indicating the existence of the pledge or transfer of ownership provided that the release certifies the truth of such statements. The beneficiaries of the pledged loans or transfer of ownership shall not be considered as an interested party within the meaning of Section 2157 of the Code Civil provided the release does not evidence any transaction in that person's favor.

Section L.313-48

To secure payment of interest or principal due on the promissory note referred to in Section L.313-42, the beneficiary may request the lending institution to pledge contracts representing long-term loans, together with related guarantees, in addition to those already provided in accordance with Section L.313-43, and in an agreed amount, provided that these loans may give rise to the issue of promissory notes having the features described in Section L.313-42.

The contracts pledged as security to the beneficiary of a promissory note within the scope of Section L.313-42 shall be identified to that beneficiary at the same time as they are pledged in accordance with the procedure described in Sections L.313-43 and L.313-44. The pledge of additional loans as security shall produce the effects described in Sections L.313-45 and L.313-47. Sections L.313-44 to L.313-46 shall apply notwithstanding any provision to the contrary, in particular the provisions of Book VI of the Commercial Code. These provisions shall apply to collateral constituted prior to June 29, 1999 pursuant to the provisions of this paragraph.

Section L. 313-49

The Banking Commission shall be responsible for ensuring credit institutions' compliance with the provisions of Sections L.313-42 to L.313-48.

Paragraph 3: Assignment of mortgage receivables and similar receivables

(CODE MONETAIRE ET FINANCIER)

(Regulatory Part)

(Decree no. 2007-745 of 9 May 2007 art. 1 Official Journal of 10 May 2007)

Art. R. 313-20

I. – A receivable that is guaranteed within the meaning of article L. 313-42 can only be assigned by application of the provisions of this article up to a limit which is the smaller of the two following amounts :

1. The principal amount still outstanding on the receivable ;
2. The percentage of financing defined under II multiplied by the value of the property being financed or provided as a guarantee.

II. – The percentage of financing referred to under I-2 is equal to :

1. 60% of the value of the financed property for secured receivables or the property provided as a guarantee for mortgage receivables;
2. 80% of the value of the property for any loan to a bearer of a promissory note by the institution issuing the note, made to a natural person in order to fund the construction or purchase of housing or to finance both the purchase of development land and the cost of construction of housing.

Any work carried out to create housing or to create additional living space or convert living space by means of an extension or renovation shall be treated as the construction of housing.

III. – The properties financed or provided as a guarantee corresponding to the receivables assigned shall be valued by the issuers of the promissory notes in accordance with the terms and conditions laid down in a decree by the Minister of Economy.

Art. R. 313-21

The percentage of financing referred to in article R. 313-20, II-2 is raised to:

1. 90% of the value of the property when the amount of the assigned receivables is at least 25% higher than the amount of the promissory notes guaranteed thereby ;
2. 100% of the value of the property provided as a guarantee for loans covered by the guarantee under the new home owners' guarantee fund (*fonds de garantie à l'accession sociale à la propriété*) referred to in article L. 312-1 of the Construction and Housing Code (*Code de la construction et de l'habitation*) or any entity replacing it, or loans secured, for the fraction over and above the stipulated percentage of financing, by a guarantee that satisfies the criteria laid down in L. 313-42 of this Code or by a guarantee by one or several public legal persons as referred to in article L. 515-15 of this Code.

Art. R. 313-22

A secured housing loan providing a guarantee equivalent to a first residential mortgage within the meaning of article L. 313-42, is the one entitling the creditor, regardless of the debtor's legal position, the right to sell the property encumbered by such lien, whoever should be in possession of that property, and to use the proceeds to recover amounts due, taking priority over other creditors.

Art. R. 313-23

Abrogated

Art. R. 313-24

Pursuant to point 2. of paragraph I of article L. 515-14, eligible guaranteed loans are those for which a credit institution or insurance company with stated capital of at least EUR 12 million stands joint and several surety.

The total amount of guaranteed loans assigned as collateral cannot exceed 35% of the total amount of loans pledged as collateral to the benefit of the holder of the notes issued pursuant to articles L. 313-42 to L. 313-48.

Art. R. 313-25

The indenture for bonds issued in accordance with article L. 313-42 must expressly mention:

- 1° the purpose for which the funds will be used ;
- 2° the exclusive corporate purpose of the issuing credit institution ;
- 3° the exception provided for at article R. 214-7 ;
- 4° the priority of the issuing credit institution under the provisions of articles L. 313-42 to L. 313-49.

APPENDIX 4

Extract from CRBF Regulation No. 99-10 relative to *sociétés de crédit foncier* (real-estate credit institutions) as amended by Regulation No. 2002-02 of July 15, 2002 and by ARRETE of May 7, 2007

The *Comité de la Réglementation Bancaire et Financière*, having regard to

Act No. 84-46 of January 24, 1984 as amended, relative to the activities and control of credit institutions;

Act No. 99-532 of June 25, 1999 relative to savings and financial security;

Regulation No. 88-02 of February 22, 1988 as amended, relative to accounting for transactions in forward interest-rate financial instruments;

Regulation No. 90-02 of February 23, 1990 relative to shareholders' equity;

Regulation No. 90-15 of December 18, 1990 as amended, relative to accounting for interest-rate and currency swap contracts;

Regulation No. 91-01 of January 16, 1991 as amended, relative to the preparation and publication of individual annual financial statements of credit institutions;

Regulation No. 97-02 of February 21, 1997 relative to the internal control of credit institutions,

Decides:

Chapter 1

The valuation of real estate

...

Section 1. – Real estate financed by loans eligible as assets of *sociétés de crédit foncier* or contributed in guarantee of such loans shall be valued on a prudent basis excluding any amount of a speculative nature.

Section 2. – The valuation shall be based on the real-estate's long-term and permanent characteristics, usual and local market conditions, the current use of the asset and other uses to which it may be put.

Such mortgage value shall be determined in writing, in a clear and transparent way, and shall not exceed the market value.

By derogation, the valuation may be based on the total cost of the operation when this cost is less than EUR 450,000 or when the sum of the remaining principal balances of the loans guaranteed by the asset financed is less than EUR 360,000.

...

CRH - CAISSE DE REFINANCEMENT DE L'HABITAT
ARTICLES OF INCORPORATION AND BYLAWS

TITLE I

Article 1 - LEGAL FORM

The company shall be a French corporation (*société anonyme*). It shall be governed by current and future laws and regulations and these Bylaws.

Article 2 - PURPOSE

The company's purpose shall be:

- to refinance, for the exclusive benefit of its shareholders or of establishments undertaking to become shareholders in accordance with the provisions of Articles 6 and 8 below, the promissory notes they have signed or endorsed to collateralize the loans referred to in Section L. 313-42 of the Monetary and Financial Code representing housing loans,
- to issue, in connection with this application of funds, bonds and other securities with features similar to those of the collateralized notes,
- in general, to enter into real estate and other transactions relating to the purposes described above or any similar or related purposes, or which may be of a nature to facilitate the realization thereof.

The company may not hold any interest or conduct any business that is not related to its corporate purpose. In particular, it may not contract any debt not related to this purpose, with the exception of subordinated debt to reinforce its shareholders' equity, or in the event of the default of the maker of a promissory note.

Article 3 – COMPANY NAME

The name of the company shall be C.R.H. - Caisse de Refinancement de l'Habitat.

Article 4 – REGISTERED OFFICE

The registered office of the company is located at 35, rue de la Boétie, Paris 75008. In the event that the Board of Directors changes the registered office in accordance with the provisions of the law, the new registered office shall automatically replace the former office in this Article.

Article 5 – PERIOD OF DURATION

The company shall exist for 99 years as from the date of its registration with the Trade and Companies Registry, except in the event of earlier dissolution or extension of the term.

Article 6 - CAPITAL

The stated capital of the company shall be set at one hundred and twenty nine million, six hundred and sixty four thousand, nine hundred twenty four euros and fifty cents.

It shall be divided into eight million, five hundred and two thousand and six hundred eighteen shares with a par value of EUR 15.25 each.

The number of shares held by each shareholder must be in the same proportion as the outstanding amount of its loans refinanced by the company for that shareholder relative to the total loans refinanced by the company. For the calculation of the proportion, the guarantee shares held by the directors are to be deducted from the total number of shares. The number of shares shall be adjusted annually, as necessary, before the end of the third month of the financial year. Where calculation results in a fractional number, shares shall be distributed on the basis of the "greatest remainder" rule.

Article 7 – FORM AND TRANSFER OF SHARES - UNDERTAKINGS TO SELL

Shares must be in registered form, giving rise to a book entry in accordance with the conditions and procedures established by law.

Shares shall be freely negotiable and transferable. Transfers of shares to a person not belonging to the company shall be effected by a transfer order signed by the seller or its agent.

To ensure that each member of the company holds a number of shares proportional to the amount of loans refinanced on its behalf by the company, as provided under Article 6 above, each company member undertakes to sell to the member indicated by the company, or to the person so indicated undertaking to become a member, or to buy from such member or person, the number of shares required to maintain this proportion.

The related sales and purchases shall be effected annually before the end of the third month of the financial year.

These sales and purchases shall be at a price equal to the net book value of the shares calculated on the basis of the last balance sheet at the end of the financial year preceding the transactions.

For the purpose of effecting sales and purchases of this kind, each member shall grant the company full powers to transfer shares from the seller's account to the buyer's account without further formality.

Article 8 – RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Each share entitles its holder to ownership of company assets and an interest in company earnings and liquidation proceeds in the same proportion as one share to the total number of shares outstanding.

In all cases where several shares are required for the exercise of a given right, single shares or shares in insufficient numbers shall not give their holders any claim on the company, it being their personal responsibility in such cases to combine interests to reach the required number of shares.

Ownership of a share shall mean full acceptance of the company's articles of incorporation and Bylaws and decisions of its Regular Shareholders' Meetings.

Article 9 – PAYMENT OF SHARES

Amounts remaining due for shares payable in cash shall be called by the Board of Directors in accordance with the conditions it shall establish.

Article 10 – SHAREHOLDERS' OBLIGATIONS

Each shareholder shall be required to pay to the company, as an advance, the amounts necessary to set shareholders' equity at the level determined by the Regular Shareholders' Meeting in accordance with banking regulations.

Advances due from each shareholder shall be proportional to the amount of promissory notes that shareholder has refinanced or endorsed with the company and for a period ending with the maturity of these notes.

These advances, thus adjusted to reflect changes in the amounts refinanced or endorsed by each shareholder, shall, in the event of the company's voluntary or court-ordered liquidation, be reimbursed only after all other creditors have received the amounts due to them.

Each shareholder shall further be required to provide the company, as a short-term advance, with the amounts necessary for its operation, subject to the limits and conditions set by the Board of Directors, the maximum amount of such advances being limited to 5% of total amounts outstanding.

Advances due from each shareholder shall be proportional to the amounts refinanced on its behalf.

Any shareholder failing to provide the required amounts by the specified date shall owe the company compensation in accordance with the conditions adopted by the Regular Shareholders' Meeting.

TITLE II - GOVERNING BODIES

Article 11 - BOARD OF DIRECTORS

The company shall be administered by a Board of Directors comprising at least three members and at most twelve.

Directors must hold at least one share throughout their term of office.

The term of office for directors shall be six years. However, the first directors shall be appointed for three years. Directors may always be reelected.

As an exception to the above, directors aged over 70 may not make up more than one-third of board membership. Compliance with this limit shall be verified each year by the meeting of the Board of Directors held to call the Regular Shareholders' Meeting. Where the limit is exceeded, the Board decides which member or members aged over 70 are to remain in office.

In the event of a vacancy or vacancies resulting from the age limit or the death or retirement of one or more directors between two Regular Shareholders' Meetings, the Board may make provisional appointments.

Article 12 - CONVENING OF BOARD MEETINGS AND DECISIONS

Directors may be called to meetings by any appropriate means, including verbal announcement.

Decisions shall be taken subject to the conditions of quorum and majority provided for by law. Where votes are equally divided, the Chairman shall have the casting vote.

Minutes of Board meetings shall be drawn up and copies or excerpts filed and registered in compliance with the law.

Article 13 - POWERS OF THE BOARD OF DIRECTORS

The Board of Directors determines the broad lines of the company's business activities and ensures their implementation.. It shall deal with any question concerning the proper conduct of the company and through its deliberations shall determine any matters concerning the company, within the limits determined by the company's purpose and excluding those powers expressly reserved by law to Regular Shareholders' Meetings.

The Board of Directors shall perform such controls and verification procedures as it deems necessary.

The Board of Directors receive from the company's chairman or general manager all the documents and information necessary to perform this task.

Article 14 - CENSEURS (SUPERVISORY MEMBERS OF THE BOARD)

The Regular Shareholders' Meeting may appoint one or more *censeurs* from among company shareholders who are not directors, and shall determine the compensation to be paid to them.

Their term of office shall be six years. Said term shall end following the Regular Shareholders' Meeting called to examine the financial statements for the previous financial year and held in the year in which their term of office expires.

Censeurs may be reelected indefinitely and they may be removed from office at any time by a decision of the Regular Shareholders' Meeting.

In the event of the death or resignation of one or more *censeurs*, the Board of Directors may co-opt a successor or successors, this provisional appointment being subject to ratification by the next Regular Shareholders' Meeting.

The *censeurs* shall be responsible for ensuring strict compliance with the company's articles of incorporation and bylaws. They shall attend meetings of the Board of Directors in an advisory capacity. They shall examine statements of assets and liabilities and annual financial statements, and may present their observations on this subject to the Regular Shareholders' Meeting where they consider this appropriate.

Article 15 - CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors shall elect a Chairman from among its members who are natural persons for a term which it shall determine, but which shall not extend beyond the member's term of office as a director. The Chairman shall organize and direct the work of the Board of Directors, on which he or she shall report to the Regular Shareholders' Meeting. He or she shall ensure the company's management bodies function correctly and, in particular, that directors are capable of fulfilling the terms of their appointment.

The compensation of the Chairman shall be set at its discretion by the Board of Directors.

The Chairman may be reelected subject only to the restrictions described in the paragraph below.

The Chairman's term of office must expire at the latest at the close of the first Regular Shareholders' Meeting held after he or she has reached the age of 68. However, the Board of Directors may, at a meeting following that Regular Shareholders' Meeting, extend this period, on one or more occasions, in accordance with applicable law and regulations.

In the event of the temporary incapacity or death of the chairman, the Board of Directors may appoint one of its members as acting chairman.

Where this appointment is due to the temporary incapacity of the Chairman, it shall be for a set term, which shall be renewable. In the event of the Chairman's death, it shall be valid until the election of a new chairman.

The Board of Directors shall also appoint a Secretary for a term that it shall determine. The Secretary may be one of its members or not. In the latter case, the Secretary shall have neither voting nor advisory powers.

The Chairman and Secretary together form the Board's officers.

Article 16 - GENERAL MANAGEMENT

On the decision of the Board of Directors, general management of the company shall be assumed, at the company's responsibility, by either the Chairman of the Board of Directors or another natural person appointed by the Board as the Chief Executive Officer.

This decision shall be notified to shareholders and third parties in accordance with applicable regulations.

The terms and conditions for the exercise of general management powers, and the period for which such terms and conditions shall remain in force, shall be decided for the first time at the first meeting of the Board of Directors that shall follow adoption of these bylaws.

The Board of Directors shall be able to decide that its decision shall be valid for a limited time period.

In the event that the Board decides that the Chairman of the Board of Directors shall exercise general management powers, the provisions of these bylaws relative to the Chief Executive Officer shall apply to the Chairman of the Board of Directors, who shall take the title of Chairman and Chief Executive Officer.

Article 17 - CHIEF EXECUTIVE OFFICER

The broadest powers shall be vested in the Chief Executive Officer to act in the company's name in all circumstances. He or she shall exercise these powers within the limits determined by the company's purpose, excluding those expressly reserved by law to Regular Shareholders' Meetings or the Board of Directors.

The Chief Executive Officer shall represent the company in its relations with third parties. The company shall be liable for those acts of the Chief Executive Officer that do not fall within the company's purpose, except if it can prove that the third party was aware or, in the circumstances, could not have been unaware, that the act in question fell outside the company's purpose. Mere publication of the bylaws shall not constitute such proof.

The Board of Directors may limit the powers of the Chief Executive Officer, but not vis-à-vis relations with third parties.

The Chief Executive Officer may temporarily or permanently delegate part of his or her powers to such agents as he or she may notify, who may or may not in turn delegate such powers.

The compensation of the Chief Executive Officer shall be set at its discretion by the Board of Directors.

The Chief Executive Officer, even if not a director, shall be invited to meetings of the Board of Directors.

The Chief Executive Officer may be removed from office by the Board of Directors at any time. If the removal from office is proved to be unjust, it may give rise to the payment of damages except if the Chief Executive Officer takes over the functions of the Chairman of the Board of Directors.

If the Chief Executive Officer is also a director, the appointment shall not extend beyond his or her term of office as a director.

The Chief Executive Officer's term of office must expire at the latest at the close of the first Regular Shareholders' Meeting called to approve the financial statements for the year in which he or she reaches the age of 65. However, the Board of Directors may, at the meeting following that Regular Shareholders' Meeting, extend this limit, on one or more occasions, in accordance with applicable law and regulations.

Article 18 – VICE-PRESIDENTS

Acting on a proposal from the Chief Executive Officer, the Board of Directors may appoint, within the limits set by law, one or more natural persons to assist the Chief Executive Officer and who shall each be designated as a Vice-President.

In agreement with the Chief Executive Officer, the Board shall determine the scope of the powers of each Vice-President and his or her term of office. Each Vice-President shall have the same powers vis-à-vis third parties as the Chief Executive Officer.

Should the Chief Executive Officer cease to exercise his or her functions or be prevented from so doing, each Vice-President may continue to exercise his or her functions and powers until the appointment of a new Chief Executive Officer, save in the event of a decision to the contrary by the Board.

The compensation of each Vice-President shall be set at its discretion by the Board of Directors acting on a proposal from the Chief Executive Officer.

Each Vice-President, even if not a director, shall be invited to meetings of the Board of Directors.

Each Vice-President may be removed from office by the Board of Directors at any time acting on a proposal from the Chief Executive Officer. If the removal from office is proved to be unjust, it may give rise to the payment of damages.

If a Vice-President is also a director, the appointment shall not extend beyond his or her term of office as a director.

Each Vice-President's term of office must expire at the latest at the close of the first Regular Shareholders' Meeting called to approve the financial statements for the year in which he or she reaches the age of 65. However, the Board of Directors may, at the meeting following that Regular Shareholders' Meeting, extend this limit, on one or more occasions, in accordance with applicable law and regulations.

Article 19 - STATUTORY AUDITORS

The company shall be audited by one or more statutory auditors in accordance with the provisions of the law.

One or more deputy auditors shall be appointed by the Regular Shareholders' Meeting to replace these statutory auditors in the event of the death, inability or refusal to act of said statutory auditors.

Article 20 - REGULAR SHAREHOLDERS' MEETINGS

Regular Shareholders' Meetings shall be convened in accordance with the provisions of the law.

Meetings shall take place at the company's registered office or at any place indicated in the notice of meeting.

The right to participate in meetings shall be conditional on registration of shares on the company roll no less than five days prior to the date of the meeting.

Meetings shall be chaired by the Chairman of the Board of Directors or, where the Chairman is absent, by another director appointed for this purpose by the Board, or failing this, by a person elected by the meeting.

Votes shall be counted by the two members of the meeting with the largest number of votes who accept these duties.

The officers of the meeting shall appoint the secretary for the meeting, who is not required to be a shareholder.

A record of attendance shall be kept in accordance with the provisions of the law.

Copies and excerpts of the minutes of the meeting shall be properly certified as required by law.

Article 21 - ATTENDANCE AND REPRESENTATION AT MEETINGS

All shareholders shall have the right to attend the meetings.

Each member of a Regular Shareholders' Meeting shall have, subject to the special provisions of the law concerning meetings deemed to be constituent, the number of votes resulting from the following rules:

- shareholders with between one share and 10% of the shares representing the capital shall have one vote for each 0.01% of the capital they own.

- shareholders with between 10 and 20% of the shares representing the capital shall have 1,000 votes plus one vote for each 0.10% of the capital they own above 10%.

- shareholders with more than 20% of the shares representing the capital shall have 1,100 votes plus one vote for each 1% of the capital they own above 20%.

- where necessary, the number of votes calculated in this way shall be rounded up to the nearest integer.

A shareholder may be represented by another shareholder at a Regular Shareholders' Meeting.

Individuals representing legal entities shall participate in meetings whether or not they are themselves shareholders.

Article 22 - POWERS OF REGULAR SHAREHOLDERS' MEETINGS

Regular and Special Shareholders' Meetings shall adopt decisions in accordance with the conditions of quorum and majority legally applicable to each, and shall exercise the powers vested in them by law.

TITLE III FINANCIAL YEAR AND EARNINGS

Article 23 - FINANCIAL YEAR

The company's financial year shall begin on January 1 and end on December 31.

As an exception, the company's first financial year shall begin on the date of incorporation and end on December 31, 1985.

Article 24 - PROFITS AND LOSSES – PAYMENT OF DIVIDENDS

Distributable income, as this is defined by law, shall be at the disposal of the Regular Shareholders' Meeting, which may decide to allocate it to one or more reserves for which such meetings have the power to determine allocations or applications, to carry it forward to the following year, or to distribute it. In the event of distribution, the Regular Shareholders' Meeting may allow shareholders to choose between a dividend in cash or in shares as provided by law.

The Regular Shareholders' Meeting may also decide to distribute funds drawn from reserves that it controls, expressly indicating the reserve or reserves from which they shall be drawn.

However, dividends shall be to be paid out of distributable income first.

Except in the event that the capital is reduced, no distribution may be made if shareholders' equity is lower or would as a result of such distribution become lower than the sum of the capital and reserves which may not legally be distributed.

Any losses shall be carried forward and charged to future income until they are wiped out.

TITLE IV - DISSOLUTION - LIQUIDATION

Article 25

At the expiration of the company or in the event of its dissolution, the Regular Shareholders' Meeting shall determine the liquidation procedures and appoint one or more liquidators whose powers the same meeting shall determine, and who shall perform their duties in accordance with the provisions of the law.

CRH - CAISSE DE REFINANCEMENT DE L'HABITAT

INTERNAL RULES AND REGULATIONS

see the modifications submitted to the general assembly of March 13, 2007

(in fat and italic in the text):

the modification of paragraph 6.1 and 6.2
and the creation of paragraph 6.5

These internal rules are designed to complement and explain the Bylaws. They specify the provisions governing CRH's business and certain shareholder commitments. They apply to existing and future mortgage notes and supersede any previous agreements.

1. **Activity**
2. **Approval of borrowers**
3. **Risk Committee**
4. **Bond issuance procedure**
5. **Mortgage notes**
6. **Collateral for mortgage notes**
7. **Borrower defaults**
8. **Shareholders' obligations**
9. **Internal controls and inspection**
10. **Shareholder approval of internal rules and regulations**

1. ACTIVITY

1.1 In accordance with its Bylaws, the sole activity of CRH is the refinancing of housing loans granted by the credit institutions that are, or have agreed to become, its shareholders.

1.2 CRH issues bond loans (or other securities, also referred to in what follows as “bonds”) with the same features as its refinancing loans. It thus acts on behalf of its shareholders purely as an intermediary.

1.3 As a result, the borrowing institutions’ commitments exactly match those contracted by CRH when borrowing on the financial market.

1.4 CRH’s refinancing operations are governed by Sections L. 313-42 to L.313-49 of the Monetary and Financial Code (*Code monétaire et financier*).

1.5 As required by its Articles, CRH will not hold any equity interests or engage in any activity that is not part of its corporate purpose. In particular, it will not contract any debt not relating to this corporate purpose, excepting subordinated debt contracted for the purpose of consolidating shareholders’ equity; or in the event of default by the issuer of a promissory note.

2. APPROVAL OF BORROWERS

2.1 To be eligible for CRH refinancing, a borrower must:

- be a credit institution,
- undertake to become a CRH shareholder,
- undertake to comply with legislation and official regulations applicable to the operations of CRH, the Articles of Incorporation and Bylaws of CRH and these internal rules, in particular as regards the right of CRH to inspect the borrower’s loan portfolio,
- be approved by CRH and, to this end, submit documentation with all business and financial information necessary to determine whether such approval is appropriate.

CRH may request any additional information and technical assessments it considers necessary for this purpose.

2.2. After consulting, where appropriate, the Risk Committee, the CRH Board of Directors decides whether to grant approval, if necessary setting forth the conditions to which this approval is subject, and determining the financial conditions applicable to refinancing.

In accordance with French banking regulations, the Board of Directors may at any time reconsider the maximum amount of risk accepted in respect of any one borrower.

2.3. Before any refinancing is granted:

- the borrower must sign the internal rules and a subordinated loan agreement concerning the equity contribution referred to in Article 8.1 below;
- the borrower must undertake to provide CRH, on a regular basis or at the request of CRH,
- with all documents necessary to monitor its business and earnings, in particular in the housing-loan sector,
- where applicable, this is to include information concerning housing-loan assets sold or transferred, whether or not the borrower continues to administer these loans,
- where applicable, it shall also include the amount of any mortgage notes issued in favor of any party other than CRH,
- the CRH inspection department may examine the borrower’s loan portfolio.

3. RISK COMMITTEE

3.1 The Board of Directors or the management of CRH may convene a Risk Committee. The Board of Directors appoints the members of this committee from among its shareholders or their representatives, and determines the rules governing the operation of the committee.

3.2 The risk committee is an advisory body. At the request of the Board of Directors or management, it gives its opinion on issues such as, in particular, the conditions applying to:

- approval of borrowers and refinancing
- eligibility of loans
- collateral for mortgage notes
- cover for the direct and indirect risk exposure of CRH.

4. BOND ISSUANCE

4.1 The credit institutions inform CRH of their refinancing requirements periodically.

After receiving and examining all applications, CRH informs the institutions of its decision, prepares an issuance program, and submits a lending agreement setting forth the terms and conditions of refinancing for signature by the institutions.

4.2 CRH may issue notes, bills, bonds, negotiable debt instruments or any other security on French or foreign financial markets.

CRH may entrust one or more credit institutions with the placement of its securities or effect this placement itself. It determines the specifications of these securities in accordance with market conditions.

4.3 Once it has received the proceeds of its issues, CRH pays each borrower its full interest in these proceeds, less the required equity contribution and the fees and commissions relating to issuance. This equity contribution is in the form of a subordinated loan granted to CRH by the borrowers. CRH redeems subordinated loans in accordance with the conditions set forth in section 8.1 of these Regulations.

5. MORTGAGE NOTES

5.1 Issuance of mortgage notes

In accordance with the provisions of Sections L.313-42 to L.313-49 of the Monetary and Financial Code and the refinancing contract, borrowers must provide CRH with mortgage notes representing their interest in the bond. The mortgage notes are to be made out in accordance with the provisions of the Commercial Code and prevailing standards as defined in a model drawn up by CRH. Borrowers must give an irrevocable undertaking to pay the interest, costs, incidental expenses and all current and future tax relating to these notes in proportion to their interest and to fulfill the commitments set forth on the front and back of these notes.

CRH purchases these notes when it receives the corresponding funds.

Principal notes bear interest at the same rate and dates as the related bond issue and are amortized in accordance with the same conditions.

5.2 Early repayment of notes

Borrowing institutions may repay notes in full or in part before maturity only with

CRH's consent and subject to the conditions determined by CRH, after signing an early repayment agreement. In such event, the institution concerned delivers the related bonds to CRH as repayment.

CRH may suspend this right at any time.

5.3 Procedure to secure compliance with amortization schedules

In connection with the introduction of procedures to secure compliance with amortization schedules for existing or future bonds, borrowers expressly agree to comply with the following provisions:

- Five business days before a payment on a bond issued by CRH falls due, each borrower must pay CRH an advance in an amount equal to the principal note to be repaid, plus the amount of the associated interest note.

- The corresponding funds are invested on the money market up to the payment date through deliverable repurchase agreements on Treasury notes and bills.

- The advance is returned on the payment date, where applicable by offsetting the amount against sums due from the borrower on the principal note and the associated interest note.

The proceeds from the investment of advances on the money market are paid to the borrowers.

5.4 Endorsement by authorized guarantor

One or more borrowers may authorize an institution duly approved by CRH to issue, in their name and on their behalf, a single refinancing note representing loans that the borrower or borrowers wish to refinance.

The institution so authorized endorses the principal and interest notes on behalf of the borrowers. It undertakes to stand in for the borrowers in the event of default and in such event is obligated to fulfill all the commitments of the borrower or borrowers concerned. It also provides CRH with a copy of its authorization.

Each borrower so authorizing the institution undertakes to fulfill all commitments relating to the refinancing in proportion to its interest in the note. The borrowers may enter into an agreement stipulating joint and several liability with regard to all these commitments.

The authorized institution does not need to be in possession of the loans, but must give an undertaking that CRH may, if it wishes, conduct inspections at its premises.

The authorized institution is also required to obtain from the borrowers it acts for all such documents as may be required to obtain, if necessary, enforceable copies of loan agreements from notaries and court registrars. The authorization it receives must provide for the transferability of this right to CRH.

The authorization must further expressly indicate that the principal is apprised of these internal rules, agrees to the conditions set forth herein and undertakes to comply with the same.

The authorized institution signs these internal regulations both in its own name and as the representative of its principal.

6. COLLATERAL FOR MORTGAGE NOTES

6.1 Pledging of loan portfolio

Interest payments and mortgage note repayments must be secured by a pledge of loans, **as soon as notes are issued**, in accordance with the provisions of Sections L.313-42 to L.313-49 of the Monetary and Financial Code concerning provision of collateral.

Collateral is constituted by the borrower providing an itemized list of the loans securing each note, using a model prepared by CRH, in accordance with the aforementioned provisions.

The terms of the loans accepted as collateral and any particular conditions applying to refinancing are determined by the CRH Board of Directors in compliance with applicable law, and are set forth in a document entitled “Eligibility of Loans for CRH Refinancing”. Borrowers consent in advance to any amendments that may in the future be made to this document.

The loans pledged must at all times have an average life equal to the residual life of the principal note secured, and bear interest at an average rate equal to or higher than that on the note. The amount of these loans must at all times be equal to at least 125% of the note secured. However when certain of these conditions are not fulfilled, notably matching of interest rates and life of notes, CRH may require that this minimum amount be increased.

The borrower undertakes to employ its best efforts to ensure that debtors meet payments on due dates.

It is expressly agreed that all loan thus provided as collateral for CRH by the borrower is affected to the guaranty of all note subscribed or later on subscribed by the borrower at CRH's profit.

6.2 Restrictions applying to collateral

In accordance with the provisions of the Code referred to above, the borrower may not assign, in any manner or form, in particular by transfer of ownership or pledge, the loans provided as collateral. Transfers to a securitization fund or a *société de crédit foncier* are thus prohibited.

The borrower recovers the right to dispose freely of the pledged loans only when they are repaid, capitalized, disputed, fall due or become doubtful. In such cases, the borrower must immediately replace these loans with eligible loans in the same amount.

Loans are deemed disputed when due payments are not made, either because of legal or political obstacles beyond the control of the debtor, or because of contestation.

Loans are deemed doubtful when due payment is not made for reasons other than those referred to in the previous paragraph.

Borrower undertakes to withdraw from pledged collateral, all pledged loans unvalidated during CRH's inspections and more broadly to withdraw all pledged loan not responding to CRH's criterias of eligibility for loans.

Borrowers keep a register of loans provided as collateral and **monthly** send copies of this register to CRH on a regular basis.

6.3 Inspection of borrowers

CRH inspects collateral for the notes issued by borrowers or to be issued by institutions that intend to borrow.

In particular, it verifies:

- the material existence of loans
- full legal and beneficial ownership by the borrower
- in accordance with the provisions of the law, the absence of related commitments, in particular concerning a pledge or sale.

To this end, it may require the institution inspected to provide all relevant declarations from its Statutory Auditors.

In cases where inspection reveals the inclusion of ineligible loans in the portfolio, in particular of the kind described in article 6.2 of these regulations, the institution must replace these with eligible loans to remedy the resulting shortfall.

6.4 Insufficient collateral

Should the amount of the loans provided as collateral for notes be insufficient, the institution concerned must immediately remedy this by pledging additional eligible loans to CRH. Failing this, the borrower undertakes to restore collateral to an adequate level through the immediate purchase of bonds in a sufficient amount from the pool corresponding to the note concerned and to deliver these bonds to CRH by way of repayment.

CRH may agree to the deferral of such transactions.

Borrowers undertake to inform CRH promptly as soon as they are aware that such a situation may arise.

6.5. Information system

The borrower undertakes to inform CRH, eventually, of any draft amendment likely to affect filters being used to select pledged loans.

7. BORROWER DEFAULT

Should a borrower default on payment of the advance referred to in Article 5.3 above prior to a repayment date or interest payment date, the following provisions apply:

7.1 Call for cash advances

CRH management calls on each shareholder to supply the cash advances referred to in Article 8.3 below for the purpose of meeting commitments to bondholders at the due date despite the default.

7.2 Lapse of maturity dates on notes

When a borrower defaults on payment of interest or principal at a due date, the maturity date on all notes issued by the borrower in favor of CRH lapses and all such notes become ipso facto immediately due.

7.3 Transfer of ownership

On recognition of a borrower's default, CRH, having called cash advances and consulted the Risk Committee, considers:

- a) the advisability of taking over ownership of collateral, together with the conditions applying to such action, in accordance with the provisions of Sections L.313-42 to L.313.49 of the Monetary and Financial Code, once notice of default has been served on the borrower
- b) the advisability of entrusting administration of the loans concerned to the defaulting institution in accordance with the appended agreement, if appropriate under the supervision of a provisional administrator appointed by the *Commission Bancaire*.

CRH then carries out or commissions a detailed audit of the loan portfolio to ascertain its overall makeup and to determine precisely the amounts and dates of revenues it may be expected to generate.

7.4 Management of risks resulting from the substitution of loans for defaulting mortgage notes

The revenue flows generated by the loans are to enable CRH to pay interest and principal on bonds related to the defaulting notes. However, the dates and amounts of revenue flows may not exactly match those of payments.

In view of this, CRH may, once the loan portfolio has been fully assessed, seek additional refinancing to ensure a precise match between revenues and payments.

CRH may also retire its bond debt by selling the loan portfolio and buying back bonds in the same amount on market terms, then canceling these bonds.

7.5 Management of interest rate risk

When a borrower defaults, the interest rate risk that may result is the object of particular attention. CRH may use derivative products to cover this risk, but to the extent possible must give preference to the purchase or sale of fixed-income securities or loans eligible for its refinancing operations.

Should CRH decide to sell the loans to fund the purchase of bonds as described in 7.4 above, preparations for this will include the adoption of precisely defined measures to limit interest-rate risk. This may involve in particular entrusting a credit institution with an ad hoc mandate.

7.6 Settlement between defaulting borrowers and CRH

The final settlement with a defaulting borrower should release CRH in full from all debts and commitments entered into on behalf of the borrower, with no charge of any kind remaining as a result of the default.

The final settlement is in principle made after the latest maturity date initially set for the borrower's notes.

Payments due from the defaulting borrower include in particular:

- the amount of interest, repayments and tax paid or to be paid by CRH on behalf of the borrower since its default, including interest on the cash advances from other shareholders referred to in section 8.3 below.

- the full amount paid out by CRH (including expense and interest) in connection with the bond repurchases referred to under 7.4 above.

- all legal and other expenses borne by CRH as a result of the default.

8. SHAREHOLDERS' COMMITMENTS

In addition to the obligations resulting from the law, regulations and contractual agreements governing their operations, each shareholder must fulfill the following commitments.

8.1 Capital contributions

In accordance with the Articles of Incorporation and Bylaws, each shareholder must pay CRH the sums needed to meet the capital adequacy requirements of French banking regulations.

Each shareholder makes such payments in proportion to the outstanding mortgage notes refinanced by or endorsed by CRH, and for the same period as these notes are valid. The amounts of payments are adjusted to reflect changes in outstanding notes

In the event of voluntary or court-ordered liquidation of CRH, these contributions are not repaid until all other creditors have been paid in full.

8.2 Ownership

In accordance with the Articles of Incorporation and Bylaws, shareholders undertake to sell or buy the number of shares required to ensure that the interest of each is in exactly the same proportion to total equity as its notes are to total notes outstanding.

Sales and purchases must be made before the end of the first quarter of each calendar year, at a price equal to the net book value of the shares as calculated on December 31 of the previous year.

8.3 Cash advances from shareholders

In accordance with the Bylaws, each shareholder must supply CRH with the amounts, in the form of cash advances, required for its operation, subject to a limit of 5% of outstanding loans.

a) The Board of Directors has expressly empowered CRH management to use any means at its disposal to call these cash advances at its own initiative, as soon as the need arises and in the amounts required.

b) Should a shareholder default on debt-related payments to CRH, cash advances from other shareholders allow CRH to timely pay all sums owed on behalf of the defaulting shareholder, in particular to bondholders and French tax authorities.

Where necessary, the sums advanced are held until a final settlement is made between the defaulting shareholder and CRH.

c) Advances are due from shareholders in proportion to their refinancing notes outstanding at December 31 of the previous year.

d) The Board of Directors determines, at the appropriate time, the interest to be paid on these advances on the basis of current market conditions.

e) To enable CRH to receive cash advances immediately on request, each shareholder provides it with an ad hoc file, kept up to date at all times. This file sets out the names, addresses and telephone and fax numbers of two employees authorized to deal with requests for cash advances from CRH management.

f) A shareholder failing to make payments at the due date is required, without further process and without notice, to pay compensation to the company. The terms of this compensation are determined by a Regular Shareholders' Meeting.

8.4 Management agreement

Each shareholder accepts, by operation of law, the terms of the management agreement referred to in Article 7.3 above.

8.5 Compliance with Articles of Incorporation and Bylaws

Each shareholder is required, by sole virtue of its status, to comply with the company's Articles of Incorporation and Bylaws and the resolutions adopted by Regular Shareholders' Meetings.

9. INTERNAL CONTROLS AND INSPECTIONS

In accordance with French banking regulations, CRH has implemented an internal control system under the direct responsibility of senior management.

CRH operations are also reviewed by the audit departments of shareholder institutions.

10. SHAREHOLDER APPROVAL OF INTERNAL RULES AND REGULATIONS

CRH shareholders expressly undertake to comply with these internal rules, as evidenced by their signatures below.

CONDITIONS OF ELIGIBILITY FOR THE LOANS IN WHICH CRH MAY PARTICIPATE

REMINDER

The sole activity of Caisse de Refinancement de l'Habitat is the funding of housing loans extended by banks. CRH provides funding to the banks by acquiring and holding the promissory notes they issue. These notes have the same characteristics as the bonds CRH issues to fund them, and are guaranteed by a specific pledge of the loans made by the banks.

INTRODUCTORY REMARK

The following texts comprise the body of laws and regulations applicable to CRH's operations:

- Article 13 of Law 85-695 of July 11, 1985, along with Article 36 of Law 2006-872 of July 13, 2006;
- Articles L. 313-42 through L. 313-49 of the Monetary and Financial Code summarizing the provisions of Article 16 of Law 69-1263 of December 31, 1969 amended by Articles 12 and 13 of Law 85-695 of July 11, 1985 and by Article 113 of Law 99-532 of June 25, 1999;
- Decree 2000-664 of July 17, 2000 amended by Decree 2003-144 of February 19, 2003, intended for the application of the aforementioned law and by Decree of May 9, 2007.
- French Banking and Finance Regulatory Committee Regulation 99-10 amended by Regulation 2002-02 and Decree of May 7, 2007 concerning the valuation of financed assets to be taken into account when evaluating the criteria of the portion financed;
- the company by-laws of CRH.

The present document, summarizing all of the general provisions related to the raising of capital, which details and supplements the above rules. In compliance with the by-laws of CRH, these provisions have been approved by the Board of Directors.

It should be noted, moreover, that the new provisions of Article 36 of the Law of July 13, 2006 regarding the National Commitment to Housing (*Engagement National pour le Logement*), provided in supplement to Article 13 of the Law of July 11, 1985 to confer a preference to the holders of bonds issued by CRH over the promissory notes, have no impact on the conditions for eligibility.

CONDITIONS OF ELIGIBILITY OF LOANS

The conditions of eligibility of the loans in which CRH may participate are as follows:

1 - BENEFICIARIES

Beneficiaries must be either natural persons or *société civile immobilière* real estate partnerships whose shareholders are natural persons, if the latter do not engage in property development activities.

2 - USE

The loans are intended to be used to finance the construction or acquisition of **Housing** or, in the financing of both the acquisition of a buildable property and the cost of the work for providing **Housing**. All work performed to create or transform a habitable area, by extending or renovating it, is considered to be construction.

Thus, all loans intended to be used to finance professional or commercial facilities are excluded. In the case of a mixed-use operation (financing of both housing and professional or commercial facilities), the financing of the housing part may be eligible only that part is broken out in a separate loan, mortgage registration and valuation.

3 - GUARANTEES

The loans financed must be guaranteed:

1) either by a senior mortgage or a PPD (*privilège de prêteur de deniers*)-type surety on the asset financed,

2) or by a guarantee provided by a credit institution or an insurance company with net assets of at least EUR 12 million that is not included within the scope of consolidation of the lending institution.

4 - AMOUNT

The outstanding principal balance of the eligible loan must not exceed EUR 1 million.

5 - MATURITY

The term to maturity of the eligible loan must not exceed 25 years.

6 – PORTION OF AN ELIGIBLE LOAN THAT MAY BE FUNDED

The portion of an eligible loan that may be funded may not exceed the lower of the following two amounts:

- the remaining principal balance of the loan,
- 90% of the value of the asset financed or provided as collateral (or 100% in the case of *Prêts à l'Accession Sociale* social housing loans guaranteed by Fonds de Garantie à l'Accession Sociale or any other substitute fund, body, entity or person).

When several loans coexist (especially *prêts épargne logement* and zero-interest rate-type regulated housing loans), the portion eligible for CRH financing is calculated by taking the sum of the remaining principal balances of all of the loans.

7 - VALUATION OF THE ASSET FINANCED

All buildings financed by eligible loans are the subject of a prudent evaluation that excludes all speculative aspects. It is carried out by the borrowing bank.

This valuation must be performed by an independent expert, i.e. a person who is not part of the lending decision-making process and who possesses the qualifications, competence and experience necessary to perform such a valuation.

The valuation is performed taking into account the building's long-term characteristics, normal and local market conditions, the current use made of the asset and all other uses that might be made. This mortgage value must be explained plainly and transparently in writing, and may not be greater than the asset's market value.

By dispensation, the valuation may be based on the total cost of the operation when this cost is less than EUR 450,000 or when the sum of the remaining principal balances of the loans guaranteed by the asset financed is less than EUR 360,000.

The valuation of the buildings is reexamined as part of the risk measurement system required of borrowing credit institutions by CRBF Regulation 97-02. This examination is performed annually using statistical methods.

The methods used to value buildings and the periodic reexamination of their value must be made available to both the Banking Commission and CRH, who may request their modification.

8 - SPECIFIC CONDITIONS FOR GUARANTEED LOANS

Total guaranteed loans may not exceed 35% of the total amount pledged by a borrowing institution in favor of CRH.

9 - SPECIFIC PROVISIONS

Until such time as it matures, the funding provided must be secured by the pledging of a portfolio of eligible loans in an amount equal to at least 125% of the total amount of funding.

CRH may, however, require this minimum to be increased in situations where certain rules are not followed, especially rules regarding the congruence of interest rates.

The borrower may not transmit the pledged claims through any means. Consequently, it cannot sell them, notably to an FCC debt securitization fund or to a *société de crédit foncier* mortgage debt company.

The borrower is able to dispose freely solely of those claims that are reimbursed, due for payment, capitalized, disputed or doubtful. The borrower is then expected to replace them with the same amount of eligible claims.

All claims experiencing delinquent payments are considered to be capitalized or disputed if the delinquent payments result from legal or political obstacles independent of the will of the debtor or of any challenge.

All claims experiencing delinquent payments for a reason other than those mentioned above are considered to be doubtful.

It should be specified that a claim is considered to be experiencing delinquent payments once the delinquency represents two payments or more.

The portfolio of pledged loans must have an average life span equal to the term to maturity of the funding, and an average interest rate that is greater than or equal to that of the funding.

CRH may require controlled institutions to provide any useful opinions issued by their statutory auditors.

When invalid claims are discovered, especially those defined in Section 6.2. of the present by-laws, the borrowing institution must pledge an additional portfolio of valid claims in favor of CRH to compensate for the observed shortfall.

OTHER REMARKS

It may be observed that *prêts d'épargne logement* and similar regulated housing loans are eligible under the same terms and conditions as the other loans.

By law, loans are considered eligible if they are used to finance a real estate asset located within the European Economic Space or in the overseas territories of the French Republic. At present, however, the only operations authorized are those financing real estate assets in Metropolitan France and its overseas departments and territories.

SUPPORTING DOCUMENTS TO BE MAINTAINED BY THE BORROWING INSTITUTIONS

Caisse de Refinancement de l'Habitat verifies the materiality of each claim and its compliance with the criteria established in this document. It audits the following characteristics of each loan:

- **purpose and location of the asset financed,**
- **beneficiary,**
- **guarantees,**
- **amount authorized,**
- **remaining principal balance,**
- **clauses describing repayment methods,**
- **date of final maturity and payment dates for interest and principal,**
- **nominal interest rates and conditions for revision,**
- **total cost of the operation financed, cost of works,**
- **valuation of the asset financed,**
- **portion of loan eligible for funding,**
- **delinquent payments.**

Institutions are thus required to maintain the following supporting documents in order to present them to CRH:

1- GUARANTEES

- **executory document, notices of registration and required documents for mortgage loans,**
- **guarantee document for guaranteed loans,**
- **loan offer and amendments.**

2- VALUATION OF THE ASSET

- **sale document, agreement of sale, VEFA-type reservation contract on future construction, notice of donation, notarized certificate, construction contract or any documents useful for establishing the total cost of the operation or the value of the asset financed,**
- **summary of expenses engaged and sums released,**
- **supporting documentation for the valuation of the asset financed, when so required by regulations (total value of the operation greater than or equal to EUR 450,000),**
- **in the event that a loan is acquired, all documents establishing the purpose and the value of the asset financed by the original loan, and ensuring that such loan satisfies all conditions of eligibility.**

3- CUSTOMER DATA

- **current delinquent payment status report for each loan,**
- **amortization tables of the loans used to finance the operation,**
- **analysis sheet, detailed financing projections,**
- **articles of incorporation of the SCI.**

GLOSSARY

Promissory note: Security issued by a borrowing credit institution representing CRH's claim on the latter. The principal and interest of each note is guaranteed by the pledging of a portfolio of eligible claims. This is essentially a trade bill.

Eligible claim: Housing loans compliant with the conditions of eligibility established by the provisions of Articles L. 313-42 et seq. of the French Monetary and Financial Code.

Invalid claim: Loans that are not compliant with the conditions of eligibility cited above.

Congruence of term: Provision of the CRH's by-laws requiring that the average term of the portfolio of claims pledged in its favor be, at all times, greater than or equal to the term to maturity of the promissory note.

Congruence of interest rates: Provision of the CRH's by-laws requiring that the average interest rate of the portfolio of claims pledged in its favor be, at all times, greater than or equal to the interest rate on the promissory note.

Subordinated loans: Sums loaned to CRH by its borrowers, pro-rated upon their outstanding loans and accounted for as shareholders' equity.

Mortgage market: A market created in 1966 that, in accordance with the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code, allows credit institutions to fund certain housing loans. CRH was substituted for the mortgage market, which is no longer restricted to the funding of residential mortgages (under certain conditions).

Reassignment: Pledging of a portfolio of eligible claims in favor of CRH in accordance with the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code to cover the amount lent by CRH to the borrowing credit institution.

Guaranteed bonds: Bonds that meet the criteria established by Directive CRD 2006/48/EC (Appendix 6, Part 1, Section 68).

Portion of an eligible loan that may be funded: may not exceed the lower of the two following amounts: the remaining principal balance of the loan or 90% of the value of the asset financed or provided as collateral (or 100% in the case of *Prêts à l'Accession Sociale* social housing loans guaranteed by Fonds de Garantie à l'Accession Sociale or any other substitute fund, body, entity or person).

This value is estimated in accordance with the provisions of French Banking and Financial Regulatory Committee Regulation 99-10.

Oversizing: Minimum level of coverage of fundings by the portfolio of claims pledged in favor of CRH. This minimum level is equal to 125% (provisions of Decree 2000-664 of July 17, 2000).

SUMMARY PRESENTATION OF CRH
Investor presentation document

**CRH – THE LEADING
FRENCH SOURCE FOR
REFINANCING HOUSING
LOANS**

*Its sole business activity is refinancing housing
loans granted by banks*

1

CRH AT A GLANCE

- CRH is a credit institution that has replaced the French mortgage market.
- Its sole function is to refinance bank loans for housing purchases as a central source of refinancing and not as a mortgage bank lending to individuals. The refinanced loans remain on the banks' balance sheets, but are pledged as collateral for CRH loans to banks.
- Since its founding in 1985, CRH has issued bonds totaling EUR 45 billion, of which EUR 6 billion were guaranteed by the French government.
- Two of its bonds, the CRH 4.10% 2015 and CRH 3.50% 2017, are benchmarks for the pan-European market. With outstandings above EUR 4 billion, they are two of the largest issues secured by housing loans.
- CRH is rated Aaa by Moody's and AAA by Fitch Ratings.

2

CRH OPERATIONS

- CRH receives applications for refinancing from its authorized banks on a regular basis.
- After accepting or limiting these requests and establishing projected financing requirements, it launches a bond issue on the financial market.
- CRH lends all the proceeds of the issue to the borrowing banks at the same rates and maturities, without charging a margin or fees.
- CRH loans take the form of promissory notes issued by the borrowing banks. These promissory notes carry the same terms as the CRH bonds. Accordingly, the funds required to service CRH's debt are provided in full by the lending banks at the maturity dates.

3

LEGAL FRAMEWORK GOVERNING CRH OPERATIONS

- The 1969 Act creating the mortgage market, amended in 1985 (founding of CRH) and 1999 (reform of Crédit Foncier de France) and 2006 (privilege for bondholders). These provisions are codified as Sections L.313-42 to L.313-49 of the Monetary and Financial Code, except privilege for bondholders assigned in the article 13 of act 85-695 of July 1985
- Articles R.313-20 to R.313-25 of the Monetary and Financial Code
- CRH internal rules and regulations

4

COLLATERAL PORTFOLIO

- CRH loans are backed by a security interest in a portfolio, termed the guarantee portfolio, comprising several hundred thousand home purchase loans backed by first mortgages or, under certain conditions, guarantees.
- These loans were granted to finance property located in France.
- The total value of the portfolio must equal at least 125% of the total amount of CRH loans. The average life of the portfolio assets must at all times be substantially equal to the residual life of CRH loans, and the average interest rate must equal or exceed that of the CRH loans.

5

DEFAULT OF A BORROWING BANK

- In the event of default by a borrowing bank, CRH acquires full ownership of the portfolio, automatically and notwithstanding any provisions to the contrary. It may then 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 cash in an amount up to 5% of its outstanding loans.

6

CRH BONDHOLDERS PRIVILEGE

The sums or amounts guaranteed by the notes are allocated as a matter of priority and under all circumstances to the payment of the interest and principal of CRH's bonds.

7

SUPERVISION OF CRH OPERATIONS

- CRH is subject to specific supervision by the Commission Bancaire, the regulatory entity that oversees the French banking industry.
- CRH oversight of borrowing banks, include:
 - **verification of the lists of pledged loans comprising the guarantee portfolio.**
 - **regular audits of these pledged loans, based on sampling, carried out at the borrowing banks**
- CRH is also subject to audit by its shareholder banks.

7

IF INELIGIBLE LOANS ARE IDENTIFIED IN THE GUARANTEE PORTFOLIO

CRH requires the bank in question to increase the guarantee 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 the bonds corresponding to the loan granted it and deliver them to CRH as repayment.

CRH EQUITY

- CRH shareholders' equity amounted to EUR 129,7 million at December 31, 2006 (hors emprunts subordonnés). Its solvency ratio at the same date was 8.94%.

	en %
– Groupe Crédit Agricole SA-Crédit Lyonnais	44.2
– Groupe Crédit Mutuel – CIC	38.4
– Groupe BNP Paribas	6.3
– Société Générale	4.5
– Groupe CIF	2.0
– Groupe Caisse d'Epargne	1.4

Each borrowing bank must contribute to CRH the equity capital required under banking regulations. Each year, equity is reallocated to the banks in proportion to their outstanding loans.

9

CRH INCOME AND RESULTS

- CRH does not charge fees or interest on its refinancing transactions.
- It generates income by investing equity capital on the money market, which covers its modest operating expenses of approximately 0.01% of loans in 2006.
- CRH results are technical, then, and depend largely on prevailing money market interest rates. They do not represent compensation for entrepreneurial risk, and are distributed in full to its shareholder banks.

10

ADVANTAGES CRH OFFERS TO BORROWING BANKS

- No sale of assets, no capital gain or loss, loans and customer relationship is retained.
- A simplified guarantee is established consisting of an inventory of the loans assigned as collateral.
- Reduced financing costs and highly liquid AAA issue.
- Costs imposed by the CRH mechanism are negligible ; CRH charges no commission.
- Procedures for applying for loans are very simple and can be done by fax. No need to prepare the documentation required for the issue of bonds.
- CRH provides regular funding with simple features even for very small amounts in order to take advantage of market windows.

10

CRH BONDS June 30, 2007

Bonds		Amount (Euros bn)
CRH 5,0 %	25/04/2008	3.5
CRH 4,0 %	25/10/2009	2.5
CRH 5,75 %	25/04/2010	1.9
CRH 4,20 %	25/04/2011	3.5
CRH 5,0 %	25/10/2013	3.2
CRH 4,25 %	25/10/2014	2.4
CRH 4,10 %	25/10/2015	4.3
CRH 3,50 %	25/04/2017	4.9
CRH 4,0 %	25/04/2018	2.5

CRH BOND ISSUES

- **AAA (Fitch Ratings) and Aaa (Moody's Investor Services)**
- **Highly liquid,**
- **accepted as collateral for Bank of France advances,**
- **included in securities accepted for the open-market operations of the European Central Bank (Tier1),**
- **accepted for investment of surplus resulting from special homebuyers savings plans (fonds libres d'epargne logement) of French banks,**
- **accepted for trading on the MTS France electronic trading platform.**
- **benefit from the exception referred to in Article 22.4 of the Directive on UCITS and Capital Requirements Directive compliant .**
- **10 % risk weighted by credit institutions**

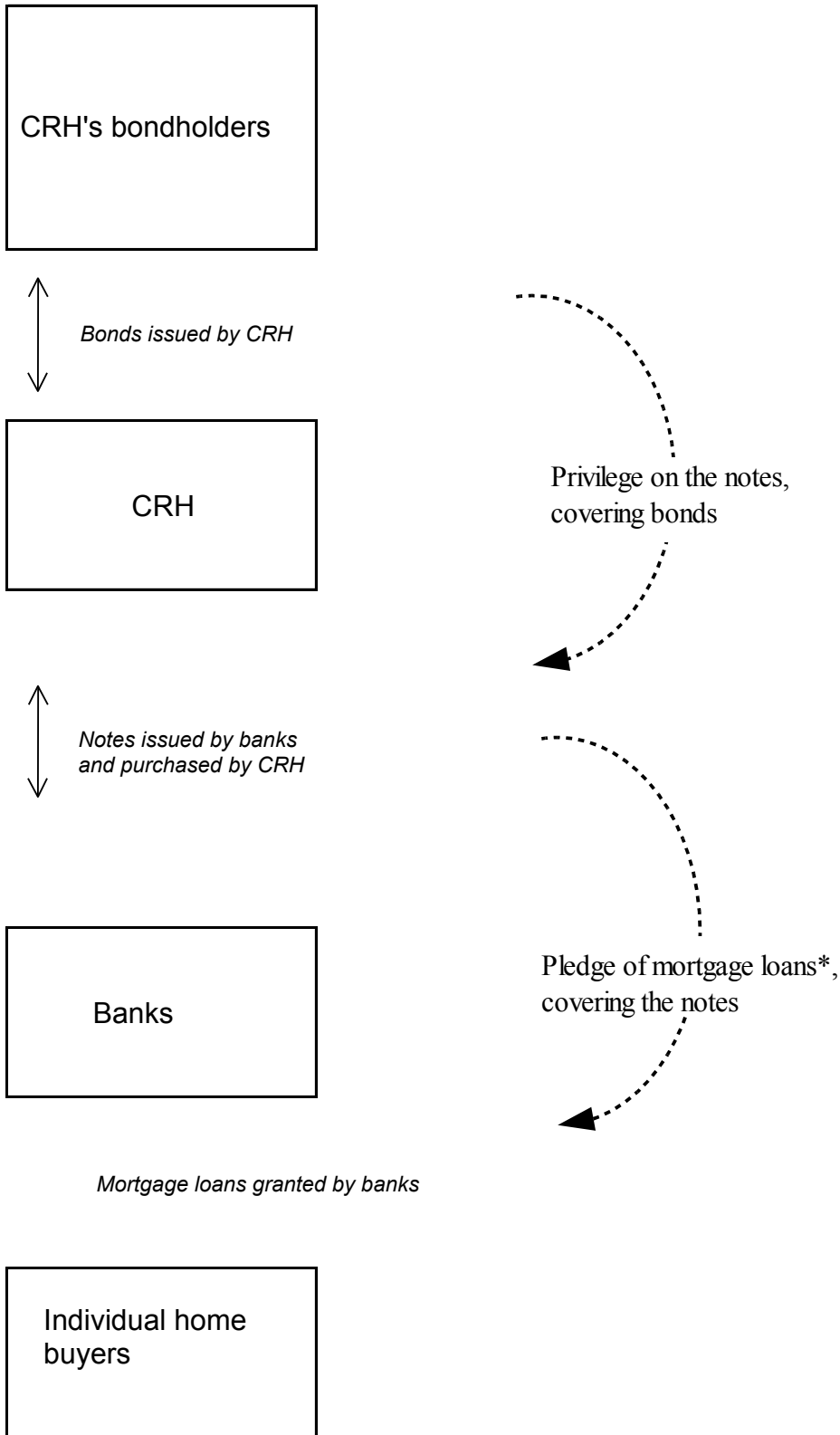
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PARTICULAR ADVANTAGES OF CRH BONDS

- - **They are issued by an independent, transparently organized entity which does not borrow on its own behalf and the sole object of which is to pool bank borrowings,**
- - **They are backed exclusively by residential loans located in France,**
- - **They are backed by a portfolio of loans which is regularly audited and exceeds the amount covered by 25%, this portfolios required to match the rates and maturities of CRH bonds.**
- - **They are not affected by early repayment of loans included in the portfolio.**
- - **They are protected by commitments from CRH's borrowing institutions, providing for cash advances.**
- - **They are protected within a double highly favorable legal framework..**

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APPENDIX 10



* In some case guaranteed housing loans