



CRH – Caisse de Refinancement de l'Habitat

Aaa Moody's / AAA Fitch

CRH was created in 1985 by the French Government with State explicit guarantee as a central agency in order to issue bonds in the specific legal framework of art 13 of law 85-685 of July 1985 for refinancing residential mortgage home loans granted by the French banking system.

No other agency of this kind had been set up until the creation of Société de Financement de l'Economie Française (SFEF) in October 2008.

Today, instead of State guarantee, the French law grants to CRH's bondholders a very strong privilege on CRH's secured loans to banks.

Investor Presentation May 2011



CRH at glance

- CRH is a Credit Institution. Its equity belongs to French Banks
- CRH's only function is to fund **French residential home loans** granted by banks by issuing mortgage bonds in the special legal framework of law n° 85-695 of July 1985
- CRH' loans to banks have the same characteristics as those of CRH's bonds. CRH' debt is served by French banks and CRH's balance sheet duration is zero
- Refinanced loans remain on the borrowing banks' balance sheet, but are pledged as collateral for covering CRH's loans to banks with a **minimum of 25% over-collateralisation**. In the event of a borrowing bank default, provisions of French law give CRH **the full ownership** of these loans, without any formality, **notwithstanding any provision to the contrary**
- Loans in its cover-pool have to be compliant with *sociétés de crédit foncier's* criteria but have to be also compliant with CRH's additional criteria. CRH implemented **internal rules strengthening the credit quality for CRH's bonds**
- In 1999, not receiving any longer French government guarantee and **before the modification of French law giving to CRH's bonds covered bond status**, CRH debt has been rated **Aaa by Moody's and AAA by Fitch Ratings**
- CRH was appointed to control debt's service and collateral's administration of Société de Financement de l'Economie Française (SFEF) since January 1st 2010
- CRH has a total outstanding debt over EUR 44 bn with several highly liquid bonds



Breakdown of CRH's Equity (December 2010)

	%
Crédit Agricole SA - Crédit Lyonnais	39.7
Crédit Mutuel CIC	35.2
Société Générale	10.9
BNP Paribas	8.7
BPCE	4.7
Others	0.8
	<hr/>
	100.0

- That breakdown is also the breakdown of CRH's loans
- These shareholders-borrowers' are among the best European names. Their global market share is roughly 90% of the French Mortgage Market
- Every borrower is committed to become a shareholder of CRH with a part in CRH's equity equal to the part of its borrowings in CRH's global loans amount
- Every borrower is committed to supply to CRH regulatory equity and back up lines if CRH calls them



CRH Economic Balance sheet (December 2010)

Assets	€mn	Liabilities	€mn
Promissory notes	41 375	CRH mortgage bonds	41 375
Interests and other assets	736	Interests and other liabilities	736
Deposits and CD	375	CRH equity	375
TOTAL	42 486	TOTAL	42 486

Because of the perfect matching between CRH bonds and promissory notes, CRH's balance sheet duration is zero. CRH's debt service is done by the French Banking System . CRH is an actual "Pass-through"

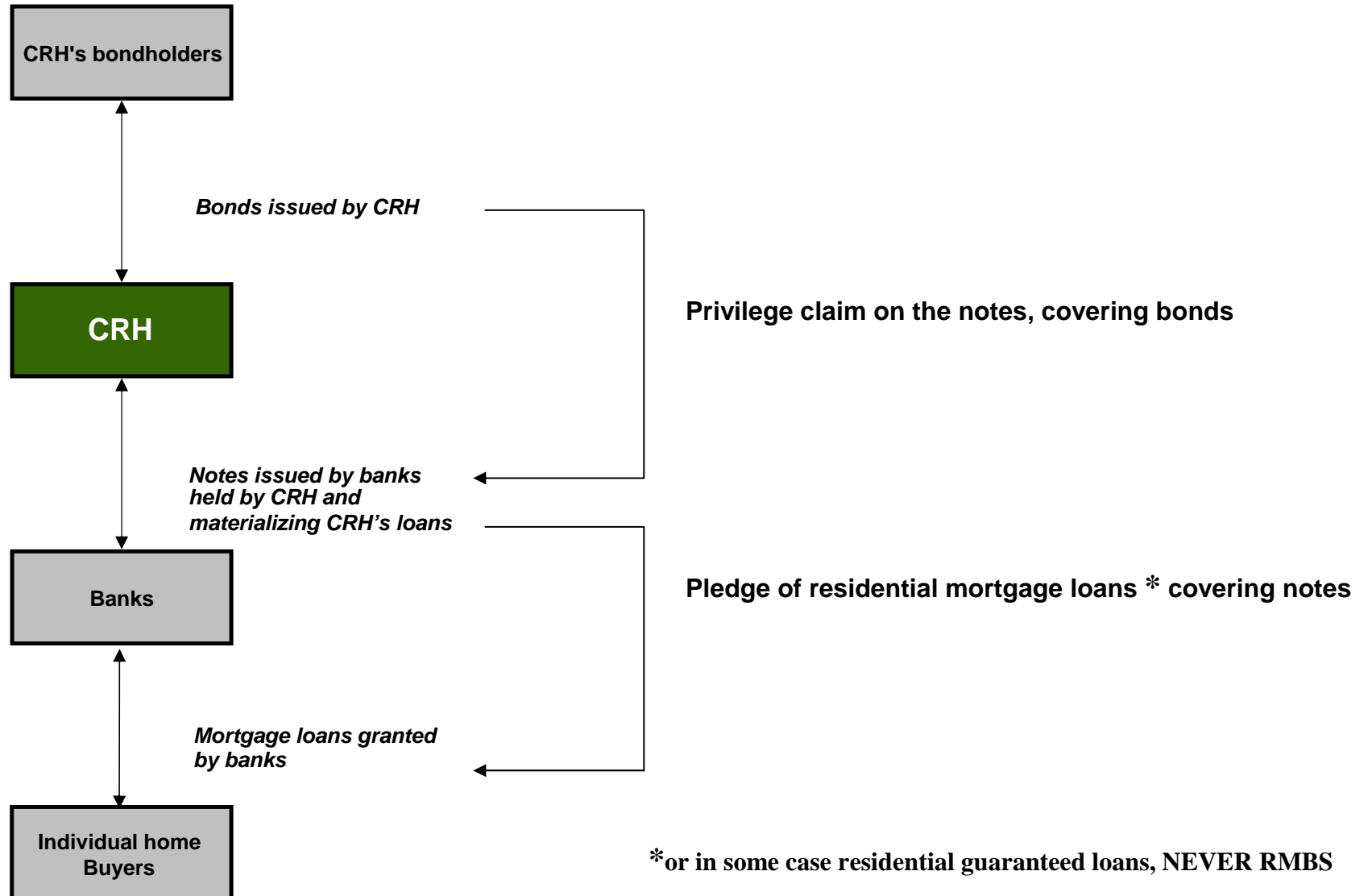


CRH income and results

- CRH does not charge any fee on the deals
- Its modest operating expenses (approximately 0.005 % of loans in 2010) are paid by the product of very conservative investment of its equity on the money market
- CRH results are only technical results and depend mainly on prevailing money market interest rates
- They do not represent compensation for entrepreneurial risk
- CRH has no target level of return on equity



CRH mechanism





Legal framework

SPECIFIC LEGAL FRAMEWORK ENSURING VERY STRONG PROTECTION TO INVESTORS

- 1969 Act creating the French mortgage market
- July 1985 specific amendment of the law creating CRH as an agency with explicit Government guarantee and regulating CRH's bond issues
- September 1988, French government guarantee is not any longer granted to CRH's new bond issues
- March 1999, last amount with French Government guarantee came in redemption
- June 1999, new legal provisions governing both CRH and *sociétés de crédit foncier*
- July 2006, the law grants a privilege claim to CRH's bondholders and CRH bonds received a capital risk-weighting of 10%
- October 2010, new provisions for "Sociétés de Financement de l'Habitat" (not governing CRH)

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



Default of a borrowing bank

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



A highly transparent and secure cover pool

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

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

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

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

Today, average LTV = 46% area

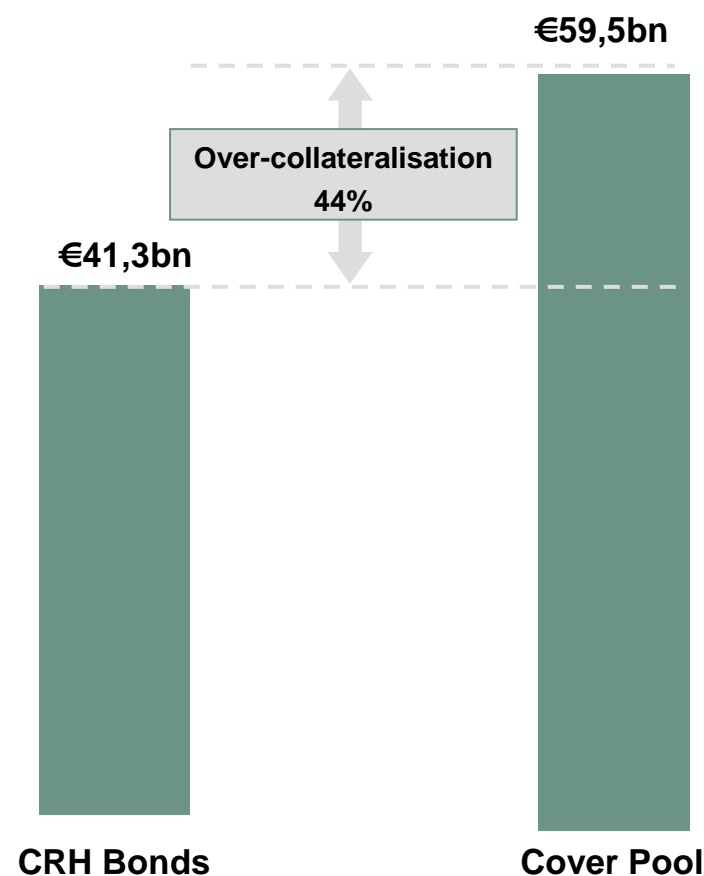


Composition of cover pool

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

Cover pool as of 31 December 2010



Cover pool amount without loans non-compliant with CRH criteria = €53,7bn (30% over-collateralisation)



Supervision and controls of CRH's activities

SUPERVISION & CONTROLS

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

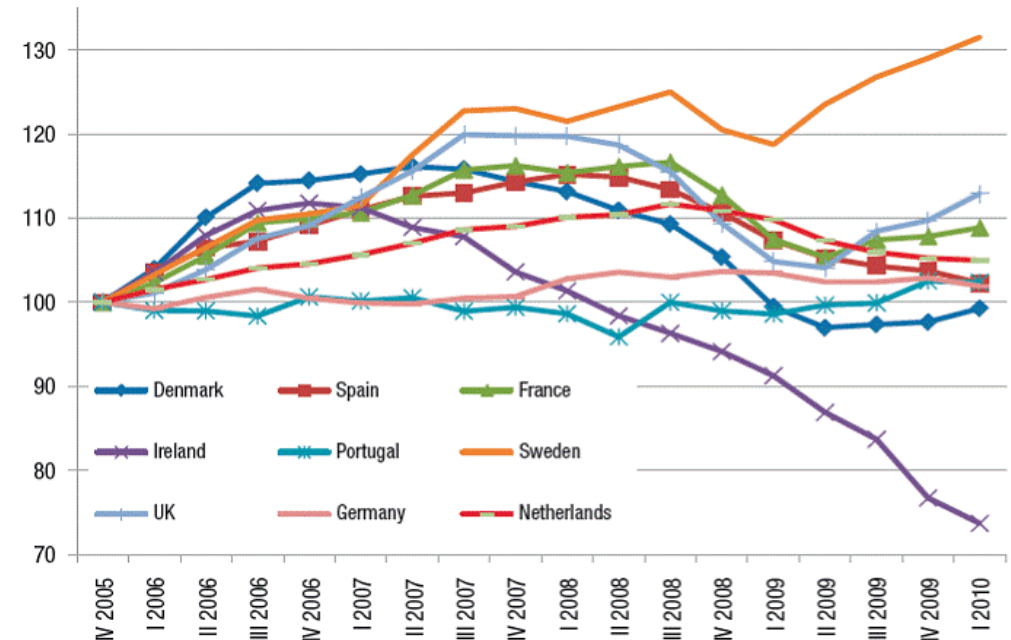
If ineligible loans are identified in cover pool :

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

French home loans market

- French home loans market is not speculative. Borrowers are mainly purchasers their own home
- Loans are granted only if the borrower is likely able to serve his debt, not only having a look at mortgage itself
- The originator of the loan is always a bank
- The bank usually keeps the loan in its assets without securitizing it. Thereof, a bank is incited to grant a loan only to prime borrowers
- A bank cannot grant a loan at a rate over the legal usurious interest limit to cover high-risk loans.
- Historically, home loans are mainly fixed rate loans (today 90 % in average of banks of the output)
- Price are high but a strong demand for buying homes is remaining

Nominal House Price Index



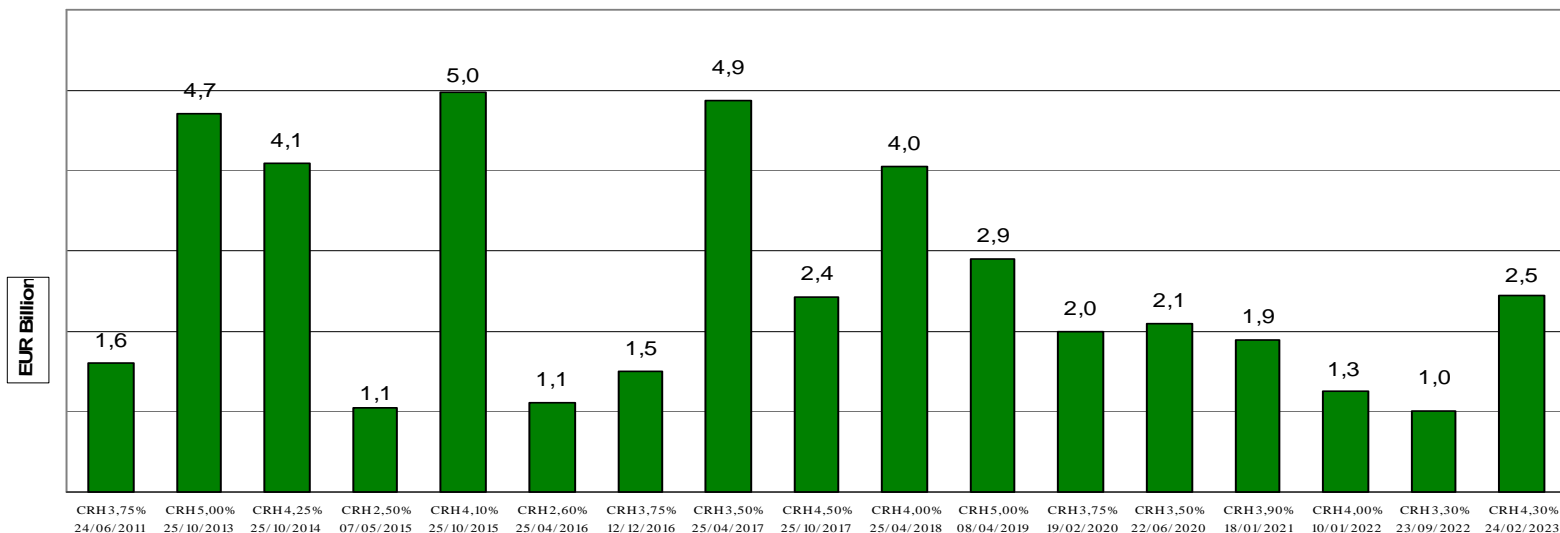
Source : European Mortgage Federation

Note : Standardised nominal house price indices on national values



CRH Bonds – Key Points

Euro CRH's curve – 17 Euro bonds, from 2011 to 2023, totalling € 44 bn (May 2011)



Issue	Amt EUR bn	Status
CRH 3,75% 24/06/2011	1,6	No further taps
CRH 5,00% 25/10/2013	4,7	Potential reopening
CRH 4,25% 25/10/2014	4,1	Potential reopening
CRH 2,50% 07/05/2015	1,1	Potential reopening
CRH 4,10% 25/10/2015	5,0	No further taps
CRH 2,60% 25/04/2016	1,1	Potential reopening
CRH 3,75% 12/12/2016	1,5	No further taps
CRH 3,50% 25/04/2017	4,9	No further taps
CRH 4,50% 25/10/2017	2,4	Potential reopening
CRH 4,00% 25/04/2018	4,0	Potential reopening
CRH 5,00% 08/04/2019	2,9	Potential reopening
CRH 3,75% 19/02/2020	2,0	Potential reopening
CRH 3,50% 22/06/2020	2,1	Potential reopening
CRH 3,90% 18/01/2021	1,9	Potential reopening
CRH 4,00% 10/01/2022	1,3	Potential reopening
CRH 3,30% 23/09/2022	1,0	Potential reopening
CRH 4,30% 24/02/2023	2,5	Potential reopening
	44,0	

- **Very liquid bonds with big amounts and high average turnover-ratio**
- **Accepted as collateral for "Banque de France" advances and accepted for investment of surplus resulting from special homebuyers savings plans (*fonds libres d'épargne logement*) of French banks**
- **Eligible for open-market operations of the European Central Bank European investors**
- **Benefit from the exception referred to Article 52.4 of the Directive on UCITS**
- **Compliant with "Capital Requirement Directive" - CRD and 10% Risk weighted by European credit institutions**
- **All CRH bonds listed in « iBoxx € France Covered Legal » indice since July 1st 2008**



To sum up

CRH's bonds offer advantages versus other covered bonds directly issued by credit institutions :

- They are **PROTECTED** :
 - by a highly favourable specific legal framework, furthermore this framework is dedicated to them
 - by commitments from French's banks, to supply to CRH cash advances and capital contributions

- They are **ISSUED** :
 - by a former agency, today a fully private company of which equity belongs to (French) banks
 - by a credit institution that does not borrow for its own account but for the account of French banks
 - by a credit institution with a zero duration balance-sheet, without an own need of funding
 - by a credit institution whose sole object is to pool French banks borrowings and to add soundness

- Furthermore, they are **COVERED** :
 - by a pure, oversized by 25% and regularly audited, portfolio of direct home loans to individuals, compliant with CRD and CRH's criteria, **without substitution assets, without swaps or derivatives, without any RMBS, without loans out of France**



Highlights

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



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