



CRH – Caisse de Refinancement de l'Habitat

Presentation – December 2022



1. Executive Summary

2. Overview

3. Credit Strengths

4. Cover Pool

5. CRH Issuance Program

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Appendix

Executive Summary

1

CRH in a nutshell

- A **unique market-place issuer** in Europe, dedicated to the refinancing of the French Home Loan market
- A **bullet-proof entity** benefiting from a dedicated legal framework and a solidarity mechanism of its shareholders, the largest banks in France
- An **independent credit institution** with a pure pass-through role between the market and the CRH borrowers/shareholders
- A **non-profit institution** benefiting from a solid 27.67% CET1 ratio as of December 31st, 2022, i.e. 2,025 bps CET1 buffer

2

Cover pool

- Home loan assets located in **France only**, mortgages & insured
- loans (“crédits cautionnés”)
- **Strong collateralization requirements** (min. 125%), with a current OC of 141.5% as of December 31st, 2022
- **Additional investor-friendly internal rules** restricting each individual home loan size to a EUR 1m with a remaining life of 25 years, as a maximum
- **No derivatives, no RMBS**

3

Funding program

- CRH has launched 2 benchmark transactions in Q3 2019 (€1bn 10-year & €1bn 7-year) 2 transactions in 2020 (€1.25bn 8-year + €0.75bn 15 year and €1.25bn 7-year)
- No issuance in 2021 given the huge impact of the Covid crisis upon CRH shareholders' liquidity needs
- 2022 : 1 benchmark transaction in Q4 (€1.85bn 5.5 year).
- 2023 : up to € 4 bn green-lighted, 2 transactions already launched (€1.65bn 7-year + €1.25bn 10-year)

4

CRH Covered Bonds: high-quality secured instruments

- Rated **Aaa by Moody's** and **AAA by Fitch**
- **Premium segment of European Covered Bonds** for issuances post July 8th, 2022
- **All CBs issued by CRH are 129 CRR compliant**
- **UCITS/CRR Compliant & LCR Level 1B**
- Issued under CRH's **established € 25bn EMTN program** (French law), in **soft or hard bullet** format

CRH Quick Update: CB Directive impact

New CRH issues (from July 8th, 2022) are labelled “European Covered Bond Premium”

CB Directive impact on CRH structure : pretty much the same regime than for SCF

- A Cover Pool monitor supplements CRH's own monitoring team (independent from its shareholders')
- Legal minimum OC set at 105% (vs. 125%), but contractual minimum left unchanged at 125%
- Maximum LTV 80% (vs. 90%)
- Substitution assets up to 15% (vs. 0%)
- 180-day liquidity buffer on new issues
- Existing liquidity lines remain available
- Repo transactions permitted

CB Directive impact on CRH Collateral

- 35% cap on assured loans (“crédits cautionnés”) now removed, cover pool eligibility similar to the French CB issuers
- Weighted average life of assets should not exceed that of covered bonds by more than 18 months

CB Directive impact on CRH program

- CRH issuance will follow the market standard and will issue under the Soft Bullet format



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CRH Overview

A French government initiative

CRH was set up in 1985 by the French Government, as an agency to play a central role in the reform of the mortgage refinancing program

Purpose

- To help French Banks raise long-term liquidity funding
- To develop home ownership across the country by lowering the cost of financing

Implementation

- For the first three years, CRH developed this market with the French State guarantee, then on a stand-alone basis
- CRH is a French société anonyme (public limited company) duly licensed in France as a specialized credit institution

Tools

- CRH has been fitted with a strong dedicated legal framework, protecting investors
- A clear roadmap for its organization

Legal Features

- Non-for-profit nature
- Pure pass-through role
- All borrowers must be shareholders and commit capital and liquidity
- Cover Pool monitoring supervised by the national regulator, the *Autorité de Contrôle Prudentiel et de Résolution* (“ACPR”)

CRH Overview

Shareholders' support and solidarity mechanism

CRH is held by the five major French banking groups

- Representing 81% of the French Home Loan market
- Shareholders stake is proportionated to their relative capital requirements
- Capital stake is adjusted once a year after Q1 release

Alignment of stakeholders' interest and management

- CRH is an independent credit institution in charge of its own credit decisions and collateral monitoring
- No majority shareholder controls CRH, a dilution of voting rights attached to its shares being organized as to maintain its independence
- Neutrality of CRH management as a result of the implied solidarity mechanism on CRH capital among shareholders

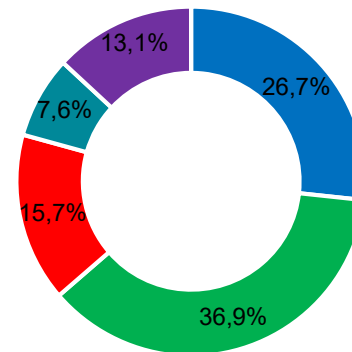
Solidarity mechanism

- Shareholders ultimately jointly callable to fulfill CRH regulatory capital needs
- Fosters commitment to the general interest

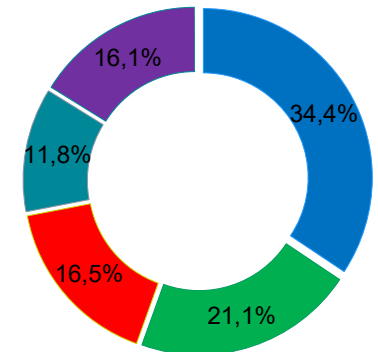
Shareholders' support

- Liquidity commitment of shareholders

Shareholders
as of December 31st, 2022

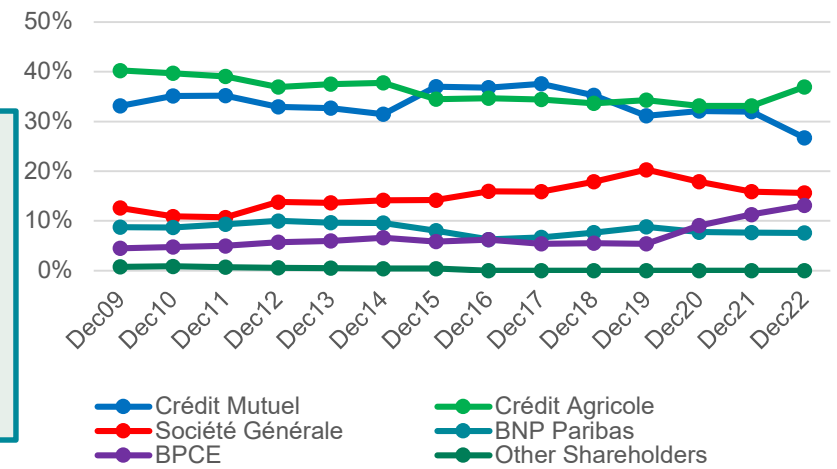


Voting Rights
as of December 31st, 2022



■ Crédit Mutuel ■ Crédit Agricole ■ Société Générale ■ BNP Paribas ■ BPCE

A stable shareholder group overtime



CRH Overview

Governance and supervision

Corporate
governance

1. Risk committee

- Effectiveness of internal control and risk management systems
- Issues opinions to the Board on all risk related matters
- Review of portfolio monitoring, ICAAP/ILAAP, Recovery Plan

2. Audit committee

- Review of CRH activity, performance and financial situation
- Review assumptions for financial statements drafting
- Follow-up of auditor's work and reports

3. Compensation committee

4. Appointments committee

Supervision

1. Direct supervision of CRH as a banking institution by the French Regulator, *Autorité de Contrôle Prudentiel et de Régulation*, “**ACPR**”)
2. CRH monitoring team of collateral portfolios, independent from CRH' shareholders, is also supervised by the ACPR (Art. L 313-49 of Monetary and Financial French Code “CMF”)
3. CRH collateral is additionally monitored by an independent external Cover Pool monitor

CRH Overview

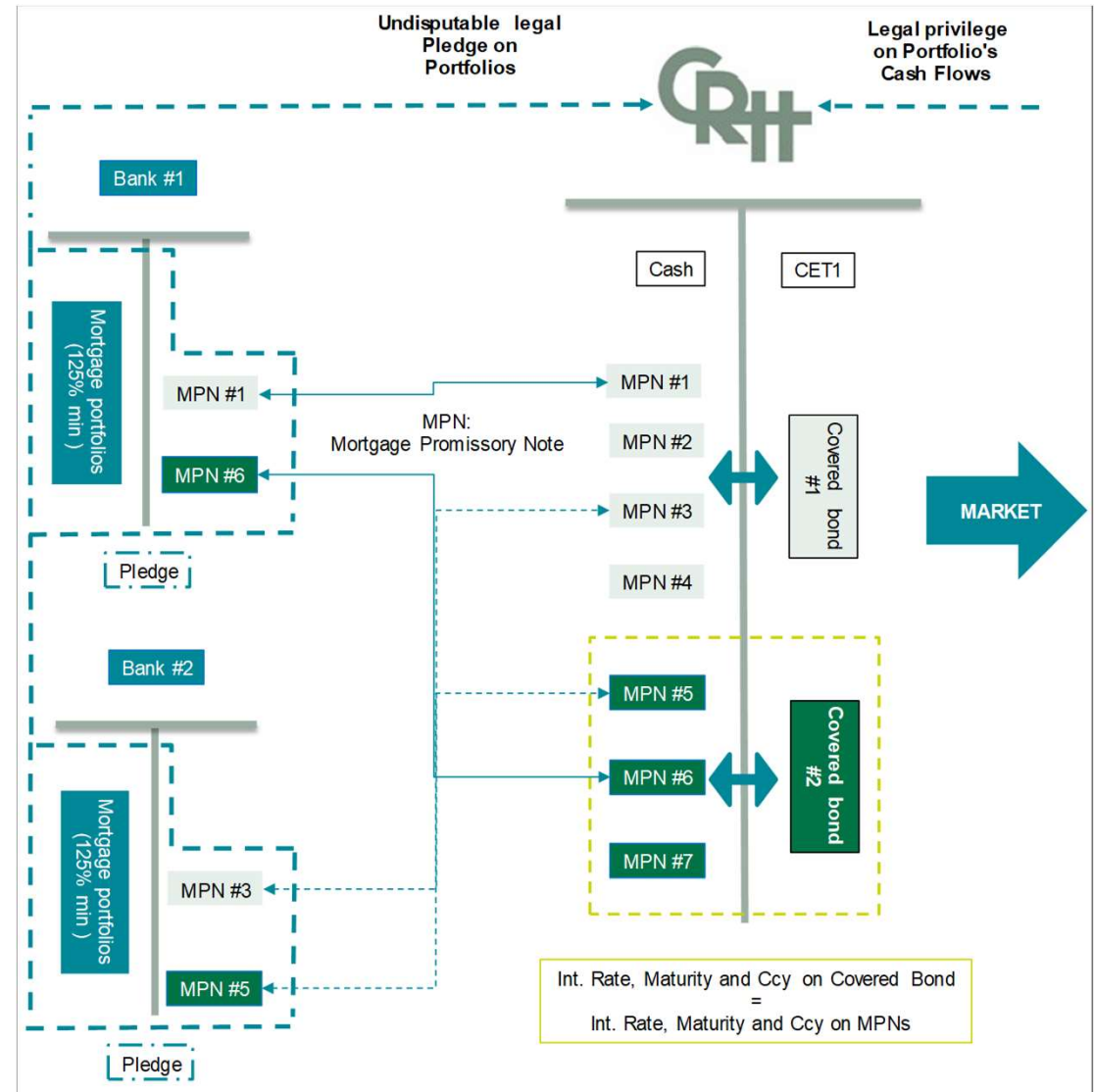
Structure overlook

Structural features

- Each Bank borrows from CRH in the form of a **Mortgage Promissory Note** (« MPN »)
- An MPN is “credit-risk equivalent” to a Covered Bond with **double recourse to banks & collateral**
- **CRH has a Legal-specific pledge enabling undisputable ownership of the portfolio by default**
- **Investors have a legal privilege** over CRH’s cover pool as defined by Art.13 of Law N°85-695 dated 11 July 1985, as amended

Financial features

- Each Covered Bond is the sum of MPNs
- Identical financial conditions between MPNs & CBs with Asset Liability Management done at each bank’s level
 - Same interest rate
 - Same maturity
 - Same currency



CRH Overview

Balance sheet consideration

CRH is a pure pass-through with a simple balance sheet structure

- The amount of Covered Bonds is equivalent to the amount of Mortgage Promissory Notes
- Capital (core equity only) is invested in bank deposits/EMTNs
- No off-Balance Sheet items
- No derivatives

Asset		Liabilities
MPNs	←→	Covered Bonds
Investments	←→	Capital

Asset	31/12/2019	31/12/2020	31/12/2021	31/12/2022	Liabilities	31/12/2019	31/12/2020	31/12/2021	31/12/2022
MPNs	25,726.8	24,788.0	20,904.8	16,187.7	Covered Bonds	25,726.8	24,788.0	20,904.8	16,187.7
Investments	555.7	555.1	553.6	593.2	Capital	562.6	562.6	562.7	603.8
<i>Cash, Central Banks</i>	0.0	0.3	0.5	0.2	<i>Other Liabilities</i>	0.2	0.1	0.3	0.4
<i>Other Assets</i>	7.6	8.8	10.2	11.6	<i>Accrued</i>	0.4	1.4	1.2	0.6
<i>Prep/Acc. Income</i>	0.1	0.1	0.1	0.1	<i>Provisions</i>	0.2	0.2	0.3	0.2
Total	26,290.2	25,352.3	21,469.2	16,792.8	Total	26,290.2	25,352.3	21,469.2	16,792.8

All figures in EUR million

CRH Overview

P&L consideration

CRH is a non-profit institution

- Neither ROE nor any P&L target: not relevant as charges / profits are to be shared amongst the same parties
- CRH model is economically similar to a cooperative organization
- The negative impact of QE on the P&L account has been, when necessary, balanced annually, showing shareholders commitment to CRH

	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Net banking income	0.109	1.857	2.001	2.197	2.239	3.690
Gross operating income	1.418	3.704	3.292	3.095	2.971	4.557
Net income	0.006	0.018	0.000	0.029	0.034	1.177

- No margin between covered bonds and secured loans to banks
- Revenues are driven by interest rate levels
 - A more favourable context for the coming years
- Highly stable operational expenses

All figures in EUR million

CRH Overview

Regulatory capital considerations

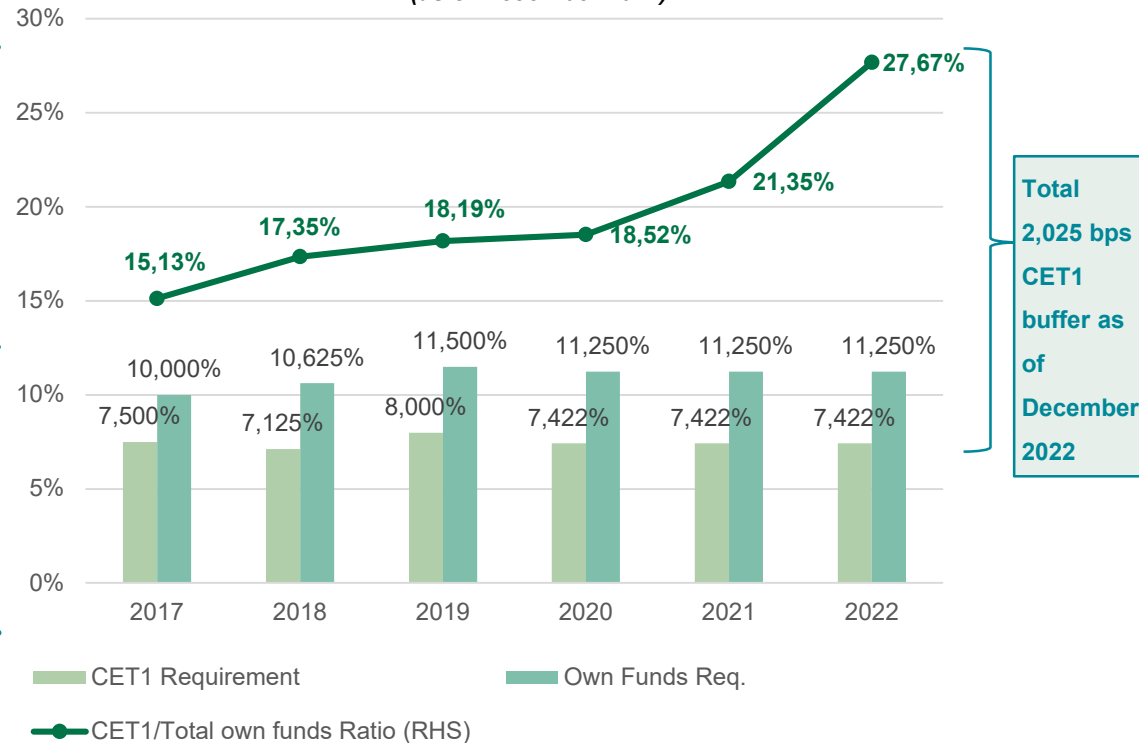
CRH has only core equity (€592.1mn as of 31/12/2022) with its CET1 ratio being equivalent to own funds ratio

Substantial buffer to cover its exposures. As of December 2022:

- 1,642 bps buffer on own funds
- 383 bps additional buffer on CET1
- Total 2,025 bps CET1 buffer

Strong credit risk with a low RWA density

CRH capital strength
(as of December 2022)



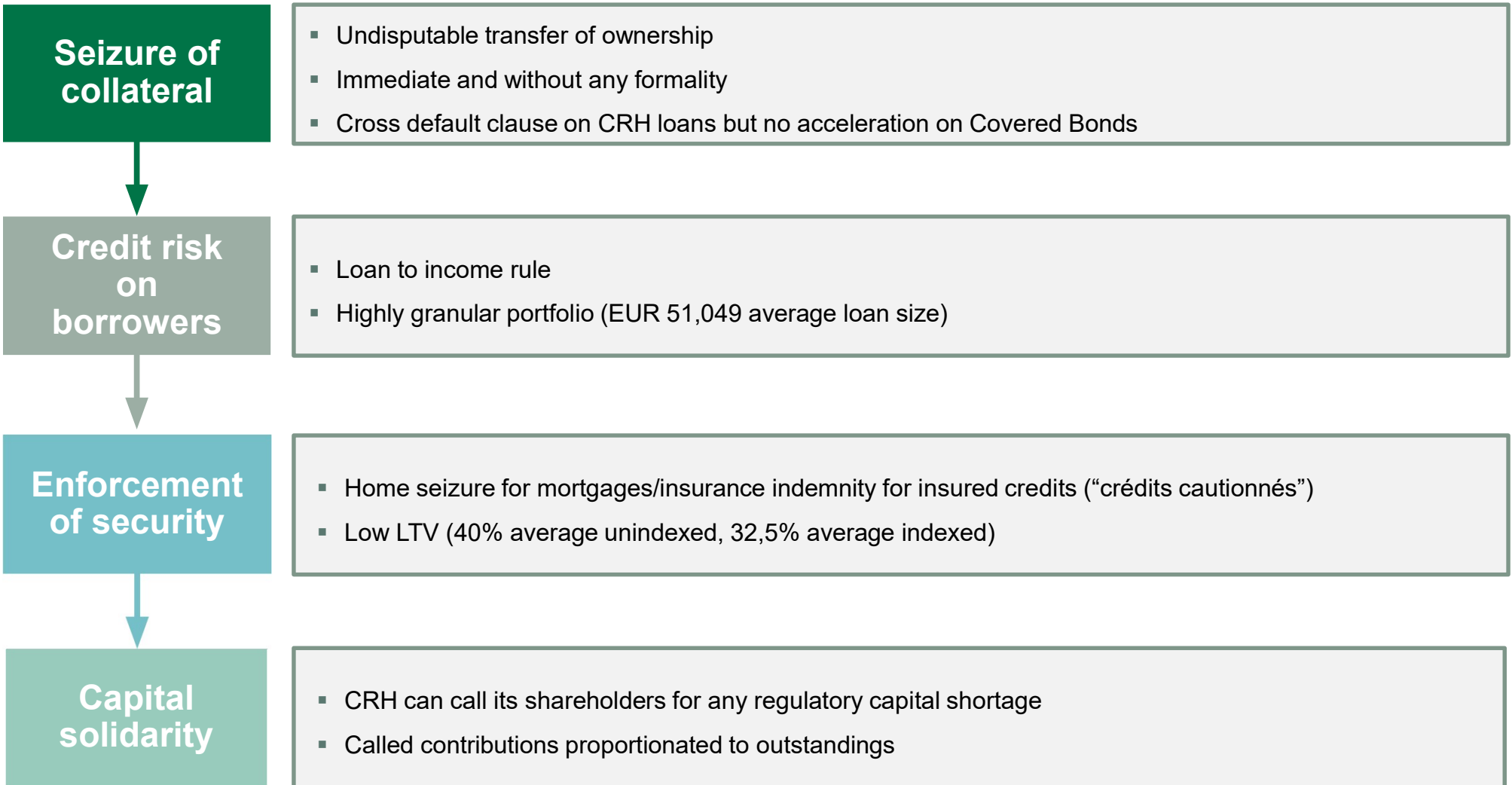


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CRH Credit Strengths

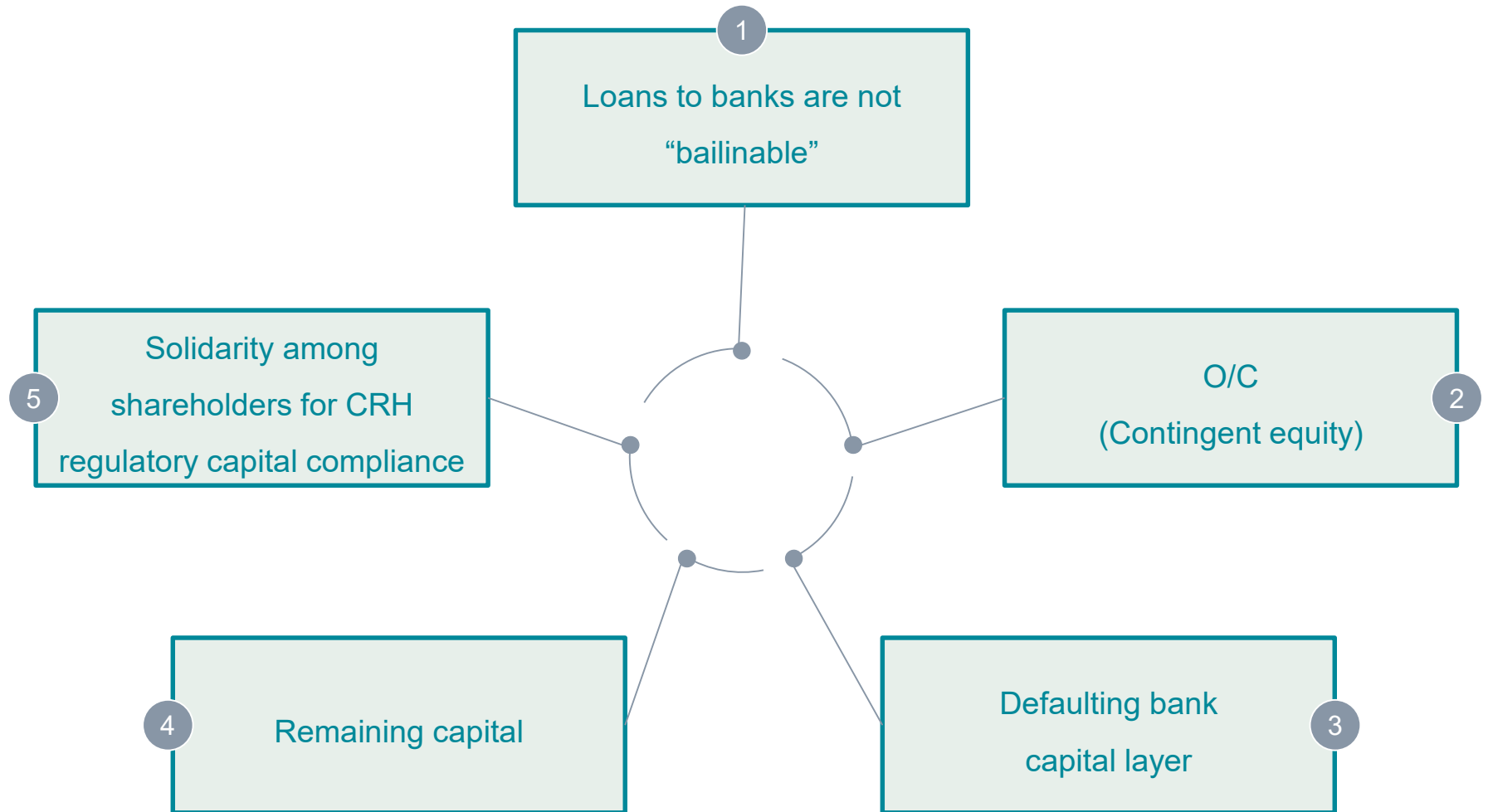
Consequences of a bank's default



Source ECBC HTT reporting as of December 31st, 2022

CRH Credit Strengths

Credit protection chain for investors



CRH Credit Strengths

CRH legal framework compared to Obligations Foncières / A l'Habitat

	CRH	OBLIGATIONS FONCIERES	OBLIGATIONS A L'HABITAT
STRUCTURE			
Who owns the cover assets?	CRH member banks, but pledged to CRH (with transfer to the issuer upon trigger event)	The issuer directly or alternatively the sponsor in case assets are pledged to the issuer (with transfer to the issuer upon trigger event)	
COVER ASSETS AND VALUATION			
Eligible cover assets	Mortgage loans, guaranteed home loans exposures to credit institutions	Exposures to public sector entities, mortgage loans, guaranteed home loans, group originated Senior MBS, senior MBS issued by third parties, mortgage promissory notes, exposures to credit institutions	Mortgage loans, guaranteed home loans, group originated Senior MBS, senior MBS issued by third parties, exposures to credit institutions
Geographical scope	France only	Public sector: Domestic, EEA, AU, CA, CH, JP, NZ, US Home loans: Domestic, EEA, other (as long as AAA rated and recognised by ACPR)	Home loans: Domestic, EEA, other (as long as AAA rated and recognised by ACPR)
Mixed pools possible?	No	Yes	No
Limit on substitute assets	15%		15%
COVERAGE AND RISK MITIGATION REQUIREMENTS			
Minimum OC	5% legal, 25% contractual		5%
Mitigation of interest rate / FX risk	Pass through at the level of CRH, no FX risks within CRH	Natural matching, stress testing, use of derivatives	
Mitigation of liquidity risk	Non-defaulting member banks grant CRH liquidity in the amount of 5% of loans refinanced via CRH, assets WAL should not exceed that of the covered bonds by more than 18 months, 180-day liquidity buffer (new issues), substitute assets	Issuers have to hold 180 days worth of liquidity, natural matching (weighted average life of assets should not exceed that of covered bonds by more than 18 months), substitute assets	
SEGREGATION OF ASSETS IN AN INSOLVENCY SCENARIO			
How can liquidity be generated post sponsor insolvency?	CRH is still an operating entity in case one member bank defaults. Non-defaulting member banks grant CRH liquidity in the case of 5% of loans refinanced via CRH, cash flows from the pool, sale of cover assets, repo transactions	Cash flows from the pool, sale of cover assets, issuance of bonds / loans, repo transactions	
Recourse to the sponsor's / issuer's insolvency estate?	Senior to unsecured creditors at the level of CRH, no recourse at the sponsors level, pari passu at the level of the member banks	Senior to unsecured creditors at the issuer level. At the sponsor level no recourse in case of true sale of the assets, in case of pledge of the assets pari passu to senior unsecured	
How do derivatives counterparties rank vs. covered bond holders?	No derivatives used, but would otherwise be <i>pari passu</i> to covered bond holders	Pari passu to covered bond holders	

Source: ECBC, National Laws, EBA



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CRH Cover Pool

Eligibility and monitoring

Eligibility rules

Two types of loans

- ✓ Mortgage loans
- ✓ Insured loans (“crédits cautionnés”)

Underlying Assets

- ✓ Residential Real Estate only
- ✗ No mixed buildings (commercial / residential)
- ✗ No specialised buildings (healthcare)
- ✗ Securitization positions forbidden

Regulatory Aspects

- UCITS compliance
- CRR compliance

Additional CRH Request

- Loans in France only
- Loan max EUR 1,000,000
- Max. remaining life 25 years

Collateral monitoring

CRH has an independent monitoring team

- External Cover Pool Monitor + CRH independent monitoring team
- CRH monitoring team is independent from its shareholders
 - Reporting directly to CRH Management
 - Supervised by the ACPR (Art. 313-49 of the CMF)
 - 50% of its headcount dedicated to monitoring activity
 - In addition to the own bank’s collateral monitoring
- CRH is a member of ECBC and posts HTT reporting

On-site monitoring

- Physical examination of all file components
- Statistical approach
- “Double proofing” with Cover Pool monitor’s team
- CRH findings, recommendations, needed actions sent to borrower
- Follow-up

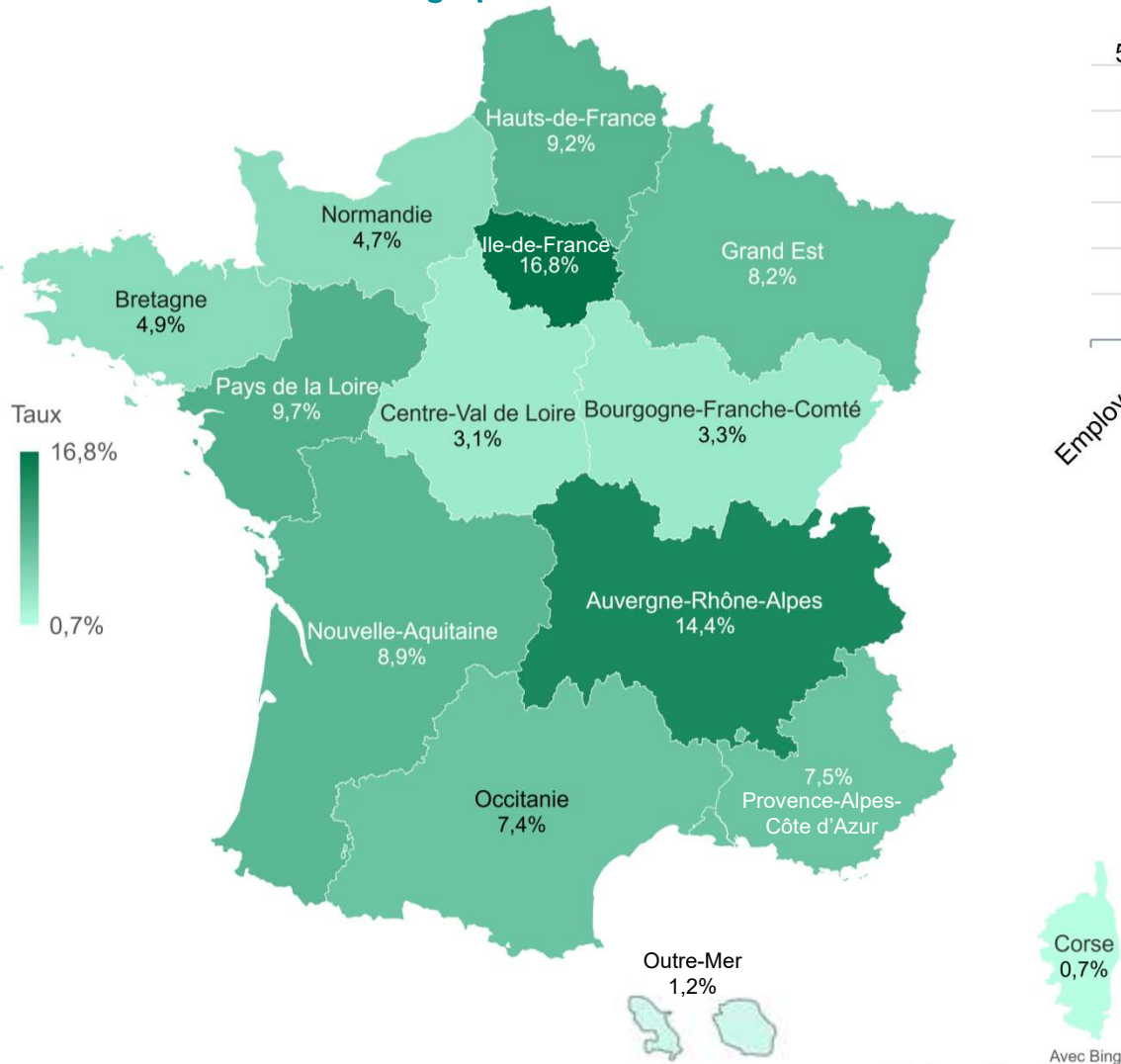
At distance

- Monthly monitoring on loan-by-loan basis
- Quarterly reporting with rating agencies (Fitch ratings and Moody’s)

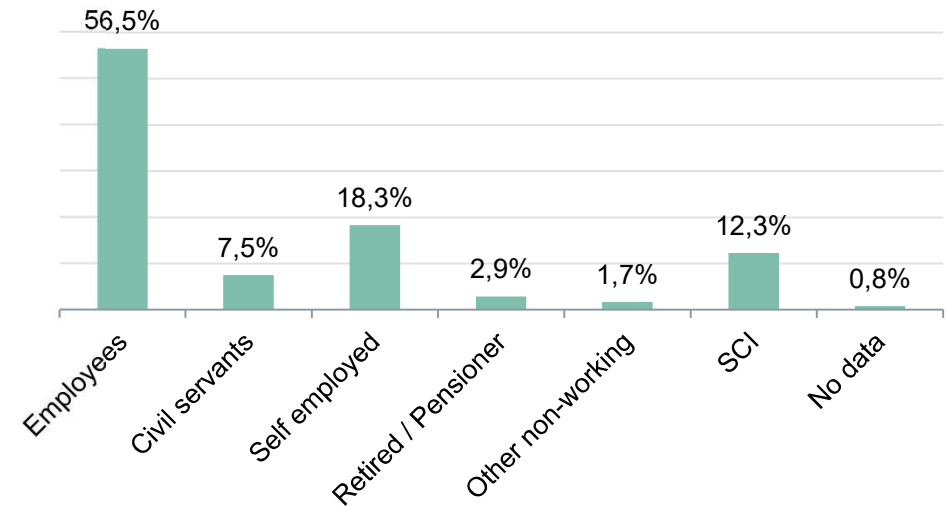
CRH Cover Pool

Cover pool characteristics (1/2)

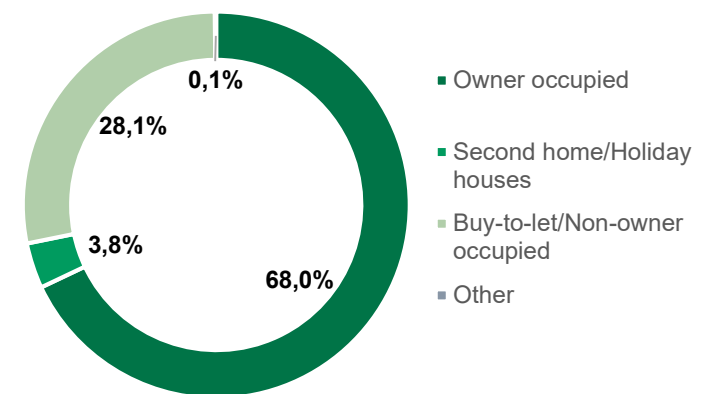
Geographical distribution



Borrower Profile



Occupancy



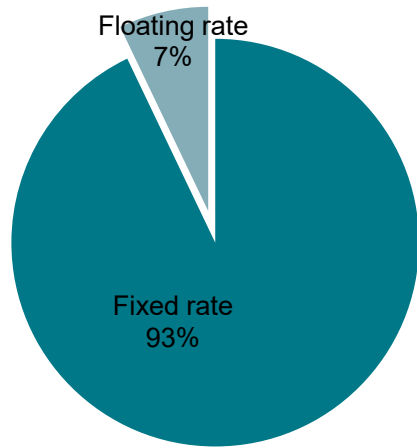
Source ECBC HTT reporting as of December 31st, 2022

Avec Bing
© GeoNames, Microsoft, TomTom

CRH Cover Pool

Cover pool characteristics (2/2)

Types of rate



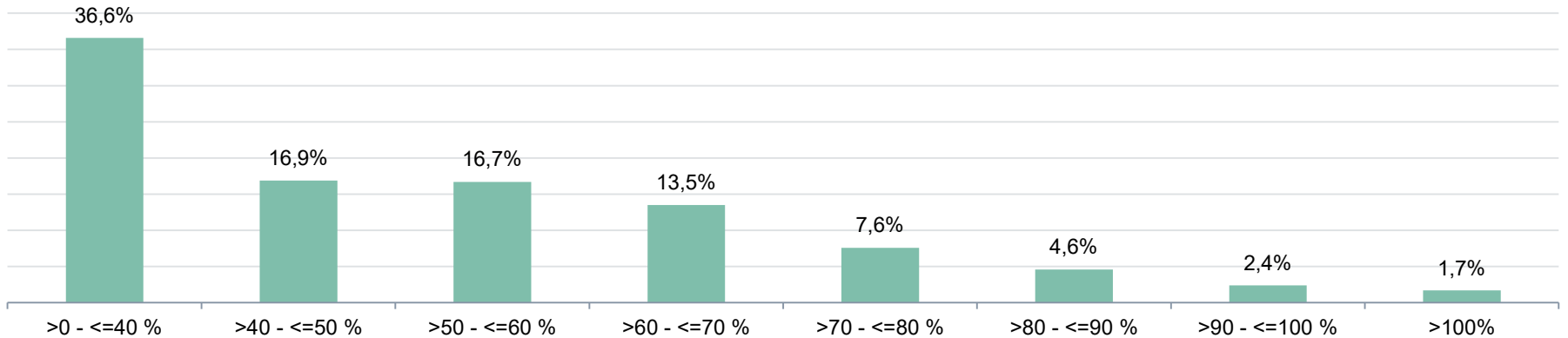
Floating Rate	
Capped for life	5.0%
Floating (1y or less)	2.0%
Mixed (1y+)	0.0%

Loan Type



Guarantees	
Crédit Logement	14.4%
CNP Caution	0.4%
Generali	0.2%

Indexed LTVs



Source ECBC HTT reporting as of December 31st, 2022





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CRH Issuance Program

Key Terms of CRH EMTN program

Program Size	€ 25bn
Funding Plan	2022: €1.85bn 2023: up to €4bn, €2.9bn already launched
Ratings	Aaa by Moody's / AAA by Fitch
Governing Laws	French law
Overcollateralization	Contractual average 141.5% (by internal regulation 125% minimum, legal minimum 105%)
Currency	EUR
Type of Issuance	Possibility to issue hard or soft bullets
Type of Rate	Fixed, Floating, Fixed/Floating, zero coupon
Listing	Euronext Paris
Clearing	Euroclear France if dematerialised notes



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Key takeaways

1

✓ CRH is a **unique market-place entity in Europe**

2

✓ Representing ultimately a **credit risk on the French banking system**

3

✓ Benefiting from a **strong, legal-specific Framework**

4

✓ Secured by **high quality residential real-estate loans**

5

- ✓ Fitted with **strong built-in protections**
- 41.5% Over-collateralization
 - 40.0% average unindexed LTV (32.5% average indexed)
 - Large excess Total Own-funds / CET1
 - Shareholders Solidarity over capital



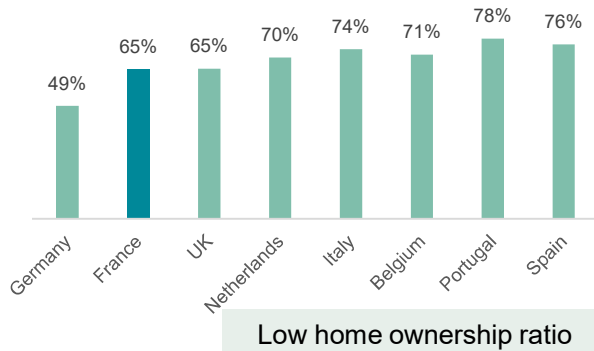
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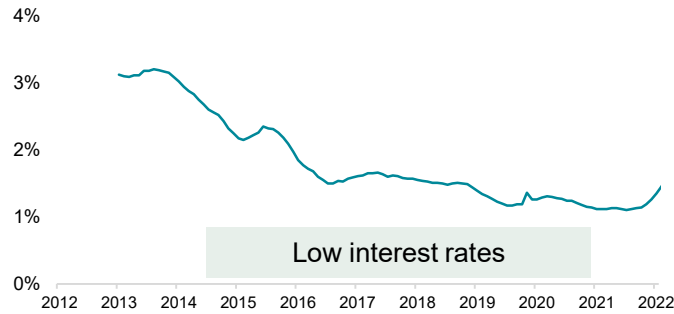
Review of the French housing market

A dynamic and resilient market

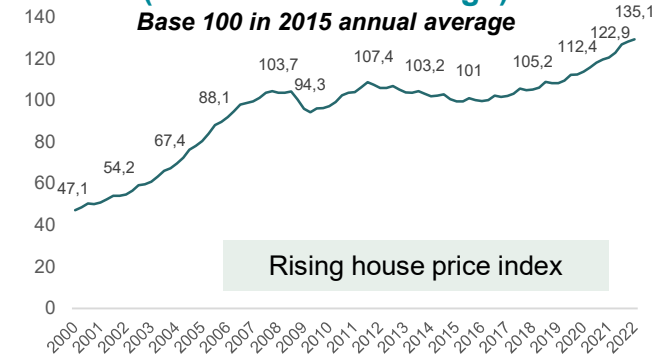
Home ownership ratio in Europe
(in % of total households)



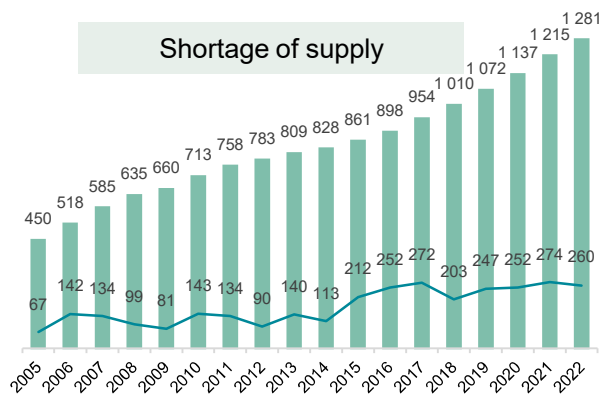
French home loan interest rates



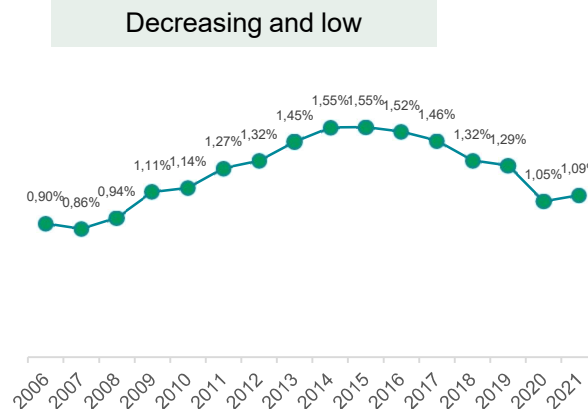
Housing price index (new and old dwellings)
Base 100 in 2015 annual average



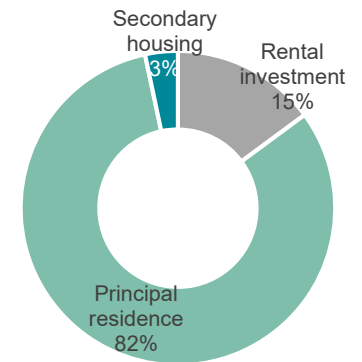
Average outstanding amounts and gross production of French home loans
(in €bn)



French doubtful home loans
(in %)



French home loan purpose
(as of Q4 2022)



Sources: Eurostat, Banque de France, INSEE

Review of the French housing market

A healthy but cautious origination process

The French market presents a healthy picture when combining the different aspects of its housing loans origination process



Capability to repay is fundamental

- A consistent housing origination approach shared amongst French banks
- A scoring technique focusing on the most creditworthy buyers (hence a decreasing doubtful loan ratio observed since 2015)
- A process based upon the Loan to Income (LTI) ratio instead of the Loan to Value (LTV): borrower creditworthiness via the Debt-to-Income ratio, the employment type, regular and justified revenues
- New interest rate context will likely decrease the origination levels as house prices have not adjusted yet

Consistent and solid demand

- Supported by a lower rate of home ownership compared to European countries
- A growing population thanks to a more dynamic demography combining a higher birth rate and a positive immigration net inflow
- Historically, a strong appetite for Real Estate assets, seen as a protection against volatility observed on other alternative investments (Equity)
- Demands might be constrained by increased cost of funding while RRE prices remain high

Weak Supply

- A structural housing deficit measured by the difference between housing starts and building permits
- A cautious attitude from developers, sticking to the actual demand. This avoids any extra stock that could weigh upon the market dynamic

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