



**CAISSE DE REFINANCEMENT DE L'HABITAT**

**The English language version of this Registration Document is a free translation from the original, which was prepared in French.**

**All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters only the contents of the French documentation are binding on CRH.**

## **2010 ANNUAL REPORT**

### **- REGISTRATION DOCUMENT -**

*Incorporating by reference the 2009 and 2008 financial statements and the reports of the independent auditors relative to those accounts as presented in the registration documents filed February 4, 2010 and February 6, 2009, respectively, with the French securities regulator (Autorité des Marchés Financiers or AMF). All information included in those two registration documents, other than that mentioned above, has been, as necessary, replaced and/or updated by information included in this document.*

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**Credit institution licensed as a French “société financière”**

**A French corporation (*société anonyme*) with capital stock of EUR 199,927,500**

**Registered office: 35 rue La Boétie – 75008 Paris**

**<http://www.crh-bonds.com>**

**Paris Trade and Companies Register no. 333 614 980 – APE code 6492Z**

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AUTORITÉ  
DES MARCHÉS FINANCIERS

**AMF**

This registration document was filed with the French securities regulator (*Autorité des Marchés Financiers* – AMF) on February 7, 2011, in accordance with Article 212-13 of its general regulation. It may be used in support of a financial transaction if supplemented by an information notice authorized by the AMF.

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This registration document is available on the CRH web site ([www.crh-bonds.com](http://www.crh-bonds.com)) and on that of the AMF ([www.amf-france.org](http://www.amf-france.org)).



## REPORT OF THE BOARD OF DIRECTORS TO THE REGULAR STOCKHOLDERS' MEETING HELD ON MARCH 1, 2011

To the Stockholders,

As required by law, we have called this stockholders' meeting to approve the financial statements for fiscal year 2010.

### OPERATIONS

This fiscal year was characterized by CRH's new role with regard to the French Financing Agency (*Société de Financement de l'Economie Française – SFEF*): CRH is now responsible for the operation of the French Financing Agency and for monitoring and controlling the operational functions delegated to several partners.

As a result of this new role, CRH increased its staff and moved to offices on the third floor of the building at 35, Rue la Boétie, which are larger than those previously occupied on the fourth floor.

This fiscal year was also characterized by the significant volumes issued by CRH.

The specific laws and regulations governing CRH and the strict internal rules that you approved enabled CRH to be one of only a very few issuers able to borrow significant amounts on a long-term basis during the year, despite the European Central Bank bringing to an end, in June, the covered bond purchase program.

The total amount of loans granted during the course of the year which, in accordance with CRH's corporate purpose, equals the total amount of bonds issued, reached an all-time high at EUR 9.2 billion (including the euro equivalent of a CHF 250 million issue). Loans granted totaled EUR 5.1 billion in 2009 and EUR 7.4 billion in 2008.

It is important to note that, under the terms of this Swiss Franc issue, CRH has made an issue in Swiss Francs, granted loans in Swiss Francs and received in its cover pool loans in Swiss Francs, in accordance with the regulations, and which have been used to finance housing in France.

This transaction does not therefore expose CRH to a foreign exchange risk and is not very different from its normal transactions.

Loans granted to banks by CRH since its establishment totaled EUR 70 billion at December 31, 2010, compared to EUR 61 billion at December 31, 2009.

Including EUR 7.5 billion of final repayments with contract maturities during the year, total outstanding loans at December 31, 2010 also reached another all-time high of EUR 41.3 billion (compared with EUR 39.6 billion at December 31, 2009 and EUR 37.8 billion at December 31, 2008).

Moreover, no contractual early repayments were made.

Total assets amounted to EUR 42.5 billion at December 31, 2010, compared with EUR 40.6 billion at December 31, 2009.

## **RESULTS, FINANCIAL SITUATION, AND DEBT**

In accordance with the provisions of Article L. 225-100 of the French Commercial Code (*Code de Commerce*), an analysis of the Company's results, financial situation, and debt must be prepared.

Beginning on January 1, 2007, in accordance with the provisions of Regulation no. 2005-01 of the French Accounting Regulations Committee (*Comité de la Réglementation Comptable*), mortgage notes are recognized as assets at their acquisition price and the difference between the acquisition price and the face value of the mortgage notes is now spread over time using an actuarial method. Bonds are recognized as liabilities using the same rule.

### a) Results:

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

As a result, CRH's earnings represent the income from stockholders' equity invested in the money market, net of general and administrative expenses and interest paid to stockholders on subordinated loans.

Financial income was lower than the previous year due to the fall in money market rates.

Interest on subordinated loans totaled EUR 1.7 million, compared with EUR 2.2 million in 2009.

General and administrative expenses were higher than in 2009 at EUR 2.2 million.

Provisions for risk associated with medium and long-term credit operations are at the regulatory ceiling and total EUR 10,000 compared with EUR 40,000 in 2009.

Net income after taxes came to EUR 0.1 million, compared with EUR 0.6 million in 2009.

Since this profit is relatively low, the Board of Directors recommends that no dividend be paid and that the profit, after the allocation to the legal reserve, be carried forward.

### b) Financial situation:

At December 31, 2010, CRH had stockholders' equity (excluding subordinated loans and the FRBG – Fund for General Banking Risk – *Fonds pour Risques Bancaires Généraux*) of EUR 207.4 million, compared with EUR 207.3 million at December 31, 2009.



CRH's capital adequacy ratio was 8.67%, under both the Basel I and Basel II standards, at December 31, 2010, compared with 8.69% at December 31, 2009 and 8.73% at December 31, 2008. The Basel II ratio is computed using the standardized method for credit risk and the basic indicator approach for operational risk.

#### c) Debt

CRH does not borrow for its own account but on behalf of banks, which 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. As a result, an analysis of its debt is only of limited significance.

## **OUTLOOK**

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.

Clearly, volumes vary as a function of the economic and financial situation.

The current situation is prompting banks to provide themselves with the means to obtain new finance. Almost all CRH's stockholder banks now have their own mechanism for issuing covered bonds and, moreover, have asked the French government to create a specific legislative framework to regulate their mechanism. This legislative framework was established by Law no. 2010-1249 of October 22, 2010 on housing loan companies.

However, these banks are continuing to borrow from CRH, having realized during the financial crisis that it is essential for them to have more than one source of finance.

As for investors, the financial crisis has encouraged them to take more careful note of the issuers' ratings, which is beneficial to CRH.

In this regard, an active communication policy was implemented in 2006. This policy was followed throughout the year with numerous investor roadshows in European Union countries, particularly in Germany, and also in the Far East.

## **COMPENSATION OF CORPORATE OFFICERS AND DIRECTORS AND INDEPENDENT AUDITORS**

As required by law, compensation paid to corporate officers and directors is presented in Note 16 to the financial statements, on page 84.

The fees paid to the independent auditors are presented on page 30 and in Note 14 to the financial statements, on page 83.

## **TERMS OF OFFICE**

The terms of office and functions exercised by corporate officers and directors during the year are presented in Chapter 9, pages 59 to 61.

## **SUPPLIER PAYMENT TERMS**

CRH complies with the prevailing rules on this subject. As of December 31, 2010, trade creditors totaled EUR 44,684. The creditors' payment period is less than one month.

## RECOMMENDATIONS BY THE BOARD OF DIRECTORS TO THE REGULAR STOCKHOLDERS' MEETING

To the Stockholders:

- We recommend that you approve the financial statements for 2010 as presented to you.

- We recommend that you approve the agreements covered by the special report of the independent auditors.

- Since the profit is relatively low, we recommend that no dividend be paid and that the distributable income be allocated as indicated below:

	(in EUR)
. Net income for the year	114,359.36
. Plus retained earnings – opening balance	43,988.36
Equals total distributable income of	<b>158,347.72</b>
To be allocated as follows:	
. Legal reserve	6,000.00
The total amount of which is thereby increased to EUR 3,036,000.00	
. Retained earnings – closing balance	152,347.72

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

In EUR per stock unit:

Year	Net dividend
2009	0.04
2008	0.33
2007	0.24

## RESOLUTIONS

### FIRST RESOLUTION

*(Approval of company financial statements for the year ended December 31, 2010)*

The Stockholders' Meeting, following the presentation of the Board of Directors' management report on the management of the Company during the year ended December 31, 2010, and having heard the independent auditors' report on the annual financial statements, approves the company financial statements as presented for said financial year comprising the income statement, balance sheet and notes to the financial statements, as well as the transactions recorded in these financial statements and summarized in these reports.

The Stockholders' Meeting also takes note of the terms of the report of the Chairman of the Board of Directors on internal control and corporate governance which was presented to it, as well as the terms of the independent auditors' report, which sets out their observations on said Chairman's report.

The Stockholders' Meeting notes that the Company did not during the period under review incur any expenses or charges that are not deductible for tax purposes, in accordance with paragraph 4 of Article 39 of the French General Tax Code (*Code Général des Impôts*).

### SECOND RESOLUTION

*(Review and approval of agreements governed by Article L. 225-38 of the French Commercial Code)*

The Stockholders' Meeting, having heard the special report of the independent auditors on the agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code, notes the findings of said report and resolves to approve the agreements described therein.

### THIRD RESOLUTION

*(Board of Directors' proposed allocation of the net income for the year ended December 31, 2010)*

The Stockholders' Meeting approves the allocation of the net income for the year ended December 31, 2010, as shown in the following table:

	(in EUR)
. Net income for the year	114,359.36
. Plus retained earnings – opening balance	43,988.36
Equals total distributable income of	<b>158,347.72</b>
To be allocated as follows:	
. Legal reserve	6,000.00

The total amount of which is thereby increased to EUR 3,036,000.00

. Retained earnings – closing balance 152,347.72

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

In EUR per stock unit:

<b>Year</b>	<b>Net dividend</b>
2009	0.04
2008	0.33
2007	0.24

#### **FOURTH RESOLUTION**

The Stockholders' Meeting authorizes the bearer of an original, a copy or excerpt of these minutes to carry out all formalities required by law.

**CAISSE DE REFINANCEMENT DE L'HABITAT**  
Five-year financial summary

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Capital stock at year end:</b>					
. Capital stock (in EUR)	129,664,924	149,663,500	169,641,000	199,927,500	199,927,500
. Number of common stock units in issue	8,502,618	9,814,000	11,124,000	13,110,000	13,110,000
. Number of non-voting preferred stock units in issue	0	0	0	0	0
. Maximum number of stock units to be created through conversion of bonds or exercise of subscription rights	0	0	0	0	0
<b>Business and earnings (EUR thousands):</b>					
. Total revenues (excluding taxes)	1,032,451	1,276,000	1,572,479	1,745,734	1,738,837
. Income before tax, employee profit-sharing, depreciation, amortization and provisions	88,664	4,018	6,132	936	229
<i>Pro forma (1)</i>	<i>1,677</i>				
. Corporate income tax	529	1,285	1,978	287	66
. Employee profit-sharing	0	0	0	0	0
. Income after tax, employee profit-sharing, depreciation, amortization and provisions	1,048	2,507	3,781	589	114
. Dividend distributed	935	2,355	3,671	524	0
<b>Earnings per share (in EUR):</b>					
. Income after tax and employee profit-sharing but before depreciation, amortization and provisions	10.37	0.28			
<i>Pro forma (1)</i>	<i>0.14</i>		0.37	0.05	0.01
. Income after tax, employee profit-sharing, depreciation, amortization and provisions	0.12	0.26	0.34	0.04	0.01
. Net dividend per share	0.11	0.24	0.33	0.04	0.00
<b>Staff:</b>					
. Average number of employees during year (2)	9	9	9	9	9
. Payroll expense (EUR thousands)	596	596	647	653	693
. Social security and other benefits (EUR thousands)	270	280	309	361	335

(1) Change of accounting method in 2007.

(2) Including paid corporate officers.

## **REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL AND CORPORATE GOVERNANCE**

To the Stockholders:

In accordance with legal requirements and in my capacity as Chairman of the Board of Directors of CRH – CAISSE DE REFINANCEMENT DE L'HABITAT, I am pleased to present you this report as approved by the Board of Directors at its February 1, 2011 meeting.

This report concerns information related to Board membership, conditions for preparing and organizing the work of the Board of Directors, internal control procedures and risk management within the Company, corporate governance, and the terms of stockholder participation at Company Stockholders' Meetings in 2010.

### **1. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES**

The aim of the internal controls implemented by the Company is to meet the internal control and compliance obligations for credit institutions contained in Regulation no. 97-02 of the CRBF (French Banking and Financial Regulatory Committee: *Comité de la Réglementation Bancaire et Financière*).

Pursuant to the provisions of this regulation, companies must submit a report on internal control, compliance, and the measurement and monitoring of risks at least once a year to the Board of Directors.

#### **1.1. INTERNAL CONTROL PARTICIPANTS**

The system of internal control has 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 Chairman and Chief Executive Officer and the General Secretary have responsibility for monitoring the consistency and effectiveness of the internal control system.

In addition, at its October 20, 2009 meeting, the Board of Directors decided to create an audit committee.

The Chairman and Chief Executive Officer reports regularly to the Board of Directors on internal control, risk monitoring activities and results.

Internal control is enhanced by audit assignments carried out by the inspection and audit departments of CRH's credit institution stockholders, as specified in Article 9 of the internal rules and regulations.

In order to comply with these provisions, I asked Crédit Agricole's General Inspection department to audit CRH, which it did in November 2009.

In order to accelerate the implementation of improved formalization of the controls plan and the permanent control plan, CRH has appointed Mazars to act for it in this matter. Mazars reported its findings at the end of the fiscal year, enabling said improved formalization to be implemented.

## **1.2. ORGANIZATION OF INTERNAL CONTROL WITH REGARD TO THE PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION**

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 maintains a system of internal control providing it with reasonable assurance as to the reliability of its financial information, the protection of its assets and the compliance of its operations, its commitments and its internal procedures with all prevailing regulations, within the framework of the obligations set out in Regulation no. 97-02 of the CRBF (French Banking and Financial Regulatory Committee).

In practical terms, the internal control system is based on regularly-updated written procedures and an organizational structure that strictly separates duties and responsibilities.

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.

## **1.3. RISK MANAGEMENT PROCEDURES**

By way of background, note that beyond General Management's control functions, Article L. 313-49 of the French Monetary and Financial Code (*Code Monétaire et Financière*) provides for a specific legal control of CRH's operations by the banking authority.

In accordance with the regulations, a risk mapping has been established and is periodically reviewed. These risks are described in Chapter 3 of this document, to which it is useful to refer. It should be noted that CRH does not state that the description is exhaustive.

Identification of operational risks is regularly sought by General Management, and the business continuity plan must, in principle, ensure the durability of operational procedures during and after any interruption of activities. This risk was substantially reduced in 2009 by the implementation of the Euroclear direct payment procedure via the Banque de France in respect of the amounts required to service the debt.

As CRH's only objective is to lend all the proceeds of its borrowings, credit risk is the most important risk. This risk concerns only credit institutions. It is covered by a specific pledge of refinanced loans in accordance with the requirements of Articles L. 313-42 through L. 313-49 of the French Monetary and Financial Code. This pledge in particular is the subject of the aforementioned specific legal review.



CRH also regularly audits borrowing banks using a team of auditors dedicated to this task.

The procedures in place within this team have as principal objectives the monitoring of the condition of CRH's receivables and an evaluation of the level to which they are covered, using controls conducted on a sample basis and the examination of monthly electronic statements of duplicate lists of pledged receivables.

A comprehensive report on CRH's loans is regularly provided to the Board of Directors.

Limits on loans granted by CRH are set by General Management in accordance with the credit policy and rules established by the Board.

These limits in particular take into account the institution's rating and the characteristics of outstanding home-purchase loans eligible for refinancing.

The general economics of the CRH mechanism are such that the profitability of credit transactions is, by its nature, always zero because CRH borrows for the account of French credit institutions and provides them with the resources raised without charging a margin.

CRH is normally well insulated from market risks. This subject is discussed in paragraphs 3.1.2 through 3.1.5 of this document.

In addition, the provisions of Article 8.3 of its internal rules and regulations allow CRH, if necessary and under certain conditions, to draw on lines of credit from its stockholders.

Finally, the Board of Directors has set at EUR 10,000 the materiality threshold for the purposes of fraud alert defined in Article 17 *ter* of regulation no. 97-02 of the CRBF (French Banking and Financial Regulatory Committee).

## **2. MEMBERSHIP AND CONDITIONS FOR PREPARING AND ORGANIZING THE WORK OF THE BOARD OF DIRECTORS (see provisions of Title II of the Company By-laws)**

CRH stock is not publicly traded and in accordance with the By-laws is allocated annually between borrowers pro rata to the loans outstanding.

The Board represents the stockholders, and its membership comprises most of the main players in the French residential mortgage market.

### **2.1. BOARD OF DIRECTORS MEMBERSHIP (see Chapter 9 of this document).**

- |   |                                      |
|---|--------------------------------------|
| - <b>Henry RAYMOND</b>  | Chairman and Chief Executive Officer |
| - <b>Banque Fédérative du Crédit Mutuel</b><br>represented by Jean-François TAURAND | Director                             |

- <b>BNP Paribas</b> represented by Valérie BRUNERIE	Director
- <b>BPCE</b> represented by Patrick MENU	Director
- <b>Caisse Centrale du Crédit Mutuel</b> represented by Sophie OLIVIER	Director
- <b>Crédit Agricole SA</b> represented by Nadine FEDON	Director
- <b>Crédit Lyonnais</b> represented by Christian LARRICQ-FOURCADE	Director
- <b>GE Money Bank</b> represented by François KLIBER	Director
- <b>Société Générale</b> represented by Vincent ROBILLARD	Director

These directors serve for a six year period (see pages 59 to 60).

## **2.2. CONDITIONS FOR PREPARING AND ORGANIZING THE WORK OF THE BOARD OF DIRECTORS**

The Board is a collegial body that deliberates on all questions concerning the life of the Company and, in particular, on matters of strategy.

Internal rules covering the Board's operations have not been established.

## **2.3. WORK OF THE BOARD OF DIRECTORS**

The Board of Directors met six times in 2010. More than half of the directors usually attended or were represented.

The main business of the Board during the year included:

- discussion and approval of the results and the company financial statements for fiscal year 2009, examination of quarterly financial statements and discussion and approval of the semiannual financial statements;

- setting the maximum level of bonds to be issued, the Board having granted me full authority to implement and set the terms of these issues in accordance with the provisions of Article L. 228-40 of the French Commercial Code;

- reviewing the terms and conditions of bond issuance;

- reviewing the annual report on the conditions of exercise of internal controls and of various discussions related to internal controls;

- the periodic examination of internal control and compliance activities and results;

- setting the Chairman and Chief Executive Officer's compensation;
- monitoring the activities of CRH, the level to which they are covered and compliance with applicable regulations;
- examining the outcome of audits by the audit and inspection department on portfolios of receivables pledged to CRH at December 31, 2009;
- examining the regulations concerning the prudential recognition of CRH stock held by banks;
- appointing the members of the audit committee;
- examining the findings of the audit committee.

**2.4. COMPENSATION COMMITTEE (see Paragraph 9.1.3. on page 61 of this document)**

The Board has set up a compensation committee. It is composed of three directors who are senior executives but not corporate officers of companies holding stock in CRH. Its role is to make recommendations to the Board concerning the compensation of the Chairman of the Board of Directors and of the Chief Executive Officer, appointments that are currently fulfilled by the same individual. This committee meets once each year.

**2.5. RISK COMMITTEE**

In accordance with the provisions of Paragraph 3 of the internal rules and regulations (see Appendix 6 of this document), the Board of Directors or General Management can convene a risk committee, which has an advisory role. The Board of Directors designates its members from among stockholders or their representatives and establishes the rules governing its operations.

**2.6 AUDIT COMMITTEE (see Paragraph 9.1.4. on page 61 of this document)**

The audit committee, which consists of three members selected from the Company's directors, met on July 6 and November 26, 2010.

The main business of the audit committee at these meetings included:

- appointing the committee's chairman and organizing its work;
- defining its role as regards controlling the portfolios of receivables pledged in favor of CRH;
- listening to the reports of CRH's management and independent auditors on the semiannual financial statements;
- reviewing CRH's operations, results and financial situation at June 30, 2010;
- reviewing the financial information;

- listening to Mazars' report on the formalization of the permanent controls plan.

### **3. CORPORATE GOVERNANCE**

Most principles of corporate governance are now enshrined in the French Commercial Code or in the General Regulations of the French securities regulator (*Autorité des Marchés Financiers* or AMF), to which the Company is subject.

In practice, the Company takes into account the recommendations of the AFEP/MEDEF (the French Association of Private Businesses/French Business Confederation) Code of October 2008 related to corporate governance, which are available on MEDEF's website ([www.medef.fr](http://www.medef.fr)).

However, it is specified that these principles and recommendations are applicable only to the extent that they can be implemented in a relevant manner.

1. CRH is a market institution whose capital stock belongs to French banks.
2. The shares comprising CRH's capital stock are not quoted on any exchange.
3. The associated voting rights are diluted in order to maintain CRH's independence.
4. CRH does not charge an interest margin on transactions.
5. The Chairman's compensation cannot be contingent on CRH's results due to the special characteristics of CRH's structure. His compensation comprises only salary and is established by the Board of Directors at the recommendation of the compensation committee. The amount is clearly indicated in this document. The Chairman is not eligible for either a "golden parachute," nor an additional complementary retirement plan, or stock options.
6. On December 18, 2009, the Chairman was appointed Chief Executive Officer of the French Financing Agency (*Société de Financement de l'Économie Française – SFEF*) as of January 1, 2010.
7. Other directors receive no compensation of any kind from CRH and are executive officers of stockholder companies. Valérie BRUNERIE, Nadine FEDON and Vincent ROBILLARD, who represent BNP Paribas, Crédit Agricole SA and Société Générale respectively on the Board of CRH, have been directors of SFEF in their personal capacities since December 18, 2009.

### **4. TERMS FOR STOCKHOLDER PARTICIPATION AT REGULAR STOCKHOLDERS' MEETINGS (Article 21 of the By-laws)**

These are summarized in Article 21 of the By-laws (see Appendix 5 of this document).

Henry RAYMOND  
Chairman of the Board of Directors

## **REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS**

**For the fiscal year ended December 31, 2010**

To the Stockholders:

In accordance with the terms of our appointment by your Stockholders' Meeting, we hereby report to you, for the year ended December 31, 2010 on:

- the audit of the accompanying financial statements of **CAISSE DE REFINANCEMENT DE L'HABITAT SA**;
- the basis of our opinion;
- 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 the financial statements based on our audit.

### **1. 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 involves the verification, using sampling or other methods of testing, of evidence supporting the amounts and disclosures in the financial statements. It 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 procedures provide 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 December 31, 2009 and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

### **2. The basis for our opinion**

In compliance with the provisions of Article L. 823-9 of the French Commercial Code regarding the basis of our opinion, we hereby inform you that our assessments focused on the appropriateness of the accounting principles applied and on the reasonableness of significant 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 to the financial statements as a whole and therefore contributed to the opinion expressed in the first part of this report.

### **3. 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 stockholders with respect to the Company's financial position and financial statements.

As regards the information provided in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code on the compensation paid and benefits awarded to the corporate officers as well as commitments given in their favor, we have verified that it is consistent with the financial statements or the data used to prepare said financial statements and, where relevant, with the information acquired by your Company from the companies controlling your Company or controlled by it. On the basis of this work we are able to affirm the accuracy and reliability of such information.

Paris La Défense and Paris, February 2, 2011

The Independent Auditors

**KPMG AUDIT**  
A division of KPMG SA  
Represented by  
Rémy TABUTEAU

**AUDITEURS & CONSEILS ASSOCIÉS SA**  
Represented by  
Olivier LELONG

## **SPECIAL REPORT OF THE INDEPENDENT AUDITORS ON THE REGULATED AGREEMENTS AND COMMITMENTS**

**For the fiscal year ended December 31, 2010**

To the Stockholders:

In our capacity as independent auditors of your company, we present to you our report on the regulated agreements and commitments.

Our role is to inform you, on the basis of the information provided to us, of the features, terms and conditions of the agreements and commitments of which we have been informed or of which we have become aware during the performance of our work. It is not our responsibility to express an opinion on the usefulness and advisability of such agreements and commitments or to ascertain whether any other agreements or commitments exist.

It is your duty, pursuant to the provisions of Article R. 225-31 of the French Commercial Code, to assess the interest of such agreements and commitments in view of their approval.

In addition, it is our responsibility, where relevant, to provide to you the information prescribed by Article R. 225-31 of the French Commercial Code relating to the execution, during the year under review, of agreements and commitments already approved by the Stockholders' Meeting.

We performed the due diligence procedures that we deemed necessary to comply with the professional standards of the French national institute of independent auditors (*Compagnie Nationale des Commissaires aux Comptes*). Those procedures involved verifying the consistency of information provided to us with source documentation.

### **1. Agreements and commitments submitted for approval by the Stockholders' Meeting**

We inform you that we have not been advised of any agreements or commitments authorized during the year under review that require the approval of the Stockholders' Meeting pursuant to the provisions of Article R. 225-38 of the French Commercial Code.

### **2. Agreements and commitments already approved by the Stockholders' Meeting**

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed of the following agreements and commitments which have already been approved by Stockholders' Meetings in previous fiscal years and which remained in force during the year under review.

- Agreement with the French Financing Agency (SFEF)

At its meeting on December 8, 2009, your Board of Directors authorized the implementation between Caisse de Refinancement de l'Habitat and the French Financing Agency (SFEF) of a management agreement signed on December 18, 2009. Under the

terms of this agreement, Caisse de Refinancement de l'Habitat undertakes to make available the technical and human resources necessary for the monitoring and control of its activities. This agreement came into force on January 1, 2010 and will be automatically renewed.

The income invoiced under the terms of this agreement for the year ended December 31, 2010 totaled EUR 80,000.

- Corporate officer liability insurance contract taken out from Chubb Insurance Company of Europe S.A.

The December 4, 2007 Board of Directors' meeting authorized the taking out of a corporate officer liability insurance contract. This contract entered into effect on January 1, 2008 and covers liability for damages that a corporate officer would be required to pay as a result of any claims against him for misconduct or negligence.

Caisse de Refinancement de l'Habitat recognized as an expense premiums totaling EUR 4,947.70 related to this agreement for the fiscal year 2010.

- Unemployment insurance agreement with ASSEDIC, a French social security organization, for the loss of employment of non-employee corporate officers

The March 8, 2005 Board of Directors' meeting authorized the principle of Caisse de Refinancement de l'Habitat providing for unemployment insurance coverage for corporate officers not covered by ASSEDIC unemployment insurance in the event of termination of their employment contract.

Premiums under this plan recognized by Caisse de Refinancement de l'Habitat for the fiscal year 2010 amounted to EUR 6,735.

Paris La Défense and Paris, February 2, 2011

The Independent Auditors

**KPMG AUDIT**  
A division of KPMG SA  
Represented by  
Rémy TABUTEAU

**AUDITEURS & CONSEILS ASSOCIÉS SA**  
Represented by  
Olivier LELONG



**REPORT OF THE INDEPENDENT AUDITORS (PREPARED IN APPLICATION OF ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE) ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION**

**For the fiscal year ended December 31, 2010**

To the Stockholders:

In our capacity as independent auditors of Caisse de Refinancement de l'Habitat 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, 2010 in accordance with the requirements of Article L. 225-37 of the French Commercial Code.

It is the Chairman's responsibility to submit a report for the Board of Directors' approval on the internal control and risk management procedures in place at the Company and which provides the other information required by Articles L. 225-37 of the French Commercial Code on, in particular, its corporate governance procedures.

Our responsibility is:

- to provide you with comments on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information, and
- to attest that the report includes all other information required under Article L. 225-37 of the French Commercial Code, although it is not our responsibility to verify the accuracy of this other information.

We conducted our work in accordance with professional standards generally accepted in France.

***Information about the internal control procedures relating to the preparation and processing of accounting and financial information***

The relevant professional standards require that we plan and perform our work so as to be able to assess whether the information concerning the internal control procedures relating to the preparation and processing of accounting and financial information contained in the Chairman's report is presented fairly. Such work consists in particular of:

- familiarizing ourselves with the internal control procedures relating to the preparation and processing of accounting and financial information supporting the information presented in the Chairman's report as well as the existing documentation;

- familiarizing ourselves with the work supporting the preparation of this information and the existing documentation;
- determining whether any major deficiencies in the internal control procedures relating to the preparation and processing of accounting and financial information that we discovered when carrying out our audit work have been appropriately disclosed in the Chairman's report.

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

*Other information*

We attest that the report of the Chairman of the Board of Directors includes the other information required under Article L. 225-37 of the French Commercial Code.

Paris La Défense and Paris, February 2, 2011

The Independent Auditors

**KPMG AUDIT**  
A division of KPMG SA  
Represented by  
Rémy TABUTEAU

**AUDITEURS & CONSEILS ASSOCIÉS SA**  
Represented by  
Olivier LELONG

## **CHAPTER 1**

### **RESPONSIBILITIES**

#### **1.1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT**

Henry RAYMOND, Chairman and Chief Executive Officer of CRH.

#### **1.2. STATEMENT OF THE PERSON RESPONSIBLE**

I certify, after having taken all reasonable steps to ensure so, that the information contained in this registration document is to the best of my knowledge true and correct and there have been no omissions which would affect its scope.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position, assets and liabilities and net income of the Company and that the management report included on page 7 gives an accurate overview of the business, results and financial position of the Company as well as a description of the main risks and uncertainties it faces.

I have obtained a post-audit report from the independent auditors in which they indicate that they have examined the information on the financial position and the financial statements as presented in this document and that they have read the entire registration document.

The historical financial information presented in this document is covered by the reports of the independent auditors, included on page 21.

Paris, February 7, 2011

*Chairman and Chief Executive Officer*  
Henry RAYMOND



## CHAPTER 2

### INDEPENDENT AUDITORS

#### 2.1. INDEPENDENT AUDITORS

##### 2.1.1. Independent auditors

###### 1) AUDITEURS & CONSEILS ASSOCIÉS SA

NEXIA International

Member of the Paris regional institute of independent auditors

Address: 33 rue Daru 75008 Paris

Represented by: Olivier LELONG

Dates of appointment: Initially appointed on April 16, 1991, renewed on March 4, 1997, March 4, 2003, and on March 3, 2009.

Term of office: The present six-year term expires on closure of the Stockholders' Regular Meeting called to approve the financial statements for the year ending December 31, 2014.

###### 2) KPMG Audit

A division of KPMG SA

Member of the Versailles regional institute of independent auditors

Address: Immeuble le Palatin – 3 cours du Triangle  
92939 Paris La Défense Cedex

Represented by: Rémy TABUTEAU

Dates of appointment: Initially appointed on April 16, 1991, renewed on March 4, 1997, March 4, 2003, and on March 3, 2009.

Term of office: The present six-year term expires on closure of the Stockholders' Regular Meeting called to approve the financial statements for the year ending December 31, 2014.

##### 2.1.2. Alternate independent auditors

###### 1) Alternate independent auditor for AUDITEURS & CONSEILS ASSOCIÉS SA Olivier JURAMIE

Member of the Paris regional institute of independent auditors

Address: 33 rue Daru 75008 Paris

Date of appointment: Appointed on March 3, 2009.

Term of office: The present six-year term expires on closure of the Stockholders' Regular Meeting called to approve the financial statements for the year ending December 31, 2014.

## 2) Alternate independent auditor for KPMG Audit

### Isabelle Goalec

Member of the Versailles regional institute of independent auditors

Address: Immeuble le Palatin – 3 cours du Triangle  
92939 Paris La Défense Cedex

Date of appointment: Appointed on March 3, 2009.

Term of office: The present six-year term expires on closure of the Stockholders' Regular Meeting called to approve the financial statements for the year ending December 31, 2014.

### 2.1.3. Fees paid to the independent auditors and members of their organizations in respect of fiscal years ended December 31, 2010 and 2009

(EUR thousands)

	Auditeurs & Conseils Associés				KPMG Audit – a division of KPMG SA			
	Amount		%		Amount		%	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Audit</b>								
- Statutory audit, certification, review of individual and consolidated financial statements	18	17	100	90	18	17	100	90
- Audit-related services	0	2	0	10	0	2	0	10
<b>Other services</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## 2.2. INDEPENDENT AUDITORS RESIGNING OR REMOVED

The renewal of the independent auditors' appointments decided at the Stockholders' Regular Meeting of March 3, 2009, was accompanied by a change in lead partners in compliance with legal requirements for partner rotation.

## CHAPTER 3

### RISK FACTORS

(AMF interpretation no. 2 on the preparation of registration documents)

CRH believes that the risk factors discussed below could potentially affect its ability to meet its obligations on issued bonds. Most of these factors are linked to events that may or may not occur. CRH makes no claim that the risks factors listed below are exhaustive. CRH is not in a position to express an opinion as to the probability of occurrence of these events. Potential investors should also read the other detailed information in the related prospectus and reach their own conclusions prior to making an investment decision.

#### 3.1. ISSUER RISK FACTORS:

CRH's sole purpose is to refinance home-purchase loans granted by credit institutions. To the issuer's knowledge, credit risk is the most significant risk.

#### CREDIT RISK

##### 3.1.1. Credit risk

It should be noted that:

- a) CRH's exposure to credit risk is thus limited to credit institutions;
- b) this risk is monitored by CRH based on the financial information provided by the borrowers;
- c) this risk is 125%-covered by pledges of receivables representing home-purchase loans in accordance with Article L. 313-42 of the French Monetary and Financial Code. In the event of borrower default, CRH automatically becomes the owner of the portfolio of loans pledged by that borrower "notwithstanding any provisions to the contrary."

A breakdown of outstanding loans is provided in paragraph 5.2.2 of chapter 5.

#### MARKET RISK

##### 3.1.2. Interest rate risk

CRH's income corresponds to a balance between proceeds from the investment of stockholders' equity on the money market on one side and general and administrative expenses and interest on subordinated loans extended by stockholders on the other. A decrease in money market rates leads directly to a decrease in income and vice versa. However, the current conditions under which CRH operates do not expose it to interest rate risk on its refinancing activities.

In accordance with its By-laws and internal rules and regulations, CRH bond issues and loans are perfectly matched in terms of rate and term (see Chapter 11, note 3). In addition, CRH requires that portfolios of receivables which are pledged and may become its property in the event of borrower default, also have the same interest rates and maturities as the related loans.

Furthermore, the 125% loan coverage imposed by CRH on its borrowers shields the Company to a large extent from any residual rate risk.

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

**3.1.3. Foreign exchange risk**

CRH generally has no activity in foreign currencies. However, in July 2010, it issued a CHF 250 million loan. This type of transaction does not expose CRH to any foreign exchange risk since it borrows in CHF, lends in CHF and receives in its cover pool loans in CHF.

**3.1.4. Equity risk**

CRH’s By-laws prohibit it from buying equities. As a result, CRH does not buy or sell credit derivatives on the market.

**3.1.5. Liquidity risk**

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

**INDUSTRIAL AND ENVIRONMENTAL RISKS**

**3.1.6. Industrial and environmental risks**

Not applicable.



## LEGAL RISKS

### 3.1.7. Overall legal risks

CRH operates in such a manner that it is not exposed to intellectual property and product marketing risks.

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

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

Furthermore, the validity of the surety granted to CRH by borrowing institutions is regularly verified through controls carried out on a test basis by the CRH audit and inspection department.

In order to avoid any conflict of laws, CRH's By-laws prohibit it from accepting otherwise eligible loans extended in other European Union countries.

### 3.1.8. Current litigation

On the filing date for 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 CRH's financial situation or profitability.

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

## OPERATING RISKS

### 3.1.9. Operating Risks

CRH may also be exposed to a number of risks that are not exclusively financial and which result from the inappropriateness or the insufficiency of procedures, staff or systems or from the occurrence of external events.

To limit its exposure 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.

In 2009, CRH introduced a new procedure for servicing its debt, using the services of Banque de France and Euroclear, which greatly reduced operating risks.

## **INTERNAL CONTROL**

### **3.2. INTERNAL CONTROL: (see page 15 for the Chairman's report to the Board of Directors on internal control and corporate governance)**

In accordance with Regulation no. 97-02 of the CRBF (French Banking and Financial Regulatory Committee) a report is drawn up regularly on CRH's internal control system and submitted to the Board of Directors.

Internal control is also the responsibility of the audit committee. The audit committee's terms of reference are to assist the Board of Directors in ensuring the quality of CRH's internal control system and the accuracy of the financial information provided to stockholders.

The internal control system is suited to CRH's particular circumstances:

- above all else, the complete disclosure of CRH's transactions giving rise to the preparation of a prospectus should be stressed and is summarized in this document;
- its transactions are limited strictly to its corporate purpose;
- its transactions are codified by its internal rules and regulations, which are approved by stockholders and published in this document;
- it has neither foreign activities nor any subsidiaries;
- because it has a small number of employees, responsibility for monitoring the consistency and effectiveness of the internal control system lies with General Management.

In addition, CRH's departments are audited regularly by the audit and inspection departments of its stockholders.

## CHAPTER 4

### INFORMATION ABOUT THE ISSUER

#### 4.1. HISTORICAL INFORMATION, RECENT DEVELOPMENTS, APPLICABLE LAW

##### 4.1.1. Corporate name

Since August 10, 1999 the Company's corporate name has been "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 INPI, the French trademarks and patents office, on February 23, 1999 under no. 99777102, renewed on September 29, 2008.

##### 4.1.2. Corporate registration

In Paris, under number: 333 614 980 – A.P.E.: 6492Z.

##### 4.1.3. Date of formation and duration

The Company is established for a period of 99 years beginning on October 8, 1985.

##### 4.1.4. Head office – Legal form – Applicable law – Other provisions of the By-laws – General information concerning the Company's capital stock

###### 4.1.4.1. Head office

CRH's head office is located at 35 rue La Boétie – 75008 Paris – France.

Telephone: +33 (0)1 42 89 49 10 – Fax: +33 (0)1 42 89 29 67

Website: <http://www.crh-bonds.com> – e-mail address: [crh@crh-bonds.com](mailto:crh@crh-bonds.com).

###### 4.1.4.2. Legal form

Caisse de Refinancement de l'Habitat (CRH), a French corporation (*Société Anonyme*), is a credit institution licensed to operate as a financial company (*Société Financière*) on September 16, 1985 by the French Credit Institutions Committee (*Comité des Établissements de Crédit*).

CRH is therefore governed by the provisions of Articles L. 210-1 to L. 228-4 of the French Commercial Code and Articles L. 511-1 *et seq.* of the French Monetary and Financial Code.

Under the government-led mortgage market reforms, CRH received authorization under Article 13 of Law no. 85-695 of July 11, 1985 in a September 17, 1985 letter from the French Minister for the Economy, Finance and the Budget.

The Company brought its By-laws into compliance with the provisions of the New Economic Regulations Law (*loi NRE*) on the separation of the offices of the Chairman and Chief Executive Officer – (see Articles 15, 16 and 17 of the appended By-laws). The Board of Directors' March 4, 2003 meeting decided to separate such offices.

However, the right to appoint two separate individuals to the offices of Chairman and Chief Executive Officer is not currently used. The March 13, 2007 Board of Directors' meeting appointed a single individual to the offices of Chairman and Chief Executive Officer.

#### **4.1.4.3. Legislation and regulations**

##### **A) The laws and regulations applicable to CRH's transactions are as follows:**

- Article 13 of Law no. 85-695 of July 11, 1985, as amended by Article 36 of Law no. 2006-872 of July 13, 2006 (see Appendix 1);

- Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code codifying the provisions of Article 16 of Law no. 69-1263 of December 31, 1969, as amended by Articles 12 and 13 of Law no. 85-695 of July 11, 1985, by Article 113 of Law no. 99-532 of June 25, 1999 and by Article 16 of Decree no. 2008-556 of June 13, 2008 (see Appendix 2);

- Article L. 515-14 paragraph I concerning SCF (*Sociétés de Crédit Foncier*: French mortgage loan company compliant with specific regulations) (see Appendix 2);

- Article R. 214-7 of the French Monetary and Financial Code codifying the provisions of Decree no. 2000-664 (see Appendix 3);

- Articles R. 313-20 to R. 313-25 of the French Monetary and Financial Code codifying the provisions of Decree no. 2000-664 of July 17, 2000, as amended by Decree no. 2003-144 of February 19, 2003 and by Decree no. 2007-745 of May 9, 2007 (see Appendix 3);

- Regulation no. 99-10 of the French Banking and Financial Regulatory Committee on the valuation of the assets financed to be taken into account in determining the portion of a loan that may be collateralized. This regulation was amended by Regulation no. 2002-02 and the Decree of May 7, 2007 (see Appendix 4).

##### **B) Changes in eligibility criteria pursuant to the implementation of the Capital Requirements Directive or CRD**

On the transposition into French law of the provisions of the European Union Capital Requirements Directive for legal covered bonds, the provisions governing CRH's transactions were amended as follows (see current eligibility criteria in Appendix 7):

- the cut-off financing portion criterion has been replaced by the maximum collateralizable portion of an eligible loan;

- the definition of the independent expert needed to value the asset financed has been specified;

- the limit above which the valuation can be based on the total cost of the transaction has been raised from EUR 350,000 to EUR 450,000;

- a new exemption makes it possible to use the total cost of the transaction, provided the remaining principal due of the eligible loan is less than EUR 360,000;

- a minimum personal down payment for secured loans is no longer required;

- the limit for the overall amount of secured loans that may be pledged was raised from 20% to 35% of the total amount pledged by a borrower institution.

The provisions relating to the valuation of assets financed will doubtless be amended soon when the regulatory provisions relating to “*obligations à l’habitation*” are implemented

### **C) CRH’s position with regard to banking regulations**

In December 2000, the French Banking Authority (*Commission Bancaire*) audited CRH’s regulatory compliance with capital adequacy ratios (CRBF Regulation no. 91-05) and control of major risks (CRBF Regulation no. 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.

The Banking Commission confirmed that CRH’s preexisting asset ratios complied with these regulations:

- for the purposes of Regulation no. 91-05, it determined that mortgage notes included in CRH’s assets that comply with Article 16 of the Law of December 31, 1969 (Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code) should be subject to the same legal requirements as preferred securities issued by a SCF (French mortgage loan company compliant with specific regulations). In calculating CRH’s capital adequacy ratio, they should be weighted at 10%.

- for the purposes of Regulation no. 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 refinances, as opposed to the issuers of the mortgage notes it holds. Accordingly, CRH complies with regulations governing major risk.

### **D) Prudential treatment waiver on CRH bonds held by European credit institutions**

With respect to CRH’s liabilities, the Banking Commission also determined in December 2000 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 an SCF (French mortgage loan company compliant with specific regulations).

Since then, Article 36 of Law no. 2006-872 of July 13, 2006 has awarded preferential status to the bearers of CRH bonds. In accordance with the provisions of Article 13 of Law

no. 85-695 of July 11, 1985, as amended by said Article 36, the amounts or values received in return for mortgage 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 French Commercial Code on distressed companies, as well as those concerning all legal or amicable proceedings filed on the basis of foreign laws, do not constitute an obstacle to the exercise of this preferential claim. This legislation took immediate effect and applies to all bonds issued previous and subsequent to the Law of July 13, 2006, with the preferential status legally established as a right in the absence of the attribution of a State guarantee.

Under these conditions, as indicated in the French Banking Authority'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 for covered bonds, and indeed appear comparable to legal covered bonds within the meaning of Directive 2006/48/EC (Text of the directive, Appendix 6, Part 1, Section 68).

#### **E) Prudential treatment waiver on CRH bonds held by European mutual funds**

Decree no. 2000-664 granted a waiver to CRH's bonds as provided under Article 4 of Decree no. 89-623 of September 6, 1989, corresponding to the provisions of Article 22.4 of the 1985 European UCITS directive. This waiver allows a collective investment undertaking to invest up to 25% of its assets in CRH securities (if the value of securities benefiting from this waiver does not exceed 80% of assets). These provisions are codified in Article R. 214-7 of the French Monetary and Financial Code (see Appendix 3).

#### **4.1.4.4. Other provisions of the By-laws**

##### **A) Corporate purpose**

CRH's corporate purpose is to:

- refinance mortgage notes signed or endorsed by the stockholders or establishments committed to becoming stockholders according to the procedures set forth in Articles 6 and 8 below in order to collateralize the receivables described in Article L. 313-42 of the French Monetary and Financial Code and representing **home-purchase loans**;
- issue bonds and other securities with characteristics comparable to the collateralized notes in consideration for the mortgage 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 stockholders' equity or in the event of the default of the issuer of a mortgage note.

## **B) Fiscal year**

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

## **C) Distribution of net income provided in the By-laws**

See Article 24 of the By-laws in Appendix 5.

## **D) Convening of Stockholders' Meetings**

See Article 20 of the By-laws in Appendix 5.

## **E) Attendance and representation at Stockholders' Meetings**

See Article 21 of the By-laws in Appendix 5.

### **4.1.4.5. General information concerning the Company's capital stock**

#### **A) Subscribed capital stock**

The September 12, 2006 Stockholders' Special Meeting authorized the Board of Directors to increase the capital stock by a maximum amount of EUR 99,963,750 to EUR 199,927,500 during the next five years in one or more transactions.

This authorization was fully used for four capital increases:

On October 17, 2006, capital stock was increased from EUR 99,963,750 to EUR 129,664,924.50 through the issue of 1,947,618 stock units with a par value of EUR 15.25;

On October 17, 2007, capital stock was increased to EUR 149,663,500 through the issue of 1,311,382 stock units with a par value of EUR 15.25;

On January 31, 2008, capital stock was increased to EUR 169,641,000 through the issue of 1,310,000 stock units with a par value of EUR 15.25.

On April 29, 2009, capital stock was increased to EUR 199,927,500 through the issue of 1,986,000 stock units with a par value of EUR 15.25.

At the time of each capital increase, subscribed stock units were fully paid up through a proportional reduction in outstanding subordinated borrowings.

As a result of the number of stock units actually subscribed at that time, the capital stock amounted to EUR 199,927,500 as of December 31, 2010. It was represented by 13,110,000 stock units with a par value of EUR 15.25.

None of these stock units have been pledged.

CRH's stock is not listed on any exchange.

## **B) Authorized capital stock not subscribed**

As of December 31, 2010, the authorized capital stock was fully paid up.

## **C) Convertible bonds and other instruments granting access to the capital stock**

There are no convertible bonds or composite securities that could give their holders access to the Company's capital stock now or in the future.

## **D) Changes in capital structure**

See the five-year financial summary on page 14.

## **E) Distribution of capital stock (excerpt from Article 6 – see Appendix 5)**

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

## **F) Dividend policy**

CRH stock is allocated to stockholders in accordance with the rules described in the previous paragraph. Accordingly, there are no considerations relative to the distribution policy.

Dividends paid to stockholders are summarized in the five-year financial summary on page 14.

The dividend limitation period is five years.

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

No recent event specific to CRH has had a material impact on the assessment of its solvency since the end of fiscal year 2010.

## **4.2. BONDS**

### **4.2.1. Issuing policy**

CRH serves as a refinancing center for credit institutions by issuing bonds on their behalf. CRH's bond issues are the issues cited in Article 13 of Law no. 85-695 (see Appendix 1).

Since its creation, CRH has consistently applied a policy of "assimilation" of its bonds to establish a large pool of very liquid securities. In general, the banks that place these securities make a market for them.



With certain bond issues amounting to EUR 5 billion, CRH's loans are among the biggest European residential mortgage-backed bond issues.

CRH continues to internationalize its bond placements and, during this fiscal year, has pursued its policy of actively marketing securities to investors, especially in EU countries (in Germany in particular) and in Asia.

CRH annual issue amounts are summarized below:

Year	Number of issues in the year	Nominal amount (EUR millions)	
1985 (4 <sup>th</sup> 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	
1989	6	1,184.53	187 issues without government guarantees totaling EUR 64,524.27 million
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	
2007	14	8,325.00	
2008	6	7,400.00	
2009	15	5,050.00	
2010**	17	9,201.01	
<b>TOTAL</b>	<b>212</b>	<b>70,299.04</b>	<b>70,299.04</b>
<i>* Including public exchange offer during the course of the year.</i>			
<i>** Including the CHF 250 million (EUR 186.01 million) bond issue on June 24, 2010.</i>			

Since the creation of CRH, repayments have totaled EUR 28,956.90 million, bringing the total outstanding to EUR 41,342.14 million.

#### 4.2.2. Bond issues during the fiscal year

During 2010, seventeen bond issues were completed for a total amount of EUR 9,201.01 million, including a bond issue in foreign currency totaling CHF 250 million (around EUR 186.01 million).

The financial crisis made loan issuance more difficult but has prompted investors to better differentiate AAA security issuances, which is very favorable for CRH bonds given their characteristics. The fact that the French government used the CRH model to create the French Financing Agency (SFEF) was a very positive aspect.

In this regard, CRH is now responsible for monitoring and controlling the debt servicing and the management of the guarantees of the French Financing Agency (SFEF) in conjunction with Banque de France and service providers.

These issues have the following characteristics:

<b>Issue no.</b>	<b>Bond</b>	<b>ISIN code</b>	<b>Settlement date</b>	<b>AMF filing number</b>
10-01	5.00% April 2019	FR0010744904	Jan. 21, 2010	10-013 of Jan. 18, 2010
10-02	3.75% February 2020	FR0010857672	Feb. 19, 2010	10-023 of Feb. 17, 2010
10-03	4.25% October 2014	FR0010018275	Mar. 8, 2010	10-040 of Mar. 4, 2010
10-04	4.50% October 2017	FR0010591578	Mar. 9, 2010	10-039 of Mar. 4, 2010
10-05	5.00% October 2013	FR0000488702	Mar. 24, 2010	10-058 of Mar. 19, 2010
10-06	3.75% February 2020	FR0010857672	Apr. 26, 2010	10-105 of Apr. 22, 2010
10-07	2.50% May 2015	FR0010892521	May 7, 2010	10-111 of May 4, 2010
10-08	2.50% May 2015	FR0010892521	Jun. 7, 2010	10-160 of Jun. 3, 2010
10-09	3.5% June 2020	FR0010910240	Jun. 22, 2010	10-186 of Jun. 18, 2010
10-10	1.50% September 2015	CH0114336255	Jul. 21, 2010	N/A
10-11	3.50% June 2020	FR0010910240	Sep. 3, 2010	10-299 of Sep. 1, 2010
10-12	5.00% October 2013	FR0000488702	Sep. 9, 2010	10-307 of Sep. 7, 2010
10-13	3.30% September 2022	FR0010945451	Sep. 23, 2010	10-329 of Sep. 21, 2010
10-14	2.5% May 2015	FR0010892521	Oct. 15, 2010	10-363 of Oct. 13, 2010
10-15	2.60% April 2016	FR0010962670	Nov. 17, 2010	10-398 of Nov. 15, 2010
10-16	3.50% June 2010	FR0010910240	Dec. 13, 2010	10-433 of Dec. 9, 2010
10-17	3.30% of September 2022	FR0010945451	Dec. 29, 2010	10-449 of Dec. 23, 2010

<b>Issue no.</b>	<b>Bond</b>	<b>Amount (EUR millions)</b>	<b>All-in yield (%)</b>	<b>Reoffer yield (%)</b>	<b>Swap spread versus Euribor 6 months reoffer</b>
10-01	5.00% April 2019	500	3.88	3.84	43 c
10-02	3.75% February 2020	1,200	3.98	3.94	53 c
10-03	4.25% October 2014	550	2.65	2.60	25 c
10-04	4.50% October 2017	450	3.49	3.44	43 c
10-05	5.00% October 2013	165	2.27	2.27	17 c
10-06	3.75% February 2020	800	3.73	3.69	42 c
10-07	2.50% May 2015	500	2.69	2.63	27 c
10-08	2.50% May 2015	250	2.47	2.41	35 c
10-09	3.5% June 2020	1,250	3.56	3.52	60 c
10-10	1.50% September 2015		See detailed line below		
10-11	3.50% June 2020	550	3.01	2.97	60 c
10-12	5.00% October 2013	400	1.64	1.60	19 c
10-13	3.30% September 2022	500	3.53	3.49	69 c
10-14	2.50% May 2015	300	2.29	2.24	38 c
10-15	2.60% April 2016	800	2.67	2.62	48 c
10-16	3.50% June 2010	300	3.84	3.80	65 c
10-17	3.30% September 2022	500	4.30	4.26	67 c

<b>Issue no.</b>	<b>Bond</b>	<b>Amount (CHF millions)</b>	<b>All-in yield (%)</b>	<b>Reoffer or investor yield (%)</b>	<b>Swap spread versus Gottex 6 months reoffer</b>
10-10	1.50% September 2015	250	1.48	1.43	12 c

These terms place CRH among the best rated European issuers.

### 4.2.3. CRH bond maturities at December 31, 2010

Bond issue	Redemption date	ISIN code	Number of securities	Nominal unit value	Outstanding (EUR millions)
CRH 4.20% April 2011	Apr. 25, 2011	FR0000186249	3,506,131	1,000	3,506.1
CRH 3.75% June 2011	Jun. 24, 2011	FR0010591560	1,600,000,000	1	1,600.0
CRH 5.00% October 2013	Oct. 25, 2013	FR0000488702	4,705,000,000	1	4,705.0
CRH 4.25% October 2014	Oct. 25, 2014	FR0010018275	3,695,000,000	1	3,695.0
CRH 2.50% May 2015	May 7, 2015	FR0010892521	1,050,000,000	1	1,050.0
CRH 1.50% September 2015	Sep. 21, 2015	CH0114336255	50,000	3,722	186.0
CRH 4.10% October 2015	Oct. 25, 2015	FR0010134379	4,970,000,000	1	4,970.0
CRH 2.60% April 2016	Apr. 26, 2016	FR0010962670	800,000,000	1	800.0
CRH 3.75% December 2016	Dec. 12, 2016	FR0010697292	15,000	100,000	1,500.0
CRH 3.50% April 2017	Apr. 25, 2017	FR0010261495	4,870,000,000	1	4,870.0
CRH 4.50% October 2017	Oct. 25, 2017	FR0010591578	2,415,000,000	1	2,415.0
CRH 4.00% April 2018	Apr. 25, 2018	FR0010345181	4,040,000,000	1	4,040.0
CRH 5.00% April 2019	Apr. 8, 2019	FR0010744904	2,905,000,000	1	2,905.0
CRH 3.75% February 2020	Feb. 19, 2020	FR0010857672	2,000,000,000	1	2,000.0
CRH 3.50% June 2020	Jun. 22, 2020	FR0010910240	2,100,000,000	1	2,100.0
CRH 3.30% September 2022	Sep. 23, 2022	FR0010945451	1,000,000,000	1	1,000.0
<b>TOTAL</b>					<b>41,342.1</b>

Substantially all of CRH’s bonds were issued at a fixed rate of interest. In accordance with the By-laws, they are perfectly matched in terms of interest rate and maturity to CRH’s loans.

CRH’s bonds have been rated Aaa and AAA by the Moody’s and Fitch Ratings since 1999. These ratings were thus assigned well before the law granted their bearers a preferential claim on the mortgage notes held by CRH.

They have a dispensatory status set out in Article 22.4 of the 1985 UCITS Directive.

They are regarded as “guaranteed” covered bonds within the meaning of European Directive no. 2006/48 EC, and as such, a 10% risk weighting is assigned as a standardized approach for the calculation of the solvency of the European banking institutions that hold them.

They are eligible for refinancing operations with the European Central Bank, which currently is an attractive characteristic for some of their buyers.

#### 4.2.4. Amount of trading volumes

In the absence of the amount of stock exchange trading transactions, trading volume statistics provided by Euroclear France are given below. They include only Euroclear France members' transactions. They exclude Euroclear Bank and Clearstream transactions. They are trades, repos, or other transfers.

In EUR millions

Bond	Initial listing date	ISIN code	Par value of trades in 2008	Par value of trades in 2009	Par value of trades in 2010
CRH 4.00% January 2010	Jan. 22, 2008	FR0010568956	36,281.9	28,454.6	3,488.6
CRH 5.75% April 2010	Jan. 24, 2000	FR0000186561	15,418.3	10,042.5	14,074.7
CRH 4.375% October 2010	Oct. 11, 2007	FR0010526996	27,791.5	64,451.6	127,333.3
CRH 4.00% November 2010	Nov. 14 2008	FR0010687376	7,802.8	7,247.2	102,344.1
CRH 4.20% April 2011	Jun. 08, 1999	FR0000186249	10,494.2	16,872.8	11,498.2
CRH 3.75% June 2011	Mar. 10, 2008	FR0010591560	8,603.6	6,360.5	26,831.9
CRH 5.00% October 2013	Mar. 22, 2002	FR0000488702	35,698.9	53,072.3	48,211.4
CRH 4.25% October 2014	Sep. 29, 2003	FR0010018275	11,840.8	6,656.6	5,824.2
CRH 2.50% May 2015	May 7, 2010	FR0010892521	/	/	2,947.4
CRH 4.10% October 2015	Nov. 22, 2004	FR0010134379	6,223.7	9,130.3	5,741.6
CRH 2.60% April 2016	Nov. 17, 2010	FR0010962670	/	/	973.5
CRH 3.75% December 2016	Dec. 12, 2008	FR0010697292	1,507.4	2,588.2	/
CRH 3.50% April 2017	Dec. 21, 2005	FR0010261495	3,785.3	2,580.0	4,467.2
CRH 4.50% October 2017	Mar. 10, 2008	FR0010591578	4,929.7	2,210.0	4,655.9
CRH 4.00% April 2018	Jun. 30, 2006	FR0010345181	1,853.7	2,206.1	2,411.4
CRH 5.00% April 2019	Apr. 8, 2009	FR0010744904	/	5,404.9	4,992.6
CRH 3.75% February 2020	Feb. 19, 2010	FR0010857672	/	/	4,269.6
CRH 3.50% June 2020	Jun. 22, 2010	FR0010910240	/	/	5,768.2
CRH 3.30% September 2022	Sep. 23, 2010	FR0010945451	/	/	2,097.5
<b>TOTAL</b>			<b>255,875.1</b>	<b>306,937.7</b>	<b>377,931.3</b>

Even though it has become difficult today to separate out exchange transactions from these amounts, these figures indicate that CRH's bonds are among the most liquid on the European covered bond market, in spite of CRH's conservative policy on market making contracts. This situation is no doubt due to the size of CRH's lines and its risk management system.

## CHAPTER 5

### BUSINESS OVERVIEW

#### 5.1. CORE BUSINESS

##### 5.1.1. Company formation and core business

###### 5.1.1.1. Company formation

CRH was established in 1985 as an agency as part of the French government's mortgage market reforms in order **to refinance home-purchase loans granted by credit institutions by issuing bonds guaranteed by the French government.**

###### 5.1.1.2. Core business

The bonds it issues have not been guaranteed by the French government as provided under the 1985 law since 1988, but CRH still has the sole purpose of refinancing home-purchase loans granted by stockholder credit institutions.

CRH brings resources to the French banking system complementing those from deposits and issues of covered or non-covered debt.

Based on this fact, it plays a particular role in financing housing in France by tapping into stable, longer-term resources at a lower cost.

Law no. 99-532 of June 25, 1999 establishing *SCF* (French mortgage loan company compliant with specific regulations) buttressed the security of CRH and matched its scope of operations and eligibility criteria to those of the *SCF*. This law eliminated the mortgage market and thus gave birth to a wider market for refinancing housing loans in which certain secured loans could also be refinanced.

Correspondingly, in order to affirm the anchoring of its operations solely in the residential loan refinancing market, in 1999 CRH adopted the company name CRH – Caisse de Refinancement de l'Habitat.

The structure of its guarantees, the significance of refinancing needs expressed by its stockholders and the policy of systematic assimilation of bonds issued that CRH has followed have allowed it to become an important issuer in the European financial market with a total amount issued since its founding (equal to the amount of its loans) greater than EUR 70 billion, corresponding to 212 transactions. The French government chose CRH's model to establish the French Financing Agency (SFEF) on October 17, 2008, to give banking institutions easier access to the financial markets.

###### 5.1.1.3. Operating conditions

A) CRH's operations involve specific guarantees

Appendix 10 (page 147) of this report summarizes the different levels of security built into CRH's refinancing operations.

The refinancing loans granted by CRH are perfectly matched by its bond issues, since it lends all the capital raised on the financial markets to its stockholders at the same interest rates and maturities.

Principal and interest on such loans are secured by a specific pledge referred to in Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code which secures them up to at least 125% of their nominal value.

Said provisions provide that CRH may automatically become the owner of the pledged portfolio in the event of borrower default notwithstanding any provisions to the contrary.

CRH has strengthened the reliability of this system by setting stricter internal rules, especially by excluding loans with maturities of more than 25 years and RMBS from the portfolio of receivables pledged to secure the loans.

## **B) Regulatory oversight**

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

2. Under the requirements currently in effect, borrowers are required to regularly provide lists of the receivables pledged to CRH to enable it to verify that the collateral has in fact been pledged in the agreed amounts.

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

Where receivables 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 activities are limited by its By-laws and the legislation governing its operations.

As from early 2010, CRH has been appointed for monitoring and controlling the debt servicing and the management of the guarantees of the French Financing Agency (SFEF) in conjunction with Banque de France and service providers already involved in these activities. (See *Banque de France press release dated December 18, 2009 and the decree dated December 22, 2009 of the French Ministry of the Economy, Industry and Employment, published in the Official Journal of December 27, 2009, authorizing Henry RAYMOND as Chief Executive Officer of SFEF as from January 1, 2010*).



### 5.1.3. Principal markets

CRH's sole purpose is to refinance home-purchase loans extended by banks in France.

To do so, the Company issues mortgage bonds under Article 13 of Law no. 85-695 of July 11, 1985, on the European financial market that have covered bond status as defined in Directive 2006/48/EC. Its bonds are traded on NYSE Euronext Paris under "Obligations foncières et titres assimilables".

## 5.2. REFINANCING

### Trends in amount of loans granted and outstanding loans eligible for refinancing by CRH, and the home-purchase loan refinancing and real estate situation in France

#### 5.2.1. Trends in new loans

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

EUR billions			
Fiscal year	2008	2009	2010
New loans granted	7.4	5.1	9.2

#### 5.2.2. Trends in outstanding loans

The table below demonstrates the trend in the nominal value of CRH's total outstanding loans since December 31, 2008.

EUR millions				
Borrowing credit institutions	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010 (%)
Crédit Agricole SA	10,881	10,913	10,421	25.2
Banque Fédérative du Crédit Mutuel	6,422	6,872	7,850	19.0
Crédit Lyonnais	4,350	4,830	5,713	13.8
Caisse Centrale du Crédit Mutuel	4,152	4,932	4,614	11.2
BNP Paribas	3,313	3,432	3,856	9.3
Société Générale	4,175	3,496	3,592	8.7
Crédit Mutuel Arkéa	1,980	2,135	2,085	5.0
BPCE	1,705	1,878	1,995	4.8
Crédit du Nord	600	825	825	2.0
GE Money Bank	99	159	261	0.6
Banque Patrimoine et Immobilier	80	80	50	0.2
Other borrowers	100	90	80	0.2
<b>TOTAL</b>	<b>37,857</b>	<b>39,642</b>	<b>41,342</b>	<b>100.0</b>

Generally, changes in these levels are generated by changes in the total value 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, although the latter type of repayment has not been used in recent years.

### 5.2.3. Outstanding loans eligible for CRH refinancing

Pursuant to legislative amendments in 1999, statistics on the mortgage market are no longer published.

As a result CRH has asked its stockholder credit institutions to submit copies of their quarterly SURFI reports (*Système Unifié de Reporting Financier*: Unified System of Financial Reporting) as a basis for estimating their outstanding eligible home-purchase loans.

The table below summarizes those outstandings:

As of September 30, 2010

	<b>Total outstanding loans, all credit institutions</b>	<b>Outstanding loans of CRH stockholder credit institutions</b>	
	<b>EUR billions (1)</b>	<b>EUR billions (2)</b>	<b>As % of total</b>
Housing loans	926.1 (3)	722.2	78
Home-purchase loans	774.8	664.9	86

(1) Source: Banque de France “Crédits France” September 2010 (contact: DGEI, DESM).

(2) Source: CRH estimate based on SURFI returns provided by stockholders and BALO (French Official Journal) publications

(3) Amount at March 31, 2010.

Groups holding stock in CRH hold more than 85% of home-purchase loans.

## 5.2.4. Home-purchase loan refinancing in France

The following table presents some global figures:

As of December 31, 2009

In EUR billions

<b>- Application of funds by Monetary Financial Institutions</b>		<b>Sources of funds of Monetary Financial Institutions</b>	
Home-purchase loans to households	737.6	Regulated sources <i>(not including Livrets A and Livrets Bleu savings accounts)</i>	520.5
		Covered bonds <i>- of which CRH 39.6</i>	216.7
Other applications	6,919.1	Other sources <i>- of which 454.7 is stockholders' equity - of which 804.6 is non-regulated deposits</i>	6,919.5
<b>Total applications</b>	<b>7,656.7</b>	<b>Total sources</b>	<b>7,656.7</b>

*Sources: this document is now drawn up on the basis of figures published by the Banque de France (bulletin of second quarter 2010). It is not totally comparable with the document published previously. Following the formation of the French Banking Authority (Autorité de Contrôle Prudentiel – ACP), formerly the French Banking Commission (Commission Bancaire), the report produced by the ACP currently comprises data that are not absolutely identical to those previously used to draw up this table.*

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

Some observations may, nevertheless, be made:

- regulated sources of funds contribute in large measure to the financing of banks' housing loans,

- certain covered bonds refinance housing loans granted in France but also mortgage loans to industrial and commercial companies, loans to the public sector and local and regional governments or shares of foreign debt securitization funds and Residential Mortgage Backed Securities (RMBS), whereas CRH refinances only home-purchase loans granted in France.

At June 30, 2010, outstanding home purchase loans totaled EUR 757.9 billion and covered bonds totaled EUR 227.7 billion, including CRH bonds totaling EUR 42.2 billion.

### **5.3. TREND IN HOUSING LOANS IN FRANCE**

The increase in housing loan production experienced early in 2010 continued throughout the year (increasing by 44% from September 2009 to September 2010).

Home-purchase loan outstanding increased by nearly 7% from September 2009 to September 2010. Such loans constituted a greater proportion of total loans than in 2009 (4%) but a smaller proportion of total loans than in 2008 (10%) and 2007 (13%).

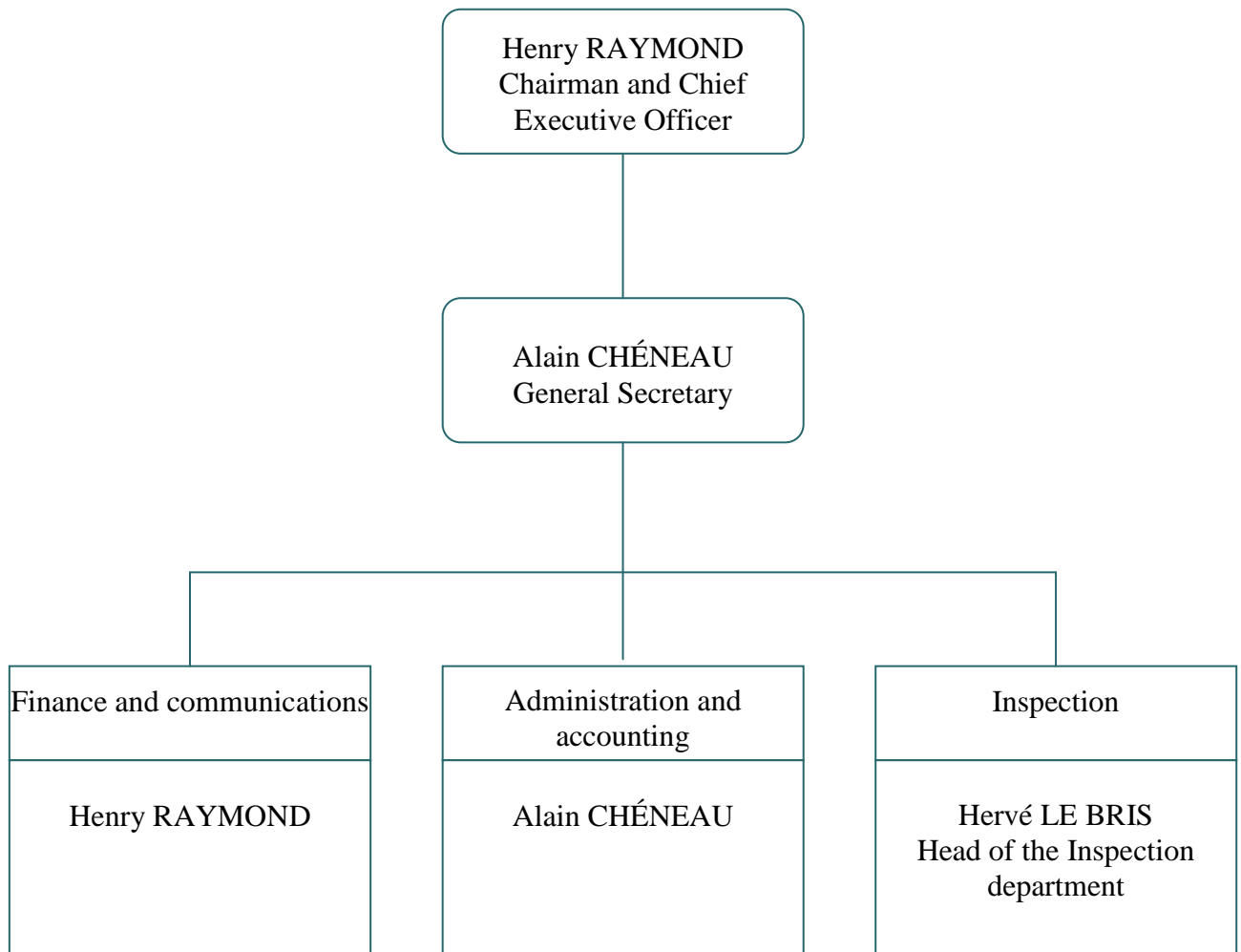
The correction in house prices was short-lived since prices began to increase again in 2010 in a very diverse market.

This increase was more marked in Paris and the Paris region and less marked in other parts of France where some significant falls were noted.

Given the very high prices and the likely rise in the cost of credit, the increase in outstandings in 2011 is expected to remain modest.

**CHAPTER 6**  
**ORGANIZATION CHART**

**6.1. ORGANIZATION OF THE COMPANY**



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

**6.2. (NOT APPLICABLE)**



## CHAPTER 7

### TREND INFORMATION

#### 7.1. PRINCIPAL TRENDS AFFECTING THE COMPANY'S BUSINESS IN 2010

It should be recalled that CRH does not take any margin on its operations and that any change in refinancing levels has no direct impact on the Company's earnings or its financial situation.

The financial crisis hindered bank refinancing and prompted banks to continue to borrow significantly from CRH.

CRH affirms that its outlook has not materially worsened since it last published its audited financial statements.

#### 7.2. TRENDS AND EVENTS LIKELY TO AFFECT THE COMPANY'S BUSINESS IN 2011

In 2011, banks will have a revamped legal framework governing their covered bond issues with the implementation of the new system for *sociétés de financement* (housing loan companies compliant with specific laws) contributing to their refinancing.

Nevertheless, they will doubtless be prompted to borrow significantly from CRH since they have realized during the financial crisis that it is important to have more than one source of finance.





## **CHAPTER 8**

### **PROFIT FORECASTS OR ESTIMATES**

This document does not contain any forecast data.

**8.1. (NOT APPLICABLE)**

**8.2. (NOT APPLICABLE)**

**8.3. (NOT APPLICABLE)**



## CHAPTER 9

### CORPORATE GOVERNANCE

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

##### 9.1.0 Honorary Chairmen

- Georges PLESCOFF (†)
- Claude PIERRE-BROSSOLETTE

##### 9.1.1 Board of Directors (from the close of the March 1, 2011, General Stockholders' Meeting)

- **Henry RAYMOND** Chairman and Chief Executive Officer  
Appointed March 13, 2007  
First appointed as Director on March 13, 2007, for 6 years.
- **Banque Fédérative du Crédit Mutuel** Director  
represented by Jean-François TAURAND  
Head of Asset/Liability Management  
6 avenue de Provence – 75009 Paris  
First appointed by co-option of Compagnie Financière de CIC et de l'UE on October 17, 1995 by the Board of Directors, confirmed on February 27, 1996 for the CIC.  
Appointment confirmed on March 4, 2008 for the remainder of the term (5 years) of the resigning CIC representative.
- **BNP Paribas** Director  
represented by Valérie BRUNERIE  
Head of Medium and Long-term Financing and Securitization  
3 rue d'Antin – 75002 Paris  
First appointed October 21, 1985 by Banque Nationale de Paris  
Appointment renewed for 6 years on March 3, 2009.
- **BPCE** Director  
represented by Patrick MENU  
Deputy Director of the Issues and Financial Communication Department  
50 avenue Pierre Mendès France – 75013 Paris  
First appointed October 21, 1985 by Caisse Centrale des Banques Populaires  
Appointment confirmed March 2, 2010 for 5 years, i.e. the remainder of the term of the resigning Banque Fédérale des Banques Populaires.

- Caisse Centrale du Crédit Mutuel** Director  
 represented by Sophie OLIVIER  
 Head of the Retail Market division  
 88/90 rue Cardinet – 75017 Paris  
 First appointed on April 10, 1990  
 Appointment renewed for six years on March 3, 2009.
- Crédit Agricole SA** Director  
 represented by Nadine FEDON  
 Head of Group Funding  
 12 place des États-Unis – 92127 Montrouge Cedex  
 First appointed by Caisse Nationale de Crédit Agricole  
 on May 12, 1987, appointment renewed for 6 years on March 3,  
 2009.
- Crédit Lyonnais** Director  
 represented by Christian LARRICQ-FOURCADE  
 Head of Asset/Liability Management  
 10 avenue de Paris – 94800 Villejuif  
 First appointed on April 19, 1988,  
 appointment renewed for 6 years on March 3, 2009.
- GE Money Bank** Director  
 represented by François KLIBER  
 Chief Executive Officer  
 Tour Europlaza – La Défense 4  
 20 avenue André Prothin – 92063 Paris la Défense Cedex  
 First appointed by BFIM Sovac on October 21, 1985,  
 Appointment renewed for 6 years on March 13, 2007.
- Société Générale** Director  
 represented by Vincent ROBILLARD  
 Head of Group Funding  
 17 cours Valmy – 92972 Paris la Défense Cedex  
 First appointed October 21, 1985,  
 appointment renewed for 6 years on March 3, 2009.

### 9.1.2 Executives

- Henry RAYMOND Chairman and Chief  
Executive Officer  
 electing address for service at the Company’s registered office.
- Alain CHÉNEAU General Secretary  
 electing address for service at the Company’s registered office.

### 9.1.3 Compensation Committee

- Sophie OLIVIER Caisse Centrale du Crédit Mutuel

- Nadine FEDON Crédit Agricole SA
- Vincent ROBILLARD Société Générale

#### 9.1.4 Audit Committee

- Christian LARRICQ-FOURCADE Chairman Crédit Lyonnais
- Jean-François TAURAND Banque Fédérative du Crédit Mutuel
- François Kliber GE Money Bank

#### 9.1.5 Other positions occupied by the corporate officers in 2010

- |   |   |
|---|---|
| <p>Henry RAYMOND<br/>Jean-François TAURAND<br/>Valérie BRUNERIE</p>         | <ul style="list-style-type: none"> <li>- Chief Executive Officer of SFEF</li> <li>- No other corporate office</li> <li>- Director of SFEF</li> <li>- Director of BNPP Home Loan Covered Bond</li> <li>- Director of BNPP Public Sector SCF</li> <li>- Director of France Securitization</li> </ul>              |
| <p>Patrick MENU</p>   | <ul style="list-style-type: none"> <li>- Chairman of the Management Board of Banques Populaires Covered Bonds</li> </ul>  |
| <p>Sophie OLIVIER<br/>Nadine FEDON</p>                                      | <ul style="list-style-type: none"> <li>- No other corporate office</li> <li>- Director of SFEF</li> <li>- Chief Executive Officer of Crédit Agricole Covered Bonds</li> <li>- Chief Executive Officer of GFER</li> <li>- Chairman of GPF</li> <li>- Chairman and Chief Executive Officer of Sigma 22</li> </ul> |
| <p>Christian LARRICQ-FOURCADE<br/>François KLIBER<br/>Vincent ROBILLARD</p> | <ul style="list-style-type: none"> <li>- No other corporate office</li> <li>- Chief Executive Officer of GE Money Bank</li> <li>- Director and Deputy Chief Executive Officer of Société Générale SCF</li> </ul>  |

## 9.2. CONFLICTS OF INTEREST IN THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

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

Henry RAYMOND, Valérie BRUNERIE, Nadine FEDON and Vincent ROBILLARD do, however, hold the positions described above at the French Financing Agency (SFEF).

Article 21 of CRH's By-laws provides for dilution of stock voting rights in order to maintain CRH's independence.



## CHAPTER 10

### MAJOR STOCKHOLDERS

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

Capital stock is reallocated each year before March 31 so as to ensure that each stockholder holds a percentage equal to its percentage of the total loans refinanced by CRH (see Article 6 of the By-laws in Appendix 5). This allocation is made based on the amounts at December 31 of the previous fiscal year.

The table below lists the principal stockholders at December 31, 2010 and changes in ownership structure over the past three years.

Group's Stockholders	At December 31, 2008				At December 31, 2009				At December 31, 2010			
	Number of stock units	%	Voting rights (1)	%	Number of stock units	%	Voting rights (1)	%	Number of stock units	%	Voting rights (1)	%
Crédit Agricole	4,584,854	41.22	2,145	29.71	5,274,748	40.23	2,124	29.12	5,206,559	39.70	2,130	29.26
Crédit Mutuel	3,774,296	33.93	2,588	35.85	4,347,281	33.16	2,603	35.68	4,609,568	35.16	2,636	36.21
Société Générale	1,296,138	11.65	1,165	16.13	1,653,546	12.61	1,168	16.01	1,428,946	10.90	1,090	14.97
BNP Paribas	892,420	8.02	802	11.11	1,147,350	8.75	875	11.99	1,135,041	8.66	866	11.90
BPCE	434,978	3.91	391	5.42	590,453	4.50	450	6.17	621,080	4.74	474	6.51
Other stockholders	141,313	1.27	129	1.79	96,622	0.75	75	1.03	108,806	0.84	84	1.15
<b>Total</b>	<b>11,124,000</b>	<b>100.00</b>	<b>7,220</b>	<b>100.00</b>	<b>13,110,000</b>	<b>100.00</b>	<b>7,295</b>	<b>100.00</b>	<b>13,110,000</b>	<b>100.00</b>	<b>7,280</b>	<b>100.00</b>

(1) For calculation of voting rights, refer to Article 21 of the By-laws in Appendix 5.

#### 10.2. STOCKHOLDER AGREEMENTS

CRH is unaware of the existence of any stockholder agreements.





## CHAPTER 11

### FINANCIAL INFORMATION ON THE ISSUER'S ASSETS, LIABILITIES, FINANCIAL POSITION AND EARNINGS

#### 11.1. HISTORICAL FINANCIAL INFORMATION

##### 11.1.1 Accounting standards

Regarding the implementation of International Financial Reporting Standards (IFRS), CRH made an inquiry through its independent auditors to the French National Association of Independent 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 requirements of Regulation no. 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 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 document, 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 no. 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 Stockholders' Meeting of March 1, 2011**

## BALANCE SHEET

(EUR thousands)

ASSETS	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
<b>CASH, CENTRAL BANKS</b>	<b>1</b>	<b>2</b>	<b>1</b>
<b>LOANS AND ADVANCES TO CREDIT INSTITUTIONS</b>	<b>246,096</b>	<b>144,500</b>	<b>215,674</b>
- Demand deposits	71,434	74,532	144,790
- Term deposits	191,558	69,792	70,193
- Accrued interest	1,104	176	691
<b>BONDS AND OTHER FIXED-INCOME SECURITIES</b>	<b>42,221,366</b>	<b>40,481,263</b>	<b>38,309,563</b>
- Investment securities	41,375,166	39,537,388	37,540,638
- Short-term investments	110,000	215,000	135,000
- Accrued interest	736,200	728,875	633,925
<b>EQUITY HOLDINGS AND OTHER LONG-TERM SECURITIES HOLDINGS</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>INTANGIBLE FIXED ASSETS</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>TANGIBLE FIXED ASSETS</b>	<b>48</b>	<b>18</b>	<b>21</b>
- Office furniture	2	1	1
- Fittings	32	4	4
- Miscellaneous equipment	10	11	5
- IT equipment	4	2	11
<b>OTHER ASSETS</b>	<b>320</b>	<b>285</b>	<b>102</b>
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>103</b>	<b>95</b>	<b>103</b>
<b>TOTAL</b>	<b>42,485,940</b>	<b>40,626,167</b>	<b>38,525,468</b>

## BALANCE SHEET

Before distribution

(EUR thousands)

<b>LIABILITIES</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>DEBT SECURITIES</b>	<b>42,111,127</b>	<b>40,264,966</b>	<b>38,171,557</b>
- Bonds	41,375,166	39,537,388	37,540,638
- Accrued interest	735,961	727,578	630,919
<b>OTHER LIABILITIES</b>	<b>191</b>	<b>127</b>	<b>577</b>
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>178</b>	<b>164</b>	<b>235</b>
<b>PROVISIONS</b>	<b>147</b>	<b>129</b>	<b>125</b>
<b>SUBORDINATED DEBT</b>	<b>164,190</b>	<b>150,274</b>	<b>170,821</b>
- Subordinated loans	162,433	148,084	164,722
- Accrued interest	1,757	2,190	6,099
<b>FRBG (FUND FOR GENERAL BANKING RISK)</b>	<b>2,576</b>	<b>2,566</b>	<b>2,526</b>
<b>STOCKHOLDERS' EQUITY EXCLUDING FRBG</b>	<b>207,531</b>	<b>207,941</b>	<b>179,627</b>
- Subscribed capital stock	199,928	199,928	169,641
- Issue premiums	4,415	4,415	3,306
- Legal reserve	3,030	3,000	2,810
- Retained earnings	44	9	89
- Net income for the year	114	589	3,781
<b>TOTAL</b>	<b>42,485,940</b>	<b>40,626,167</b>	<b>38,525,468</b>

## BALANCE SHEET

After distribution

(EUR thousands)

<b>LIABILITIES</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>DEBT SECURITIES</b>	<b>42,111,127</b>	<b>40,264,966</b>	<b>38,171,557</b>
- Bonds	41,375,166	39,537,388	37,540,638
- Accrued interest	735,961	727,578	630,919
<b>OTHER LIABILITIES</b>	<b>191</b>	<b>651</b>	<b>4,247</b>
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>178</b>	<b>164</b>	<b>235</b>
<b>PROVISIONS</b>	<b>147</b>	<b>129</b>	<b>125</b>
<b>SUBORDINATED DEBT</b>	<b>164,190</b>	<b>150,274</b>	<b>170,821</b>
- Subordinated loans	162,433	148,084	164,722
- Accrued interest	1,757	2,190	6,099
<b>FRBG (FUND FOR GENERAL BANKING RISK)</b>	<b>2,576</b>	<b>2,566</b>	<b>2,526</b>
<b>STOCKHOLDERS' EQUITY EXCLUDING FRBG</b>	<b>207,531</b>	<b>207,417</b>	<b>175,957</b>
- Subscribed capital stock	199,928	199,928	169,641
- Issue premiums	4,415	4,415	3,306
- Legal reserve	3,036	3,030	3,000
- Retained earnings	152	44	10
<b>TOTAL</b>	<b>42,485,940</b>	<b>40,626,167</b>	<b>38,525,468</b>

## OFF-BALANCE SHEET COMMITMENTS

(EUR thousands)

<b>COMMITMENTS RECEIVED</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>FINANCING COMMITMENTS RECEIVED FROM CREDIT INSTITUTIONS</b>	<b>2,067,107</b>	<b>1,982,082</b>	<b>1,892,832</b>
<b>GUARANTEES RECEIVED FROM CREDIT INSTITUTIONS</b>	<b>51,444</b>	<b>82,630</b>	<b>159,796</b>

## INCOME STATEMENT

(EUR thousands)

	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
<b>+ Interest and similar income</b>	<b>1,738,837</b>	<b>1,745,734</b>	<b>1,572,479</b>
- On transactions with credit institutions			
. demand deposits	300	642	5,836
. term accounts and loans	1,500	1 032	4,271
. securities received under collateralized rev. repos	540	163	2,797
- On bonds and other fixed-income securities			
. certificates of deposit, NMTN	2,251	3 270	3,995
. mortgage notes	1,734,246	1,740,627	1,555,580
<b>- Interest and similar expenses</b>	<b>-1,736,543</b>	<b>-1,742,980</b>	<b>-1,564,476</b>
- On transactions with credit institutions			
. subordinated loans	-1,757	-2,190	-6,099
. advances under Article § 5.3 of CRH's internal rules and regulations	-540	-163	-2,797
- On bonds and other fixed-income securities			
. accrued interest	-1,734,246	-1,740,627	-1,555,580
<b>- Commission paid</b>	<b>-4</b>	<b>-4</b>	<b>-3</b>
<b>- Incidental Income</b>	<b>80</b>	<b>2</b>	<b>0</b>
<b>- Other expenses from banking operations</b>	<b>-4</b>	<b>0</b>	<b>0</b>
<b>NET BANKING INCOME</b>	<b>2,366</b>	<b>2,752</b>	<b>8,000</b>
<b>- General operating expenses</b>	<b>-2,155</b>	<b>-1,818</b>	<b>-1,923</b>
- Personnel expenses	-1,167	-1,090	-1,111
- Other administrative expenses			
. taxes other than income tax	-350	-160	-253
. external services	-638	-568	-559
<b>- Depreciation, amortization and provisions on intangible and tangible fixed assets</b>	<b>-21</b>	<b>-16</b>	<b>-17</b>
<b>GROSS OPERATING INCOME</b>	<b>190</b>	<b>918</b>	<b>6,060</b>
<b>+/- Cost of risk</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING INCOME</b>	<b>190</b>	<b>918</b>	<b>6,060</b>
<b>+/- Gains or losses on fixed assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CURRENT INCOME BEFORE TAXES</b>	<b>190</b>	<b>918</b>	<b>6,060</b>
<b>+/- Extraordinary items</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>- Income tax</b>	<b>-66</b>	<b>-289</b>	<b>-1,979</b>
<b>+/- Allocations to/write-backs of FRBG and regulated provisions</b>	<b>-10</b>	<b>-40</b>	<b>-300</b>
<b>NET INCOME</b>	<b>114</b>	<b>589</b>	<b>3,781</b>

<b>NET CASH FLOW STATEMENT</b>			
(EUR thousands)	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
<b>Cash flow from operating activities</b>			
<b>Net income before taxes</b>	<b>180</b>	<b>876</b>	<b>5,759</b>
Non-cash items:			
Depreciation and amortization	21	16	17
Charges to other provisions	28	44	356
Other non-cash items	-297	-1,747	-541
<b>Total non-cash items included in net income and other adjustments</b>	<b>-248</b>	<b>-1,687</b>	<b>-168</b>
Changes in transactions with credit institutions:			
Increase in term deposits	-331,793	-734,512	-423,559
Term deposits having reached maturity	315,026	654,914	401,677
Changes in non-financial assets and liabilities			
Other assets	43	33	42
Other liabilities	64	-454	-219
Taxes paid	-144	-504	-1,570
<b>Net change in assets and liabilities from operating activities</b>	<b>-16,804</b>	<b>-80,523</b>	<b>-23,629</b>
<b>Net cash flow from operating activities (A)</b>	<b>-16,872</b>	<b>-81,334</b>	<b>-18,038</b>
<b>Cash flow from investing activities</b>			
Acquisitions of tangible fixed assets	-38	-13	-6
Acquisitions of intangible and financial fixed assets	-14	0	0
<b>Net cash flow from investing activities (B)</b>	<b>-52</b>	<b>-13</b>	<b>-6</b>
<b>Cash flow from financing activities</b>			
Proceeds from bond issues	9,401,911	5,287,643	7,345,682
Bond repayments	-7,500,500	-3,265,000	-3,530,847
Acquisition of investment securities (mortgage notes)	-9,401,911	-5,287,643	-7,345,682
Investment securities having reached maturity	7,500,500	3,265,000	3,530,847
Proceeds from subordinated debt issues	84,927	48,796	75,403
Repayment of subordinated debt	-70,578	-34,035	-42,293
Dividends paid	-524	-3,671	-2,355
<b>Net cash flow from financing activities (C)</b>	<b>13,825</b>	<b>11,090</b>	<b>30,755</b>
<b>Impact of exchange rates (D)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cash flow (A + B + C + D)</b>	<b>-3,099</b>	<b>-70,257</b>	<b>12,711</b>
Net cash and equivalents at the beginning of the period	74,534	144,791	132,080
Net cash and equivalents at the end of the period	71,435	74,534	144,791
<b>Net change in cash position</b>	<b>-3,099</b>	<b>-70,257</b>	<b>12,711</b>

## NOTES TO THE FINANCIAL STATEMENTS

### *PRESENTATION OF THE FINANCIAL STATEMENTS, ACCOUNTING POLICIES AND VALUATION METHODS*

#### **NOTE 1 – Presentation of the financial statements**

CRH's 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 regulated by the French Banking and Financial Regulatory Committee.

The summary financial statements as of December 31, 2010 have been prepared in compliance with Regulation no. 2000-03 of the Accounting Regulations Committee (*Comité de la Réglementation Comptable* – CRC).

#### **NOTE 2 – Accounting principles and valuation methods**

##### ***A – Foreign exchange transactions***

CRH's foreign exchange transactions are recognized in accordance with regulation no. 89-01 of the CRBF (French Banking and Financial Regulatory Committee).

CRH does not take foreign exchange positions.

In 2010, CRH carried out its first refinancing transaction using mortgage notes in Swiss Francs (CHF) guaranteed by home-purchase loans in CHF by issuing bonds in CHF for the same amount.

This transaction is perfectly matched since the translation differences on the mortgage notes are recognized in a symmetrical manner to the differences recognized on the bonds.

##### ***B – Bonds issued***

Bonds issued are recorded at their issue price in an account entitled "Debt securities." When the issue price differs from the redemption price, the difference is amortized using the actuarial method.

Actuarial amortization is non straight-line amortization computed using the effective interest rate. The effective interest rate is the discount rate used to ensure that the book value of a financial instrument and the discounted cash flow generated until its maturity are the same.

Yearly actuarial amortization is equal to the difference between the cash flow of the period computed at the nominal rate and the actuarial cash flow computed by applying the effective interest rate to the actuarial amortized price obtained at the end of the previous computation period.



As regards the bond in CHF, at the balance sheet date:

- The bond's issue price, corrected for the actuarial amortization of the issue premium, is translated using the CHF historical exchange rate on the issue settlement date.
- Accrued interest payable on this bond is translated at the CHF spot rate and recognized in the income statement.

Each bond issue has its own costs. Bond issuance costs are split between new issue costs (issue fees, AMF fees, listing costs, advertising costs) and those related to the management of outstanding bonds (financial services, securities services, annual listing fee paid to NYSE Euronext).

All such expenses, of whatever kind, are borne by the borrowers refinanced from the bond issue proceeds. New issue costs are charged to borrowers 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.

### *C – Securities transactions*

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

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

Securities in the CRH portfolio are mainly fixed-income securities: the mortgage notes subscribed by the stockholders. In addition, CRH may hold certificates of deposit corresponding to the investment of cash for short periods.

Mortgage notes are recorded as investment securities as under Regulation no. 90-01 of the CRBF (French Banking and Financial Regulatory Committee) they are intended to be held to maturity and are financed through matching bond issues. Maturities and interest rates for the notes and the bonds are identical and thus the acquisition price of mortgage notes on the assets side is equal to the issue value of the bonds on the liabilities side.

When the acquisition price differs from the redemption price, the difference is amortized using the actuarial method in exactly the same terms and conditions as for the bonds.

As regards the mortgage notes in CHF, at the balance sheet date:

- The notes' acquisition price, corrected for the actuarial amortization, is translated using the CHF historical exchange rate on the acquisition date.
- Accrued interest receivable on these notes is translated at the CHF spot rate and recognized in the income statement.

Disposals of investment securities are limited to scheduled redemption of mortgage notes, by delivery of matching bonds by the stockholders involved, or by the acquisition of the matching bonds by CRH as part of a public exchange offer. In the case of public exchange

offers, CRH acquires new mortgage notes matching the related bonds offered. There have been no disposals of investment securities during the last three years.

These disposals have no impact on CRH’s earnings.

Certificates of deposit and negotiable medium-term notes (NMTN) are recognized as short-term investments.

***D – FRBG (Fund for general banking risk)***

In compliance with French Banking and Financial Regulatory Committee Regulation no. 90-02, appropriations to the FRBG are at the discretion of the Company’s officers and directors into a regulated reserve for risk on medium- and long-term credit transactions, to cover the general risks associated with CRH’s lending activity.

The FRBG may be used to cover any actual occurrence of these risks over the course of the year.

***E – Long-term investments and other long-term securities***

In accordance with the provision of Article L. 312-4 of the French Monetary and Financial Code, CRH is a member of the Deposit Guarantee Fund. The corresponding membership certificate is recognized in long-term investments and other long-term securities.

***F – Fixed assets***

Under the accounting regulations for fixed assets (CRC Regulations no. 2002-10 and 2003-12), fixed assets are reported on the balance sheet at their historical cost. Depreciation and amortization schedules are calculated using the rates approved by the tax authorities.

Intangible assets consist of software amortized on a straight-line basis over twelve months.

Tangible fixed assets are depreciated on a straight-line or tax-based declining balance basis, depending on their expected useful life:

- office furniture	10 years	straight-line
- fittings	5 to 15 years	straight-line
- office equipment	5 to 10 years	straight-line and declining balance
- IT equipment	3 years	declining balance

***G – Retirement benefits***

Benefits to which CRH employees are entitled on retirement are paid by the French social security system, with a complementary 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 within the Company.

Each year, CRH's actuarial liability pursuant to these policies, calculated in accordance with the provisions of the French collective agreement for finance companies, is recomputed.

## NOTES TO THE BALANCE SHEET

### NOTE 3 – Mortgage notes and bonds issued

Mortgage notes are the instruments representing the securities receivable by CRH, corresponding to the loans it has granted, 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 Dec. 31, 2010		At Dec. 31, 2009		At Dec. 31, 2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>SECURITIES TRANSACTIONS</b>						
- Bonds and other fixed income securities						
. mortgage notes (*)	41,375,166		39,537,388		37,540,638	
. accrued interest not yet due on mortgage notes	735,961		727,578		630,919	
- Debt securities						
. bonds (*)		41,375,166		39,537,388		37,540,638
. accrued interest not yet due on bonds		735,961		727,578		630,919
<b>TOTAL</b>	<b>42,111,127</b>	<b>42,111,127</b>	<b>40,264,966</b>	<b>40,264,966</b>	<b>38,171,557</b>	<b>38,171,557</b>

(\*) Amounts in nominal value:

(EUR thousands)

	At Dec. 31, 2010		At Dec. 31, 2009		At Dec. 31, 2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>SECURITIES TRANSACTIONS</b>						
- Bonds and other fixed income securities						
. mortgage notes	41,156,131		39,641,631		37,856,631	
- Debt securities						
.bonds		41,156,131		39,641,631		37,856,631

(CHF thousands)

	At Dec. 31, 2010		At Dec. 31, 2009		At Dec. 31, 2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>SECURITIES TRANSACTIONS</b>						
- Bonds and other fixed income securities						
. mortgage notes	250,000		0		0	
- Debt securities						
.bonds		250,000		0		0

#### NOTE 4 – Breakdown of receivables and debt by current maturity

(EUR thousands)

RECEIVABLES	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
<b>Credit institutions: term deposits</b>			
- less than 3 months	37,747	35,980	66,382
- 3 months to 1 year	73,811	13,811	3,811
- 1 to 5 years	80,000	20,000	0
<b>TOTAL</b>	<b>191,558</b>	<b>69,791</b>	<b>70,193</b>
<b>Certificates of deposit and NMTM</b>			
- less than 3 months	60,000	0	0
- 3 months to 1 year	50,000	155,000	50,000
- 1 to 5 years	0	60,000	85,000
<b>TOTAL</b>	<b>110,000</b>	<b>215,000</b>	<b>135,000</b>
<b>Mortgage notes</b>			
- less than 3 months	0	1,249,616	0
- 3 months to 1 year	5,091,036	6,244,054	3,261,418
- 1 to 5 years	14,828,457	12,445,937	15,642,783
- over 5 years	21,455,673	19,597,781	18,636,437
<b>TOTAL</b>	<b>41,375,166</b>	<b>39,537,388</b>	<b>37,540,638</b>

(EUR thousands)

DEBT	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
<b>Bonds</b>			
- less than 3 months	0	1,249,616	0
- 3 months to 1 year	5,091,036	6,244,054	3,261,418
- 1 to 5 years	14,828,457	12,445,937	15,642,783
- over 5 years	21,455,673	19,597,781	18,636,437
<b>TOTAL</b>	<b>41,375,166</b>	<b>39,537,388</b>	<b>37,540,638</b>

## NOTE 5 – Other assets, other liabilities, prepayments and accrual accounts

(EUR thousands)

<b>ASSETS</b>	<b>At Dec. 31, 2010</b>	<b>At Dec. 31, 2009</b>	<b>At Dec. 31, 2008</b>
<b>Miscellaneous debtors</b>	<b>320</b>	<b>285</b>	<b>102</b>
Government – income tax	78	217	0
Government – tax on business value added (2010) – TPCMVA (2009)	7	4	0
Charges paid on behalf of borrowers	181	20	60
Guarantee deposits with the French Deposit Guarantee Fund	19	17	16
Other guarantee deposits and miscellaneous	35	27	26
<b>Other prepayments</b>	<b>103</b>	<b>95</b>	<b>103</b>
<b>TOTAL</b>	<b>423</b>	<b>380</b>	<b>205</b>

(EUR thousands)

<b>LIABILITIES</b>	<b>At Dec. 31, 2010</b>	<b>At Dec. 31, 2009</b>	<b>At Dec. 31, 2008</b>
<b>Miscellaneous creditors</b>	<b>191</b>	<b>127</b>	<b>577</b>
Government – income tax	0	0	408
Government – VAT	18	2	2
Social security and payroll taxes	119	100	108
Other	54	25	59
<b>Accrued expenses</b>	<b>178</b>	<b>164</b>	<b>235</b>
Personnel and related expenses	135	109	127
Other	43	55	108
<b>TOTAL</b>	<b>369</b>	<b>291</b>	<b>812</b>

## NOTE 6 – Provisions

(EUR thousands)

	Balance at Dec. 31, 2008	+Charges -Writebacks	Balance at Dec. 31, 2009	+Charges -Writebacks	Balance at Dec. 31, 2010
Provision for retirement benefits (note 19)	125	4	129	18	147

## NOTE 7 – Stockholders' equity and fund for general banking risk

(EUR thousands)

	Balance at Dec. 31, 2008	+Charges -Writebacks	Balance at Dec. 31, 2009	+Charges -Writebacks	Balance at Dec. 31, 2010
Subscribed capital stock	169,641	30,287	199,928	0	199,928
Issue premiums	3,306	1,109	4,415	0	4,415
Legal reserve	2,810	190	3,000	30	3,030
Retained earnings	89	-80	9	35	44
Fund for general banking risk	2,526	40	2,566	10	2,576
<b>TOTAL</b>	<b>178,372</b>	<b>31,546</b>	<b>209,918</b>	<b>75</b>	<b>209,993</b>

The change in stockholders' equity in 2010 shown in the above table includes the allocation of 2009 net income and the increase in the fund for general banking risk in 2010.

CRH's capital stock is fully subscribed. The Company's stock has a par value of EUR 15.25 per share. A total of 13,110,000 stock units have been issued.

## NOTE 8 – Subordinated loans

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

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

If need be, 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 French Prudential Control Authority allows funds from subordinated loans to be included in secondary equity capital as defined under Regulation no. 90-02, Article 4c of the CRBF (French Banking and Financial Regulatory Committee).

The following table summarizes changes in total subordinated loans since December 31, 2008:

(EUR thousands)	
Transaction	Amount
<b>Balance at December 31, 2008</b>	<b>164,722</b>
<b>Increase</b>	
- payments relating to acquisitions of mortgage notes	42,925
<b>Decreases</b>	
- incorporation to stockholders' equity	-31,399
- repayments related to contractual mortgage note repayments	-27,753
- repayments relating to the allocation of 2008 net income	-111
- repayments related to 2008 appropriation to the fund for general banking risk	-300
<b>Balance at December 31, 2009</b>	<b>148,084</b>
<b>Increase</b>	
- payments relating to acquisitions of mortgage notes	78,274
<b>Decreases</b>	
- repayments related to contractual mortgage note repayments	-63,754
- repayments relating to the allocation of 2009 net income	-131
- repayments related to 2009 appropriation to the fund for general banking risk	-40
<b>Balance at December 31, 2010</b>	<b>162,433</b>



## NOTES TO THE OFF-BALANCE SHEET ITEMS

### NOTE 9 – Financing commitments received from credit institutions

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

At December 31, 2010, these commitments represented a total of EUR 2,067,107,145.

### NOTE 10 – Guarantees received from credit institutions

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

	(EUR thousands)		
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Principal (nominal value)	50,000	80,000	155,000
Accrued interest not yet due	1,444	2,630	4,796
<b>TOTAL</b>	<b>51,444</b>	<b>82,630</b>	<b>159,796</b>

### NOTE 11 – Other guarantees received

The principal and interest on each mortgage note are secured by a pledged portfolio of receivables representing secured home-purchase loans, a first residential mortgage or real-estate offering an equivalent guarantee, or a guarantee given by a credit institution or insurance company which is not included in the consolidation scope of the credit institution issuing the note.

Receivables pledged to CRH as collateral amounted to an estimated EUR 59.5 billion at December 31, 2010.

## *NOTES TO THE INCOME STATEMENT*

### **NOTE 12 – Income and expenses from banking operations**

#### ***A – Analysis of results of bond issue and lending operations***

It should be noted that CRH lends at the same interest rates and maturities at which it borrows on the financial market. It therefore does not charge a margin on its lending activities.

To facilitate analysis of its net income, it is useful to group income and charges from lending activities and borrowing activities in order to observe their equivalence.

(EUR thousands)

	At Dec. 31, 2010		At Dec. 31, 2009		At Dec. 31, 2008	
	Charges	Income	Charges	Income	Charges	Income
<b>Interest</b>						
Bonds issued	1,734,246		1,740,627		1,555,580	
Mortgage notes		1,734,246		1,740,627		1,555,580
<b>TOTAL</b>	<b>1,734,246</b>	<b>1,734,246</b>	<b>1,740,627</b>	<b>1,740,627</b>	<b>1,555,580</b>	<b>1,555,580</b>

These flows have no effect on CRH's net income.

#### ***B – Other income and expenses from banking operations***

For fiscal year 2010, other income included two principal components:

1) interest earned on stockholders' equity invested on the money market in demand deposits, certificates of deposit, term deposits and fixed rate negotiable medium term notes with a term generally of less than 24 months or in variable rate term deposits with a maturity of three years or less. This income fluctuates from year to year in close correlation with the average level of market interest rates. This income represents a rate of return of 1.09% on average capital invested during 2010 (1.37% in 2009 and 4.19% in 2008).

2) interest on collateralized reverse repo operations in connection with advances requested by CRH from its stockholders as provided in §5.3 of the Company's internal rules and regulations in order to ensure its bond redemptions.

Interest paid on these advances is included in expenses from banking operations together with interest paid to stockholders on subordinated loans granted to CRH.

As provided in the agreements, interest payable on these subordinated loans consists of two components:

- a fixed portion calculated each quarter at the quarterly average overnight interbank rate less 5%, but not less than 1%. Interest calculated on this basis amounted to EUR 1,634,025.90 in 2010 (EUR 1,620,936.34 in 2009 and EUR 1,479,803.08 in 2008),
- a variable portion determined by the Board of Directors on the basis of the results for the year. The amount calculated on this basis came to EUR 122,663.84 in 2010 (EUR 569,326.08 in 2009 and EUR 4,618,926.37 in 2008).

The average interest rate paid on subordinated loans was 1.09% in 2010 (1.37% in 2009 and 4.19% in 2008).

(EUR thousands)

	At Dec. 31, 2010	At Dec. 31, 2009	At Dec. 31, 2008
Interest on cash management transactions	1,800	1,674	10,107
Interest on certificates of deposit and NMTN	2,251	3,270	3,995
Interest on securities received under collateralized reverse repos	540	163	2,797
Incidental income	80	2	0
<b>A – Total other income from banking operations</b>	<b>4,671</b>	<b>5,109</b>	<b>16,899</b>
Interest on subordinated loans	1,757	2,190	6,099
Interest on advances under Article 5.3 of CRH’s internal rules and regulations	540	163	2,797
Other interest and expense	7	2	2
Fees on securities transactions	1	2	1
<b>B – Total other expenses from banking operations</b>	<b>2,305</b>	<b>2,357</b>	<b>8,899</b>
<b>NET BANKING INCOME</b>	<b>2,366</b>	<b>2,752</b>	<b>8,000</b>

Incidental income corresponds to CRH’s remuneration under the terms of the agreement signed with SFEF for monitoring and controlling the servicing of its debt and managing its guarantees.

### NOTE 13 – Other general operating expenses

CRH’s total administrative expenses, including depreciation and amortization, came to EUR 2.18 million at December 31, 2010 (EUR 1.83 million at December 31, 2009 and EUR 1.94 million at December 31, 2008). In 2010, the “Taxes other than income taxes” heading was affected by the new contribution ACP, which totaled EUR 197,751.19

Total administrative expenses represented 0.0053% of average outstanding loans to stockholders as of December 31, 2010 (0.0046% as of December 31, 2009 and 0.0055% as of December 31, 2008).

The main components are shown in the table below:

(EUR thousands)

	At Dec. 31, 2010	At Dec. 31, 2009	At Dec. 31, 2008
Wages and salaries	714	691	663
Retirement expenses (1)	96	77	127
Other social security charges	260	234	232
Payroll taxes and similar expenses	97	88	89
<b>Total personnel expenses</b>	<b>1,167</b>	<b>1,090</b>	<b>1,111</b>
<b>Taxes other than income tax</b>	<b>350</b>	<b>160</b>	<b>253</b>
Rental and leasing	153	160	143
Other external services and miscellaneous administrative expenses	485	408	416
<b>Total other administrative expenses</b>	<b>638</b>	<b>568</b>	<b>559</b>
Amortization of intangible assets	13	1	3
Depreciation of tangible fixed assets	8	15	14
<b>Total depreciation and amortization</b>	<b>21</b>	<b>16</b>	<b>17</b>

(1) including a provision for retirement benefits of EUR 18,000 at December 31, 2010.

#### NOTE 14 – Fees paid to the independent auditors

The total amount of fees paid to the independent auditors recognized in the year ended December 31, 2010 comes to EUR 35,760.17 and breaks down as follows:

(EUR)

	Auditeurs & Conseils Associés	KPMG Audit – A division of KPMG SA
2010 statutory audit fees	17,802.00	17,802.00
Balance of 2009 statutory audit fees	-6.71	162.88
Total	17,795.29	17,964.88

#### NOTE 15 – Corporate income tax

Tax on 2010 earnings amounted to EUR 65,529 and concerned only income from ordinary operations.

## ***OTHER INFORMATION***

### **NOTE 16 – Executive compensation**

Total gross compensation paid to the Chairman and Chief Executive Officer for the fiscal year ended December 31, 2010 amounted to EUR 238,080. Other corporate officers receive no compensation from the Company.

An executive's unemployment insurance policy has been taken out for the Chairman and Chief Executive Officer with the *Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise*. The Company's contribution amounted to EUR 6,735.

The corporate officers received no other benefits from the Company.

### **NOTE 17 – Proposed allocation of distributable income**

The directors recommend to the stockholders that, of the 2010 net income of EUR 114,359.36, EUR 6,000.00 be allocated to the legal reserve, thereby increasing said reserve to EUR 3,036,000.00 and that the balance of EUR 108,359.36 be carried forward, thereby increasing retained earnings to EUR 152,347.72.

### **NOTE 18 – Staff**

CRH had an average of eight employees in 2010.

### **NOTE 19 – Provision for lump-sum retirement benefits**

Provisions set aside to cover lump-sum retirement benefits as required by French law amount to EUR 147,000 and cover the full amount of CRH's liability as assessed as of December 31, 2010.

### **NOTE 20 – Rights earned by staff under the French Individual Training Rights Initiative (DIF)**

As of December 31, 2010, a total of 715 hours of training had been credited to staff under the French DIF initiative.

## **ADDITIONAL INFORMATION**

### **Capital adequacy ratio**

CRH had a capital adequacy ratio of 8.67% at December 31, 2010, compared with 8.69% at December 31, 2009 and 8.73% at December 31, 2008. The ratio at December 31, 2010 is calculated within the reference framework of “Basel II” and is calculated using the standardized method for credit risk and the basic indicator approach for operational risk. This new reference framework does not cause a significant variance compared with the ratio calculation in prior fiscal years.

### **Control of major risk**

At its meeting of December 22, 2000, the French Banking Authority ruled that, in view of the legal status of the notes included in CRH’s assets and until such time as transposition of the Directive of December 21, 1992 into French law allows full exemption of legal covered bonds and equivalent securities from the limits related to major risk, the regulatory compliance of CRH should be assessed with regard to the beneficiaries of the loans it refinances rather than with regard to the issuers of the mortgage notes which it holds.

In addition, in accordance with the new regulatory provisions regarding the control of major risks (order of August 25, 2010), the total of CRH’s major interbank risks is less than its stockholders’ equity.

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.

## **11.2. CONSOLIDATED FINANCIAL STATEMENTS**

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

## **11.3. AUDIT OF HISTORICAL ANNUAL FINANCIAL INFORMATION**

The report of the independent auditors on the financial statements for the year ended December 31, 2010 is included in the Reports section on page 21 of this registration document.

The report of the independent auditors on the financial statements for the year ended December 31, 2009 is included in the Reports section on page 25 of the 2009 registration document.

The report of the independent auditors on the financial statements for the year ended December 31, 2008 is included in the Reports section on page 23 of the 2008 registration document.

#### **11.4. DATE OF THE LATEST FINANCIAL INFORMATION**

The financial statements dated December 31, 2010 are the most recent to have been audited.

#### **11.5. INTERIM AND OTHER FINANCIAL INFORMATION**

CRH has not released any quarterly or semiannual data subsequent to the December 31, 2010 financial statements.

#### **11.6. LEGAL AND ARBITRATION PROCEEDINGS**

As of the filing date of this document, there are no legal, governmental, regulatory, tax or arbitration proceedings underway that are likely to have a material impact on CRH's financial position or profitability.

#### **11.7. SIGNIFICANT CHANGES IN THE ISSUER'S FINANCIAL POSITION**

As of the filing date of this document, there are no exceptional events or litigation that have had a material impact in the recent past, or are likely to have a material impact in the future, on the financial situation, the activity or the earnings of CRH that have not been reflected in the financial statements prepared at December 31, 2010.





## **CHAPTER 12**

### **MAJOR CONTRACTS**

As of the filing date of this document, the Company had not entered into any 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**

### **THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATION OF ANY INTEREST**

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

**13.1. NOT APPLICABLE**

**13.2. NOT APPLICABLE**



## CHAPTER 14

### DOCUMENTS ON DISPLAY

All prospectuses and registration documents (which contain the By-laws of the Company) can be consulted on the website of CRH:

**<http://www.crh-bonds.com>**

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**

**by e-mail: [crh@crh-bonds.com](mailto:crh@crh-bonds.com)**

**or by mail at the following address:**

**CRH  
Caisse de Refinancement de l'Habitat  
35 rue La Boétie  
75008 PARIS**

The incorporation documents of the Company can be consulted in paper version at the registered office.



**ARTICLE 13 OF ACT NO. 85-695  
DU 11 JUILLET 1985  
Complemented by Article 36 of Act no. 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 no. 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 French Monetary and Financial Code (*Code Monétaire et Financier*).

**AMENDMENT No. 275 SUBMITTED BY  
THE FRENCH GOVERNMENT ON JANUARY 13, 2006**

**ADDITIONAL ARTICLE  
Insert the following Article following Article 5 quinquies**

The following two paragraphs have been added to Article 13 of Act no. 85-695 of July 11, 1985 on various economic and financial provisions:

« IV. - When the guarantee of the State is not granted, the sums or amounts generated by the promissory notes mentioned above are allocated first, 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 which the creditors of the latter, other than the holders of the bonds cited in Paragraph II, may not attach to obtain payment of their receivables. »

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

**OVERVIEW**

Caisse de refinancement de l'habitat (CRH) is a market credit institution that plays a specific role in funding residential housing in France. Its sole purpose is to fund the housing loans extended by credit institution stockholders by issuing bonds. With nearly EUR 30 billion in loans extended and currently EUR 17 billion in loans outstanding, CRH is leading player on the French residential mortgage market.

When mortgage companies were created in 1999, the laws and regulations governing its transactions were in part brought into line with those governing mortgage companies. However, CRH's obligations are not governed by the same oversight regulations as property bonds.

CRH's bonds are very safe (the promissory notes issued by it must be secured up to 125% by the pledging of a portfolio of secured housing loans).

Like property bonds, they have been rated Aaa by the rating agencies. However, unlike property bonds, the bondholder has no direct legal lien over the portfolio of funded loans even though such a lien is recognized from a business point of view.

The aim of the amended is to enact such a lien order to bring the oversight treatment of CRH's bonds into line with that of property bonds.

Improved oversight treatment for CRH's obligations will not result in any cost for the French government and will lead to reducing the cost of housing in France. In fact, all of CRH's operations, which involve substantial amounts, are devoted to funding residential housing loans.



**FRENCH MONETARY AND FINANCIAL CODE****LEGISLATIVE PART**

**Codifying the provisions of Section 16 of the Act of December 31, 1969 as amended by Act no. 85-695 of July 11, 1985 and Act no. 99-532 of June 25, 1999, by Decree n° 2008-556 of June 13, 2008 and by Decree n° 2010-76 of June 21, 2010**

**Paragraph 3****Refinancing of mortgages and other secured loans****Section L. 313-42**

The provisions of the present paragraph apply to the promissory notes issued by credit institutions to refinance long-term receivables used to finance real property located in France or another European Economic Area Member state which are guaranteed by:

- a first-ranking mortgage or a charge over real property which provides a guarantee at least equal thereto;
- or a guarantee granted by a credit institution or an insurance company which is not included in the consolidation described in Article L.233-16 of the Commercial Code which the credit institution issuing the promissory note is subject to.

The units or debt instruments of securitisation funds are treated in the same way as the receivables referred to above if at least 90% of the fund's assets consist of receivables of the same type, with the exception of specific units or debt instruments issued to cover the risk of insolvency of the debtors.

With effect from January 1, 2002, receivables represented by promissory notes must comply with the conditions laid down in (I of Article L. 515-14 pursuant to terms determined by a Conseil d'Etat decree. The said decree specifies the circumstances in which the quota may be exceeded if the amount of the said receivables exceeds that of the promissory notes that they guarantee.

**Section L. 313-43**

Since the contracts constitute the said loans and their guarantees, amendments made to the contracts to provide the lender with additional guarantees, and instruments signed by the borrower to ensure compliance with his obligations, if such instruments exist, must be made available to the bearer of the promissory note by the credit institution, if the bearer so requests, in a capital amount equal to the capital amount of the promissory note.

The credit institution provides safekeeping for the contracts and instruments made available to the bearers of the promissory notes by maintaining a nominal list of the bearers of

all receivables corresponding to the aforementioned contracts and instruments, making a reference therein to Articles L. 313-42 to L. 313-49, and providing an updated indication of their amount.

#### **Section L. 313-44**

I. Barring the application of Article L. 313-46, the credit institution recovers, pro tanto, free disposal of the receivables referred to in Article L. 313-43 as and when they become due or redeemable, or when it so chooses. It is required, while the promissory note remains in circulation, to replace the contracts and bills it recovers free disposal of, without discontinuity, with other debt instruments having a capital amount equal to those made available to the bearer of the promissory note as provided for in Article L. 313-43.

II. Debt instruments made available to the bearer of the promissory note pursuant to I are automatically substituted, through real subrogation, for the debt instruments which the credit institution recovers free disposal of. Such substitution preserves the rights of the bearer of the promissory note and entails the effects set forth in Article L. 313-45, even if the signing of the new debt instruments made available to that bearer is subsequent to the signing of the promissory note.

#### **Section L. 313-45**

Making receivables and bills available to the bearer of the promissory note automatically entails creation of a pledge in favour of the successive bearers.

The bearer of the promissory note's right encompasses all receivables deriving for the benefit of the credit institution from the contracts and bills which have been made available to that bearer pursuant to the present paragraph, without any other formality. It also encompasses all interest and ancillary charges, as well as any guarantees associated with those advances, even if they derive from deeds distinct from the contracts or bills.

The bearer of the promissory note exercises that right preferentially in relation to the credit institution and, in the event of a single receivable being shared between several bearers of promissory notes, those bearers enjoy equality of rank.

While the receivables and bills remain available to the bearer of the promissory note, the credit institution cannot transfer those receivables or bills in any form whatsoever.

#### **Section L. 313-46**

If the amount of the promissory note or the interest attached to it are not paid when due, and regardless of the remedies he might exercise against the credit institution, the bearer of the promissory note may obtain, upon request and in return for the said note, submission of the nominal list of the holders referred to in Article L. 313-43 and also, if applicable, of the instruments made available to him pursuant to the present paragraph. Such submission transfers title of the receivables to him without any other formality, and with the interest, advantages and guarantees attaching thereto, within the limits of the rights he holds on account of the promissory note he held.

### **Section L. 313-47**

For deletion of registrations, no documentary proof is required to support the statements in the act of discharge which establishes that the instruments have been made available or handed over if the said statements are certified as accurate in that act. The beneficiaries of such availability or delivery are not considered to be interested parties within the meaning of Article 2157 of the Civil Code if the act of discharge does not refer to the transaction concluded in their favour.

### **Section L. 313-48**

In order to guarantee payment when due of the amount of the promissory note referred to in Article L. 313-42, or the amount of the interest attached to that note, the bearer of that note may ask the credit institution to make contracts available to it which constitute long-term receivables, along with their guarantees, to be added to those already made available by virtue of Article L. 313-43, for an agreed amount, given that those contracts may give rise to the creation of promissory notes having the characteristics of those referred to in Article L. 313-42.

The contracts thus made available to the bearer to guarantee a note referred to in Article L. 313-42 are indicated to that bearer at the same time as the availability of the contracts, pursuant to the procedure described in Articles L. 313-43 and L. 313-44. The effects of that availability by way of guarantee are described in Articles L. 313-45 to L. 313-47. Articles L. 313-44 to L. 313-46 are applicable notwithstanding any provision to the contrary, including those of Book VI of the French Commercial Code. These provisions apply to capitalisations effected before 29 June 1999 pursuant to the provisions of the present paragraph.

### **Section L. 313-49**

The French Banking Authority is responsible for ensuring that the credit institutions comply with the provisions of Articles L. 313-42 to L. 313-48.



**FRENCH MONETARY AND FINANCIAL CODE**

**LEGISLATIVE PART**

**SECTION 4 CHAPTER V**

**SOCIETES DE CREDIT FONCIER**

**Art. L. 515-14 (excerpt).**

I. - Guaranteed loans are loans associated with:

1. A first-ranking mortgage or a charge over real property conferring an equivalent guarantee, at least;

2. Or, within limits and under conditions determined in a Conseil d'Etat decree, a minimum personal contribution from the borrower and compliance with a fixed portion of the value of the property financed and subject to the guaranteed loan being used solely to finance real property, a guarantee from a credit institution or an insurance company which is not included in the consolidation described in Article L. 233-16 of the Commercial Code relating to real-property credit companies.



## FRENCH MONETARY AND FINANCIAL CODE

## REGULATORY PART

**Article R. 214-7 (excerpt)**

I. – By way of an exception to the 5% limit set in the sixth paragraph of Article L. 214-4, an undertaking for collective investment in transferable securities:

1° May invest 35% of its assets in financial instruments of the type referred to under points a, b, d and f of Article R. 214-1-1-2° issued by a single issuer, provided these instruments are issued or guaranteed by a member state of the Organisation of Economic Cooperation and Development, the regional authorities of a member state of the European Community or a state that is party to the agreement on the European Economic Space, or a public international organisation provided one or more member states of the European Community or states that are party to the agreement on the European Economic Space are members thereof, or provided the instruments have been issued by the Caisse d'Amortissement de la Dette Sociale, France's Social Security Debt Repayment Fund.

2° May invest up to 25% of its assets in bonds issued by a single entity provided the value of such instruments does not exceed 80% of the assets, and provided they are real property bonds issued by real property credit companies in application of Article L. 515-13-2°, or bonds issued by a credit institution that has its registered office in a member state of the European Community or a state that is party to the agreement on the European Economic Space and that is the subject of specific public supervision designed to protect the holders of such bonds. The funds generated by the issue of the bonds must be invested in assets that adequately cover the resulting commitments for the entire duration of the bonds, and must be earmarked first and foremost for the repayment of capital and the payment of accrued interest in the event of default by the issuer.

The exception provided in the above paragraph shall apply to bonds issued by a credit institution whose sole aim is to refinance promissory notes complying with the provisions of Articles L. 313-42 to L. 313-49, issued to refinance long-term receivables used to finance real property, provided the bonds' characteristics are identical to those of the promissory notes.





**FRENCH MONETARY AND FINANCIAL CODE****REGULATORY PART****ARTICLES R. 313-20 TO R. 313-25**

**Codifying the provisions of Decree no. 2000-664 of July 17, 2000, as modified by Decree no. 2003-144 of February 19, 2003 and Decree 2007-745 of May 9, 2007**

**Article R. 313-20**

- I In application of the provisions of this Article, the portion of a secured receivable, within the meaning of Article L. 313-42, that may be funded may not exceed the lesser of the two following values:
1. The remaining principal balance of the receivable;
  2. The product of the financing percentage defined in section II multiplied by the value of the asset that is financed or provided as collateral.
- II The financing percentage cited in I.2. is equal to:
1. 60% of the value of the asset financed (in the case of secured receivables) or of the asset provided as collateral on mortgage loans;
  2. 80% of the value of the asset, in the case of loans provided by a company to natural persons holding promissory notes issued by that company, when these loans are used to finance the construction or acquisition of housing, or to finance both the acquisition of a buildable lot and the cost of building the housing.  
All work performed to create or transform an inhabitable area by enlarging or renovating it for the purpose of building a residence is considered to be equivalent to the construction of housing.
- III Assets that are financed or provided as collateral corresponding to funded receivables are evaluated by the issuers of promissory notes using the methods provided for by order of the minister of finance.

**Article R. 313-21**

The percentage cited in Article R. 313-20 Paragraph II.2. is increased to:

1. 90% of the value of the asset when the value of the funded receivables is at least 25% more than the value of the promissory notes they guarantee;
2. 100% of the value of the asset provided as collateral, in the case of the social housing ownership loans guaranteed by the Fonds de Garantie à l'Accession Sociale cited in Article L. 312-1 of the French Construction and Housing Code, or by any person or entity taking its place, or in the case of covered loans, for that portion exceeding the percentage established, by a guarantee meeting the conditions established in Article L. 313-42 of the present code, or by the guarantee of one or more public-law corporations cited in Article L. 515-15 of the present code.

### **Article R. 313-22**

A real estate guarantee, which provides a guarantee equivalent to a senior mortgage, within the meaning of Article L. 313-42, is one that confers upon a creditor, regardless of the legal position of the debtor, the right to force the sale of the building covered by this guarantee regardless of who may be occupying it, and to receive payment from the proceeds of the sale with seniority over other creditors.

### **Article R. 313-23**

Repealed.

### **Article R. 313-24**

For the application of Article L. 515-14 Paragraph I.2, eligible secured receivables are defined as those for which a credit institution or insurance company with capital of at least EUR 12 million has provided a binding guarantee.

The total value of secured receivables funded may not exceed 35% of the total receivables extended to the institution holding the promissory notes issued in application of Articles L. 313-42 to L. 313-48.

### **Article R. 313-25**

The issuance agreement for bonds issued under the terms of Article L. 313-42 must explicitly state:

- 1°The purpose of the funding;
- 2°The exclusive purpose of the issuing credit institution;
- 3°The dispensation provided for in Article R. 214-7;
- 4°The preferential claim enjoyed by the issuing credit institution, under the terms of the provisions of Articles L. 313-42 to L. 313-49.

**EXCERPT FROM FRENCH BANKING  
AND FINANCIAL REGULATORY COMMITTEE**

**REGULATION No. 99-10  
RELATIVE TO FRENCH *SOCIETES DE CREDIT FONCIER***

**as amended by Regulation No. 2001-02 of June 26, 2001  
and Regulation no. 2002-02 of July 15, 2002  
and by Order of the Minister of the Economy, Finance and Industry  
of May 7, 2007**

**Chapter I – Valuation of real estate assets**

**Article 1**

Real estate financed by loans eligible as assets of mortgage companies (*sociétés de crédit foncier*) or contributed as collateral for such loans shall be valued on a conservative basis excluding any amount of a speculative nature.

**Article 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. Notwithstanding the above, the valuation may be based on the total cost of the transaction when this cost is less than EUR 450,000 or when the sum of the remaining principal balances of the loans acquired by the mortgage company and secured by the asset valued is less than EUR 360,000 determined at the time of said acquisition.

**Article 3**

The valuation of real estate assets shall be reviewed as part of the risk measurement system governing mortgage companies contained in Regulation no. 97-02. This review shall be performed individually once a year for commercial real estate whose purchase price or whose last estimated value is over EUR 450,000 and when all of the loans owned by the mortgage company and secured by the valued real estate asset have a unit principal over EUR 360,000. It shall be performed individually once every three years for commercial real estate whose purchase price or whose last estimated value is under EUR 450,000 and when all of the loans owned by the mortgage company and secured by the valued real estate asset have a unit principal over EUR 360,000. The value of said real estate assets between two individual reviews and the value of the housing shall be reviewed yearly using a statistical method.

When all of the loans acquired by the mortgage company and secured by the valued real estate have a remaining principal of less than 30% of the initial principal loaned or less than EUR 360,000, the real estate asset may be revalued using a statistical method.

#### **Article 4**

The appraisal of real estate assets shall be performed by an independent expert within the meaning of Article 168 of the Order of February 20, 2007 on the Stockholders' equity requirements of credit institutions and investment firms.

**CRH - CAISSE DE REFINANCEMENT DE L'HABITAT**

**ARTICLES OF INCORPORATION AND BY-LAWS**

**(January 31, 2008)**

**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 By-laws.

**Article 2 - PURPOSE**

The company's purpose is:

- to refinance, for the exclusive benefit of its stockholders or of establishments undertaking to become stockholders 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 French 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 Stockholders' 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 ninety nine million nine hundred and twenty seven thousand and five hundred.

It shall be divided into thirteen million one hundred and then thousand euros shares with a par value of EUR 15.25 each.

The number of shares held by each stockholder must be in the same proportion as the outstanding amount of its loans refinanced by the company for that stockholder 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 By-laws and decisions of its Regular Stockholders' 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 – STOCKHOLDERS' OBLIGATIONS**

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

Advances due from each stockholder shall be proportional to the amount of promissory notes that stockholder 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 stockholder, 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 stockholder 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 stockholder shall be proportional to the amounts refinanced on its behalf.

Any stockholder failing to provide the required amounts by the specified date shall owe the company compensation in accordance with the conditions adopted by the Regular Stockholders' 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 Stockholders' 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 Stockholders' 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 Stockholders' 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 Stockholders' Meeting may appoint one or more *censeurs* from among company stockholders 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 Stockholders' 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 Stockholders' 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 Stockholders' Meeting.

The *censeurs* shall be responsible for ensuring strict compliance with the company's articles of incorporation and By-laws. 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 Stockholders' 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 Stockholders' 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 re-elected 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 Stockholders' Meeting held after he or she has reached the age of 68. However, the Board of Directors may, at a meeting following that Regular Stockholders' 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 stockholders 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 By-laws.

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 By-laws 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 Stockholders' 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 By-laws 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 Stockholders' 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 Stockholders' 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 Stockholders' 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 Stockholders' Meeting, extend this limit, on one or more occasions, in accordance with applicable law and regulations.

## **Article 19 - INDEPENDENT AUDITORS**

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

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

## **Article 20 - REGULAR STOCKHOLDERS' MEETINGS**

Regular Stockholders' 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 stockholder.

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 stockholders shall have the right to attend the meetings.

Each member of a Regular Stockholders' 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:

- stockholders 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;
- stockholders 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%;

- stockholders 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 stockholder may be represented by another stockholder at a Regular Stockholders' Meeting.

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

## **Article 22 - POWERS OF REGULAR STOCKHOLDERS' MEETINGS**

Regular and Special Stockholders' 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 Stockholders' 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 Stockholders' Meeting may allow stockholders to choose between a dividend in cash or in shares as provided by law.

The Regular Stockholders' 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 Stockholders' 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 Stockholders' 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**

These internal rules are designed to complement and explain the By-laws. They specify the provisions governing CRH's business and certain stockholder 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. Stockholders' obligations**
- 9. Internal controls and inspection**
- 10. Stockholder approval of internal rules and regulations**

## 1. ACTIVITY

**1.1.** In accordance with its By-laws, the sole activity of CRH is the refinancing of housing loans granted by the credit institutions that are, or have agreed to become, its stockholders.

**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 stockholders 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 French 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 Stockholders’ 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 stockholder;
- undertake to comply with legislation and official regulations applicable to the operations of CRH, the Articles of Incorporation and By-laws 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 favour 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 stockholders 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 at the latest during 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 nearby 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 credit 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 un-validated 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 Independent 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**

In the case of 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 stockholder 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 French *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 cancelling 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 stockholders 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. STOCKHOLDERS' COMMITMENTS**

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

### **8.1. Capital contributions**

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

Each stockholder 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 By-laws, stockholders 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 stockholders**

In accordance with the By-laws, each stockholder 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) In the case of a stockholder default on debt-related payments to CRH, cash advances from other stockholders allow CRH to timely pay all sums owed on behalf of the defaulting stockholder, in particular to bondholders and French tax authorities.

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

c) Advances are due from stockholders 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 stockholder 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 stockholder 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 Stockholders' Meeting.

#### **8.4. Management agreement**

Each stockholder 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 By-laws**

Each stockholder is required, by sole virtue of its status, to comply with the company's Articles of Incorporation and By-laws and the resolutions adopted by Regular Stockholders' 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 stockholder institutions.

### **10. STOCKHOLDER APPROVAL OF INTERNAL RULES AND REGULATIONS**

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



### CONDITIONS OF ELIGIBILITY

#### REMINDER

The sole business 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 provisions comprise the body of laws and regulations applicable to CRH's operations:

- Article 13 of Law no. 85-695 of July 11, 1985, along with Article 36 of Law no. 2006-872 of July 13, 2006;

- Articles L. 313-42 through L. 313-49 of the Monetary and Financial Code codifying the provisions of Article 16 of Act no. 69-1263 of December 31, 1969 as amended by Articles 12 and 13 of Act no. 85-695 of July 11, 1985 and by Article 113 of Act no. 99-532 of June 25, 1999, by Article 16 of Decree n°2008-556 of June 13, 2008 and by Article 18 of Decree n° 2010-76 of January 21, 2010;

- Article L. 515-14 paragraph I relative to French Sociétés de Crédit Foncier;

- Articles R. 313-20 to R. 313-25 of the Monetary and Financial Code codifying the provisions of Decree no. 2000-664 of July 17, 2000 as amended by Decree no. 2003-144 of February 19, 2003 and by Decree no. 2007-745 of May 9, 2007;

- French Banking and Finance Regulatory Committee Regulation no. 99-10 as amended by Regulation no. 2002-02 and the Decree of May 7, 2007 on the valuation of financed assets to be used to determine the portion of a loan that may be collateralized;

- The company By-laws of CRH;

- This 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.

## CONDITIONS OF ELIGIBILITY OF LOANS

The conditions of eligibility of the loans in which CRH result of the capabilities of the European Directive “Capital Requirements Directive” CRD and for the European regulate covered and the capabilities appropriate for the CRH;

### 1 - BENEFICIARIES

Beneficiaries must be either natural persons or *société civile immobilière* real estate partnerships whose stockholders 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 joint and several 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 d'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 no. 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. When these loans are has fixed rate and at least equal in 150% of the total amount of funding when these loans are for revisable rate.

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 independent 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 favour 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,
- outstanding 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

**Collateral:** 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.

**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 mortgage 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 mortgage note.

**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.

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

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

**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).

**Mortgage note:** Security (promissory note) 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.

**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 no. 2000-664 of July 17, 2000).

**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 no. 99-10.

**RMBS:** Residential Mortgage Backed Securities.

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



## SUMMARY PRESENTATION OF CRH



## 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

<http://www.crh-bonds.com>

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### 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 1<sup>st</sup> 2010
- CRH has a total outstanding debt over EUR 44 bn with several highly liquid bonds

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## 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
	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

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## 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
<b>TOTAL</b>	<b>42 486</b>	<b>TOTAL</b>	<b>42 486</b>

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"

4



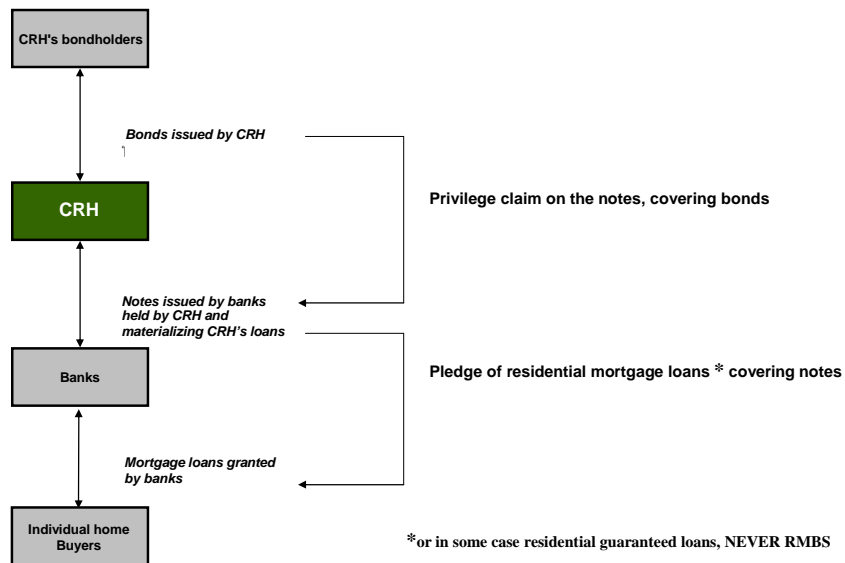
## CRH income and results

- 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

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## CRH mechanism



6



## 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*

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## 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

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## 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

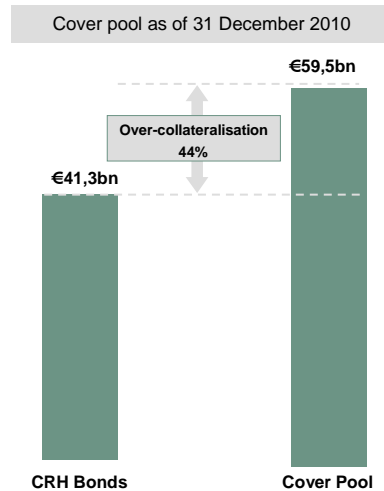
Today, average LTV = 46% area

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## Composition of cover pool

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

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## 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 :

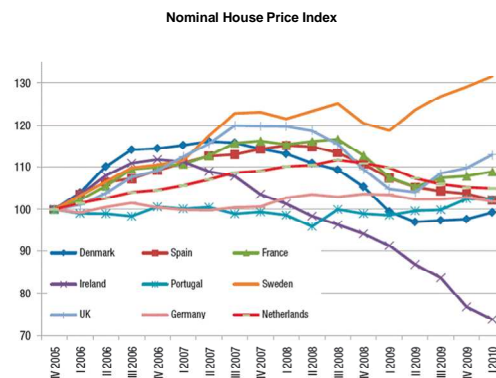
- CRH requires the bank in question to increase the pledged portfolio to compensate for the shortfall identified
- If the bank's outstanding loans are insufficient to make up the shortfall, it is required to immediately acquire bonds corresponding to the borrowed funds and deliver them to CRH as repayment

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## 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



Source : European Mortgage Federation

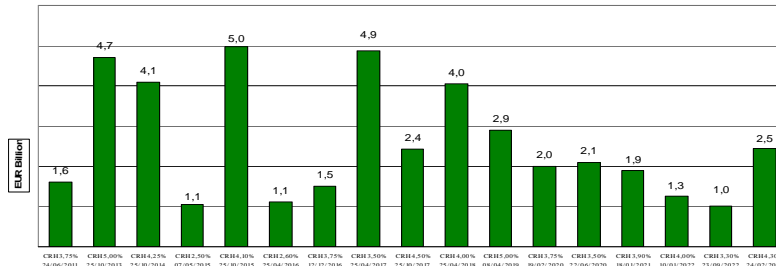
Note : Standardised nominal house price indices on national values

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## CRH Bonds – Key Points

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



- 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

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	

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## 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**

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## Highlights

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**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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## Contact & Disclaimer

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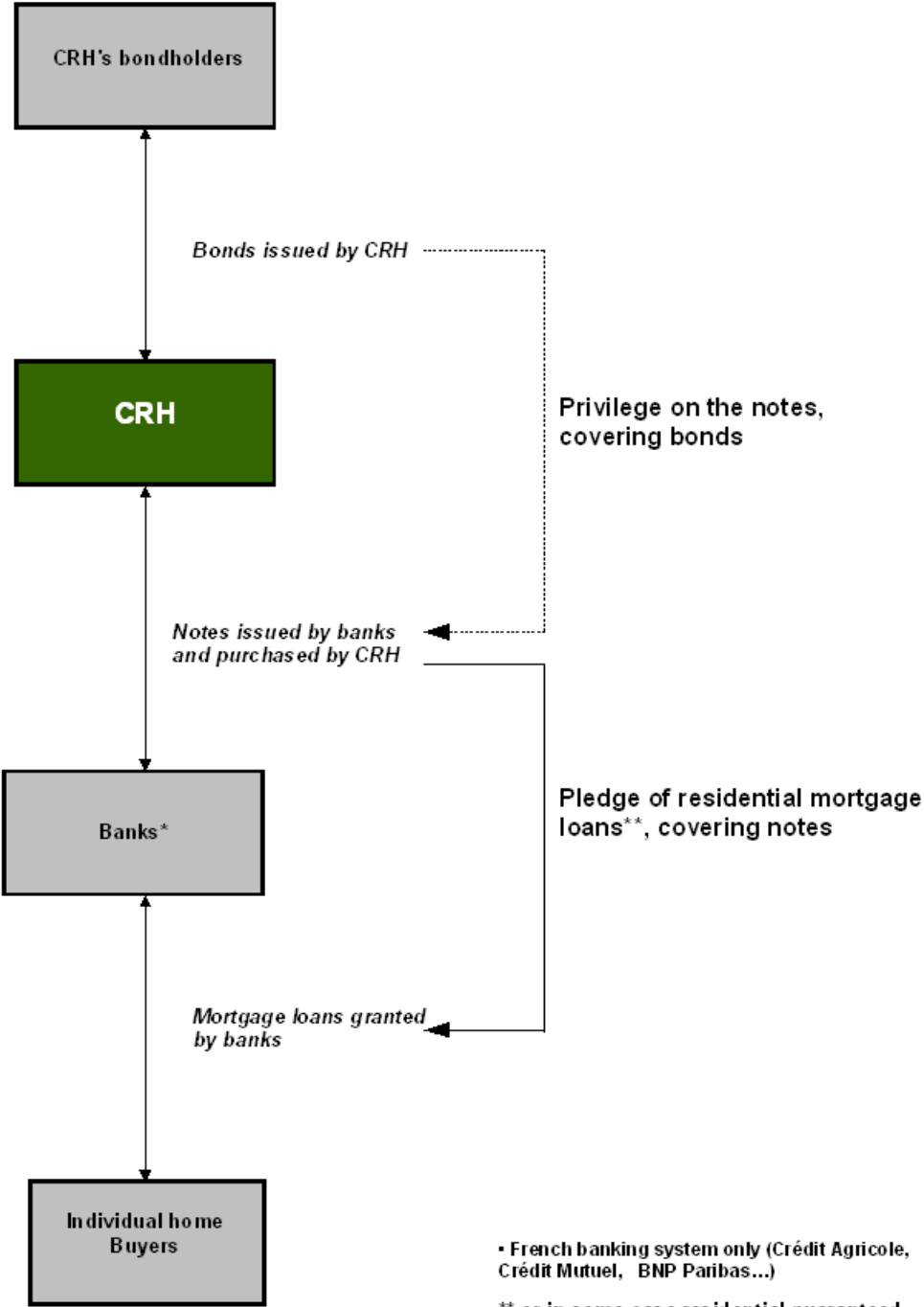
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### CRH's mechanism



\* French banking system only (Crédit Agricole, Crédit Mutuel, BNP Paribas...)

\*\* or in some case residential guaranteed loans NEVER RMBS