



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.

2018 ANNUAL REPORT

- REGISTRATION DOCUMENT -

Integrating by reference the 2017 and 2016 annual financial statements and the reports submitted by the statutory auditors in relation to the said annual financial statements, as submitted in the registration documents filed on 20 April 2018 and 22 March 2017, respectively, with the Autorité des Marchés Financiers. The information contained in these two registration documents, other than the information cited above, has where applicable been updated and/or replaced by information included in this registration document.

Specialised credit institution (*Établissement de crédit spécialisé*)

French corporation (*Société anonyme*) with a share capital of EUR 539,994,737.75

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This registration document was filed with the French securities regulator (*Autorité des marchés financiers*) on 16 April 2019, under number D.19-0343, in accordance with Article 212-13 of its general regulations. This document may be used in support of a financial transaction if supplemented by an information notice authorised by the AMF. This document was prepared by the Issuer and is binding on its signatories.

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Pursuant to Article 212-13 of the AMF's general regulations, this document contains the annual financial report information referred to in Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and in Article 222-4 of the AMF's general regulations:

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This registration document is available on the CRH website (www.crh-bonds.com) and on the website of the AMF (www.amf-france.org).

MANAGEMENT REPORT SUBMITTED TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 14 MARCH 2019

Dear Shareholders,

In accordance with provisions of law, we have convened this general meeting in order to review the financial statements for financial year 2018.

For the preparation of this year's registration document, CRH is using a prospectus more complete than that used in earlier years. Such change is explained by the coming into effect on 21 July 2019 of the new (EU) 2017/1129 Prospectus Regulation. From the said date, the registration document shall be replaced by the universal registration document.

1. CONDUCT OF THE COMPANY'S AFFAIRS

1.1. COMPANY'S POSITION DURING THE LAST FINANCIAL YEAR

1.1.1. BUSINESS OPERATIONS

Pending material regulatory progress, this financial year was again marked by the lack of any new business transaction. The total amount of the loans granted and settled since the incorporation of the company remains at the same level as at the end of 2017, i.e. € 88.6 bn and CHF 2.4 bn, or a total amount of € 90.5 bn after conversion into euro.

After taking into account repayments made on the contractual due date of 25 April 2018 in a total amount of € 4 bn and absent any contractual prepayments, total loans outstanding as of 31 December 2018 amounted to € 26.9 bn (as compared with € 30.9 bn as of 31 December 2017 and € 38.2 bn as of 31 December 2016).

Total assets as of 31 December 2018 amounted to € 28.1 bn (as compared with € 32.2 bn as of 31 December 2017 and € 39.6 bn as of 31 December 2016).

1.1.2. EARNINGS

It is recalled that funding transactions, i.e. lending, borrowing and repayment, have no direct impact on earnings. Indeed, CRH does not charge any interest margin on these transactions, and lends to its shareholders all capital raised on financial markets under the same conditions, at the same rates, and with the same maturities.

As a result, CRH's earnings correspond to the income from shareholders' equity invested on the money market, net of overhead expenses.

Net banking income

In 2018, in the same manner as in 2017, the continuation of the European Central Bank's (ECB) quantitative easing policy weighed on the return on invested capital. By lengthening the term of the investments upon renewal of arrangements reaching their expiration date, it was possible to stop the erosion of the return on investments. Investment income was equal to € 562,470 in 2018 as compared with € 479,616 in 2017.

In order to cancel the unjustified volatility of the remuneration received each year by CRH on its fixed-rate investments held to maturity, a specific portfolio of investment securities was created to include available-for-sale securities having a residual term in excess of two years. This resulted in the reversal of provisions amounting to € 71,066 over financial year 2018.

In a structurally loss-making environment, the board of directors, which was convened on 11 December 2018, decided to call from the borrowing institutions an operating subsidy in the amount of € 1,250,000, in order to enable the Company to balance its 2018 accounts with a view to a possible resumption of bond issues in 2019.

After deducting miscellaneous banking operating expenses amounting to € 26,962, net banking income amounted to € 1,856,574.

Other revenues and expenses

Starting from 2015, in a context marked by exceptionally low interest rates, the proceeds generated by the investment of CRH's own funds no longer sufficed to cover its overhead because of the obligation to pay contributions levied at EU level in connection with the single supervisory mechanism. Such contributions were therefore recharged to the borrowers.

Thus, in 2018, in accordance with Article 5.1 of the internal rules and Article 3.4 of the collateralisation agreements, the following amounts were recharged to borrowers, taking into account, where applicable, such borrowers' specific features:

- The SRF contribution, in the immediately expensed amount of € 7,207,156, with the amount paid by CRH being equal to € 8,479,007, up 28% from the preceding financial year. It is however to be noted that, as such contribution is determined in the aggregate per country, the fraction attributable to CRH would, where applicable, have been largely allocated directly to CRH's shareholders.
- The ECB supervision contribution, representing an expense of € 810,158.
- The expenses related to the Prudential Supervision Authority and to the Single Resolution Board in a cumulated amount of € 301,808.
- The fees paid to rating agencies.

Overhead expenses, not including recharged costs, amounted in 2018 to € 1.76 M, as compared with € 1.92 M in 2017, with such difference being explained by rent savings resulting from the company's move during the first quarter of the year and from a decrease in payroll expenses.

As the SRF contribution is not deductible from corporate income tax, corporate income tax amounted to € 3,712,495.

After reversal of a sum of € 40,000 set aside in the funds for general banking risks, net income after corporate income tax was equal to € 18,200 as of 31 December 2018.

1.1.3. FINANCIAL POSITION

CRH's own funds now exclusively consist in Common Equity Tier 1 Capital (CET1).

Since 31 December 2016, the funds for general banking risks are no longer taken into account for the calculation of CET1. The reversal of the said provisions has no impact on the amount of CRH's own funds for prudential purposes.

Following the 2017 Supervisory Review and Evaluation Process (SREP), effective from 1 January 2018, the increase in the overall capital requirement corresponds to the planned 0.625% increase of the capital conservation buffer comprised of CET1:

- The CET1 requirement, including the requirements associated with Pillar 1, Pillar 2 and the capital conservation buffer increased correlatively from 7.50% to 8.125%.
- As a consequence, the prudential demand for own funds is equal to 11.625% of the risk-weighted assets.

Following the 2018 Supervisory Review and Evaluation Process (SREP), effective from 1 January 2019, the increase in the overall capital requirement still corresponds to the planned 0.625% increase of the capital conservation buffer comprised of CET1. The prudential demand for own funds is equal to 12.25% of the risk-weighted assets.

Starting from 1 July 2019, the rate of the counter-cyclical banking capital buffer will be increased to 0.25% of the risk-weighted assets as regards French exposures. The prudential demand for own funds shall then be equal to 12.50% of risk-weighted assets.

The adverse impact of the deduction from CET1 of the irrevocable payment commitment to the Single Resolution Fund (SRF), amounting to € 5.4 M as of 31 December 2018, is equal to 0.13%.

After deducting such regulatory adjustment, CET1 amounts to € 557.2 M. The capital adequacy ratio is equal to 17.35%. Absent any additional capital, the capital adequacy ratio on class-1 base capital is thus at the same level, i.e. 17.35%.

1.2. FORESEEABLE OUTLOOK

Over the last few years, the European banking regulations and the ECB's quantitative easing policy have created a highly challenging environment for CRH.

By changing its articles of incorporation and internal regulations in March 2016, CRH was able to remove the obstacle created by European regulations on major risks that had been introduced at the beginning of 2014.

In its project for the reform of the CRR presented on 23 November 2016, the European Commission proposed implementing the recommendations made by the EBA in its report on the creation and calibration of the leverage ratio, published on 3 August 2016.

As a general consequence, this results in a binding leverage ratio obligation set at 3%. However, the European Parliament and the Council have acknowledged publicly that the relevance of such leverage ratio was to be reconsidered when its application is likely to unduly jeopardise the existence of certain activities. This is why the Parliament and the Council decided to exempt certain exposures from this ratio's calculation base.

The final text of the Regulation of the European Parliament and of the Council amending Regulation (EU) No. 575/2013, in particular as regards the leverage ratio and the net stable funding ratio, should be adopted at the beginning of 2019.

CRH will then be able to assess the economic conditions under which it will carry on its activity and to determine whether the conditions for a sustainable resumption of its operations are satisfied.

Finally, the loosening of the income constraints shall be closely correlated to the gradual exit from the ECB's quantitative easing policy.

1.3. SIGNIFICANT EVENTS OCCURRED BETWEEN THE CLOSING DATE OF THE FINANCIAL YEAR AND THE MANAGEMENT REPORT'S PREPARATION DATE

No significant event specific to the company and affecting, to a material extent, the assessment of its solvency, has occurred since 31 December 2018.

1.4. RESEARCH AND DEVELOPMENT ACTIVITY

The Company does not pursue any research and development activity.

1.5. ACTIVITY OF THE SUBSIDIARIES AND CONTROLLED COMPANIES PER INDUSTRY

The Company has no subsidiary and does not control any company.

2. HEDGING POLICY

CRH does not rely on any hedging accounting system. CRH's exposure to credit risks and market risks is analysed in paragraphs 4.1.1. to 4.1.5. of this registration document.

3. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATED TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The aim of the internal controls implemented by the Company is to meet the internal control and compliance obligations for credit institutions defined by the ministerial decree of 3 November 2014.

In accordance with the said regulatory provisions, a report on internal control, compliance and risk measurement and monitoring must be submitted to the board of directors at least once a year.

3.1. 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 specialisation and the transparency and security of its operations. Its organisational structure is also influenced by a limited number of employees. For that reason, the Chief Executive Officer and the General Secretary have responsibility for monitoring the consistency and effectiveness of the internal control system.

Also, in 2009, the Board of Directors decided to set up an audit committee. Furthermore, in October 2015, the Board of Directors decided to reactivate the risk committee and to create an appointments committee.

The Chief Executive Officer reports regularly to the Board of Directors on the Company's business operations and on the results of the internal control and risk monitoring activities.

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

The new drafting of Article 9 of the internal rules also makes it possible to entrust such task to an audit firm selected from the list of statutory auditors.

Finally, CRH is placed under the direct supervision of the European Central Bank (ECB) and has therefore been subject during the financial year to various audit and assessment procedures. Notwithstanding such direct supervision, CRH continues to be supervised by the ACPR pursuant to Article L. 313-43 of the French Monetary and Financial Code.

3.2. ORGANISATION OF THE INTERNAL CONTROL, WITH REGARD TO THE PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

The Company's Senior Management is responsible for the preparation and integrity of the financial statements. These 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 conformance 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, commitments and internal procedures with all applicable regulations.

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

The Company's senior management considers that these financial statements present accurately the financial position of the Company, the results of its operations and its cash flows.

3.3. RISK MANAGEMENT PROCEDURES

As a preliminary remark, it is recalled that, in addition to senior management's control functions, the provisions of Article L. 313-49 of the French Monetary and Financial Code provide for a specific legal control of CRH's operations by the ACPR.

In accordance with applicable regulations, a risk mapping has been established and is periodically reviewed. The main risks are described in Chapter 4 of this registration document, to which it is useful to refer. It should be noted that CRH does not claim that the said description is exhaustive.

Identification of operational risks is regularly sought by Senior Management, and the business continuity plan must, in principle, ensure the sustainability of operational procedures during and after any interruption of activities. By way of reminder, such 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.

Also, in 2013, CRH strengthened the security of its IT system by changing the relevant service provider. Since that time, security rules are regularly reviewed and, if necessary, updated.

As CRH's only objective is to lend all the proceeds of its borrowings, credit risk is the most important structural risk. This risk concerns only credit institutions, which are now under the direct supervision of the ECB, and 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' portfolios using a team of auditors dedicated to this task.

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

A significant risk that was addressed by CRH with relevant authorities more than five years ago consists in regulatory changes that were designed for major deposit and investment banks and that are therefore poorly adapted to the specific nature of CRH's business.

Immediately from its adoption, the new CRR¹ regulation has severely hindered CRH's operations, and CRH has not granted any loans since June 2013. However, for the record, CRH's internal rules are recalled below:

- a comprehensive report on CRH's loans is regularly submitted to the Board of Directors.
- limits on loans granted by CRH are set by senior management in accordance with the credit policy and rules established by the Board.

¹ Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013.

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

The basic structure of the CRH mechanism is such that the profitability of credit transactions is, by its very nature, always zero, because CRH borrows on behalf of French credit institutions and provides them with the resources raised without charging any margin.

CRH has typically a low exposure to market risks. This issue is addressed in paragraphs 4.1.2 to 4.1.5 of this registration document.

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

Finally, the Board of Directors has set at € 10,000 the materiality threshold for the purposes of fraud alert defined in Article 98 of the ministerial decree of 3 November 2014.¹

These procedures are regularly revised owing to the implementation of the new European regulatory framework.

4. LEGAL INFORMATION

4.1. INVESTMENT SECURITIES GIVING ACCESS TO THE CAPITAL

As of the registration document's filing date, there does not exist any investment securities liable to give access to the share capital of CRH, whether immediately or over time, except for the shares of the Company.

4.2. SHARE DISPOSALS (MUTUAL INTERESTS)

CRH does not hold any share of any company.

4.3. BONUS SHARE AWARDS

The Company does not maintain any bonus share award plan.

4.4. STOCK OPTION AWARDS

The Company does not maintain any stock option award plan.

4.5. TREASURY SHARES

As indicated above, CRH does not hold any of its own shares.

4.6. OPINION ISSUED BY THE WORKS COUNCIL CONCERNING CHANGES TO THE ECONOMIC OR LEGAL ORGANISATION

Because of its small size, CRH has not set up any works council.

¹ Ministerial decree of 3 November 2014 on the internal control of enterprises from the banking, payment services, and investment services sectors, subject to the control of the prudential supervision and resolution authority.

4.7. EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES AND EXPENSES ADDED BACK FOLLOWING A TAX REASSESSMENT

No cost or expense not deductible for tax purposes under Article 39, paragraph 4 of the French Tax Code was incurred by CRH over the last financial year.

4.8. HOLDERS OF THE SHARE CAPITAL OR VOTING RIGHTS

The identity of the natural or legal persons holding directly or indirectly more than one twentieth of the share capital or voting rights at general meetings and changes made in this respect over the last financial year are indicated in Chapter 18, page 95.

4.9. DIVIDENDS

No dividend or income eligible for the 40% deduction mentioned in Article 158 3 2° of the French Tax Code and no income not eligible for such deduction has been distributed over the last three financial years.

4.10. SHARE BUY-BACK OPERATIONS

No share buy-back operation was carried out during the last financial year.

4.11. SECURITIES TRANSACTIONS CARRIED OUT BY THE EXECUTIVE OFFICERS

No securities transaction governed by Article 19 of Regulation (EU) No. 596/2014 was completed by the executive officers during the last financial year.

4.12. EMPLOYEE SHARE OWNERSHIP

No CRH share is held by any CRH employee.

4.13. ANTI-COMPETITIVE PRACTICES

No procedure aimed at terminating any anti-competitive practice was instituted against CRH.

4.14. ACQUISITIONS OF INTERESTS OR CONTROLLING INTERESTS

During the last financial year, CRH did not acquire any interest in any company.

5. FINANCIAL RISKS RELATED TO CLIMATE CHANGE

Because of the specific nature of its operations, CRH has no exposure related to fossil energy or to physical assets. However, climate change might affect CRH's banking counterparties, whether as regards the aforementioned risks or the risk related to the transition towards a low-carbon economy.

6. MISCELLANEOUS INFORMATION

6.1. TRADE PAYABLES' SETTLEMENT LEAD TIME

CRH complies with the rules applicable in this area. As of 31 December 2018, trade payables amounted to € 11,367.93. Such trade payables are generally settled in less than one month in compliance with the payment terms granted by suppliers.

No receivable held by CRH is overdue.

Information related to the trade payables' settlement lead times, as mandated by Article D. 441-4

Article D. 441 I. - 1° : Overdue invoices received and not settled as of the close of the financial year	Nil
Article D. 441 II. : Invoices received and whose payment was delayed during the financial year	Nil

6.2. AMOUNT OF THE INTERCOMPANY LOANS GRANTED UNDER ARTICLE L. 511-6 3 bis OF THE FRENCH MONETARY AND FINANCIAL CODE

Nil.

RECOMMENDATIONS MADE BY THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING

Dear Shareholders,

We recommend:

- That you approve the financial statements for financial year 2018 as presented to you.
- That you approve the agreements covered by the special report of the statutory auditors.
- That the income for financial year 2018 be allocated as indicated below:

. Net income for the year available for allocation	€ 18,199.59
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To be allocated as follows:

. Legal reserve	€ 1,000.00
with the total amount of the legal reserve thus being increased to € 3,257,200	
. Balance to the other reserves account	€ 17,199.59
with the relevant item being thus increased to € 398,723.37	

- We recommend that you renew the terms of office of Mr. Henry RAYMOND and Banque Fédérative du Crédit Mutuel as directors, as such terms are to expire at the end of this meeting.

TEXT OF THE RESOLUTIONS

FIRST RESOLUTION

(Approval of the Company's financial statements for the financial year ended 31 December 2018)

The general meeting, following the presentation of the Board of Directors' management report on the management of the Company during the financial year ended 31 December 2018, and after having heard the report on corporate governance and the statutory auditors' report on the annual financial statements, approves the Company's financial statements as presented for said financial year comprising the income statement, balance sheet and notes to the financial statements, as submitted to it, as well as the transactions recorded in these financial statements and summarised in these reports.

The general 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 Article 39-4 of the French 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 general meeting, having heard the special report of the statutory auditors on the agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code, notes the findings of the said report and resolves to approve the agreements described therein.

THIRD RESOLUTION

(Board of Directors' proposed allocation of the net income for the financial year ended 31 December 2018)

The general meeting approves the allocation of the net income for financial year 2018 as shown in the following table:

. Net income for the year available for allocation	€ 18,199.59
To be allocated as follows:	
. Legal reserve	€ 1,000.00
with the total amount of the legal reserve being thus increased to € 3,257,200	
. Balance to the other reserves account	€ 17,199.59
with the relevant amount being thus increased to € 398,723.37	

We recall that no dividend was paid in respect of the last three financial years.

FOURTH RESOLUTION

(Renewal of the term of office of Mr. Henry RAYMOND as a director)

The general meeting notes that the term of office of Mr. Henry RAYMOND as a director is to expire at the end of this general meeting. The general meeting decides to renew the said term of office for a further period of six years, i.e. until the end of the general meeting convened in order to review the financial statements of the financial year closed on 31 December 2024.

FIFTH RESOLUTION

(Renewal of the term of office of Banque Fédérative du Crédit Mutuel as a director)

The general meeting notes that the term of office of Banque Fédérative du Crédit Mutuel as a director is to expire at the end of this general meeting. The general meeting decides to renew the said term of office for a further period of six years, i.e. until the end of the general meeting convened in order to review the financial statements of the financial year closed on 31 December 2024.

SIXTH RESOLUTION

(Formalities and powers of attorney)

The general meeting grants any and all powers of attorney to the bearer of any copy or excerpt of these minutes in order to complete any and all statutory and regulatory formalities.

(These resolutions were unanimously adopted by the shareholders present or represented at the ordinary general meeting of shareholders held on 14 March 2019.)

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

	2014	2015	2016	2017	2018
Share capital at year end:					
. Share capital (in €)	539 994 737.75	539 994 737.75	539 994 737.75	539 994 737.75	539 994 737.75
. Number of ordinary shares in issue	35 409 491	35 409 491	35 409 491	35 409 491	35 409 491
. Number of non-voting preferred shares in issue	0	0	0	0	0
. Maximum number of shares to be issued through conversion of bonds or exercise of subscription rights	0	0	0	0	0
Business and earnings (in € thousands):					
. Total revenues (not including VAT)	1 927 447	1 788 039	1 588 892	1 323 841	1 055 388
. Income before tax, employee profit-sharing, depreciation, amortisation and provisions	1 047	3 067	6 173	3 128	3 751
. Corporate income tax	326	2 824	4 223	3 078	3 712
. Employee profit-sharing benefits due in respect of the financial year	0	0	0	0	0
. Income after tax, employee profit-sharing, depreciation, amortisation and provisions	545	339	57	6	18
. Distributed dividend	0	0	0	0	0
Earnings per share (in €):					
. Income after tax and employee profit-sharing, but before depreciation, amortisation and provisions	0.02	0.01	0.06	0.00	0.00
. Income after tax, employee profit-sharing, depreciation, amortisation and provisions	0.02	0.01	0.00	0.00	0.00
. Net dividend per share	0.00	0.00	0.00	0.00	0.00
Staff:					
. Average number of remunerated employees during the financial year (1)	9.4	9.75	10.33	10	8.77
. Payroll expenses of the financial year (in € thousands)	817	797	925	765	723
. Benefits (social security, welfare funds, etc.) (in € thousands)	391	390	437	384	338

(1) Including compensated corporate officers.

REPORT ON CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS

The Board of Directors, which represents shareholders, includes representatives of most of the main players on the French residential mortgage market. Indeed, CRH's shares are not listed and are allocated each year, in accordance with the articles of incorporation, among the institutions refinancing their operations with CRH in proportion to the regulatory capital requirements related to the refinancing granted to each such institution.

1.1. COMPOSITION OF THE BOARD OF DIRECTORS (see Chapter 14 of this document).

- Mr. Olivier HASSLER	Chairman
- Mr. Henry RAYMOND	Director
- Banque Fédérative du Crédit Mutuel represented by Mr. Christian ANDER and thereafter, from 18 February 2019, by Mr. Éric CUZZUCOLI	Director
- BNP Paribas represented by Ms. Valérie BRUNERIE	Director
- BPCE represented by Mr. Roland CHARBONNEL	Director
- Caisse Centrale du Crédit Mutuel represented by Ms. Sophie OLIVIER	Director
- Crédit Agricole SA represented by Ms. Nadine FEDON	Director
- Crédit Lyonnais represented by Mr. Christian LARRICQ-FOURCADE	Director
- Société Générale represented by Mr. Vincent ROBILLARD	Director

These directors are appointed for a period of six years (see pages 85 and 86 of this document).

1.2. CORPORATE GOVERNANCE CODE

The Company takes into account the AFEP / MEDEF Corporate Governance Code, which may be perused on the www.afep.com website.

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

- CRH is a market institution whose capital stock belongs to French banks granting housing loans.
- The shares comprising CRH's capital are not listed on any stock exchange.
- The voting rights granted to the banks/shareholders are granted according to an allocation rule defined by the articles of incorporation in order to maintain CRH's independence.
- CRH does not charge any interest margin on transactions.

- The compensation of the Chairman and of the Chief Executive Officer cannot be contingent on CRH's results due to the special characteristics of CRH's structure. Their compensation consists solely in their salary and is determined by the Board of Directors on the recommendation of the compensation committee. The corresponding amount is clearly specified in this document.
- The other directors do not receive from CRH any compensation whatsoever.

1.3. NON-EXECUTIVE DIRECTORS

The Board of Directors includes two non-executive directors, i.e. Mr. Olivier HASSLER and Mr. Henry RAYMOND.

1.4. BALANCED REPRESENTATION OF MEN AND WOMEN WITHIN THE BOARD OF DIRECTORS

The Board of Directors includes three female permanent representatives, i.e. one third of the seats.

1.5. PREPARATION AND ORGANISATION OF THE BOARD OF DIRECTORS' WORK

As a collegial body, the Board deliberates on all matters related to the Company's life and in particular its strategic decisions.

There are no internal rules specifically governing the functioning of the Board.

1.6. WORK OF THE BOARD

The Board met seven times in 2018. More than one half of the directors were duly present or represented.

During the last financial year, the Board primarily:

- Discussed and approved the financial performance and corporate financial statements for financial year 2017, reviewed the quarterly financial statements, and discussed and approved the report on the half-yearly financial statements.
- Reviewed the annual report on the mode of exercise of the internal control function and held various exchanges concerning the internal control function.
- Periodically reviewed business operations and the results of the internal control and compliance function.
- Reviewed the findings of the audit committee and the risk committee.
- Determined the remuneration of the Chairman and of the Chief Executive Officer.
- Reviewed the draft ECB decision concerning capital requirements.
- Reviewed the ICAAP and ILAAP documents.
- Reviewed and approved the recovery plan.

- Reviewed the assessments carried out by the unit for the inspection of the portfolios of receivables pledged to CRH.

1.7. LIMITATIONS TO THE POWER OF THE CHIEF EXECUTIVE OFFICER

The Board of Directors did not apply any limitations to the powers of the Chief Executive Officer.

2. SPECIALISED COMMITTEES

CRH created four specialized committees (appointments, compensation, audit and risk). Such committees are responsible for preparing and facilitating the Board of Directors' work as regards specific matters, so that such matters can be debated during the Board's meetings. The Committee's respective mandates are clearly defined in a charter.

2.1. APPOINTMENTS COMMITTEE (see section 16.3.3, page 91 of this registration document, as regards the Appointments Committee's composition)

The appointments committee is comprised of three members selected from among the directors.

The committee's mandate primarily includes the following responsibilities:

- The committee is charged with making recommendations concerning the future composition of the company's governing bodies. The committee is first responsible for selecting corporate officers and for defining their succession plan; the committee recommends the appointment of the directors, the members and the chairman of each of the Board's committees, while seeking to ensure a diversity of experience and perspective, so as to give the Board of Directors the necessary objectivity and independence vis-à-vis any specific shareholder or group of shareholders.
- The committee sets a target to be reached as regards the balanced representation between male and female representatives within the Board of Directors.
- The committee issues an opinion on the succession plan of those senior executives who are not corporate officers. The appointments committee must see to it that at least one non-executive director is a member of the audit committee, the risk committee and the compensation committee.
- The committee reviews each year, on a case-by-case basis, the situation of each of the directors with respect to the independence criteria and submits its proposals to the Board of Directors so that it may review the situation of each person concerned.

The committee met on 13 March 2018 in order to hear Mr. Olivier HASSLER, who was seeking to be re-appointed as Chairman of the Board of Directors.

2.2. COMPENSATION COMMITTEE (see section 16.3.2. on page 91 of this registration document, as regards the composition of the Compensation Committee)

The Compensation Committee is comprised of three members selected from among the directors.

The committee's mandate primarily includes the following responsibilities:

- Submit to the Board any recommendation related to the compensation and benefits granted to corporate officers.

- Review each year the principles underlying the company's compensation policy, in particular in terms of gender equality and compensation paid to those employees whose work is liable to have a material impact on the company's risk exposure.
- Prepare and communicate to the Board, in draft form, any document mandated by the regulations concerning the compensation and benefits granted to corporate officers.

The Committee met on 13 March 2018.

During the said meeting, the Compensation Committee:

- Voted on the compensation to be paid to Mr. Olivier HASSLER in his capacity as Chairman of the Board of Directors.
- Voted on the compensation to be paid to Mr. Marc NOCART in his capacity as Chief Executive Officer.
- Reviewed the 2017 overall compensation policy.

2.3. AUDIT COMMITTEE (see section 16.3.1. page 91 of this registration document, as regards the composition of the Audit Committee)

The Audit Committee is comprised of three members appointed from among the directors.

The Committee's mandate primarily includes the following responsibilities:

- Submit recommendations concerning the statutory auditors whose appointment is recommended to the general meeting and the compensation of the said auditors.
- Obtain assurances as to the statutory auditors' independence.
- Determine the rules governing the execution of service agreements with the statutory auditors in relation to work unrelated to statutory audit and check the proper application of the said rules.
- Review the assumptions used to draw up the financial statements, prepare the company's draft financial statements and the related findings prior to their being reviewed by the Board of Directors, by ensuring quality, completeness, accuracy and fairness of such information and by having regularly reviewed the company's financial position, cash position and commitments.
- Assess the relevance of the choice of the accounting standards and methods and their permanence and, where applicable, review any necessary changes to the same.
- Assess the internal control procedures and ensure their proper functioning as regards the preparation and processing of the accounting and financial information used for the preparation of the financial statements and, more generally, the company's compliance with applicable regulations in this area.
- Examine the statutory auditors' annual work programs.
- Be regularly informed of the statutory auditors' work and review any reports or draft reports dealing with accounting or financial information (statutory auditors' reports, annual reports, half-yearly reports, etc.).
- Review the results of the statutory auditors' work, including where applicable any observations and suggestions made by them.

The Committee met on 2 February 2018, 12 July 2018 and 11 December 2018.

During the said meetings, the Audit Committee principally:

- Reviewed CRH's activity, performance and financial situation as of 31 December 2017 and reviewed the half-yearly statements as of 30 June 2018.
- Reviewed the forward-looking financial statements as of 31 December 2018.
- Heard CRH's management and statutory auditors.
- Reviewed the financial information.
- Reviewed and approved the incidental engagements entrusted to the statutory auditors in relation to the certification of the financial statements.

2.4. RISK COMMITTEE (please refer to section 16.3.4. page 92 of this registration document, as regards the composition of the risk committee)

The Risk Committee is comprised of three members appointed from among the directors.

The Committee is responsible for assessing the effectiveness of the internal control and risk management systems. The Committee issues opinions to the Board concerning all risk-related issues and in particular the quality of internal control, and the consistency of the systems for the measurement, monitoring and control of risks. If necessary, the committee proposes additional actions in this respect.

The Committee met on 2 February 2018, 12 July 2018 and 11 December 2018.

During the said meetings, the Risk Committee principally:

- Reviewed the results of the inspection of the portfolios of receivables pledged to CRH.
- Reviewed the annual report on the mode of exercise of the internal control function.
- Reviewed the preventative recovery plan and the related procedures.
- Reviewed the ICAAP/ILAAP processes.
- Reviewed the collection of procedures.

3. TERMS OF PARTICIPATION OF THE SHAREHOLDERS AT GENERAL MEETINGS

The said terms are contained in Article 23 of the articles of incorporation (see Annex 5 to this document).

4. CORPORATE OFFICER COMPENSATION

The compensation paid to corporate officers is mentioned in the notes to the annual financial statements, note 16, page 119.

5. LIST OF CORPORATE OFFICES

The list of corporate offices is contained in section 14.1.3. of this document, pages 87 to 88.

6. LIST OF THE AGREEMENTS AND COVENANTS WITH AND VIS-À-VIS RELATED PARTIES

- Operating subsidy

During its meeting of 16 October 2018, the Board of Directors authorised the grant of an operating subsidy by the shareholders borrowing from CRH. The amount called for financial year 2018 is equal to € 1,250,000.

- **Corporate officer liability insurance contract**

During its meeting held on 4 December 2007, the Board of Directors authorised the execution of a corporate officer liability insurance contract. The said contract covers liability for damages that a corporate officer of the Company would be required to pay as a result of a claim against him for misconduct or negligence. The maximum cover under this contract is EUR 3,000,000.

Under the said policy, Caisse de Refinancement de l’Habitat paid the amount of € 4,959.50 in respect of the annual net premium due, in relation to the said policy, for financial year 2018.

- **Executive Officers’ Social Guarantee (GSC)**

During its meeting of 12 July 2016, the Board of Directors authorised the execution of an unemployment insurance agreement intended for corporate officers. The said agreement provides, in case of removal of a non-salaried executive officer, for an annual indemnification equal to 70% of tranches A and B and 55% of tranche C of the annual income for a period of 12 months.

Under the said agreement, Caisse de Refinancement de l’Habitat paid € 6,993.68 in respect of the net annual premium related to the said agreement for financial year 2018.

7. TABLE SHOWING APPLICABLE DELEGATIONS OF AUTHORITY

Table summarising those delegations of authority, valid as of 31 December 2018, granted by the general meeting of shareholders to the Board of Directors for the purposes of capital increases, and the utilization made of said delegations during the financial year:

General meeting Resolution	Purpose of the delegation of authority granted to the Board of Directors	Amount	Term	Use of the authorisations as of 31/12/2018	Unutilised amount
General meeting of 11/03/2014 4 th resolution	After cancellation of any previous delegation of authority for the purposes of capital increases, to increase the share capital by the issue of ordinary shares	Maximum nominal amount of the authorised capital increase: € 300,192,757.75	5 years	€ 240,187,500.00 in 2014	€ 60,005,257.75

8. SENIOR MANAGEMENT ORGANISATION MODE

Directive 2013/36/EU of 6 June 2013 imposes on credit institutions the obligation to segregate the position of Chairman of the administration body from the position of Chief Executive Officer.

These positions have been actually segregated within CRH since the meeting of the Board of Directors held on 17 March 2015.

9. SHARE CAPITAL OWNERSHIP STRUCTURE

The identity of the shareholders or groups of shareholders holding more than 3% of the voting rights is indicated in Chapter 18, page 95.

10. SHAREHOLDERS’ PARTICIPATION IN GENERAL MEETINGS

The shareholders’ participation mode in general meetings is detailed in Article 23 of the articles of incorporation (see Annex 5 to this document).

REPORT OF THE STATUTORY AUDITORS
ON THE ANNUAL FINANCIAL STATEMENTS
For the financial year closed on 31 December 2018

To the Shareholders,

1. OPINION

In pursuance of the engagement entrusted to us by your General Meeting, we have audited the annual financial statements of Caisse de Refinancement de l’Habitat for the financial year closed on 31 December 2018, as attached to this report.

We certify that the annual financial statements have been regularly and fairly drawn up, in accordance with French accounting rules, and fairly reflect the results of operations for the last financial year and the company’s financial position and assets at the end of the said financial year.

The opinion stated above is consistent with the contents of the report submitted by us to the Audit Committee.

2. BASIS FOR OUR OPINION

Auditing standards

We have carried out our audit in conformance with the auditing standards applicable in France. We consider that the information that we have collected is sufficient and appropriate to serve as a basis for our opinion.

The responsibilities incumbent on us according to such standards are more specifically described in the section entitled “Statutory auditors’ responsibilities regarding the audit of the annual financial statements” of this report.

Independence

We certify that we have completed our audit engagement in compliance with the independence rules applicable to us, over the period between 1 January 2018 and the date of issuance of our report, and in particular that no services prohibited by Article 5, paragraph 1, of EU Regulation No. 537 / 2014 or by the professional rules of ethics applicable to us have been supplied.

3. JUSTIFICATION OF OUR ASSESSMENTS – KEY POINTS OF THE AUDIT

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code concerning the justification of our assessments, we must inform you of the key points of the audit related to risks of material misstatements that, according to our professional judgment, were the most important for the audit of the annual financial statements of the financial year and the responses that we gave in order to address the said risks.

The assessments so made are to be understood in the context of the audit of the annual financial statements seen in the aggregate and the determination of our opinion expressed above. Such assessments are not an opinion on components of the annual financial statements seen in isolation.

Investment securities and Commitments received

Identified risks

As of 31 December 2018, investment securities amounted to € 26.9 bn, to be compared with total assets of € 28.1 bn. As indicated in Note 3, investment securities are primarily comprised of mortgage notes subscribed by the shareholders.

The capital and interest of each mortgage note is secured by the pledge of a portfolio of receivables of borrowing credit institutions. As indicated in Note 11 to the annual financial statements, the amount of such received guarantee commitments was equal to € 39.3 bn as of 31 December 2018.

We considered that the proper hedging of the credit risk related to these investment securities is a key point of the audit because of these investment securities' material importance in the Company's financial statements.

Our response

In connection with the audit of the annual financial statements of Caisse de Refinancement de l'Habitat, our work consisted in particular in:

- reviewing the internal control and risk management procedures implemented by your company;
- assessing the controls carried out by the Inspectorate as regards the portfolio of receivables pledged to CRH;
- ensuring that the average overcollateralization rates as of the close of the financial year were no less than the notified overcollateralization rates;
- ascertaining whether the mortgage notes posted as assets of Caisse de Refinancement de l'Habitat are backed by mortgage loans with a matching maturity, rate and currency posted as liabilities on the balance sheet of Caisse de Refinancement de l'Habitat in accordance with the company's articles of incorporation;
- ascertaining the appropriateness of the information contained in the notes to the annual financial statements.

4. SPECIFIC CHECKS

In accordance with auditing standards applicable in France, we also carried out the specific checks mandated by statutory and regulatory provisions.

Information contained in the management report and in the other documents sent to the shareholders concerning the company's financial position and the annual financial statements.

We have no observation to make concerning the fairness of the information contained in the Board of Directors' management report and in the other documents sent to the shareholders concerning the company's financial position and annual financial statements and concerning such information's consistency with the annual financial statements.

We certify that the information related to the payment terms mentioned in Article D. 441-4 of the French Commercial Code is fair and consistent with the annual financial statements.

Corporate governance report

We certify that the corporate governance report prepared by the Board of Directors contains the information mandated by Article L. 225-37-3 of the French Commercial Code.

As regards the information supplied pursuant to Article L. 225-37-3 of the French Commercial Code concerning the compensation and benefits granted to corporate officers and commitments assumed in favour of the said officers, we have checked whether such information was consistent with the financial statements or with the data used for preparing the same. On the basis of our work, we certify the fairness and accuracy of such information.

Other information

In pursuance of provisions of law, we have ascertained whether the various items of information related to the identity of the owners of the capital or the holders of the voting rights have been communicated to you in the management report.

5. INFORMATION RESULTING FROM OTHER STATUTORY OR REGULATORY OBLIGATIONS

Appointment of the Statutory Auditors

Our firms (Auditeurs & Conseils Associés and KPMG) were appointed as statutory auditors of Caisse de Refinancement de l'Habitat by a resolution of the general meeting dated 16 April 1991.

Our terms of office as statutory auditors of Caisse de Refinancement de l'Habitat were renewed by a resolution of the general meeting dated 17 March 2015.

As of 31 December 2018, Auditeurs & Conseils Associés and K.P.M.G. SA were serving as statutory auditors of CRH for the twenty-eighth year without any interruption.

6. RESPONSIBILITIES OF SENIOR MANAGEMENT AND THE PERSONS IN CHARGE OF CORPORATE GOVERNANCE AS REGARDS THE ANNUAL FINANCIAL STATEMENTS

Senior management is responsible for preparing annual financial statements giving a fair picture of the company's position in accordance with French accounting principles and standards and for implementing the internal controls that it deems necessary for the preparation of annual financial statements that are not affected by any material misstatements, whether due to error or fraud.

Upon the preparation of the annual financial statements, senior management is responsible for assessing the Company's ability to continue to operate as a going concern, for submitting in the said financial statements where applicable any necessary information related to the going concern assumption and for applying the going concern principle, unless it is planned to liquidate the company or wind up its operations.

The audit committee is responsible for monitoring the process for the preparation of financial information and for monitoring the effectiveness of the internal control and risk management systems and where applicable the internal audit systems, as regards the procedures related to the preparation and processing of accounting and financial information.

The annual financial statements have been drawn up by the Board of Directors.

7. RESPONSIBILITIES OF THE STATUTORY AUDITORS REGARDING THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Purpose and description of the audit procedure

We are responsible for preparing a report on the annual financial statements. Our objective consists in obtaining a reasonable assurance that the annual financial statements seen as a whole are not affected by any material misstatements. A reasonable assurance corresponds to a high level of assurance. However, there is no guarantee that an audit performed in accordance with applicable auditing standards makes it possible to systematically identify all material misstatements. Misstatements may originate from fraud or error and are deemed material when it may reasonably be anticipated that they may, whether individually or in the aggregate, influence economic decisions that the users of the financial statements make in reliance on the financial statements.

As indicated in Article L. 823-10-1 of the French Commercial Code, our financial statement certification engagement does not consist in guaranteeing the viability of your Company or the quality of its management. When conducting an audit in accordance with auditing rules applicable in France, the statutory auditor exercises his professional judgment throughout this process.

In addition, the statutory auditor:

- identifies and assesses the risk that the annual financial statements may contain material misstatements, whether due to fraud or error, defines and implements audit procedures aimed at addressing such risks, and collects information that he deems sufficient and appropriate to support his opinion. The risk that a material misstatement resulting from fraud might not be identified is more significant than in the case of a material misstatement due to an error, as fraud may involve collusion, falsification, voluntary omissions, misstatement or the circumvention of internal controls;
- reviews the internal controls relevant to the audit in order to define auditing procedures appropriate in the circumstances, and not to express an opinion on the effectiveness of internal controls;
- assesses the appropriateness of the selected accounting methods and the reasonableness of the accounting estimates made by management, and the information concerning such estimates contained in the annual financial statements;
- assesses the appropriateness of the application of the going concern principle by senior management and, on the basis of the collected information, the existence or absence of any material uncertainty related to events or circumstances liable to impair the Company's ability to remain in operation. Such assessment relies on the data collected until the date of the auditor's report, it being recalled however that subsequent events or circumstances might jeopardize the Company's ability to remain in operation. If the auditor concludes that there exists any significant uncertainty, then the auditor draws the attention of the readers of his report to the information contained in the annual financial statements concerning such uncertainty or, if the necessary information is not supplied or is not relevant, then the statutory auditor issues an opinion stating reservations or refuses to certify the annual financial statements;
- assesses the overall presentation of the annual financial statements and determines whether the annual financial statements reflect the underlying transactions and events so as to give a true picture thereof.

We submit to the Audit Committee a report concerning in particular the scope of the audit work and the implemented audit program as well as the findings resulting from our work. Where applicable, we also inform the Audit Committee of any material weaknesses of the internal control function that we have identified as regards the procedures related to the preparation and processing of the accounting and financial information.

Our report submitted to the Audit Committee also states the risks of material misstatements that we have deemed the most important for the audit of the annual financial statements of the financial year and that constitute therefore the key points of our audit, that we are responsible for describing in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of (EU) Regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France, as set forth in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics applicable to the auditing profession. Where applicable, we discuss with the Audit Committee the risks affecting our independence and the applied protection measures.

Paris La Défense and Paris, 27 February 2019

The Statutory Auditors

AUDITEURS & CONSEILS ASSOCIÉS

Represented by
Mr. Laurent CAZEBONNE

K.P.M.G. SA

Represented by
Ms. Sophie SOTIL-FORGUES

SPECIAL REPORT OF THE STATUTORY AUDITORS
ON RELATED-PARTY AGREEMENTS AND COMMITMENTS
FINANCIAL YEAR CLOSED ON 31 DECEMBER 2018

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby submit to you our report on related-party agreements and commitments.

Our role consists in informing you, on the basis of the information provided to us, of the key 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 merits of such agreements and commitments with a view to their approval.

In addition, it is our responsibility, where relevant, to provide you with the information mandated by Article R. 225-31 of the French Commercial Code related to the performance, during the year under review, of the agreements and commitments already approved by the general meeting.

We have performed the due diligence procedures that we deemed necessary in order to comply with the professional standards of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) in relation to this assignment. Those procedures have involved verifying the consistency of information provided to us with source documentation.

1. Agreements and commitments submitted for approval to the general meeting

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments made and assumed during the last financial year and previously approved by your Board of Directors.

- **Operating subsidy**

Entities concerned: Crédit Mutuel, Crédit Agricole, Société Générale, BNP Paribas, BPCE.

During its meeting of 16 October 2018, your Board of Directors authorised the grant of an operating subsidy by the CRH shareholders.

As of 31 December 2018, the operating subsidy paid by the CRH shareholders amounted to € 1,250,000.

2. Agreements and commitments already approved by the general 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 general meetings in previous financial years and which remained in force during the year under review.

- Corporate officer liability insurance contract

During its meeting held on 4 December 2007, the Board of Directors authorised the execution of a corporate officer liability insurance contract. The said contract covers liability for damages that a corporate officer of your Company would be required to pay as a result of a claim against him for misconduct or negligence. The maximum cover under this contract is EUR 3,000,000.

Under the said policy, Caisse de Refinancement de l'Habitat paid the amount of € 4,959.48 including VAT in respect of the annual net premium due, in relation to the said policy, for financial year 2018.

- Executive Officers' Social Guarantee (GSC)

During its meeting of 12 July 2016, the Board of Directors authorised the execution of an unemployment insurance agreement. The said agreement provides, in case of removal of a non-salaried executive officer, for an annual indemnification equal to 70% of tranches A and B and 55% of tranche C of the annual income for a period of 12 months.

Under the said agreement, Caisse de Refinancement de l'Habitat paid € 6,993.68 including VAT in respect of the net annual premium related to the said agreement for financial year 2018.

Paris and Paris La Défense, 27 February 2019

The statutory auditors

AUDITEURS & CONSEILS ASSOCIÉS

Represented by
Mr. Laurent CAZEBONNE

K.P.M.G. SA

Represented by
Ms. Sophie SOTIL-FORGUES

CHAPTER 1

PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE REGISTRATION DOCUMENT

Mr. Marc Nocart, Chief Executive Officer of CRH.

1.2. STATEMENT ISSUED BY THE PERSON RESPONSIBLE

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

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 9 gives an accurate overview of the business, income and financial position of the Company, as well as a description of the main risks and uncertainties that it faces.

I have obtained a post-audit report from the statutory 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.

Made in Paris, on 16 April 2019

Marc Nocart
Chief Executive Officer

CHAPTER 2

STATUTORY AUDITORS

2.1. STATUTORY AUDITORS

2.1.1. Standing statutory auditors

1) AUDITEURS & CONSEILS ASSOCIÉS SA

NEXIA International

Member of the Paris Regional Institute of Statutory Auditors

Address: 31 rue Henri Rochefort 75017 PARIS
Represented by: Mr. Laurent CAZEBONNE
Dates of appointment: Initially appointed on 16 April 1991, renewed on 4 March 1997, 4 March 2003, 3 March 2009 and 17 March 2015.
Duration of the current term of office: This six-year term shall expire in 2021, following the ordinary general meeting called to approve the financial statements for the financial year closed on 31 December 2020.

2) K.P.M.G. SA

Member of the Versailles Regional Institute of Statutory Auditors

Address: Tour Eqho - 2 avenue Gambetta
92066 PARIS LA DÉFENSE CEDEX
Represented by: Ms. Sophie SOTIL-FORGUES
Dates of appointment: Initially appointed on 16 April 1991, renewed on 4 March 1997, 4 March 2003, 3 March 2009 and 17 March 2015.
Duration of the current term of office: This six-year term shall expire in 2021, following the ordinary general meeting called to approve the financial statements for the financial year closed on 31 December 2020.

2.1.2. Alternate statutory auditors

1) PIMPANEAU & ASSOCIÉS SA

Alternate statutory auditor of AUDITEURS & CONSEILS ASSOCIÉS SA

Member of the Paris Regional Institute of Statutory Auditors

Address: 31 rue Henri Rochefort 75017 PARIS
Represented by: Mr. Olivier JURAMIE
Date of appointment: Appointed on 17 March 2015.
Duration of the current term of office: This six-year term shall expire in 2021, following the ordinary general meeting called to approve the financial statements for the financial year closed on 31 December 2020.

2) K.P.M.G. AUDIT FS I

Alternate statutory auditor of KPMG SA

Member of the Versailles Regional Institute of Statutory Auditors

Address:

Tour Eqho - 2 avenue Gambetta
92066 PARIS LA DÉFENSE CEDEX

Represented by:

Ms. Isabelle GOALEC

Date of appointment

Appointed on 17 March 2015.

Duration of the current term of office:

This six-year term shall expire in 2021 following the ordinary general meeting called to approve the financial statements for the financial year closed on 31 December 2020.

2.1.3. Fees paid to the statutory auditors and members of their organisations in respect of the financial years closed on 31 December 2018 and 31 December 2017

(in € thousands)

	Auditeurs & Conseils Associés				K.P.M.G. SA			
	Amount *		%		Amount *		%	
	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
Audit								
- Statutory audit, certification, review of individual and consolidated financial statements	33	32	94	78	33	32	94	94
- Certification of the report on labour, environmental and social transparency	0	7	0	17	0	0	0	0
- Audit-related services	0	0	0	0	0	0	0	6
Other services	2	2	6	5	2	2	6	0
Total	35	41	100	100	35	34	100	100

* Amounts include all taxes, charges and out-of-pocket expenses.

2.2. NOT REAPPOINTED STATUTORY AUDITORS

Not applicable.

CHAPTER 3

SELECTED FINANCIAL INFORMATION

Operations as of 31 December 2018

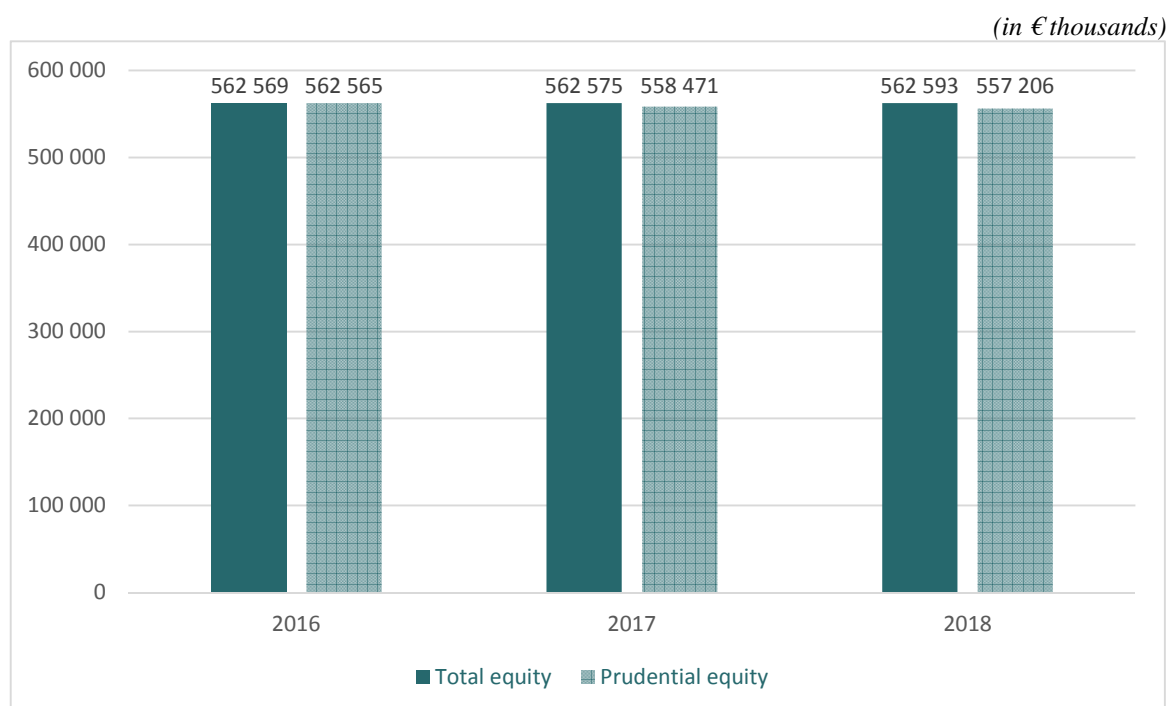
	<i>(in € million)</i> 31/12/2018
Total assets	28 103
Uses of funds: Mortgage notes	27 539
Sources of funds: Bond issues	27 539

Summary income statement

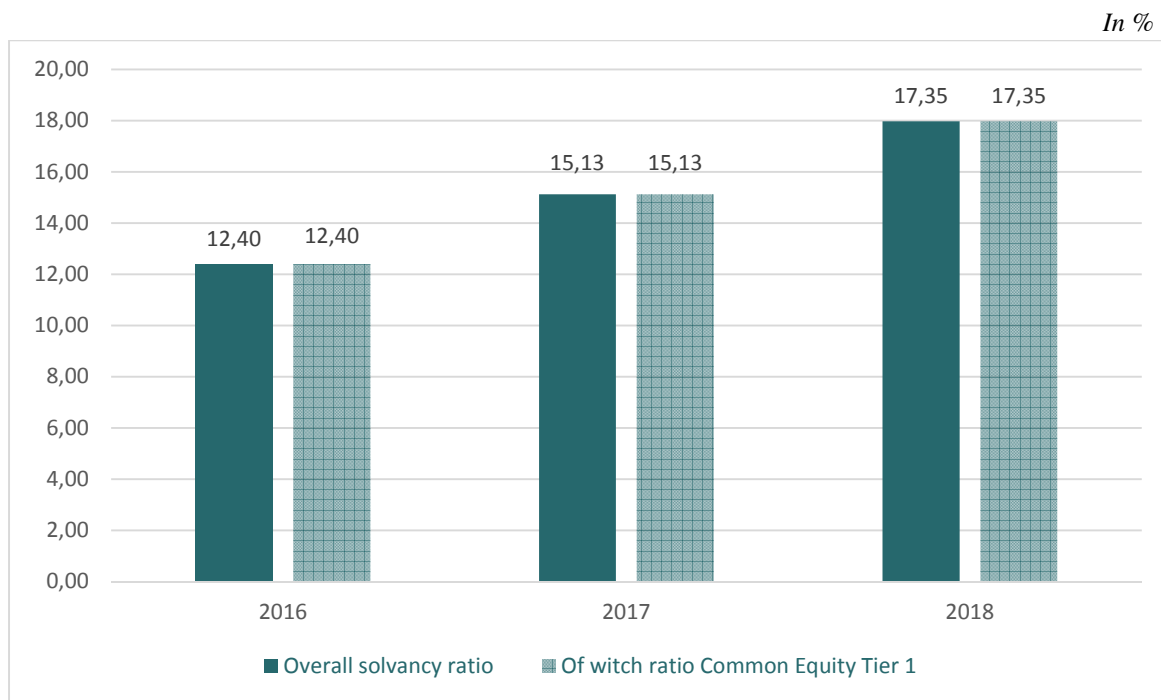
	<i>(in € thousands)</i>		
	31/12/2016	31/12/2017	31/12/2018
Net banking income	2 301	109	1 857
Gross operating income	3 318	1 418	3 704
Net income	57	6	18
Return on capital	0.0102%	0.0011%	0.0032%
Return on assets	0.0001%	0.0000%	0.0000%

CRH lends without any spread to its shareholders the capital that it raises on financial markets, and the funds used by CRH are subject to the same rate, duration and currency terms as its sources of funds. CRH's earnings correspond to the proceeds of the investment of its capital, after deducting overhead.

Capital



Phased capital adequacy ratio



Ratings as of 31 December 2018

Agency	Short-term	Long-term	Outlook	Rating decision	Latest rating decision
Moody's	N/A	Aaa	Stable	LT rating maintained Unchanged outlook	22/01/2018
Fitch Ratings	N/A	AAA	Stable	LT rating maintained Unchanged outlook	24/09/2018

Changes in CRH's share ownership over the last three years

The table below shows changes in CRH's share ownership over the last three years:

Shareholder Groups	As of 31 December 2016				As of 31 December 2017				As of 31 December 2018			
	Number of shares	in%	Number of voting rights (1)	in%	Number of shares	in%	Number of voting rights (1)	in%	Number of shares	in%	Number of voting rights (1)	in%
Crédit Mutuel	13 040 027	36.82	2 565	36.52	13 300 683	37.56	2 603	36.76	12 498 135	35.29	2 442	36.79
Crédit Agricole	12 289 482	34.71	2 058	29.29	12 190 253	34.43	2 108	29.78	11 909 865	33.64	1 769	26.65
Société Générale	5 651 507	15.96	1 149	16.35	5 633 887	15.91	1 156	16.33	6 334 983	17.89	1 106	16.67
BNP Paribas	2 214 520	6.26	626	8.91	2 375 394	6.71	671	9.48	2 706 478	7.64	765	11.52
BPCE	2 213 953	6.25	626	8.91	1 909 272	5.39	540	7.63	1 960 028	5.54	554	8.35
Other shareholders	2	0.00	2	0.02	2	0.00	2	0.02	2	0.00	2	0.02
Total	35 409 491	100.00	7 026	100.00	35 409 491	100.00	7 080	100.00	35 409 491	100.00	6 638	100.00

(1) Voting rights are calculated in accordance with Article 23 of the articles of incorporation, see Annex 5.

In accordance with CRH's constitutional documents (Article 6 of the articles of incorporation), the allocation of the share capital is modified each year before 31 March, so that the number of shares held by each shareholder is proportionate to the regulatory capital requirement related to the refinancing granted by CRH to the shareholder concerned. Such allocation is made on the basis of the situation existing as of 31 December of the preceding financial year.

Guarantees received from the borrowers

(in €bn)

Year	Mortgage notes (nominal value)	Amount of the hedging portfolio		Over-collateralization rate	
		Gross	Net *	Gross	Net *
2016	38.4	55.4	50.9	44%	33%
2017	30.9	46.2	41.8	49%	35%
2018	27.0	39.3	35.7	46%	32%

* Estimated amount of the hedging portfolio not including the non-eligible receivables

The capital and interest of the mortgage notes are guaranteed by the pledge of a portfolio of receivables resulting from housing loans secured by a first mortgage or by an immovable property security interest giving an equivalent guarantee or by a bond issued by a credit institution or insurance company not included in the scope of consolidation of the credit institution issuing the mortgage note.

CHAPTER 4

RISK FACTORS

(Interpretation No. 2 by AMF concerning the preparation of registration documents)

CRH considers that the risk factors below are liable to affect its ability to meet its commitments in respect of the issued bonds. Most of these factors are related to events that could or could not happen; CRH does not claim that the information below is exhaustive. CRH is not in a position to express an opinion on the probability that any of the said events shall occur. Potential investors are also asked to read the information detailed in the relevant prospectus and to reach their own opinion prior to making any investment decision.

4.1. RISK FACTORS RELATED TO THE ISSUER

As CRH's sole purpose consists in refinancing home-purchase loans granted by credit institutions, to the best knowledge of the issuer, credit risk and regulatory risk are the most significant risks.

CREDIT RISK

4.1.1. Credit risk

An institution's credit risk results from the uncertainty as to the ability or intention of its counterparties to fulfil their obligations towards it. It is the main subject of the stress testing applied to CRH.

CRH's risk exposure relates to only a limited number of credit institutions, all of which are under the direct supervision of the ECB. These exposures correspond mainly to loans guaranteed in connection with refinancing operations and, on an ancillary basis, shareholders' equity investment operations.

The loans corresponding to refinancing operations are represented by mortgage notes (or BOH promissory notes), are guaranteed for at least 125% of their nominal amount by a specific pledge of receivables governed by the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code, and relate solely to home-purchase loans in France.

In the event of default of an institution, these statutory provisions enable CRH to automatically become the owner of the loan portfolio pledged by that institution, notwithstanding any provisions to the contrary.

In connection with the coming into force of Regulation (EU) No. 575/2013 on 1 January 2014, CRH appointed one of the recognised valuation bodies in order to carry out an external credit assessment of the mortgage notes. As of 31 December 2018, the nominal value of the notes so rated totalled 93% of the amounts outstanding, with all ratings corresponding to credit quality step 1.

a) Breakdown of commitments

CRH's commitments are broken down as follows:

(in € thousands)

Credit risk exposure	As of 31/12/2017		As of 31/12/2018	
	Balance sheet	Bad debt rate	Balance sheet	Bad debt rate
Mortgage notes	31 616 963	0%	27 539 170	0%
Negotiable debt instruments	194 690	0%	159 759	0%
Demand deposits, term deposits	363 824	0%	396 242	0%
Other receivables (recharges, etc.)	0	0%	1 846	0%
TOTAL exposure to credit institutions	32 175 477	0%	28 097 017	0%
Exposure to the central bank	9	0%	128	0%
Exposure to the public sector	497	0%	8	0%
Other exposure	39	0%	39	0%
TOTAL exposure to credit risk	32 176 022	0%	28 097 192	0%
Equity holdings, other long-term securities, fixed assets, prepayments and accrued income	109		113	
Exposure deducted from own funds	4 104		5 376	
TOTAL assets	32 180 235		28 102 681	

CRH did not assume any off-balance sheet commitment.

(in € thousands)

Geographic breakdown of exposure	As of 31/12/2017		As of 31/12/2018	
	Balance Sheet	in%	Balance sheet	in%
France	32 176 022	100	28 097 192	100

A breakdown of outstanding loans in nominal value between the main borrowing institutions is provided in section 6.1.1.4 B of Chapter 6, page 63.

A breakdown of mortgage notes, negotiable debt instruments and term deposits by residual maturity is provided in Chapter 20, Note 4 to the financial statements, on page 110.

b) Transaction selection process

Each borrower must be subject to prior approval by the Board of Directors. Such authorisation may, where applicable, be subject to specific terms and conditions.

Rules concerning the granting of loans have been drawn up by the Board of Directors:

- Lending decisions must take into account the institution's rating (determined by the level of its equity, profitability, shareholding structure and credit rating) and the characteristics of the loan portfolio due to be refinanced.
- The amount of the loan is limited to a level such that the institution should be able to cover the loan granted without difficulty until its final maturity, assuming no further new lending and an average annual prepayment rate.
- To avoid an excessive concentration of CRH's commitments with a single institution, and despite the effective pledging of a cover pool, the proportion of CRH's total lending that may be made to any one institution is capped at 40% of the total amount outstanding.

- The following are also regularly monitored:
 - CRH's new loans as a percentage of the borrowing institution's annual new borrowing,
 - CRH's loans as a percentage of the total assets of the borrowing institution and of the amount of its own funds,
 - CRH's loans to the borrowing institution as a percentage of the amounts reported by the latter to the ACPR,
 - the ratio of liabilities covered (including CRH's loans) to the total assets of the borrowing institutions.
- The actual decision as to whether or not to lend to an institution is made by CRH's Senior Management.

c) Credit risk mitigation mechanism

The aim of pledging home-purchase loans in France, up to at least 125% of the nominal amount of the mortgage notes, if the loans provided as collateral are fixed-rate loans, and 150% if the loans provided as collateral are floating-rate loans, is to enable CRH to fully protect itself against credit risk.

These loans must themselves be secured by a first residential mortgage or by a charge over real estate, offering an equivalent guarantee, or a guarantee given by a credit institution or insurance company with capital stock in excess of € 12 M which is not included in the consolidation scope of the institution to which the CRH loan is granted and whose credit quality rating is at least equal to 2.

The criteria for selecting loans provided as collateral are governed by the provisions applicable to SCFs (*Sociétés de Crédit Foncier*: French mortgage loan companies complying with specific regulations), unless more stringent provisions have been defined by CRH. Thus, for each loan, restrictions have been introduced concerning the loan's residual maturity, which must be less than 25 years, and its unit amount, which may not exceed € 1 M.

The provisions of Article L. 313-49 of the French Monetary and Financial Code provide for a specific check by the ACPR. At the same time, CRH's Inspection Department carries out its own verifications. If ineligible loans are detected, then the amount of the pledged loans portfolio must be increased accordingly.

(in € billion)

Year	Mortgage notes (balance sheet value)	Amount of cover pool		Over-collateralisation rate	
		Gross	Net *	Gross	Net *
2017	30.9	46.2	41.8	49%	35%
2018	26.9	39.3	35.7	46%	33%

* Estimated amount of cover pool excluding non-eligible notes

d) Use of credit derivatives

CRH does not use any credit derivatives.

e) Investment of own funds

CRH's own funds were originally invested in demand deposits with an interest rate close to the daily money market rate. However, an active investment management approach is now adopted, albeit a very conservative one, as shown in the analysis tables below (which exclude accrued interest):

(in € thousands)

Breakdown per type of investment	As of 31/12/17		As of 31/12/18	
	Balance sheet	%	Balance sheet	%
Sight accounts	4 782	0.86	4 606	0.83
Term accounts	358 870	64.28	391 423	70.43
Negotiable debt securities	194 629	34.86	159 700	28.74
TOTAL	558 281	100.00	555 729	100.00

Breakdown per counterparty	As of 31/12/17				As of 31/12/18			
	Number	Highest	Lowest	Average	Number	Highest	Lowest	Average
Credit institution	6	25.77%	1.77%	20.22%	6	25.00%	1.79%	20.92%

%

Breakdown per external rating as of 31 December 2018											
Standard & Poor's				Moody's				Fitch Ratings			
ST	LT	ST	LT	ST	LT	ST	LT	ST	LT	ST	LT
A-1	A+	A-1	A	P-1	Aa3	P-1	A1	F1	A+	NA	NA
48.93%		51.07%		29.48%		70.52%		98.21%		1.79%	

(in € thousands)

Initial term of the investments excluding demand deposits and accrued interest	As of 31/12/2017	As of 31/12/2018
Three months or less	370	423
Three to six months	0	0
Six months to one year	0	0
One to two years	0	0
Two to three years	285 000	205 000
Three to five years	203 392	175 916
More than five years	64 737	169 784
TOTAL	553 499	551 123

Fixed rate/floating rate breakdown	As of 31/12/17	As of 31/12/18
Fixed rate	9%	11%
Floating rate*	91%	89%
TOTAL	100%	100%

* EONIA or 3-month EURIBOR only

Average annual yield	2017:	2018:
	0.09%	0.10%

MARKET RISK

4.1.2. Interest rate risk

In accordance with CRH's articles of incorporation and internal rules and regulations, CRH's borrowings and loans are perfectly matched in terms of interest rate and term. In addition, CRH requires that portfolios of pledged receivables that may therefore become its property in the event of borrower default must also have the same interest rates and maturities as the related loans.

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

CRH has no market activities, and its articles of incorporation, amended in August 1999, forbid it to carry out any activity that is not strictly in line with its sole corporate purpose.

CRH's income corresponds to a technical balance between proceeds from the investment of own funds on the money market and general and administrative expenses. Any decrease in money market rates leads directly to a decrease in income and vice versa:

As of 31/12/18	Impact on pre-tax income over the next 12 months
Impact of a 2% increase in interest rates	+ 8 389
Impact of a 2% decrease in interest rates	0

The valuation of the investment securities as of 31 December 2018 is indicated in Chapter 20, note 6.

However, the conditions under which CRH currently operates do not expose it to any interest rate risk as regards its refinancing activities.

Residual term as of 31/12/2018	Included in assets: mortgage notes (a)		Included in liabilities: bonds (b)		Net exposure before hedging (c) = (a) - (b)	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
One year or less	3 733 696	0	3 733 696	0	0	0
One to two years	4 100 173	0	4 100 173	0	0	0
Two to five years	14 604 785	0	14 604 785	0	0	0
Over five years	4 413 626	0	4 413 626	0	0	0
TOTAL	26 852 280	0	26 852 280	0	0	0

4.1.3. Foreign exchange risk

CRH generally has no activity in foreign currencies. Since 2010, in addition to its issues in euro, CRH issues borrowings in Swiss francs (CHF). This type of transaction does not expose CRH to any foreign exchange risk, since CRH borrows in CHF, lends in CHF, and receives, in the cover pool of loans that it grants, loans in CHF.

(in € thousands)

As of 31/12/2018	Included in assets: mortgage notes (a)	Included in liabilities: bonds (b)	Foreign liability commitments (c)	Net position before hedging (d) = (a) - (b) +/- (c)
EUR	25 479 748	25 479 748	0	0
CHF	1 372 532	1 372 532	0	0
TOTAL	26 852 280	26 852 280	0	0

As of 31/12/2018	Impact on pre-tax net income	
	10% increase	10% decrease
CHF	0	0

4.1.4. Equity risk

CRH's articles of incorporation prohibit it from buying equities. Similarly, CRH does not buy or sell on the credit derivatives market.

4.1.5. Liquidity risk

Under normal circumstances, due to its sole activity and the perfect matching in terms of maturity, interest rate and currency of the mortgage notes on the assets side of its balance sheet and the bonds on the liabilities side, CRH is not exposed to any liquidity risk.

In the event of borrower default on maturity of a loan, the provisions of the Company's internal rules and regulations and its articles of incorporation, 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.

If the amounts necessary for its operations exceed this limit, which would only happen if, in the medium term, one or two of the major French borrowing banks defaulted, then the other shareholder banks would be asked to lend the missing amounts to CRH. Shareholders are, in any event, required to contribute to CRH the equity mandated under applicable banking regulations.

The table providing a breakdown of mortgage notes and bonds by residual maturity, included in Chapter 20, Note 4 to the 2018 annual financial statements on page 110, illustrates this perfect matching.

CRH, in its capacity as a credit institution, is subject to the LCR reporting requirements vis-à-vis the European Central Bank.

In this regard, the provisions of Article 425-1 of Regulation (EU) No. 575/2013 of 26 June 2013 exempt CRH from the obligation to comply with the 75% cap on cash outflows corresponding to the servicing of its bonds, with cash inflows corresponding to the mortgage notes.

Normally:

- funds corresponding to interest payments on euro-denominated mortgage notes are received on the interest due date of the euro-denominated bonds, with the same maturity and interest rate,
- funds corresponding to interest payments on Swiss franc mortgage notes are received on the business day preceding the interest due date of the Swiss franc bonds, with the same maturity and interest rate,
- funds corresponding to the final maturities of euro and Swiss franc mortgage notes (principal and interest) are received five business days before the due date for repayment of the euro bonds and Swiss franc bonds with the same maturity and interest rate,
- funds received before maturity are deposited with the central bank or used in collateralised resale agreements of French government securities pending maturity,
- in addition, CRH usually maintains readily available liquidity to enable it to meet ad-hoc liquidity requirements, notably intra-day requirements.

Throughout 2018, CRH continued the implementation of the measures that it had taken during financial year 2015 in order to adjust to the level of the negative short-term interest rates following the launch of the quantitative easing (QE) program implemented by the European Central Bank:

- the funds corresponding to the interest maturities of the CHF-denominated mortgage notes are provisionally received on the maturity date of the interest due on the bonds in the same currency and with the same maturity and interest rate;
- the liquidity that was theretofore readily available was invested in the amount of € 50 M in securities eligible for the Eurosystem's refinancing operations.

It is specified that CRH's bond issue agreements do not contain any default provisions, early repayment provisions or covenants.

INDUSTRIAL AND ENVIRONMENTAL RISKS

4.1.6. Industrial and environmental risks

Not applicable.

LEGAL RISKS

4.1.7. Legal risks

4.1.7.1. General legal risks

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

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

At CRH'S request, specific provisions were added to the French Savings and Financial Security Act (*Loi Épargne et Sécurité Financière*) of 25 June 1999 to eliminate any uncertainty as to CRH's ownership rights over receivables pledged in the event that 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 does not accept otherwise eligible loans extended in other European Union countries.

4.1.7.2. Regulatory risks

As discussed above, the implementation of the new European Capital Requirements Regulation, which came into force on 1 January 2014, has hindered CRH's operations.

Nevertheless, CRH's regulatory status should not affect its ability to meet its obligations on issued bonds:

- Debt servicing is economically ensured by CRH's borrowing banks.
- CRH does not take any margin on its operations.
- The issued bonds retain their European covered bond status.

OPERATIONAL RISKS

4.1.8. Operational risks

Since its inception in 1985, CRH never suffered any events giving rise to operating risks and has therefore never recognised any operating losses. Its highly specialised activity, which has modest requirements in terms of technical and human resources, enables it to be extremely adaptable to all types of unforeseen circumstances or events. Similarly, CRH benefits from the infrastructure put into place by its counterparties, being mostly major French credit institutions.

In 2009, CRH introduced a new procedure for servicing its debt, using directly the services of the Banque de France and Euroclear. This procedure greatly reduces operating risks by automating the settlement of amounts due to bondholders, thereby enabling CRH to fully focus on monitoring the timely receipt of amounts due from borrowers. In 2016, such procedure migrated to European platform Target2-Securities.

INTERNAL CONTROL

4.2. INTERNAL CONTROL: (please refer also to page 13, paragraph 3 of the management report concerning the internal control and risk management procedures related to the preparation and processing of the accounting and financial information)

In accordance with the provisions of the ministerial decree of 3 November 2014 related to the internal control of enterprises belonging to the banking sector, the internal control system set up within CRH regularly gives rise to the preparation of the report submitted to the board of directors.

Internal control is also the responsibility of the risk committee and the audit committee. Indeed, the risk committee is responsible for supporting the board of directors in order to help it ascertain the quality of internal control, while the audit committee must verify the reliability of the financial information supplied to shareholders.

The internal control system is tailored to CRH's specific circumstances:

- it is first necessary to highlight the transparency of CRH's transactions, which give rise to the preparation of a prospectus and which are summarised in this registration document;
- CRH's transactions are strictly limited to its corporate purpose;
- such transactions are codified in its internal rules and regulations, which are signed by shareholders and published in the registration document;
- CRH has no foreign operations or subsidiary;
- because it has a small number of employees, responsibility for monitoring the consistency and effectiveness of the internal control system lies with Senior Management.

In addition, CRH's internal rules and regulations require CRH's departments to be audited regularly by the audit and inspection departments of its shareholders or by an audit firm appointed by the audit committee or by the risk committee.

CHAPTER 5

INFORMATION CONCERNING THE ISSUER

5.1. HISTORY AND DEVELOPMENT OF THE COMPANY - LEGISLATION

5.1.1. Corporate name

Since 10 August 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 23 February 1999 under No. 99777102, renewed every ten years, and for the last time, on 17 September 2018.

5.1.2. Registration with the Commerce and Companies Registry

CRH is registered with the Paris Commerce and Companies Registry under number 333 614 980 - A.P.E. Code: 6492Z.

5.1.3. Incorporation date – Term

The Company was formed for a term of 99 years commencing on 8 October 1985.

5.1.4. Registered office – Legal form - Legislation – Other provisions of the articles of incorporation – General information concerning the Company's share capital

5.1.4.1. Registered office

CRH's registered office is located at 3 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.

5.1.4.2. Legal form

Caisse de Refinancement de l'Habitat (CRH), a French corporation (*société anonyme*), is a specialised credit institution. Upon its formation, CRH was licensed to operate as a specialised financial company (*société financière spécialisée*) by virtue of the decision taken on 16 September 1985, by the French Credit Institutions Committee (*Comité des Établissements de Crédit*). CRH elected not to adopt the new status of financing company (*société de financement*) available to institutions that do not wish to be entirely governed by the regulatory framework for European credit institutions that came into force on 1 January 2014.

CRH is governed by the provisions of Articles L. 225 *et seq.* 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's operations were authorised under Article 13 of Act No. 85-695 of 11 July 1985 in a letter dated 17 September 1985 from the French Ministry of the Economy, Finance and Budget.

CRH's articles of incorporation are in compliance with the European regulations concerning the separation of the offices of Chairman and Chief Executive Officer.

5.1.4.3. Legislation and regulations

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

- article 13 of Act No. 85-695 of 11 July 1985, as supplemented by Article 36 of Act No. 2006-872 of 13 July 2006 (see Annex 1);

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

- article L. 513-3 paragraph I concerning SCF (*Sociétés de Crédit Foncier*: French mortgage loan companies complying with specific regulations) (see Annex 2);

- article R. 214-21 of the French Monetary and Financial Code (see Annex 3);

- articles R. 313-20 to R. 313-25 of the French Monetary and Financial Code (see Annex 3);

- the ministerial decree of 17 February 2014 amending the ministerial decree of 23 December 2013 on the application of Article 493 (3) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (see Annex 3);

- regulation No. 99-10 of the French Banking and Financial Regulatory Committee on the valuation of the financed assets to be taken into account in determining the portion of a loan that may be collateralised (see Annex 4);

- regulation (EU) No. 575/2013 of the European Parliament and Council of 26 June 2013, hereinafter referred to as CRR;

- directive 2013/36/EU of the European Parliament and Council of 26 June 2013.

B) CRH's position with regard to banking regulations

Because of the amount of its total assets, CRH is subject to the direct prudential supervision of the European Central Bank.

Following the Supervisory Review and Evaluation Process (SREP) carried out by the ECB in 2016, the total minimum amount of CET1 phased for CRH was set at 11.625% of weighted assets in 2018 including a 8.125% CET1. This requirement includes the capital conservation buffer.

The renewal of the SREP exercise over year 2018 led for CRH to the following requirements applicable from 1 January 2019:

- The prudential requirement for own funds is equal to 12.25% of the risk-weighted assets, as a consequence of the 0.625% scheduled regulatory increase in the capital conservation buffer.
- The CET1 requirement is equal to 8.75%.

Starting from 1 July 2019, such levels shall be increased to 12.50% and 9%, respectively, with the introduction of a counter-cyclical capital requirement set at 0.25% of the risk-weighted assets.

It is necessary to note that the irrevocable payment commitment to the Single Resolution Fund (SRF) is deducted from CET1. This provision has an adverse impact equal to 0.13% on the capital adequacy ratio.

CRH's current position does not entail any restriction or limitation as regards the payment of any dividends, coupons or variable compensation.

French authorities decided in 2014 to maintain the principle of treating, for prudential purposes, promissory notes held by CRH in the same way as legal covered bonds (Decree of the Minister for the Economy and Finance dated 17 February 2014 published in the official journal of 26 February 2014 and ACPR letter of 18 February 2014), without prejudice to the interpretation that could be made by relevant European banking authorities in their efforts to obtain convergence.

Such assimilation was not challenged by the European Central Bank during the annual SREP exercises.

In order to limit its regulatory capital requirement, CRH has asked for these notes to be rated. 93% of the notes outstanding are rated, and only the notes issued by two institutions were not rated as of 31 December 2018.

All of the notes that CRH asked to be rated received a rating corresponding to credit quality step 1.

Under Article 129 of the CRR Regulation:

- the rated notes are weighted at 10%.
- the weighting rate of the unrated notes depends on the issuing institutions' rating. As such rate corresponds to credit quality step 2, a 20% discount is applied.

As regards the treatment of the notes in the calculation of the major risks base:

- since 1 January 2014, the notes issued before 31 December 2013 are excluded from the major risks base in accordance with the aforementioned ministerial decree;

- henceforth, promissory notes will benefit until 2029 from the temporary waiver provided under Article 493-3 (e) of the CRR. When queried by the European Commission, the European Banking Authority recommended, in its report published on 24 October 2016, the survival of such exemption.

Anticipated changes in banking regulations include the recommended amendment to the CRR Directive, initiated by the European Commission, so that the CRR may in the future account for leverage ratio constraints and the NSFR long-term liquidity ratio constraints.

After the probable approval of the final provisions by the European Parliament during the first half of 2019, such measures should come into effect on 1 January 2020.

C) Prudential recognition waiver for CRH bonds held by European credit institutions.

Article 36 of Act No. 2006-872 of 13 July 2006 awarded preferential status to bearers of CRH bonds. In accordance with the provisions of Article 13 of Act No. 85-695 of 11 July 1985, as amended by said Article 36, the amounts or values received in return for promissory notes held by CRH are now allocated, with preference and under all circumstances, to servicing the debt, i.e. the payment of the interest and principal on CRH's bonds. This legislation also specifies that the provisions of Book VI of the French Commercial Code on distressed companies, as well as the provisions 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 before and after the Act of 13 July 2006, with the preferential status legally established as a right in the absence of the grant of a State guarantee.

In a letter sent to the Delegate General of the ASF on 31 October 2006, the French Banking Authority indicated that CRH's bonds are subject to a risk-adjusted weighting of 10%, as is the case for covered bonds, and indeed appear comparable to legal covered bonds as defined in Directive 2006/48/EC (Text of the directive, Annex 6, Part 1, Section 68).

Under the CRR Regulation, all legally covered bonds meeting the requirements of Article 129 are treated equally, provided that their rating corresponds to credit quality step 1. The treatment of CRH bonds is therefore effectively unchanged at present in this regard.

D) Prudential recognition waiver for CRH bonds held by European UCITS

Decree No. 2000-664 granted a waiver to CRH's bonds as provided under Article 4 of Decree No. 89-623 of 6 September 1989, corresponding to the provisions of Article 52.4 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 its total assets). These provisions are codified in Article R. 214-21 of the French Monetary and Financial Code (see Annex 3).

5.1.5. Recent event specific to the issuer and affecting, to a material extent, the assessment of its solvency

No recent event specific to the issuer and affecting, to a material extent, the assessment of its solvency has occurred since 31 December 2018.

5.2. INVESTMENTS

5.2.1. Investments made during the last three financial years

The amount of the investments in equipment or equity securities over the last three years has been as follows:

	(in € thousands)		
	2016	2017	2018
Tangible fixed assets	0	7	28
Intangible fixed assets	28	0	14
Research and development expenses	0	0	0
A-Total investments (equipment)	28	7	42
Equity securities	0	0	0
B-Total investments (equity securities)	0	0	0
C-Total investments: A + B	28	7	42

Tangible fixed assets principally correspond to acquisitions of computing equipment and fittings.

Intangible fixed assets correspond to acquisitions of standard software.

Tangible and intangible fixed assets are funded by own resources.

CRH does not hold any equity securities, as this is prohibited by its articles of association (Article 2 § 4, see Annex 5).

5.2.2. Main investments in the process of being made

No investment is in the process of being made.

5.2.3. Main scheduled investments

As of 31 December 2018, no significant investment had given rise to the assumption of any firm and final commitment vis-à-vis any third party.

In 2019, CRH will replace obsolete computing equipment.

CHAPTER 6

BUSINESS OVERVIEW

6.1. PRINCIPAL ACTIVITIES

6.1.1. Company formation – Description of its business operations

6.1.1.1. 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.**

6.1.1.2. Operations

Since 1988, the bonds issued by CRH have not been guaranteed by the French government as provided for by the 1985 Act. However, CRH's sole purpose still consists in refinancing home-purchase loans granted by shareholder credit institutions for the purpose of financing assets located in France.

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

CRH thus plays a particular role in financing housing in France, by tapping into stable, non-monetary resources at a lower cost.

Act No. 99-532 of 25 June 1999 establishing SCFs (French mortgage loan companies compliant with specific regulations) buttressed the security of CRH and matched its scope of operations and eligibility criteria to those of SCFs. Act No. 99-532 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.

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

The structure of its guarantees, the significance of refinancing needs expressed by its shareholders and the systematic bonds assimilation policy adopted by CRH have allowed it to become an important issuer on the European financial market, with a total amount issued since its founding (equal to the amount of its loans) of € 90.4 bn, corresponding to 237 transactions. The French Government used CRH as a model when establishing Société de Financement de l'Economie Française (SFEF) on 17 October 2008, to give banking institutions easier access to financial markets.

6.1.1.3. Operating conditions

A) CRH's operations involve specific guarantees

Annex 9 (page 201) of this report summarises the various levels of security integrated into CRH's refinancing operations.

The refinancing loans granted by CRH are fully matched by its bond issues, because CRH lends all of the capital raised on the financial markets to its shareholders 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.

The above legal provisions set forth 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, loans whose unit amount exceeds € 1 M and RMBSs from the cover pool pledged to secure the loans.

B) These guarantees are subject to audits

1. Since 1 January 1988, the French Banking Authority (now renamed the French Prudential Supervision and Resolution Authority) is charged with monitoring the legal and regulatory compliance of refinancing operations (ministerial decree of the French Minister for the Economy, Finance and Budget of 15 December 1987, subsequently replaced by Article L. 313-49 of the French Monetary and Financial Code).

2. Under currently applicable provisions, 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 ineligible, 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 to deliver them to CRH by way of repayment.

6.1.1.4. Refinancing

A) Development of the amount of the granted loans

The table below shows changes in the amount of the loans granted by CRH over the last three financial years.

	in € bn		
Financial year	2016	2017	2018
Amount of the granted loans	0	0	0

B) Change in the amount of total loans outstanding

The table below shows changes in the nominal value of the total CRH loans outstanding since 31 December 2016.

	In € million			
Borrowing credit institutions	As of 31/12/2016	As of 31/12/2017	As of 31/12/2018	As of 31/12/2018 (%)
Crédit Agricole SA	10 103	9 009	8 387	31.2
Banque Fédérative du Crédit Mutuel	8 721	6 931	5 856	21.8
Société Générale	6 177	5 856	5 194	19.3
BNP Paribas	2 801	2 550	2 535	9.4
Crédit Lyonnais	4 228	2 178	1 620	6.0
Caisse Centrale du Crédit Mutuel	2 473	1 874	1 559	5.8
BPCE	2 253	1 849	1 478	5.5
Crédit Mutuel Arkéa	1 001	538	275	1.0
Crédit du Nord	445	95	0	0.0
All borrowers	38 202	30 880	26 904	100.0

As a general rule, changes in these levels reflect 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 the agreement implemented in 1994.

C) Outstanding loans eligible for CRH refinancing

As a consequence of legislative amendments enacted in 1999, mortgage market statistics are no longer published.

Thus, in order to estimate the amounts of credit institutions'/shareholders' eligible housing loans outstanding, it was asked to shareholders to communicate to CRH a copy of their quarterly SURFI returns.

The table below summarises these outstanding amounts:

as of 30 September 2018

	Total outstanding loans for all credit institutions	Outstanding loans of CRH shareholder credit institutions	
	in € billion (1)	in € billion (2)	% of total
Housing loans	1 366.1	961.0	70
Home purchase loans	1 102.2	882.3	80

(1) Source: Banque de France, Webstat statistics.

(2) Source: CRH estimates based on SURFI returns communicated by shareholders – shareholder publications.

Groups holding shares of CRH thus hold 80% of all home-purchase loans.

D) Refinancing of home-purchase loans extended by monetary financial institutions (other than the Banque de France)

The table below shows a few aggregated data:

As of 30 September 2018

(in € billion)

Application of funds by Monetary Financial Institutions		Sources of Funds of Monetary Financial Institutions	
Home-purchase loans to households	1 102.2	Regulated sources <i>(not including Livret A and Livret B savings accounts)</i>	674.8
		Covered bonds <i>- of which CRH 27.0</i>	218.7
Other applications	7 717.2	Other sources <i>- of which capital and reserves 617.1</i> <i>- of which non-regulated deposits 1 220.9</i>	7 925.9
Total applications	8 819.4	Total sources	8 819.4

Source:

This document is prepared on the basis of figures published by the Banque de France on the Webstat.banque-france.fr website and by covered bond issuers on their websites.

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

However, it is necessary to note the following:

- banks' regulated sources of funds contribute to a large extent to the financing of their 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 in foreign debt securitisation funds and foreign residential mortgage-backed securities (RMBSs), whereas CRH refinances only home-purchase loans granted in France.

E) Development of outstanding housing loans in France

The total amount of housing loans granted (except for renegotiated loans) over the first nine months of 2018, slightly decreased, to € 125 bn (-10%) as compared with the loans granted over the same period in 2017, when an exceptionally high level had been reached, at € 139.6 bn.

Total home purchase loans outstanding increased by 5.8% between September 2017 and September 2018 in a proportion equivalent to that of the preceding period.

In 2018, the property market was as buoyant as in 2017, with nearly one million transactions.

The increase in the price of older property assets, that had been observed since mid-2016 and confirmed in 2017 was slightly lower in 2018, with differences between the French provinces and the Greater Paris area remaining sharp.

The fact that the Pinel and PTZ concessionary loan schemes were rebalanced towards areas with excess housing demand, combined with a weak supply, tended to slow down the market for new housing units, despite the fact that interest rates remained at a low level.

6.1.1.5. Bond issues

CRH refinances credit institutions by issuing bonds. CRH's bond issues are governed by Article 13 of Act No. 85-695 (see Annex 1).

Since its inception, CRH has 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.

The largest European loan backed by home-purchase loans granted to individuals is now a CRH loan.

No issue was made in 2018. CRH repaid bonds in the amount of € 3,975.5 M upon a contractual maturity with the amount outstanding of the CRH bonds being thus reduced to € 26,904.08 M.

A) Changes in the annual issuance amounts

CRH's annual issuance amounts are summarised below:

Year	Number of issues in the year	Nominal amount (€ million)	
1985 (Q4)	2	551.87	25 Government-guaranteed issues totalling € 5,774.77 M
1986	6	1 506.20	
1987	8	1 783.65	
1988	9	1 933.05	
1988	1	152.45	212 issues without Government guarantee totalling € 84,722.09 M
1989	6	1 184.53	
1990	8	1 219.59	
1991	10	1 829.39	
1992	8	1 387.29	
1993	11	1 585.47	
1994	1	91.47	
1995	2	266.79	
1996	2	525.95	
1997	2	304.90	
1998 ¹	6	2 143.43	
1999 ¹	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 ²	17	9 201.01	
2011 ³	14	12 132.57	
2012 ⁴	6	5 530.42	
2013 ⁵	5	2 534.83	
2014	0	0	
2015	0	0	
2016	0	0	
2017	0	0	
2018	0	0	
TOTAL	237	90 496.86	90 496,86

¹ Including the public exchange offer during the course of the year.
² Including the Swiss franc-denominated bond issue totalling CHF 250 M (EUR 186.01 M) settled on 21 July 2010
³ Including the Swiss franc-denominated bond issues settled on :
- 29 March 2011: CHF 625 M (EUR 482.36 M)
- 12 July 2011: CHF 175 M (EUR 150.21 M)
⁴ Including the Swiss franc-denominated bond issues settled on:
- 5 March 2012: CHF 625 M (EUR 518.20 M)
- 23 May 2012: CHF 375 M (EUR 312.21 M)
⁵ Including the Swiss franc-denominated bond issues settled on:
- 15 March 2013: CHF 200 M (EUR 162.50 M)
- 26 June 2013: CHF 150 M (EUR 122.33 M)

Since CRH's inception, repayments have totalled € 63,592.78 M, bringing the total outstanding nominal amount to € 26,904.08 M.

B) Bond issues completed during the financial year

As indicated above, no bond issues were carried out in 2018.

C) CRH bond maturities as of 31 December 2018

Bond	Redemption date	ISIN code	Number of securities	Nominal unit value	Outstanding (in million)	Currency
CRH 1.625% March 2019	05/03/2019	CH0148606079	55 000	5 000	275	CHF
CRH 5.00% April 2019	08/04/2019	FR0010744904	2 793 000 000	1	2 793	EUR
CRH 1.375% October 2019	25/10/2019	FR0011443985	710 000	1 000	710	EUR
CRH 3.75% February 2020	19/02/2020	FR0010857672	2 000 000 000	1	2 000	EUR
CRH 3.50% June 2020	22/06/2020	FR0010910240	2 100 000 000	1	2 100	EUR
CRH 3.90% January 2021	18/01/2021	FR0010989889	1 880 750 000	1	1 881	EUR
CRH 2.50% March 2021	29/03/2021	CH0125062262	105 000	5 000	525	CHF
CRH 3.60% September 2021	13/09/2021	FR0011108976	1 500 000 000	1	1 500	EUR
CRH 4.00% January 2022	10/01/2022	FR0011057306	2 081 700 000	1	2 082	EUR
CRH 1.875% May 2022	23/05/2022	CH0184777271	35 000	5 000	175	CHF
CRH 4.00% June 2022	17/06/2022	FR0011178946	2 000 000 000	1	2 000	EUR
CRH 3.30% September 2022	23/09/2022	FR0010945451	2 200 000 000	1	2 200	EUR
CRH 4.30% February 2023	24/02/2023	FR0011011188	2 895 000 000	1	2 895	EUR
CRH 1.375% March 2023	15/03/2023	CH0204477290	40 000	5 000	200	CHF
CRH 3.90% October 2023	20/10/2023	FR0011133008	1 381 325 000	1	1 381	EUR
CRH 2.375% March 2024	05/03/2024	CH0148606137	70 000	5 000	350	CHF
CRH 3.60% March 2024	08/03/2024	FR0011213453	2 500 000 000	1	2 500	EUR
CRH 2.40% January 2025	17/01/2025	FR0011388339	1 493 240 000	1	1 493	EUR
CRH 1.75% June 2025	26/06/2025	CH0212937244	30 000	5 000	150	CHF
Total					25 535	EUR
					1 675	CHF

Since the outset, substantially all of CRH's bonds have been issued at a fixed rate of interest. In accordance with the articles of incorporation, they are perfectly matched in terms of interest rate and maturity with the CRH loans.

The CRH bonds have been rated Aaa and AAA by 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.

The CRH bonds meet the requirements of Article 129 of the CRR Regulations and are thus granted the benefit of the exemption set out in Article 52.4 of Directive 2009/65/EC.

Such bonds are regarded as "guaranteed" covered bonds within the meaning of European regulations, and as such, a 10% risk weighting is assigned under the standardised approach for the calculation of the capital adequacy ratio of the European banking institutions that hold them.

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

D) Trading volumes

As the amounts of stock exchange trading transactions are not available, trading volume statistics provided by Euroclear France are given below. Such data include only Euroclear France members' transactions and therefore exclude Euroclear Bank and Clearstream transactions. They correspond to trades, repos and other transfers.

(in € million)

Bond	First listing date	Isin code	Par value of trades in 2016	Par value of trades in 2017	Par value of trades in 2018
CRH 4.00% April 2018	30/06/2006	FR0010345181	620.0	653.7	435.0
CRH 5.00% April 2019	08/04/2009	FR0010744904	408.9	215.6	397.5
CRH 1.375% October 2019	20/03/2013	FR0011443985	133.5	65.6	46.3
CRH 3.75% February 2020	19/02/2010	FR0010857672	160.6	271.1	246.1
CRH 3.50% June 2020	22/06/2010	FR0010910240	570.6	213.9	279.7
CRH 3.90% January 2021	18/01/2011	FR0010989889	209.5	179.6	193.6
CRH 3.60% September 2021	13/09/2011	FR0011108976	235.1	63.6	56.8
CRH 4.00% January 2022	08/06/2011	FR0011057306	197.3	275.9	172.8
CRH 4.00% June 2022	17/01/2012	FR0011178946	582.2	271.5	133.9
CRH 3.30% September 2022	23/09/2010	FR0010945451	84.5	181.7	597.8
CRH 4.30% February 2023	24/02/2011	FR0011011188	205.4	116.9	609.0
CRH 3.90% October 2023	20/10/2011	FR0011133008	91.1	256.0	347.3
CRH 3.60% March 2024	08/03/2012	FR0011213453	465.6	126.2	83.1
CRH 2.40% January 2025	17/01/2013	FR0011388339	156.6	245.9	65.4
TOTAL			4 120.9	3 137.2	3 664.3

Even though it has become difficult at present to identify within these amounts the amounts pertaining solely to stock market transactions, and while aggregate amounts are not always comparable from one year to the next, these data show that the CRH bonds are among the most liquid on the European covered bond market. This situation is no doubt due to the size of CRH's lines and to the CRH risk management system.

6.1.2. New operations

CRH's activity is limited by its articles of incorporation and by the legislative provisions governing its operations.

6.2. MAIN MARKETS

CRH only trades in France. Its sole activity consists in the refinancing of home purchase loans issued by banks.

To achieve its corporate purpose, CRH issues mortgage notes referred to in Article 13 of Act No. 85-695 of 11 July 1985. Such notes are secured bonds within the meaning of Article 129 CRR and are admitted to trading on Euronext Paris as "Property bonds and assimilated securities".

6.3. EXCEPTIONAL EVENTS INFLUENCING THE ISSUER'S ACTIVITIES AND MARKETS

No exceptional event likely to influence CRH's activity and markets occurred in 2018. For many years, CRH's activities have been impaired by the uncertainties related to future changes in EU banking regulations affecting CRH's bond issue activities and by the ECB's quantitative easing policy, which threatens the income derived from the investment of its capital.

6.4. ISSUER'S DEPENDENCY VIS-À-VIS PATENTS, LICENCES OR INDUSTRIAL, COMMERCIAL OR FINANCIAL AGREEMENTS

To date, CRH does not depend on any patents or licences or on any industrial, commercial or financial agreements.

6.5. REPRESENTATIONS MADE BY THE ISSUER CONCERNING ITS COMPETITIVE POSITION

CRH competes with issuers of secured bonds (home finance institutions and mortgage credit institutions) which are also focusing on the refinancing of housing loans by issuing guaranteed bonds. The largest of these issuers are wholly-owned by CRH's shareholders.

Under banking regulations, such special-purpose vehicles are consolidated, and this neutralises their capital burden. In the case of CRH, the cost of the capital contributed by shareholders is added to the cost of the capital required to cover the pools of secured assets posted in their books.

In the past, such regulatory disadvantage in terms of cost induced by applicable regulations was generally compensated for by CRH's better issuance terms.

The potential application of the leverage ratio to CRH's refinancing arrangements would bring such competitive disadvantage to levels unacceptable for the borrowing banks.

CHAPTER 7

ORGANISATIONAL CHART

7.1. ORGANISATION OF THE COMPANY

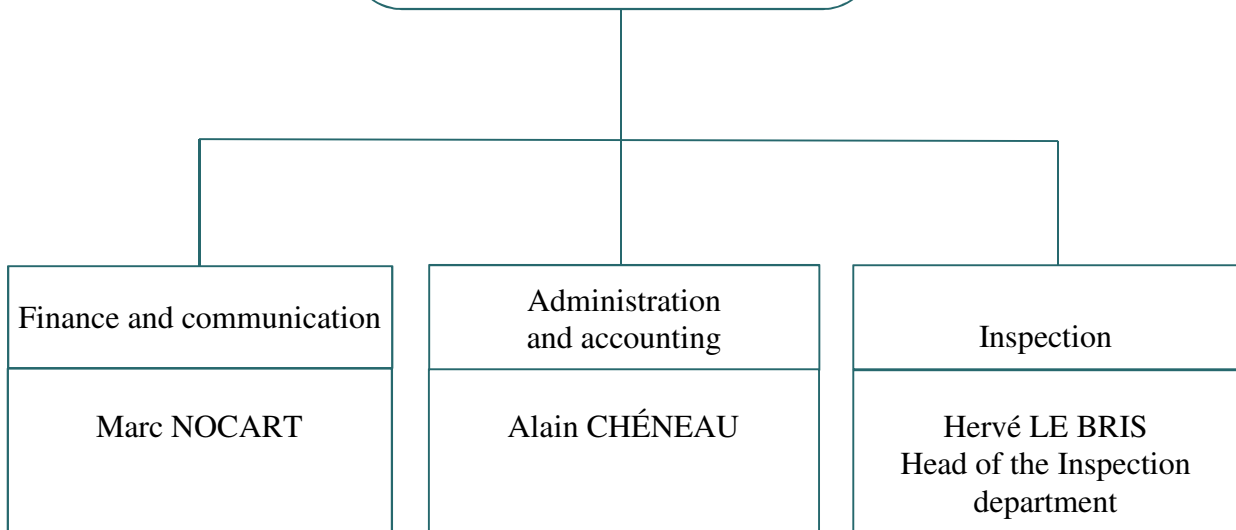
Board of Directors*

Olivier HASSLER
Chairman

Executive Management

Marc NOCART
Chief Executive Officer

Alain CHÉNEAU
General Secretary



7.2. ISSUER'S DEPENDENCY VIS-À-VIS OTHER ENTITIES OF THE GROUP

CRH does not have any subsidiary and does not form part of any group.

* See the Board of Director's composition on page 85.

CHAPTER 8

PROPERTY, PLANT AND EQUIPMENT

8.1. EXISTING OR PLANNED MAJOR TANGIBLE FIXED ASSETS AND ANY MATERIAL ENCUMBRANCE RELATED TO THE SAME

CRH only rents offices located at 3 rue La Boétie in Paris (8th arrondissement), with a total surface area of 179 square meters. Such offices are leased from a third party unrelated to the executive officers.

CRH's operations do not require any heavy equipment. Tangible fixed assets are comprised of computing equipment, office furniture and fittings.

The tangible fixed assets' utilisation rate is equal to 100%.

8.2. ENVIRONMENTAL ISSUES LIKELY TO AFFECT THE USE BY THE ISSUER OF ITS TANGIBLE FIXED ASSETS

Because of the nature of its operations, CRH is not directly faced with any environmental constraints.

CHAPTER 9

REVIEW OF THE FINANCIAL POSITION AND RESULTS FROM OPERATIONS

The analysis of the 2017 financial position and earnings, the summary of the main events of the financial year and the likely changes in the issuer's position are detailed under section 1. (Conduct of the Company's affairs), on pages 7 to 10 of the 2017 registration document filed with the Autorité des Marchés Financiers on 20 April 2018, under the number D. 18-0355.

The analysis of the 2016 financial position and earnings, the summary of the main events of the financial year and the likely changes in the issuer's position are detailed in the Board of Directors' report, on pages 7 to 11 of the 2016 registration document filed with the Autorité des Marchés Financiers on 22 March 2017, under the number D. 17-0204.

9.1. FINANCIAL POSITION

CRH's 2018 financial position is detailed under section 1.1.3. (Financial position) of the management report, on page 10 of the registration document.

9.2. OPERATING RESULTS

9.2.1 Presentation of operating results

The 2018 financial performance is detailed in section 1.1.2. (Earnings) of the management report, on page 9 of the registration document.

The main events of the financial year are described in section 1.1.1. (Activity) of the management report, on page 9 of the registration document.

9.2.2. Financial statements

Please refer to Chapter 20 (Financial information) on page 99 of the registration document for a description of the issuer's assets and liabilities, financial position and earnings.

The five-year financial summary is provided on page 21 of the registration document.

9.2.2. Likely changes in the issuer's position are detailed in section 1.2. of the management report on page 11 of the registration document.

CHAPTER 10

CAPITAL RESOURCES

10.1. ISSUER'S CAPITAL RESOURCES (SHORT AND LONG TERM)

The information related to changes in CRH's shareholders' equity over the last three financial years are detailed in note 9 ("Common equity Tier I (CET1) capital instruments") to the Company's financial statements, in Chapter 20 of the registration document.

The breakdown of CRH's receivables and liabilities according to their remaining term for the last three financial years is detailed in note 4 ("Breakdown of receivables and liabilities by residual maturity") to the Company's financial statements, in Chapter 20 of the registration document.

The details and maturity schedule of the CRH bonds are provided in paragraph 5.2.3. of the registration document. For the two preceding financial years, such information was included in paragraph 4.2.3. of the 2017 registration document filed with the Autorité des marchés financiers on 20 April 2018, under the number D. 18-0355 and paragraph 4.2.3. of the 2016 registration document filed with the Autorité des marchés financiers on 22 March 2017, under the number D. 17-0204.

CRH has no short-term debt.

10.2. SOURCES AND AMOUNTS OF AND NARRATIVE DESCRIPTION OF THE ISSUER'S CASH FLOWS

The amounts of the cash flows recorded over the last three financial years are summarised in the net cash-flow statement contained in the CRH financial statements in Chapter 20 of the registration document.

10.3. INFORMATION ON THE BORROWING REQUIREMENTS AND FUNDING STRUCTURE OF THE ISSUER

Under the CRH articles of incorporation, CRH's borrowing ability is limited to the issuance of bonds in the form of mortgage notes. Such notes serve to refinance home purchase loans granted by the shareholder banks.

10.4. RESTRICTION ON THE USE OF CAPITAL RESOURCES THAT HAVE MATERIALLY AFFECTED OR COULD MATERIALLY AFFECT, DIRECTLY OR INDIRECTLY, THE ISSUER'S OPERATIONS

Not applicable.

10.5. ANTICIPATED SOURCES OF FUNDS NEEDED TO FULFIL COMMITMENTS RELATED TO INVESTMENT DECISIONS

Not applicable.

CHAPTER 11

RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

The issuer does not carry on any research and development activity.

CHAPTER 12

TREND INFORMATION

12.1. MOST SIGNIFICANT TRENDS AFFECTING THE COMPANY'S OPERATIONS DURING FINANCIAL YEAR 2018

It is emphasised that changes in the new refinancing operations carried out by CRH have no direct impact on its performance or financial structure, as CRH does not charge any spread on its transactions.

No refinancing operation was carried out during financial year 2018, as CRH's operations were interrupted in 2013 with the introduction of the EU banking regulations as from 1 January 2014.

The review, by the Parliament and the Council of the Union, of the amendments to (EU) Regulation No. 575/2013 as recommended by the European Commission, continued throughout financial year 2018.

The timetable of the resumption of CRH's operations hinges on the progress of the said works and on the resulting final text of the CRR, taking into account the significant economic impact of certain of the contemplated provisions.

12.2. MISCELLANEOUS EVENTS AND TRENDS LIKELY TO AFFECT THE OPERATIONS OF THE COMPANY DURING FINANCIAL YEAR 2019

With the probable adoption of the final text of the Regulation of the European Parliament and of the Council amending (EU) Regulation No. 575/2013 as regards in particular the leverage ratio and the stable financing ratio, financial year 2019 shall be decisive as regards the regulatory framework governing the operations of CRH.

In any event, the resumption of operations will also depend on potential refinancing demand from shareholders or institutions agreeing to become shareholders.

CHAPTER 13

PROFIT FORECASTS OR ESTIMATES

This document does not contain any forward-looking information.

13.1. PRINCIPAL ASSUMPTION

Not applicable: CRH is an institution whose purpose does not consist in the search for profit.

13.2. STATUTORY AUDITORS' REPORT

Not applicable.

CHAPTER 14

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

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

14.1.0. Honorary Chairmen

- Mr. Georges PLESCOFF (†)
- Mr. Claude PIERRE-BROSSOLETTE (†)
- Mr. Henry RAYMOND

14.1.1. Board of Directors

- **Mr. Olivier HASSLER** Chairman
Appointment as Chairman renewed on 10/04/2018 for a term of one year.
First appointment as Chairman on 17/03/2015 for a term of one year.
First appointment as Director on 17/03/2015 for a term of 6 years.
- **Mr. Henry RAYMOND** Chairman and Chief Executive Officer (until 31/08/2016)
Appointment on 13/03/2007
First appointment as Director on 13/03/2007 for a term of office of 6 years, renewed for 6 years on 14/03/2019.
Director (since 01/09/2016)
- **Banque Fédérative du Crédit Mutuel** Director
represented by Mr. Christian ANDER and thereafter from 18 February 2019, by Mr. Éric CUZZUCOLI
Treasury Manager, Crédit Mutuel CIC Group
6 avenue de Provence – 75009 PARIS
First appointed by co-option by Compagnie Financière de CIC et de l'UE by the Board of Directors during its meeting of 17/10/1995, confirmed on 27/02/1996 as regards CIC, confirmed on 04/03/2008 for 5 years, i.e. the residual term of CIC, resigning as Director, term of office renewed for six years on 14/03/2019.
- **BNP Paribas** Director
represented by Ms. Valérie BRUNERIE
Head of Medium and Long-term Financing and Securitisation
3 rue d'Antin – 75002 PARIS
First appointment of Banque Nationale de Paris on 21/10/1985
Appointment renewed for 6 years on 17/03/2015.

- BPCE** Director
 represented by Mr. Roland CHARBONNEL
 Issues and Reporting Director
 50 avenue Pierre Mendès France – 75013 PARIS
 First appointment of Caisse Centrale des Banques Populaires on
 21/10/1985,
 Appointment confirmed on 02/03/2010 for 5 years, i.e. the
 remainder of the term of the resigning Banque Fédérale des
 Banques Populaires, appointment renewed for 6 years on
 17/03/2015.
- Caisse Centrale du Crédit Mutuel** Director
 represented by Ms. Sophie OLIVIER
 Head of the Retail Market Division
 88/90 rue Cardinet – 75017 PARIS
 First appointed on 10/04/1990,
 appointment renewed for six years on 17/03/2015.
- Crédit Agricole SA** Director
 represented by Ms. Nadine FEDON
 Group refinancing manager
 12 place des États Unis – 92127 MONTROUGE CEDEX
 First appointment of Caisse Nationale de Crédit Agricole
 on 12/05/1987, term of office renewed for six years on 17/03/2015.
- Crédit Lyonnais** Director
 represented by Mr. Christian LARRICQ-FOURCADE
 Assets and Liabilities Manager
 10 avenue de Paris – 94800 VILLEJUIF
 First appointment on 19/04/1988,
 appointment renewed for six years on 17/03/2015.
- Société Générale** Director
 represented by Mr. Vincent ROBILLARD
 Group Funding Manager
 17 cours Valmy – 92972 PARIS LA DÉFENSE CEDEX
 First appointed on 21/10/1985,
 appointment renewed for six years on 17/03/2015.

14.1.2. Persons in charge of management

- | | |
|--|-------------------------|
| - Mr. Marc NOCART
appointed on 01/09/2016
electing address for service at the Company's registered office. | Chief Executive Officer |
| - Mr. Alain CHÉNEAU
electing address for service at the Company's registered office. | General Secretary |

14.1.3. Other positions held by the corporate officers in 2018

- | | |
|-----------------------|--|
| Mr. Olivier HASSLER | - No other corporate office |
| Mr. Henry RAYMOND | - No other corporate office |
| Mr. Marc NOCART | - No other corporate office |
| Ms. Valérie BRUNERIE | - Director and Chairman and Chief Executive Officer of BNP Paribas Home Loan SFH
- Director and Chief Executive Officer of BNP Paribas Public Sector SCF |
| Mr. Roland CHARBONNEL | - Chairman of the Board of Directors of Banques Populaires Covered Bonds
- Chief Executive Officer of BPCE – SFH |
| Mr. Éric CUZZUCOLI | - No other corporate office |
| Ms. Sophie OLIVIER | - Permanent representative of CCCM on the Board of Directors of Crédit Logement
- Permanent representative of CCCM on the Board of Directors of SGFGAS |
| Ms. Nadine FEDON | - Director and Chief Executive Officer of Crédit Agricole Home Loan SFH
- Director and Chief Executive Officer of Crédit Agricole Public Sector SCF
- Director of European DataWarehouse (EDW) |

Mr. Christian LARRICQ-FOURCADE

- No other corporate office

Mr. Vincent ROBILLARD

- Director and Deputy Chief Executive Officer of
Société Générale SCF

- Director and Deputy Chief Executive Officer of
Société Générale SFH

- Member of the Management Board of Société
Générale LDG

- Vice-Chairman of SGIS

14.2. CONFLICTS OF INTEREST WITHIN 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.

CHAPTER 15

REMUNERATION AND BENEFITS

15.1. REMUNERATION PAID TO CORPORATE OFFICERS

Total gross remuneration paid in 2018	in €
Olivier HASSLER – Chairman of the Board of Directors	25 000
Marc NOCART – Chairman and Chief Executive Officer	225 000

Fringe benefits granted in 2018	in €
Olivier HASSLER – Chairman of the Board of Directors	Nil
Marc NOCART – Chairman and Chief Executive Officer	6 994

For more information, please refer to note 16 (“Executive Compensation”) of the Notes to the Company’s financial statements, in Chapter 20 of the registration document.

The other corporate officers do not receive any compensation from the Company. They do not receive any fringe benefits and do not qualify for any special pension stock options or variable compensation scheme offered to CRH corporate officers.

15.2. REMUNERATION POLICY

The remuneration policy is supervised by the Board of Directors, which makes its decisions on the basis of the recommendations from the compensation committee.

The compensation committee’s mandate principally comprises the tasks below:

- submit to the Board of Directors any recommendation related to remuneration and benefits granted to executive officers.
- review each year the principles governing the corporate compensation policy, in particular as regards gender equality and the compensation paid to those employees whose operations are liable to have a material impact on the Company’s risk exposure.
- prepare and communicate to the Board the draft documents mandated by law concerning remuneration and benefits granted to executive officers.

CHAPTER 16

FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 EXPIRATION DATES OF THE TERMS OF OFFICE OF THE MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

Please refer to Chapter 14 (Administrative, management and supervisory bodies) of the registration document, for the dates of beginning and expiration of the terms of office of the members of the administrative, management and supervisory bodies (section 14.1.1).

16.2. INFORMATION CONCERNING THE SERVICE AGREEMENTS EXECUTED WITH THE MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

No service agreement has been executed between the issuer and any of the members of the administrative, management and supervisory bodies.

16.3. INFORMATION CONCERNING THE ISSUER'S AUDIT COMMITTEE AND COMPENSATION COMMITTEE

In addition to the audit committee and the compensation committee, CRH also has an appointments committee and a risk committee. These committees prepare and facilitate the Board of Directors' work concerning specific issues before they are debated at meetings of the Board. A summary of the said committees' main responsibilities and work during financial year 2018 is provided in paragraph 2 ("Specialised Committees) of the Corporate Governance report on page 23 of the registration document.

16.3.1 Audit Committee

- Mr. Christian LARRICQ-FOURCADE	Chairman	Crédit Lyonnais
- Mr. Christian ANDER and thereafter, starting from 14 March 2019, Mr. Éric CUZZUCOLI		Banque Fédérative du Crédit Mutuel
- Mr. Olivier HASSLER		CRH Chairman

16.3.2 Compensation Committee

- Ms. Sophie OLIVIER	Caisse Centrale du Crédit Mutuel
- Ms. Nadine FEDON	Crédit Agricole SA
- Mr. Vincent ROBILLARD	Société Générale

16.3.3. Appointments Committee

- Ms. Sophie OLIVIER	Caisse Centrale du Crédit Mutuel
- Ms. Nadine FEDON	Crédit Agricole SA
- Mr. Vincent ROBILLARD	Société Générale

16.3.4. Risk Committee

- | | | |
|---|----------|------------------------------------|
| - Mr. Christian LARRICQ-FOURCADE | Chairman | Crédit Lyonnais |
| - Mr. Christian ANDER and thereafter, starting from 14 March 2019, Mr. Éric CUZZUCOLI | | Banque Fédérative du Crédit Mutuel |
| - Mr. Olivier HASSLER | | CRH Chairman |

16.4. ISSUER'S COMPLIANCE WITH THE AFEP-MEDEF CORPORATE GOVERNANCE RULES

Please refer to paragraph 1.2 (“Corporate Governance Code”) of the Corporate Governance Report on page 23 of the registration document.

CHAPTER 17

EMPLOYEES

As of 31 December 2018, the issuer had a total of six employees, each of which was party to an unlimited-term employment contract.

These employees do not hold any shares of the issuer or stock options.

CHAPTER 18

PRINCIPAL SHAREHOLDERS

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

In accordance with CRH's constitutional documents (Article 6 of the articles of incorporation, see Annex 5), the allocation of the share capital is modified each year before 31 March, so that the number of shares held by each shareholder is proportionate to the regulatory capital requirement related to the refinancing granted by CRH to the shareholder concerned. Such allocation is made on the basis of the situation existing as of 31 December of the preceding financial year.

The table below lists the main shareholders as of 31 December 2018 and the changes made to the share ownership structure over the last three years.

Shareholder Groups	As of 31 December 2016				As of 31 December 2017				As of 31 December 2018			
	Number of shares	%	Number of voting rights (1)	%	Number of shares	%	Number of voting rights (1)	%	Number of shares	%	Number of voting rights (1)	%
Crédit Mutuel	13 040 027	36.82	2 565	36.52	13 300 683	37.56	2 603	36.76	12 498 135	35.29	2 442	36.79
Crédit Agricole	12 289 482	34.71	2 058	29.29	12 190 253	34.43	2 108	29.78	11 909 865	33.64	1 769	26.65
Société Générale	5 651 507	15.96	1 149	16.35	5 633 887	15.91	1 156	16.33	6 334 983	17.89	1 106	16.67
BNP Paribas	2 214 520	6.26	626	8.91	2 375 394	6.71	671	9.48	2 706 478	7.64	765	11.52
BPCE	2 213 953	6.25	626	8.91	1 909 272	5.39	540	7.63	1 960 028	5.54	554	8.35
Other shareholders	2	0.00	2	0.02	2	0.00	2	0.02	2	0.00	2	0.02
Total	35 409 491	100.00	7 026	100.00	35 409 491	100.00	7 080	100.00	35 409 491	100.00	6 638	100.00

(1) As regards the calculation of the voting rights, see Article 23 of the articles of association in Annex 5.

18.2. EXISTENCE OF DIFFERENT VOTING RIGHTS

The calculation of the voting rights is governed by Article 23 of the articles of incorporation (see Article 23 of the articles of incorporation in Annex 5). The articles of incorporation do not contain any provision granting different voting rights to specific classes of shares.

18.3. CONTROL OF THE ISSUER

Article 23 of the articles of incorporation organises the dilution of the voting rights attached to the shares, so as to protect CRH's independence (see Article 23 of the articles of incorporation in Annex 5).

18.4. SHAREHOLDERS' AGREEMENTS

No shareholders' agreement has been brought to the attention of CRH.

CHAPTER 19

OPERATIONS WITH RELATED PARTIES

During financial year 2018, CRH did not complete, with any related party, any transaction referred to in Article R. 123-199-1 of the French Commercial Code.

CHAPTER 20

FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1. HISTORICAL FINANCIAL INFORMATION

20.1.1 Accounting standards

As regards the implementation of International Financial Reporting Standards (IFRS), CRH queried, through its statutory auditors, the French National Association of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes* – CNCC) as to whether CRH would be subject to these standards. The response given on 17 May 2004 by CNCC was submitted to the AMF by CRH and reads as follows:

With regard to the requirements of Regulation No. 1606/2002 of the European Parliament, only companies raising capital through public offerings and publishing consolidated financial statements are required to prepare these statements in accordance with international accounting standards. [Translated from French]

The extension of such obligation to the annual financial statements of companies making public offerings of bonds or shares is, for each Member State of the European Union, to decide.

To date, relevant French authorities have not introduced any specific option or obligation for those companies making public offerings of bonds or shares that do not publish consolidated financial statements.

The provisions of Ordinance No. 2004-1382 of 20 December 2004 adapting national legislative provisions to EU provisions related to accounting regulations did not apply the possibility afforded by EU legislation, i.e. to authorize or impose the international accounting standards for corporate financial statements. CRH can therefore not publish its annual financial statements in accordance with international accounting standards.

In order to protect the return on the own funds invested in fixed-income securities, a specific portfolio of securities available for sale has been created. No other change in accounting methods affected the financial statements for financial year 2018.

The provisions adopted by the French accounting standard-setter, i.e. the *Autorité des Normes Comptables* (ANC), that are to be imperatively applied in 2018 have no material impact on CRH's financial statements.

20.1.2. Financial statements submitted for approval to the ordinary general meeting of 14 March 2019.

BALANCE SHEET

(in € thousands)

ASSETS	Note	31/12/2018	31/12/2017	31/12/2016
CASH, CENTRAL BANKS		128	9	122
LOANS AND ADVANCES TO CREDIT INSTITUTIONS		396 241	363 824	406 954
- Demand deposits		4 606	4 782	8 016
- Term deposits	4	391 423	358 870	398 808
- Accrued interest		212	172	130
BONDS AND OTHER FIXED INCOME SECURITIES		27 698 929	31 811 653	39 214 521
- Held to maturity	3-4-5	26 946 980	30 821 578	38 124 642
- Available for sale	4-5-6	65 000	194 629	155 000
- Accrued interest		686 949	795 446	934 879
EQUITY HOLDINGS AND OTHER LONG-TERM SECURITIES		0	0	8
INTANGIBLE FIXED ASSETS		11	0	4
TANGIBLE FIXED ASSETS		30	24	22
- Office furniture		1	1	1
- Fittings		14	14	16
- Miscellaneous equipment		4	3	5
- Office automation equipment		11	6	0
OTHER ASSETS	7	7 269	4 640	4 564
PREPAYMENTS AND ACCRUED INCOME	7	73	85	87
TOTAL		28 102 681	32 180 235	39 626 282

BALANCE SHEET

(in € thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31/12/18	31/12/17	31/12/16
CENTRAL BANKS		0	0	120
- Accrued interest		0	0	120
DEBT SECURITIES		27 539 170	31 616 963	39 059 486
- Bond issues	3-4	26 852 280	30 821 578	38 124 642
- Accrued interest		686 890	795 385	934 844
OTHER LIABILITIES	7	382	155	1 794
PREPAYMENTS AND ACCRUED INCOME	7	331	306	302
PROVISIONS	8	205	196	311
FUNDS FOR GENERAL BANKING RISKS (FRBG)	8-9		40	1 700
SHAREHOLDERS' EQUITY EXCLUDING FUNDS FOR GENERAL BANKING RISKS	9	562 593	562 575	562 569
- Subscribed share capital		539 995	539 995	539 995
- Share premium		17 820	17 820	17 820
- Statutory reserves		3 256	3 256	3 253
- Other reserves		1 122	1 122	1 122
- Retained earnings		382	376	322
- Net income for the year		18	6	57
TOTAL		28 102 681	32 180 235	39 626 282

OFF-BALANCE SHEET COMMITMENTS

(in € thousands)

RECEIVED COMMITMENTS	Note	31/12/18	31/12/17	31/12/16
FINANCING COMMITMENTS RECEIVED FROM CREDIT INSTITUTIONS	10	1 345 204	1 543 979	1 910 143
GUARANTEES RECEIVED FROM CREDIT INSTITUTIONS	11	39 316 576	46 185 401	55 416 976

INCOME STATEMENT

(in € thousands)

	Note	31/12/18	31/12/17	31/12/16
+ Interest and assimilated income	12	1 052 163	1 313 208	1 543 601
- on transactions with credit institutions				
. demand deposits		-23	-26	-35
. term accounts and loans		302	283	1 360
. advances under § 5.3 of the internal rules		322	590	225
- on bonds and other fixed-income securities				
. available for sale		28	222	221
. held to maturity		1 051 534	1 312 139	1 541 830
- Interest and assimilated expenses	12	-1 051 655	-1 312 602	-1 542 384
- on bonds and other fixed-income securities				
. interest		-1 051 208	-1 312 139	-1 541 830
. issuance and management fees		-447	-463	-554
+/- Gains or losses on portfolio investment operations	12	0	-371	0
+/- Translation differences	12	0	0	0
+/- Commissions	12	-6	-6	755
+/- Other income from banking operations	12	1 698	463	554
+/- Other expenses from banking operations	12	-343	-583	-225
NET BANKING INCOME	12	1 857	109	2 301
- General operating expenses	13	-10 067	-9 619	-9 568
- Payroll expenses		-1 191	-1 282	-1 430
- Other administrative expenses				
. taxes other than income tax		-8 383	-7 730	-7 537
. external services		-493	-607	-601
- Depreciation, amortisation and provision expenses related to intangible and tangible fixed assets	13	-12	-10	-29
+ Other operating income	13	11 926	10 938	10 614
GROSS OPERATING INCOME		3 704	1 418	3 318
+/- Cost of risk		0	0	0
OPERATING INCOME		3 704	1 418	3 318
+/- Gains or losses on fixed assets		-14	0	0
NET INCOME FROM ORDINARY OPERATIONS		3 690	1 418	3 318
+/- Non-recurring items		0	0	0
- Income tax	15	-3 712	-3 072	-4 373
+/- Expenses/reversals related to the FRBG and regulated provisions		40	1 660	1 112
NET INCOME		18	6	57

NET CASH-FLOW STATEMENT

(in € thousands)

	As of 31/12/18	As of 31/12/17	As of 31/12/16
Cash flow from operating activities			
Net income before taxes	3 731	3 083	4 280
Non-cash items:			
Net depreciation and amortisation expenses	12	9	29
Net charge to other provisions	-62	257	58
Net charge to the FRBG	-40	-1 660	-1 112
Other non-cash items	13	-183	1 009
Total non-cash items included in net income and other adjustments	-77	-1 577	-16
Changes in transactions with credit institutions:			
Increase in term deposits and negotiable debt securities	-122 555	-115 064	-446 804
Term deposits and other negotiable debt securities having reached maturity	125 002	115 002	445 677
Changes in non-financial assets and liabilities:			
Other assets	-2 630	391	-622
Other liabilities	-80	-1 638	161
Taxes paid	-3 405	-3 545	-2 729
Net change in assets and liabilities from operating activities	-3 668	-4 854	-4 317
Net cash flow used in operating activities (A)	-14	-3 348	-53
Cash flow from investing activities			
+/- Disposals or acquisitions of tangible fixed assets	-28	-7	0
+/- Disposals or acquisitions of intangible and financial fixed assets	-14	8	-28
Net cash flow used in investing activities (B)	-42	1	-28
Net cash flow from financing activities			
Capital increase in cash	0	0	0
Proceeds from bond issues	0	0	0
Bond repayments	-3 975 500	-7 301 514	-2 762 240
Acquisition of investment securities (mortgage notes)	0	0	0
Investment securities having reached maturity	3 975 500	7 301 514	2 762 240
Proceeds from subordinated bond issues	0	0	0
Repayment of subordinated debt	0	0	0
Dividends paid	0	0	0
Net cash from financing activities (C)	0	0	0
Impact of changes in exchange rates (D)	0	0	0
Net cash flow (A + B + C + D)	-56	-3 347	-81
Net cash and cash equivalents at the beginning of the period	4 790	8 137	8 218
Net cash and cash equivalents at the end of the period	4 734	4 790	8 137
NET CHANGE IN CASH POSITION	-56	-3 347	-81

NOTES

PRESENTATION OF THE FINANCIAL STATEMENTS ACCOUNTING POLICIES AND VALUATION METHODS

NOTE 1 - Presentation of the financial statements

CRH's annual financial statements are prepared and presented in accordance with the provisions of Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des Normes Comptables* – ANC) related to the financial statements of enterprises of the banking sector.

NOTE 2 – Accounting principles and valuation methods

A – Foreign exchange transactions

CRH's foreign exchange transactions are recognised in accordance with Regulation No. 2014-07 referred to above. Therefore, as an exception to the provisions of Article L. 123-22, paragraph 1 of the French Commercial Code, the accounting documents related to the recording of foreign exchange transactions are prepared in each of the currencies concerned.

CRH does not take any foreign exchange positions.

CRH carries out refinancing transactions using mortgage notes in Swiss francs (CHF) guaranteed by home-purchase loans in CHF, by issuing bonds in CHF for the same amount.

These transactions are perfectly matched, since the translation differences on the mortgage notes are recognised in a symmetrical manner in respect of the differences recognised on the bonds.

B – Issued bonds

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 amortised using the actuarial method.

Actuarial amortisation is non-straight-line amortisation 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 amortisation is equal to the difference between the cash flow of the period, calculated on the basis of the nominal rate, and the actuarial cash flow computed by applying the effective interest rate to the actuarial amortised price obtained at the end of the previous computation period.

As regards bonds issued in CHF, on each closing date:

- the bonds' issue prices, adjusted for actuarial amortisation of the issue premiums, are translated using the CHF historical exchange rate on the settlement date of each issue.
- accrued interest payable on these bonds is translated at the CHF spot rate and recognised in the income statement.
- amounts due (interest, repayment) are recognised at the rate prevailing on each of these settlements. A technical currency gain or loss is then recognised in the income statement.

Each bond issue has its own costs. Bond issuance costs are split between new issue costs (issuance fees, AMF fees, listing costs, advertising costs) and costs pertaining to the management of outstanding bonds (financial services, securities services, fees of the rating agencies and contributions to prudential authorities).

Regardless of their nature, all such expenses are recharged to borrowers. 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 admitted to trading 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.

The securities portfolio held by CRH is mainly comprised of fixed-income securities: the mortgage notes subscribed by the shareholders.

CRH may incidentally hold negotiable debt instruments corresponding to the investment of cash.

Mortgage notes are recorded as investment securities. Indeed under Regulation No. 2014-07 referred to above, they are intended to be held to maturity and are financed through matching and earmarked 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 of the balance sheet 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 amortised using the actuarial method under exactly the same terms and conditions as for the bonds.

As regards the CHF mortgage notes, on each closing date:

- the notes' acquisition price, adjusted for actuarial amortisation, is valued on the basis of the CHF's historical exchange rate as of the date of the acquisition
- accrued interest receivables on such notes are valued on the basis of the CHF spot rate and recognised in the income statement
- amounts due (interest, repayment) are recognised on the basis of the exchange rate prevailing on the day of each of the payments. A technical foreign currency gain or loss is then recognised in the income statement.

Disposals of investment securities are limited to early redemptions 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, as a consideration for such disposals, CRH acquires new mortgage notes matching the related bonds offered.

These disposals have no impact on CRH's earnings.

Negotiable debt instruments, with a maturity in excess of two years on their acquisition date, are recognised in a specifically created new portfolio of securities held to maturity.

Those of the securities available for sale held as of 31 December 2017 having a residual term in excess of two years as of 31 December 2018 have been transferred to such specific portfolio. Where applicable, previously recognised impairment charges are reversed over the residual term of the securities concerned.

The other negotiable debt instruments are recognised as securities available for sale. On each closing date, unrealised capital losses, if any, are calculated for each securities line and give rise to the recognition of an impairment charge without set-off with unrealized capital gains. Such capital losses are recognised as “Gains or losses related to portfolio investment operations”, in the same manner as for the depreciation flows related to the said securities. Unrealised capital gains are not recognised.

D – Loans and advances to credit institutions

Loans and advances to credit institutions include all loans and advances held in respect of banking operations, with the exception of those represented by a security. Loans and advances to credit institutions are stated on the balance sheet at their face value or acquisition cost in the case of loans and advances purchased, plus any accrued interest not yet due and net of provisions recognised in respect of credit risk.

CRH did not redeem any receivables. Also CRH did not recognise any impairment charge related to the credit risk.

E - Funds for general banking risks

In accordance with Regulation No. 2014-07 of the Accounting Standards Authority related to the financial statements of banking institutions, amounts have been allocated to the funds for general banking risks having regard to the specific risks inherent in the Company’s banking operations.

Such provisions may be reversed in order to cover the crystallization of such risks during a given financial year.

F – Equity holdings and other long-term securities

This item only concerned the membership certificate of the Deposit Guarantee and Resolution Fund.

G – Fixed assets

Under the accounting regulations for fixed assets (CRC Regulations No. 2002-10 and 2003-12), fixed assets are recognised on the balance sheet at their historical acquisition cost. Depreciation and amortisation schedules are calculated on the basis of the rates approved by tax authorities.

Intangible fixed assets consist of software amortised on a straight-line basis over 3 years.

Tangible fixed assets are depreciated on a straight-line or 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 for tax purposes
- IT equipment	3 years	declining balance for tax purposes

H – Other assets and liabilities

Other assets may consist of payments on account of tax, deductible VAT, security deposits, costs and taxes to be recovered, salary advances to staff and interim dividends.

Other liabilities may consist of amounts due to tax, social security and other welfare bodies, VAT collected, trade payables, remuneration due to staff, dividends due to shareholders, bonds and other fixed-income securities issued by the institution, amortised and not yet repaid, and coupons in respect of securities issued by the institution and which are due but still remain to be paid.

I – Retirement benefits

The benefits to which CRH employees are entitled upon retirement are paid by the French social security system, with a complementary portion paid by third-party bodies managing the distribution of contributions made.

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

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 recalculated.

NOTES TO THE BALANCE SHEET

NOTE 3 – Mortgage notes and bond issues

Mortgage notes are the instruments representing the securities issued by CRH, corresponding to the loans that 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.

(in € thousands)

	As of 31/12/18		As of 31/12/17		As of 31/12/16	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
SECURITIES TRANSACTIONS						
- bonds and other fixed-income securities						
. mortgage notes (*)	26 852 280		30 821 578		38 124 642	
. accrued interest not yet due on mortgage notes	686 890		795 385		934 844	
- Debt securities						
. bonds (*)		26 852 280		30 821 578		38 124 642
. accrued interest not yet due on bonds		686 890		795 385		934 844
TOTAL	27 539 170	27 539 170	31 616 963	31 616 963	39 059 486	39 059 486

(*) including amounts in nominal value:

(in € thousands)

	As of 31/12/18		As of 31/12/17		As of 31/12/16	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
SECURITIES TRANSACTIONS						
- Bonds and other fixed-income securities						
. mortgage notes	25 535 015		29 510 515		36 667 275	
- Debt securities						
. bonds		25 535 015		29 510 515		36 667 275
TOTAL	25 535 015	25 535 015	29 510 515	29 510 515	36 667 275	36 667 275

(in CHF thousands)

	As of 31/12/18		As of 31/12/17		As of 31/12/16	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
SECURITIES TRANSACTIONS						
- Bonds and other fixed-income securities						
. mortgage notes	1 675 000		1 675 000		1 875 000	
- Debt securities						
. bonds		1 675 000		1 675 000		1 875 000
TOTAL	1 675 000	1 675 000	1 675 000	1 675 000	1 875 000	1 875 000

Note: Mortgage notes are not listed securities.

NOTE 4 – Breakdown of receivables and liabilities by residual maturity

(in € thousands)

RECEIVABLES	As of 31/12/18	As of 31/12/17	As of 31/12/16
Credit institutions: term deposits			
- less than 3 months	50 423	370	40 309
- 3 months to 1 year	150 000	47 500	45 000
- 1 to 5 years	111 000	296 000	313 500
- more than 5 years	80 000	15 000	0
TOTAL	391 423	358 870	398 809
Negotiable debt instruments			
- less than 3 months	0	0	0
- 3 months to 1 year	15 000	60 000	30 000
- 1 to 5 years	129 700	94 892	125 000
- more than 5 years	15 000	39 737	0
TOTAL	159 700	194 629	155 000
Mortgage notes			
- less than 3 months	228 033	0	0
- 3 months to 1 year	3 505 663	3 970 040	7 296 408
- 1 to 5 years	18 704 958	18 007 638	15 607 680
- more than 5 years	4 413 626	8 843 900	15 220 554
TOTAL	26 852 280	30 821 578	38 124 642

Remark: The amount of the negotiable debt securities eligible for refinancing by the European System of central banks is equal to € 50 M. Other receivables are not eligible.

(in € thousands)

LIABILITIES	As of 31/12/18	As of 31/12/17	As of 31/12/16
Bonds			
- less than 3 months	228 033	0	0
- 3 months to 1 year	3 505 663	3 970 040	7 296 408
- 1 to 5 years	18 704 958	18 007 638	15 607 680
- more than 5 years	4 413 626	8 843 900	15 220 554
TOTAL	26 852 280	30 821 578	38 124 642

NOTE 5 -Securities available for sale reclassified as securities held to maturity

(in € thousands)

2018	Amount at the beginning of the financial year		Amount at the end of the financial year	
	Gross book value	Net book value	Impairment charge	Net book value
FR0124497985	10 000	9 757	43	9 800
FR0013241775	10 000	9 993	2	9 995
FR0013247731	10 000	10 000	0	10 000
FR0013265667	10 000	10 000	0	10 000
FR0013285509	20 000	19 980	3	19 983
FR0013265824	10 000	9 899	23	9 922
TOTAL	70 000	69 629	71	69 700

NOTE 6 -Valuation of the securities held in the portfolio as of 31 December 2018

Available for sale:

(in € thousands)

ISIN Code	Gross book value	Net book value	Unrealised capital gains	Unrealised capital losses
XS1515233408	50 000	50 000	21	0
FR0013186996	10 000	10 000	2	0
TOTAL	60 000	60 000	23	0

Held to maturity:

(in € thousands)

ISIN Code	Gross book value	Net book value	Unrealised capital gains	Unrealised capital losses
FR0124497985	10 000	9 800	0	32
FR0124980220	15 000	15 000	0	59
FR0013241775	10 000	9 995	0	26
FR0013247731	10 000	10 000	46	0
FR0013265667	10 000	10 000	0	109
FR0013285509	20 000	19 983	0	216
FR0013327681	10 000	10 000	0	224
FR0013265824	10 000	9 922	0	150
TOTAL	95 000	94 700	46	816

NOTE 7 – Other assets, liabilities, prepayment and accrual accounts

(in € thousands)

ASSETS	As of 31/12/18	As of 31/12/17	As of 31/12/16
Miscellaneous debtors	7 269	4 640	4 564
Government – income tax	0	468	0
Government – CVAE	0	29	15
Government – Deductible VAT	8	0	21
Expenses recharged to borrowers	1 846	0	1 508
Guarantee deposits with the French Deposit Guarantee and Resolution Fund	0	0	16
Guarantee deposit with the Single Resolution Fund	5 376	4 104	2 966
Other guarantee deposits and miscellaneous	39	39	38
Other prepayments	73	85	87
TOTAL	7 342	4 725	4 651

(in € thousands)

LIABILITIES	As of 31/12/18	As of 31/12/17	As of 31/12/16
Miscellaneous creditors	382	155	1 794
Government – income tax	307	0	1 494
Government – VAT	8	4	173
Social security and payroll taxes	53	73	89
Trade payables	11	73	33
Miscellaneous creditors	3	5	5
Accrued expenses	331	306	302
Payroll expenses and related expenses	197	186	214
Direct and indirect taxes	53	0	0
Other accrued expenses	81	120	88
TOTAL	713	461	2 096

NOTE 8 - Provisions

(in € thousands)

	Balance as of 31/12/16	+Expenses -Reversals	Balance as of 31/12/17	+ Expenses -Reversals	Balance as of 31/12/18
Provision for retirement benefits (note 19)	161	35	196	9	205
Provision for tax regularisation	150	-150	0	0	0
Fund for general banking risks (note 9)	1 700	-1 660	40	-40	0
TOTAL	2 011	-1 775	236	-31	205

NOTE 9 – Common equity Tier I (CET1) capital instruments

Since 31 December 2016, in order to ensure the stability of the CET1 own funds, the funds for general banking risks are no longer included in the CET1 own funds. Changes of the funds for general banking risks from one year to the next are shown in note 8.

CRH's share capital is fully subscribed. Shares have a par value of € 15.25. The total number of shares in issue is equal to 35,409,491.

(in € thousands)

	Balance as of 31/12/16	+ Increase - Decrease	Balance as of 31/12/17	+ Increase - Decrease	Balance as of 31/12/18
Subscribed share capital	539 995	0	539 995	0	539 995
Share premium	17 820	0	17 820	0	17 820
Statutory reserve	3 253	3	3 256	0	3 256
Other reserves	1 122	0	1 122	0	1 122
Retained earnings	322	54	376	6	382
Net income	57	-51	6	12	18
TOTAL	562 569	6	562 575	18	562 593

For each financial year, changes in the Common Equity Tier 1 capital are explained by the allocation of the net income of the preceding financial year.

With a view to the 2017 Supervisory Review and Evaluation Process (SREP), the irrevocable payment commitment assumed in favour of the Single Resolution Fund, in the amount of € 5,376,003 as of 31 December 2018 is deducted from the Common Equity Tier 1 capital, with the CET1 Equity thus being equal to € 557,206,329.

NOTES TO THE OFF-BALANCE SHEET ITEMS

NOTE 10 – Financing commitments received from credit institutions

Pursuant to the articles of incorporation, credit institution shareholders are obligated to provide the cash advances required for CRH's operations up to the limit of 5% of total outstanding loans. This requirement is defined in CRH's internal rules and regulations, approved by the Shareholders' Meeting of 27 February 1996.

As of 31 December 2018, such received commitments totalled € 1,345,203,893.26.

NOTE 11 – Guarantees received from credit institutions

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 charge over real estate, offering an equivalent guarantee, or a guarantee given by a credit institution, a financing company or insurance company which is not included in the consolidation scope of the credit institution issuing the note.

As of 31 December 2018, the estimated amount of the portfolio of receivables pledged to CRH amounted to € 39,316,576,264.56.

NOTES TO THE INCOME STATEMENT

NOTE 12 – Net banking income (NBI)

A - Analysis of the net banking income from bond issuance 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 expenses from lending activities and borrowing activities in order to observe their equivalence.

(in € thousands)

	As of 31/12/18		As of 31/12/17		As of 31/12/16	
	Expenses	Revenues	Expenses	Revenues	Expenses	Revenues
Interest						
Bonds issued	1 051 208		1 312 139		1 541 830	
Mortgage notes		1 051 208		1 312 139		1 541 830
Translation differences *						
Bonds issued	1 453		10 170		43 977	
Mortgage notes		1 453		10 170		43 977
Issuance and management fees						
Bonds issued	447		463		554	
Mortgage notes		447		463		554
TOTAL	1 053 108	1 053 108	1 322 772	1 322 772	1 586 361	1 586 361

* Foreign exchange differences correspond to a technical balance between the foreign exchange gains and losses recorded upon the contractual maturities of CHF-denominated transactions.

Since 2016, the fees paid to rating agencies were recharged in full to the borrowing institutions. Such recharges represented in the aggregate an amount of € 239,583 in 2018.

These flows have no impact on CRH's financial performance.

B - Other income and expenses pertaining to banking operations

For financial year 2018, other income from banking operations included interest earned on shareholders' equity invested on the money market in demand deposits, term deposits and negotiable debt instruments which are fixed rate with a term of generally no more than one year or adjustable rate. This income fluctuates from year to year in close correlation with the average level of market interest rates. This income therefore represents a rate of return of 0.10% on average capital invested during 2018 (0.09% in 2017 and 0.27% in 2016).

In order to protect the return on the capital invested in negotiable debt instruments for periods in excess of two years, a specific portfolio of securities held to maturity had been created. Depreciation charges recognised at an earlier date are reversed over the residual term of the securities concerned (for more details, please refer to note 5).

(in € thousands)

	As of 31/12/18	As of 31/12/17	As of 31/12/16
Interest on cash management transactions	279	257	1 325
Interest on securities available for sale (NDI)	28	222	221
Interest on securities held to maturity (NDI)	255	0	0
Interest from the investment of the advances paid under § 5.3 of CRH's internal rules and regulations	-322	-590	-225
Reversal of impairment charges related to re-classified securities	71	0	0
Fees on securities transactions	0	0	760
Received operating subsidy	1 250	0	0
A - Total other proceeds related to banking	1 561	-111	2 081
Interest on advances under § 5.3 of CRH's internal rules and regulations	-322	-590	-225
Gains or losses on transactions related to the investment portfolios	0	371	0
Other interest and expenses	25	-2	4
Fees on securities transactions	1	1	1
B - Total other expenses from banking operations	-296	-220	-220
NET BANKING INCOME	1 857	109	2 301

The valuation of the securities held in the portfolio as of 31 December 2018 is detailed in note 6. No sale of securities was completed in 2018.

In order to enable the Company to balance its 2018 accounts with a view to a resumption of bond issues in 2019, the Board of Directors decided, during its meeting of 11 December 2018, to ask the borrowing institutions to pay an operating subsidy in the amount of € 1,250,000.

NOTE 13 – Other operating income and expenses

A – Operating expenses recharged to borrowers

Since 2015, under the new European regulatory provisions, CRH has been obliged to pay two contributions:

- the European Central Bank's (ECB) supervision contribution,
- the contribution to the Single Resolution Fund (SRF).

Already in 2015, in order to enable CRH to meet these new expenses, which very materially increase its operating expenses, while the profitability of its investments is impaired by the very low level of interest rates received on the money market, these contributions have been recharged to borrowers by neutralising the impact of the non-deductibility from corporate income tax of the contribution to the SRF, in accordance with the provisions of the internal rules and regulations and the collateralisation agreements.

In 2016, there were added to such recharges:

- the supervision contribution paid to the Prudential Supervision and Resolution Authority (ACPR),
- the contribution to the Single Resolution Mechanism (SRM).

The same mechanism would be applied to the fee due to the Financial Markets' Authority (AMF) in respect of bond issues.

(in € thousands)

	As of 31/12/18		As of 31/12/17		As of 31/12/16	
	Expenses	Revenues	Expenses	Revenues	Expenses	Revenues
Taxes other than income tax (excerpt)						
SRF contribution	7 207		6 451		6 316	
ECB contribution	810		807		743	
ACPR contribution	195		239		255	
SRM contribution	106		215		142	
Other operating income						
Recharge of the contributions		11 922		10 938		10 614
Miscellaneous income		4		0		0

B – Other operating expenses

Not including recharged expenses, CRH's total administrative expenses, after depreciation and amortization, amounted to:

- € 1.8 M as of 31 December 2018,
- € 1.9 M as of 31 December 2017,
- € 2.1 M as of 31 December 2016,

Total administrative expenses represented 0.0063% of average outstanding loans to shareholders in the year ended 31 December 2018 (0.0056% in the year ended 31 December 2017 and 0.0053% in the year ended 31 December 2016).

The detail of the main items is as follows:

(in € thousands)

	As of 31/12/18	As of 31/12/17	As of 31/12/16
Wages and salaries	734	754	943
Retirement expenses (1)	94	122	13
Other social security charges	259	292	331
Payroll taxes and similar expenses	104	114	143
Total payroll expenses	1 191	1 282	1 430
Taxes other than income tax (excerpt)	65	18	81
Rental and leasing	159	228	234
Other external services and miscellaneous administrative expenses	334	379	367
Total other administrative expenses	493	607	601
Amortisation of intangible fixed assets	3	4	24
Depreciation of tangible fixed assets	9	6	5
Total amortisation and depreciation expenses	12	10	29

(1) Not including reversals and the provision for retirement benefits as of 31 December 2018 in the amount of €9,000.

NOTE 14 – Fees paid to statutory auditors

The total amount of the fees paid to the statutory auditors as recognised as of 31 December 2018 is equal to € 72,089.10 and is broken down as follows:

in €

	Auditeurs & Conseils Associés	KPMG
2018 statutory audit fees	32 810.00	32 810.00
Other audit-related services supplied in 2018	1 540.00	1 540.00
Balance of 2017 statutory audit fees	1 380.00	2 009.10
Total	35 730.00	36 359.10

NOTE 15 – Income tax

The tax due on the 2018 income amounted to € 3,618,271. While such amount only covers recurring transactions, its level is very materially increased by (i) the adding back of the amount of the SRF contribution in the amount of € 7,207,155.78 which is not deductible; and (ii) the corresponding recharge (note 12 A). To this, it is necessary to add the social contribution in the amount of € 94,224.

OTHER INFORMATION

NOTE 16 – Executive compensation

in euro

Table recapitulating the compensation paid to executive officers				
	2018		2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Olivier HASSLER				
Fixed compensation	25 000	25 000	25 000	25 000
Variable compensation				
Exceptional compensation				
Directors' fees				
Fringe benefits				
TOTAL	25 000	25 000	25 000	25 000
Marc NOCART				
Fixed compensation	200 000	200 000	200 000	200 000
Variable compensation				
Exceptional compensation	25 000	25 000		
Directors' fees				
Fringe benefits (GSC)	6 994	6 994	6 983	6 983
TOTAL	231 994	231 994	206 983	206 983

The other corporate officers do not receive any compensation from the Company.

NOTE 17 – List of related-party transactions

CRH did not enter into any transactions within the meaning of Article R. 123-199-1 of the French Commercial Code with any related parties whatsoever during financial year 2018.

NOTE 18 - Staff

CRH had, on average, seven employees in 2018.

NOTE 19 - Provision for lump-sum retirement benefits

Provisions set aside to cover lump-sum retirement benefits as required by French law amounted to € 205,000 and covered the full amount of CRH's liability as assessed as of 31 December 2018.

CRH does not have any other retirement commitments.

ADDITIONAL INFORMATION

Leverage ratio

European regulations introduced among prudential indicators a leverage ratio equal to the amount of CET1 capital divided by the total exposure of the institution concerned. Data collection was started according to the regulatory format in 2014, and institutions are obliged to publish their leverage ratio since 1 January 2015.

Also, the European Commission, in its project for the reform of the CRR that was presented on 23 November 2016, proposed the implementation of the recommendations issued by the EBA in its report on the introduction and calibration of the leverage ratio, published on 3 August 2016.

In general, this results in a binding leverage ratio obligation set at 3%. However, the draft prepared by the European Commission provides for possible exceptions, according to the controlling criteria listed by the EBA, applicable to certain types of exposures, listed in a new Article 429a 1.

In particular, Article 429a 1. (e) of the draft refers to “exposures arising from passing-through promotional loans to other institutions granting the promotional loan.”

As an item of information only, CRH’s leverage ratio as of 31 December 2018 was equal to 1.98% under the Basle III target vision.

Capital adequacy ratio

The 2017 Supervisory Review and Evaluation Process (SREP) has set, starting from 1 January 2018, the prudential capital requirement at 11.625% of risk-weighted assets and the base Common Equity Tier 1 (CET 1) capital requirement at 8.125%.

The capital adequacy ratio, calculated in accordance with the provisions of Regulation (EU) No. 575/2013 of 26 June 2013, was 17.35% as of 31 December 2018. In the absence of additional capital, the Common Equity Tier 1 (CET 1) capital adequacy ratio was thus equal to 17.35%.

in €

Own funds disclosure Implementing Regulation (EU) No. 1423/2013			Reference to the relevant Article of EU Regulation No. 575/2013
Common Equity Tier I capital (CET1): instruments and reserves			
1	Capital instruments and related share premium accounts	557 815 273	26(1), 27, 28, 29
	of which: ordinary shares	557 815 273	ABE List, 26 (3)
	of which: type-2 instruments	0	ABE List, 26 (3)
	of which: type-3 instruments	0	ABE List, 26 (3)
2	Retained earnings	381 524	26(1)(c)
3	Accumulated other comprehensive income (and other reserves)	4 396 201	26 (1)
3a	Funds for general banking risks	0	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1	0	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	0	84

5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	562 592 998	Total of lines 1 to 5a.
Common Equity Tier I capital (CET1): regulatory adjustments			
7	Additional value adjustments (negative amount)	-5 386 669	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	0	36 (1) (b), 37
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	0	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	0	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) à (3), 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	36 (1) (k)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability, where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (b)
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)	0	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	36 (1) (j)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-5 386 669	Total of lines 17 to 20a, 21, 22 and 25a to 27
29	Common Equity Tier 1 (CET1) capital	557 206 329	Line 6 minus line 28
Additional Tier 1 (AT1) capital: instruments		0	

Tier 2 (T2) capital: instruments and provisions		0	
Total capital (TC = CET1 + AT1 + T2)		557 206 329	
Total weighted assets		3 212 427 892	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.35%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	17.35%	92 (2) (b)
63	Total capital (as a percentage of risk exposure amount)	17.35%	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic buffer, plus the systemically important institution buffer, expressed as a percentage of risk exposure amount)	8.125%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	0.00%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	17.35%	CRD 128
Amounts below thresholds for deduction (before weighting)		0	
Can applicable for the integration of the credit risk adjustments into the T2 according to the standard approach		40 155 349	62 (c)
Equity instruments subject to gradual exclusion (applicable between 1 January 2014 and 1 January 2022 only)		0	

LCR liquidity ratio

The conditions under which CRH normally operates are such that no liabilities are uncovered. The provisions of Article 425-1 of Regulation (EU) No. 575/2013 of 26 June 2013 give CRH exemption from the 75% cap on cash outflows corresponding to the servicing of its bonds, with cash inflows corresponding to the mortgage notes.

NSFR liquidity ratio

Pursuant to CRH's articles of incorporation and internal rules, its borrowings and loans are fully interdependent (identical rates, terms and currencies).

Following the publication by the European Banking Authority (EBA) of its report dated 15 December 2015, the European Commission, in its draft text on the reform of the CRR which was submitted on 23 November 2016, proposed to transpose the Basle requirements on interdependent assets and liabilities for the calculation of the NSFR so as to avoid the application of different ASF (available stable funding) coefficients and RSF (required stable funding) coefficients as regards borrowings and loans maturing within six months.

Major risks

The amendments to the articles of incorporation and internal rules unanimously approved by the shareholders during the extraordinary general meeting held on 8 March 2016 allow, pursuant to Article 493-3 (e) of the CRR and Article 2-1 (c) of the ministerial decree of 23 December 2013¹, to fully exempt until 1 January 2029 the mortgage notes held by CRH from the rules on major risks.

¹ Ministerial decree of 23 December 2013 implementing Article 493 (3) of the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

Disclosures related to assets encumbered as of 31 December 2018 (Ministerial decree of 19 December 2014 concerning the disclosure on information related to encumbered assets)

Template A – Assets

(in € thousands)

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Assets of the reporting institution	27 444 948		564 239	
030	Equity instruments	0	0	0	0
040	Debt securities	27 444 948	27 622 983	164 568	164 419
120	Other assets	0		399 671	

Template B – Collateral received

(in € thousands)

		Fair value of the encumbered collateral received or own debt securities issued	Fair value collateral received or own debt securities issued available for encumbrance
		010	040
130	Collateral received by the reporting institution	0	39 425 464
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	39 425 464
240	Own debt securities issued, other than own covered bonds or ABS	0	0

Template C – Encumbered assets/collateral received and associated liabilities

(in € thousands)

		Matching securities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued, other than covered bonds and encumbered ABS
		010	030
010	Carrying amount of selected financial liabilities	27 444 948	39 425 464

D – Information on the importance of charges on assets

1- Summary of CRH's functioning mode

CRH operates within the specific framework of Act No. 85-695 of 11 July 1985 (see Annex 1).

In accordance with its sole corporate purpose, CRH borrows on a long-term basis by issuing on the market covered bonds to refinance banks at the same interest rates, with the same maturities and in the same currencies.

The refinancing loans that CRH grants to the banks and the bonds that it issues on the financial market are perfectly matched (see Annex 6, internal rules and regulations).

When CRH borrows 100 in nominal value, it grants a refinancing loan with a nominal value of 100, and demands as collateral a loan portfolio with a minimum nominal value of 125 (see Annex 6, Internal rules and regulations).

The loans corresponding to the refinancing facilities are represented by mortgage notes.

In accordance with the provisions of Articles L. 313-42 to L 313-48 of the French Monetary and Financial Code (*Code monétaire et financier*) (see Annex 2), the refinanced bank pledges a portfolio of home-purchase loans meeting the conditions of eligibility (see Annex 7) to cover the loans granted to it by CRH.

In the event of the refinanced bank defaulting, CRH may automatically become the owner of the portfolio pledged by the said bank, notwithstanding any provisions to the contrary.

Finally, pursuant to the provisions of Article 13 of the Act of 11 July 1985 referred to above, the amounts or values received in return for the above promissory notes are allocated, in priority and under all circumstances, to servicing the debt, i.e. the payment of the interest and principal in respect of the issued bonds.

2- Information on encumbered assets (Article 3(4) of the aforementioned ministerial decree)

Disclosed data correspond to the median of the values observed over a quarterly period during the preceding twelve months.

The only assets qualified as encumbered assets within the meaning of Article 2 of the said decree are the mortgage notes matching the CRH bonds and the related accrued interest.

a) Since the amounts or values received in return for these notes are, in priority, legally allocated to servicing the interest and repayments of principal in respect of CRH's matching covered bonds, the notes are encumbered to CRH's bondholders which are CRH's only creditors with the possible exception of the government, its staff, the social security bodies and CRH's suppliers, to which CRH may owe small amounts.

This allocation to the servicing of the said debt constitutes the only charge on the notes.

In addition, CRH does not use derivatives.

b) This allocation has remained unchanged since CRH's formation.

c) CRH is not part of a group.

d) There is no excess collateral for the bondholders. Nevertheless, in the event of a borrowing bank defaulting, the bonds benefit indirectly from the overcollateralization of the pledged portfolio which becomes the property of CRH.

Moreover, the shareholder banks are required, if necessary, to provide CRH with lines of credit or regulatory capital (Article 10 of the articles of incorporation and Article 8 of the internal rules and regulations).

These provisions also indirectly benefit the covered bondholders.

- e) The priority allocation to the servicing of CRH's covered bond debt is stipulated by the Act of 11 July 1985 referred to above.

The collateral received by CRH to cover the mortgage notes is stipulated by the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code (*Code monétaire et financier*) and by CRH's internal rules and regulations also referred to above.

The other assets that could be used to service the debt are the investments of shareholders' equity and the income thereon.

20.2. PRO FORMA FINANCIAL INFORMATION

Absent any significant change in gross values, CRH did not prepare any pro forma financial information.

20.3. CONSOLIDATED FINANCIAL STATEMENTS

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

20.4. AUDIT OF THE HISTORICAL ANNUAL FINANCIAL INFORMATION

The general report submitted by the statutory auditors concerning the financial statements for the financial year closed on 31 December 2018 is included in the section entitled "Reports" of this registration document, on page 29.

The general report submitted by the statutory auditors concerning the financial statements for the financial year closed on 31 December 2017 is included in the section entitled "Reports" of the registration document for financial year 2017, on page 33.

The general report submitted by the statutory auditors concerning the financial statements for the financial year closed on 31 December 2016 is included in the section entitled "Reports" of the registration document for financial year 2016, on page 31.

20.5. DATE OF THE LATEST FINANCIAL INFORMATION

The financial information dated 31 December 2018 is the latest financial information to be checked.

20.6. INTERIM FINANCIAL INFORMATION AND OTHER INFORMATION

CRH did not disclose any quarterly or half-yearly financial information since the date of the latest financial statements as of 31 December 2018.

20.7. DIVIDEND POLICY

The rules governing the distribution of dividends are contained in Article 26 of the articles of incorporation. CRH's shares are allocated among the shareholders in accordance with the rules described in the preceding paragraph. Therefore, the issues related to the dividend policy are not applicable.

The amounts of the dividends paid to shareholders are included in the five-year financial summary, on page 21.

Dividends are time-barred after five years.

20.8. JUDICIAL AND ARBITRATION PROCEDURES

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

20.9. SIGNIFICANT CHANGES IN THE ISSUER'S FINANCIAL POSITION

There are no exceptional events or litigation that have had, in the recent past, or that are likely to have in the future, a material impact on the financial position, activity or earnings of CRH that have not been reflected in the financial statements for the year ended 31 December 2018.

CHAPTER 21

ADDITIONAL INFORMATION

21.1. SHARE CAPITAL

21.1.1. Subscribed capital

The combined general meeting of shareholders convened on 11 March 2014 delegated to the Board of Directors the powers necessary to increase the share capital in one or more times from € 299,807,237.75 to a maximum amount of € 599,999,995.50 over the next five years.

During its meeting of 29 April 2014, the Board of Directors, after deliberating, decided to complete a first share capital increase against cash contributions in a maximum amount of € 240,187,500, to be paid up in part by way of set-off with subordinated loans granted to CRH by the shareholders and in part in cash.

On 17 June 2014, the Board of Directors noted the completion of the said share capital increase.

Taking into account the number of shares actually subscribed (15,750,000 new shares), the subscribed share capital amounts to € 539,994,737.75, subdivided into 35,409,491 shares with a par value of € 15.25.

The said shares are not encumbered by any pledge.

The CRH shares are not listed.

21.1.2. Share capital authorised and not subscribed

As of 31 December 2018, the share capital authorised and not subscribed is equal to € 60,005,257.75.

21.1.3. Convertible bonds and other securities giving access to the capital

CRH has not issued any convertible bonds or composite investment securities likely to give access, whether immediately or over time, to its share capital.

21.1.4. Table showing the changes in CRH's capital

Please refer to the five-year financial summary, on page 21.

21.1.5. Allocation of the share capital (Excerpt from the articles of association - Article 6 - see Annex 5)

The number of shares to be held by each shareholder must be proportionate to the regulatory capital requirement related to the refinancing facilities granted by the company to the said shareholder.

21.2. CONSTITUTIONAL DOCUMENT - ARTICLES OF INCORPORATION

The full text of the articles of incorporation is attached as Annex 5 to this registration document, on page 163.

21.2.1. Corporate purpose (Article 2 of the articles of incorporation)

CRH's corporate purpose consists in:

- refinancing promissory notes signed or endorsed by the shareholders or credit institutions committed to becoming shareholders according to the procedures set forth in Articles 6 to 9 of the articles of incorporation in order to collateralise the receivables described in Article L. 313-42 of the French Monetary and Financial Code and representing home-purchase loans;

- issuing financial securities with characteristics comparable to the collateralised notes in consideration for the mortgage notes acquired;

- in general, entering into real estate and other transactions related to the purpose described above or any similar or related purpose, or any transactions likely to further such purpose.

Pursuant to Article 13 of Act No. 85-695 of 11 July 1985, CRH refinances, under restrictive conditions, certain home-purchase loans granted to individuals by credit institutions without charging any margin in respect of the said transactions.

Because of the total matching between the financial securities issued by CRH and the mortgage notes refinanced by it, CRH acts as a pass-through entity serving credit institutions. The company's purpose consists in promoting the housing finance sector, without seeking to achieve any profit and on a non-competitive basis.

The company refrains from holding any share interest or pursuing any activity not corresponding to its corporate purpose. In particular, the company refrains from incurring any debt unrelated to the said purpose.

However, CRH may incur debts characterized as own funds by prudential regulations. CRH may also, in case of default of a borrowing institution and subject to the Board of Directors' authorization, incur any debt required in view of prevailing circumstances.

21.2.2. Administration and audit of the Company (Title III of the articles of incorporation)

The organisation and functioning of the Board of Directors are governed by Articles 13 to 17 of the articles of incorporation.

The organisation and functioning of the senior management are governed by Articles 18 and 19 of the articles of incorporation.

Article 20 governs the appointment, status and role of the Government's representative. Article 21 determines the number of statutory auditors and the terms of appointment of the alternate statutory auditors.

21.2.3. Rights, privileges and restrictions attached to each category of existing shares

There do not exist any shares associated with any special rights of control. The issuer's share capital is only comprised of ordinary shares. All shares are imperatively in the registered form.

The articles of incorporation include certain provisions specific to the issuer:

- Article 6, §3 of the articles of incorporation: The number of shares to be held by each shareholder must be proportionate to the regulatory capital requirement related to the refinancing facilities granted by the company to the said shareholder.

- Article 9, § 3 to 8, of the articles of incorporation: So that the number of shares held by each shareholder can be proportionate to the regulatory capital requirement related to the refinancing facilities granted by the company to the said shareholder, each shareholder agrees to acquire or sell the necessary number of shares from the present or future shareholder(s) designated by the company.

If, to comply with the said proportion, one or more shareholders must sell one or more shares, then each shareholder shall, at the Company's request, acquire or sell the number of shares required to comply with the said proportion. Fractional shares, if any, shall be allocated according to the highest remaining fraction rule.

When the change in the proportion of shares to be held by each shareholder results from changes in the amount of the loans outstanding refinanced by the Company, any share purchases or sales are made at least once per year, within thirty days from approval of the Company's annual financial statements by the general meeting and whenever the Board of Directors so decides.

When the change results in whole or in part from an increase in the weighting of the amounts outstanding in the calculation of the regulatory capital requirements, in particular in case of deterioration of the financial rating of the promissory notes issued by one or more shareholders or change in the rules related to the prudential ratios applicable to the Company, any purchases or sales are made within forty-five days from such change.

Purchases or sales are made on the basis of a unit price per share equal to:

- the Company's net book value determined on the basis of its shareholders' equity (not including the FRBG) according to the most recent corporate financial statements: (i) i.e. as of 31 December of the preceding year, in the Company's annual registration document, (ii) or as of 30 June of the preceding year, in the financial statements drawn up by the Board of Directors subject to a limited review by the statutory auditors. Such book value takes into account where applicable any allocations or contributions made between the reference date and the date of the purchase or the sale.

- divided by the number of shares comprising the share capital as of the reference date mentioned in the previous sub-paragraph.

The total price of each sale is paid at the latest upon registration of the transfer, with the buyer being personally responsible for the payment of any registration duties.

Article 12 of the articles of incorporation: Each shareholder must contribute to the Company the funds necessary to enable it to have the amount of capital determined by the ordinary general meeting, in compliance with banking regulations. Such contributions correspond to:

- the subscription or acquisition of shares of the Company, in accordance with Articles 6 to 9;
or

- the grant of loans to the Company or the acquisition of debt securities issued by the Company and having the character of own funds within the meaning of prudential regulations. Such loans and instruments are hereinafter referred to as the additional capital.

Such contributions are allocated among the shareholders and among the various classes listed above, in proportion to the regulatory capital requirements related to the amounts outstanding of the mortgage notes refinanced or endorsed by the company.

When it is decided to call additional capital from the shareholders, subject to the powers expressly reserved for general meetings and within the limit of the corporate purpose, the Board of Directors determines the characteristics, amounts and terms of such calls.

The Board of Directors may also decide to convert the additional capital into capital, whether in whole or in part. Such decision is implemented in accordance with the articles of incorporation, prudential regulations and provisions of law. Where applicable, such implementation is subject to the authorisation of prudential authorities.

In addition, each shareholder must provide the Company, as a cash advance, with the sums necessary for its operations within the limits and terms determined by the Board of Directors, within the limit of 5% of the total nominal amounts outstanding.

These advances are allocated among the shareholders in proportion to the amounts outstanding that were refinanced.

Shareholders failing to pay the necessary amounts on the scheduled dates owe an indemnity as a matter of law and without any prior formal notice in accordance with the terms set forth by the ordinary general meeting.

- Article 23 § 2 of the articles of incorporation: Each member of the general meeting holds the following number of votes, subject to the application of provisions of law to general meetings assimilated with general meetings held to constitute the company:

- Shareholders holding a number of shares ranging between one share and 10% of the number of shares representing the share capital hold one vote for 0.01% of the fraction of the share capital held.

- Shareholders holding a number of shares ranging between 10% and 20% of the number of shares representing the share capital hold a number of votes equal to 1,000 plus one vote for 0.10% of the fraction of the share capital held above 10% of the share capital.

- Shareholders holding a number of shares in excess of 20% of the number of shares representing the share capital hold a number of votes equal to 1,100 plus one vote for 1% of the fraction of the share capital held above 20% of the share capital.

- Where applicable, the number of votes so determined is rounded up to the immediately higher number of shares.

- Article 27 of the articles of incorporation: Internal rules, approved by the Board of Directors, shall detail the terms governing the operations of the Company and certain commitments assumed by its shareholders. Such internal rules shall supplement and explain the articles of incorporation. Such rules are signed by the shareholders or by the institutions that have agreed to become shareholders.

21.2.4. Measures necessary to modify the rights of the shareholders

Changes to the articles of association are exclusively decided by the extraordinary meeting of shareholders.

21.2.5. General meetings

General meetings of shareholders are governed by Articles 22 to 24 of the articles of incorporation.

21.2.6. Provisions of the articles of association aimed at preventing a change of control

CRH has not issued any security granting special rights of control.

The voting right allocation rules contained in Article 23 of the articles of incorporation is intended to maintain CRH's independence (see paragraph 21.2.3 above).

21.2.7. Provisions of the articles of association determining a threshold above which any interest is to be disclosed

The articles of incorporation do not contain any provision determining any threshold above which any interest is to be disclosed.

21.2.8. Restrictions imposed by the articles of incorporation to changes to the amount of the share capital in addition to the restrictions provided for by law

The articles of incorporation do not provide for any specific conditions related to changes to the amount of the share capital and changes to the shareholders' rights.

CHAPTER 22

MATERIAL 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 and that could grant a member of the Company a right or obligation that could have a material impact on CRH's ability to comply with its commitments to its bondholders.

CHAPTER 23

INFORMATION ORIGINATING FROM THIRD PARTIES, STATEMENTS MADE BY EXPERTS AND DECLARATIONS OF INTEREST

This document does not contain any statement or report originating from third parties or experts.

23.1. DECLARATIONS OR REPORTS FROM EXPERTS

Not applicable.

23.2. CERTIFICATE FROM THIRD PARTIES

Not applicable.

CHAPTER 24

DOCUMENTS ON DISPLAY

All prospectuses and registration documents (which contain the Company's articles of incorporation) may be consulted on the CRH website:

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

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

By telephone: + 33 1 42 89 49 10

By fax: + 33 1 42 89 29 67

By email: crh@crh-bonds.com

or by post to the following address:

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

The incorporation documents may be perused in paper form at the Company's registered office.

CHAPTER 25

INFORMATION CONCERNING EQUITY INTERESTS

The issuer does not hold any equity interest in any company.

ARTICLE 13 OF ACT NO. 85-695
of July 11, 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 Article 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 No. 2008-556 of June 13, 2008
by decree No. 2010-76 of June 21, 2010
and by decree No. 2013-544 of June 27, 2013

Paragraph 3

Refinancing of mortgages and other secured loans

Article L. 313-42

The provisions of the present paragraph apply to the promissory notes issued by credit institutions or *société de financement* 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 a *société de financement* 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. 513-3 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.

Article 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.

Article 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.

Article L. 313-45

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

Article 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.

Article 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 2240 of the Civil Code if the act of discharge does not refer to the transaction concluded in their favor.

Article 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 June 29, 1999 pursuant to the provisions of the present paragraph.

Article L. 313-49

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

Article L. 313-49-1

A Conseil d'Etat decree determines the conditions under which the subsection is applicable to the *société de financement*.

FRENCH MONETARY AND FINANCIAL CODE

LEGISLATIVE PART

SECTION 2 CHAPTER III

SOCIETES DE CREDIT FONCIER

Art. L. 513-3 - excerpt - (created by the ordonnance n° 2013-544 of June 27, 2013).

I. - Guaranteed loans are loans associated with:

1. 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 from a *société de financement* 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. 214-21 created by Decree no. 2011-922 of August 1, 2011 modified by the decree n° 2013-687 of July 27, 2013 (excerpt)

IV. - By way of an exception to the 5% limit set in the first paragraph of I, an undertaking for collective investment in transferable securities:

1° May invest 35% of its assets in eligible financial securities and money market instruments of the type referred to under paragraphs 1 and 2 of Article L. 214-20 issued or guaranteed by a single issuer, provided these securities or instruments are issued or guaranteed by a member state of the European Union, or an other state that is party to the agreement on the European Economic Space, by its public regional authorities, by a third-country or by a public international organisation provided one or more member states of the European Union 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, and provided they are real property bonds issued by real property credit companies in application of paragraph 2 of Article L. 513-2, or bonds issued by a credit institution that has its registered office in a member state of the European Union 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. In particular, the funds generated by the issue of the bonds must be invested in assets that can 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 second 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

**Modified by decree 2007-745 of May 9, 2007
The decree 2011-922 of August 1, 2011,
by the ordonnance n° 2013-544 of June 27, 2013
and by decree n° 2014-1315 of November 3, 2014**

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. 513-4 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. 513-3 Paragraph I.2, eligible secured receivables are defined as those for which a credit institution, a *société de financement* or an 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 by a credit institution whose sole aim is to refinance promissory notes complying with the provisions of Article L. 313-42 to L. 313-49 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. 214-21 Paragraph IV.2;
- 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 N°. 99-10
RELATIVE TO FRENCH *SOCIETES DE CREDIT FONCIER*
AND TO *SOCIETES DE FINANCEMENT DE L'HABITAT***

as amended by Regulation n°. 2001-02 of June 26, 2001
and Regulation n°. 2002-02 of July 15, 2002
and by Orders of the Minister of the Economy, Finance and Industry
of May 7, 2007, of February 23, 2011, of May 26, 2014 and of November 3, 2014

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 within the meaning of articles L. 513-3 and L. 513-29 of the French Monetary and Financial Code (made by the Decree of February 23, 2011) 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 initial transaction when this cost is less than EUR 600,000 or when the sum of the remaining principal balances of the loans financed by the mortgage company or by the housing financing society and secured by the real estate asset valued have a remaining unit principal less than EUR 480,000 determined at the time of said acquisition or their pledge (made by the Decree of February 23, 2011).

Article 3

After their acquisition or their pledge, the valuation of real estate assets shall be reviewed as part of the risk measurement system governing mortgage companies and *sociétés de crédit foncier* under the decree of November 3, 2014 relating to internal control of the bank sector companies, payment services and investment services subject to control by the Prudential Control Authority and Resolution:

- a) This review shall be performed once a year using a statistical method for residential real estate;
- b) This review shall be performed once a year using a statistical method for commercial real estate whose all of the loans owned by the mortgage company and secured by the valued real estate asset have a remaining unit principal less than 30% of the initial principal loaned or under EUR 480,000;

c) This review shall be performed individually every three year for commercial real estate whose purchase price or whose last estimated value is under EUR 600,000 and when all of the loans owned by the mortgage company and secured by the valued real estate asset have a remaining unit principal over EUR 480,000. The value of said real estate assets between two individual reviews shall be reviewed yearly using a statistical method.

d) This review shall be performed individually once a year for commercial real estate whose purchase price or whose last estimated value is over EUR 600,000 and when all of the loans owned by the mortgage company and secured by the valued real estate asset have a remaining unit principal over EUR 480,000 (made by the Decree of February 23, 2011).

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 (made by the Decree of May 7, 2007).

CRH - CAISSE DE REFINANCEMENT DE L'HABITAT**ARTICLES OF INCORPORATION AND BY-LAWS****TITLE I LEGAL FORM – PURPOSE – COMPANY NAME
REGISTERED OFFICE – PERIOD OF DURATION****Article 1 - LEGAL FORM**

The company is organised in the legal form of a société anonyme. The company shall be governed by applicable legal and statutory provisions and by these articles of incorporation and the internal rules and regulations attached hereto.

Article 2 - PURPOSE

The company's purpose is as follows:

- refinancing, for the benefit of the shareholders or credit institutions that have agreed to become shareholders in accordance with the terms set forth in Articles 6 to 9 below, promissory notes issued or endorsed by such shareholders or institutions in order to collateralise claims referred to in Article L. 313-42 of the French Monetary and Financial Code, corresponding to housing loans,
- issuing, as a consideration therefor, financial securities whose characteristics are similar to those of the collateralised notes, and
- more generally, carrying out any transactions, whether pertaining to movable or immovable property, as are related to the above purpose or to any similar or analogous purposes or are likely to further the attainment thereof.

Pursuant to the provisions of Article 13 of Act No. 85-695 of July 11, 1985, the Company provides, under restricted conditions, refinancing facilities in relation to certain home-purchase loans granted to individuals by credit institutions, without charging any spread as regards these transactions.

Because the financial securities issued by CRH perfectly match the promissory notes refinanced by it, CRH acts as a pass-through entity serving credit institutions. The company's purpose consists in promoting the housing finance sector, without seeking to achieve any profit, and on a non-competitive basis.

The company shall not hold any share interest or pursue any activity not corresponding to its corporate purpose. In particular, the company shall not incur any debt unrelated to the said purpose.

However, the company may incur debt having the character of shareholders' equity within the meaning of prudential regulations. Also, in case of default of a borrower institution, the company may, subject to the board of directors' consent, incur any debt necessary in view of the circumstances.

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 3, 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.

TITLE II – SHARE CAPITAL - SHARES

Article 6 - SHARE CAPITAL

The share capital is in the amount of FIVE HUNDRED THIRTY-NINE MILLION NINE HUNDRED NINETY-FOUR THOUSAND SEVEN HUNDRED THIRTY-SEVEN EUROS and SEVENTY-FIVE CENTS.

The share capital is subdivided into THIRTY-FIVE MILLION FOUR HUNDRED NINE THOUSAND FOUR HUNDRED NINETY-ONE SHARES OF EUR 15.25 each.

The number of shares held by each shareholder shall be proportionate to the capital requirement corresponding to the refinancing facilities granted by the company to the said shareholder.

Article 7 - SHARE CAPITAL INCREASE

The share capital may be increased, by any means and in compliance with any procedures provided for by law, by a decision made by the extraordinary general meeting of shareholders.

The extraordinary general meeting may delegate to the board of directors any authority in order to determine the terms of any share capital increase decided by the general meeting and may also delegate to the board of directors the authority to decide on any capital increase.

Article 8 - SHARE CAPITAL DECREASE

When the amount of the company's capital is in excess of regulatory requirements, the board of directors reviews the possibility of redistributing to shareholders any excess capital and decides where applicable the terms of such redistribution.

Any share capital decrease may be authorised or decided by the extraordinary general meeting, under the conditions provided for by law and subject to the approval of prudential authorities.

The extraordinary general meeting may delegate to the board of directors any authority in order to determine the terms of any share capital decrease decided by the general meeting and may also delegate to the board of directors the authority to decide on any capital decrease.

Article 9 - FORM AND TRANSFER OF THE SHARES – PROMISE OF TRANSFER

Shares are imperatively in the registered form. Shares are registered in an account in accordance with the terms and conditions provided by applicable laws and regulations.

Shares are freely transferable and conveyable. Share transfers are made vis-à-vis third parties by way of a transfer order signed by the transferor or its agent.

So that each shareholder can hold a number of shares proportionate to the regulatory capital requirements related to the amount outstanding of the refinancing facilities granted to it by the company, each shareholder agrees to acquire or sell the necessary number of shares from or to the present or future shareholders (or shareholder) designated by the company.

If, in order to comply with the said proportion as regards one or more shareholders, one or more share transfers are required, each shareholder shall transfer or acquire, at the company's request, the number of shares required in order to comply with the said proportion. Any fractional shares shall be allocated according to the largest remainder method.

When any change in the proportion of shares to be held by each shareholder results from changes in the amount outstanding of the loans refinanced by the company, such acquisitions or transfers shall be completed at least once per year, within thirty days from approval of the company's annual financial statements by the general meeting and whenever the board of directors so decides.

When the change results in whole or in part from an increase in the weighting of the amounts outstanding in the calculation of the regulatory capital requirements, in particular in case of deterioration of the financial rating of the promissory notes issued by one or more shareholders or any change in the rules related to the prudential ratios applicable to the company, the acquisitions or transfers are completed within forty-five days from the date of such change.

The acquisitions or transfers are completed on the basis of a unit share price equal to the amount resulting from the division:

- of the net book value of the company determined on the basis of its shareholders' equity (without including the FRBG) shown in the most recent financial statements of the company: (i) either as of December 31, of the preceding year, in the company's registration statement; or (ii) as of June 30, of the preceding year, in the financial statements drawn up by the board of directors and subject to a limited review by the statutory auditors. Such net book value takes into account possible allocations or contributions made between the reference date and the date of the acquisition or transfer.

- by the number of shares comprising the share capital as of the reference date referred to in the above paragraph.

The total price for each transfer is paid at the latest on the date of registration of the transfer, with the transferee being personally responsible for the payment of any such transfer duties as may be due.

In the event of any cancellation of shares authorised by the extraordinary general meeting of shareholders in order to reduce the share capital, the board of directors may decide to procure the acquisition of shares of the company by the company itself.

Article 10 - RIGHTS AND OBLIGATIONS ATTACHING TO THE SHARES

For the purposes of determining the ownership of the corporate assets, the sharing of profits and the liquidating dividends, each share shall give an equal right to a fraction corresponding to the proportion of the share capital that it represents.

Whenever it is necessary to own several shares in order to exercise any right, any individual shares or any shares whose number is lower than the required number shall not give any right to their owner vis-à-vis the company, and the shareholders concerned shall, in such event, be responsible for grouping the necessary number of shares.

Title to a share entails automatically its owner's acceptance of the company's articles of incorporation and the decisions made by the general meeting.

Article 11 - PAYMENT ON THE SHARES

Any amounts remaining to be paid in cash in relation to the shares shall be called by the board of directors in accordance with the terms determined by it.

Article 12 - OBLIGATIONS INCUMBENT ON THE SHAREHOLDERS

Each shareholder must pay to the company any amounts necessary in order to provide the company with the shareholders' equity determined by the ordinary general meeting in compliance with banking regulations. Such contributions correspond:

- either to the subscription or purchase of shares of the company, as discussed in Articles 6 to 9; or

- to the grant of loans to the company or to the acquisition of debt instruments issued by the company and having the character of equity within the meaning of prudential regulations. Such loans and instruments are hereinafter referred to as additional equity.

Such contributions are allocated for each shareholder and for each of the above categories, on a pro rata basis of the regulatory capital requirements related to the amount outstanding of the mortgage notes that the company has refinanced or endorsed in favour of such shareholder.

When it is decided to call additional equity from the shareholders, subject to the powers expressly reserved for general meetings of shareholders and within the limit of the corporate purpose, the board of directors determines the characteristics, amount and terms of such calls.

The board of directors may also decide to convert the additional shareholders' equity into capital, whether in whole or in part. Such decision is implemented in accordance with the articles of incorporation, prudential regulations and provisions of law. Where applicable, such decision is implemented after being approved by prudential authorities.

In addition, each shareholder must provide the company, as cash advances, with the amounts necessary for its functioning within the limits and subject to the conditions determined by the board of directors, within the limit of 5% of total nominal amounts outstanding.

Such advances shall be allocated among shareholders on a pro rata basis of the refinanced amounts.

Any shareholder failing to pay the required amounts on the scheduled dates shall, automatically and without any prior notice, owe the company an indemnity under the terms set forth by the ordinary general meeting.

TITLE III – ADMINISTRATION AND AUDIT OF THE COMPANY

Article 13 - BOARD OF DIRECTORS

The company is administered by a board of directors comprised of no less than three members and no more than twelve members.

Directors are not required to hold at least one share of the company.

The directors' term of office is six years. Directors may be re-elected at all times.

As a departure from the above provisions, the number of directors who are over seventy years of age may not exceed one third of the number of directors comprising the board of directors. The board of directors notes whether the above limit is exceeded during the meeting deciding to give notice of the ordinary general meeting. The board then appoints, among those of its members who are over seventy years of age, the member(s) who shall remain in office.

If any office becomes vacant because of death, crossing of the age limit or resignation of one or more directors, the board of directors may, between two general meetings, appoint directors provisionally.

Article 14 - NOTICE OF MEETINGS OF THE BOARD OF DIRECTORS – DELIBERATIONS OF THE BOARD OF DIRECTORS

The board of directors meets whenever the interests of the company so require, upon being convened by its chairman. Directors are given notice of the meetings of the board of directors by all means and even orally.

If the board of directors has not met for more than two months, at least one third of its members may ask the chairman to give notice of a meeting in relation to a specific agenda.

The Chief Executive Officer may also ask the chairman to give notice of a meeting of the board of directors in relation to a specific agenda.

Deliberations are made subject to the quorum and majority requirements mandated by law; in case of equality of votes, the chairman has a casting vote.

Minutes are prepared and copies or excerpts of the deliberations of the board of directors are issued and certified in accordance with provisions of law.

Except when the board of directors meets in order to draw up the annual financial statements, review the annual management report or appoint or remove the chairman or the Chief Executive Officer, or determine their remuneration, directors are also deemed present for the calculation of the quorum and majority when they participate in the meeting by videoconference or telecommunication.

These means must allow for the directors' identification and must guarantee their actual participation. Such means must transmit at least the voice of the participants and must comply with technical requirements allowing for the continuous and simultaneous transmission of the deliberations.

The minutes must record any technical incident that perturbed the proceedings of the meeting, whether such incident affects a means of telecommunication or videoconference.

Article 15 - POWERS OF THE BOARD OF DIRECTORS

The board of directors determines the policies of the company and oversees their implementation. Subject to the powers expressly reserved for shareholder meetings and within the limit of the corporate purpose, the board of directors reviews any matter related to the sound management of the company and adopts deliberations pertaining to the matters concerning the company.

The board of directors carries out any such checks and inspections as it deems necessary.

The board of directors receives from the chairman or Chief Executive Officer of the company any and all documents and information necessary for the performance of its mandate.

Article 16 - OBSERVERS

The general meeting may appoint one or more observers selected among those shareholders who are not directors. The general meeting determines their remuneration.

The term of office of the observers is six years. Such term of office expires at the end of the ordinary general meeting reviewing the financial statements for the last financial year during the year in which their term of office expires.

Observers may be re-elected without any limitation; they may be removed at any time by a decision of the general meeting.

In case of death or resignation of one or more observers, the board of directors may co-opt the successor, with such provisional appointment being subject to ratification by the next general meeting.

Observers are responsible for the strict enforcement of the articles of incorporation. They attend meetings of the board of directors without any voting right. They review the lists of assets and liabilities and the annual financial statements and submit in this respect their observations to the general meeting whenever they see fit.

Article 17 - CHAIRMAN OF THE BOARD

The board of directors elects a chairman among those of its members who are natural persons, for a period determined by it, which may not exceed the term of the chairman's office as a director. The chairman organises and leads the work of the board of directors, and reports thereon to the general meeting. The chairman ensures the proper functioning of the bodies of the company and ensures in particular that the directors are in a position to discharge their duties.

The remuneration of the chairman is determined freely by the board of directors, upon a recommendation made by the remuneration committee.

The chairman may be re-elected at any time subject to the provisions of the sub-paragraph below.

The office of Chairman shall expire at the latest at the end of the general meeting convened in order to review the financial statements for the financial year during which the Chairman has reached the age of seventy.

Without prejudice to the provisions of the first paragraph, when the Chairman reaches the age of sixty-nine, his term of office shall be subject to confirmation each year by the Board of Directors in the first meeting following the Chairman's birth date. Such term of office shall then be renewed for a maximum period of one year.

If the chairman dies or is temporarily unable to act, the board of directors may appoint a director in order to act as chairman.

In case of temporary inability to act, such appointment is made for a limited time and is renewable. In case of death, such appointment is valid until the election of the new chairman.

The board of directors also appoints a secretary and determines his term of office. The secretary need not be selected among the directors; if the secretary is not a director, he shall not have any voting right or advisory capacity within the board.

The chairman and the secretary form the bureau of the board of directors.

Article 18 – SENIOR MANAGEMENT

The Senior Management of the company is carried out by a natural person, other than the chairman of the board of directors, who is appointed by the board of directors and has the title of Chief Executive Officer. The Chief Executive Officer may be a director.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the company. The Chief Executive Officer exercises the said powers within the limit of the corporate purpose and subject to the powers expressly reserved by law for general meetings and for the board of directors.

The Chief Executive Officer represents the company in its relationships with third parties. The company is bound even by those actions of the Chief Executive Officer that do not pertain to the corporate purpose, unless the company proves that the third party concerned knew that the said action exceeded the corporate purpose or could not be unaware of the same in view of the circumstances, provided that the mere publication of the articles of incorporation shall not be deemed to amount to such evidence.

The board of directors may limit the powers of the Chief Executive Officer, but such limitation is unenforceable against third parties.

The Chief Executive Officer may delegate part of his powers, whether temporarily or permanently, to as many agents as he shall see fit, with or without the power to subdelegate.

The Chief Executive Officer's remuneration is determined freely by the board of directors, upon a recommendation of the remuneration committee.

The Chief Executive Officer is asked to attend meetings of the board of directors, even if he is not a director.

The Chief Executive Officer may be removed at any time by the board. Any removal decided without cause may give rise to the payment of damages.

When the Chief Executive Officer is a director, he may not be appointed for a period exceeding his term of office as a director.

The office of Chief Executive Officer shall expire at the latest at the end of the general meeting convened in order to review the financial statements for the financial year during which the Chief Executive Officer has reached the age of seventy.

Without prejudice to the provisions of the first paragraph, when the Chief Executive Officer reaches the age of sixty-nine, his term of office shall be subject to confirmation each year by the Board of Directors in the first meeting following the Chief Executive Officer's birth date. Such term of office shall then be renewed for a maximum period of one year.

Article 19 - DEPUTY CHIEF EXECUTIVE OFFICERS

Upon a recommendation made by the Chief Executive Officer, the board of directors may appoint, within the limits set forth by law, one or more natural persons responsible for supporting the Chief Executive Officer, and bearing the title of Deputy Chief Executive Officer.

In agreement with the Chief Executive Officer, the board of directors determines the scope and term of the powers granted to the Deputy Chief Executive Officers. However, the Deputy Chief Executive Officers have, vis-à-vis third parties, the same powers as the Chief Executive Officer.

When the Chief Executive Officer ceases discharging his duties or is unable to discharge his duties, the Deputy Chief Executive Officers remain in office, unless otherwise decided by the Board until the appointment of the new Chief Executive Officer.

The remuneration of the Deputy Chief Executive Officer is determined freely by the board of directors, upon a recommendation from the remuneration committee.

Even where the Deputy Chief Executive Officers are not members of the board of directors, they are asked to attend meetings of the board of directors.

Deputy Chief Executive Officer may be removed at any time by the board of directors upon a recommendation from the Chief Executive Officer. Any removal decided without cause may give rise to the payment of damages.

When a Deputy Chief Executive Officer is also a director, his term of office as a Deputy Chief Executive Officer may not exceed that of his office as a director.

The office of any Deputy Chief Executive Officer shall expire at the latest at the end of the general meeting convened in order to review the financial statements for the financial year during which the said Deputy Chief Executive Officer has reached the age of seventy.

Without prejudice to the provisions of the first paragraph, when the Deputy Chief Executive Officer reaches the age of sixty-nine, his term of office shall be subject to confirmation each year by the Board of Directors in the first meeting following the Deputy Chief Executive Officer's birth date. Such term of office shall then be renewed for a maximum period of one year.

Article 20 - GOVERNMENT'S REPRESENTATIVE

The State may appoint a representative in order to attend the meetings of the Board of directors.

The Government's representative is not a director. The Government's representative ensures that the company complies with its corporate purpose.

The Government's representative has no voting right. In case of disagreement with any decision that he deems contrary to the company's corporate purpose, a reference to his position is noted in the minutes of the relevant meeting.

Article 21 – STATUTORY AUDITORS

The company is audited by one or more statutory auditors in accordance with the terms and conditions set forth by law.

One or more alternate statutory auditors, who are to replace the standing statutory auditor(s) in case of death, inability to act or refusal to act, are appointed by the ordinary general meeting.

TITLE IV- SHAREHOLDER MEETINGS

Article 22 - GENERAL MEETINGS

Notice of the general meetings is given in accordance with provisions of law.

Meetings are held at the registered office or at any other place specified in the notice.

The right to participate in general meetings is conditional on the registration of the shares in the accounts maintained by the company, at least five days before the date of the general meeting.

General meetings are chaired by the chairman of the board of directors or, in his absence, by a director especially appointed to that end by the board. In default, the general meeting itself appoints its chairman.

The two members of the general meeting who are present and hold the largest number of votes are appointed as scrutineers, if they accept such appointment.

The bureau appoints the secretary, who is not required to be a shareholder.

An attendance sheet is maintained in accordance with provisions of law.

The copies or excerpts of the minutes of general meetings are duly certified in accordance with provisions of law.

Article 23 - ATTENDANCE OF AND REPRESENTATION AT GENERAL MEETINGS

Any shareholder is entitled to participate in general meetings.

Subject to the application of the legal provisions to general meetings assimilated with constitutive general meetings, each member of the general meeting has the following number of votes:

- any shareholder owning a number of shares ranging between one share and 10% of the number of shares representing the share capital shall have one vote for each fraction of 0.01% of its fraction of the share capital.

- any shareholder owning a number of shares ranging between 10% and 20% of the number of shares representing the share capital shall have a number of votes equal to 1,000 plus one vote for each fraction of 0.10% owned by it in excess of 10% of the share capital.

- any shareholder owning a number of shares in excess of 20% of the number of shares representing the share capital shall have a number of votes equal to 1,100 plus one vote for each fraction of 1% owned by it in excess of 20% of the share capital.

- where applicable, the number of votes so determined shall be rounded up to the immediately higher whole number.

Any shareholder may be represented at general meetings by another shareholder.

Those natural persons who are permanent representatives of legal persons on the board of directors shall participate in general meetings, whether or not they are personally shareholders.

Article 24 - POWERS OF GENERAL MEETINGS

Ordinary and extraordinary general meetings deciding in accordance with the applicable quorum and majority rules exercise the powers devolved to them by provisions of law.

TITLE V - FINANCIAL YEAR – PROFITS

Article 25 - FINANCIAL YEAR

The financial year commences on January 1, and ends on December 31.

As an exception, the first financial year of the company commenced on September 23, 1985 and ended on December 31, 1985.

Article 26 - PROFITS AND LOSSES – DIVIDEND PAYMENTS

Earnings available for distribution, as defined by law, are earmarked by the general meeting which decides to post them to one or more reserve accounts, of which it determines the allocation or use, to carry them over or to distribute them. In case of distribution, the general meeting may grant the right to make an election between the payment of a dividend in cash or in shares under the conditions set forth by law.

In addition, the general meeting may decide to distribute amounts deducted from available reserves, by specifying expressly the reserve items from which the deductions are made.

However, dividends are deducted on a priority basis from the net income available for distribution of the financial year.

Save in case of a capital decrease, no amount may be distributed to shareholders when the shareholders' equity is or would become, following such decrease, lower than the amount of the minimum share capital mandated by legal or regulatory provisions.

Losses, if any, are carried over in order to be applied against profits of subsequent years until they are fully covered.

TITLE VI – INTERNAL RULES AND REGULATIONS

Article 27 - INTERNAL RULES AND REGULATIONS

Internal rules and regulations, approved by the board of directors, set forth the provisions governing the operations of the company and certain commitments of its shareholders. The internal rules and regulations supplement and clarify the articles of incorporation. The internal rules and regulations are signed by the shareholders and any institutions that are to become shareholders.

TITLE VII – DISSOLUTION - LIQUIDATION

Article 28 - LIQUIDATION OF THE COMPANY

At the end of the term of the company or upon its dissolution, the general meeting determines the liquidation mode and appoints one or more liquidators whose powers it determines and who discharge their duties in accordance with provisions of law.

CRH - CAISSE DE REFINANCEMENT DE L'HABITAT

INTERNAL RULES AND REGULATIONS

These internal rules and regulations supplement and explain the articles of incorporation and clarify the provisions governing the operations of CRH and certain commitments assumed by the shareholders. These internal rules and regulations apply to any present or future collateralisation and are deemed an amendment to any earlier agreements.

These internal rules and regulations may be amended in order to be adapted to changes in prudential regulations

1. **OPERATIONS OF CRH**
2. **APPROVAL OF BORROWERS**
3. **RISK COMMITTEE'S POWERS IN RELATION TO REFINANCING**
4. **BOND ISSUES**
5. **COLLATERALISATION**
6. **COLLATERALISATION GUARANTEE**
7. **BORROWER'S DEFAULT**
8. **COMMITMENTS ASSUMED BY SHAREHOLDERS**
9. **SUPERVISION OF THE CRH'S FUNCTIONING**
10. **EXPRESS APPROVAL OF THE INTERNAL RULES AND REGULATIONS BY THE SHAREHOLDERS**

1. OPERATIONS OF CRH

1.1. In accordance with its articles of incorporation, CRH's operations consist solely in the refinancing of the home-purchase loans granted by those credit institutions that are its shareholders and by any institution that has agreed to become its shareholder and is approved by it.

1.2. CRH issues financial securities (hereinafter referred to as "bonds") having characteristics identical to the characteristics of the notes collateralised for the purposes of the said refinancing. CRH thus acts as a pass-through entity.

1.3. The commitments incurred by borrower credit institutions with CRH and the commitment assumed by CRH upon the issuance of loans on the financial market are therefore fully matched.

1.4. CRH's refinancing operations are governed by the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code.

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 obtaining the opinion of the risk committee, CRH's board of directors decides to approve the borrower and determines the financial terms of the refinancing facilities.

In accordance with banking regulations, the maximum amount of the risk related to a borrower may at any time be re-examined by the board of directors.

2.3. Before any refinancing is granted:

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

3. RISK COMMITTEE'S POWERS IN RELATION TO REFINANCING

The risk committee issues opinions concerning in particular the terms applicable to:

- the borrowers' approval and refinancing,
- the eligibility of the receivables,
- the guarantee of the promissory notes,
- the hedging of CRH's direct and indirect risks related to the refinancing facilities,
- the determination of the respective market shares of each of the approved institutions, serving where applicable for the grant of the refinancing facilities.

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 operate on French and foreign financial markets by issuing bonds.

CRH may entrust one or more credit institutions with the placement of the loans issued by it or may personally carry out such placement. CRH determines the placement's characteristics according to the market's situation.

4.3. The amount raised by CRH in connection with any loan is allocated among the borrower institutions as follows:

a) If the amount actually raised by CRH is equal to the total amount of the refinancing requests expressed and accepted by CRH, then such requests shall be fully served.

b) If the amount actually raised by CRH is lower than the total amount of the refinancing requests expressed and accepted, then a theoretical allocation of the amount actually raised by CRH is calculated for each institution on a pro rata basis of the market shares of the institutions concerned.

Any applications covering amounts lower than or equal to the amount of the theoretical allocation of the institutions shall be fully served.

Unallocated amounts shall be used for those institutions that have not been served in full within the limit of their application, on a pro rata basis of their market share on the French home-purchase loan market.

Such market shares are determined by the Chief Executive Officer after seeking the opinion of the risk committee and consulting each institution concerned on the basis of the latest figures sent by the institutions to ACPR and to CRH. Such determination is made after the general meeting of shareholders deciding on the annual financial statements of CRH. Such determination may be revised at any time in case of approval of a new institution.

4.4. Immediately upon receipt of the proceeds of the loan, CRH pays to each borrower its ratable fraction, after deducting the expenses and fees related to the transaction and the amount of any requisite additional shareholders' equity referred to in Article 12 of the articles of incorporation.

5. COLLATERALISATION

5.1. Issuance of mortgage notes

In accordance with the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code and the collateralisation agreement, borrowers are required to issue in favour of CRH mortgage notes representing their participation in the borrowing. Such notes shall be prepared in accordance with the provisions of the French Commercial Code and applicable standards in accordance with a template defined by CRH. Borrowers irrevocably agree to pay any interest, fees, incidental amounts and all present and future tax expenses related to such collateralisation on a pro rata basis of their participation and agree to comply with the commitments stated on the recto and verso of such notes.

The said notes are acquired by CRH upon disbursement of the funds.

The notes are denominated in the same currency and bear interest at the same rates and dates as the relevant loan's bonds and are repayable under the same terms.

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 for perfecting the safety of the repayment maturities.

Also, in connection with a procedure aimed at perfecting the safety of the repayment maturities of the bond loans already issued to date or to be issued, the borrowers expressly accept the provisions below:

Five business days prior to the repayment date of any bond loan issued by CRH, each borrower is required to grant CRH an advance in an amount equal to that of the principal of the note to be repaid, plus the amount of the note related to the associated interest.

The corresponding funds are invested on the money market until the repayment maturity through reverse repurchase agreements covering Treasury notes. The said funds may also be deposited with the Central Bank.

Such advance is repaid on the maturity date, where applicable by way of set-off with the amounts due by the borrower in respect of the repayment of the principal of the note to be repaid, plus the amount of the note related to the associated interest.

The proceeds from the investment of such advance on the money market are then paid to the borrowers. Where applicable any negative interest is borne by the borrowers.

In case of foreign currency transactions, such advance may be called in euro.

5.4. Collateralisation by an endorsing agent

One or more borrowers may, under an agency agreement, ask an institution duly approved by CRH, to subscribe in their name and on their behalf, a single mortgage note representing loans that they intend to collateralise.

The agent endorses the note representing the capital and the notes representing the interest that it subscribes on behalf of its principals. The agent agrees to replace the said principals in case of default and assumes in such event all commitments made by them. In addition, the agent communicates to CRH a copy of the agency agreement executed by it.

Each principal agrees to comply with the commitments related to the collateralisation procedure on a pro rata basis of its share in the subscribed note. The principals may agree that they are jointly and severally liable for compliance with all of the said commitments.

The agent is not required to hold the receivables. However, the agent guarantees that the inspections planned by CRH may be carried out at its premises if CRH so requests.

The agent is also responsible for obtaining from its principals any and all documents enabling it to seek from notaries and courts, if necessary, the issuance of the enforcement copies corresponding to the receivables. The agency agreement that was executed with the agent must provide for the option to transfer such right to CRH.

Also, such agency agreement must specify that the principal has been informed of these internal rules and regulations, accepts the terms thereof and agrees to comply with the same.

The agent signs these internal rules and regulations in its capacity as the agent and also in its own name.

6. COLLATERALISATION GUARANTEE

6.1. Pledge of a securities portfolio

The service of the interest and the repayment of the mortgage notes must be guaranteed, at the latest upon the issuance of the notes, by a pledge of receivables in accordance with the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code (the “availability”).

The creation of the pledge results from the preparation by the borrower, for each note, of a nominative list of receivables according to a template prepared by CRH, in conformance with the aforementioned provisions.

The characteristics of the receivables so made available and where applicable any specific terms governing the guarantee of the collateralised loans are determined by the board of directors of CRH in compliance with applicable provisions and are detailed in a document entitled “loans’ eligibility criteria for the operations of CRH”. Any subsequent changes to the said document are accepted in advance by the borrowers.

The receivables portfolio so made available must at any time have an average life equal to the residual duration of the guaranteed capital note and an average interest rate that is no less than the rate applicable to the said note. Its amount must at all times be equal to at least 125% of the nominal amount of the guaranteed note. However, in cases where certain rules are not complied with, and in particular any rate or term consistency rules, CRH may ask that such minimum amount be increased.

The borrower agrees to be personally responsible for the timely payment of any amounts due by debtors in relation to the said receivables.

It is expressly agreed that any amount to be made available to CRH by the borrower shall be earmarked for the guarantee of any note subscribed or to be subsequently subscribed by the borrower in favour of CRH.

6.2. Constraints related to the pledge

In accordance with the provisions of the aforementioned law, the borrower may not transfer, in any form whatsoever, in particular through any transfer of title or by way of any guarantee, the receivables so made available. In particular, the borrower may not assign the receivables to a French or foreign securitisation fund.

The borrower recovers the right to dispose freely of the pledged receivables solely where the same are repaid, payable, non-performing, disputed or doubtful. The borrower is then required to replace such receivables by eligible receivables in the same amount.

Is deemed non-performing or disputed, any receivable in respect of which any amount is overdue, if such arrears arise because of legal or political obstacles beyond the debtor's control, or because of any challenge.

Is deemed doubtful, any receivable in respect of which any amount is overdue for any reason not referred to above.

The borrower agrees to withdraw from the receivables made available any and all receivables invalidated upon any inspection and more generally to exclude any receivable not meeting the criteria of eligibility for CRH's operations.

The borrower retains a list of the receivables so made available and sends each month a copy thereof to CRH.

6.3. Inspections carried out at borrowers' premises

CRH inspects the receivables pledged in order to guarantee the notes, at the premises of borrower institutions or institutions liable to borrow.

CRH inspects in particular the following:

- physical existence of the receivables,
- full title of the borrower institution to the receivables,
- in accordance with provisions of law, lack of any commitment, in particular in connection with any pledges or transfers,

- conformance with the eligibility criteria.

To that end, CRH may seek from the inspected institutions the issuance of any necessary certificates from their statutory auditors.

When invalid receivables are identified, and in particular receivables referred to in paragraph 6.2. of these internal rules and regulations, the borrower institution must pledge in favour of CRH an additional portfolio of valid receivables in order to compensate for the identified insufficiency.

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 title

Immediately upon noting any default, and after calling the cash advances and referring the matter to the risk committee, CRH reviews in particular the following:

a) the advisability and, where applicable, the terms of the transfer to CRH of title to the pledged receivables pursuant to the provisions of Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code, after the borrower has been given notice of the default,

b) the advisability of entrusting the defaulting institution with the management of the receivables portfolio in accordance with the agreement attached as a schedule hereto and under terms approved by Prudential Authorities.

CRH then carries out or procures a detailed audit of the said portfolio in order to check its overall characteristics and specifically to determine the amounts and dates of the flows to be anticipated.

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. COMMITMENTS ASSUMED BY SHAREHOLDERS

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

8.1. Capital endowment

Each shareholder is required to pay to CRH the amounts necessary to endow it with the capital resources required by banking regulations in accordance with the terms set forth in the articles of incorporation.

8.2. Allocation of the share capital

Each shareholder agrees to transfer or acquire the requisite number of shares so as to ensure total proportionality between the allocation of the capital and the allocation of the regulatory capital requirements related to the amounts outstanding, in accordance with the terms set forth by the articles of incorporation.

8.3. Cash advances

In accordance with the articles of incorporation, each CRH shareholder is required to provide CRH, as a cash advance, with the funds necessary to its functioning, within the limit of 5% of the total amount outstanding of the refinanced sums.

a) By virtue of an express delegation granted by the board of directors, CRH's Senior Management calls such cash advances on its own initiative and by any means, whenever necessary, in a sufficient amount.

b) In the event of a shareholder default in relation to the service of its debt vis-à-vis CRH, the cash advances made by the other shareholders must allow for the timely payment by CRH of all amounts due on its behalf, in particular to bondholders and to the Treasury.

If necessary, such advances are maintained until settlement of the accounts between such defaulting shareholder and CRH.

c) Advances are apportioned among shareholders on a pro rata basis of their amounts refinanced in nominal value as of December 31, of the preceding financial year or as of any later date determined by the board of directors.

d) The board of directors determines, in due time, the remuneration of the advances in view of circumstances and market conditions.

e) So that CRH may receive such advances on first demand, each shareholder sends to CRH a specific and constantly updated data sheet indicating the names, street and email addresses, telephone and fax numbers of no less than two employees authorised to receive from CRH's Senior Management calls for the payment of cash advances.

f) Any shareholder failing to pay the necessary amounts on the scheduled dates owes the company automatically and without any prior notice an indemnity determined by the ordinary general 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. SUPERVISION OF CRH'S FUNCTIONING

In accordance with banking regulations, an internal control structure is set up within CRH under the responsibility of Senior Management.

Also, the functioning of CRH is audited by the inspection units of the various shareholder institutions or, upon a decision made by the board of directors, by an audit firm registered on the list of statutory auditors.

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.

These criteria can be further amended to be fully compliant with the new European regulation.

INTRODUCTORY REMARK

The following provisions comprise the body of laws and regulations applicable to CRH's operations. Some of these rules are also likely to be amended, repealed or replaced in the coming months due to the introduction of the new European regulatory framework:

- 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. 513-3 paragraph I relative to French Sociétés de Crédit Foncier;

- Article L. 312-3-1 of *code de la consommation* regarding some loans in foreign currency.

- 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 and by decree no. 2014-1315 of November 3, 2014;

- French Banking and Finance Regulatory Committee Regulation no. 99-10 as amended by Regulation no°. 2002-02 and the decrees of May 7, 2007 and of February 23, 2011 on the valuation of financed assets to be used to determine the portion of a loan that may be collateralized;

- Regulation (EU) n° 575/2013 of the European parliament and Council of June 26, 2013 hereinafter referred to as CRR;

- Directive 2013/36/EU of the European parliament and Council of June 26, 2013;

- 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 provision of article 129 of European regulation “CRR” of June 26, 2013 regarding covered bonds 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 from an eligible protection provider according to the article 129-e of the European regulation “CRR”.

The borrower must ensure that the property securities matches the criteria of the regulation above.

4 - AMOUNT

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

5 – MATURITY

The initial term of the eligible loan is greater than 1 year.

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 initial operation when this cost is less than EUR 600.000 or when the sum of the remaining principal balances of the loans guaranteed by the asset financed is less than EUR 480.000.

The valuation of the buildings is re-examined as part of the risk measurement system required of borrowing credit institutions by the decree of November 3, 2014 relating to internal control of the bank sector companies, payment services and investment services subject to control by the Prudential Control Authority and Resolution. This examination is performed annually using statistical methods.

The methods used to value buildings and the periodic re-examination of their value must be made available to both the ACPR and CRH who may request their modification.

The borrower has procedures describing their lending policy and the nature of the goods financed and enabling them to ensure that the property taken as collateral is adequately insured against the risk of damage.

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.

The loan-to-income ratio has to respect at most 33 % when the loan has been granted. This ratio corresponds to the portion of the borrower's gross income which covers the loan reimbursement including interest.

On the same date, no mortgage can be taken on the financed household asset.

Both the credit institution and the protection provider shall carry out a creditworthiness assessment of the borrower.

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 Article 6.2. of the present By-laws, the borrowing institution must pledge an additional portfolio of valid claims in favor of CRH to compensate for the observed shortfall.

Regarding the loans in Swiss francs, the borrower should insure that the beneficiaries of these loans have mainly their income or hold assets in Swiss francs at the loan's signatory date.

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, regarding the above regulation, the only operations authorized are those financing real estate assets in France.

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,
- loan to income ratio for guaranteed loans,
- for Swiss franc loans, presence of incomes or a patrimony in the same currency.

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 600,000);
- 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;
- loan to income ratio when the loan is granted;
- proof of income or assets for the loans in Swiss francs.

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 at least 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 (or Regulated European Covered Bonds): Bonds that meet the criteria established by European regulation (EU) no 575/20133 CRR (article 129).

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 at least 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.

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

SUMMARY DESCRIPTION OF CRH



CRH – Caisse de Refinancement de l’Habitat

Aaa Moody’s / AAA Fitch Ratings

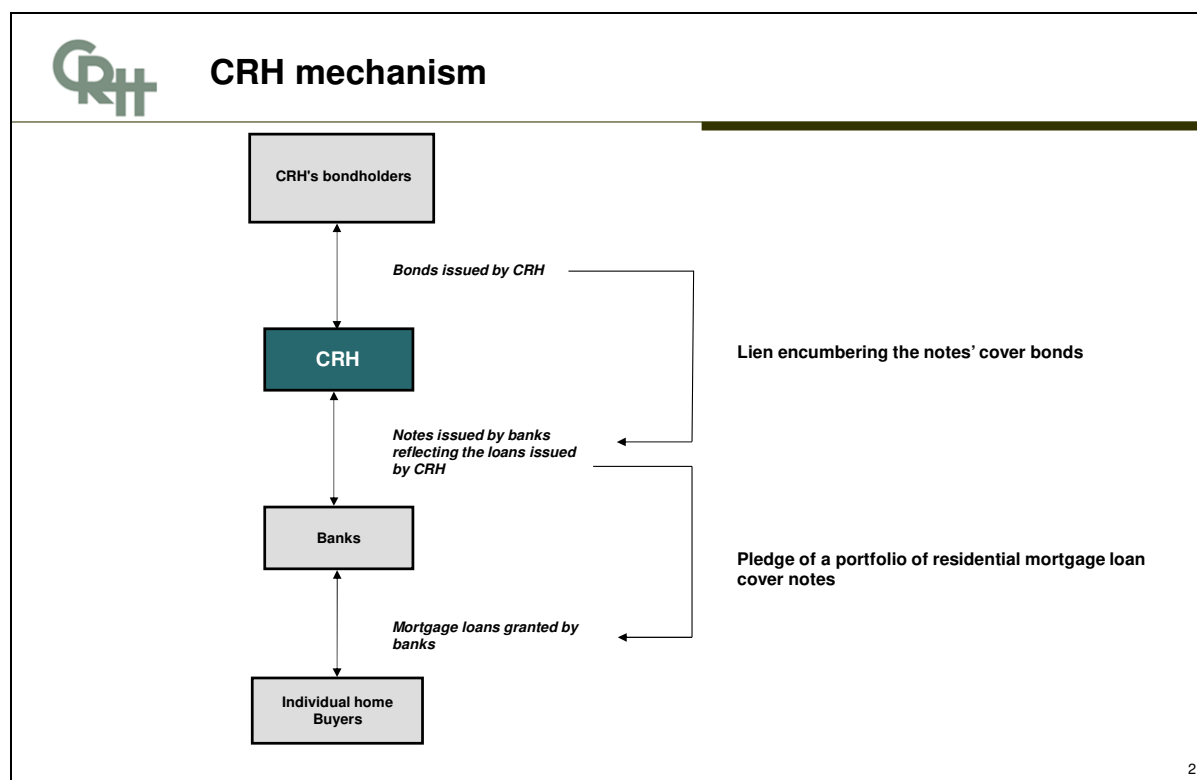
CRH was created in 1985 by French Government authorities with their express guarantee, within the specific legal framework defined by Act No. 85-695, as a central mortgage refinancing agency serving French banks. Since July 2006, French law has created in favour of CRH bondholders, in the stead and place of the French State’s guarantee, a very strong lien encumbering the secured loans granted by CRH to banks.

Since CRH’s inception, no other agency of this type had been created in France until SFEF was set up in October 2008 in response to the financial crisis.

CRH Presentation January 2019

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

1





Default of a borrowing bank

- In case of default of a borrowing bank, provisions of law allow CRH to acquire without any formality full title to the portfolio pledged by the defaulting bank, any provisions to the contrary notwithstanding.
 - When CRH becomes the owner of such portfolio, it may dispose of it and, with the proceeds of the sale, redeem the bonds corresponding to the loan granted to the defaulting bank, so as to cancel them.
- In such event, CRH may also, if necessary, call liquidity lines from the other shareholder banks within the limit of 5% of its total amounts outstanding.

3



CRH in brief

- CRH is a specialized credit institution whose capital is held by the main French Banks.
- Its sole activity consists in refinancing French home purchase loans granted by shareholder banks by issuing bonds governed by the specific legal rules defined by Act No. 85-695 of 11 July 1985.
- The loans granted by CRH to the banks have the same characteristics as the CRH bonds. CRH's debt is thus serviced by French banks, and CRH's balance sheet duration is equal to zero.
- The refinanced loans remain on the banks' balance sheets, but are pledged as collateral to CRH, with a minimum over-collateralisation ratio equal to 25%. In case of default of a borrower, provisions of law allow CRH to acquire full title to the cover portfolio pledged by the defaulting bank without any formality, any provisions to the contrary notwithstanding.
- The pledged loans must meet the criteria applicable to mortgage credit companies, but also the additional criteria defined by CRH.
- In 1999, when the CRH bonds were no longer guaranteed by the French State, and before French law granted a lien protecting such bonds, CRH's long-term debt was rated **Aaa by Moody's and AAA by Fitch Rating**.
- The loans outstanding granted by CRH amounted to € 26.9*bn as of 31 December 2018.
- CRH was entrusted with the task of supervising SFEF's debt service and collateral management from 31 December 2009 until 31 December 2014.
- Because of the size of its balance sheet, CRH has been operating under the ECB's supervision since 4 November 2014.

4



Breakdown of CRH's capital (December 2018)

	%
Crédit Mutuel CIC	35,3
Crédit Agricole SA - Crédit Lyonnais	33,6
Société Générale	17,9
BNP Paribas	7,6
BPCE	5,6
	100,0

- Such allocation also reflects the loans granted by CRH.
- Each borrowing bank agrees to become a shareholder of CRH and to hold a fraction of CRH's capital equal to its proportion of the total refinanced amounts.
- Moreover, each bank agrees to contribute, if necessary, liquidity lines and/or regulatory capital to CRH.
- Such banking groups rank among the most reputable European institutions. Their total market share represents approximately 80% of the French residential mortgage loan market.

5



CRH's simplified balance sheet (December 2018)

Assets	In €bn	Passif	In €bn
Mortgage notes	26,9	Bonds (see slide 12)	26,9
Interests and other assets	0,7	Interests and other liabilities	0,7
Deposits	0,5	Capital	0,5
TOTAL	28,1	TOTAL	28,1

Because of the full matching of the CRH bonds and loans (loans represented by promissory notes), CRH's balance sheet duration is equal to zero. CRH's debt is serviced by the French banking system.

6



CRH's income and earnings

- CRH does not charge any spread on its refinancing operations.
- CRH's modest operating expenses (nearly 0.0063% of amounts outstanding in 2018) are covered by the income generated by the investment of its own funds on the money market despite very low interest rates.
- CRH's earnings merely correspond to a technical performance whose level primarily reflects money market rates. If such rates were to remain lastingly negative, then CRH might have to ask its shareholders to bear its costs.
- Such earnings do not correspond to the remuneration of any entrepreneurial risk.
- CRH does not have any return on equity (ROE) target.

7



A highly secure and transparent cover portfolio

- CRH's loans are covered by the pledge of a portfolio (the cover portfolio) including nearly five hundred seventy-five thousand receivables held vis-à-vis French homebuyers, in accordance with the CRD Directive. Such loans are secured by first mortgages (83% of the portfolio) or, under certain conditions, are guaranteed loans (representing de facto 17% of the portfolio). The average LTV ratio of the pledged loans is currently estimated at approximately 42%.
 - CRH's specific legal framework does not provide for any substitution asset in the cover portfolio.
 - CRH's internal regulations only allow the holding of French home purchase loans whose residual term does not exceed 25 years, with unit amounts of no more than € 1 M.
 - CRH's internal regulations prohibit any holding of RMBSs.
- The total amount of the cover portfolio must be at least equal to 125% of the total amount of the CRH loans (amount equal to the total value of the CRH bonds) – or at least 150% in the case of floating-rate loans.
- CRH requires borrowers to comply with the rate and term congruence principle:
 - The average interest rate of the collateralised loans included in the cover portfolio must be equal to or exceed that of the CRH bonds.
 - The average life of the loans pledged in the cover portfolio must approximately coincide with the residual term of the CRH bonds.

8

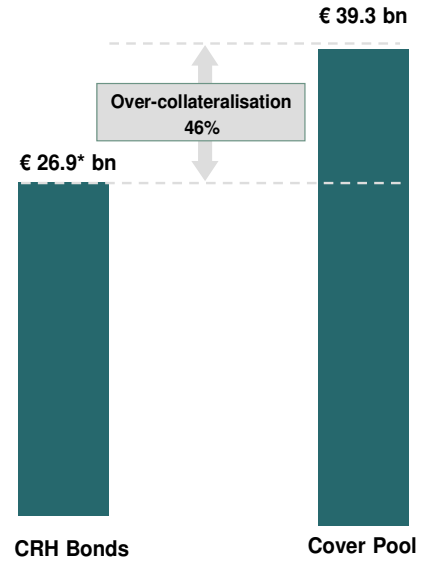


Breakdown of the cover pool

Regulatory breakdown of the CRH cover pool

Amount of the bonds	100	Minimum cover pool	125
		Prime home-purchase loans, meeting the very strict requirements defined by the EU CRD Directive	125
		Loans maturing in more than 25 years	0
		Loans in a unit amount in excess of € 1 M	0
		Loans granted outside of France	0
		RMBS or securitization units	0
		Swaps or derivatives	0
		Substitution Assets	0

Cover pool as of 31 December 2018



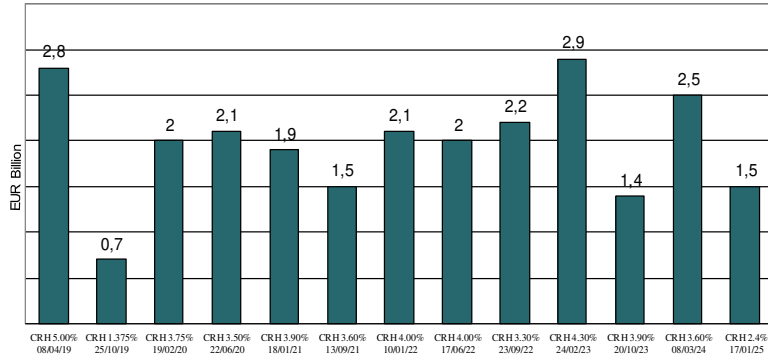
Cover pool (not including the non-eligible amount) estimated at €35.7 bn. i.e. a 33% over-collateralisation ratio.
* Value as of 31 December 2018



CRH Bonds – Key data

(December 2018)

Euro CRH's curve – 13 Euro bonds, from 2019 to 2025, totalling € 25.5 bn



Issue	Amt EUR bn	Status
CRH 5.00% 08/04/19	2.8	Potential reopening
CRH 1.375% 25/10/19	0.7	Potential reopening
CRH 3.75% 19/02/20	2.0	Potential reopening
CRH 3.50% 22/06/20	2.1	Potential reopening
CRH 3.90% 18/01/21	1.9	Potential reopening
CRH 3.60% 13/09/21	1.5	Potential reopening
CRH 4.00% 10/01/22	2.1	Potential reopening
CRH 4.00% 17/06/22	2.0	Potential reopening
CRH 3.30% 23/09/22	2.2	Potential reopening
CRH 4.30% 24/02/23	2.9	Potential reopening
CRH 3.90% 20/10/23	1.4	Potential reopening
CRH 3.60% 08/03/24	2.5	Potential reopening
CRH 2.4% 17/01/25	1.5	Potential reopening
TOTAL EUR BONDS	25.5	
TOTAL CHF 2019- 2025		
IN EUROS EQUIVALENT	1.3	
TOTAL EUROS EQUIVALENT	26.9 (1)	

- In conformance with the provisions of Article 129 of the CRR EU Regulation, currently weighted at 10% for the calculation of the capital adequacy ratio of European credit institutions holding such assets.
- Eligible for the ECB's open Market Operations.
- Eligible for the derogatory status referred to in Article 52.4 of the UCITS Directive.

(1) In nominal value

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Summary

The CRH securities offer benefits when compared to the directly issued covered bonds:

- The CRH securities are **ISSUED** :

- by a credit institution created by Government authorities, that does not borrow on its own behalf but on behalf of the banks and does not have any own financing requirements;

- by a credit institution whose capital belongs to the banks and whose sole function consists in pooling and securing transactions;

- by a credit institution benefiting from a commitment from French banks to contribute liquidity lines and regulatory capital.

- The CRH securities are **PROTECTED** :

- by a specific legal framework highly favourable to them and dedicated to them.

- Moreover, the CRH securities are **COVERED** :

- by a portfolio that is regularly audited, and that is oversized by approximately 25% and is exclusively comprised of housing loans granted to individuals in conformance with the European regulations on guaranteed bonds and the CRH criteria. Such portfolio does not include any RMBSs or loans that finance real estate assets located outside of France.

11



CONCLUSION

THE CRH RISK IS A RISK PERTAINING TO THE FRENCH BANKING SYSTEM, COVERED BY A PORTFOLIO PURELY COMPRISED OF HOUSING LOANS GRANTED TO INDIVIDUALS LOCATED IN FRANCE.



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CRH mechanism

