Helaba

Focus on: Covered Bonds
23 February 2022

My Money Bank (FR)

Headquarters	Homepage
Paris, France	www.mymoneybank.com/

Issuer ratings

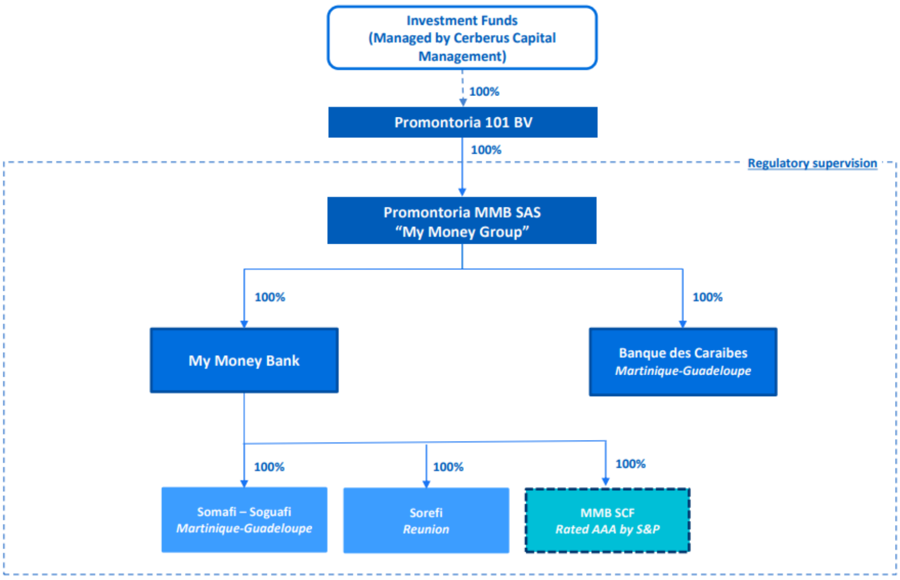
Fitch		
Moody's		
S&P	BBB-	developing

Sources: Bloomberg, issuer's website, Helaba Research & Advisory

My Money Bank S.A. (MMB) is a specialist lender to both retail and business customers with a focus on niche markets such as debt refinancing, car finance as well as savings products. It acts as the central operating unit within the My Money Group (MMG). In its core market of France, it enjoys a market share of around 30 % in the mortgage refinancing segment.

In the scope of its sales activities, MMB works together with more than 300 independent brokers while its savings products are primarily marketed through independent investment advisors. In addition to its headquarters in Paris, it has an administrative office in Nantes. It is also active in the French overseas territories of Guadeloupe, Martinique, French Guyana and Réunion through its subsidiaries Somafi-Soguafi and Sorefi, where it is the market leader in car finance (My Money Outremer) for private and business customers as well as in the consumer credit segment. It distributes its products there through car dealerships and its own branches. With the acquisition of My Partner Bank (previously operating as Banque Espírito Santo et de la Vénétie) in 2018, MMB expanded its position in the professional real estate finance business for smaller-scale projects, such as those of property developers and agents, in France. In 2020, the My Money Group also acquired Société Générale de Banque aux Antilles, rebranded as Banque des Caraïbes, a retail bank active in the French Caribbean.

Group structure
With Promontoria as the holding company



Sources: My Money Group, Helaba Research & Advisory

Debt refinancing accounts for almost half of its credit exposure. By refinancing and bundling mortgage and consumer loans, it is able to offer its customers relatively favourable conditions. The remainder is divided more or less equally between overseas car finance and consumer credit as well as commercial real estate finance.

Until April 2017, MMB was operating as GE Capital Bank S.C.A. It is a wholly owned subsidiary of Promontoria MMB SAS (PMMB), a company owned by funds managed by Cerberus Capital Management. It recently signed a Memorandum of Understanding with HSBC Continental Europe to acquire the latter's retail banking activities in France. The closing of the transaction is envisaged for the second half of 2023. Due to the future increase in the Group's total assets, we expect MMG to issue MREL eligible bonds following the acquisition.

Balance sheet, liquidity, solvency, profitability

Selected metrics

bn EUR	2019	2020	2021	m EUR	2019	2020	2021
Customer Loans	5,4	6,1	6,6	Net Interest Income	137	159	156
Customer Deposits	3,5	3,8	4,1	Net Fee & Commission Income	15	15	17
Total Assets	6,7	7,4	7,8	Total Revenues	170	193	.
Risk-Weighted Assets (Rwa)	4,1	4,4	4,7	Total Operating Expenses	159	169	191
Equity (Balance Sheet Equity)	0,8	0,8	0,8	Provisions For Loan Losses	3	38	2
				Net Income Attributable to Parent	4	61	-32
Loans To Total Assets (%)	81	83	85				
Loans To Deposits (%)	152	160	161	Net Interest Margin	2,20	2,27	.
Equity Capital / Total Assets (%)	11,7	11,3	10,3	Cost-To-Income (%)	93	88	.
Npl Ratio (%)	8,1	6,3	4,5	Risk Ratio (Loan Loss Provisions/Avg. Loans), %	0,07	0,66	0,03
Coverage Ratio (%)	29	34	41	ROAE (%)	0,6	7,6	-4,0
CET1 Ratio (%)	14,8	15,4	15,6	ROAA (%)	0,07	0,87	.

Sources: S&P Capital IQ Pro, Helaba Research & Advisory

MMB SCF Mortgage Covered Bond

Covered Bond-Ratings			Buffer to issuer reference rating
Moody's	-	-	-
Fitch	-	-	-
S&P	AAA	NEGATIVE	0

Sources: Bloomberg, Moody's Investor Service, Standard & Poor's Global Ratings, issuer's website, Helaba Research & Advisory

Regulatory/Transparency/Eligibility for Central Banks/ESG

Uniform national repoting	Yes
Harmonized reporting format (HTT)	Yes
Covered Bond Label	Yes
Risk weight according to CRR/Basel III	10%
LCR Classification	Level 1b
ECB Note eligibility	Yes
Issuance from Green, Social or Sustainable Covered Bonds	-

Sources: issuer's website, ECBC, Bloomberg, Helaba Research & Advisory

My Money Bank (MMB) has been issuing covered bonds since October 2018. Currently, there are seven outstanding notes, four of which are benchmark size. Maturities range from between 2025 to 2039.

MMB's covered bonds boast a 'AAA' rating from Standard and Poor's while the rating outlook is negative. The cover pool consists exclusively of residential mortgages, all of which are secured by properties in France and originate from the Group's Debt Refinancing business. The Ile-de-France region (including Paris) accounts for the largest share of the cover pool at 18.5 %. The regions of Provence-Alpes-Côte d'Azur (12.4 %), Languedoc-Roussillon-Midi-Pyrénées (10.9 %), Auvergne-Rhône-Alpes (10.7 %), Nord-Pas-de-Calais-Picardie (10.5 %) and Aquitaine-Limousin-Poitou-Charentes (10.2 %) round off the portfolio.

A large proportion of the properties in the cover pool **are owner-occupied** (95.6 %), while 1.34 percent are rented out and the rest are used as holiday or second homes. It is noteworthy that of the 25,966 mortgages, the majority (22.9 %) only have a loan seasoning of up to 12 months. The rest are fairly evenly distributed across maturity bands, while 17.9 % of mortgages are 5 or more years old. The portfolio consists of 91.69 % fixed-rate mortgages and 7.99 % variable-rate mortgages. The weighted average non-indexed LTV ratio was a low 55.4 % at the end of December 2021.

Property prices are rising all over the world and this is also true for the **French real estate market**, where prices rose by an annual rate of 5.7 % in the second quarter of 2021 and by 7.1 % in Q3 2021. These increases lagged behind the EU average (7.4/9.2 %) as well as, in particular, those in Germany (10.8/12.0 %) in the same periods. Nevertheless, growth on the residential real estate market can be described as stable.

There are no currency risks, as the entire mortgage portfolio and the covered bonds are denominated in euros. The weighted average remaining term of the cover pool is 9.5 years. Of particular note is the fact that the remaining term of the covered bonds, at 7.9 years, is only slightly lower (1.6 years). Due to a low level of mismatching in the types of interest rate - as mentioned above, 91.69 % of the cover assets are fixed-rate mortgages and covered bonds are fixed-income securities - the interest rate risks are relatively limited.

As of the end of December 2021, the mortgage covered bonds had a nominal **over-collateralisation of 23.0 %**, which is comfortably above the OC ratio of 7.0 % deemed adequate by the rating agency S&P.

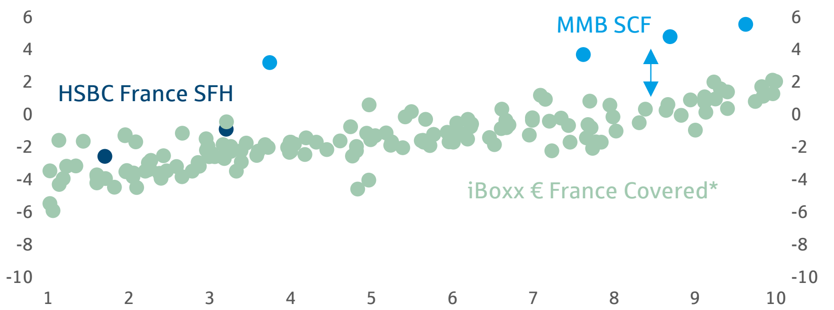
According to S&P's rating standards, MMB does not have a buffer to the issuer reference rating. That means, if the issuer is downgraded, the probability is high that the covered bond ratings will also be adversely affected. It is this interlinkage that drives the negative outlook of the covered bond ratings.

Looking ahead, it is worth mentioning that MMB reached an agreement with HSBC Continental Europe S.A. (HBCE) in June 2021 to acquire the latter's retail banking activities. According to the **Memorandum of Understanding**, these activities are to be transferred to Banque des Caraïbes and later rebranded as Crédit Commercial de France.

The covered bond issuer HSBC France SFH would be annexed to this new bank and renamed accordingly. Subject to approval from executive bodies and regulatory authorities, the transaction is expected to be completed in the second half of 2023.

Premium of MMB SCF Covered Bonds shaped by credit rating of parent bank

Covered bonds by residual maturity in years and asset swap spreads in bp.



*iBoxx France Covered without MMB SCF and HSBC SFH bonds ; as of 03.02.2022
Sources: Bloomberg, Helaba Research & Advisory

The mortgage covered bonds represent a direct, unconditional, senior obligation of MMB and are regulated by **French law** (Code Monétaire et Financier) for specialised credit institutions in the form of a Société de Crédit Foncier (SCF).

In June 2021, France was one of the first countries to implement the **new EU requirements** for the harmonisation of covered bonds. They will come into force on 8 July 2022. It is important to note that, in our view, the French legal framework for both types of specialised credit institutions (SFH and Société de Credit Foncier (SCF)) already met or in some cases exceeded the minimum standards of the EU Covered Bond Directive. The main changes include:

- The introduction of objective triggers for deferring the maturity of covered bonds. These include insolvency or bank resolution and approval by the supervisory authority (ACPR) if the issuer is not able to meet the liquidity coverage requirements (180 days).
- The repeal of an SCF-specific regulation of the previous law, which limited the share of guaranteed mortgages to 35 % of the SCF cover pool. This means that the two French covered bond regulations (for SCF and SFH) are now identical on this point. In addition, the legislation also introduces a minimum credit quality for guarantors.
- The permissible cover assets (for SFH: residential mortgages, for SCF: residential and commercial mortgages, public sector exposures) remain unchanged, while the option of adding high quality assets was not included.

Strengths

- AAA rating
- Comfortable over-collateralisation ratio
- Low average weighted non-indexed LTV ratio
- Extremely low maturity mismatching, relatively low interest rate risks, no currency risks
- Even geographic distribution of cover assets
- Robust French legal framework

Weaknesses

- No IDR buffer
- A relatively high proportion of mortgages with a low seasoning

Selected key figures

Coverage data	
Outstanding covered bonds (M€)	2.100
Total cover assets (M€)	2.583
Derivatives	0,0%
Substitute assets	2,2%
Over-collateralisation	23,0%

Market risk indicators	
Covered bonds with fixed coupon (after swap)	0,0%
Cover assets with fixed rate	8,0%
Weighted average life covered bonds (in years)	0,0
Weighted average life cover pool (in years)	0,0

Credit risk indicators	
Residential cover pool	100,0%
Commercial cover pool	0,0%
Weighted average LTV unindexed (residential)	55,4%
Weighted average LTV indexed (residential)	49,9%
Average loan seasoning (> 5 years)	18,0%
Non-performing loans (≥ 90 days)	0,0%
10 largest exposures	0,5%
Number of borrowers	-
Bullet repayment / interest-only loans	0,0%
Residential loans - buy-to-let	1,3%

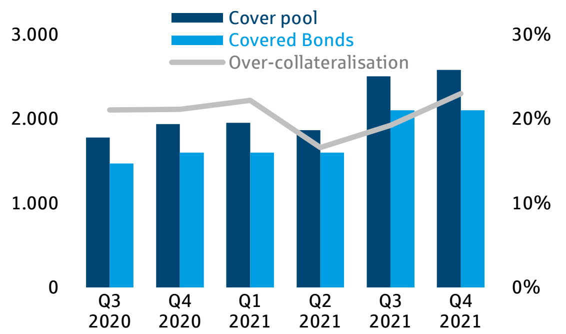
Rating relevant key figures

Rating relevant key figures:	Moody's	Fitch	S&P
Credit risk (Moody's: Collateral Score, S&P: WAFFxWALS)	-	-	6,7%
Market risk (Moody's)	-	-	-
OC level consistent with current rating	-	-	6,5%

As of: 31 December 2021 (Link to issuer's website)
Sources: issuer's website, Moody's Investor Service, Helaba Research & Advisory

Over-collateralisation in previous 6 quarters

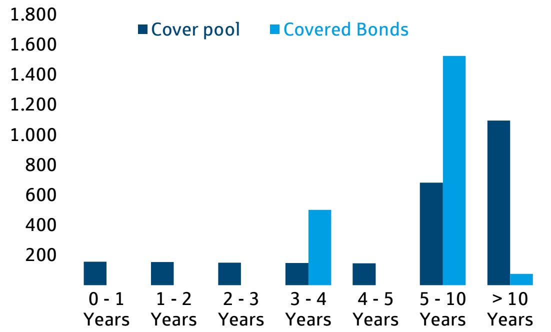
EUR (millions) In %



Sources: issuer's website, Helaba Research & Advisory

Maturities by duration bands

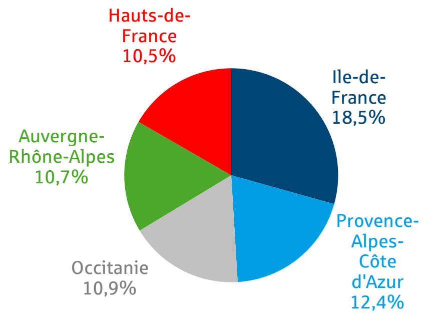
EUR (millions)



Sources: issuer's website, Helaba Research & Advisory

Cover pool by region

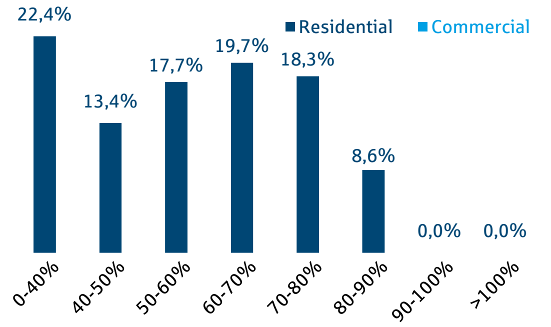
Weighted, %



Sources: issuer's website, Helaba Research & Advisory

Cover pool by loan-to-value (LTV) ratio

%, unindexed



Sources: issuer's website, Helaba Research & Advisory

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