Dexia Crediop

PRESS RELEASE

DEXIA CREDIOP: The Board of Directors approves the interim financial report at 30th June 2019.

- **Net interest and other banking income: € -67 million;**
- **Net result: € -82 million;**
- **Total assets: € 18.8 billion;**
- **Common Equity Tier 1 Capital Ratio: 17.9%;**
- **Total Capital Ratio: 18.1%.**

The Board of Directors of Dexia Crediop, held today in Rome, approved the interim financial report at 30th June, 2019.

Dexia Crediop's situation

Dexia Crediop is a bank in run-off previously active in the public sector and infrastructure loans.

On the basis of the Dexia Group orderly resolution plan, approved by the European Commission in December 2012, the management in run-off without new assets production is continuing for the entities within Dexia Group, including Dexia Crediop, the management in run-off of which was effective from 15th July, 2014.

In addition, as an integral part of the aforementioned plan, Dexia Crediop continues to benefit from financial support from the parent company. During the last few years, the bank carried out a reorganization in line with its new mission, by pursuing the objectives of simplification, enhancement of synergies, development of employee flexibility, as well as adjustments to the size of its organizational units in line with the assigned task and proceeding with the closure of its branches located through the country.

Furthermore, over the last years the bank became party to a number of administrative proceedings and legal actions mainly in relation to derivative contracts entered into with local and territorial authorities, some of which are still on-going. The positive outcomes of such proceedings and legal actions obtained until now, significantly reduced the number of existing cases and prevented new disputes, and proved the substantial correctness and transparency always adopted by the bank in the relationship with its clientele.

Economic results of Dexia Crediop

Net interest and other banking income amounted to € -67 million, down by € -71 million compared with € 4 million at 30th June, 2018.

In particular, the net interest income saw a decrease of € 27 million, mainly due to the increase of volumes and costs of long term funding granted by the parent company, Dexia Crédit Local, in order to comply with the prudential ratios applied to credit institutions supervised by the European Central Bank (ECB) and specifically the Liquidity Coverage Ratio (LCR).

The item dividends recorded in 2019 the dividends cashed from Istituto per il Credito Sportivo for an amount of around € 0.2 million.

Net bank fees and commissions total € -57 million compared to € -23 million as at 30th June, 2018. The decrease is mainly due to commission expenses accrued on liquidity lines granted by the parent company, Dexia Crédit Local, at the end of 2018 for an amount of € 5.1 billion.

Fair value adjustment in hedge accounting result is equal to € -8 million, compared to € +1 million in the first half of 2018. The decline compared with the same period of 2018 is

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attributable to the significant negative change in the ineffectiveness of hedges mainly due to the increase of the spread Euribor vs OIS in the first half of 2019.

The overall result of the net trading activity, including the result on disposals or repurchases and on financial instruments measured at fair value through profit and loss amounted to € +9 million, aligned with the result in the same period of the previous year,

Compared to the first half of the previous year an increase of *Credit Value Adjustment* (CVA) is registered in relation to a derivatives stock decrease, also originated from derivatives unwinding, partly offset by an increase of the mark-to-market. The contribution of *Funding Value Adjustment* (FVA) is positive in the first half of 2019 mainly due to a reversal linked to unwinding of derivatives. Compared to the same period of the previous year the FVA contribution decreases as an effect of the positive result recorded in the first half of 2018. The result on financial instruments measured at fair value through profit and loss in the first half of 2019 is equal to € +4 million, of which € +0.8 million due to the result of the sell of shareholdings related to a project finance transaction, compared to € +5 million in the same period of 2018.

Net adjustments for credit risk amount to € +1 million, compared to € +5 million in the first half of 2018.

Administrative expenses and net adjustments on tangible and intangible assets, equal to € 16.1 million, decreased by 17% compared to € 19.5 million in the same period of the previous year due to a decrease of € 1.7 million of the contribution to the Bank Resolution Funds to € 6.6 million, compared to € 8.3 million of the previous year. Not taking into account these contributions, the total of the administrative expenses amount to € 9.5 million, down by around € 1.6 million (-14%) compared to the same period of the previous year, following the decrease of the personnel expenses and of other administrative expenses.

Therefore, the result from continuing operations before tax amounted to € -82 million, compared to a result of € -13 million in the first half of 2018.

As a result of income tax expenses equal to zero, the net loss in the semester is thus equal to € 82 million compared to a loss of € 13 million in the first half of 2018.

End of the specific approach and new medium and long term funding plan
At the end of 2015 the ECB adopted a tailored made approach to supervision applied to Dexia Group ("specific approach") on a temporary basis. On 16th July 2018, the ECB informed Dexia Group that the specific approach would not be renewed for 2019. Dexia Crediop must thus comply with all prudential requirements applicable to credit institutions supervised by the ECB. The above decision made necessary an overall restructuring of funding in order to specifically comply with the ratios applicable to liquidity, in particular the Liquidity Coverage Ratio (LCR). In December 2018 a medium and long term funding plan was established by the parent company, Dexia Crédit Local. The plan will allow the liquidity needs of Dexia Crediop to be met until 2022 and the minimum requirements related to the LCR, that were equal to 112% at the end of June 2019 above the required limit of 100%.

In addition, as to solvency, following the evaluation process and prudential audit carried out by the ECB, in 2019 Dexia Crediop shall comply with:

- Total SREP Capital requirement of 11%;
- Overall Capital Requirement (OCR) of 13.5%.

Furthermore the ECB expects Dexia Crediop to comply with Pillar 2 Capital Guidance of 1% to be held over the level of 13.5% and to be made up entirely of Common Equity Tier 1 (CET 1). In the overall context of the supervision rules, the bank must comply with the obligation to

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keep both the credit exposures versus a single counterparty or also groups of related counterparties below the limit of 25% of the regulatory capital (so-called great exposures limit) and the Liquidity Coverage Ratio (LCR) at a minimum of 100%.

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In addition, it is now definite that Dexia Crediop shall, in the course of 2019, draw up a capital plan in order to meet the expected capital needs arising notably from:
- the recent increase of prudential requirements;
- the expected P&L losses negatively impacting the capital base.

Furthermore, as already mentioned in the 2018 financial statements of Dexia Crediop (and in its press release dated 29th April 2019), the ECB carried out, at Dexia Group level, an inspection covering Dexia's credit portfolio (On-Site Inspection - "OSI") over the year 2018 and during the first months of 2019. While the OSI final findings have been communicated to Dexia Crediop (see our press release dated 29th April, 2019), the final recommendation(s) and/or decision(s) of the ECB in relation to the OSI are not yet known as at the date of this press release.
As far as Dexia Crediop is concerned, the OSI final findings, if confirmed by ECB's final decisions or recommendations, combined with the aforementioned increase in prudential requirements and expected losses, will lead Dexia Crediop not to comply with its solvency ratios and large exposure limits on certain exposures, thus requiring appropriate remedial actions to be taken.

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As at 30th June 2019 the Common Equity Tier 1 Capital Ratio was equal to 17.9% (19.7% in 2018), and the Total Capital Ratio to 18.1% (19.9% in 2018), above the minimum required.

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Dexia Crediop is a bank in run-off previously specialized in public sector and infrastructure loans.
70% controlled by Dexia Crédit Local, which is part of the Dexia Group, and held by Banco BPM S.p.A., with a 20% stock-holding, and by BPER Banca S.p.A., with a 10% stock-holding.

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Emmanuel Campana, as Financial Reporting Manager responsible for drafting accounting documents at Dexia Crediop, hereby declares, in accordance with article 154-bis, para. 2, of the Consolidated Finance Act, that the accounting information contained in this press release corresponds to the results set down in documents, ledgers and the accounts.

Financial Reporting Manager
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Regulated information – Rome, 25th July 2019 – 03:00 p.m. CET
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