Dexia Crediop

PRESS RELEASE

DEXIA CREDIOP: the Board of Directors approves the draft company financial statements for 2022 and the joint cross-border merger treaty between Dexia Crediop and Dexia Crédit Local.

- **Total assets: € 7,5 billion;**
- **Common Equity Tier 1 Capital Ratio: 57,7%;**
- **Total Capital Ratio: 60,0%;**
- **Liquidity Coverage Ratio: 150,7%;**
- **Net Stable Funding Ratio: 153,7%;**
- **Net result: € -45.3 million.**

Dexia Crediop's Annual General Shareholder's Meeting is scheduled to take place on April 28, 2023 to pass a resolution on the company financial statements for 2022, approved by Dexia Crediop's Board of Directors on March 24, 2023.

Dexia continues the streamlining of Dexia Group and approves the cross-border merger treaty between Dexia Crediop and Dexia Crédit Local

The Boards of Directors of Dexia Crédit Local and Dexia Crediop have today approved the joint cross-border merger treaty whereby Dexia Crediop would be merged into Dexia Crédit Local. As announced on February 13, 2023, Dexia Crediop has filed with the Bank of Italy an application for authorization of the merger on February 15, 2023, pursuant to Article 57 of Legislative Decree No. 385 of September 1, 1993.

This merger is part of the simplification plan for the Dexia Group, and should be implemented in or around the end of September 2023, with retroactive accounting and fiscal effect as from July 1, 2023.

Following the merger, Dexia Crédit Local intends to maintain a local presence in Italy through the establishment of a non-regulated branch (*sede secondaria*) in Rome. This branch will carry out exclusively ancillary and non-regulated tasks to support its headquarters and this will facilitate communication with counterparties based in Italy in relation to outstanding transactions, without carrying out any regulated activities or investment services in Italy.

Recent evolutions

In 2021[1] Dexia Crediop implemented a plan to dispose of assets and derivatives with customers to:
- reduce liquidity requirements;
- improve its financial situation; and
- ensure compliance with regulatory requirements over the medium/long-term.

The disposal plan was substantially completed during the first half of 2021. Consequently, the impacts on the Balance Sheet and Income Statement are entirely reflected in the 2022 results, while comparisons with the 2021 results are influenced by the effects of the disposal plan.

It should also be noted that the equity situation of the bank[2] was amended, for an amount of approximately € +23 million as of January 1, 2022, due to the correction made to the value of impairment calculated on lending operations with local administrations. The largest impact was seen on the exposures associated with a client whose debt servicing is borne by the Italian State.

[1] See Dexia Crediop's press releases of 17 February 2021 and 24 March 2021 for further details on the restructuring plan.
[2] In compliance with the provisions of IAS 8 accounting principle (changes in accounting estimates and errors).

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Economic and financial results of Dexia Crediop

Net interest income, including similar income/expense, had a balance of € -28.0 million (compared to a negative figure of € -25.6 million in the previous year). The € -2.4 million decrease is mainly due to the acquisition in Dexia Crediop's accounts in 2021 of sums previously loaned to customers and never collected by them until their prescription. The decrease in revenue on assets, in relation to the reduction of stock, was more than offset by a decrease in the cost of funding, also related to the volumes decrease and the amortization of the more expensive funding that took place in the period.
Net fee and commission result was negative at € -3.0 million, compared to € -26.9 million in the previous year. The positive impact (€ +23.9 million) is mainly due to the reduction of costs relating to the liquidity lines with Dexia Crédit Local and the cancellation in March 2021 of financial guarantees received from Dexia Crédit Local following a sale of assets to Dexia Crédit Local, aimed at reducing the credit exposure to certain counterparties so that to comply with the capital requirements for large exposures and to a substantial stability in commission income for services rendered compared to the previous year.

The net result of trading activities amounts to € +21.5 million. This item consists of the following components: (i) € -4.7 million including the measurement of derivatives for Credit/Debit Value Adjustment (CVA/DVA) components essentially relating to the transfer of a swap with a local administration to the category of past-due exposures and to the increase of credit spreads, offset by an increase due to the growth of interest rates during the period and positive Funding Value Adjustment (FVA) at +2.7 million, due for € +3.9 million to an increase in interest rates, for € -2.2 million to the funding spread component, and for € +1.0 million to the overall effect of the derivatives transferred to Dexia Crédit Local or unwound; (ii) € +24.6 million relating to mark-to-market changes in economic hedge derivatives; (iii) € -0.9 million due to trading losses on derivatives transferred to Dexia Crédit Local or unwound (€ -1.1 million fully offset by the positive XVAs effects) and to cashed nettings (€ +0.2 million); and (iv) € -0.2 million relating to the overall loss on the mark-to-market on trading derivatives.

The net hedging gains/losses result of hedging activities is positive at € +7.5 million, mainly following positive changes in the ineffectiveness of fair value hedges as a consequence of the increase in middle and long term rates during the 2022, partially offset by the expansion in the OIS-BOR spread. The previous year such result was positive at € +4.8 million mainly as a result of asset renegotiation transactions.

Profit/loss on disposal or repurchase equals to € -1.6 million relating to losses in the repurchase in November of a bond (€ 1.5 billion capital) from the parent company Dexia Crédit Local, compared to € -31.5 million in 2021, due to the transfer of securities to Dexia Crédit Local as part of the restructuring plan.

Net result of other financial assets and liabilities measured at fair value through profit and loss amounts to € -14.3 million (compared to € +1 million in the previous year) due to changes in the fair value of assets classified in this category linked to changes in market parameters (credit spreads and interest rates), in particular due to decrease in the evaluation credit spread applied in the period and to the passage of time.

Net write-downs/write-backs are negative at € -2.4 million, essentially due to Italian Republic risk evaluation, partially offset by the decrease in credit exposure (EAD). In the previous year Net write-down/write-backs were € +39,9 million, due for € 32.6 million to the impairment write–back basically related to the assets transferred to Dexia Crédit Local in 2021 and for € +7.3 million to the correction made to the value of impairment on lending operations with local administrations.

The item "Profits/losses from contractual changes without derecognition" is equal to zero, as compared to € +5.9 million in the previous year as a result of two loans renegotiations with local administrations.

Administrative expenses and and depreciation, equal to € 18.5 million, are down -10% compared to the previous year. Even not taking into account contributions to the Single and National Resolution Funds (for around € 2.2 million in 2022 and € 3.0 million in 2021) they are however decreasing: -7% compared to the previous year.

Net allocations to provisions for risks and charges totalled € -6.6 million (€ -4.0 million in 2021), substantially due to provisioning for legal expenses for disputes (€ -3.5 million), netting on derivatives unpaid by customers (€ -2.1 million), some potential charges relating to contracts with customers (€ -2.0 million), and € +1.0 million due to the recovery of a provision following the settlement of a dispute with a client.

The item ”Other operating income and expenses” is € +0.1 million, basically due to an out-of-court settlement of a dispute, compared to € +5.3 million in 2021, mainly due to the write-off of certain aged assets and liability items regarding relationships with professionals and consultants, tax items and amounts associated with personnel.

Considering income tax at zero, the net loss of year 2022 comes to € -45.3 million, compared to € -34.4 million loss in 2021.

The decrease of Dexia Crediop total assets continues and equals to € 7.5 billion at the end of 2022, down by € 2.7 billion compared to 2021 (-27%), mainly due to the interest rates increase over the year which resulted in a significant reduction of the derivatives fair value and related collateralisation operations and, to a lesser extent, to assets amortization.

Regulatory requirements

For 2023, the regulatory requirements which were set for the year 2022 remain unchanged:

- a CET1 ratio of 8.82%, consisting of a mandatory 6.32% (of which 4.5% for minimum regulatory requirements and 1.82% for additional requirements determined on the SREP) and, for the remaining part, the capital concentration reserve component (2.5%);
- Tier 1 ratio of 10.94%, consisting of a mandatory 8.44% (of which 6% for minimum regulatory requirements and 2.44% for additional requirements determined on the SREP) and, for the remaining part, the capital concentration reserve component (2.5%);
- Total Capital ratio of 13.75%, consisting of a mandatory 11.25% (of which 8% for minimum regulatory requirements and 3.25% for additional requirements determined on the SREP) and, for the remaining part, the capital concentration reserve component (2.5%).

Additionally, the SREP requires Dexia Crediop, in the context of P2G, to comply with a further 1% requirement, due to greater exposure to risk under stress conditions, consisting entirely of CET1, to be added to the 13.75% TCR.

To note that, by a letter dated February 20, 2023, the Bank of Italy sent Dexia Crediop the decision by the Single Resolution Board relating to the Minimum Requirement for own funds and Eligible Liabilities (MREL) that the bank was required to comply with on an on-going basis.
The values envisaged for this index are the same of last year, *i.e.*, taking into account the particular situation of management in run-off of Dexia Crediop, MREL equal to:

- 11.25% of the *“*Total Risk Exposure Amount - TREA*”*, and
- 3% of the “Leverage Ratio Exposure - LRE”.

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At the end of 2022, the CET1 ratio was 57.7% (compared to 46.3% at the end of 2021) and the Total Capital ratio was 60.0% (48.9% at the end of 2021). Similarly, the liquidity ratios were also higher than the required minimum (100%). Specifically, the Liquidity Coverage Ratio (LCR) amounts to 150.7% (109.5% at the end of 2021), while the Net Stable Funding Ratio (NSFR) is 153.7% (114.8% at the end of 2021).

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At the date of drawing up the financial statements, Dexia Crediop took all the above elements into account and concluded that they do not call into question the assessment of the going concern.

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

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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.

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Regulated information – Rome, March 24, 2023 - 18:40 CET time
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