Dexia Crediop

PRESS RELEASE

DEXIA CREDIOP: The Board of Directors approves the draft company financial statements for 2018 and co-opts Nicolas Dupont as new director.

- **Net interest and other banking income: € -49.5 million;**
- **Net result: € -77.8 million;**
- **Total assets: € 18.3 billion;**
- **Common Equity Tier 1 Capital Ratio: 19.7%;**
- **Total Capital Ratio: 19.9%;**
- **Co-optation of Nicolas Dupont as new director replacing the resigning director Pierre Vérot.**

Dexia Crediop's Annual General Shareholders' Meeting, is scheduled to take place on April 29, 2018, to pass a resolution on the company financial statements for 2018 approved by Dexia Crediop's Board of Directors on March 22, 2019.

In addition, following Pierre Vérot's resignation from his office as director, with effect as from March 18, 2019, the Board of Directors co-opts Nicolas Dupont, Deputy Secretary General and Director Legal–Group Strategic Projects and Restructurings within Dexia Group, as new director of Dexia Crediop.

Dexia Crediop's situation

Dexia Crediop is a bank in run-off previously active in 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 July 15, 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 had carried out a reorganization in line with its new mission, thus pursuing the objectives of simplification, enhancement of synergies, development of resource flexibility, as well as adjustments of the size of its organizational units to the assigned task and proceeding with the closure of the branches located through the country.

Furthermore, over the last few years the bank has become 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, also prevented new disputes, and proved the substantial correctness and transparency always adopted by the Bank in its commercial relationships.

Economic result of Dexia Crediop

Net interest and other banking income amounted to € -49.5 million, down by € -85.7 million compared to 2017.

In particular, net interest income shows a decrease by € -13.4 million, due to the amortization of the stock of assets and a decrease of the contribution of the own funds.

Net fees and commissions income equal to € -46.7 million decreased by € -9.0 million due to the increase of the amount of the liquidity lines received from the parent company Dexia Crédit Local, and the related cost which had an impact of € -48.1 million in 2018, compared to € -38.7 million in 2017.

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In 2018, dividends (€ 2.8 million) show the payment of the final installment by the subsidiary Dexia Crediop Ireland in voluntary liquidation, which ended in July 2018, and of € 1.5 million of dividends by Istituto per il Credito Sportivo.

The net result of the net trading activity is equal to € 0.2 million in 2018 compared to € 22.3 million in the previous year. This item is positively affected by the changes of the fair value and result of trading derivatives (€ 21 million), including economic hedge derivatives according to the new IFRS9 accounting standard, and negatively by the effect of € -21.5 million originated by Credit Value Adjustment (CVA) and Funding Value adjustment (FVA) basically due to the increase of evaluation spreads over the year.
Gains/losses on disposal/repurchase are equal to € 1.4 million (€ -0.5 million in 2017) mainly originated by the early redemption of a callable bond issued by the bank.

Net hedging gains (losses) are equal to € 6.3 million, down by € 8.4 million compared to 2017 following the changes of the ineffectiveness of hedges, mainly due to a decrease of the Euribor versus OIS spread.

The net result of the financial assets and liabilities measured at fair value though profit and loss, item introduced by the new accounting principle IFRS9, amounts to € -37.4 million and it is negatively affected by the increase of credit spreads in the second half of 2018, by the reimbursements in the period and positively by the value increase of some loans subject to renegotiation.

Net adjustments for credit risk amount to € 6.0 million (versus € -10.0 million in 2017), mainly related to reversals of adjustments following the early redemptions or sales of assets, as well as changes in the quality of some assets.

Administrative expenses total € 28.4 million, down by € 1.8 million (-6%) compared to 2017. Net of the contributions made to the banking Resolution Funds (€ 8.3 million in 2018 compared to € 7.2 million in 2017), administrative expenses amount to € 20.1 million (compared to € 23.0 million in 2017) down by 13% year over year.

Following net provisions for risks and charges of € -6.1 million, other operating expenses/ income of € 1 million and profit on disposal of investments of € 0.7 million, the result from continuing operations before tax amounts to € -78 million, compared to € -0.3 million in 2017.

The net result for the period, after positive tax equal to € 0.2 million, amounts to € -77.8 million compared to € 2.0 million of previous year.

Dexia Crediop balance sheet total is € 18.3 billion, down by € 2.2 billion compared to the end of 2017 (-11%). The decrease is mainly due to the amortization and early redemptions of assets carried out over the period, as well as the decrease of the value of derivatives held for trading and of deposits for guarantee margins relating to credit support annex contracts.

Main effects of the new accounting standards
The IFRS9 “Financial instruments” accounting was published by the IASB in July 2014 and adopted by the European Union on November 22, 2016. It entered into force on January 1, 2018, replacing IAS39 “financial instruments: recognition and measurement”. Further to the application of this said standard as of January 1, 2018, Dexia Crediop recorded a total negative net impact on capital of € -38 million.

End of the specific approach and new medium and long term funding plan
At the end of 2015 the European Central Bank (ECB) adopted a tailored approach to supervision applied to Dexia Group (“specific approach”) on a temporary basis. On July 16, 2018, the ECB informed the Dexia Group that the specific approach would not be renewed for

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2019. Dexia Crediop must consequently comply with all prudential requirements applicable to credit institutions supervised by the ECB. This above triggered 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 has been 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 114% at the end of 2018 above the required limit equal to 100%.

Moreover, regarding solvency, following the evaluation process and prudential audit carried out by the ECB, in 2019 Dexia Crediop must comply with:

- Total SREP Capital requirement of 11% (compared to 10.25% in 2018);
- Overall Capital Requirement of 13.5% (compared to 12.125% in 2018).

In addition 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).

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In the course of 2019, Dexia Crediop may have to draw up a capital plan in order to measure the potential capital needs arising notably from the recent increase of prudential requirements and the expected prospective P&L losses negatively impacting the capital base.

Moreover, on-site inspections (OSI) by the European Central Bank are currently ongoing at the level of the Group, in particular an inspection with regard to credit risk. To the extent relevant, Dexia Crediop might have to integrate, in the aforementioned capital plan, the conclusions of such inspections, which might have an impact on its regulatory requirements and its ability to satisfy them.

The outcome of the capital plan, together with the impacts of on-site inspections, could potentially lead to Dexia Crediop not being compliant with certain regulatory ratios. In such a case, the necessary remedial actions will have to be taken in due time by Dexia Crediop.

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As at December 31 2018 the Common Equity Tier 1 Capital ratio was equal to 19.7% (22.8% in 2017), and the Total Capital Ratio to 19.9% (23.3 % in 2017), 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.

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Regulated information – Rome, March 22, 2019 – 03:00 p.m. CET
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