Dexia Crediop

PRESS RELEASE

DEXIA CREDIOP: Shareholders' Meeting approves the Bank's financial statements for 2018, appoints the Board of Statutory Auditors (*Collegio Sindacale*) and confirms two co-opted directors.

- **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%;**
- **Appointment of the Board of Statutory Auditors (*Collegio Sindacale*) for the period 2019-2021;**
- **Confirmation of the co-opted Directors, Prakash Advani and Nicolas Dupont.**

The Shareholders' Meeting of Dexia Crediop was held in Rome today and approved the Bank's financial statements for 2018.

The Shareholders' Meeting also passed the following resolutions:

- appointment of the Board of Statutory Auditors (*Collegio Sindacale*) and its Chairman for the period 2019-2021, by confirming the current composition, integrated by a new Alternate Statutory Auditor replacing the resigning Jean Paul Baroni:
  - Pierre Paul Destefanis (Chairman of the Board of Statutory Auditors);
  - Nadia Bonelli (Standing Statutory Auditor);
  - Nicola Fiameni (Standing Statutory Auditor);
  - Lucia Foti Belligambi (Alternate Statutory Auditor);
  - Paola Simonelli (Alternate Statutory Auditor).
- confirmation as director of Prakash Advani, previously co-opted by the Board of Directors on 26th July 2018, and Nicolas Dupont, previously co-opted by the Board of Directors on 22nd March 2019.

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 granted by its parent company. During the last few years, the bank 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 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 litigations, prevented new disputes and proved the substantial correctness and transparency always adopted by the Bank in its commercial relationships.

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Economic results 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 to a decrease of the contribution of 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.

In 2018, dividends (€ 2.8 million) show the payment of the final liquidation 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 (€ 21.0 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) mainly 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 increased value of some loans as a result of their 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 to changes in the quality of some assets.

Administrative expenses totals € 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 amounted to € 20.1 million (compared to € 23.0 million in 2017) down by 13% compared to the previous year.

Following net provisions for risks and charges of € -6.1 million, other operating expenses/ income of € 1 million and profits on disposal of investments of € 0.7 million, the result from continuing operations before tax amounted 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.

At the end of 2018, Dexia Crediop balance sheet total was € 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 to the decrease of the

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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

IFRS9 "Financial instruments" accounting standard 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 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-made approach to the supervision applied to Dexia Group ("specific approach") on a temporary basis. On July 16, 2018, ECB informed Dexia Group that the specific approach would not be renewed for 2019. Dexia Crediop must consequently comply with all prudential requirements applicable to credit institutions supervised by ECB. The above made necessary an overall restructuring of funding in order to specifically comply with the liquidity ratios, in particular the Liquidity Coverage Ratio (LCR). In December 2018 a medium and long term funding plan was implemented by the parent company, Dexia Crédit Local. The plan will allow to meet both the liquidity needs of Dexia Crediop until 2022 and the minimum requirements related to the LCR, that was equal to 114% at the end of 2018, that is above the required limit equal to 100%.

Furthermore, regarding 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% (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 in addition to the level of 13.5% and to be made up entirely of Common Equity Tier 1 (CET 1).

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Additionally, it is today certain that Dexia Crediop shall, in the course of 2019, draw up a capital plan (see Annual Report 2018, page 39) in order to measure the potential capital needs arising notably from:

- The recent increase of prudential requirements;
- The expected losses negatively impacting the capital base.

Furthermore, as explained in the Annual Report 2018 (page 39), an on-site Inspection (OSI) carried out by ECB and covering Dexia's credit portfolios took place at the level of Dexia Group over the year 2018.

Dexia Crediop was recently informed, by its parent company, of the OSI final findings. Should part or all of these findings be confirmed by means of a final recommendation or decision of the ECB, they will have an impact on Dexia Crediop's regulatory capital. Indeed, combined with the above increased prudential requirements and expected losses, the OSI findings, if confirmed by the ECB, will turn Dexia Crediop into not being compliant 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 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.

Financial Reporting Manager
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Regulated information – Rome, April 29, 2019 – 03:00 p.m. CET
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