Dexia Crediop

PRESS RELEASE

DEXIA CREDIOP: the Board of Directors approves the interim financial report at June 30, 2022.

- **Total assets: € 8.8 billion;**
- **Common Equity Tier 1 Capital Ratio: 54.1%;**
- **Total Capital Ratio: 56.4%;**
- **Liquidity Coverage Ratio: 265.7%;**
- **Net Stable Funding Ratio 109.4%;**
- **Net interest and other banking income: € -16.2 million;**
- **Net result: € -31.8 million.**

The Board of Directors of Dexia Crediop, held today, approved the interim financial report at June 30, 2022.

Dexia Crediop's situation

Dexia Crediop is a bank in run-off previously active in public sector and infrastructure financing. In line with the Dexia Group orderly resolution plan, approved by the European Commission in December 2012, the management in run-off without any new commercial production is continuing for the entities within the Dexia Group, including Dexia Crediop, the management in run-off of which was effective from July 15, 2014. In addition, as part of the aforementioned plan, Dexia Crediop continues to benefit from the financial support from its parent company. During the last few years, the bank has been carrying 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 tasks.

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.

This plan involved:
- the sale to the parent company Dexia Crédit Local (DCL) of securities, loans, an equity security and the relative hedging derivatives, for € 3.8 billion;
- the transfer to DCL of certain derivatives with customers for a total of € 0.3 billion;
- the cancellation of guarantees issued by DCL to guarantee compliance with large exposure regulations.

The disposal plan also included a reduction in the net stock of cash collateral of around € 1 billion.

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

It should also be noted that the equity situation of the bank[2] was increased, for an amount of approximately € 23 million as at 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 carried out by the government.

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

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Dexia Crediop

Economic and financial results of Dexia Crediop

Net interest and other banking income is negative at € -16.2 million (€ -41.3 million in the first half of 2021).

Net interest income, including similar income/expense had a balance of € -14.9 million (compared to a negative figure of € -10.5 the previous year). The € -4.4 million decrease was mainly due to the acquisition in the Dexia Crediop financial statements during the first half of 2021 of sums previously loaned to customers and never collected, for € +4.2 million, relative to which the legal terms for the prescription have been applied. The decrease in revenue on assets, in relation to the reduction of stock, was substantially offset by a similar decrease in the cost of funding.

Net fee and commission result was negative at € -2.2 million, compared to € -20.6 million the previous year. The positive impact was mainly due to the reduction of costs relative to liquidity lines with DCL and the elimination of financial guarantees received from DCL, with the aim of reducing credit exposure to certain counterparties to comply with capital requirements for large exposures, following the restructuring plan carried out during the first half of 2021.

The net result of trading activities amounts to € +5.1 million, compared to € +14.6 million, for the most part due to the restructuring plan carried out in 2021. This item consists of the following components: (i) € -6.6 million including the measurement of derivatives for Credit/Debit Value Adjustment (CVA/DVA) components, of which € -8.8 million relative to the transfer of a swap with a local administration to the category of past-due exposures, € +2.2 million in relation to an increase due to a growth of interest rates during the period, partially offset by an increase in credit spreads and the positive Funding Value Adjustment at € +1.0 million, due for € +1.8 million to an increase in interest rates and for € -0.8 million to the funding spread component; and (ii) € +10.8 million substantially relative to mark to market changes in economic hedge derivatives;

The net hedging gains/losses result of hedging activities was positive at € +4.8 million, mainly following improvement in the ineffectiveness of fair value hedges, as a consequence of the increase in interest rates during the period, partially offset by the expansion in the OIS-BOR spread. During the same period the previous year this result was positive at € +4.3 million.

Profit/loss from on disposal or repurchase equal to zero, compared to € -31.5 million in the first half of 2021, due to the transfer of securities to DCL as part of the restructuring plan;

Net result of other financial assets and liabilities measured at fair value through profit and loss amounts to € -9.0 million (compared to € +2.4 million in the first half of 2021) 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 the increase in interest rates and the passage of time.

No contractual changes without derecognition occurred during the period, hence the item "Profits/losses from contractual changes without derecognition" is equal to zero, as it was in the first half of 2021.

Net write-downs/write-backs were negative at € -2.1 million, essentially due to changes in the macroeconomic situation, partially offset by the decrease in credit exposure (EAD) with respect to the € +40.0 million in the first half of 2021.

Administrative expenses and amortisation and depreciation, equal to € 10.3 million (€ 12.0 million in the first half of 2021), fell as a whole compared to the same period the previous year, even not taking into account contributions to the bank resolution and regulatory funds (for around € 2.2 million in the first half of the current year and € 3.2 million in the same period of 2021).

Net allocations to provisions for risks and charges totalled € -3.2 million (€ -4.2 million in the first half of 2021), substantially due to provisioning for legal expenses for disputes (€ -3.5 million), for netting on derivatives unpaid by customers classified in the category of past-due exposures (€ -0.8 million) and € +1.0 million due to the recovery of a provision following the resolution of a dispute, after a settlement was reached between the parties.

The item other operating income and expenses was of an insignificant amount in the first half of 2022, compared to € +5.4 million the previous year, mainly due to the write-off of certain aged asset and liability items, regarding relationships with professionals and consultants, tax items and amounts associated with personnel.

Considering income tax of zero, the net loss for the first half of 2022 comes to € -31.8 million, compared to the loss of € -12.1 million in the same period in 2021.

The decrease of Dexia Crediop balance sheet continues, that in the end of the first half of 2022, amounts to € 8.8 billion, down by € 1.4 billion compared to the 2021 end (-14%).

Regulatory requirements

For 2022, following the Supervisory Review and Evaluation Process (SREP), without prejudice to certain temporary measures associated with the COVID-19 pandemic that allowed banks to operate with ratios below the regulatory minimums, Dexia Crediop was asked to comply on an individual basis with the following:

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

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The sales of assets and transfer of derivatives in 2021 generated a positive impact on the financial situation:

- reducing liquidity requirements, which the parent company DCL now supports;
- improving future comprehensive income;
- guaranteeing compliance with regulatory requirement over the long-term.

strengthening the IFRS business model, which is still substantially Held to Collect.

In 2021, these operations led to an improvement in regulatory requirements, reaching levels significantly higher than required. In relation to the reduction achieved in risk weighted assets (RWA) during the first half of the year, the equity ratios at the end of the first half of the year were further strengthened.

In fact, at the end of the first half of 2022, the CET1 ratio was 54.1% (compared to 46.3% at the end of 2021) and the own funds ratio was 56.4% (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) amounted to 265.7% (109.5% at the end of 2021), while the Net Stable Funding Ratio (NSFR) was 109.4% (114.8% at the end of 2021).

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At the date of drawing up the financial statements, Dexia Crediop has taken these different 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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