



Banca Popolare di Sondrio

COVERED BOND PROGRAMME

Investor presentation

July 2014



Banca Popolare di Sondrio

www.popso.it

IL GRUPPO BANCARIO AL CENTRO DELLE ALPI
BANCA POPOLARE DI SONDRIO • BPS (SUISSE) • FACTORIT • PIROVANO STELVIO



Banca Popolare di Sondrio



- Ranks among the 10th largest cooperative banks in Italy
- Conservative business model focused on retail and SME banking activities
- Compelling asset quality with one of the lowest NPL ratio in Italy
- Stable funding and good liquidity
- Strengthened capital position CT1 9.44% and TCR 13.6%
- Rating : BBB/F3 by Fitch, recently confirmed.

OBG Programme



- Eur 5bn OBG Programme aimed at diversifying the sources of funding
- Improve liquidity position: less reliance on ECB
- Support lending activity lengthening the maturity profile

Cover pool



- Cover Pool composed of first lien residential mortgage loans, performing only
- c.a. 80% of the loans is from the North of Italy, one of the wealthiest regions of Europe
- Weighted average current LTV at 43.59%
- Overcollateralization (27%)

Italian Mortgage Market OBG and Covered Bond Market



- Italian households maintain the lowest level of indebtedness
- The Italian mortgage market is relatively small in Europe, reflecting the low tendency to incur debt
- Low LTV levels compared to European peers



Issuer description

BPSO OBG Programme and cover pool description

Residential mortgage business

Italian Mortgage Market, OBG Market and covered bond market

Contacts

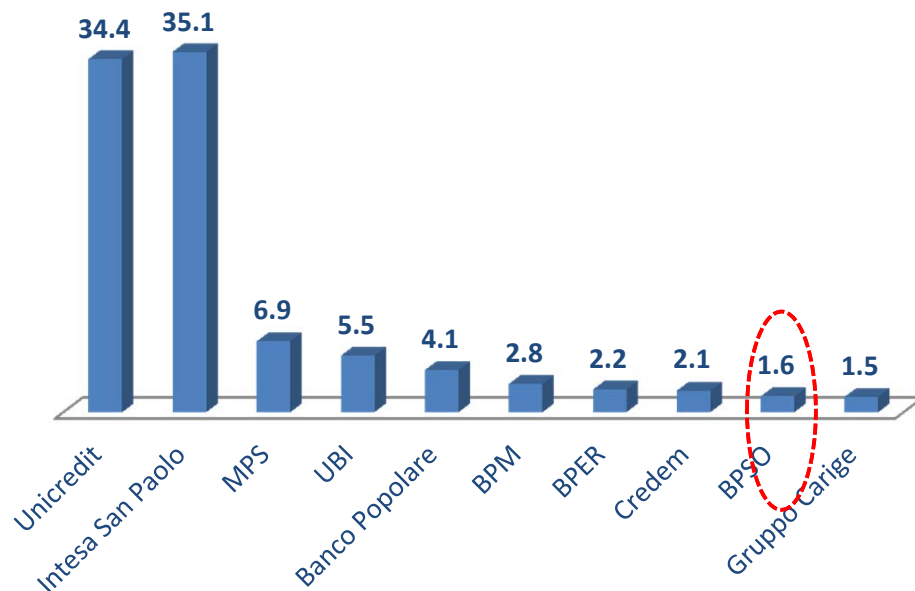
BPSO: among the 10^o largest cooperative bank in Italy



➤ Banca Popolare di Sondrio (“BPSO”) is among the 10th largest cooperative bank in Italy (13th at country level) with Eur 33.8bn in assets, more than 730.000 customers, 3,047 employees, and 341 branches in Italy and in Switzerland

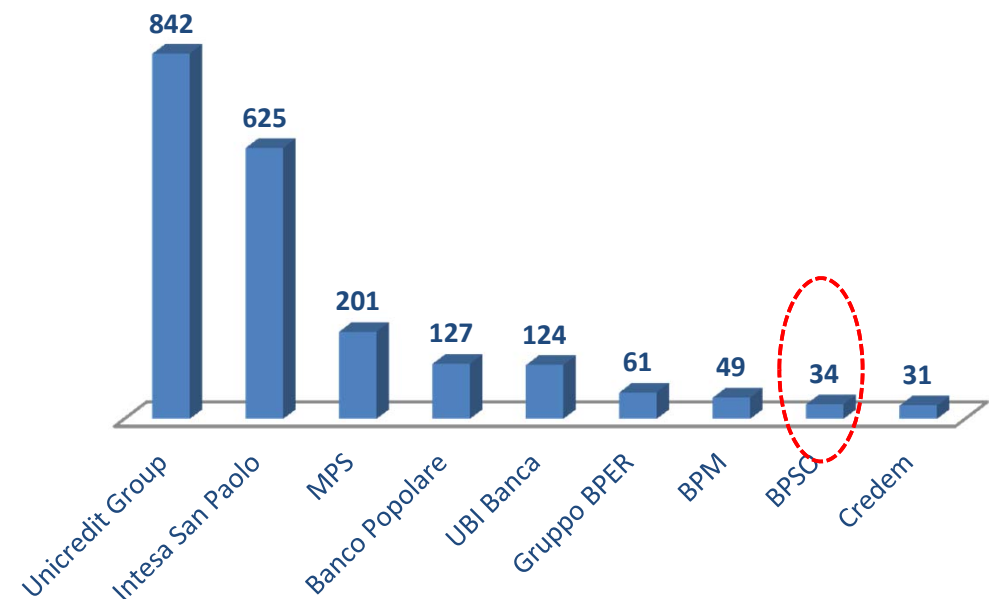
➤ BPSO has a very conservative business model mainly focused in retail and SME banking activities with families and small/mid corporate customers representing more than 90% of total customer loans (Eur 24.6bn as of Q1-14).

Market Cap (Eur bn)



Market cap as of 17/07/2014, post capital increases.

Total Assets (Eur bn)



Source: Q1-14 Financial reports

BPSO a successful story of organic growth



1871 - 1978

- Established in Sondrio in 1871 BPSO becomes one of the main banks of that area

1978 - 1990

- The Bank starts to broaden its presence outside Sondrio's province
- 1978 opening of its first office in Milan
- 1990 opening of its first office in Rome
- 1990 Bank's networks totals to 55 branches

1991 - 2003

- 1991 BPSO starts its international growth with the opening of its representative office in Lugano Switzerland
- 1991 BPSO is listed on the Expandi market
- 1995 creation of BPSO SUISSE SA
- 2003 BPSO network totals 191 branches

2004- 2014

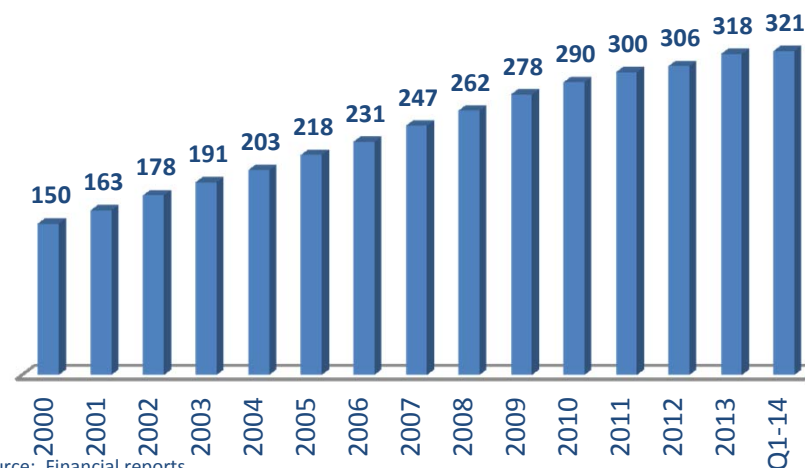
- 2004 BPSO Group network totals 203 branches
- 2010 acquisition of Factorit
- Today 321 branches in Italy, 20 branches in Switzerland, 1 in Monaco and 2 representative offices in Hong Kong and Shanghai and keeps growing...

Total assets evolution Eur bn



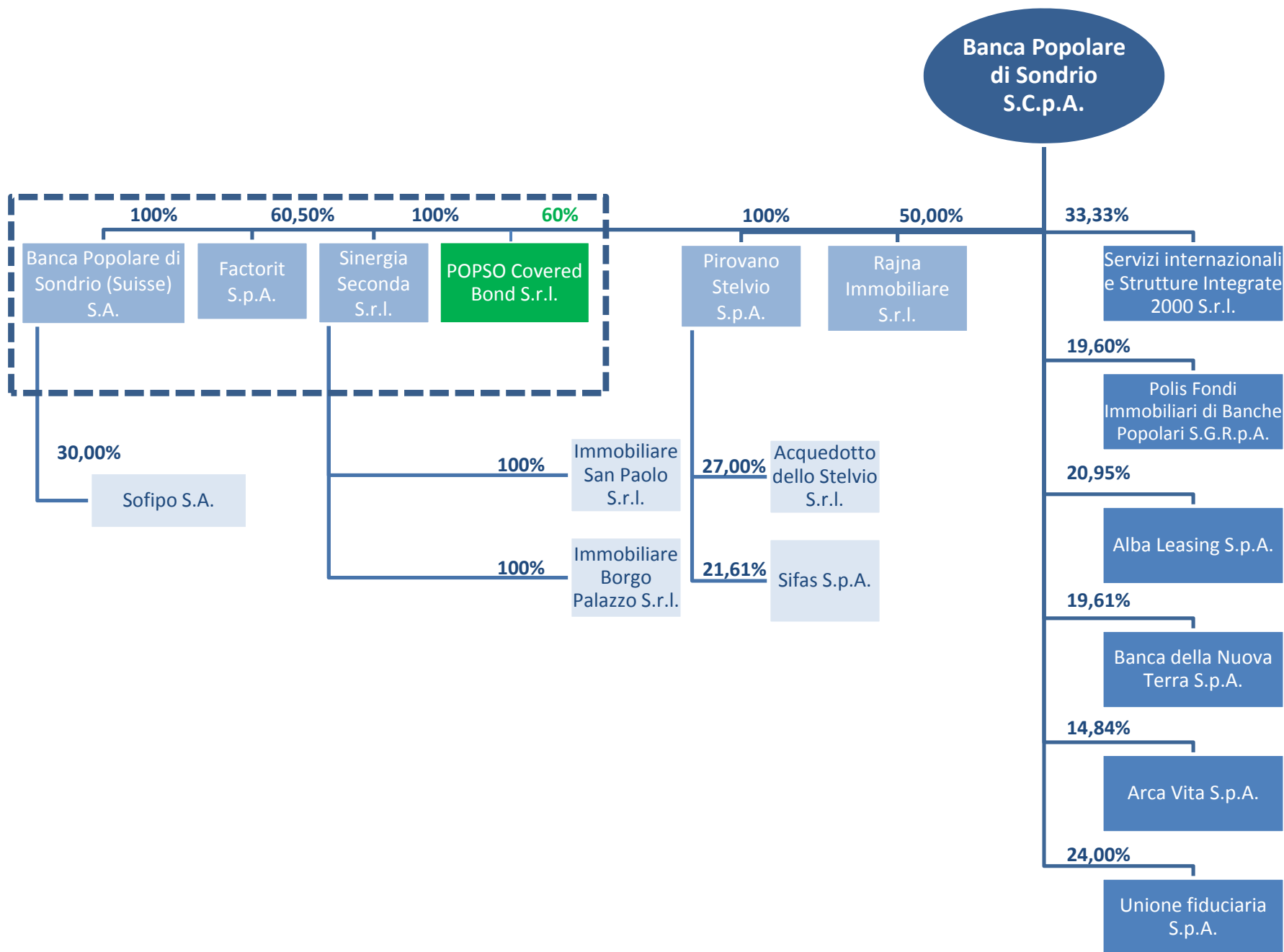
Source: Financial reports

Total branches evolution in Italy



Source: Financial reports

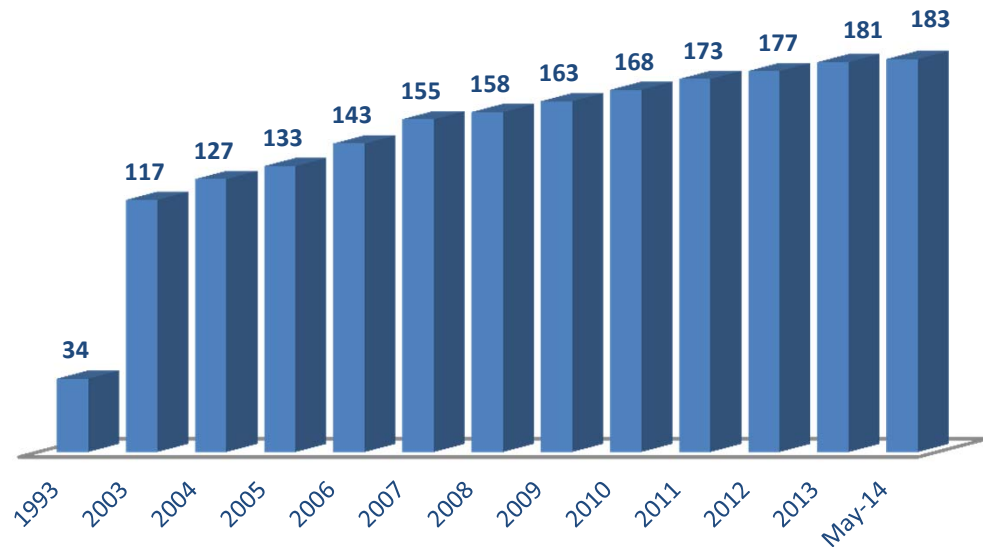
A clean group structure



...and a wide shareholders base

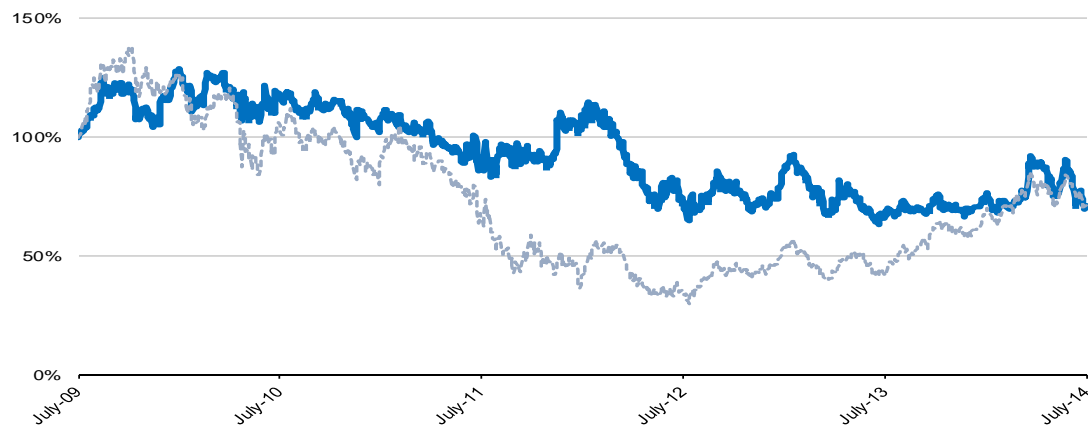


Shareholders evolution (in thousands)



Source: BPSO Financial reports

Share price evolution (Base 100%: July 2009)



— BPSO

- - - FTSE MIB All-Shares Banks

Source: Bloomberg

- 2nd largest popular bank by shareholders (over 180,000) that are mostly clients
- Cooperative bank, «one head one vote» rule, with a very stable governance
- As of 25 July '14, share outstanding were Eur 453.4mn
- Performance of BPSO stock has proved resilient over the time and performed better than main peers

As of 25-Jul-14	Eur
Min 52w	3.2
Max 52w	4.6
Previous year	3.4
P/E	15.7
Dividend / Yield	1.2%

Source: Bloomberg

BPSO national and international presence



20 branches in 5 cantons in Switzerland and 1 in Monaco



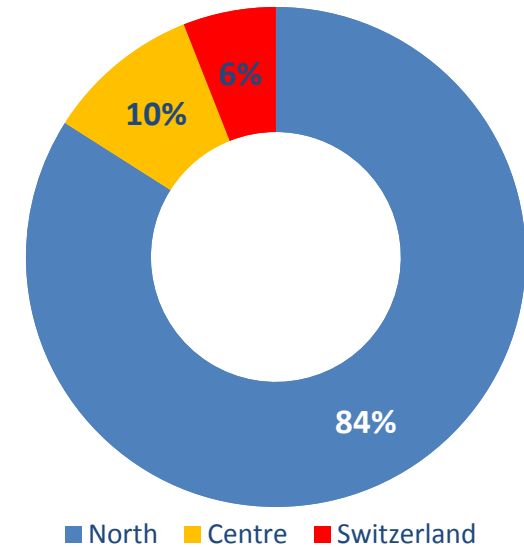
321 branches in 8 regions and 27 provinces
40% market share in Sondrio's province



7 branches in Milan, Turin, Padoa, Siena, Rome, Naples and Bologna



Income breakdown by geography



Good results despite the prolonged economic downturn



Income Statement (Eur mn)	FY 2012	FY 2013	% yoy	Q1 2013	Q1 2014	% qoq
Interest Margin	526.11	559.16	6.28%	123.68	147.72	19.43%
Net Commissions	283.99	283.00	(0.35)%	66.73	73.80	10.60%
Financial Activity Result	177.70	169.12	(4.83)%	24.13	74.83	210.13%
Net Impairments	(491.90)	(490.29)	(0.33)%	(89.34)	(121.92)	36.46%
Operating Costs	(396.70)	(399.98)	0.83%	(97.79)	(103.05)	5.38%
Minority Income	(5.88)	(7.64)	30.07%	(1.90)	(2.67)	40.48%
Net Profit	34.31	53.03	54.59%	10.53	41.75	296.30%

Balance sheet (Eur mn)	FY 2012	FY 2013	% yoy	Q1 2013	Q1 2014	% qoq
Total Assets	32,349.13	32,769.93	1.30%	33,137.88	33,771.96	1.91%
Due from Customers	25,308.80	23,904.56	(5.55)%	24,810.31	24,599.55	(0.85)%
Net Equity	1,869.93	1,936.17	3.54%	1,865.01	2,006.93	7.61%
Direct Customer Deposits	26,185.31	26,675.33	1.87%	26,610.99	27,334.11	2.72%
Indirect Customer Deposits	24,369.95	27,341.05	12.19%	24,058.08	28,177.70	17.12%
Insurance Premiums	617.87	718.81	16.34%	653.06	783.48	19.97%

Main ratio	FY 2012	FY 2013	Q1 2014	Q1 2014*
Tier 1 ratio	7.6%	7.9%	8.3%	9.5%
TC1	10.5%	10.5%	10.7%	13.6%

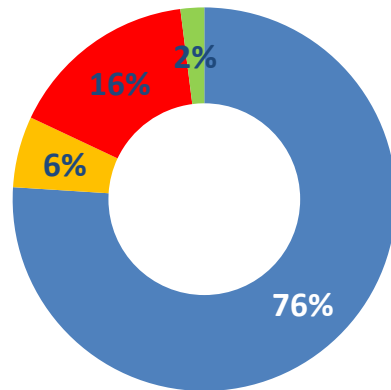
* Expectation after the increase of capital

Cost Income ratio	40.6%	40.9%	34.7%
ROE	1.6%	2.9%	8.5%
Financial assets/Total assets	14.9%	20.7%	20.8%
Leverage	17.5%	17.1%	17.0%

Lending focused on the wealthiest Italian regions

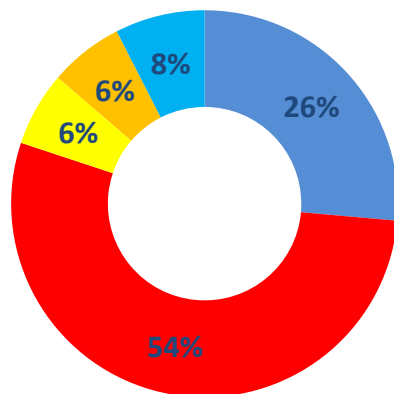


Q1-14 Breakdown by Italian regions



■ North West ■ North East ■ Centre ■ South and islands

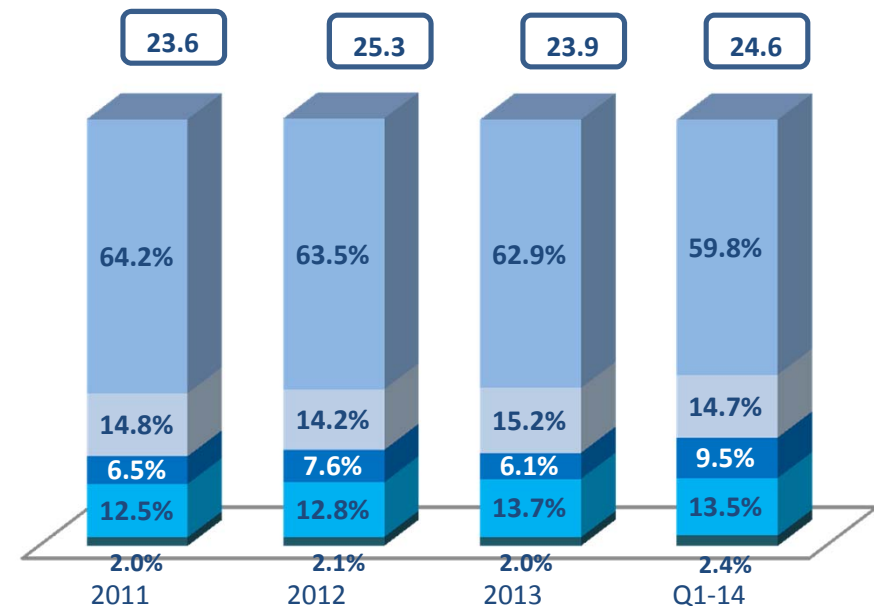
Q1-14 Customer loans breakdown



■ Current account ■ MLT loans
■ Foreign currency loans ■ Factoring
■ Other

- Loan book* mainly focused on the North west of Italy, one of the wealthiest region in Europe
- Good diversification in terms of industrial sector and individual borrower with limited large exposure
- Bank's lending re-started to increase in Q1-14
- Top ten clients exposure totals to Eur 9.6 bn of which Eur 6bn refers to Italian government bonds. Overall risk position amounts to Eur 2.5bn

Breakdown by sector (Eur bn)



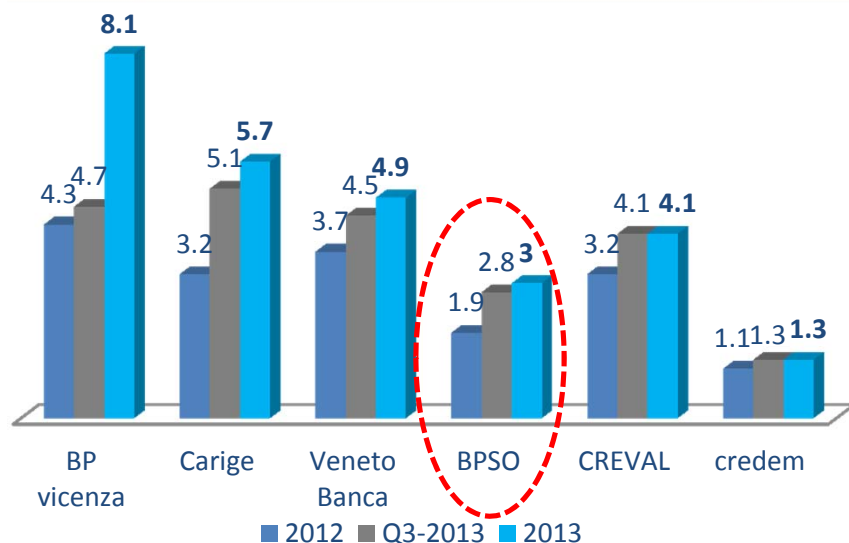
■ Non financial companies and Family ■ Consumer households
■ Financial and insurance companies ■ Non resident customers and others
■ Public administration / Non profit organisations and others

*Source: BPSO

Compelling assets quality vs peers

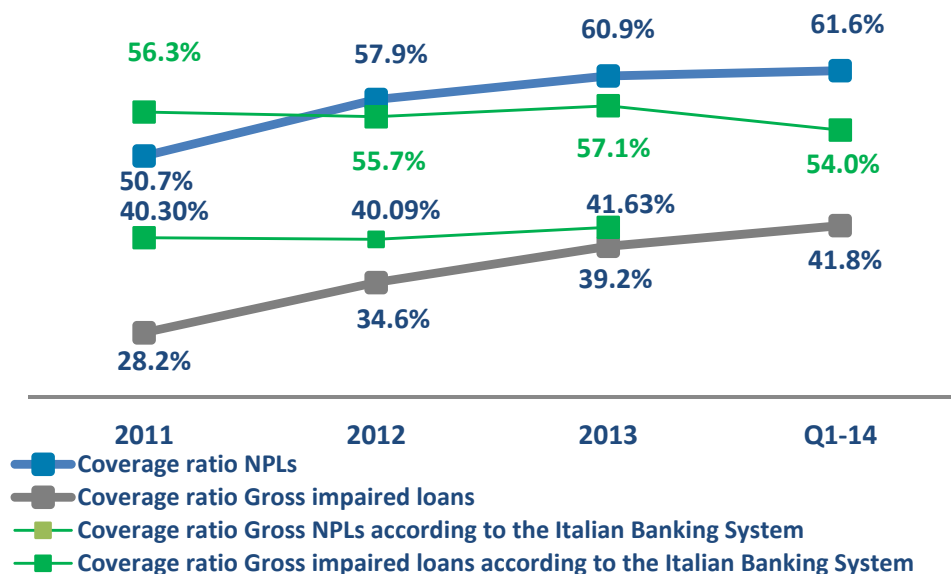


Gross Impaired loans (Eur bn) BPSO vs direct peers

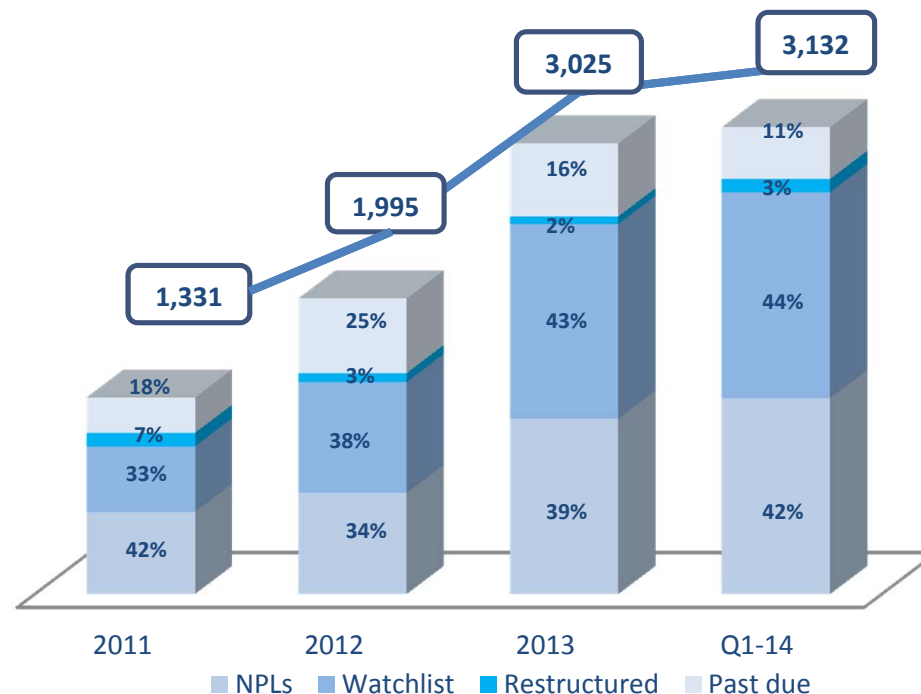


Source: PwC, analysis companies YE 2012, Q1-13, YE 2013 Results.

Coverage ratio *



BPSO Impaired loans breakdown (Eur mn) *



Despite prolonged economic recession BPSO's asset quality remains manageable and better than most of domestic peers

Credit quality ratio*	BPSO	BANKING SYSTEM
Gross Impaired loans / Gross customer loans	12.0%	15.9%
Gross NPLs / Gross customer loans	4.7%	8.7%

*Source: BPSO

Stable funding and evolution of its funding mix

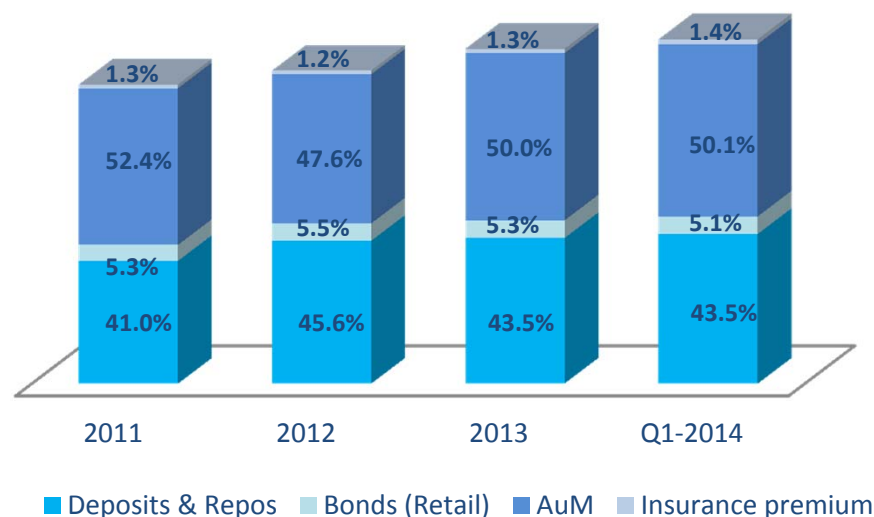


Deposits & assets under management (Eur mn)

Eur mn	2011	2012	2013	Q1-2014
Sight deposits	15,841	18,228	19,722	21,005
Time deposits	2,958	4,594	3,861	3,359
Repos	1,272	534	211	109
Deposits & Repos	20,071	23,356	23,794	24,473
Bonds (Retail)	2,608	2,830	2,881	2,860
Total Direct customer deposits	22,679	26,185	26,675	27,334
AuM	25,613	24,370	27,341	28,178
Depos., Repos & AuM	48,292	50,556	54,016	55,511
Insurance premium	612	618	719	783
Total	48,904	51,173	54,735	56,295

Source: BPSO

Direct and indirect funding (Eur mn)

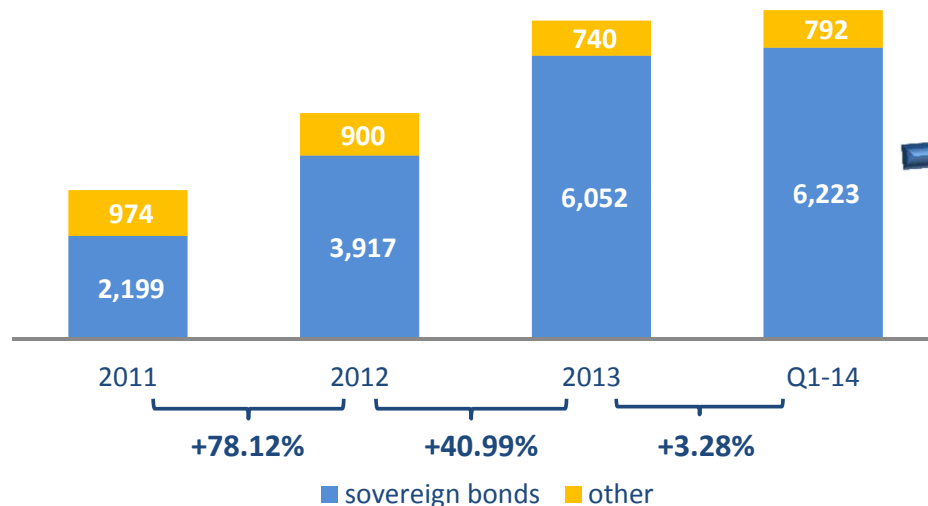


- Funding benefits for bank's solid customer base, as well as its role as treasurer for many public and private entities
- As of 1Q-14 Customer deposits were up to Eur 27.3bn representing c.a. 50% of total funding
- Increase of the indirect funding +12.19% (yoy), +3.6% in 1Q-14
- Increase of the insurance premium +16.34% yoy and +9% in 1Q-14
- As far as the retail domestic market is concerned, BPSO will continue to issue unsecured bonds to its retail customer base
- To increase and diversify potential sources of funding BPSO will use its covered bond programme to access wholesale market

Prevalence of govies within the securities portfolio*

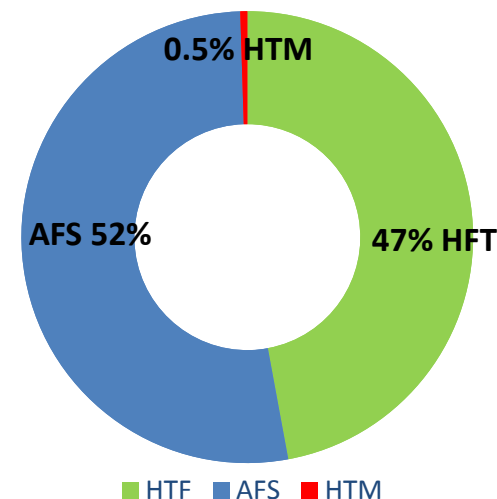


Securities portfolio (Eur mn)



Source: BPSO

Q1-14 Govies portfolio breakdown



Source: BPSO

Securities portfolio allocation

Eur mn	2011	2012	2013	Q1-14
HTF	2,167.0	2,070.0	3,154.0	3,247.0
CFV	81.7	104.2	79.2	96.5
AFS	703.6	2,438.0	3,375.0	3,495.0
HTM	220.3	204.6	182.6	175.7

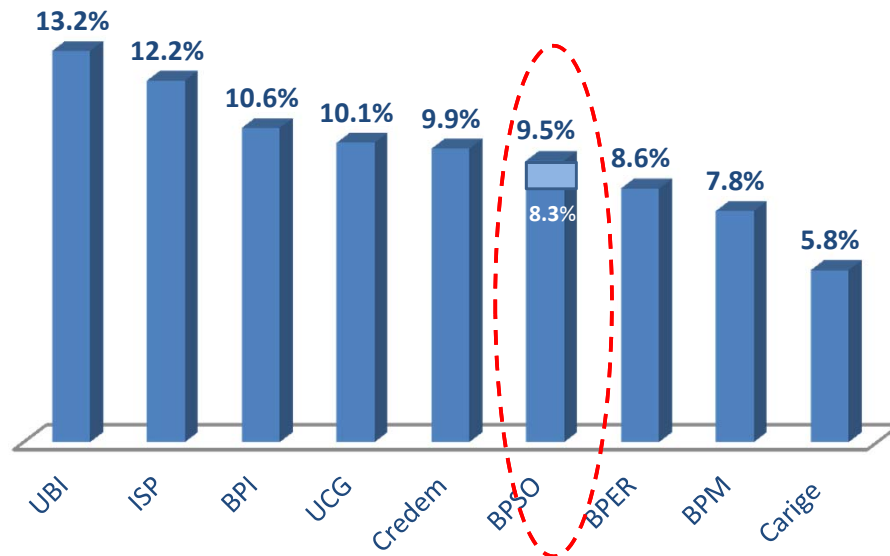
Source: BPSO

- Govies portfolio is mainly composed of italian government bonds
- Short term duration of portfolio with: 93.2% < 5 years, of this 18.38% < 1 year

Stenghtened Capital position



Main listed banks Q1-14 Core Tier 1



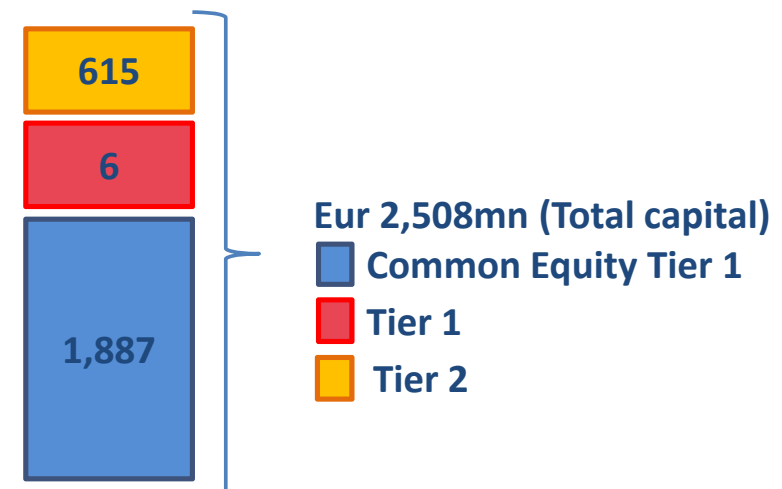
*8.3% as of Q1-14, before the capital increase , 9.5% estimates after the capital increase

Source: Bloomberg

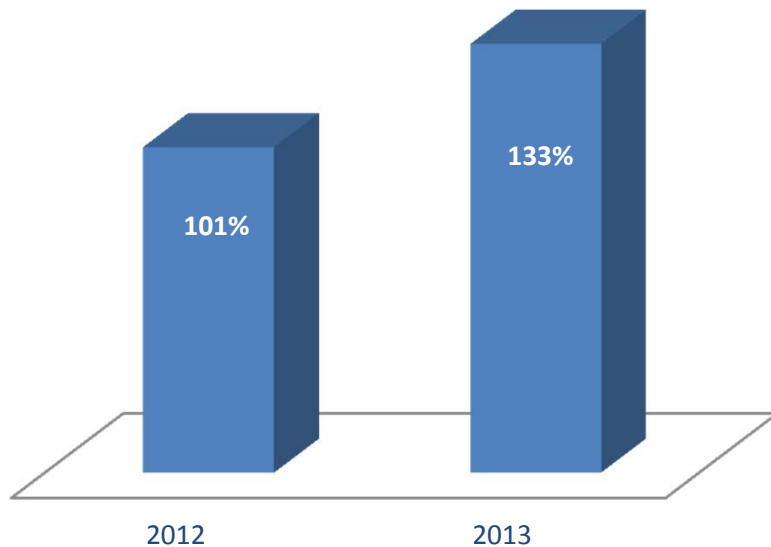
Capital ratio "Basel III" as of 01 Jan 2014	Phase in	Phully phase	Estimate after capital increase
CET 1 ratio	8.03%	7.88%	9.44%
Tier 1 Capital Ratio	8.04%	7.91%	9.45%
Total Capital ratio	10.88%	10.48%	13.60%

Source: BPSO

- From 1st January 2014 new capital standards came into force implying the need
 - CET1 Ratio 8%
 - Tier 1 Capital ratio 8%
 - Total capital ratio 10.50%
- To comply with the above requirements, the Bank has strengthened its capital base with a successful Eur 350 mn right issue. Final take-up 99.8%
- Pro forma CET1 ratio post capital increase will be around 9.4% (+140bps) and 2014 year end estimates around 9.7%
- Tier 1 capital is mostly core, no hybrids contributes to Tier 1 build up

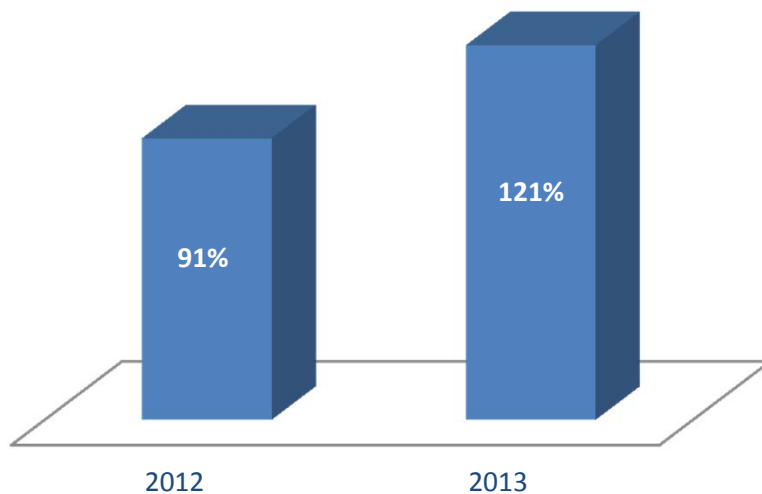


NSFR



Source: BPSO

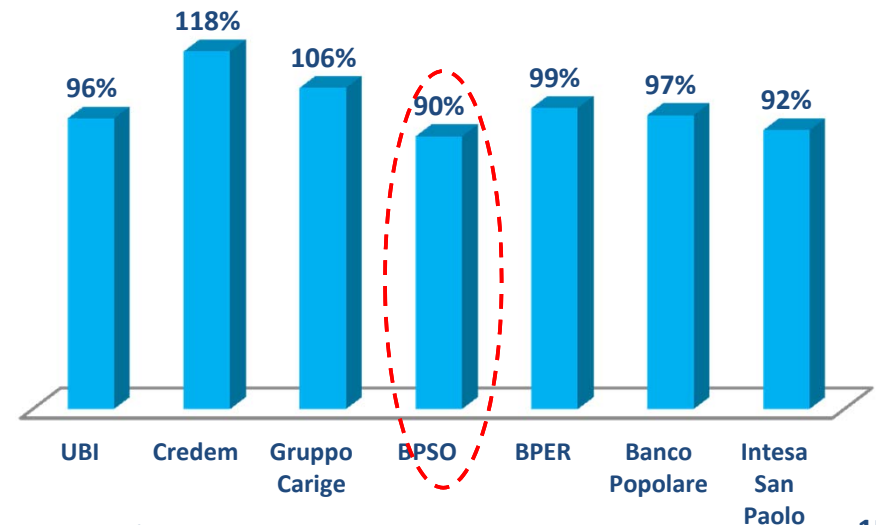
LCR



Source: BPSO

- In Q1-14 total eligible assets total to Eur 5.4bn of which Eur 5.2 bn were Italian sovereign bonds
- BPSO's has early repaid Eur 500mn (plus interest) of LTRO financing expiring on the 26th February 2015
- ECB exposure as of 30 April 2014 is Eur 1.3 bn (plus Eur 31m interests) of LTRO financing expiring on the 29th January 2015
- Q1-14 Consolidated Loan to deposit ratio remains stable at 90% below most of its peers

Loan to Deposit Ratio

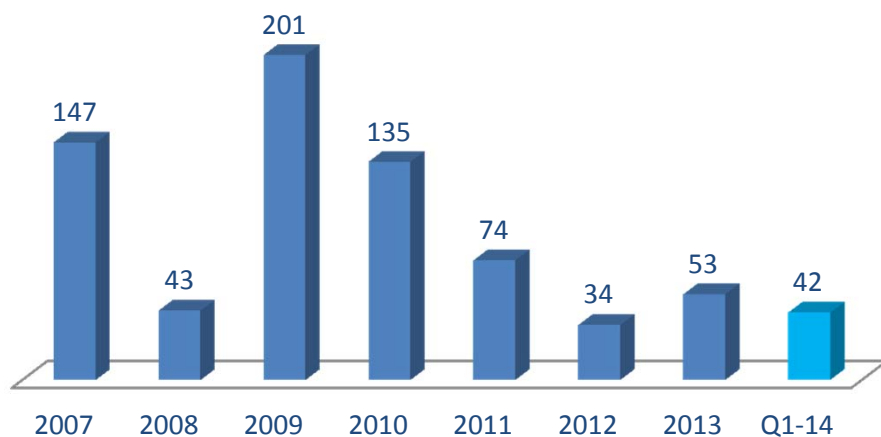


Source: FY-13 financial statements

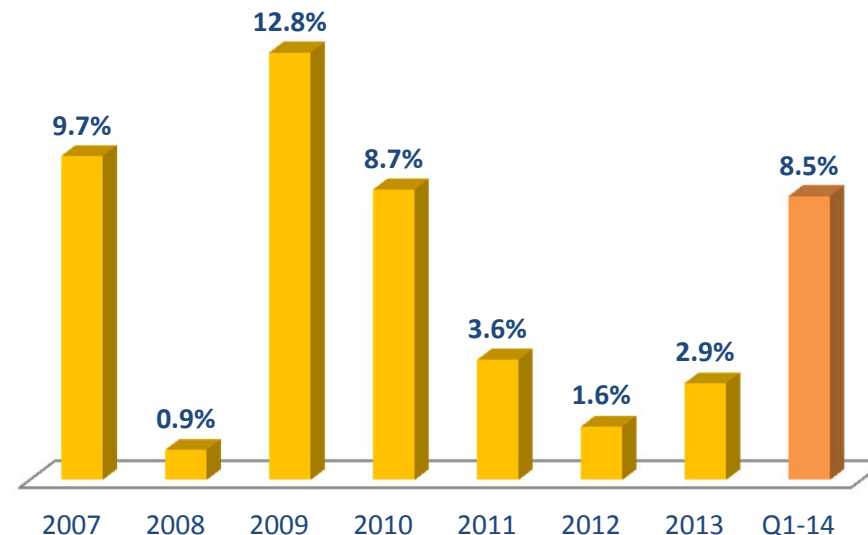
Profitability and consistent dividend history*



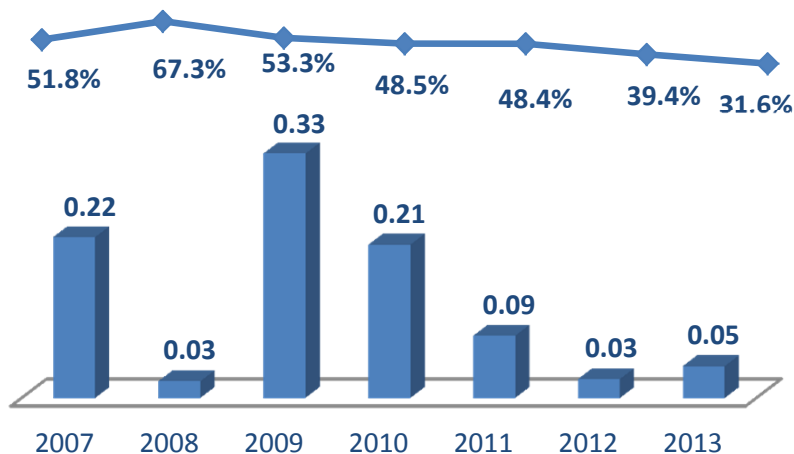
Net profit 2007-2013 (Eur mn)



ROE: 2007-2013 (and Q1-14)



Pay out ratio & dividends paid



*Source: BPSO

- **Healthy Q1-14 Net profit at Eur 41.7mn (+296.30% vs Q1-13)** due to the increase of both interest income and net commissions
- **Rigorous operating efficiency policy.** Q1-14 cost income ratio stood at 34.7% well below the Italian banking system average
- **7 years average (2007-2013) ROE of 5.7%**
- **Profitability has substantially improved over the last quarter**
- **Always distributed earnings to its shareholders**
- **Weighted average pay out ratio of 50.3%**

Fitch

- Long term IDR: affirmed “BBB”; Outlook Negative
- Short Term IDR: affirmed “F3”
- Viability Rating: affirmed at “bbb”
- Support Rating: affirmed at “3”

- *“The affirmation of BPSO IDRs and VR reflects the strengthening of bank’s capitalization”*
- *“The affirmation also reflects BPSO manageable assets quality although it has weakened”*
- *“There have been signs of slowing growth of impaired loans in 2014 but the fragile recovery has not yet resulted in a stabilisation in asset quality, which is one of the main rating drivers for most of these banks. Credem benefits from the best asset quality, followed by BD and **BPSO**. “*
- *“The negative outlook mainly reflects pressure of their ratings relative to similarly rated peers”*
- *“The combination of a turnaround in profitability and stabilisation of assets quality would be required for the outlook to be revised to Stable”*

**RIGOUR,
SOLIDITY,
COMMITMENT TO KEEP GROWING**



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Issuer description

BPSO OBG Programme and Cover Pool description

Residential mortgage business

Italian Mortgage Market, OBG market Covered Bond Market update

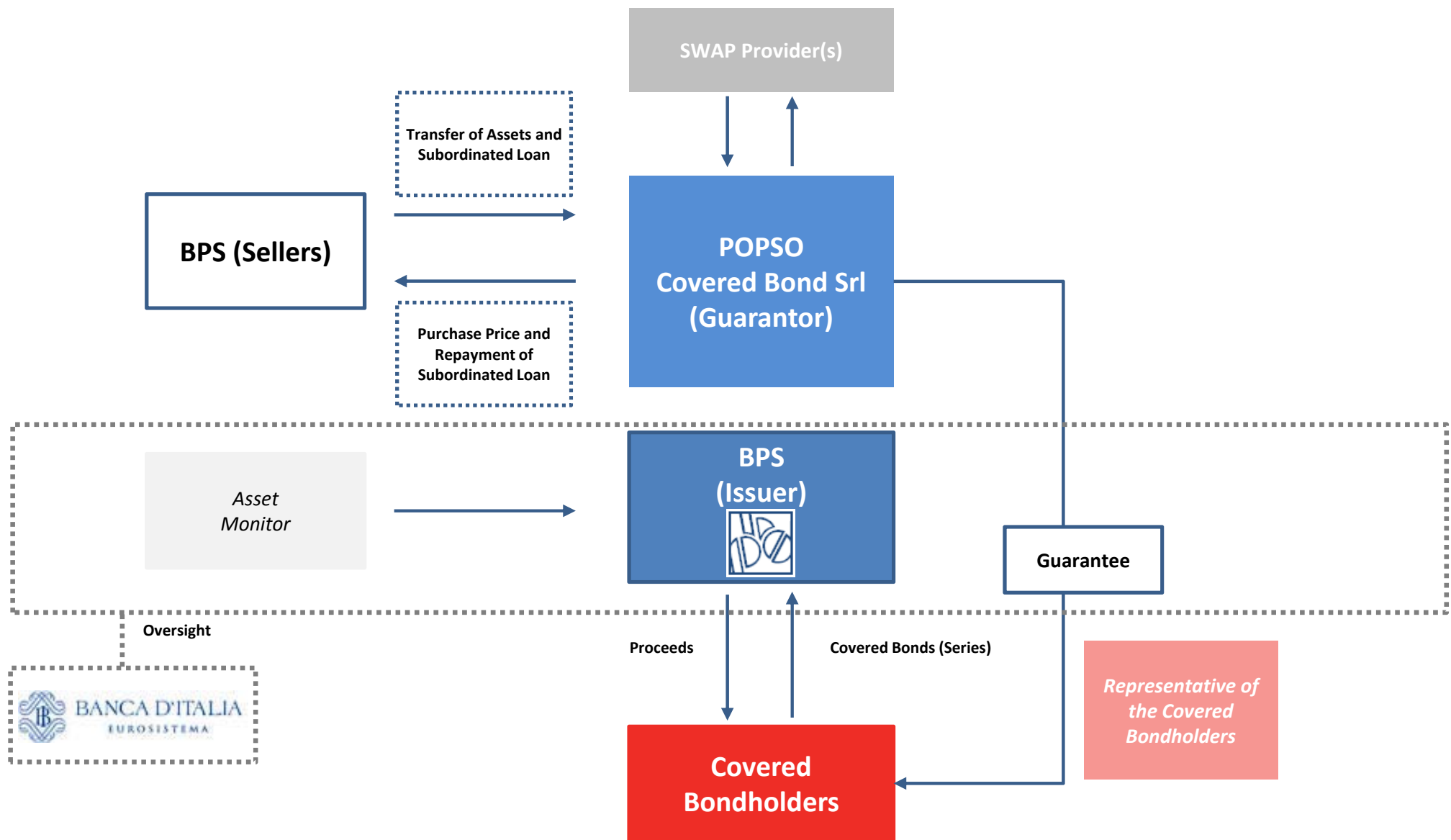
Contacts

Summary of the programme



Main Terms	
Issuer	Banca Popolare di Sondrio S.c.p.A.
Seller	Banca Popolare di Sondrio S.c.p.A.
Programme Size	Eur 5,000,000,000
Guarantor	POPSO Covered Bond S.r.l.
Cover Pool	Italian prime, first economic lien residential mortgages originated by the Seller
Segregation of collateral	Collateral sold to the Guarantor for the benefit of OBG holders and other secured parties in the context of the programme
Listing	Luxembourg
Overcollateralization	The statutory tests are run quarterly to ensure sufficient programme support
Calculation Agent	Securitisation Services S.P.A.
Asset Monitor	Mazars S.p.A.
Governing Law	Italian Law
Representative of OBG holders	Securitisation Services S.P.A.
Arrangers	BNP Paribas, Finanziaria Internazionale

Structure diagram





- The Statutory Tests are designed according to the Italian Regulation Framework and are intended to ensure that the Cover Pool is at all times sufficient to repay the Covered Bonds
- Failure of the asset tests that is not remedied within a stipulated period will constitute an Issuer Event of Default and result in the service of an Issuer Default Notice on the Issuer and a notice to pay on the Guarantor

Nominal Value Test

The outstanding aggregate principal balance of the Eligible Cover Pool plus the aggregate amounts standing to the credit of the SPV accounts (in relation to the principal component only) shall be at least equal to, or higher than, the aggregate principal notional amount of all Covered Bonds outstanding

Net Present Value Test

The Net Present Value of the Eligible Cover Pool (taking into consideration the present values of the Guarantor general and administrative expenses and any cash flow expected on derivatives) shall be at least equal to, or higher than, the Net Present Value of the Outstanding Covered Bonds

Interest Coverage Test

The Interest Collections from the Eligible Cover Pool, including any cost to be borne by the Guarantor and any cash flow expected on derivatives, shall be at least equal to, or higher than, the interest payments scheduled to be due in respect of all the outstanding Covered Bonds

- As long as the Asset Coverage Test is met, the Nominal Value Test will not be separately calculated by the Test Calculation Agent. Upon the occurrence of an Issuer Event of Default, Test Calculation Agent will carry out the Nominal Value Test



➤ The tests are included in the legal documentation according to the Rating Agency Requirements

Asset Coverage Test

The Adjusted Aggregate Loan Amount shall be at least equal to the aggregate Outstanding Balance of the Covered Bonds

The Adjusted Aggregate Loan Amount is the lower of:

- (i) the aggregate of the LTV Adjusted Principal Balance of each Mortgage Loan
- (ii) the aggregate Asset Percentage Adjusted Principal Balance of the Residential Mortgage Loans

Calculations under the test takes also into consideration any amount standing to the credit of the Guarantor accounts, any aggregate outstanding principal balance related to Top Up assets or any other eligible asset, any principal deferral, any potential set-off amount, any commingling amount and negative carry factor calculation

Amortisation Test

The Amortisation Test ("AT") is calculated only after an Issuer Event of Default (but prior to service on the Guarantor of a Guarantor Default Notice) in order to ensure that the Cover Pool contains sufficient assets to enable the Guarantor to meet its obligations under the Guarantee

The AT is failed if the Amortisation Test Aggregate Loan Amount plus other eligible assets owned by the Guarantor is lower than the present value of the Outstanding Principal Amount of the issued Covered Bonds. In this case, a Guarantor Event of Default Notice will be served by the Representative of the Bondholders on the Guarantor causing the acceleration of the Covered Bonds and a demand for enforcement of the Covered Bond Guarantee

The present value of the outstanding Covered Bonds is calculated by multiplying the aggregate Outstanding Principal Amount of the Covered Bonds by the weighted average remaining maturity of all Covered Bonds then outstanding then multiplied by the Negative Carry Factor



Strategic goals of the Covered bond:

- Enter into a new market
- Diversify the M/L Term sources of funding
- Lengthen the maturity profile, thus supporting the expansion of the lending business
- Appropriate planning for turnover of ECB LTRO financing with bond proceeds
- Exploit favourable market conditions and covered bonds' more attractive funding levels compared to senior unsecured bonds.

The Programme

- **COVER POOL:** Italian prime, first economic lien residential mortgages
- **PROGRAMME AMOUNT:** Eur 5 billion
- **PROGRAMME SIGNED:** 22nd July 2014
- **INITIAL ASSET TRANSFER:** end of May 2014
- **RATING:** single [A]

Cover pool features (1/5)



The following loans will not be part of the cover pool:

- Non-performing loans
- With one or more payments overdue or not paid for over 30 days
- Non first lien residential mortgage
- Current Loan-to-Value greater than 80%

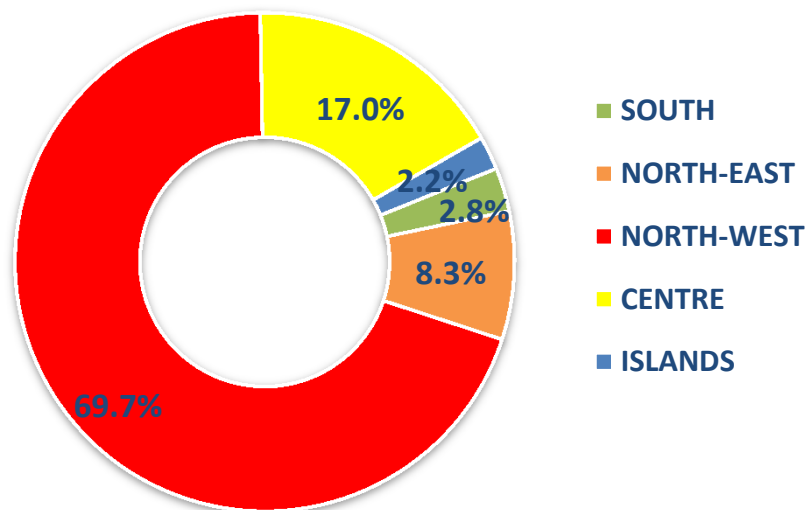
Summary	
Total current balance outstanding (Euro)	805,965,107
Average outstanding balance (Euro)	103,755
No. of loans	7,768
WA Seasoning (months)	34.88
WA Remaining Term (months)	184.61
No. of borrowers	7,753
WA OLTV (*)	52.81%
WA CLTV	43.59%
% Fixed rate loans	35.94%
WA Margin (%) Variable loans	2.80%

(*) OLTV and CLTV weighted with current outstanding balance

Cover pool features (2/5)



Geographic breakdown



Of which



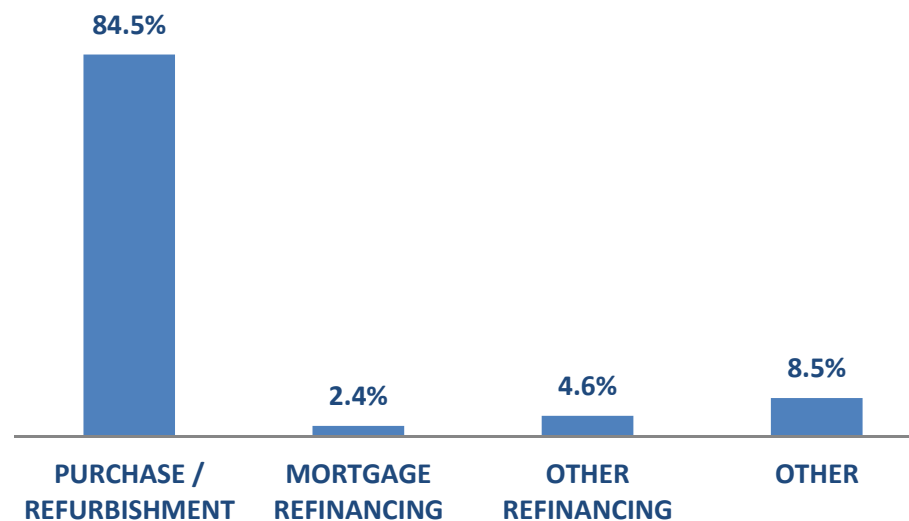
Lombardy 62%

Of which



Lazio 14%

Financing purpose



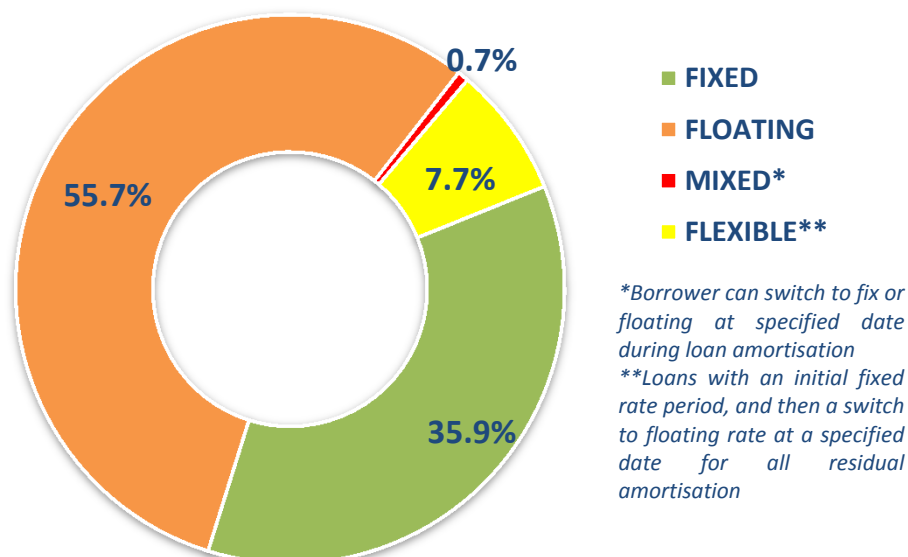
Cover pool features (3/5)



Current Loan Balance (Eur)	Outstanding Value (Eur)	% of Total Assets	No. of Loans
0.00 - 49,999.99	65,387,298	8.113%	2,082
50,000 - 99,999.99	186,256,860	23.110%	2,495
100,000 - 149,999.99	205,882,250	25.545%	1,669
150,000 - 199,999.99	141,155,613	17.514%	816
200,000 - 249,999.99	82,550,912	10.242%	367
250,000 - 299,999.99	47,616,013	5.908%	175
300,000 - 349,999.99	17,252,955	2.141%	53
350,000 - 399,999.99	11,181,142	1.387%	30
400,000 - 449,999.99	10,167,050	1.261%	24
450,000 - 499,999.99	6,626,986	0.822%	14
500,000>	31,888,027	3.957%	43
Total	805,965,107		7,768

Original Loan Balance (Eur)	Outstanding Value (Eur)	% of Total Assets	No. of Loans
0.00 - 49,999.99	10,609,475	1.316%	386
50,000 - 99,999.99	140,122,821	17.386%	2,840
100,000 - 149,999.99	203,954,680	25.306%	2,141
150,000 - 199,999.99	159,899,689	19.840%	1,156
200,000 - 249,999.99	105,332,178	13.069%	601
250,000 - 299,999.99	68,643,118	8.517%	316
300,000 - 349,999.99	38,325,255	4.755%	148
350,000 - 399,999.99	15,576,335	1.933%	50
400,000 - 449,999.99	9,479,577	1.176%	28
450,000 - 499,999.99	8,855,982	1.099%	25
500,000>	45,165,997	5.604%	77
Total	805,965,107		7,768

Interest rate breakdown

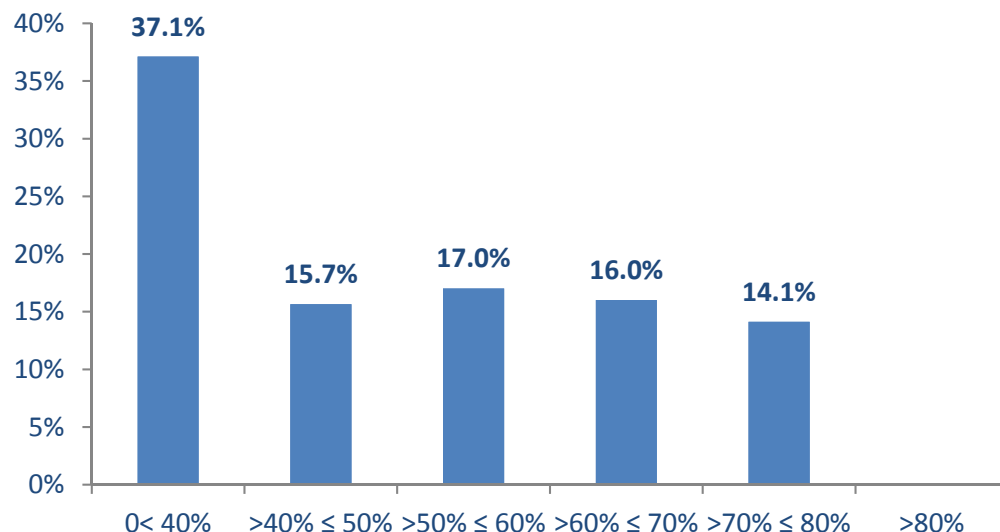


Margin for Floating Rate Loans	Outstanding Value (Eur)	% of Total Assets	No. of Loans
< 0.49	11,475,280	2.362%	172
0.50 - 0.74	8,891,539	1.830%	134
0.75 - 0.99	40,184,199	8.271%	340
1.00 - 1.24	27,716,408	5.705%	345
1.25 - 1.49	33,982,052	6.995%	556
1.50 - 1.74	3,352,578	0.690%	41
1.75 - 1.99	30,130,830	6.202%	264
2.00 - 2.24	14,214,676	2.926%	135
2.25 - 2.49	11,815,157	2.432%	113
2.50 - 2.74	76,978,687	15.845%	549
2.75 - 2.99	17,429,760	3.588%	107
3.00 >	209,656,182	43.154%	1,666
Total	485,827,351		4,422

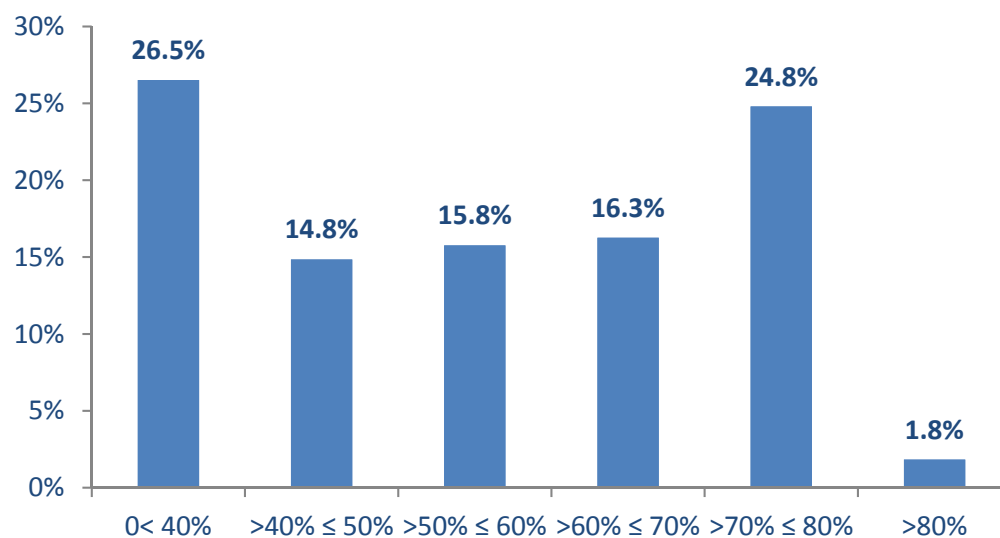
Cover pool features (4/5)



Current LTV



LTC at origination



Current LTV (%)	Outstanding Value (Eur)	% of Total Assets	No. of Loans
0.00 - 9.99	19,090,388	2.370%	700
10.00 - 19.99	62,569,947	7.760%	1,128
20.00 - 29.99	101,789,406	12.630%	1,198
30.00 - 39.99	115,779,775	14.370%	1,141
40.00 - 49.99	126,239,771	15.660%	1,035
50.00 - 59.99	137,204,747	17.020%	981
60.00 - 69.99	129,085,826	16.020%	833
70.00 - 79.99	114,033,423	14.150%	751
80.00 - 89.99 (*)	171,823	0.020%	1
90.00 - 99.99	-	0.000%	-
100 >	-	0.000%	-
Total	805,965,107		7,768

(*) LTV lower than 80,5. LTV determined with Property valuation at origination date

Original LTV (%)	Outstanding Value (Eur)	% of Total Assets	No. of Loans
0.00 - 9.99	5,284,415	0.656%	108
10.00 - 19.99	33,252,910	4.126%	615
20.00 - 29.99	74,999,786	9.306%	1,036
30.00 - 39.99	100,167,064	12.428%	1,161
40.00 - 49.99	119,660,925	14.847%	1,162
50.00 - 59.99	126,990,684	15.756%	1,083
60.00 - 69.99	131,000,771	16.254%	1,045
70.00 - 79.99	199,869,898	24.799%	1,425
80.00 - 89.99	14,738,656	1.829%	133
90.00 - 99.99	-	0.000%	-
100 >	-	0.000%	-
Total	805,965,107		7,768

(*) LTV lower than 80,5. LTV determined with Property valuation at origination date

Cover pool features (5/5)



Original Term (months)	Outstanding Value (Eur)	% of Total Assets	No. of Loans
< 120	8,225,334	1.021%	143
120.00 - 159.99	96,851,426	12.017%	1,621
160.00 - 199.99	195,133,524	24.211%	2,297
200.00 - 239.99	379,025,971	47.028%	2,701
240.00 - 279.99	46,449,543	5.763%	454
280.00 - 319.99	74,693,483	9.268%	519
320.00 - 359.99	661,410	0.082%	5
360.00 - 399.99	4,924,416	0.611%	28
400.00 - 439.99	-	0.000%	-
440.00 - 479.99	-	0.000%	-
480 >	-	0.000%	-
Total	805,965,107		7,768

Remaining Term (months)	Outstanding Value (Eur)	% of Total Assets	No. of Loans
< 120	145,979,330	18.112%	2,684
120.00 - 159.99	98,935,442	12.275%	1,039
160.00 - 199.99	165,059,645	20.480%	1,378
200.00 - 239.99	316,583,670	39.280%	2,136
240.00 - 279.99	26,165,322	3.246%	161
280.00 - 319.99	48,722,308	6.045%	343
320.00 - 359.99	4,519,391	0.561%	27
360.00 - 399.99		0.000%	
400.00 - 439.99	-	0.000%	-
440.00 - 479.99	-	0.000%	-
480 >	-	0.000%	-
Total	805,965,107		7,768

Seasoning (months)	Outstanding Value (Eur)	% of Total Assets	No. of Loans
< 30	523,457,552	64.948%	4,097
30.00 - 39.99	56,026,596	6.951%	445
40.00 - 49.99	52,232,469	6.481%	443
50.00 - 59.99	28,813,036	3.575%	300
60.00 - 69.99	45,450,985	5.639%	456
70.00 - 79.99	13,623,971	1.690%	174
80.00 - 89.99	22,285,006	2.765%	414
90.00 - 99.99	28,539,388	3.541%	533
100.00 - 109.99	20,459,450	2.539%	486
110.00 - 119.99	5,996,167	0.744%	206
120 >	9,080,485	1.127%	214
Total	805,965,107		7,768



Issuer description

BPSO OBG Programme and Cover Pool description

Residential mortgage business

Italian Mortgage Market, OBG market Covered Bond Market update

Contacts



Sales force

- All mortgages are originated either directly through BPS branches or through commercial agreements with professional associations for which BPS acts as the treasurer:
 - 321 branches concentrated in North of Italy (especially in Lombardy)
 - 16 Pension Funds (for professional associations clientele such as accountants/lawyers/doctors/etc.)

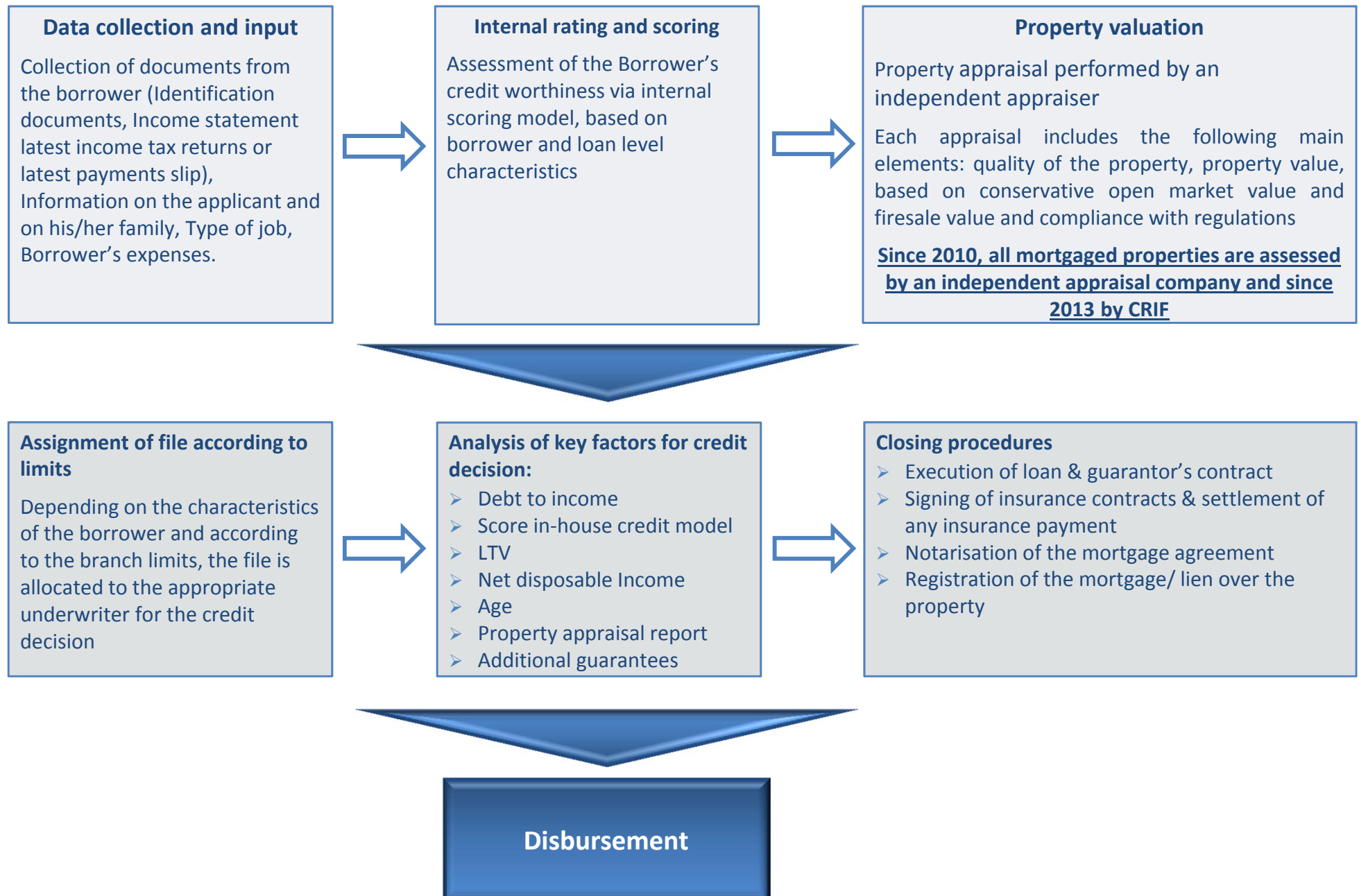
Underwriting

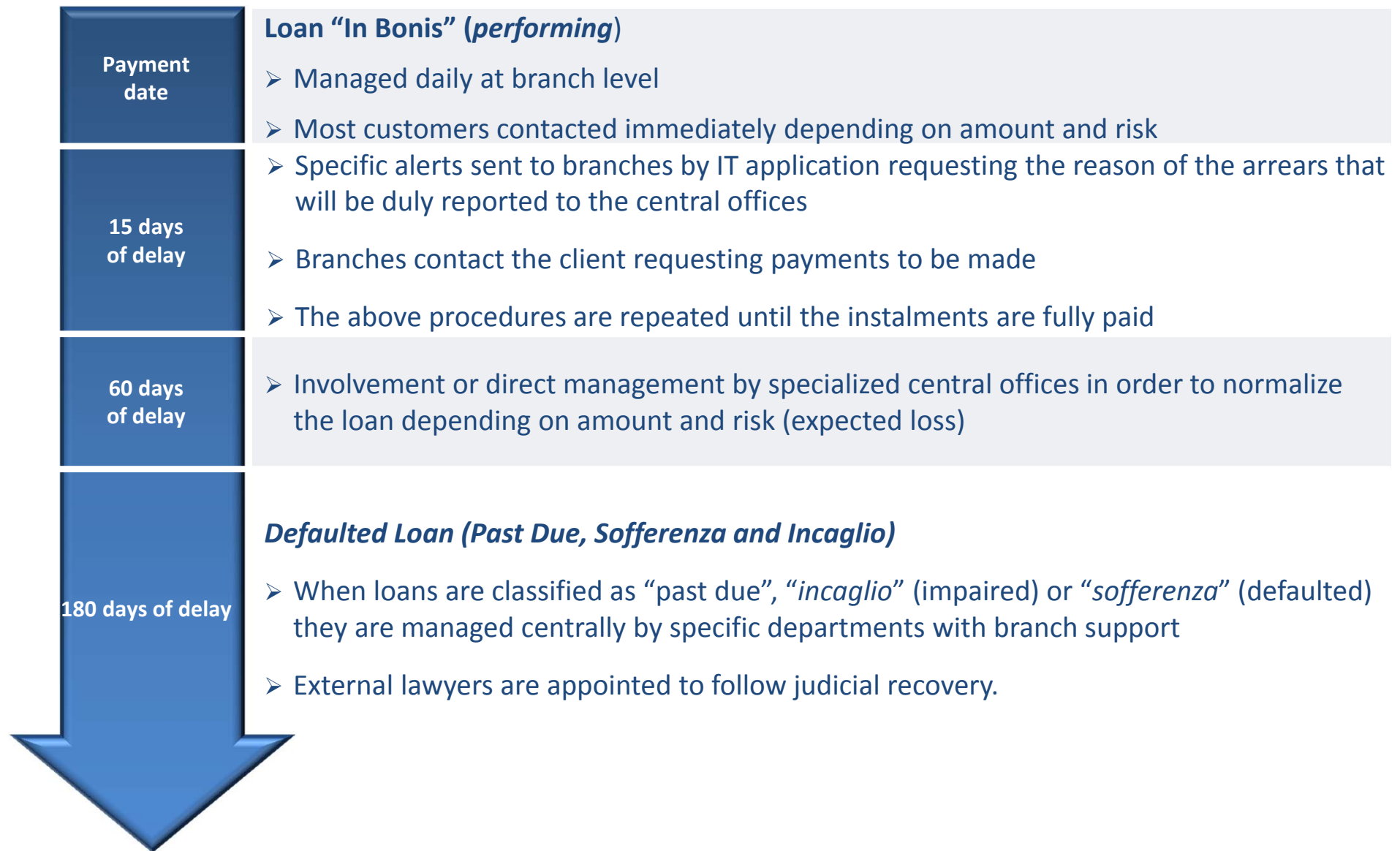
- Most of the approval powers are granted to 12 branches heading each one of the 12 areas in which the bank's territory has been divided
- Approval powers depend mainly on the amount requested, the term of the loan and scoring of the automatic in-house credit assessment tool
- Debt to income ratio ("DTI") guidelines are 30%, higher if the borrowers are already bank's clients. The affordability analysis also includes a minimum residual net disposable income depending on the number of members of the family and income's different sources.
- Applications for loans originated via Pension Funds are received through branches/Internet/Phone and processed by (1) the relevant branch or (2) by the headquarters if the borrower is based in an area which is not covered by any branch.

Property valuation

- Since 2010, all mortgaged properties are assessed by an independent appraisal company.
- Since 2013 all mortgages properties are assessed by CRIF
- All evaluations are based on a full property inspection

The underwriting process







Issuer description

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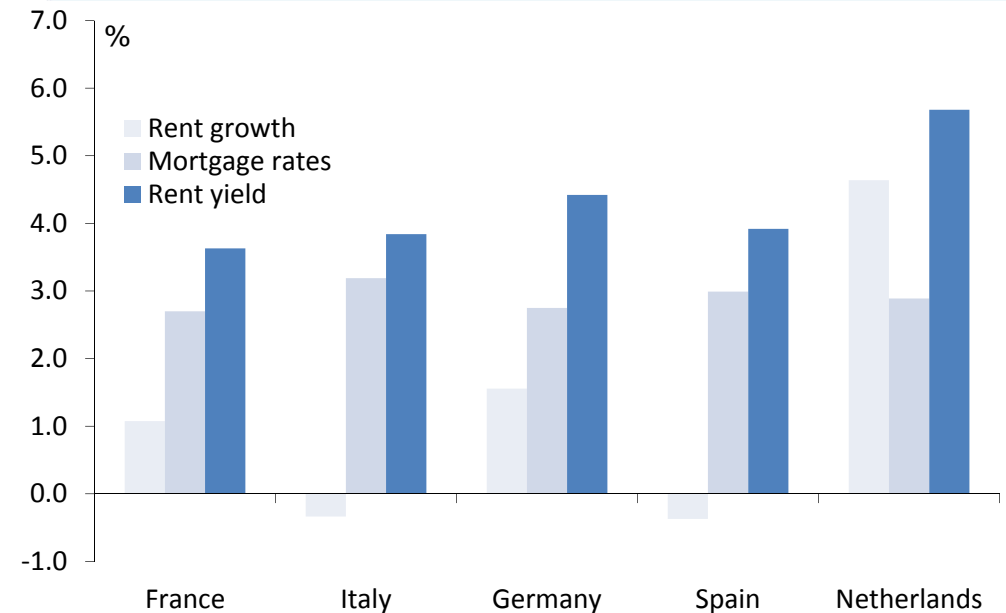
Contacts

Italian mortgage market

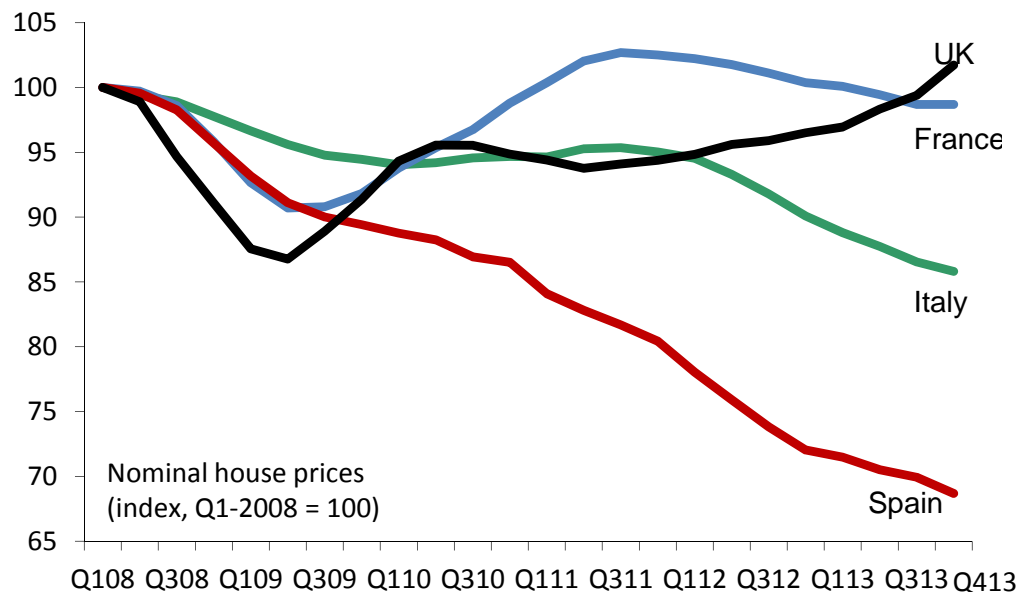


- The Italian mortgage market remains amongst the smallest in Europe
- Its limited size reflects the general low tendency of households to incur debt:
 - Households' indebtedness remains much lower than international standards
- House prices in Italy keep their falling trend started almost five years ago although the decline slowed during the past two quarters
- Notwithstanding this, current prices are still close to pre-crisis levels

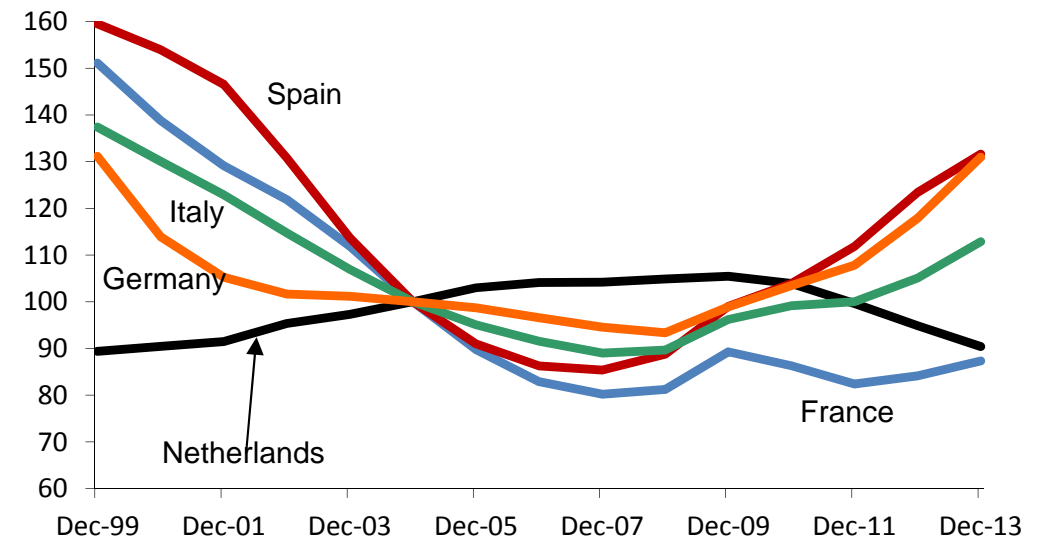
Residential market valuation metrics



Real house prices



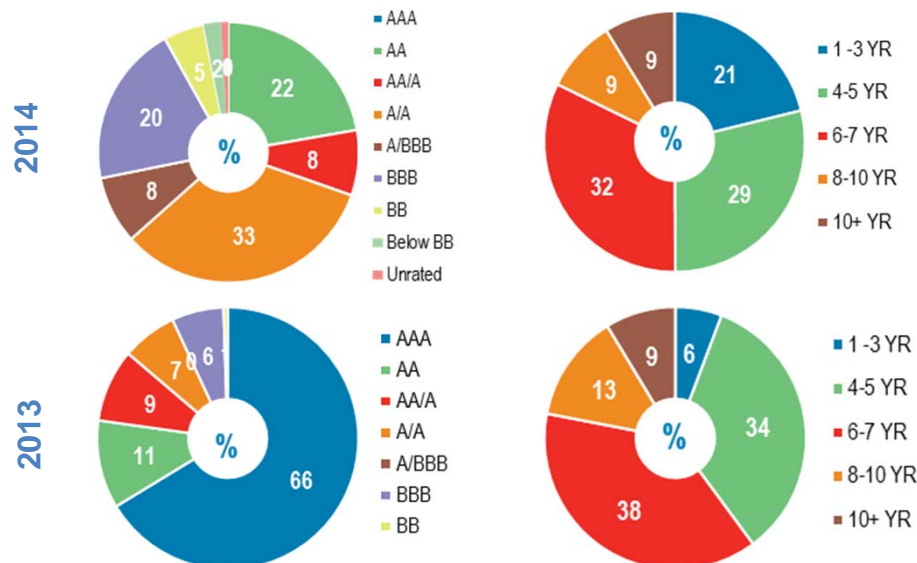
Rental yield index



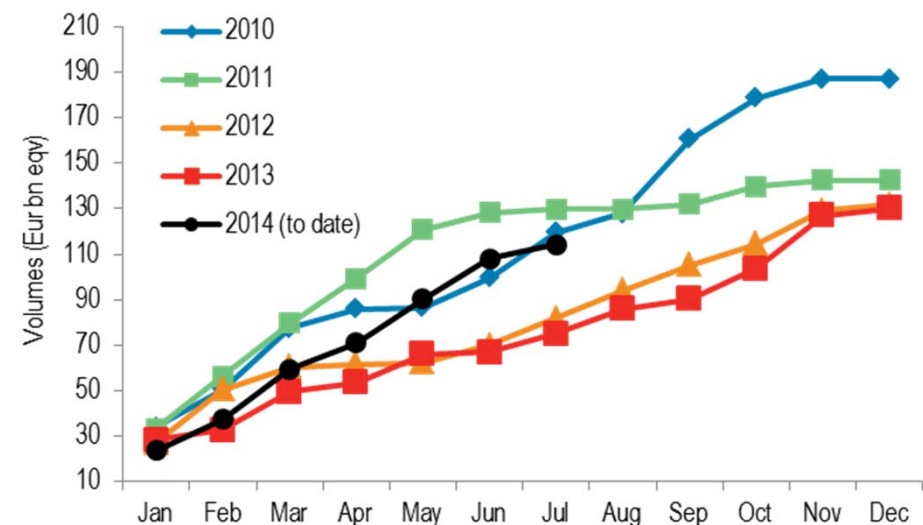


- The general yield environment, with rates at historical tight and central banks keeping their accommodative stance, couples with a continued hunt for yield by investors creating the ideal backdrop for primary market activity out of issuers across the board
- H1 2014 Covered Bond supply at ca. Eur 76bn is ~33% above the number for the same period in 2013 and is greater than H1 2012
 - 95% of the total volumes is in EUR
 - 80% is focused on 4 to 10-year maturities
- The Italian Covered Bond (CB) market, although relatively young (the first covered bond by an Italian bank was issued in 2008), has already proved to be solid and efficient
- In 2013 the total Italian supply reached Eur 9.25bn, almost 3x the 2012 Eur 3.25bn and H1 2014 ended at Eur 6.25bn vs Eur 2bn for the same period last year
 - Year to date supply at Eur 7.25bn is ca. 80% of FY 2013 issuance activity

Covered Bond Supply Ratings and Tenor breakdown



Covered Bond Cumulative Supply

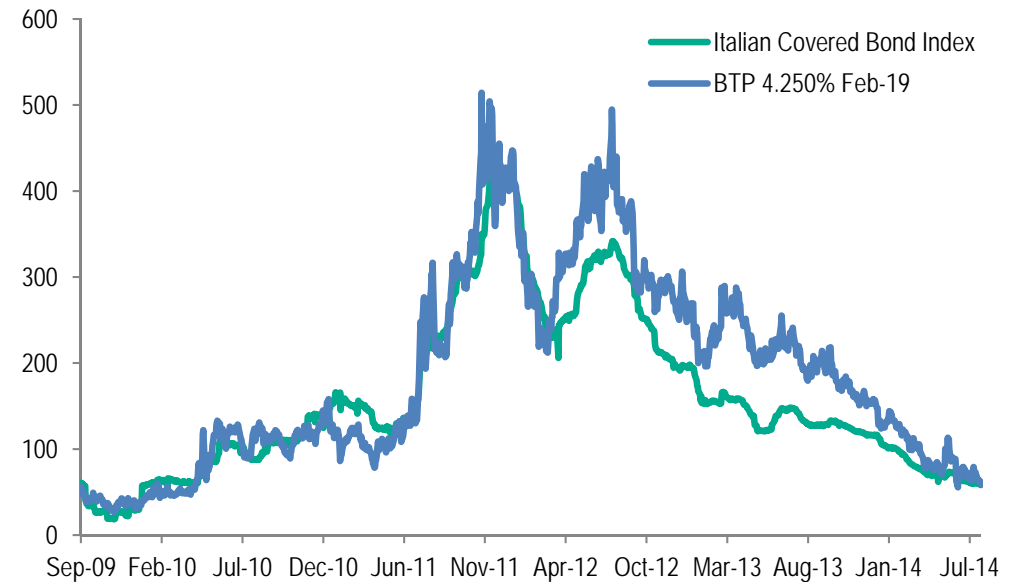


Covered bond market update

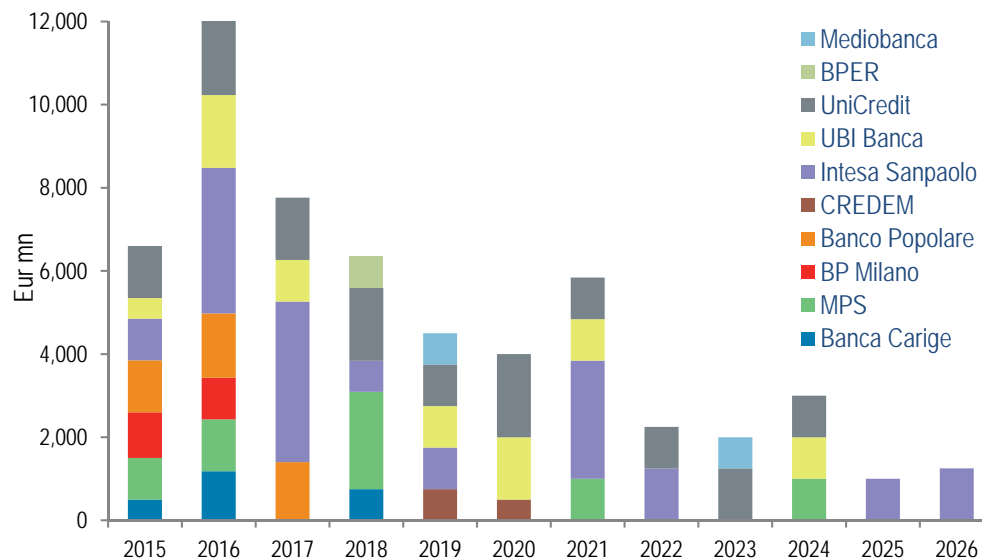


Issuer	Announce Date	Ratings (Currents)	Amount (Eur mn)	Coupon (%)	Maturity	Re-offer
MPS	08 Jul 14	Baa3/-/A	1,000	2.875	16 Jul 24	ms+148
Mediobanca	10 Jun 14	-/A/-	750	1.125	17 Jun 19	ms+51
MPS	10 Apr 14	Ba1/-/A	1,000	2.875	16 Apr 21	ms+160
Intesa Sanpaolo	24 Mar 14	A2/-/-	1,000	6m€+60	26 Apr 16	6m€+60
Credito Emiliano	18 Feb 14	A2/-/A+	750	1.875	27 Feb 19	ms+88
Intesa Sanpaolo	29 Jan 14	A2/-/-	1,250	3.250	10 Feb 26	ms+108
UBI Banca	29 Jan 14	A2/-/A+	1,000	3.125	05 Feb 24	ms+118
UniCredit	15 Jan 14	A2/-/A+	1,000	3.000	31 Jan 24	ms+98
UniCredit	15 Jan 14	A2/AA/A+	500	3m€+55	31 Jan 17	3m€+57
Banca Carige	17 Oct 13	Ba1 /-/BBB+	750	3.875	24 Oct 18	ms+270
Mediobanca	10 Oct 13	-/A/-	750	3.625	17 Oct 23	ms+150
BPER	08 Oct 13	Baa1/-/-	1,000	3.375	22 Oct 18	ms+215
UBI Banca	07 Oct 13	A2/-/A+	1,500	3.125	14 Oct 20	ms+148
Intesa Sanpaolo	12 Sep 13	A2/-/-	750	2.250	24 Sep 18	ms+90
UniCredit	22 Aug 13	A2/AA/A+	1,000	2.625	31 Oct 20	ms+95
Credito Emiliano	02 Jul 13	A2/-/A+	500	3.250	09 Jul 20	ms+180
UniCredit	04 Jun 13	A2/AA/A+	1,000	1.875	31 Jan 19	ms+85
Intesa Sanpaolo	16 Jan 13	A2/-/-	1,000	3.375	24 Jan 25	ms+150
UniCredit	07 Jan 13	A2/AA/A+	1,000	2.750	31 Jan 20	ms+150

Italian CB index

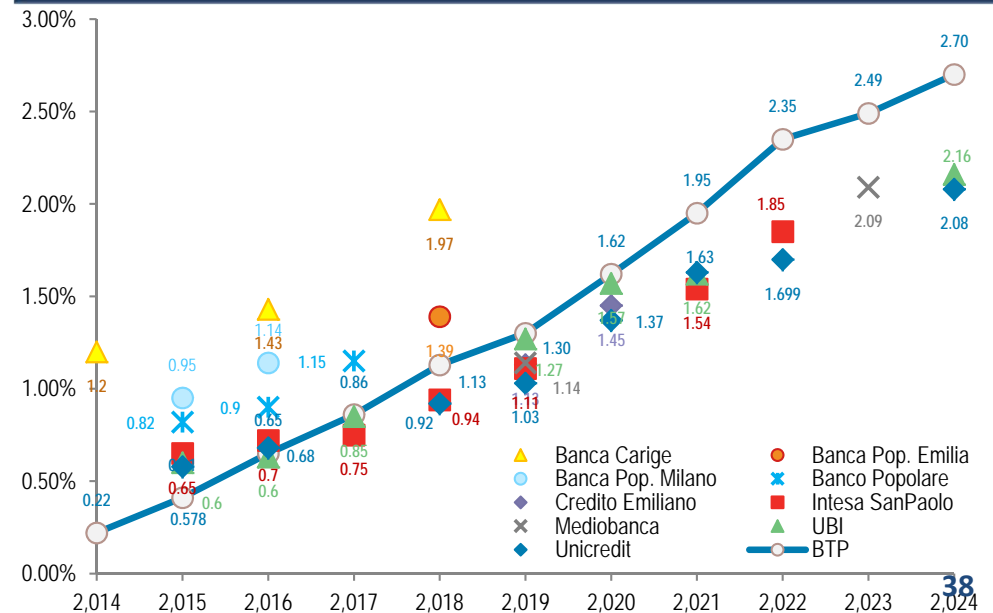


Italian CB Maturity profile



Source: Bloomberg, Dealogic

Italian CB vs BTP





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