

Investor Presentation

October 2019



Volksbank

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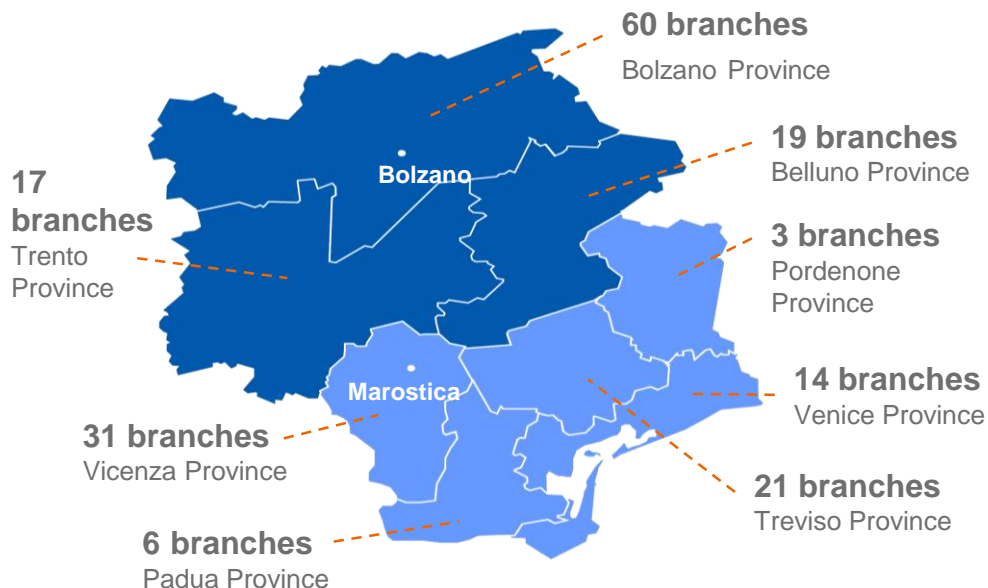
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Volksbank at a Glance

Volksbank is a retail bank firmly established in South Tyrol, one of the wealthiest provinces in Italy.



Autonomous Province of Bolzano & Region of Veneto



171

Total number of branches

	Province of Bolzano	Region of Veneto	Republic of Italy
GDP pro capita (2017)	€ 42,300	€ 33,500	€ 26,427
Unemployment rate (2018)	2.90%	6.50%	10.60%

Ratings of Volksbank & Bolzano/Veneto

Ratings of Volksbank:

FitchRatings

	Volksbank	Republic of Italy
Long-Term Rating	BB+	BBB
Outlook	Stable	Negative

STANDARD
& POOR'S

	Volksbank	Republic of Italy
Long-Term Rating	BB+	BBB
Outlook	Stable	Negative



	Volksbank	Republic of Italy
Long-Term Rating	BBB (low)	BBB (high)
Outlook	Stable	Stable

Ratings of Province of Bolzano & Region of Veneto:

FitchRatings

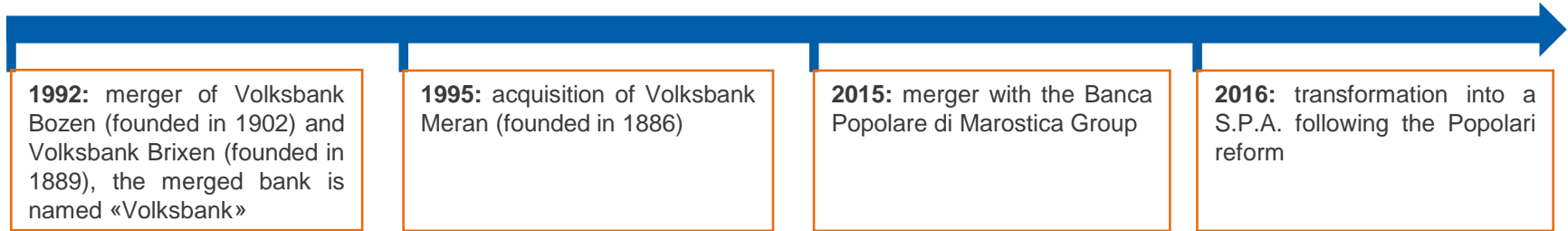
	Province of Bolzano	Region of Veneto	Republic of Italy
Long-Term Rating	A-	BBB	BBB
Outlook	Negative	Negative	Negative

MOODY'S

	Province of Bolzano	Region of Veneto	Republic of Italy
Long-Term Rating	Baa1	Baa3*	Baa3
Outlook	Stable	Stable	Stable



History, Ownership, Member Structure & Governance



- Volksbank transformed in a joint-stock company in 2016 following the italian „popolari reform“
- The Volksbank stock is quoted at Hi-MTF (order driven azionario) since September 2017 with moderate liquidity
- Volksbank counts around 60,000 shareholders (mainly in South Tyrol and Vicenza)

We promote Regional Development

As a **retail bank** based in South Tyrol, Trentino and Veneto, Volksbank looks after more than **275,000 customers** in the following lines of business:

Business Line	Mission
Retail	From geographical to personal proximity, Omnichannel
Corporate	Sector specialisation (e.g. tourism, food/agriculture, mechanical engineering/metalworking industry, real estate)
Private	Repositioning for growth in Veneto region

Increase in market shares in the customer base, both businesses and households.

Half-Year Financial Report: An Overview

- The adjustment of goodwill impacted solely the accounting entries
- As always in the first half-year, the proactive application of value adjustments to non-performing loans reinforced the control over credit risk
- These actions, which did not impact the Bank's solidity, liquidity and profit capacity, involved a net accounting loss of Euro 101.5 million
- In terms of ordinary profitability, the growth in revenues and components from interest and commissions showed a better performance than the same period of 2018

Therefore, the positive growth of profits was confirmed.

Growth in the Main Core Aggregates

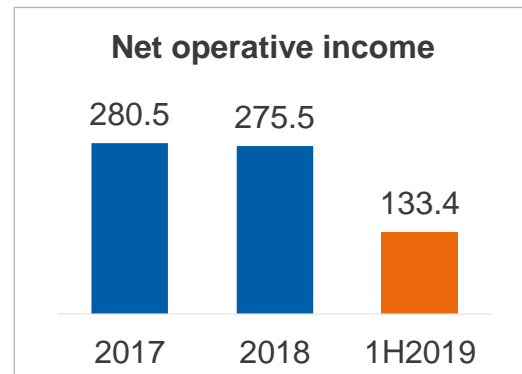
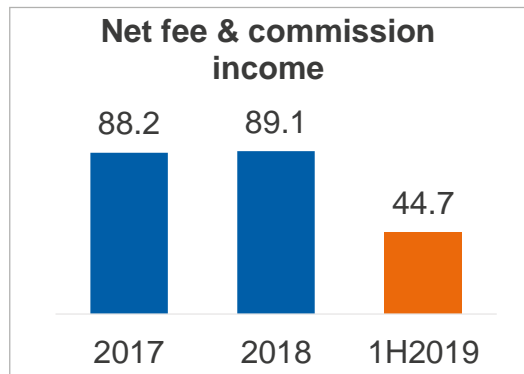
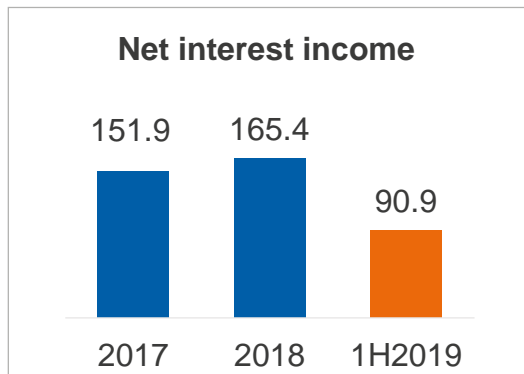
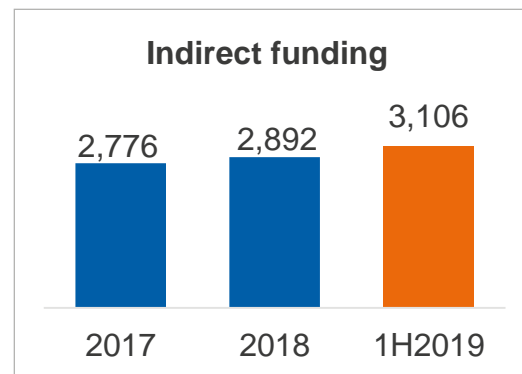
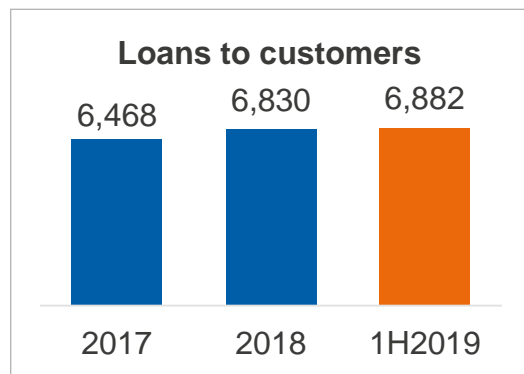
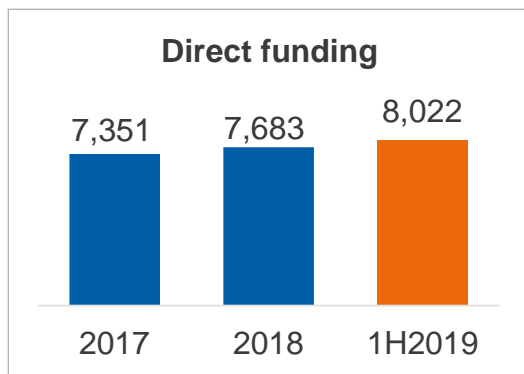
The business model focused on the central nature of customer relations ensures growth in the main core aggregates

- ✓ Net performing loans to customers rose by 0.8% YoY to Euro 6,823.5 million, compared to the figure of Euro 6,769.7 million at the end of 2018
- ✓ Direct funding from customers was up by +4.4% YoY to Euro 8,022.2 million (deposits +5.5%)
- ✓ Indirect funding, net of Bank shares, was up by +7.4% to Euro 3,106.1 million (Euro 2,892.2 million at the end of 2018)
- ✓ Balanced growth of funding and lending components: loans to customers/direct funding from customers at 106.7%

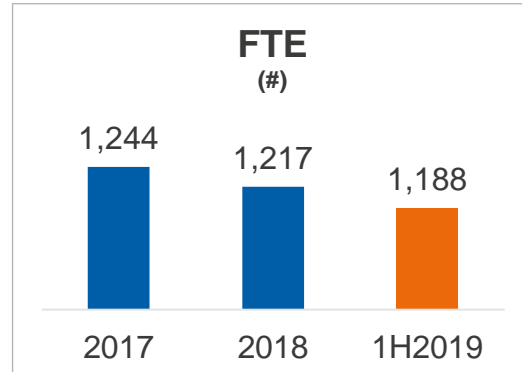
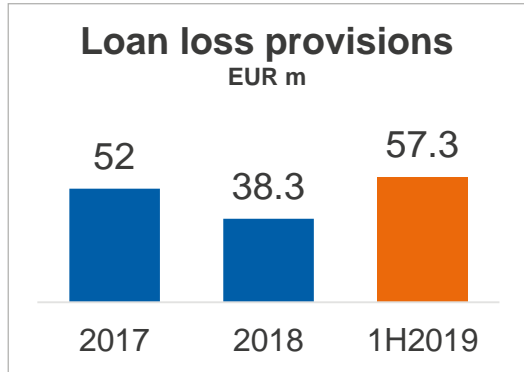
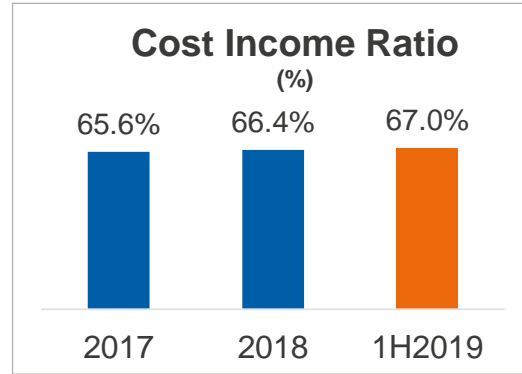
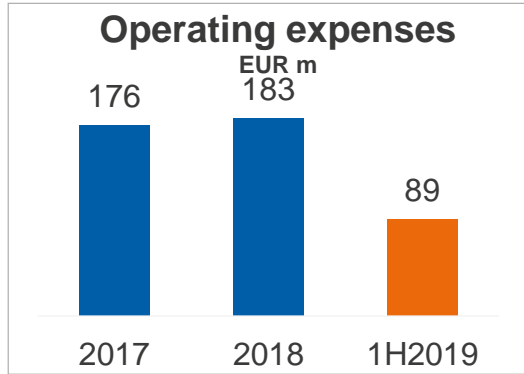
Continued support to the community

- ✓ Support for the real economy remained steady during 2018: around Euro 1,400 million in new medium/long-term credit in 2018, of which roughly Euro 970 million disbursed to households and SMEs. Approximately 100 companies returned to performing status from non-performing positions in 2018

Evolution of Main Figures (EUR m)



Overview of Operating Expenses and Cost of Risk



11 (*) The comparative data as at 31 December 2017, determined according to IAS 39, were restated to the new accounting items envisaged by the 5th update to Bank of Italy Circular no. 262, without recalculating them according to the provisions of IFRS 9, in force from 1 January 2018. Therefore, the comparative data is not fully comparable with the data relating to 2018.



Capital Position

Capitalisation level confirmed as solid

- ✓ CET 1 Ratio at 11.7%
- ✓ Total Capital Ratio at 13.8%
- ✓ The planned capital strengthening initiatives will allow a further improvement in the requirements as early as the end of 2019.

Optimised liquidity and funding position

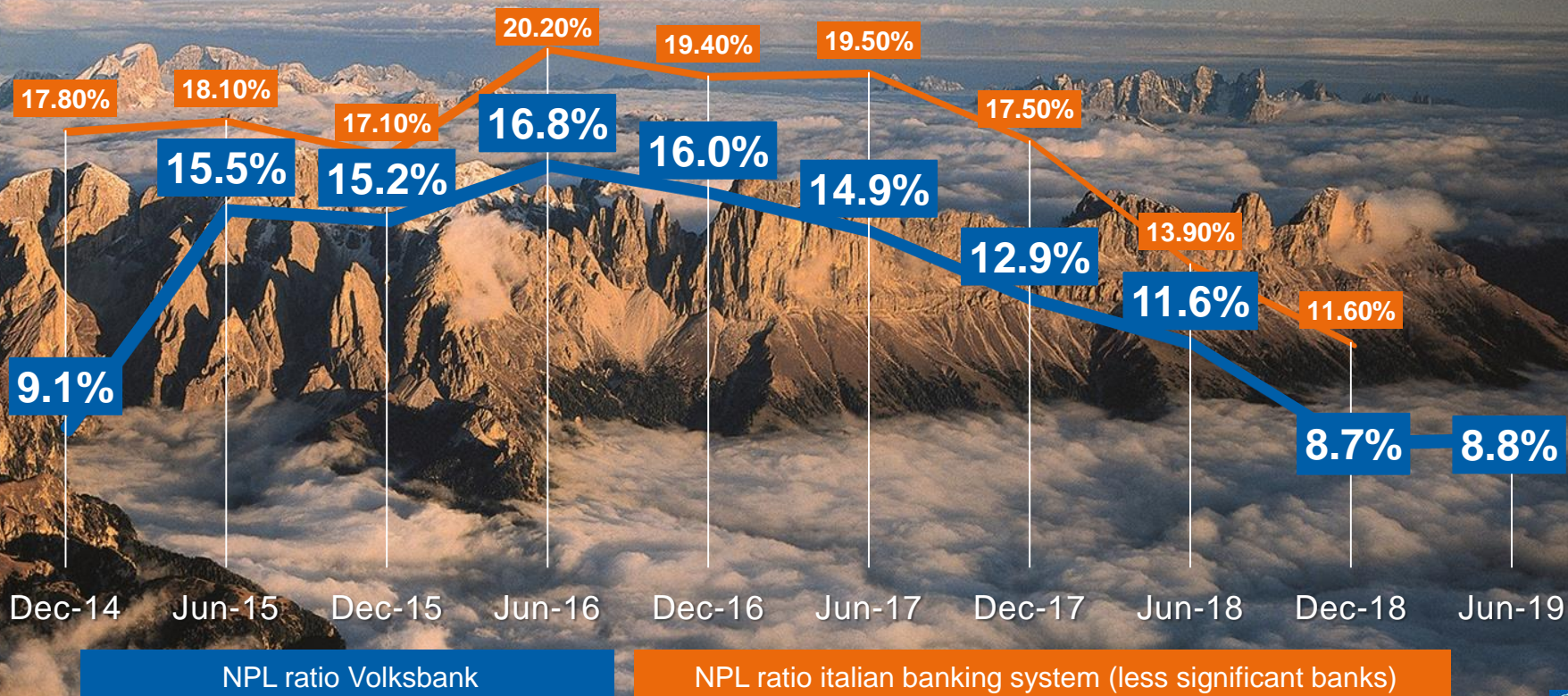
- ✓ LCR > 140%
- ✓ NSFR > 110%

EUR m - phased in	1H 2019	2018	2017
Shareholders' equity	731.4	835.2	873.4
CET1 capital	731.7	726.9	715.4
Total capital	861.7	857.9	821.5
RWA	6,229	6,472	6,033
CET1 ratio	11.7%	11.3%	11.9%
TCR	13.8%	13.2%	13.6%

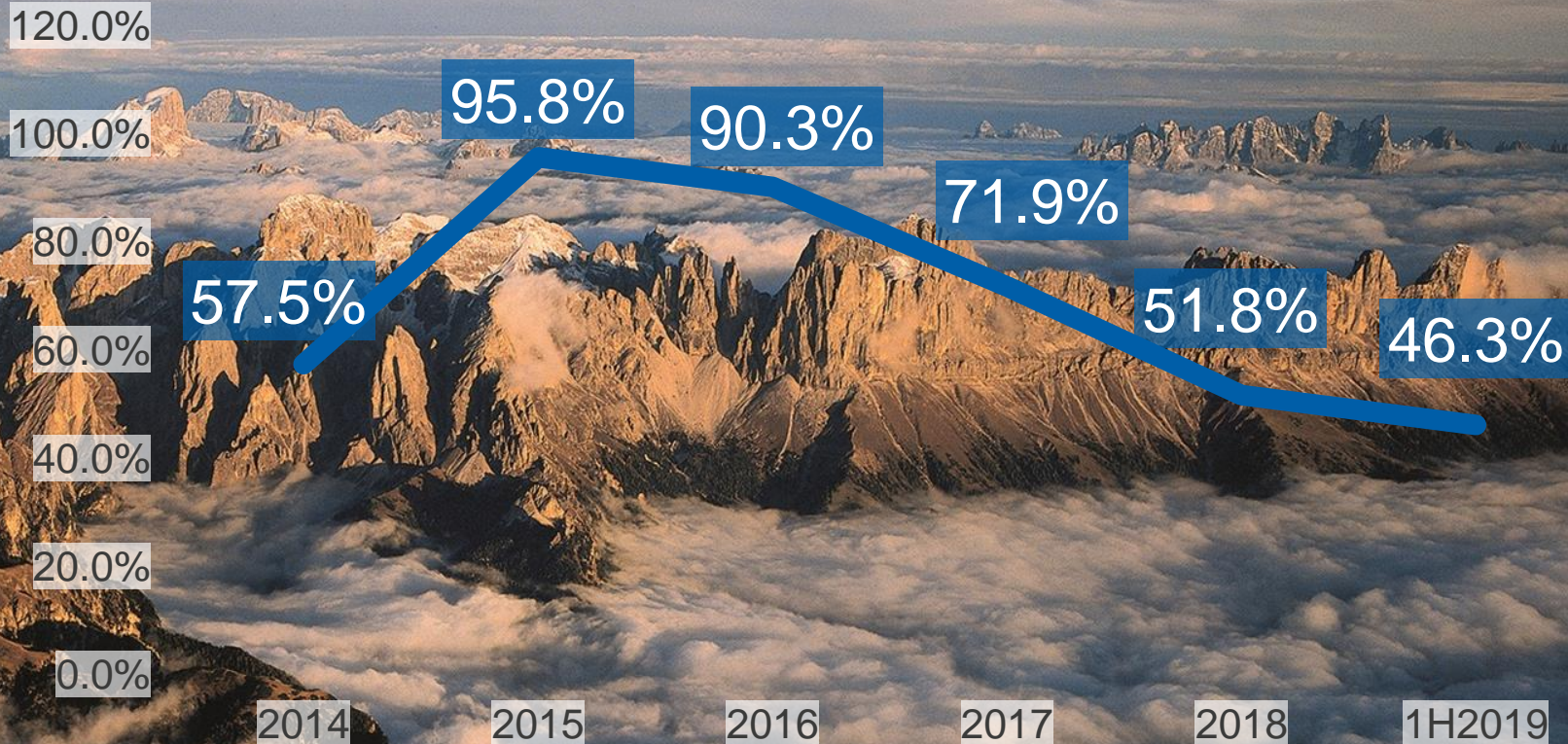
Current SREP overall capital requirements	
CET1 ratio	7.700%
Tier1 ratio	9.438%
Total capital ratio	11.750%

Capital Ratios significantly above SREP requirements

Below Pre-Acquisition Levels...

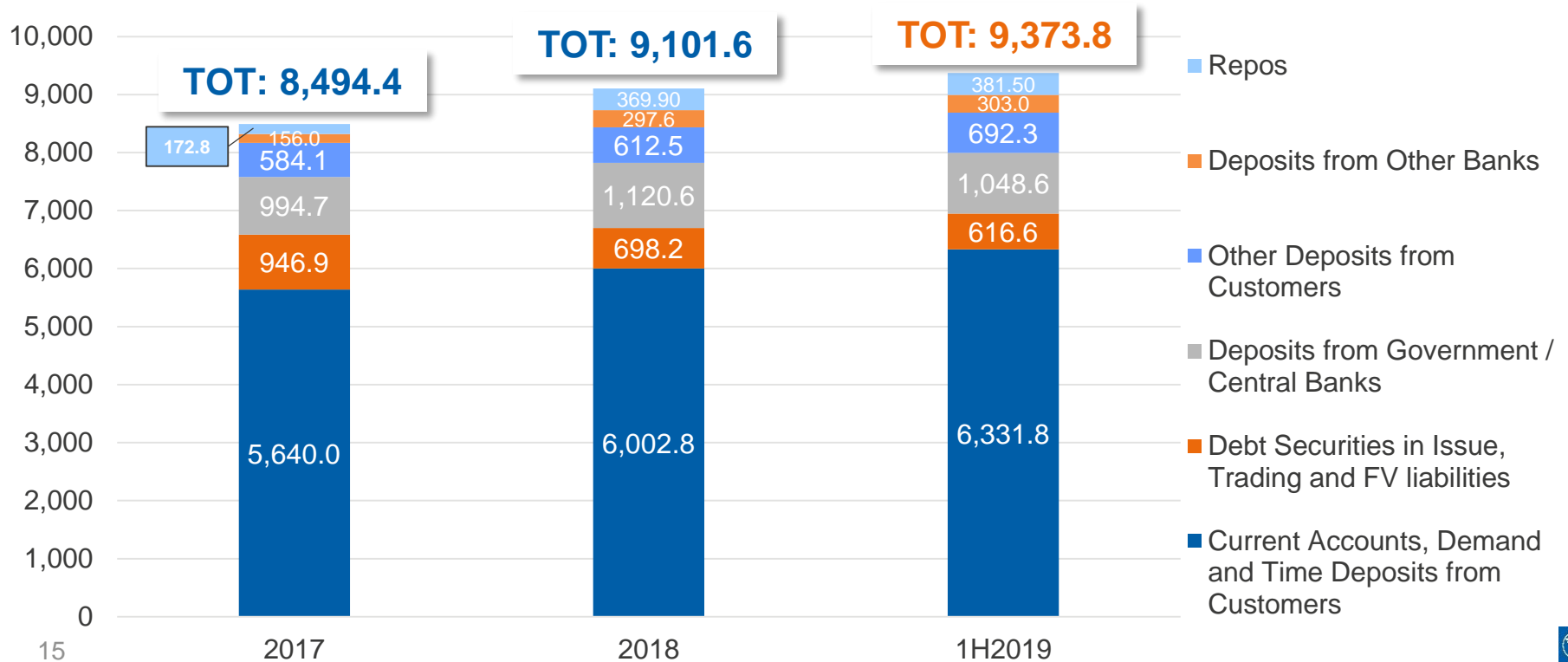


Texas Ratio at a Sound Level of 46.3%



Overview of Funding and Liquidity

Funding structure
EUR m



Funding Plan: More to Come...

Diversification in capital markets while maintaining solid retail funding:

- Sustainable growth in retail deposit base
- Complete OBG Programme to issue Mortgage Covered Bonds („OBG“)
- Continue to use ABS as a funding tool for SME loans
- Balanced utilization of institutional funding in terms of sources and expiration dates and gradual substitution of ECB funding
- Issuance of AT1 / Tier 2 instruments to institutional investors to further improve Total Capital Ratio



Quality Growth Leveraging Market Position to Increase Market Share across the Region

Business Line	Key guideline
Retail	<ul style="list-style-type: none"> Broaden the value chain („Solutions for living“ vs. „Mortgage“) Restart of BankAssurance platform to strengthen fee income Orchestration of „Phygital“ and operational excellence across the branch network
Corporate & Private	<ul style="list-style-type: none"> Stronger focus on RoE Account Managers to become sparring partners of client’s business plans for selected key sectors with sustainable growth (e.g. Tourism)
Workout	<ul style="list-style-type: none"> Further decrease of the NPL portfolio volumes and risk to below 6% New cooperation model with Legal Advisors
Markets & ALM	<ul style="list-style-type: none"> Focus on Maturity Transformation and selective diversification strategies Implement ALM and Trading Book guidelines while maintaining low P&L volatility Implement diversified funding mix and complete Capital Roadmap
Head Office	<ul style="list-style-type: none"> Consolidate the “phygital mindset” Persistent focus on reducing external costs (e.g. Purchase fct.) Realize economies of scale with IT Provider (Accenture O/S) and strengthen Data Governance

>20bn
EUR

assets under
management*

6%
p.a.

CAGR*

* data as of 31/12/2018



Concluding Remarks



Unique exposure to one of the wealthiest and growth regions in Italy



High quality growth in Retail and SME business



Profitable in difficult years, back on track to deliver CoE profitability step by step



Sound balance sheet and diversified funding



Strong commitment from all the stakeholders
in executing the 2019-2021 plan



2

Volksbank OBG

Programme & Cover Pool

Summary of the Programme 1/2

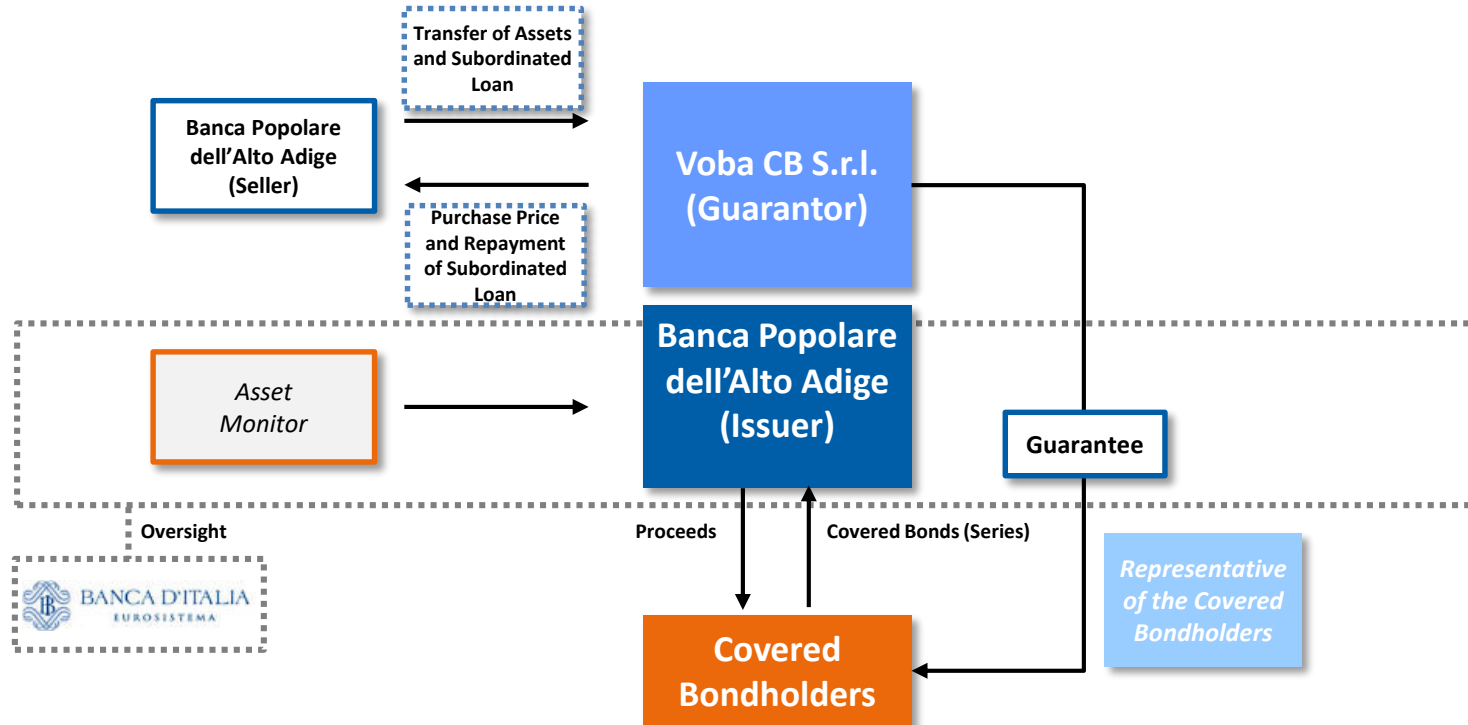
Main Terms

Issuer	Südtiroler Volksbank AG - Banca Popolare dell'Alto Adige S.p.A.
Sellers	Südtiroler Volksbank AG - Banca Popolare dell'Alto Adige S.p.A.
Programme Size	EUR 3,000,0000,000
Programme Structure	Soft-bullet with 12 months of maturity extension
Guarantor	VOBA OBG 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
Contractual Asset %	88%
Committed Asset %	79%
Listing	Luxembourg
Overcollateralization	The statutory tests are run quarterly to ensure sufficient programme support
Governing Law	Italian Law
Programme Set-up	8th October 2019
First asset transfer	1st October 2019

Summary of the Programme 2/2

Main Terms	
<u>Counterparties</u>	
Guarantor Calculation Agent	Securitisation Services S.P.A.
Test Calculation Agent	Banca Popolare dell'Alto Adige S.p.A.
Representatives of OBG holders	Securitisation Services S.P.A.
Arranger	FISG (Banca Finanziaria Internazionale), Societe Generale, UniCredit Bank AG
Asset Swap Provider	N/A
Liability Swap Provider	N/A
Asst Monitor	BDO Italia S.p.A.
<u>Compliant to EU directive</u>	
UCITS	Compliant
CRR	Compliant
Solvency	Compliant
CLR Level 1	Compliant
ECB CBPP3	Compliant

Structure Diagram



Legal Framework and Programme's Tests 1/2

Italian legal framework: Secondary level provisions

Ministry of Economy and Finance

- Decree 310/06 sets out among others:
 - **Eligibility criteria** of the assets in the cover pool
 - The **substitution/integration** of assets
 - **Over-collateralization** levels, contractually agreed by the parties

Assets eligible for the assignment:

- **Residential mortgages** with a maximum LTV of 80%
- **Commercial mortgages** with a maximum LTV of 60%
- **Loans/securities issued or guaranteed by Public Entities** with the following requirements:
 - Located in the EEA or in Switzerland with a maximum risk-weighting of 20% (Revised Standardized Approach - RSA)
 - Located outside the EEA and Switzerland (limit of 10% of the cover pool) with a 0% or 20% risk-weighting (RSA) under the standardized approach
- **ABS with specific requirements**
 - At least 95% of the underlying assets represented by eligible receivables;
 - 20% risk weighting under the standardized approach, thus minimum AA- rating or equivalent

Bank of Italy

Legal Framework

- Supervisory regulations of 17 December 2013
 - **Banks requirements to be an eligible issuer**
 - Criteria for the assets evaluation
 - Limits of integration with supplemental eligible assets (15%)
 - Internal and external control (Including asset monitor auditing and banks monitoring)

Banks requirements:

- **Consolidated regulatory capital** of at least EUR 250 mln
- **Consolidated total capital ratio** of at least 9%

Limits of assets assignment to protect unsecured creditors from an excessive spoiling of issuing bank net assets:

	Bank ratio	Limits (% of eligible assets)
CET I	≥8%	Up to 100%
Tier I ratio	≥9%	
CET I	≥7%	Up to 60%
Tier I ratio	≥8%	
CET I	≥6%	Up to 25%
Tier I ratio	≥7%	

- The transfer of assets is based on a primary legislation (Law 130/99 - art. 7 bis) introduced in May 2005. This governs the true sale segregation of assets.
- OBG Holders are protected by a legally required cover tests (the "Mandatory Tests") as well as contractual over collateralization. The tests are reviewed by an independent audit firm acting as Asset Monitor

Legal Framework and Programme's Tests 2/2

A series of statutory tests provide ongoing asset coverage

Nominal Value Test

The nominal value of the assets constituting the cover pool is at least equal to the nominal amount of the OBG outstanding.

Net Present Value

The net present value of the assets being part of the cover pool net of all transaction costs of the assignee company, including the expected expenses and the costs of any hedging agreements to cover financial risks, is at least equal to the net present value of the OBG outstanding.

Interest Coverage Test

Interest and other proceeds deriving from the assets being part of the cover pool net of all the costs of the assignee company, are enough to cover the interests and costs due by the issuing bank on the OBG outstanding, taking into account any hedging agreements to cover financial risks entered into in connection with the transaction.

Asset Cover Test

For so long as the OBG remain outstanding, the Seller and the Issuer shall procure on a continuing basis that the OBG Guarantor assets adjusted on a conservative way to consider Rating Agencies stresses is at least equal to the nominal amount of the OBG outstanding.

Amortization Test **

The Amortization Test is met if the OBG Guarantor's assets adjusted on a conservative way to consider the current status of the assets (for example: in arrears receivables or in default receivables) is at least equal to the aggregate Outstanding Principal Balance of the OBG outstanding.

* For additional information on how the tests are performed please refer to the Prospectus

** To be performed only post OBG Guarantor event of default.

Legal Framework vs Other Jurisdictions

	ITALY	France (both OF & OH)	Germany	Spain	Sweden
Name of Debt Instrument(s)	Obbligazioni Bancarie Garantite	Obligations Foncières (OF) Obligations de Financement de l'Habitat (OH)	Hypothekendarlehenbriefe, Öffentliche Darlehenbriefe, Schiffsdarlehenbriefe, Flugzeugdarlehenbriefe	Cédulas Hipotecarias (CH), Cédulas Territoriales (CT)	Säkerställda Obligationer
Legislation	Legge 130 Art. 7 bis and 7 ter	Article L. 515 and seq. of the French Monetary and Financial code	Laws of 18.7.2005 (Pfandbrief Act) amended in May 2009	Law of 25 March 1981 (CH) and Law of 22 November 2002 (CT) together with Laws 16/1992, 7/1998, 2 and 3/1994, 44/2002, 36/2003 and 41/2007	Law of 1 July 2004
Special Banking Principle	No	Yes; SCFs and SFHs	No	No	No
Restrictions on business activities	Not applicable	Yes	Not applicable	Not applicable	Not applicable
Potential Collateral	Residential Mortgages, Commercial Mortgages, Public Sector Debt, Securitization Notes	Mortgage loans, guaranteed housing loans; public sector loans, senior MBS tranches	Mortgage loans, public sector debt, ship loans, aircraft loans	Residential Mortgages, Commercial Mortgages, Public Sector Debt	Residential Mortgages, Commercial Mortgages, Public Sector Debt
Asset allocation	Cover assets remain on the balance sheet but are transferred to a separate entity.	Common register for mortgage and public collateral in case of SCFs. SFH cannot refinance public sector debt	Separate register for mortgage, public, ship and aircraft collateral.	Separate register for mortgage and public collateral.	Common register for mortgage and public collateral.
Inclusion of Hedge Positions	Yes	Yes	Yes, 12% of the pool's NPV	Yes	Yes
Substitute collateral	Up to 15%	20%	Max. 20%	Up to 5% of the amount of outstanding bonds	Up to 20%
Restrictions on inclusion of asset classes	Non-EU sovereigns or sub-sovereigns max. 10% of the pool	Yes; OFs can only comprise max. 35% of guaranteed loans	No	No	Commercial mortgages are capped at 10% of the total pool
Geographical scope for public assets	EEA and Switzerland	EEA, Switzerland, US, Canada and Japan, Australia and New Zealand	EEA, Switzerland, USA, Canada and Japan	EEA	OECD
Geographical scope for mortgage assets	EEA and Switzerland	EEA and AAA rated countries	EEA, Switzerland, USA, Canada and Japan	EU	EEA
LTV barrier residential	80%	80%; 100% if the loan benefit from the 60% guarantee of the Guarantee Fund for Social Home Ownership (FGAS)	60%	80%	75%
LTV barrier commercial	60%	60%	60%	60%	60%
Basis for valuation	Market value but very conservative	Mortgage lending value	Mortgage lending value	Mortgage lending value	Market value
Valuation check	Annually	Annually	Regular (at least every 2 years) examination of the cover register	The examination of property valuations is part of the specific surveillance	Regular monitoring of property values
Special supervision	Yes; Banca d'Italia	Yes; Commission Bancaire	Yes; Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Yes; Banco de Espana	Yes; Finansinspektionen
Protection against mismatching	Nominal coverage, NPV coverage, cash-flow matching for bonds and assets ≤ 18 months	Not compulsory; implicit regulations; 180d liq. Buffer	Nominal coverage, NPV coverage, 180d liq. Buffer	Nominal Coverage	Nominal coverage, NPV coverage
Obligation to replace non-performing loans	No	No	No	No	No
Mandatory overcollateralization	No	2%	2% NPV	25% (CH)/43% (CT)	No
Issuance Limit	Depending on Reg. Capital limit	No	No	No	No
Fulfills UCITS 22(4)/CRD	Yes	Yes	Yes	Yes	Yes

Source: Unicredit



Peer Group Analysis

- Despite its small balance sheet size the solid numbers and ratios make Volksbank comparable to other Italian covered bond issuers
- The inaugural character of the transaction will help Volksbank to extend its funding sources
- Volksbank is well-positioned compared to its competitors in the market¹

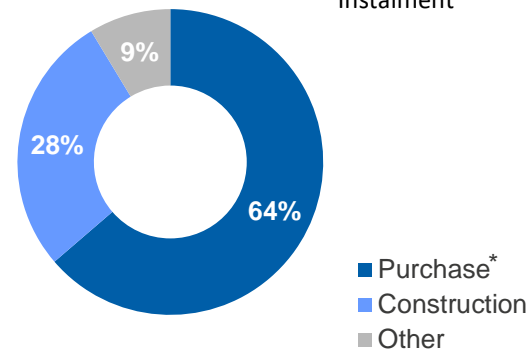
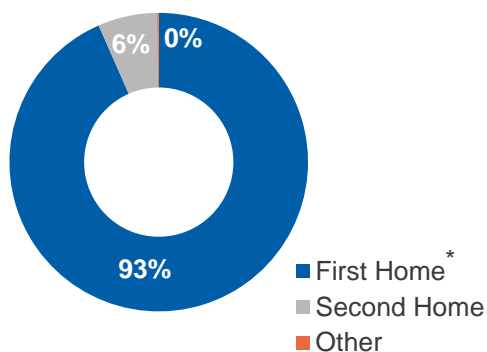
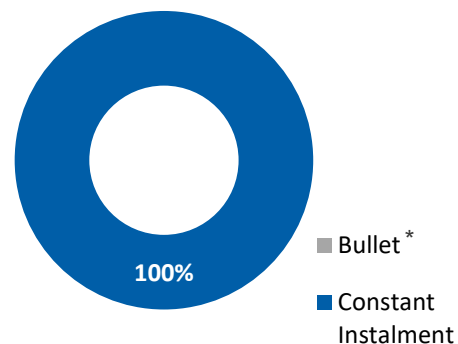
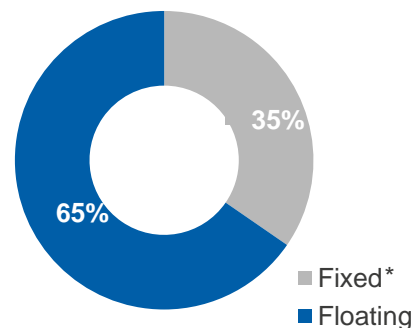
	VOLKSBANK	Peer 1	Peer 2	Peer 3	Peer 4
Region	North (Italy)	North & Central (Italy)	North & Central (Italy)	Italy	Italy
Senior Rating <small>(as of 7th October 2019)</small>	BB+ / BB+ / BBB (low) [S&P/Fitch/DBRS]	BBB- [Fitch]	BB+/BBB/BBB- [Fitch/Dagong/Egan-Jones]	Ba3 / BB [Moody's/Fitch]	Baa3 / BBB- / BBB [Moody's/S&P/Fitch]
Covered Rating <small>(as of 7th October 2019)</small>	[AA] [Fitch]	AA [Fitch]	AA [Fitch]	Aa3 [Moody's]	Aa3 / AA [Moody's/Fitch]
Balance Sheet Size*	EUR 10.28bn	EUR 13.61bn	EUR 41.13bn	EUR 70.63bn	EUR 43.16bn
CET 1 Ratio (PI)*	11.30%	12.15%	12.03%	14.27%	13.60%
Total Capital Ratio (PI)*	13.30%	13.58%	13.61%	17.25%	16.10%
Gross NPL Ratio*	8.70%	7.00%	14.75%	13.80%	4.40%

¹ Peers: Banco Desio, BPSO, BPER and CREDEM
Source: Companies' Financial Reports as of YE 2018

Cover Pool Characteristics 1/6

Overview

Portfolio Summary	Total
Number of Loans	4,765
Type of Loans	100% residential loans
Cut-off Date	31 August 2019
Current Principal Balance	464,753,559
Average Principal Balance	97,535
Original Principal Balance	623,325,298
Original Principal Balance	130,813
WA Seasoning (yrs)	3.63
WA Remaining Maturity (yrs)	15.57
Average Tenor (yrs)	19.20
WA Interest Rate	1.90
WA OLV	55.20
WA CLTV	45.43
Debtor Geographical Area (N/C/S)	100%/0%/0%



* chart based on current principal balance

Source: Volksbank as of 31.08.2019

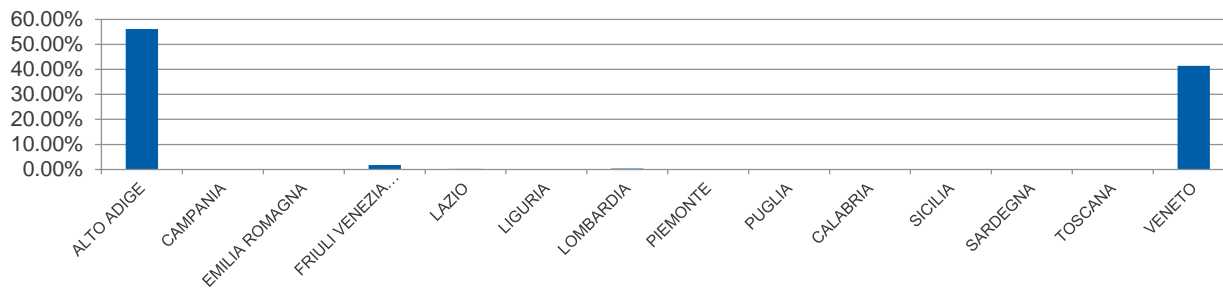


Cover Pool Characteristics 2/6

Geographic Breakdown

Debtor Region	Number of Loans	%	Current Principal Balance	%	Original Principal Balance	%
ALTO ADIGE	2,507	52.61%	260,854,812	56.13%	372,965,516	59.83%
CAMPANIA	2	0.04%	182,230	0.04%	280,000	0.04%
EMILIA ROMAGNA	4	0.08%	182,232.00	0.04%	279,000	0.04%
FRIULI VENEZIA GIULIA	91	1.91%	8,173,377	1.76%	10,172,270	1.63%
LAZIO	7	0.15%	892,690	0.19%	1,154,166	0.19%
LIGURIA	1	0.02%	52,376	0.01%	55,000	0.01%
LOMBARDIA	14	0.29%	1,536,296	0.33%	2,033,389	0.33%
PIEMONTE	1	0.02%	55,002	0.01%	70,000	0.01%
PUGLIA	0	0.00%	0	0.00%	0	0.00%
CALABRIA	1	0.02%	138,630	0.03%	160,000	0.03%
SICILIA	2	0.04%	110,272	0.02%	215,000	0.03%
SARDEGNA	1	0.02%	127,232	0.03%	140,000	0.02%
TOSCANA	2	0.04%	126,195.00	0.03%	275,000	0.04%
VENETO	2,132	44.74%	192,322,214	41.38%	235,525,956	37.79%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%

Geographic Breakdown by Current Principal Balance:



Cover Pool Characteristics 3/6

Breakdown by Principal Balance

Current Principal Balance:

Range in EUR	Number of Loans	% Number of Loans	Current Balance (EUR)	%	Original Balance (EUR)	%
0 - 25,000	250	5.00%	4,498,404	1.00%	21,636,405	3.00%
25,000 - 50,000	881	18.00%	33,489,038	7.00%	68,873,221	11.00%
50,000 - 75,000	954	20.00%	59,579,410	13.00%	89,203,012	14.00%
75,000 - 100,000	843	18.00%	73,017,640	16.00%	93,430,598	15.00%
100,000 - 150,000	1,045	22.00%	127,253,110	27.00%	155,600,838	25.00%
150,000 - 200,000	475	10.00%	81,539,025	18.00%	95,600,857	15.00%
200,000 - 300,000	243	5.00%	57,673,761	12.00%	66,855,890	11.00%
300,000 - 500,000	67	1.00%	23,894,574	5.00%	27,771,979	4.00%
500,000 - 750,000	7	0.00%	3,808,597	1.00%	4,352,497	1.00%
750,000 - 1,500,000	0	0.00%	0	0.00%	0	0.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%

Original Principal Balance:

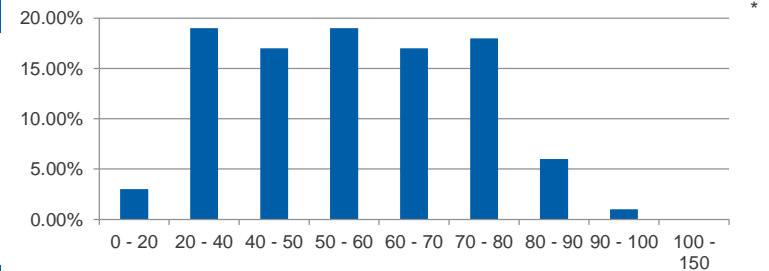
Range in EUR	Number of Loans	% Number of Loans	Current Balance (EUR)	%	Original Balance (EUR)	%
0 - 50,000	385	8.00%	12,496,880	3.00%	16,724,679	3.00%
50,000 - 100,000	1,648	35.00%	99,076,782	21.00%	131,944,217	21.00%
100,000 - 250,000	2,464	52.00%	283,556,202	61.00%	382,099,198	61.00%
250,000 - 400,000	224	5.00%	53,481,290	12.00%	69,760,628	11.00%
400,000 - 750,000	43	1.00%	15,989,572	3.00%	21,896,577	4.00%
750,000 - 1,000,000	1	0.00%	152,833	0.00%	900,000	0.00%
1,000,000 - 2,500,000	0	0.00%	0	0.00%	0	0.00%
2,500,000 - 5,000,000	0	0.00%	0	0.00%	0	0.00%
5,000,000 - 10,000,000	0	0.00%	0	0.00%	0	0.00%
10,000,000 - 15,000,000	0	0.00%	0	0.00%	0	0.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%

Cover Pool Characteristics 4/6

Breakdown by LTV

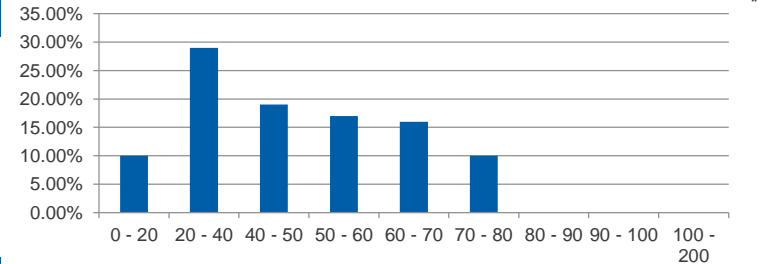
Original LTV:

LTV in %	Number of Loans	% Number of Loans	Current Balance (EUR)	%	Original Balance (EUR)	%
0 - 20	244	5.00%	13,376,415	3.00%	18,754,610	3.00%
20 - 40	1,195	25.00%	90,413,265	19.00%	123,491,898	20.00%
40 - 50	787	17.00%	77,508,523	17.00%	102,935,782	17.00%
50 - 60	826	17.00%	86,465,967	19.00%	114,986,523	18.00%
60 - 70	731	15.00%	79,315,282	17.00%	104,559,325	17.00%
70 - 80	701	15.00%	85,041,064	18.00%	111,079,489	18.00%
80 - 90	241	5.00%	27,925,833	6.00%	39,013,192	6.00%
90 - 100	35	1.00%	4,181,435	1.00%	6,869,719	1.00%
100 - 150	5	0.00%	525,775	0.00%	1,634,760	0.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%



Current LTV:

LTV in %	Number of Loans	% Number of Loans	Current Balance (EUR)	%	Original Balance (EUR)	%
0 - 20	958	20.00%	44,408,662	10.00%	103,483,298	17.00%
20 - 40	1,566	33.00%	136,595,007	29.00%	190,552,212	31.00%
40 - 50	751	16.00%	87,875,536	19.00%	105,845,514	17.00%
50 - 60	636	13.00%	76,753,268	17.00%	89,525,676	14.00%
60 - 70	528	11.00%	72,836,855	16.00%	82,786,556	13.00%
70 - 80	326	7.00%	46,284,231	10.00%	51,132,043	8.00%
80 - 90	0	0.00%	0	0.00%	0	0.00%
90 - 100	0	0.00%	0	0.00%	0	0.00%
100 - 200	0	0.00%	0	0.00%	0	0.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%



* Chart based on current principal balance

Source: Volksbank as of 31.08.2019



Cover Pool Characteristics 5/6

Breakdown by Origination Year & Maturity

Loan Origination Year	Number of Loans	%	Current Principal Balance	%	Original Principal Balance	%
1997 - 1999	1	0.00%	18,338.00	0.00%	92,962	0.00%
2000 - 2003	109	2.00%	3,167,069	1.00%	16,065,843	3.00%
2004 - 2006	330	7.00%	14,786,483	3.00%	47,448,660	8.00%
2007 - 2009	44	1.00%	2,806,321	1.00%	6,399,045	1.00%
2010 - 2013	323	7.00%	29,390,889	6.00%	46,143,472	7.00%
2014	507	11.00%	44,092,088	9.00%	63,572,672	10.00%
2015	781	16.00%	73,691,211	16.00%	97,981,926	16.00%
2016	999	21.00%	107,951,750	23.00%	132,325,640	21.00%
2017	1,003	21.00%	113,673,082	24.00%	131,792,992	21.00%
2018	668	14.00%	75,176,327	16.00%	81,502,084	13.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%

Loan Maturity Year	Number of Loans	%	Current Principal Balance	%	Original Principal Balance	%
2019	0	0.00%	0.00	0.00%	0	0.00%
2020	14	0.00%	201,676	0.00%	2,168,875	0.00%
2021	50	1.00%	931,923	0.00%	6,577,463	1.00%
2022	55	1.00%	1,692,416	0.00%	6,770,739	1.00%
2023	117	2.00%	4,038,311	1.00%	13,513,902	2.00%
2024 - 2027	836	18.00%	44,348,584	10.00%	89,235,390	14.00%
2028 - 2032	1,190	25.00%	99,306,374	21.00%	136,221,649	22.00%
2033 - 2036	1,191	25.00%	133,301,458	29.00%	166,022,252	27.00%
2037 - 2040	812	17.00%	108,161,438	23.00%	123,526,908	20.00%
2041 and longer	500	10.00%	72,771,379	16.00%	79,288,120	13.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%

Cover Pool Characteristics 6/6

Breakdown by Original Term, Remaining Term & Seasoning

Original Term (yrs)	Number of Loans	%	Current Principal Balance	%	Original Principal Balance	%
0 - 2	0	0.00%	0.00	0.00%	0	0.00%
2 - 4	0	0.00%	0	0.00%	0	0.00%
4 - 6	12	0.00%	510,837	0.00%	1,220,930	0.00%
6 - 8	44	1.00%	2,023,907	0.00%	3,479,791	1.00%
8 - 10	78	2.00%	4,421,371	1.00%	8,012,732	1.00%
10 - 15	793	17.00%	49,755,872	11.00%	72,874,447	12.00%
15 - 20	1,214	25.00%	104,451,449	22.00%	144,543,964	23.00%
20 - 25	1,875	39.00%	199,787,593	43.00%	271,453,921	44.00%
25 - 30	704	15.00%	97,437,767	21.00%	113,435,352	18.00%
30 - 40	45	1.00%	6,364,764	1.00%	8,304,161	1.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%

Remaining Maturity (yrs)	Number of Loans	%	Current Principal Balance	%	Original Principal Balance	%
0 - 1	0	0.00%	0.00	0.00%	0	0.00%
1 - 2	22	0.00%	307,066	0.00%	3,297,369	1.00%
2 - 3	50	1.00%	1,046,178	0.00%	6,408,144	1.00%
3 - 4	71	1.00%	2,099,545	0.00%	8,524,843	1.00%
4 - 5	128	3.00%	4,738,676	1.00%	14,755,329	2.00%
5 - 8	632	13.00%	31,122,288	7.00%	68,459,931	11.00%
8 - 11	590	12.00%	40,637,096	9.00%	59,022,412	9.00%
11 - 14	801	17.00%	73,752,787	16.00%	97,773,471	16.00%
14 - 17	826	17.00%	86,593,443	19.00%	110,743,335	18.00%
17 - 31	1,645	35.00%	224,456,480	48.00%	254,340,463	41.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%

Seasoning (yrs)	Number of Loans	%	Current Principal Balance	%	Original Principal Balance	%
0 - 1	379	8.00%	42,097,469.00	9.00%	45,352,159	7.00%
1 - 2	936	20.00%	106,728,355	23.00%	120,096,460	19.00%
2 - 3	1,049	22.00%	114,158,315	25.00%	137,871,914	22.00%
3 - 4	859	18.00%	86,842,378	19.00%	112,819,838	18.00%
4 - 5	571	12.00%	52,081,490	11.00%	72,317,032	12.00%
5 - 8	463	10.00%	40,230,888	9.00%	61,315,913	10.00%
8 - 11	48	1.00%	3,546,483	1.00%	7,274,946	1.00%
11 - 14	201	4.00%	9,762,537	2.00%	28,912,171	5.00%
14 - 17	220	5.00%	8,481,429	2.00%	31,897,632	5.00%
17 - 25	39	1.00%	824,216	0.00%	5,467,233	1.00%
Total	4,765	100.00%	464,753,559	100.00%	623,325,298	100.00%



3 The Mortgage Business



Origination, Underwriting, Servicing

Sales Force

- All mortgages are originated through the branch channel since Volksbank does not rely on external brokers to originate new loans
- No mortgages are originated by Banca Popolare di Marostica before its incorporation into Volksbank's branches
- Solid Know Your Customer process in place

Underwriting

- Centralized underwriting process: more than 90% of mortgages are underwritten at central services level. Approx. 66% of the branch network cannot approve loans with request above €50,000
- The authority to approve a mortgage loan depends mainly on the amount requested, the term of the loan and the valuation of automatic in-house valuation tools
- Use of in-house credit rating model used for borrower assessment as part of the underwriting criteria. Branches can only approve mortgage loans to obligor with an internal rating above "C" (=default probability equivalent to 8.5%)

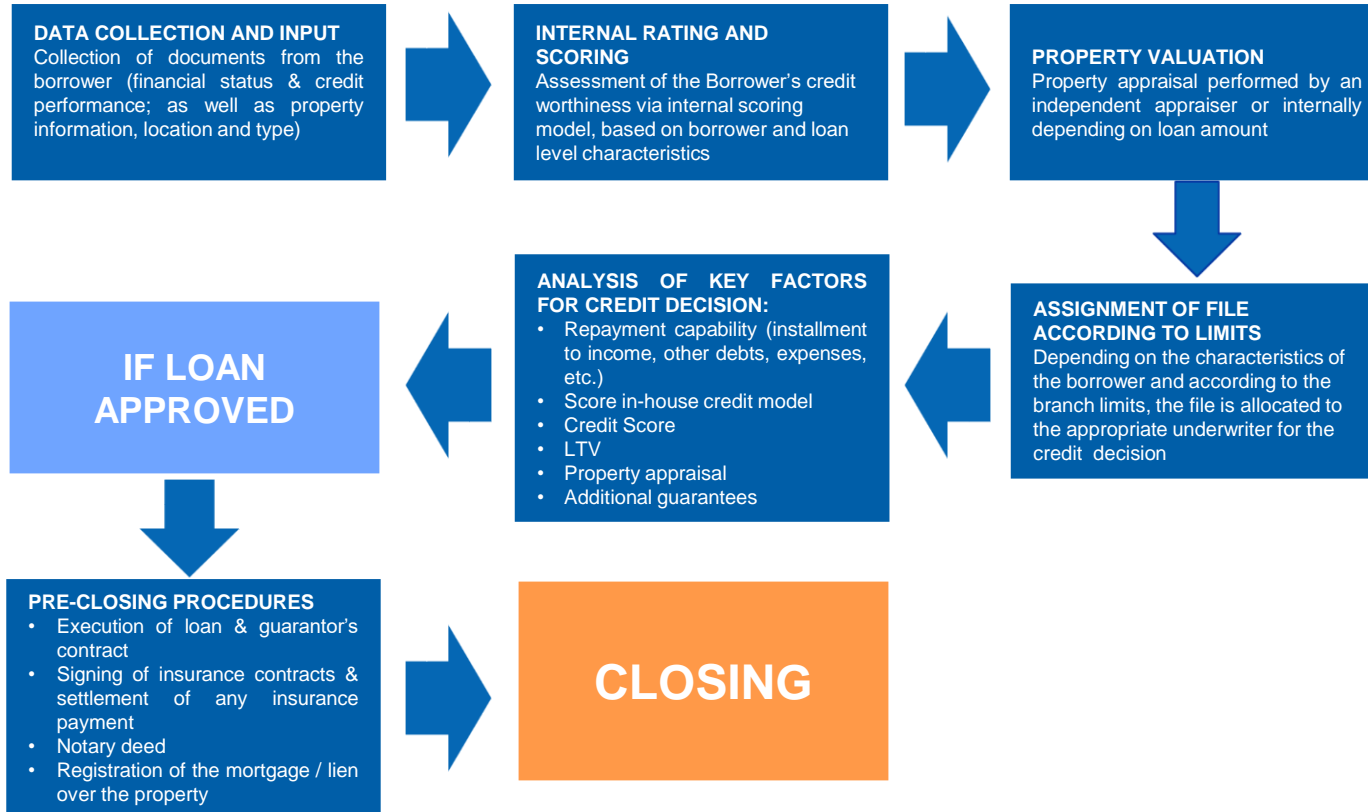
Property Valuation

- Full valuations are made for mortgage loans above €400k (which represent less than 8% of the total mortgage portfolio of BPAA). All valuations are subject to annual checks performed by Nomisma
- All evaluations of properties underlying loans above €400k are based on full property inspection

Servicing

- Volksbank performs all of the servicing activities of the mortgage loan portfolios subject to securitisation
- Collection strategies are in place to achieve the quickest and most effective recovery
- The majority of loans pay through direct debit, thus reducing delinquency (early detection of over due) and allowing for more proactive servicing of the loans

The Underwriting Procedure



The Origination and Underwriting Procedure

APPLICATION AND COLLECTION OF THE INFORMATION

Type of information

Examples

Applicant / Company Information

- Company Name, Company ID, Company Business Starting Date, legal form, accountancy type, sector, nr of employees, parent companies info, tax and insurances info, address, length of business relationship with the Bank, risk class, negative info (internal and external info)

Business & Qualitative Info

Accountancy Information

- Accountancy Type Data: Profit and Loss, Balance Sheet, Cash Flow Statement, Tax declaration (yearly updating)

Economic Group Information

- Economic Group Composition
- Economic Group Negative Information

Product Information

- Working Capital Loans (new and existing)
- Investment Loans (new and existing)

Collateral Information

- Current Account
- Collateral Type
- Collateral Coverage ratio



The Origination and Underwriting Procedure

- Centralized underwriting process: more than 90% of mortgages are underwritten at central services level. Approx. 66% of the branches network cannot approve loans above €50,000
- The authority to approve a mortgage loan mainly depends on the amount requested, the term of the loan and the valuation of automatic in-house valuation tools
- Use of in-house credit rating model used for borrower assessment as part of the underwriting criteria. Branches can only approve mortgage loans to obligor with an internal rating above “C” (=default probability equivalent to 8.5%)

Maximum Approval Power ('000) – total exposure

	Secured			Unsecured		
	Green	Yellow	Red	Green	Yellow	Red
Small size branch	80	36	24	24	18	12
Medium size branch	240	120	80	80	60	40
Large size branch	600			400		
Regional area	1,200			800		
Credit department	15,000			12,500		

Real Estate Valuation

Real Estate Valuation

- The real estate valuation method applied by BPAA is differentiated based on the loan originated amount and the real estate property type

	Criteria	Valuation Method
Group A	<ul style="list-style-type: none"> Residential property, land with value $\leq 50\%$ of the residential property, retail and small commercial properties and offices; and Original loan amount \leq Euro 400k 	<ul style="list-style-type: none"> Based on the property data provided by the branch (ie. construction year, location, status, etc.) and the Nomisma real estate index, the internal property data system computes a desktop appraisal of the property. Such system is compliant to the Basel II requirements The Internal Appraisal Department ("IAD") verifies the documentation provided, the validity of the legal title and the appraisal value within 2 working days Detailed real estate on site appraisals are carried out annually by IAD on a sample of properties selected by the Risk Management department External appraisals provided by the borrower can be accepted is provided by a qualified CTU (<i>Consulente Tecnico d'Ufficio</i>) and the property value \leq Euro 400k Indicative timing for the process is between 5 and 8 working days
Group B	<ul style="list-style-type: none"> Residential property or offices with original loan amount $>$ Euro 400k and commercial properties with limited size depending on the relevant cadastral category (ranging from 500sqm for retail properties; 750sqm for artisans' lab, garage, sport centers, etc.; 1,000sqm for warehouse and 2,500sqm large industrial and commercial buildings) 	<ul style="list-style-type: none"> REAG or other qualified external appraisers are appointed by the IAD and perform an onsite appraisal of the property Indicative timing for the process is between 10 and 15 working days
Group C	<ul style="list-style-type: none"> All remaining properties 	

Monitoring

- Each property value is updated on annual basis based on the updated Nomisma real estate index
- In case the annual average property value increases of more than 10% or an individual property value increases more than 25%, the Risk Management department may respectively contact Nomisma or request an onsite appraisal
- In case of loan with an origination amount $>$ Euro 3mln, an onsite appraisal is performed by IAD or external appraisers appointed by IAD every 3 years

Collection Process and Monitoring

Collection

- BPAA's internal system identifies the next payment date due on each loan and sends a written letter to each debtor, automatically if the payment method is different from direct debit, or upon request if the payment method is direct debit
- The collection payment process does not allow for any partial payment of any installment due

Payment Method

Direct Debit

Description

- Automatic direct debt on the borrower's account held at BPAA's branches

Process

- Installment is classified as expired and unpaid in case of more than 19 days of arrears from the installment date and due and unpaid in case of more than 24 days of arrears

Portfolio breakdown

99.2%

Cash

- Cash payment at BPAA's braches

- Installment is classified as unpaid in case of more than 15 days of arrears from the installment date

0.3%

SEPA Direct Debit ("SDD")

- Sent by BPAA to the borrower's relevant bank ahead of the installment date

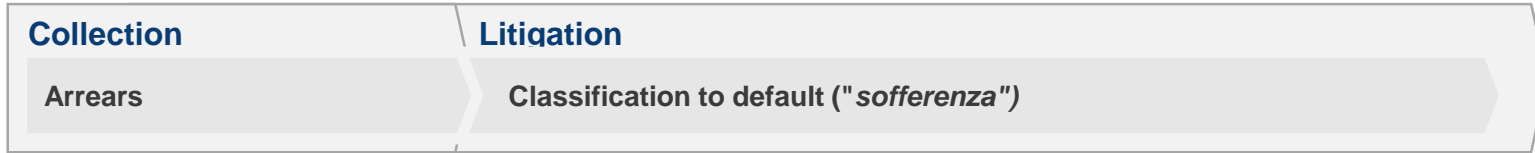
- Installment is classified as unpaid in case of more than 6 days of arrears from the installment date in case of negative answer from the relevant bank

0.5%

Monitoring

- Automatic revision of performing loans (<= 90 days of arrears) are carried out at least semi-annually if internally rated from A to AAA up to Euro 150k, from B to BBB up to Euro 100k and from C to CCC up to Euro 30k. Automatic revisions are approved by the Board of Directors
- Manual revisions of loans in arrears (> 90 days in arrears), performing loans without rating or not included in the limits mentioned above are carried out at least annually and approved by the relevant Credit Department

Overview of the Recovery Process



Management of unpaid installments

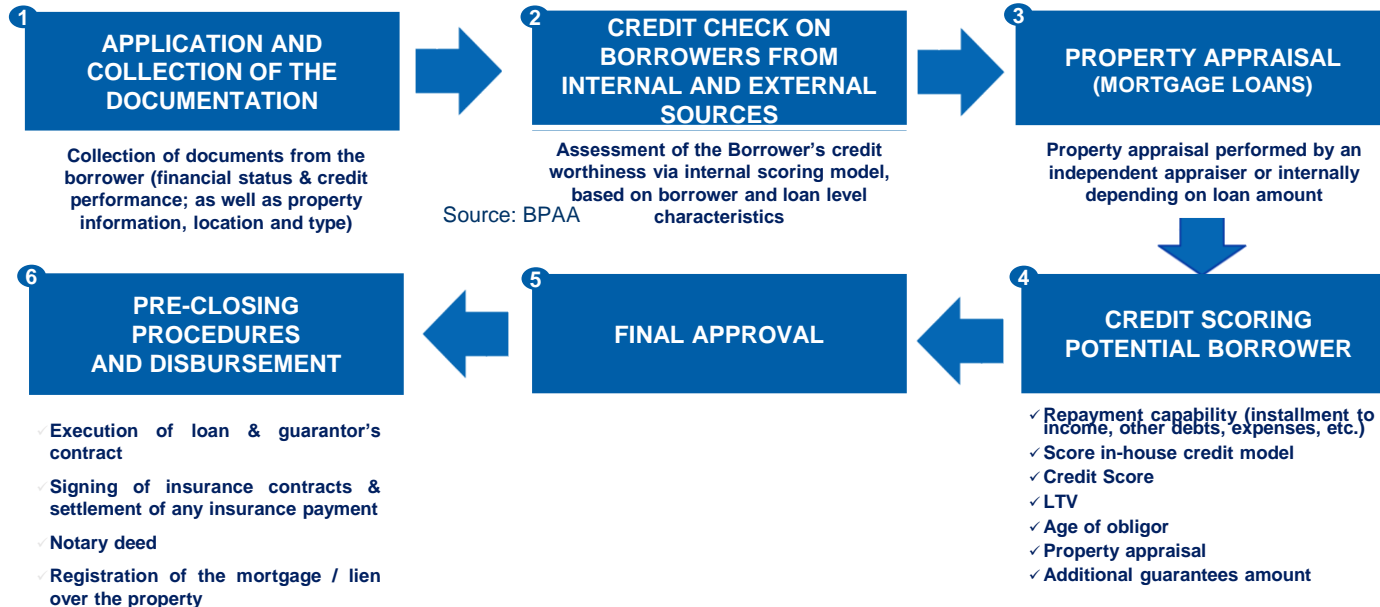
- After 30 days from the date the installment is due and unpaid, the borrower is contacted by BPAA's branches to analyse the financial situation and require the immediate payment of any outstanding amount
- Suspension of payments may be agreed by the Credit Control Department ("CCD") within 60 days from the date the installment is due and unpaid

Management of unpaid installments

- If the installment remains unpaid, the BPAA branch sends out a request for the loan to be classified as *sofferenza* to the CCD which (i) checks the completeness and status update of the information provided by the branch and the relevant docs and assesses the need for classification to *sofferenza* and (ii) discuss with the Legal Department and presents its proposal for decision to the Internal Credit Committee ("ICC") or to the Responsible of the CCD
- The ICC or the Responsible of the CCD define the expected loss and the interest rate to be applied to the loan based on the internal accounting policies
- The Legal Department receives the file and assigns it to an NPL manager, advising on the actions to be implemented
- The Legal Departments examines any judicial or extra-judicial agreement, assesses any proposal received from the branch and submits any decision to the ICC or any other relevant internal body
- Each 6 months, the Legal Departments prepares a list of proposed loans for write-off

The Origination and Underwriting Procedure

- The loan origination procedure begins at branch level with a preliminary analysis by the relevant BPAA employees who:
 - collect the data and relevant documentation
 - review and check the data and documentation provided by the proposed borrower in order to assess the relevant creditworthiness and capacity to repay the loan
- If the loan is secured by a mortgage, a first lien mortgage on the property is typically required as credit support of the loan. The mortgage amount is normally equal to 150% of the loan amount and a property appraisal valuation is always required
- Additional guarantees can also be required to further mitigate credit risk



4 Potential Transaction



Potential Transaction

Indicative Terms and Conditions	
Issuer	Banca Popolare dell'Alto Adige S.p.A.
Expected Issue Rating	[AA] by Fitch
Status	Covered
Amount	EUR 300 million
Maturity Type	Soft-bullet with a 12 months extension
Coupon	Fixed [•] %
Coupon Payments	Annual
Re-offer Spread	MS + [•] bps
Redemption Price	100% Nominal Amount
Day Count Fraction	Actual/Actual (ICMA) unadjusted
Documentation	tbd
Form of the Notes	Bearer
Governing Law	Italian Law
Listing	Luxembourg
Denominations	EUR 100K + 1K
Joint Lead Managers	Erste Group Bank AG, Societe Generale, UniCredit Bank

5

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